

ANNUAL REPORT – 2002/2003

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STRATEGIC VISION

Mission Statement:

1. Aim of the vote;

1.1 Vision:

To ensure that by the year 2020 KwaZulu-Natal will be a thriving, globally competitive economy that will house dynamic industrial and service sectors, with a world class tourism destination characterised by excellent service standards. There will be full employment, raising the quality of life and creating prosperity for all.

1.2 Mission:

To facilitate the creation of sustainable jobs through:

- Unlocking key investment projects,
- Strengthening investment and industrial promotion,
- Regenerating small town economies,
- The promotion of SMME's,
- Stimulating commercial activity,
- Consumer education,
- Prudent business licensing,
- Promoting tourism and industrial development.

1.3 Core Functions:

The core business of Department of Economic Development and Tourism relates to its desire to:

- Unlock key anchor investment projects such as the airports, ports, SDI's, Isibaya, etc,
- Develop an investment framework,
- Undertake a process of development planning,
- Promote SMME's,
- Promote internal trade,
- Promote rural economic development,
- Promote local economic development (especially in small towns),
- Effectively manage parastatals as instruments of delivery and economic co-ordination.

PART 1

INTRODUCTION

ANNUAL REPORT 2002 -2003

MINISTERIAL REPORT



*Mr Roger Burrows, MPP
Minister of Economic Development and Tourism*

During the past financial year the Ministry underwent a significant change when the Premier announced a Cabinet reshuffle at the end of November. Mr Michael Mabuyakhulu was replaced by Mr Roger Burrows as MEC on 29 November 2002.

The new Ministry has continued to strengthen relationships with stakeholders and partners and focused its activities on promoting business interests in the province. It has also been a priority of the Ministry to maintain a close reviewing of the strategic objectives of the department in order to ensure that the mandate of the legislature is met.

DEPARTMENTAL ACTIVITIES

The Department continued, during the year to undergo significant changes in both the nature and structure of its operations.

In particular the Department undertook a major analysis of its functions and activities and prepared, for the following financial year, to provide a more integrated and comprehensive structural plan of its operations.

It is clear that there have been successes in projects initiated under LED, RED and SMME schemes. This shows where sustainable jobs are created. However, it is also true that the Department has not focussed sufficiently on any critical analysis of each project as it progresses, nor done any evaluation in depth on finality. This has meant that, apart from any apocryphal evidence, the Department has not had a framework on which to base key financial and policy decisions. This is now being corrected.

The Ministry and Department continued to promote active and beneficial relationships with business organisations in KZN and with major industrial and retail companies. This has meant a close working contact between government and the private sector.

OVERSEAS FLIGHTS

Following an invitation to attend the Liege International Fair in Belgium in September 2002, Cabinet approved the attendance of the province, and the Department of Economic Development and Tourism was appointed the lead department for this provincial event. The experience was

instructive and much was learned. The department took a delegation of crafters to the exhibition whilst the ministerial delegation focussed their efforts on fostering international relations. The relationships garnered and the exposure gained for KwaZulu-Natal will have significant knock-on effects and the lessons learned in an exercise of this nature will be built upon for future knowledge.

DUBE TRADEPORT:

In April 2002, national Cabinet took a decision to relocate the Durban International Airport to the King Shaka International Airport at La Mercy and for the establishment of the Dube Trade Port by 2006. In terms of this decision, a Committee of Ministers, comprising Trade and Industry, Finance, Transport, Public Enterprises and the MEC for Economic Development & Tourism, who was tasked to oversee the details of the implementation framework, was formed. A technical task team comprising the Director-Generals and officials of the aforementioned departments was formed to support the implementation of the project.

McCluer/AECOM completed a pre-feasibility assessment in June 2002. The DEDT also established, through Ithala Development Finance Corporation, a special purpose vehicle, the Dube Trade Port (Pty) Ltd, as a mechanism through which the project will be managed and implemented. In February 2003, PriceWaterhouseCoopers were appointed as the financial transaction advisors, who will undertake the detailed feasibility, financial structuring and procuring of private sector investment. The key objective of this exercise is to achieve Treasury Approval One.

The project has now been registered as a public private partnership under Treasury Regulation 16(a) issued in terms of the Public Finance Management Act. The first phase of the project undertaking the financial feasibility is expected to be completed by September 2003 and will then be handed to national treasury for approval, in terms of which the project will demonstrate affordability and value for money. It is also expected that by October 2003 the project will move into the procurement phase to solicit private sector participation. This process is expected to be completed by the end of October 2003.

PUBLIC ENTITIES:

KWAZULU-NATAL PHILHARMONIC ORCHESTRA

The KwaZulu-Natal Philharmonic Orchestra is an association incorporated not for gain under section 21 of the Companies Act of 1973. During the year under review, the company received grants from the eThekweni Unicity Council, KwaZulu-Natal Provincial Government, and from the National Department of Arts, Culture Science and Technology.

The company has sound financial systems in place. The company continued to contribute substantially to the improvement of the quality of life of the diverse communities within the Province of KwaZulu-Natal by providing, through the medium of music, cultural entertainment, education and development.

SHARKS BOARD

The Board's safety record in sea-going operations remained at 100% whilst bathing remained open to the public for 98.3% of the year. This is due to the high standard of maintenance of equipment

and dedication of the staff. The Board's upliftment programme continued with the completion of the Bonke Dumisa base station at Margate. This provides its crews with spacious private single rooms with recreation areas and all facilities.

It is intended to repeat this at all stations. The station also contains a classroom and is the centre of its ABET (Adult Basic Education and Training) programmes for the lower south coast. A computer per station has been installed at all 11 base stations along the coastline and 107 students studied various levels of learner ships.

The new Sharks Bill has been drawn up and will be introduced to Cabinet and then on to the Portfolio Committee for processing by the Legislature.

KWAZULU-NATAL TOURISM AUTHORITY

During 2002/2003 Tourism KwaZulu-Natal made great strides toward the achievement of the goals and targets set in Tourism Strategy 2000- 2003. A strategic action plan was developed and implemented which saw a positive contribution to the attainment of the macro and micro goals outlined.

Some of the achievements include a relaunch of the Kingdom of the Zulu brand and launch of the merchandising programme; securing the arrival of charter flights; achieving institutional alignment, intensifying domestic marketing efforts and streamlining and re-focusing international marketing efforts. Some 8.4 million urban adult domestic tourists and approximately 616 000 foreign tourists came to our province and this had a positive impact on some 273 000 jobs in the province.

The KwaZulu-Natal Tourism Amendment Act of 2002 was finalised and a new Board appointed in terms of this legislation.

ITHALA

The Ithala Development Finance Corporation Limited (Ithala) is KwaZulu-Natal's sole development finance agency and strives to create sustainable economic growth in this Province.

Following a year of consolidation, the 2002/2003 financial year saw Ithala embark on a period of controlled growth, achieving a net income of R14, 8 million.

While successfully managing the fine balance between its own financial sustainability and the need to create a meaningful development impact in the Province, Ithala's net advances to clients increased by R17 million to R1 351,6 million (R, 3 billion), total assets increased by 4,8% to R2 595,5 million (almost R2, 6 billion), and capital investment - comprising projects and advances - amounted to R296, 2 million.

Importantly, Ithala's development impact in KwaZulu-Natal in 2002/2003 included the provision of assistance in the establishment of 557 new business enterprises in all sectors – including 227 in the

micro and small business sector, the facilitation of the creation of 4 967 new employment opportunities throughout the Province, the financing of 2 379 hectares of agricultural land, the provision of home loan finance to 3 317 home-owners, and the opening of 173 875 new savings accounts for, primarily, previously unbanked individuals in rural parts of KwaZulu-Natal.

Ithala, as this Province's development agency, is uniquely positioned to continue supporting the Government's development strategy and to act as its agent in performing development-related tasks and in managing Provincial mega-projects, including the Dube Trade Port initiative. Indeed, Ithala has proved it to be an organization of great potential and one, which has the ability to influence significant growth in KwaZulu-Natal.

Ithala's financial and development performance in the 2002/2003 financial year has provided the necessary platform from which it is able to initiate further growth strategies for the years ahead.

TRADE AND INVESTMENT KWAZULU-NATAL

Over the past year Trade and Investment KwaZulu-Natal has made a concerted effort to increase foreign direct investment into the province as well as encourage export trade activity. The value of investment projects facilitated by TIK into KwaZulu-Natal amount to R800 million, which created in excess of 1000 jobs and are in a variety of sectors including wood and furniture, clothing and textiles, minerals, petrochemicals, tourism, agro-processing, transport and logistics.

In the period under review, TIK was involved in a number of key projects that have huge export potential. Export training and development was another major project that took off in 2002.

The SMME Development Programme aimed to co-ordinate all activities pertaining to export training and readiness assessment. A number of international competitiveness programmes have already been earmarked for this purpose. Together with the SABS, a number of programmes (such as ISO 9000 compliance) will be conducted to include product quality, production efficiency, project finance and infrastructure in the next financial year. The project is being undertaken jointly with the Department of Economic Development and Tourism, Ntsika Enterprise Development Agency, eThekweni Municipality and Trade and Investment South Africa.

The Exporter Support Strategy was completed in 2002. The strategy looked at the development of a KwaZulu-Natal Exporter Database, assessing the strengths and needs of current and emerging exporters in KwaZulu-Natal and developing a targeted programme within the organization to provide support services to current and potential exporters in KwaZulu-Natal. The strategy also identified export destinations, areas of export activity, sectors and their strengths as well as education and training needs for current and emerging exporters.

One of TIK's objectives has been the promotion of black economic empowerment. Over the last 12 months a comprehensive database of black economic empowerment companies was established with the aim of assisting with matchmaking between small and medium-sized and between foreign and local companies.

In addition to the Tourism Amendment Act, which was passed by the Legislature, work was started on a KwaZulu-Natal Liquor Licencing Bill. It is expected that this process will be finalised and the Bill presented to the legislature in the current financial year. It is anticipated that this Bill will have significant stakeholder input and, together with the new national Liquor legislation, the functioning and administration of liquor matters will be fundamentally altered in the province.

The Ministry also commenced work on the draft KZN Consumer Protection Bill that is aimed at providing a legislative framework for the activities of the Department in this area.

Work on the Business Rehabilitation Trust Fund Amendment Bill was also begun with one of the objectives being to include Ithala Development Finance Corporation Limited in the definition of financial institutions, as well as bringing the Trust Fund into line with Public Finance Management Act, 1999 requirements, and to correct faults revealed in the previous year's Auditor-General's Report. This piece of legislation will be finalised during the current financial year.

The department is well placed to drive the growth of the KwaZulu-Natal economy and to create the necessary infrastructures and support systems, which will bring about much, needed jobs. The strategic vision and commitment of my department is one of a dynamic, globally competitive economy with KwaZulu-Natal being the chosen destination of investors and tourists.

The monitoring and analysis of each of the Department's many varied activities has to be the focus of the coming year. In this connection the recurring problems of long delays in handling liquor licence applications must be finalised. Also the poor response from mainstream banks regarding financial assistance under the Business Rehabilitation Trust Fund has to be corrected. Despite the provincial government's best attempts, success has not yet been achieved.

The vision of the Department encompasses both major policy initiatives at provincial level as well as specific intervention at local and community level. The task in the coming year is to balance both so that the business people in the province know that we are assisting them to our maximum and that people at local level are helped in all their economic endeavours.

I am confident that we are well set on this road.

A handwritten signature in black ink, appearing to read 'Roger Burrows', written in a cursive style.

MR ROGER BURROWS, MPP

Minister of Economic Development and Tourism (22 August 2003)

PART 2

DEPARTMENTAL PERFORMANCE



*Mr Mel Clark
Head of Department*

2.1 *Financial Overview*

VOTED FUNDS

Total amount appropriated by Vote

R 173,910,000

Responsible Minister

Mr Roger Burrows, MPP

Accounting Officer

Mr Mel Christopher Clark

Budget Allocation and under/over spending

Under/over spending

The Department was allocated a total amount of R173 m (R153 m: 2002), and R9, 7 m (R24 m: 2002) of savings realised.

19% of the savings arise from Personnel savings and 60% from Professional and Special services. This savings can be ascribed mainly to the following reasons:

- The Department experienced significant problems due to delays in finalising the organisational structure and in evaluating and filling the approved posts.
- The lack of human resource capacity impacted on the speed of delivery, as indicated in the under-spend on professional and special services, as these services (mostly specialist project related services) could only be effectively managed by Departmental personnel.
- Some of the projects of the Department could not be implemented before year-end due to a non-response to tenders by appropriate service providers, hence requiring a re-advertisement of the tenders.
- In other projects, responsibility managers had under-estimated the length of time required to actually implement the projects, resulting in the projects not being completed before year-end.

Out of the savings realised during the year, the Department has applied for a rollover of funds amounting to R7, 4 m. These funds will be utilised for the implementation of the projects, which were underway during the period under review but delayed due to the reasons highlighted above.

Actions taken or planned to avoid recurrence

With the assistance of the Province's Internal Audit Unit, the Department has begun the process of developing and establishing a Project Support Office, which will facilitate more effective and efficient planning and monitoring of project development and implementation, especially as regards project expenditure.

Programmes	2000/01 R'000	2001/02 R'000	2002/03 R'000
Programme 1 - Administration	14,347	21,793	27,053
Programme 2 – Integrated Planning	6,330	9,698	31,888
Programme 3 - Internal Trade and Business Regulation	7,865	15,088	17,488
Programme 4 – Auxiliary Services	83,961	85,207	87,691
TOTAL	115,518	131,266	164,120

This amounts to the Department having amore effective “early warning system” with regard to problems in timeous service delivery, and will facilitate a more rapid response to such problems by senior management.

With regard to personnel vacancies, the organogram for the organisation has now been completed and the Department is in the process of filling the vacancies. Contingency measures have however been put in place in the form of plans to procure specific project management support so that any delay in the filling of vacancies does not lead to corresponding delays in service delivery.

2.1. EXPENDITURE TRENDS

Programmes	2001/02 % change	2002/03 % change
Programme 1 – Administration	52%	24%
Programme 2 – Integrated Planning	53%	229%
Programme 3 - Internal Trade and Business Regulation	92%	16%
Programme 4 – Auxiliary Services	1%	3%
TOTAL	14%	25%

PROGRAMME ONE: Administration

The expenditure trend of this programme shows an increase over the period 2000/01 to 2002/03, as illustrated in the tables in section 2.1 above. This increase can mainly be ascribed to the need to increase capacity within the finance section, to meet the challenges of the Public Finance Management Act (PFMA). The support structure to the Accounting Officer has been strengthened

by way of the creation of the post and office of the Chief Financial Officer as required by the PFMA.

The devolution of the budget for rental of office accommodation by the Department of Works, as well as the devolution of funds by the Provincial Treasury relating to audit fees, has also contributed to the increase in spending in this programme.

The move toward an administration, which is efficient and up to date in its ability to communicate and disseminate information, has seen increased spending on IT infrastructure and communication aids. The increased bandwidth required by the modern computer equipment and digital telephony has also resulted in an increased spend on transmission of digital and voice data. This programme has carried the cost of these initiatives.

In addition, the Human Resource Management component has steadily moved away from merely processing monthly salaries and has had to increase spending to cater for policy developments. The legislative changes include the Skills Development Act, and amendments to the Public Service Regulations. These amendments call for an Employment Equity plan, Skills Development Plan, Job Evaluation and Human Resource Systems and Policies. This has seen the need to increase personnel costs of suitably skilled personnel to develop these plans.

PROGRAMME TWO: *Integrated Planning and Economic Development*

Expenditure increases within this programme during the years 2000/01 to 2002/03 were as a result of an expanded set of initiatives undertaken by the programme. The new areas covered included Township Regeneration interventions and the formulation of a framework regarding Local Economic Development Strategy for the Province. These funds were initially allocated to the Local Economic Development directorate in the 2001/2002 financial year, however due to complications arising out of the Local Government elections which were held during that particular year, the additional funds remained unspent as at the year end.

A motivation for a roll-over of funds was approved by the Provincial Legislature and was granted as additional funding for the subsequent financial year. These funds were then spent in the 2002/2003 financial year. Although it would appear that there was a downward trend in budget allocation and, therefore spending, from the 2000/01 to 2001/02 financial years, this was not the case as can be seen from the subsequent sharp rise in spending from the 2001/02 to 2002/03 financial years.

The Rural Economic Development component was granted significantly higher funding levels. The aim being the stimulating of rural economies, by means of the piloting and packaging of small-scale farming operations.

The Special Projects component falls within this programme. The increase in budget allocation is in line with the progress and funding requirements of the Dube Trade Port initiative championed by the department. The 2002/03 financial year saw the approval by the National Cabinet for the re-location of the Durban International Airport to La Mercy floating of the Dube Tradeport Company, which accounts for the sharp rise in the expenditure in this year. This expenditure was utilised to start the operations of the company and fund the process of securing National Treasury approval of the Public Private Partnership (PPP) agreement applicable to the operation.

PROGRAMME THREE: SMME Development and Internal Trade

Expenditure within the programme has increased consistently over the 2001/02 to 2002/03 periods. The significant increase in expenditure occurred between the 2000/01 and 2001/02 financial years. The increase in expenditure largely occurred in personnel cost and professional and special services. The Small, Micro and Medium Sized Enterprise (SMME) directorate was granted more funding to expand its successful interventions in the SMME sector.

Effective interventions were made in the leather, footwear, aluminium and furniture manufacturing sectors. This resulted in the need to expand the staff establishment in this directorate and in addition, consulting resource was contracted to assist with the packaging of business opportunities in the above-mentioned sectors.

In addition to the above, the 2001/02 financial year saw the operationalising of the Business Rehabilitation Trust Fund Act. This Fund was designed to assist entrepreneurs re-establish their businesses which were lost as a result of violence during the political unrest which was prevalent during the previous regime. Increased expenditure resulted in the activities undertaken in terms of the Fund's mandate.

PROGRAMME FOUR: Auxiliary Services

Auxiliary Services houses the activities and mandates of the Schedule 3 Public Entities in the stable of the Department of Economic Development and Tourism. Expenditure trends, although appearing to be uniform in marginal upward trend for the period covered in the table above, require further analysis as significant developments occurred which, taken in isolation, would show a different trend.

The table below shows the expenditure incurred on each of the department's public entities.

Name of Entity	2000-2001	2001-2002	2002-2003
R000	Actual	Actual	Actual
Ithala	29,000	24,843	18,000
KZN Marketing Initiative	1,500		
KZN Philharmonic Orchestra	5,000	4,000	4,000
KZN Tourism Authority	19,766	27,650	34,000
KZN Transport	12,200	2,700	
Natal Sharks Board	14,762	15,794	16,882
Regional Economic Council	1,700		
SA Lifesaving	33	33	
Trade & Investment KwaZulu-Natal		8,500	14,671
Total	83,961	83,520	87,553

The trend analysis in respect of each public entity is as follows:

Ithala Development Finance Corporation – 2000/01 saw the decision to move to project specific funding instead of the further purchase of non-specific share capital. This served to enhance the accountability of the entity to the department in terms of the specific interventions required by the department. The decision was taken to also decrease the level of funding made available to the entity as the deposit taking activities were showing profits, which could be invested back into the communities where Ithala operates. The entity has also made plans to ring-fence its deposit taking activities.

KZN Marketing Initiative (KMI), Regional Economic Council (REC) and Trade and Investment KwaZulu-Natal (TIKZN) – A policy decision was made regarding the functioning of KMI and REC. These two entities were wound up and a new entity named Trade and Investment KwaZulu-Natal was created. The funding for KMI and REC was discontinued at the end the 2000/01 financial year. TIKZN began operations in the middle of the next financial year and the subsequent year has seen an incremental increase in the levels of funding.

KwaZulu Transport – This entity was liquidated in the 2001/02 financial year and the funding ceased in the same year.

KwaZulu-Natal Tourism Authority – Due to the success achieved by this public entity, a significant increase in funding was granted. The expenditure was used to further promote the Province of KwaZulu-Natal as a preferred tourism destination. In 2003/04, an additional R10 million has been provided to fund the KwaZulu-Natal aviation and charter strategy for tourism promotion.

2.2 . PROGRAMME REVIEW:

2.2.1 Aim of the Vote

The legislative mandate of the Department of Economic Development and Tourism arises from the Constitution of South Africa, specifically section 125, which addresses the executive authority of provinces, as well as Schedules 4 and 5 of the Constitution. Schedule 4 sets out the “*Functional Areas of Concurrent National and Provincial Legislative Competence*” and specifically includes:

1. Consumer Protection
2. Industrial Promotion
3. Provincial Public enterprises
4. Regional planning and development
5. Tourism
6. Trade
7. Urban and rural development.

Schedule 5 sets the “*Functional Areas of Exclusive Provincial Legislative Competence*” and specifically includes:

1. Liquor licenses and,
2. Provincial planning.

It is primarily from these sections of the National Constitution that the Department has been able to fully articulate its mandate:

- a) Contribute to the formulation of economic policy development and articulate the economic development strategy for KZN;
- b) Develop tourism as a key sector of the economy;
- c) Facilitate the increase in trade between the province and other economic regions;
- d) Promote fixed investment into the province;
- e) Promote economic development through the championing of public-private-partnerships;
- f) Promote and facilitate economic empowerment programmes;
- g) Promote SMME development;
- h) Provide an effective and efficient consumer protection service;
- i) Ensure effective and prudent business regulation in the province.

2.2.2 Key Programmes and Achievements

In setting its policy objectives, outputs and targets, the Department has identified its role as the key facilitator in unlocking both public and private investment into the economy of the province. There are many challenges and risks, which go with this role, which have to be identified and mitigated as the Department begins implementing its plans. During the year under review, the Department has made meaningful attempts to address these challenges. The successes of these attempts are reflected in this brief summary of our key programmes and achievements for the 2002/2003 financial year.

Programme Two, namely Integrated Planning and Economic Development, comprised three directorates that are Local Economic Development, Rural Economic Development and Special Projects. This Programme was allocated R23, 4 million for the 2002/2003 financial year.

As regards rural economic development, last year we set ourselves the target of identifying and packaging four agri-business opportunities. We are able to report that we went beyond this target by:

- firstly, completing six market studies,
- secondly, developing 15 business plans for the establishment of viable enterprises, based on the market studies, and
- facilitating the implementation of five agri-business Black Economic Empowerment pilots. These projects are already on the ground and consist of a cut flowers hub, a groundnuts production project, an organic vegetables production project, a honey production project and an open pan sugar mill.

As regards our local economic development programme, we have this year completed 12 economic regeneration studies in small towns across the province, through which 53 job creating economic projects have been identified. As regards our LED project targets, we had last year set the target of packaging 45 projects and completing 20-project business plans. Against these targets we have in fact packaged 68 projects and completed 33 project business plans. Full funding of these 33 projects from national agencies and other finance sources was also leveraged. All 33 projects are now being implemented on the ground.

As regards Special Projects, the Dube Trade Port (Pty) Ltd was established in October 2002.

Resolutions from national & provincial cabinets regarding the implementation of the Dube Trade Port (April 2002) and a finalised master plan and pre-feasibility analysis were attained.

Financial transaction advisors were appointed to undertake a detailed feasibility and attainment of Treasury Approval I.

Various research projects were undertaken to look at how we can apply the SA Trade Strategy and incentive policy to the benefit of KZN IDZ's; look at current IDZ's in SA and assess their successes/failures in facilitating business; industry sector analysis of potential time critical manufacturing concerns that can take advantage of the Dube Trade Port.

Programme Three, SMME Development and Internal Trade, was allocated R22, 4 million for the 2002/2003 financial year.

Enterprise development projects were successfully implemented in the furniture, footwear, aluminium, arts and crafts, pottery and entertainment sectors, and in every one of these projects, Black Economic Empowerment remained the guiding principle and objective and in this regard notable successes were recorded.

The Business Rehabilitation Trust Fund has, by all accounts, not delivered on expectations. Although in this last year, 230 trade credit guarantees and 33 business loans were issued to beneficiaries; the Fund has not led to the creation of the number of new enterprises and jobs that we expected. At the heart of the problem is the risk analysis of private financial institutions and the uncompetitive costs of administration that the banks claim this segment of the market imposes on them. The Business Rehabilitation Trust Fund Amendment Bill is due to be tabled in the House very soon and which hopes to address some of these problems.

The Liquor Licensing Administration, which supports the Liquor Board, has performed reasonably over the last year, but it is disappointing that there is still some backlog of liquor license applications. With the assistance of a consultant, we have now developed a licence processing and management frameworks that will shortly have all the backlogs removed and make the processes more streamlined and efficient.

A KwaZulu-Natal Liquor Bill will be tabled before the House shortly. It is envisaged that this Bill will address many pertinent aspects of liquor trade in the Province. Wide public input to the process will be sought.

A significant matter to report that occurred after year-end relates to an investigation into allegations of possible mal-administration, corruption and fraud in Liquor Administration. The outcome of the investigation was not available at the time of writing this report.

Programme Four related to Transfer Payments and Auxiliary Services:

Kwa-Zulu Natal Tourism Authority

The passing of amendments to the KwaZulu-Natal Tourism Authority Act at the end of last year set in place a firm and clear cooperative governance framework for provincial and local government for tourism policy development.

Highlights of the Authority include winning the bid for hosting the annual Tourism Indaba from 2004 to 2006. Re-launching the Zulu Kingdom Brand and securing the arrival of charter flights has paved the way for attracting foreign charter flights directly to KwaZulu-Natal. Implementation of the Provincial Tourism Development Strategy has commenced with on-the-ground work begun on the King Shaka Cultural Tourism Route, Tongathi River mouth holiday resort and the Zulu Heritage and Cultural trail.

In addition the Tourism Authority has continued to manage a number of poverty relief projects as a result of funds accessed from the National Department of Environmental Affairs and Tourism. The allocation from this fund for the current year amounted to more than R16 million.

Macro tourism targets that had been set for the Province to achieve by 2003 have been comfortably met with an estimated 8.9 million domestic tourists visiting the province over the 2002 period, while 506 000 foreign air arrival tourists had visited this province by the beginning of 2003.

Ithala Development Finance Corporation

The regularisation of Ithala Corporation's deposit taking activities, which are currently conducted through a wholly owned subsidiary, Ithala Limited, in terms of an exemption from the provisions of the Banks Act, continues to be a major strategic objective.

Ithala Corporation recognises the need to give effect to outreach and during the 2002 financial year, was successful in assisting in the creation of 4 511 new jobs, whilst financially assisting 1 033 enterprises. During the same period of review, Ithala Limited opened 162 223 new home loan accounts, whilst assisting 2 745 home owners.

Trade and Investment KwaZulu-Natal

Trade and Investment KwaZulu-Natal (TIK) received R14, 6 million from Provincial Government last year.

Over the past year, TIK has made a concerted effort to increase foreign direct investment into the province as well as encourage export trade activity. The value of investments into KwaZulu-Natal amount to R2, 2 billion created, and in excess of 1 000 jobs. TIK's facilitation of The Investment Protocol and the commissioning of regional and sectoral study will contribute significantly to local and foreign investment

TIK has facilitated investment projects to the value of R800 million, while completed investment developments include a R40 million-textile development in Pietermaritzburg that will create 300 jobs. The Durban Spinning Yarn Co. has employed 55 people and brought in R30 million from Malaysian investors. A textile plant in Madadeni has created 200 jobs in a R6 million investment.

Natal Sharks Board

The core objective of the Natal Sharks Board is to provide safe bathing through the continued maintenance of 29425m of anti shark netting off 38 beaches on 60 bathing areas along the

KwaZulu-Natal coastline. This service cost the Province over R16, 8 million last year. Bathing remained open for 99,3 % of the year and was therefore closed for only 0,7%.

KwaZulu-Natal Philharmonic Orchestra

As in previous years, the KZN Philharmonic has visited rural and remote areas of the province twice this year as part of its regional and rural KwaZulu-Natal outreach programme. The Orchestra spent a few days with the identified communities, visiting local schools, coaching choirs and rehearsing with local performers.

The Orchestra has provided performance opportunities for hundreds of musicians through the KZN Chorale. It conducted workshops for choral conductors through the National Youth Creative Arts Festival, the annual KZNPO Youth Concerto Festival, which features the nucleus of this country's most promising young talent. It has also encouraged visiting soloists and conductors to spend their free time engaging themselves in Master Classes for students and pupils of the region. This has given our budding singers opportunities to hear and work with some of the world's finest singers.

2.2.3 Strategic Overview and Key Policy Developments

The strategy adopted in this financial year, in order to achieve the most critical impact in promoting accelerated economic development and empowerment, was to prioritise projects as follows:

- (a) With regard to Rural Economic Development the emphasis was on Agri-industrial market intelligence, thereby creating trade opportunities and investment strategies to open new opportunities for beneficiation of agricultural products.
- (b) With regard to tourism development the emphasis was on community based tourism development, Black Economic Empowerment, and the development of a tourism master plan and tourism investment.
- (c) Various strategies were implemented to ensure a significant increase in the level of black economic empowerment achieved through procurement, ownership and management of large-scale investment and development projects.
- (d) Enhancement of the logistic and supply chain, mainly through the development of the Dube Tradeport and initiatives to enter the global supply chain.
- (e) Emphasis was placed on the promotion of fixed investment and trade, by attracting a higher level of investment into the targeted areas. (Automotive, Metal, Aluminium, Clothing/Textile and others)

PROGRAMME ONE: Administration

Aim

To conduct overall management of the department activities.

Policy Development

The Administration Programme consists of the following sub-programmes:

- (i) Ministry
- (ii) Finance and General Administration
- (iii) Human Resource Management
- (iv) Communication and Information Management.

Outputs and Service Delivery Trends

Efficient and up-to-date administration.

Improved communication and information management.

Setting-up of appropriate IT infrastructure,

Developing various Human Resource policies, including Employment Equity plan, Skills Development Plan, Job Evaluation, Human Resource Systems and Policies.

Sub-Programme: *Communications and Information Management*

Aim:

This sub-programme is divided into two divisions – namely Communications and Publicity and Information Services. As part of programme one, Communications and Information Management unit provides communication and IT support to the entire Department and the Ministry. During the year under review it extended its operations by facilitating the promotion of co-operation between the Department and its five public entities. However, delays in filling in vacant posts, had a bearing on the overall performance of this sub-programme, although hard work by current staff members contributed towards the reduction of gaps in terms of service delivery.

Objectives:

A set of objectives serves as a guide to the overall operational plan of this sub-programme as highlighted below. These objectives are also influenced by the needs of the unit's main customers, the core-business divisions that have to meet their target and hence to assist in this regard this sub-programme has to 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 popularization of the department's image and activities (Promotions & Marketing),
- Facilitation of co-operation between DEDT 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 the entire department,
- Development and maintenance of the DEDT's 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, DEDT's Strat Plan and other legislations,
- Facilitation of IT training to improve staff effective use of IT assets,
- 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 periodicals supplies.

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

TABLE: Service Delivery Report 2002/2003				
OUTPUT	PERFORMANCE INDICATOR	TARGET	ACTUAL PRODUCT/SERVICE	COMMENTS
Communication & Publicity				
Corporate Newsletter – DEDT News	Informed staff about corporate issues.	12 editions of 150 copies a month.	Only 6 editions were printed.	Delays in appointing staff-writers.
Corporate Magazine – IBAMBENI	Public awareness about DEDT projects.	4 edition of 5 000 copies a qaurter.	2 editions were produced.	Staff shortage to generate stories.
Generic brochures	Level of awareness & specialised enquiries.	1 edition of generic brochure in June.	1 specialised brochure for LED – taken to Belgium.	Only LED supplied material for printing.
Radio Talks Shows	Listener participation & responses to programs.	48 talk show slots of 30 minutes on Mondays.	45 talk shows were broadcast.	The three officials couldn't make it to the studio.
Annual Report	Comments by MPPs and public.	1 edition of 500 copies printed in August.	1 edition of 500copies generated in time.	Content material supplied in time.
Budget Speech & Function	Debate generated by content & public comments.	Event planned for March 2003.	Function a success – but took place in April.	Changes in parliamentary schedules.
Updating Website	Nature of information & access to the site.	Expected updated site by June 2002.	Upgraded site released by November 2002.	Collecting & compiling data took time.
Placing Adverts	Public response to advertised materials.	Advertorials on 12 key business publications.	Adverts were placed on 14 publications & 2 radio stations.	Growing need to showcase DEDT in all media.
Corporate Video	Utilisation of video by units & awareness.	1 corporate video to be produced.	1 corporate video cut by Mazidlekhyaya.	Edited material taken to Belgium.

Promotional Calendars	Public appreciation & association with DEDT	10 000 calendars to be printed by November 2002.	10 000 calendars published in December 2002.	Printers delayed deliveries – affecting distribution.
Communicators Forum	Level of co-operation with public entities.	Have forum formed by April 2002.	Forum formed in May – started working together.	Joint media briefings late in the year – collective branding delayed.
Media Sessions	Generated stories about department service delivery.	4 quarterly media briefings planned.	4 briefings were held – 2 for DEDT & 2 with public entities.	Initial plans were slightly changed for 2 joint media briefings.
Road Shows	Level of public attendance & interaction with DEDT.	8 shows organised for later in the year.	3 shows took place in Harding, Estcourt & Greytown.	Change in DEDT's political leadership affected plan.
Exhibitions	Interactive publicity to showcase DEDT services.	Twenty-five exhibitions were planned for the year under review.	Thirteen were staged with one in Midrand and another one in Belgium	More and more people became aware about the activities of DEDT
Skills Training	Staff performance & improved service delivery.	Six training courses were planned for 2002	One course on PFMA, computer literacy and also the DTP courses were attended	Since the merging of the IT and Comm. And Publicity Unit, it is envisaged that there will be more opportunities for training as some of the responsibilities are shared.
Photographic Material	Wider choice of economic pictures.	Coverage of all official events of the DEDT and other relevant pictures for use in publications and displays.	All official functions of the DEDT were covered and more pictures relevant to the activities of the DEDT were taken	With the purchase of the digital camera, there were a lot of savings that were made and also the filing of the photos was made easy.
Batho Pele Week	Level of information generated for Public Service Week.	1 week long information campaign planned.	1 week long effort carried out – posters generated.	Co-operation with other business units during the campaign happened.
Business Cards	High level contact with business partners.	We had planed for all managers	We managed to make cards for the managers who were with DEDT and those who were appointed later during the year	Increase in numbers of staff wanting business cards and need for reprints.
Promotional Material	Public awareness & improved corporate image of DEDT.	Promotional material was distributed in all DEDT functions	Material was distributed as planned with a few problems	Some service providers could not meet deadlines and this caused delays in the distribution of other promo-material
Staff Function	Improved staff relations.	4 quarterly functions planned.	4 events took place, though three were media briefings.	No budget for media briefings & staff budget was diverted.

Internal Decors	Attractive corporate image.	Have corporate signage on 2 floors.	Only 14 th floor had signage done.	Planned redesign of office space delayed 1 st project for 1 st floor.
	Information Services			
OUTPUT	PERFORMANCE INDICATOR	TARGET	ACTUAL PRODUCT/SERVICE	COMMENTS
DEDT Electronic Databases				
SMME Database	Well-updated databases and availability of accurate information.		90 additional SMME's were registered to the database.	
KZN Rehabilitation Database			76 Additional applicants were added to the Database	
IT Assets Database		On request by the Directorates	19 personal computers and 27 printers were installed to the network.	Decentralized IT procurement
Telephone Management System	Provide detailed information of all calls made by staff members.	System to be installed in September 2002	The system started to function in November 2002	Delay in installing the buffer.
Facilitation and management of PC and network support				
Maintenance of the servers	Decrease in the number of downtimes	Have a disruption free network	10 server downtimes	The downtimes were experience due to datalines and server settings
Maintenance of the IT Help Desk	Number of calls received and resolved within agreed time.	Attendance of all complaints forwarded to Help Desk	All IT Complaints were resolved	Developing an electronic personal computer management system.
IT Audit	Reflected number of software & licenses the department owns.	To be conducted once a year	An IT Audit was conducted in October 2002	
IT Health Assessment	Provide information with regard to IT security of routers, server and switches.	A secure IT environment and maintaining standards set by NIA.	IT Health Assessment was conducted in November 2002.	Report showed risk areas to be addressed.

Development of Department's One Stop Information Centre				
DEDT Resource Centre	Developing a newspaper Desk	Subscribe to national & provincial newspapers. Provision of specific materials requested by Line Divisions	5 Newspapers Subscriptions were made available to staff members.	Office space and lack of electronic system to store material acquired was a problem.
Facilitation of IT Training				
Facilitation of IT courses	To improve service delivery by acquiring IT skills.	Facilitation of DTP course.	Two staff members attended a workshop on IT Security Policies and 1 staff member attended DTP course	An increase in performance by staff members who underwent the mentioned courses.

PROGRAMME TWO: *Integrated Planning and Economic Development*

Aim:

The strategic objectives of the Programme (IP&ED) as entailed in the department's strategic plan are:

- Promotion of local economic development in small towns
- Promotion of rural economic development
- Facilitating investment of key anchor projects in the province and strategic management of policy pertaining to tourism, investment and trade & industry
- Developing linkages with the new economy programme

Policy Development

The IP&ED Programme consists of the three following sub-programmes:

- (i) Local Economic Development (LED)
- (ii) Agri-Business,
- (iii) Special Projects

Sub-Programme: Local Economic Development (LED)

Aim:

To assist small towns (non-metropolitan areas) of KwaZulu-Natal in identifying economic opportunities for investment and job creation. The main elements of the LED's activities are:

- Advising municipalities on and facilitating the undertaking of economic regeneration and local economic development studies; and
- Facilitating and monitoring the implementation of prioritized LED projects.

General Overview

- (1) Local Economic Regeneration (LED) studies in KZN province,
- (2) Economic Rejuvenation of small towns in KZN province,
- (3) Leveraging LED project implementation funding ,
- (4) Implementation of LED Projects,
- (5) Spatial Economic Frameworks for the KZN District Councils.

The LED Programme is guided and implemented within the framework of co-operative governance and mutual intergovernmental relations. There is thus a general recognition and acknowledgement by the local government sphere of the specialist advice and/or role that the Department plays at this level. In most cases, the role of DEDT has been very instrumental in terms of influencing funding decisions to the benefit of the local government sphere – with the result being the successful leveraging of resources for the implementation, not only of big investment type projects, but also developmental grassroots initiatives.

An impressive level of co-operation and mutual understanding between DEDT and other provincial and national departments (DOL, DOA, DPLG, DTI, DLA, etc.) has been established. The key levers of co-operation are found in the regeneration studies, project funding and implementation stages.

Moreover, DEDT through its LED Programme has widened its scope of interaction and institutional partnership with other development agencies like IDC, DBSA, European Commission, mineworkers, development agencies, chambers of commerce and industry, and as well as farmers associations.

Table A: Service Delivery Measures

Outputs	Output Indicator	Actual Performance against target	
		Target	Actual
Economic Regeneration of Small Towns	<p><u>Quantity Measures:</u></p> <ul style="list-style-type: none"> Number of LED studies completed were at Newcastle/Osizweni, Nongoma, Eziqoleni, Umuziwabantu, Greater Kokstad, Cederville, Matatiele & Ingwe) Number of LED opportunities/projects identified 	5 LED studies	8 LED studies
	<p><u>Quality Measures:</u></p> <ul style="list-style-type: none"> Partnership support and other implementation arrangements (IDC, DBSA, IDT, NDA, ARC, Chambers of Business, Labour, Farmers Assoc., municipalities, etc) Proportion of committed institutions. 	<p>25 projects</p> <p>Number of partnerships formed</p> <p>Number of commitments</p>	<p>75 Potential opportunities identified.</p> <p>9 informal partnerships (x9 Local Municipalities)</p>
Leveraging Funding/Finance	<p><u>Quantity Measures:</u></p> <ul style="list-style-type: none"> Number of Business Plans submitted to various agencies Number of Pre-feasibilities reports submitted to TIKZN and other potential investors Number of Business Plans approved for funding Amount of funding leveraged for implementation of LED projects <p><u>Quality Measures</u> Proportion of Pre-feasibilities with interested investors</p>	<p>15 Business Plans</p> <p>3 Pre-feasibilities</p> <p>15 Business Plans</p> <p>R13 million</p> <p>Amount of (FDI) investment secured</p>	<p>19 Business Plans</p> <p>2 complete (Kilbarchan/Darnacol) 4 Pre-feasibility (still awaits approval of funding rollovers)</p> <p>19 Business Plans</p> <p>R18 million</p> <p>None at this stage</p>

Outputs	Output Indicator	Actual Performance against target	
		Target	Actual
LED projects Implementation	<u>Quantity Measures:</u> <ul style="list-style-type: none"> Number of LED projects packaged and implemented Value of LED projects implemented Total number of jobs / entrepreneurs created 	15 projects R13 million 140 jobs 14 enterprises (Trust, Co-ops, Sect. 21Co, Cc, etc.).	19 projects R18 million Estimated at 152 (19 projects x 8 jobs each on average)
	<u>Quality Measures:</u> <ul style="list-style-type: none"> Proportion of projects with Council Resolutions. 	Number of Councils Resolutions/Approvals.	75 Councils Resolutions (75 opportunities in 8 LED Study Reports)
Developing new economic frameworks for the KZN District Councils	<u>Quantity measures:</u> <ul style="list-style-type: none"> Number of District level Economic co-operative partnerships established Number of District level LED/Investment opportunities identified Number of District level LED/Investment projects packaged 	6 District economic frameworks 20 District level projects 10 packaged projects	6 (uThukela, uMzinyathi, AmaJuba, Zululand, Ugu & Sisonke) Coal Belt Region/KZN/EC Economic Development Initiatives + 30 (C/Belt & KZN/EC Cross Border Initiatives) None yet (pending funding availability)
	<u>Quality Measures:</u> <ul style="list-style-type: none"> Partnership support and other implementation arrangements (within and between District Councils. 	Number of partnerships arrangements formed	To be achieved in 2003/4 FY.

Sub Programme: Agri-Business

Aim:

As reported in the 2001/2 Annual Report, extensive discussions with internal and external stakeholders led to the recognition that there was a need for the creation of a new Agri-Business Directorate separate from the Directorate: Rural Economic Development. This decision was made in response to the recognition that the Agri-Business sector (in rural areas), like the Manufacturing and Retail sectors (in urban areas), offers tremendous opportunity for achieving the Department's Vision of creating a "globally competitive economy".

At the core of the Directorate's strategic focus lies the opportunity for job and particularly income generation in the area of niche' sector production. Put simply, while generic agricultural products (maize, sugar, cotton, poultry etc.) have been experiencing steadily declining "real prices" because of over-production and cheap imports, niche' products such as honey, organic produce, cut flowers, essential oils and natural remedies have been experiencing growing demand locally and internationally - hence enjoying higher "real prices".

The growth in importance of the niche' perishables industry is therefore key to the viability of projects such as the Dube Trade Port, and to the global competitiveness of the Province. The Directorate was therefore created to work with sister Departments and Agencies to carry out niche' market studies, business plans and to implement pilot projects to achieve the purpose of making the Province more globally competitive by encouraging emerging commercial growers to move beyond the production of generic (food security) goods to producing niche' products for local and international markets.

Table A: Service Delivery Measures

Original Targets set in the Medium-Term Expenditure Estimate			Report Against Targets	
Sub-programmes	Outputs	Service delivery indicators	Status	Comment
Agri-industry cluster and agency agreements	<ul style="list-style-type: none"> Approved memorandum of understanding with cluster departments and agencies 	2002/03	<p>The MOUs had not been duly agreed and signed as yet. A Departmental Level Co-operation Proposal has been developed. Workshop with DAEA in March 2003 to finalise agreement.</p> <p>A Project Level Co-operation Agreement for Open Pan Sugar Mill has been signed (with Owen Sithole College of Agriculture)</p>	<p>The most important area of need for an inter-departmental agreement is with DAEA. DEDT has needed to research a number of industrial supply chains to be able to more clearly articulate in the MOU the role of each Dept.</p>

Sub-sector assessments	<ul style="list-style-type: none"> T& IKZN conduct 3 RED pilot projects appraisals per annum for Department of Economic Development and Tourism (DEDT) 	2003/04	To date one project appraisal has been done, i.e. into the production of ethanol. A further two project appraisals will be identified for completion in 2003/2004.	Performance to date is within the target timeframe.
Market information and matching services	<ul style="list-style-type: none"> Capacity to provide ongoing services via dedicated T & IKZN agri-industry intelligence unit 	2004/05	T&IKZN has started the process of building this capacity through the production of an agri-industry exporter's database and the employment of personnel with skills in agri-industry. The unit will finalise and market its service in this sector once the DEDT MOU with DAEA has been concluded.	Performance to date is within the target timeframe.
Identify sub-sector opportunities	<ul style="list-style-type: none"> Number of provincial niche sub-sector development plans e.g. honey, organics, aquaculture, medicinal/pharmaceuticals etc 	4 during 2002/03	6 Market Studies completed (organics, aquaculture, cut flowers & essential oils, medicinal/pharmaceuticals, honey) Fifteen Business Plans for the establishment of viable enterprises have also been developed based on the market studies.	Performance targets achieved.
Establish agri-industry forums	<ul style="list-style-type: none"> No. of sub-sector forums to implement sub-sector development plans 	4 by 2003/04	No forums have as yet been established, but our target is to have achieved these by the end of 2003/2004 financial year.	The confirmed dates for the Agri-Business forums are as follows: 1. Organic Products – 3 rd September 2003 2. Cut Flowers – 1 st October 2003 3. Honey Production – 29 th October 2003 4. Essential Oils- 26 th November 2003

Original Targets set in the Medium-Term Expenditure Estimate			Report Against Targets	
Sub-programmes	Outputs	Service	Status	Comment
Facilitate packaging of black	<ul style="list-style-type: none"> Number of BEE agri-industry pilots 	4 by 2004/05	5 Agri-Industry Pilots have been already implemented in 2002/3 <ul style="list-style-type: none"> Cut Flowers Hub 	Performance targets achieved.

economic empowerment (BEE) agri-industry pilots			<ul style="list-style-type: none"> • Groundnuts production • Organic Vegetables • Honey production • Open Pan Sugar Mill 	
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Studies and Business Plans

In order to develop a sound basis for the new strategic thrust to promote niche' sector development in the area of Agri- Business, the Directorate committed itself to carrying out 4 market studies in 2002/3. The Directorate carried out six studies into the following sectors:

- Honey
- Organic Vegetables
- Cut Flowers
- Essential Oils
- Natural Remedies
- Aquaculture

The Studies aimed at examining international and local markets, understanding the full value-chain of each sector, and documenting the extent of local players (established and emerging). Finally, each Study was concluded with the preparation of Business Plans for concrete Pilot Projects - some 15 in total. These studies were managed by a joint steering committee chaired by the KZN DEDT, KZN DAEA, TIK, Ithala, the IDC and NGO's.

In addition to these studies, the Directorate carried out an Agri-Business Opportunity Study for the Umkhanyakude District. Its conclusions pointed to the production of groundnuts as offering the most potential for the grass-roots empowerment of black farmers.

The Business Plans prepared in 2002/3 included the following:

1. Honey Production with Mondi Forests
2. Honey Production with SiyaQhubeka Forests
3. Organic Vegetable Production in Umbumbulu for Woolworths
4. Organic Vegetable Production in Buffelsdraai (eThekweni) for Purity Baby Foods (Pty)
5. Organic Culinary Herbs Production for Robertson's Spices (Pty)
6. Organic Sugar / Jaggery Open Pan Mill (Owen Sithole College)
7. Mboza (Umkhanyakude) Small Grower Groundnuts Scheme with Star Foods (Pty)
8. Waldheim Farm Heliconia's Empowerment Cut Flower Project (Ramsgate)
9. Westcliffe Farm Proteas Empowerment Cut Flower Project (Greytown)
10. ZCBF Heliconia's Cut Flower Hub (Richards Bay)
11. Oxfam Essential Oils Empowerment Project (Nkandla)
12. MDIC Essential Oils Empowerment Project (Manguzi)

13. Production of Indigenous Natural Remedy Plants (including 4 Plant-Specific Business Plans)
14. Prawn Out grower Scheme (Amatikulu)
15. Ornamental Fish Farm (Amatikulu)

These Business Plans conservatively form the basis for the creation of some 30,000 jobs over the short- to medium-term and were shared with sister departments (KZN DAEA) and Agencies (KZN TIK) as packaged investment opportunities that they could utilize to attract investment into the Province.

Projects

The directorate supported the development of the Bio-diesel industry via an R1million grant to the KZN Agri-Foundation to promote the use of the *Jatropha curcas* plant as a source of biodiesel. These funds were transferred to Ithala and managed by the latter. During this period, the Agri-Foundation held numerous meetings and interactions with District, Local Municipalities and Farmers Associations, and lobbied the KZN DAEA to carry out a Strategic Environment Assessment on *Jatropha*, and to offer a basket of support services to *Jatropha* farmers.

It also prepared business plans for a Bio-diesel refinery and costing for production, secured a partnership with local markets (Bio-diesel SA in Howick), purchased seed and accesses specialised training by Zimbabwean farmers, and developed outreach and seed supply programs with farmers in Vryheid, Nkandla, Mbazwana, Ndumo, Lower Umfolozi and Makhathini Flats. Finally, but crucially, it supported the successful testing of seed oil by the CSIR for use in standard South African diesel vehicles.

Some R3 million of Programme savings was also identified for the immediate implementation of the following pilot projects:

- Honey Pilot Production in partnership with SiyaQhubeka Forests (20 direct jobs, 80 indirect jobs)
- Organic Vegetable Production in Ogagwini (Umbumbulu) for Woolworths (50 direct jobs, 350 indirect jobs)
- Jaggery Open Pan Mill Training Facility (Owen Sithole College) in partnership with the Uthungulu District and the KZN DAEA (will benefit some 1,500 small cane growers in Uthungulu)
- ZCBF Heliconia's Cut Flower Hub (Richards Bay) in partnership with the uMhlathuze Municipality (will benefit some 1,000 women growers in the greater uMhlathuze/uThungulu DM)
- Mboza Small Grower Groundnuts Scheme with Star Foods (Pty) and the Umkhanyakude District (150 direct jobs, 1050 indirect jobs)

These five projects were successfully implemented by the close of the financial year in March 2003.

The Directorate is hoping to substantially increase its very limited R5m project budget so that it can roll out a rural development program to promote niche' sector and (organics, cut flowers,

essential oils) in all Districts of the Province in partnership with, as a complement to the food security program of the KZN DAEA.

Sub-Programme: Community Projects

Aim:

The Programme aims at moving rural communities from purely subsistence activities towards participation in economically sustainable projects within the rural areas of KZN. This is best done through the establishment of partnerships with the private sector through the establishment of Joint Ventures as well as the on-going search for new markets that enhance the possibilities of sustainability for their production efforts.

The Directorate of Community Projects is committed to supporting the economic upliftment of the rural deprived areas of KZN by providing infrastructural support, entrepreneurial as well as mentoring support to emerging rural projects. Capacity building amongst these communities is a critical factor if the long-term sustainability of these projects is to be achieved. To this end we are working in partnership with the National Department of Labour and the Land Bank in efforts to obtain the long-term success of these projects.

Service Delivery Measures

During the period under review the following projects were completed:

- Igwalagwala Poultry-Nongoma,
- KwaNobamba Poultry,
- Obuka Poultry-Ntambanana (ongoing),
- Obuka Sewing-Ntambanana,
- Mfanefile Sewing-Melmoth,
- Siyakhula Sewing-Denny Dalton,
- Khulambokodo Sewing-Ingwavuma,

Most of these projects are targeted at creating viable economic enterprises that meet the local demand. Most of the market for the sewing projects is mainly the local schools that purchase their uniform requirements from these sewing centres whilst the poultry produced by the poultry projects is sold as live birds to local buyers. The main challenge facing these projects remains the provision of infrastructure for their successful operation as well as the provision of adequate working capital.

The Muden MPC project has been handed over to the Provincial Department of Works for construction and it is hoped that once the approval of the Central Procurement Committee has been secured and the contractor appointed construction will commence in the following financial year.

The Directorate has also been assisting the Inqolobane Community Development Facilitation in Mtubatuba with the formulation of a Business Plan to guide community projects in the Mpukunyoni area. This was a request from the office of the then MEC (Mr Michael Mabusakhulu).

Sub-Programme: Special Projects

Table A: Service Delivery Measures

Original Targets set in Medium-Term Expenditure		Report Against Targets		
Sub-programme	Outputs	Service Delivery	Status	Comments
Special Purpose Vehicle (SPV) for implementation of Dube Trade Port	<ul style="list-style-type: none"> Establishment of SPV through Ithala Finance Development Corporation 	March 2002	The Dube Trade Port (Pty) Ltd was established in October 2002. An interim Board has been appointed and staff was seconded in November/December 2002.	The National Cabinet resolution to relocate DIA to La Mercy by 2006 and to support the use of a SPV to implement the project was only attained in April 2002.
Construction of King Shaka International Airport	<ul style="list-style-type: none"> Attain resolutions from national and provincial Cabinets Finalise design and site layout plan Attain agreement with funding partners, finalise structure Facilitate workshops with relevant local communities, relevant public entities, service providers, local government, civil aviation authorities and airlines Finalise infrastructure plan 	<p>April 2002</p> <p>December 2002</p> <p>August 2002</p> <p>Present - 2006</p> <p>December 2002</p>	<p>Attained resolutions from national & provincial cabinets re implementation of Dube Trade Port (April 2002)</p> <p>Finalised master plan and pre-feasibility analysis</p> <p>Finalised ToR to appoint financial transaction advisors to undertake detailed feasibility and attainment of Treasury Approval I. In final phases of appointing successful bidder.</p> <p>Discussions/meetings with municipal officials regarding planning approvals and planning functions</p> <p>Currently investigating funding sources for work/research to be undertaken on the air platform</p>	<p>Intergovernmental process and decisions have taken longer than anticipated</p> <p>The appointment of financial advisors is a critical step. The appointment process took longer than anticipated because of delays in finalizing the terms of reference.</p> <p>Once Treasury Approval I is attained infrastructure plan will be finalised; EIA's completed and workshops facilitated.</p> <p>Negotiations with private equity partners will take place once Treasury Approval I has been attained</p>

	<ul style="list-style-type: none"> • Complete Environmental Impact Assessment (EIA) • Obtain planning approvals and start construction • Extent of empowerment initiatives 	April 2003	Research: Undertaken a study to identify companies that will benefit from the new logistics platform	Research is nearly complete.
Develop investment plan for Durban International Airport (DIA) site by 2006	<ul style="list-style-type: none"> • Finalise investment strategy for the current DIA Site • Structure partnership between government and petrochemical industry (Sasol, Sapref, Engen) to establish a petrochemical hub at current DIA site • Undertake stakeholder workshops with existing industries, local communities, local government and service providers 	<p>May 2003</p> <p>November 2002</p> <p>Ongoing - 2004</p>	<p>Draft agreement in place between government & petrochemical industry</p> <p>Additional uses for the current DIA site are being investigated. This is an ongoing process</p>	Cannot proceed until airport relocation plan is finalised.

Original Targets set in the Medium-Term Expenditure Estimate			Report Against Targets	
Sub-Programme	Outputs	Service Delivery Indicator	Status	Comment
Establish Industrial Development Zones (IDZs) by 2006	<ul style="list-style-type: none"> Attain IDZ status and establish synergy between IDZs 	March 2002	<p>Research: The Directorate has undertaken research to look at how we can apply the SA Trade Strategy and incentive policy to the benefit of KZN IDZ's; look at current IDZ's in SA and assess their successes/failures in facilitating business; industry sector analysis of potential time critical manufacturing concerns that can take advantage of DTP.</p> <p>Application drafted and forwarded to Minister of Trade & Industry and CEO of Enterprise Organisation for provisional designation at Durban</p> <p>Have met with DTI on several occasions</p> <p>Provisional IDZ designation not awarded</p> <p>Drafted additional application to DTI for funding</p>	<p>This research is nearly complete</p> <p>Delays in attainment of provisional IDZ designation – have met with DTI and will proceed through SPV</p> <p>However, have maintained frequent contact with DTI officials</p>
	<ul style="list-style-type: none"> Source an appropriate international operator; develop a strategy to effectively brand and market the IDZ 	2002/03		
	<ul style="list-style-type: none"> Levels and quality of investments into the IDZs 	2004/06		
	<ul style="list-style-type: none"> Extent of the multipliers from the IDZs 	2004/06		
	<ul style="list-style-type: none"> Extent of empowerment achievements 	2004/06		
Establish and implement a Cyber Port at La Mercy by 2006	<ul style="list-style-type: none"> Commission studies into: Identified potential South African and international participants with a focus on private sector companies, financial institutions, telecommunications providers, education /research institutions and public sector Defined physical characteristics of the facilities including the infrastructure buildings and special support system needs An overall master plan for venture A business plan, which addresses cost, income, phasing and the organisational structure required Methodology to proceed with the project as a private/public sector development Secure agreements with private and public sector partners Extent of empowerment initiatives 	December 2002/05	<p>ToR finalised</p> <p>Tender was advertised and received applications, but no appointment made.</p>	<p>It was decided that none of the applicants fully understood the CyberPort/CyberVillage concept. In addition a decision was taken not to pursue the cyberport concept as separate to the DTP, but as part of the whole platform. For this reason the CyberPort/Village will be pursued through the Dube Trade Port (Pty) Ltd</p>

Original Targets set in the Medium-Term Expenditure Estimate		Report Against Targets		
Sub-programme	Outputs	Service Delivery indicators	Status	Comment
Develop and implement integrated freight rail line linking KZN and Gauteng	<ul style="list-style-type: none"> • Develop a strategy (Integrated Freight Rail Line) to address: • Data collection of existing infrastructure, land utilisation and characteristics of individual transportation nodes or locations • Evaluation of major existing deficiencies, which exist for the movement of goods between KZN and Gauteng • Define initiatives required to achieve better levels of efficiency in trade traffic and logistics between KZN and Gauteng • Outline of potential ventures as part of public /private or private sector initiatives • A schedule of activities, which indicates the overall timing required for the implementation of the projects and initiatives as part of the Gateway function 	2003/05	<p>US \$500000 secured from US Trade & Development Agency to undertake IFRL– (July 2002) CSX World Terminals, in association with AECOM, is to perform study. Study was launched in October 2002.</p> <p>Engaged in stakeholder consultation in October, December and February 2003</p> <p>Completed drafts of first two deliverables: Market Study Analysis and Options Analysis</p>	Project is on track
Facilitate establishment of centres (warehouses) in identified areas to pool time-critical products of a region to feed the KZN Platform	<ul style="list-style-type: none"> • Success in leveraging funding for the project • Number of Villages@ established and development of villages • Extent of community empowerment 	<p>2002/03</p> <p>2003/05</p> <p>2003/05</p>	<p>Currently there are No funds allocated to this project. Funds will need to be sourced, and it is likely that the project will be pursued through the Dube Trade Port.</p> <p>A terms of reference is being finalized and will include the following:</p> <p>Phase I: Understand & quantify the current potential perishables production capacity in KZN</p> <p>Understand the current potential global demand for perishables</p> <p>Assess the feasibility of various options for supporting and promoting perishables' exporters in KZN based on a public-private implementation model</p>	Funding for this project has not been secured. However alternative funding options are being pursued.

Aim:

The strategic objective of the Programme (SMME & Internal Trade) is to promote SMMEs in this province, which is achieved by:

- Creating an appropriate policy environment conducive to the development of SMMEs and to raise the level of international competitiveness of SMMEs;
- Facilitating entry to export markets
- Provide Consumer education, protection and representation and to encourage ethical business conduct through fair trade practices;
- Conducting the administration of Liquor Licensing in terms of the Liquor Act, Act 27 of 1989
- Regulating the liquor industry including liquor street trading, business licensing and trading hours; and
- Ensuring business compliance with legislation to promote orderly and fair trade

Policy Development

The SMME Development & Internal Trade Programme consists of the following sub-programmes:

- (i) Small, Micro and Medium Enterprise
- (ii) Internal Trade

Sub-Programme: SMME Development**Aim:**

A general overview of the work of the SMME Development Directorate for the financial year achieved indicates a mix of successes and challenges. The Directorate continued to provide effective leadership and strategic direction to initiatives to promote SMME development in the Province. The efforts of the Department have been mainly directed at development of a coherent and effective support services for emerging entrepreneurs; promoting their access to finance; and facilitating access by SMMEs to markets and other business opportunities.

Service Delivery Measures

Output type	Performance measures	Performance targets (end of March 2003)	Year to Date Actual	Remarks/Reasons for variance
Facilitate achievement of an increase in the level of black empowerment through govt. procurement	• Extent to which empowerment targets have been achieved within time frames	25% increase in level of black empowerment by March 2003	Target not achieved. Have had discussions with Provincial Treasury who have initiated research.	Human resource constraints: Manager resigned mid-year and new BEE Mgr not yet employed.
Facilitate the achievement target of black ownership and management in large scale industrial investment and development	• Extent to which empowerment targets have been achieved within time frames	25% black ownership and management in large scale industrial investment and development projects by 2004	Collection of baseline data and BEE study has been completed. But no empowerment agreements facilitated.	Human resource constraints: Manager resigned mid-year and new BEE Mgr not yet employed.

Output type	Performance measures	Performance targets (end of March 2003)	Year to Date Actual	Remarks/Reasons for variance
projects				
Furniture cluster development	<ul style="list-style-type: none"> Number of small furniture manufacturers established 	12 small furniture manufacturers in Richards Bay with potential to create 64 jobs	A total of 5 entrepreneurs operating from the furniture cluster premises, whilst 3 entrepreneurs are operating in their premises. Entrepreneurs have been linked to established furniture manufacturer, who have access to export markets.	New bigger premises have been secured for the cluster.
Footwear and leather manufacturing cluster at Ithala Industrial Park, Umlazi	<ul style="list-style-type: none"> No. of footwear manufactures with an employment potential of 88 jobs, to enable 5 small firms to access the export market through securing orders of R3m next year 	6 footwear manufacturers established next year	A total of 6 entrepreneurs are already operating from the Umlazi Industrial Park premises.	The project is experiencing some teething problems. One of the main problems has been securing working capital.
Aluminium Cluster Development - Wheelchair manufacturing	<ul style="list-style-type: none"> Clusters for manufacturers of frames, wheels, seats and backs for wheelchairs, employing physically handicapped from Jabulani Centre 	2002/03	7 SMMEs have been identified.	The prototype wheelchair frames were developed to market the products however, the market has not responded positively
Aluminium Cluster Development - art, Craft and household items	<ul style="list-style-type: none"> Number of small businesses created 	5 small businesses with 10 jobs created	Project launched but entrepreneurs still being recruited. Funding to support SMMEs in the project will be made available in 2003/2004.	Lack of sufficient funds – initiative required greater funding than initially anticipated.
Craft exhibitions, expos and emporia	<ul style="list-style-type: none"> Number of SMMEs exhibiting their products 	Estimated 50	Five crafters exhibited their products at WSSD in Joburg; 14 crafters exhibited their products at TWIB conference in Durban; A total of 200 crafters participated at the KZN Craft Expo coordinated by DEDT in Durban.	Target achieved.
Pottery Project	<ul style="list-style-type: none"> Number of job opportunities created 	Estimated 43	Directorate is assisting Nkwenkwe, Zenzele, Siphesihle, and Sicelumusa projects with product design and marketing. A total of 13 SMMEs have benefited to date.	Insufficient funds to achieve target: costs greater than anticipated. Directorate is negotiating linkages/partnerships with Eskom, DME to leverage resources and support for the projects.
Arts and Craft producer development	<ul style="list-style-type: none"> Number of job opportunities created 	Minimum 90	Department is collaborating with eThekweni Municipality, DME, Dept of Public Works, TIK, Dept of Education to establish an emporium in Durban. Feasibility study/business plan is facilitated by DEDT.	Timeframe is 2004 – project on track. Business Plan will outline actual no. of opportunities for SMMEs in the emporium.

Output type	Performance measures	Performance targets (end of March 2003)	Year to Date Actual	Remarks/Reasons for variance
Development of SMMEs in the entertainment industry	<ul style="list-style-type: none"> • Number of new enterprises and jobs created 	8 new enterprises, 40 new jobs	Assessment of employment opportunities and related skills demand survey has been completed. Training has been started and twenty five trainees completed a 2 week programme. Four employers have committed to providing employment to trainees. Funding for the electronic documentation centre has been obtained from the Lottery Fund.	<p>This is a partnership initiative – it has taken greater time than expected to get to the stage of establishing real enterprises.</p> <p>Partnerships with BAT Centre, Durban Institute of Technology, The Playhouse and TBDC have been established.</p>
Emerging contractors	<ul style="list-style-type: none"> • No. of emerging contractors securing contracts from local initiatives 	Minimum 50	Directorate assisted Impophoma Builders Association (IBA) to secure an Umngeni Municipality contract worth R3, 2m to build 265 low cost houses in Howick. In return, IBA engaged DEDT supported project to supply cement blocks to the project.	
Corporate support programmes	<ul style="list-style-type: none"> • No. of procurement agreements between small and large companies 	Estimated 10	Have held discussions with Sun Coast Casino to facilitate the subcontracting of SMMEs, but no agreements delivered to date.	Human resource constraints.
Facilitate SMME access to finance:- KZN Rehabilitation Trust Fund	<ul style="list-style-type: none"> • Number of businesses financed by the Fund, and new successful businesses 	200 businesses financed, and 100 new successful businesses	To date, out of a total of 711 applications, 355-trade credit guarantees and 36 loans have been issued to beneficiaries of the Fund.	Department is experiencing difficulty in facilitating loan applications at the banks for the beneficiaries of the
Technical assistance programme for the Mpumalanga, KwaZulu-Natal and Northern Province (MKN) Equity Fund	<ul style="list-style-type: none"> • No. of small firms united with access venture capital 	2002/03 - 5 small firms	Nil	Kula Finance Enterprise decided not to continue with this Fund. Project thus abandoned.
Micro-financing/community banking scheme	<ul style="list-style-type: none"> • No. of viable community-banking initiatives 	2	Nil	Problems brought about by eminent closure of the FSA and FinaSol have delayed the
Support for local business service centers (LBSC), in close collaboration with the LED Directorate	<ul style="list-style-type: none"> • Effective capacity building programmes to meet the specific needs of each LBSC, fully fledged LBSCs in Muden, Port Shepstone, Ladysmith and Newcastle, improved service delivery 	Implementation and effective use of in – Touch Africa Computer Software in the LBSC.	Directorate has engaged Ntsika and CSIR to develop and implement ICT in the LBSCs. The in-Touch Africa computer software to be implemented in the LBSCs. Port Shepstone and	

Output type	Performance measures	Performance targets (end of March 2003)	Year to Date Actual	Remarks/Reasons for variance
	of LBSCs through greater utilization of information, communication and technology (ICT) in servicing clients, effective monitoring and evaluation system for service provision by LBSCs		Ladysmith LBSCs supported by DEDT to improve service delivery.	
Co-ordinate SMME Service Providers Forum (SPF).	<ul style="list-style-type: none"> • Number of meetings in each district / region 	3 SPF meetings in each district council, 4 quarterly provincial meetings, 1 project per SPF region.	Provincial quarterly meetings were convened in June, September and December 2002 and in March 2003. Three projects were supported in the Vryheid area.	Target achieved
Development of youth enterprises	<ul style="list-style-type: none"> • Number of new youth-run businesses in the province 	10 new youth-run businesses and 100 new jobs to be created	A total of 16 young people have started micro businesses, and others trained in entrepreneurship and business management.	Human Resource constraints & underestimated resources required attaining targeted.
Manufacturing Advice Centre (MAC)	<ul style="list-style-type: none"> • Fully operational MAC satellites in Richards Bay, Pietermaritzburg and Port Shepstone 	<ul style="list-style-type: none"> • MACs will conduct assessments on approx. 230 small firms, approx. 40 firms should receive International Standards Organisation (ISO) accreditation 	MAC offices have been established in PMB, R/Bay and P/Shepstone. These centres are already servicing small manufacturers.	Over the past year, these centres conducted some 237 assessments on small firms and facilitated awarding of 49 ISO certificates to small businesses.
Develop and implement new/ more effective mechanisms for financing and supporting community ownership in community oriented economic initiatives	<ul style="list-style-type: none"> • Extent to which targeted levels of community equity have been achieved • Extent to which community equity models are successful 	<ul style="list-style-type: none"> • 2002/04 	Various models of community equity schemes have been explored.	Project on track, however need to strengthen Ithala leadership of this initiative and involve other provincial departments.
Facilitate the KZN Exhibition at SAITEX from 2002 to 2004 including participation by disadvantaged firms	<ul style="list-style-type: none"> • Successful exhibition • Multi-stakeholder participation • Consequent benefits of firms 	<ul style="list-style-type: none"> • Annual 2002/04 	Four SMME companies involved in clothing, furniture, jewellery and charcoal manufacturing were assisted to participate at SAITEX.	SASA and TIK participated as partners of DEDT at the SAITEX 2002.

Local Business Service Centre (LBSC) Programme

Local business service centres remain the key vehicle for providing assistance to emerging entrepreneurs. The main focus for the Department this past year has been on raising the capacity of the LBSCs to adapt to a fast changing global economic environment and respond more effectively to development challenges and business opportunities in their respective localities. An information technology system developed by the CSIR has been installed in some of the LBSCs and training has been provided to staff. The software package also serves as a monitoring and performance management tool to assist the LBSCs and the DEDT in evaluating impact of SMME support programmes.

Manufacturing Advisory Centres

The department has also been supporting the establishment of manufacturing advisory centres (MAC) around the province to assist small and medium businesses seeking access to export opportunities. MAC offices have been established in Pietermaritzburg; Richards bay, Port Shepstone following the successful pilot in Durban. The MAC are playing an important role in assisting small companies improve the quality of their

products and services to enable them to compete effectively on the world market. Over the past year these centres conducted some 237 assessments on small firms and facilitated awarding of 49 ISO certificates to small businesses.

KwaZulu-Natal Business Rehabilitation Trust Fund

The Department continued its support for the KwaZulu-Natal Business Rehabilitation Trust Fund, which was created to assist those businesses that were affected by political violence in this Province. The scheme has so far received some 711 applications for assistance. Of these 36 bank loans were issued up to date and 355 trade guarantees. 51 people approved by the Board are presently seeking credit. The Board declined some 129 applications, as they did not satisfy the Fund's criteria. There are some 40 applications pending decision by the Board.

Youth Entrepreneurship

The Department has been active in promoting a culture of entrepreneurship among the youth. A number of initiatives were undertaken to facilitate access by youth to business opportunities. The Department has been working closely with the Centre for Entrepreneurship Development-University of Natal, a number of youth groups, local municipalities and other stakeholders in various initiatives across the Province to promote youth entrepreneurship. This project will now be taken further to the schools.

Craft Emporium

The Department, in partnership with the Department of Minerals and Energy, eThekweni Municipality, Department of Public Works, TIK, Department of Education and Culture and other stakeholders, is involved in an initiative to develop an Emporium to promote arts and other cultural products of the Province. Ethekeeni Municipality has already promised to avail premises within the ICC to house the Emporium. Some 30 SMME participants have been already identified as exhibitors at the Emporium once it is up and running.

Support for Targeted Sectors

The SMME Directorate has undertaken a number of activities to stimulate growth and development in sectors with a high potential for economic upliftment of historically disadvantaged groups. Over the past year the Department has targeted the following sectors for support: automotive components, furniture, leather and footwear, aluminium and metalwork, and the entertainment industry.

Umlazi Footwear Hub

In a quest to promote manufacturing activity in the townships the Department has been supporting the establishment of a hub for the production of footwear at one of the Ithala Development Finance Corporation industrial parks at Umlazi. Six emerging manufacturers were identified. The Department procured equipment and contracted seasoned consultants from the footwear industry to provide mentorship, management, marketing and other professional support services to the entrepreneurs.

The project is presently experiencing some teething problems. One of the main problems has been securing working capital. Different banks have been approached but none of the loan applications has been successful as yet. There has also been a problem with the condition of the tools and equipment that was acquired for the project. These and other problems are currently being attended to.

Richards Bay Furniture Cluster

The Department has been supporting the development of a furniture cluster in Richards Bay. A total of 8 emerging entrepreneurs have been linked to established furniture manufacturers who have access to export markets. The cluster has started manufacturing furniture for export. The project is now operating from the new bigger premises. The CSIR, the National Productivity Institute, the Zululand Chamber of Business and the Richards Bay Spatial Development Initiative also support the project.

Aluminium Cluster in Richards Bay

The Department, in partnership with the Richards Bay SDI has also supported the development of an aluminium wheelchair manufacturing facility in Richards Bay. The prototype wheelchair frames were developed to market the product, however, the market has not responded positively. The aluminium cluster project also includes manufacturing of arts and craft products out of aluminium.

Arts and Craft

The Department has continued its support for the development of a competitive arts and craft industry in the Province. The main focus of the Department's work has been on raising the quality of products and services of craft producers to enable the latter to access markets. Through the Department's facilitation five crafters exhibited their products at World Summit on Sustainable Development in Johannesburg last year.

Some 14 crafters exhibited their products at TWIB conference in Durban. A total of 200 crafters participated at the KZN Craft Expo coordinated by DEDT in Durban. The SMME Directorate is

assisting the Nkwenkwe, Zenzele, Siphesihle, Dundee and Sicelumusa projects with product design and marketing. A total of 39 SMMEs have benefited to date.

Four SMME companies involved in clothing, furniture, jewellery and charcoal manufacturing were assisted to participate at SAITEX. These companies achieved good sales at the exhibition, followed by lucrative export orders that they are busy processing.

Music Cluster Development

The Department, in partnership with the BAT Centre, Durban Institute of Technology embarked on project to facilitate the development of small business opportunities in the music business in the Province. Some 25 young people were trained in stage management,

sound and light engineering and related fields. BEES Consulting Group was appointed to manage the project. Virtually all the trainees have since been placed with various companies around the Province.

It is expected that the skills and expertise received will stimulate the establishment of own businesses linked to the music industry such as home recording studios, manufacturing of CDs and other employment-generating activities. Funding for the electronic documentation centre has been obtained from the Lottery Fund. The Department has also facilitated the establishment of a music industry database and documentation centre, which will be utilized for marketing local artists. Funding for this aspect of the project was received from the National Lottery through the facilitation of the Department.

Community and village banking

The Department is committed to promoting self-reliance, initiative and a culture of saving as a means to stimulate SMME development and economic empowerment. This has included supporting the establishment of village banks in a number of centres around the province. The Department has been working with the principal players in this field – the FSA and Finasol. At the moment the Department is reviewing its involvement in the field and assessing the effectiveness of this model.

Targeted Support for Previously Disadvantaged Groups

The DEDT facilitated the registration of the KZN Blind Weavers Co-operative early this year. This has opened more opportunities for the group. The latter has recently been awarded a contract to supply 500 woven chairs a month for 12 months. The Department approved funding to purchase the equipment and raw material for the Siyambonga Weavers and Ndonyane Rug Weavers Co-operatives.

Support for Emerging Contractors

The Department has facilitated access by emerging contractors to procurement opportunities in various development initiatives around the province. This has included participation of seven black emerging construction firms in the ICC Durban top structure extension project. The value of phase one of the project is R34 million.

The total number of jobs created was 208. The Department also facilitated the award of a R3,2 million contract by Umngeni Municipality to Impophoma Builders Association to build 265 low cost houses. Some 23 contracting firms participated in this contract, each firm employing not less than 10 people. The Department's SMME database was forwarded to Project Managers of the Sun Coast Casino in Durban to facilitate sub-contracting of SMMEs.

As a result of the Department's facilitation, EThekweni Municipality awarded contracts to women in construction to the value of R3 million. These amounted to a total of 181 jobs created around the Metro area. The activities involved included refuse removal, verge trimming, ditching of watercourses, construction, cleaning and courier services.

Sub-Programme: *Internal Trade*

A. Liquor Affairs Division: 2002-2003

Aim:

The Business Regulation Sub-Directorate is largely responsible for the administration of the Liquor Act, Act 27 of 1989 and Business Act, Act 71 of 1991.

Liquor Affairs Administration

The National Liquor Act, Act 27 of 1989 governs the administration of liquor. In terms of this Act, the licensing function is the responsibility of the Province. For this purpose the KwaZulu-Natal Liquor Board has been instituted since 1996 to adjudicate liquor license applications

The Liquor Affairs Administration in the department is responsible for providing secretariat support to the KZN Liquor Board.

The KwaZulu-Natal Liquor Board

The KwaZulu Natal Liquor Board (the Board) is constituted in terms of Section 7 of the National Liquor Act 27 of 1989 (hereinafter referred to as the Act).

In terms of Section 6 of the Act, **the functions** of the Board are:

- (a) To advise the Member of the Executive Council (MEC) or furnish a report to or recommendation to the MEC on any matter referred to the Board by the MEC for consideration and arising from the application of the Act or relating to the distribution, or control over the distribution of liquor;
- (b) Perform any other functions as may be assigned to it in terms of the Act
In terms of Section 7 (1) of the Act, the Board should be **constituted** as follows: -

- (i) Two persons in the employ of the State appointed by the MEC, one as Chairperson and the other as Deputy-Chairperson;
- (ii) A person nominated by the Provincial Commissioner of the South African Police Services; and
- (iii) Two other members appointed by the MEC for a period not more than two years.

In terms of Section 17 of the Act: -

- (1) The staff required for the proper performance of the Board's functions and the administration of this Act shall be appointed in terms of the Public Service Act, 1994 (103 of 1994).
- (2) The Chairperson may designate any person appointed in accordance with Subsection (1) as a Secretary of the Board.

Members of the KZN Liquor Board - 01/04/02 TO 10/06/03

01 April 2002 to 30 June 2002

Zandile Nyandu	Chairperson
Vacant	Deputy Chairperson
Sup. Buks Breytenbach	SAPS Representative
Ian Mkhize	Civil Society Representative
Yugi Nair	Civil Society Representative
Mr E.T.Ndlela	Secretary to the Board

01 July 2002 to 31 March 2003

Zandile Nyandu	Chairperson
Vacant	Deputy Chairperson
Snr Sup. Linda Nyawo	SAPS Representative
Ian Mkhize	Civil Society Representative
Yugi Nair	Civil Society Representative
Ms Reka Deonundhan	Secretary to the Board (From 01/09/02)

Service Delivery Measures

For the period under review, the Board has considered 1499 applications from magisterial districts within the Province of KwaZulu-Natal. Of these, 512 licenses were granted, 677 were postponed,

17 were withdrawn and 293 applications were refused. The breakdown of the 512 that were granted is as follows:

Restaurant License	109
Special License (Tavern)	135
Special License (Accommodation)	30
Special License (Eating House)	29
Special License (Other)	70
Wholesale License (not public)	19
Liquor Store License	88
Grocer's Wine	17
Hotel License	2
Club License	4
Sorghum (brewery)	1
Sorghum (off consumption)	4
Sorghum Beer (On consumption)	1
Special license (off consumption)	2
Producers License	0
Theatre License	1

Challenges facing the Liquor Administration

One of the major challenges facing the Liquor Administration is to ensure that the applications that are forwarded to the Department from the Magistrates Courts are timeously checked and prepared for adjudication by the KZN Liquor Board. However whilst every effort is being made to improve the turnaround time there are still a number of prevailing problems. These include:

- Delays in the receipt of lodged applications from the Magistrates Courts.
- There are still a number of fly-by-night consultants who continue to rip off clients. They prepare faulty applications, which however take up the time of the Administration and the Board.
- The current liquor computer management system is archaic but SITA is in the process of developing a more user-friendly system.
- The Designated Police Officers are too few in number to conduct inspections in loco and to file reports.
- The current Liquor Act precludes communities from having an input in the decision making process. Whilst applications must be gazetted in the Government Gazette, accessibility is still a major problem for communities. An added problem is that, it is only published in English and Afrikaans.
- The enforcement of the legislation continues to pose a major challenge.
- There are still a large number of liquor traders operating illegally who simply cannot afford to apply for liquor licenses.

Development of and implementation of a Policy and Procedure Manual

Emanating from the Internal Audit of the component in the last financial year, KPMG were commissioned to develop a Policy and Procedure Manual for the component. This was completed

in October 2002 and in January 2003, the Policy and Procedure Manual was work shopped with the staff of the Liquor Affairs unit and members of the KwaZulu-Natal Liquor Board.

The Policy and Procedure Manual is a tool that would assist staff in their day to day activities as it contains policies, procedures and general principles by which the Directorate operates to ensure that our services fully meet our client requirements and specific business objectives.

Administration of the Business Legislation

During the period under review the component appointed consultants Participative Solutions Africa to draft a policy document in the form of a Green Paper on Business Support and Regulation of the Informal Economy in KwaZulu-Natal.

This work is under way and a policy document specifying legislative reform to be enacted in order to harmonize the regulation of the informal economy. Oversight of the work of the consultants is the responsibility of the Provincial Informal Economy Steering Committee, which was set up by the component. The committee comprises representatives from the following organizations:

- Department of Economic Development and Tourism represented by the following components:
 - (i) Small, Medium and Micro
 - (ii) Rural Economic Development and
 - (iii) Business Regulations.
- Department of Traditional and Local Government Affairs
- Street Net- an International NGO representing street vendors
- Durban Chamber of Commerce and Industry
- Informal Trade Management Board
- Ethekewini Unicity – Department of Economic Development
- KWANALOGA

A further number of consultative processes must still be performed and the finalized policy document would be routed through the political process for further discussion and comment. It is only after this process has been completed that the legal drafting process would commence.

This process would have to repeal the existing legislation and formulate a development type of legislation that deals specifically with the informal economy.

B. Consumer Affairs Division: 2002-2003

Aim:

Consumer protection is a Schedule 4 competence (a concurrent function between National and Provincial Government).

The primary objective of the Consumer Affairs Division is to protect, promote and further the rights and interests of consumers in the Province of KwaZulu-Natal.

Consumers continue to face massive exploitation committed by some unscrupulous service providers. The problem is further compounded because the majority of consumers have low levels of literacy and therefore are vulnerable to consumer exploitation. The power relations between business and consumers are unequal and therefore it becomes the responsibility of the State to protect consumers against certain abuses.

The Consumer Affairs Division sees its primary responsibility of spreading consumer awareness and developing a rights culture in the Province. The projects therefore have been designed to empower consumers on their rights and responsibilities to minimize the level of abuse that is currently prevalent.

Service Delivery Measures:

Consumer Complaints Handling

Approximately 75% of the complaints received were resolved through mediation and facilitation. The component saved R4 199 624 for consumers through intervention and representation. The top five categories of complaints received were as follows:

- Furniture
- Micro Lenders
- Building Improvements
- Credit Bureaus
- Household appliances

During the period under review, the Sub Directorate dealt with 37 164 complaints. This figure includes both telephonic, written and walks in complaints. A variety of complaints were lodged with the Complaints Handling Section. Consumer Advisors continue to receive ongoing para-legal training to capacitate them. However, the directorate has developed successful linkages with self-regulatory institutions, statutory bodies and other organizations to assist and to provide the best possible advice and representation for consumers. These organizations include:

- The Small Claims Court
- The Estate Agencies Affairs Board
- The Financial Services Board
- The Long and Short Term Ombudsman
- The Office of the Banking Adjudicator
- The Council for Medical Aid Schemes
- The Retail Motor Industry
- The Advertising Standards Authority
- The Association of Debt Recovery Agents
- The South African Bureau of Standards
- The National Electricity Regulator
- Ethekeweni Council
- Other Municipalities and Councils
- The Credit Bureau Association

The Directorate for the period under review also negotiated training and capacity building programs with the above organizations to develop and improve the skills base of consumer advisors.

Strategy Adopted to Empower Consumers:

A. Consumer Education

The Sub Directorate has developed partnerships with civil society organizations to extend its area of reach. One of the main projects for the 2002/03 financial year was the signing of a Memorandum of Understanding with the National Community Based Paralegal Association (NCBPA), a national non-governmental organization. This partnership resulted in promoting consumer education and information programs amongst disadvantaged communities through their para-legal offices. 19 communities benefited from this project.

Consumers, communities and Local Government Councillors were afforded an opportunity to interact with the Consumer Education Team and were informed on their rights and responsibilities. Critical issues including Micro Finance, Credit Bureaus, Medical Aid Schemes and the Financial Services Board were work-shopped with consumers and community leaders. The Sub Directorate will continue to work with the NCBPA to extend its education/information program.

Other organisations involved in consumer education are:

- Organization of Civic Rights (OCR), responsible for protecting and promoting tenants rights.
- The Centre for Industrial, Organizational and Labour Studies (IOLS)
IOLS is a centre of excellence based at the University of Natal and provides a sociological focus on the changing nature of work and the institutions of the work place. Their programs also explore livelihood strategies, social institutions and movements.

The Sub Directorate entered into a Memorandum of Agreement with IOLS to promote responsible consumerism on the part of workers and to empower workers in their financial affairs. The following aims are envisaged through the four project components:

1. The Pilot Research Project would present a preliminary understanding of the patterns of worker spending with particular reference to indebtedness rising of loans that appear to have trapped workers into various scenarios. The pilot study would reveal the following:
 - need for a more in-depth study on consumption patterns of workers across different economic sectors and wage levels;
 - the need to study the nature of indebtedness, raising of loans and the impact of the phenomenon of ‘loan sharks’ operating at workplaces; and
 - the coping strategies on the part of workers to their predicaments.
2. The production of the training manual will be used to train trainers in the labour movement, who in turn will facilitate other workshops at workplaces in the province. The content would include:
 - Consumer rights and issues;
 - What is responsible consumerism;
 - The role of workers in promoting consumer rights;

- Spreading the message to households and the community;
 - Household budgeting;
 - Finance and financial savings instruments;
 - Financial institutions; and
 - Growing wealth and economic freedom.
- 3 The video production will be utilized as an aid in the facilitation process, i.e. in both the train-the-trainer phase and in the workshops for workers.
 - 4 The workshops for the train-the-trainer phase will be facilitated by IOLS staff, which will thereafter monitor the facilitation by graduates of the train-the-trainer phase.

B. Consumer Information:

The Sub-Directorate continues to inform consumers on their rights and responsibilities through consumer information programs. The strategies adopted by the directorate were as follows:

1. Advertorial Campaigns and Exhibitions,
2. Electronic and Print Media, and
3. World Consumer Rights Day

C Consumer Affairs Committee (CAFCOM):

The Consumer Affairs Committee (CAFCOM) is a statutory body appointed by the Minister of Trade and Industry to have oversight of the Unfair Business Practices Act. The National Inspectorate in DTI conducts the investigations of unfair business practices. For the period under review, the division enjoyed cordial and reciprocal relations with the National Inspectorate in dealing with a number of matters pertaining to alleged unfair business practices in the Province.

2.3 Services rendered by the Department:

a) Administration of Liquor Licenses for KwaZulu-Natal

The Department provides administrative support to the Provincial Liquor Board, which adjudicates applications of liquor licenses in KwaZulu-Natal. The costs related to this service are borne by the Department, but recouped by Provincial Treasury through levies paid by applicants to South African Revenue Services. The details of the extent of this service are described in the report on Programme 3 in this report.

b) Consumer Protection Services for KwaZulu-Natal

The Department provides free consumer protection services to the citizens of KwaZulu-Natal. This involves dealing with consumer complaints addressed to this division of the Department, as well as extensive consumer education activities. The details of the extent and nature of these services are provided in the report on Programme 3 in this report.

2.4. Capacity constraints:

- a) The Department experienced notable capacity constraints during the year under review arising in the main as a result of significant problems due to delays in finalising the organisational structure and in evaluating and filling the approved posts. The lack in human resource capacity in the form of personnel was experienced most significantly in the line functions of the Department, i.e. Programmes two and three. The process of addressing the logjams with regard to the filling of the vacancies is now under way.
- b) In addition the Department has lacked the necessary capacity to provide a necessary layer of control between management and project teams, which would have allowed management to concentrate on core service delivery issues whilst retaining control over the project activities. Plans have been developed, in the form of the establishment of a project support office, to address this constraint.
- c) The Department also experienced constraints in the form of appropriate project management skills and expertise for large scale and complex projects. This constraint was one of the factors which led to the Department supporting the establishment of the Dube Trade Port company, mandated to project manage the Dube Trade Port project (a registered public-private partnership project), on behalf of the Department. The Department is consequently exploring alternative strategies to attract and retain these types of skills within the establishment.

2.5 Utilisation of Donor Funds:

The Department did not directly receive any donor funds in the year under review.

2.6 Trading Entities/Public Entities:

2.6.1 Purpose of the public entities and transfer payments made

		Current Year (2003)	Previous Year (2002)
NAME OF ENTITY	PURPOSE	AMOUNT IN R'000	
Ithala	▪ To act as Government's agent for	18 000	24 843

Development Finance Corporation	<p>performing any development related task and responsibilities that the government considers may be more efficiently or effectively performed by a corporate entity.</p> <ul style="list-style-type: none"> ▪ To mobilise financial resources and to provide financial supportive services to the people of KZN. ▪ To plan, execute and monitor implementation of development projects and programmes in the province. ▪ To promote, assist and encourage the development of the Province's human resources and its social, economic, financial and physical infrastructure. ▪ To promote, encourage and facilitate private sector investment in the Province and the participation of the private sector and community organisations in the development projects and programmes and in contributing to economic growth and development. 		
Trade and Investment KwaZulu-Natal	<ul style="list-style-type: none"> ▪ To identify and package investment and export trade opportunities in KwaZulu-Natal; ▪ To provide a professional and comprehensive service to potential and current investors and exporters; ▪ Ensure easy access to investment and export trade opportunities and sustained aftercare; and ▪ To brand and market provincial investment opportunities and link opportunities to the developmental needs of our people through the facilitation of partnerships. 	14 671	8 500
NAME OF ENTITY	PURPOSE	AMOUNT IN R'000	
KwaZulu Transport	This entity was liquidated during the financial year. It had been originally set up to contribute to the economic and social development of KZN and its population through the promotion, development, maintenance, investment in and operation of transport and allied services.		2 700
Natal Sharks Board	Approving, controlling and initiating measures for the safeguarding of bathers against shark attack.	16 882	15 794

S.A Life saving	The entity was originally set up to provide voluntary lifeguard protection along most of the major beaches, dams and resorts. Also refer note 6 below.		33
KZN Tourism Authority	The development, promotion and marketing of tourism in KZN and to market the province as the premier tourist destination both nationally and internationally.	34 000	27 650
KZN Philharmonic Orchestra	Contributing and playing a promotional and significant role in economic development and tourism on KZN province and in South Africa by: <ul style="list-style-type: none"> ▪ Providing, through the medium of music cultural entertainment, education and development. ▪ Identifying and nurturing local talent and skills. ▪ Creating platforms within the communities for the experience of live music. 	4 000	4 000
Total		87 553	83 520

2.6.2 Accountability arrangements

During the year under review, the PFMA and Treasury Regulations directed the management of parastatals. Business plans prepared by the public entities, which indicated clearly how the funds would be utilised as well as preferred timing for the receipt of funds, were used by the Department in transferring funds, as well as evaluating the extent to which the set objectives have been attained.

The Department established the CEO's forum in which all CEO's of the various public entities to which funds are transferred sit. This forum is aimed among others to ensure compliance by the entities to the PFMA and the Treasury Regulations and effective service delivery.

2.6.3 Memoranda of understanding

The Department put in place processes to ensure that all transfers to Departmental parastatals with effect from the forthcoming financial year conform to the requirements as set by section 38 (1) (j) of the PFMA (see note 9, Income Statement). The Department signed memorandums of understanding with all public entities stipulating the method of transfer, application of the funds, the reporting mechanism and measurability of performance.

As a result of these arrangements, certain transfer payments were made late in the year as the Department had to ensure conformity to the PFMA before transferring the funds.

2.7 Other organisations to who transfer payments have been made:

There are no other organisations/public entities to which transfer payments have been made.

2.8 Public/private Partnerships (PPPs):

The Department has registered the Dube Tradeport project 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 a feasibility study for the project is being undertaken in preparation of an application for Treasury Authorisation 1 for the project. The management of this phase of the project is being made through the Dube Trade Port (Pty) Ltd, a wholly owned Ithala subsidiary. The Department's Accounting Officer chairs the Board of the Dube Trade Port Company, and oversees the project together with a Steering Committee of Heads of Departments appointed by the Cabinet of KwaZulu-Natal.

2.9 Corporate governance arrangements:

2.9.1 Risk Management

In accordance with section 76 (4) (b) of the PFMA, National Treasury has produced a Treasury Regulation (27.2.1) stipulating the need for a risk assessment to determine the material risks to which the Department may be exposed. 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.

2.9.2 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.

2.9.3 Provincial Internal Audit

The Provincial Cabinet resolved that the Internal Audit function would be shared by Provincial Departments and centralised under the control of the Provincial Audit Committee. This decision was taken in terms of Sections 76 (4) (d) and 77 of the PFMA and Treasury Regulation 3.1.1.

2.9.4 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.

2.9.5 Internal discipline

The Department makes use of the Disciplinary Code as published by the Department of Public Service. This code is applied in each case of misconduct as listed in the Code. In addition to the items listed in the Code, the Department has collectively decided on the Core Values all staff would bind themselves to. Any deviation from these values is also dealt with in terms of the Disciplinary Code.

2.9.6 Policy and practices

In addition to the Public Finance Management Act, the Treasury Regulations and the KwaZulu Natal Procurement Act, the Department has compiled and operates in accordance with various internal policies and practices, which are in harmony with the abovementioned legislation. These are: 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.

2.9.7 Comments on the effectiveness of corporate governance arrangements

The arrangements referred to above have markedly improved the corporate governance framework and practices in the Department. 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 this regard the Department is in the process of giving effect to a wide range of recommendations emanating from analysis done by the Provincial Treasury's Internal Audit Unit and other service providers. Most important are the recommendations contained within the Departmental Risk Assessment Report, as well as the Departmental Fraud Prevention Plan. In essence, the Department is establishing an "internal control unit", through which a much more effective framework for improved corporate governance in the organisation 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 the Department.

2.10. Discontinued activities:

During the financial year, the Department discontinued the following activities:

- a) Funding to SA Lifesaving as it has been decided that the activities of the institution are not in line with the Departmental strategic objectives with effect 1 April 2002.
- b) During the year the restructuring of KwaZulu Transport (KZT) was finalised. This resulted in the successful sale of Washesha Bus Company and the liquidation of KwaZulu Transport (Pty) Ltd. As explained in the previous management report, funding to KZT during the year under review was mainly towards the restructuring process of the institution and no funding

has been provided for the institution throughout the Medium Term Expenditure Framework (MTEF) period.

2.11. New/proposed activities:

2.11.1 During the year under review, a Special Purpose Vehicle (SPV) to Ithala Development Finance Corporation was established in the name of Dube Trade Port. The Department will be allocated an amount of R9.9 m during the year 2002/2003 to drive the process further.

2.11.2 The Provincial Cabinet has resolved to provide an amount of R250 m over the next five years towards the establishment of the Dube Trade Port.

2.13. Events after the reporting date:

There were no events, which occurred after the reporting date, which are known to have an effect on the balance sheet of the Department.

2.14. Progress with financial management improvements:

2.14.1 As from 1 April 2003, the Department will change the accounting system from FMS to BAS (Basic Accounting System)

2.14.2 The Department has geared up to maximize compliance with the Provincial Procurement Act, with properly constituted tender evaluation and award committees being established with effective terms of reference.

2.14.3 The Department has instituted a more effective performance management system, which incorporates appropriate records of delegations of financial decision-making and signing authority.

2.14.4 The Department has undertaken the streamlining of the contractor payment process whereby the risk of over-payments of contractors has been minimized, if not eliminated.

2.14.5 The introduction of the part-payment system has allowed the Department to cater for monthly payments, such as contracts relating to telephone, electricity and lease payments.

2.15. Performance Information:

2.15.1 The Department has set service delivery targets, which are set out in the budget statements at the beginning of the financial year. The Department 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 quarterly, the Department's Executive Committee (Exco) which meets at least monthly, the Parliamentary Portfolio Committee on Economic Development and Tourism which

usually meets monthly, and the Provincial Medium Term Expenditure Committee (MTEC) on a quarterly basis.

2.15.2 With respect to the implementation of departmental service delivery improvement plans; the Department is in the process of implementing 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.

2.15.3 In the year under review, the Department has undertaken a number of special investigations or audits of areas of business where controls have appeared significantly weak, including an audit of the implementation of the Departmental bursary policy, as well as a review of the implementation of line function projects of the Department. These audits have led to a systematic process of improving our information based on performance and on measures to improve Departmental service delivery and performance.

2.16. Approval:

The annual financial statement set out on pages 82 to 107 have been approved by the Accounting Officer.



MR MEL CHRISTOPHER CLARK

Head: Department of Economic Development and Tourism (28 August 2003)

PART 3

REPORT ON HUMAN RESOURCES MANAGEMENT

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, financial and service delivery issues. The information aims to empower legislatures, the media, and 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 the plans that it set for itself in the Estimate of Expenditure,
- Are achieving national transformation priorities established by the Cabinet, for example, affirmative action.

Annual reports are produced after the end of the financial year. In several instances, departments are required to report against original targets set at the start of the financial year (and which are published in the Estimates of Expenditure). This is aimed at strengthening the accountability of departments to key stakeholders.

The tables in this report are revised on an annual basis by the Department of Public Service and Administration (DPSA) and are issued to departments before the start of the next financial year (i.e. by 31 March). If you wish to see additional information included in this report, please send suggestions (with a clear motivation) to: -

The Director-General

Department of Public Service and Administration

ATTENTION: Public Service Information Unit

P.O. Box 916, Pretoria, 0001

psiu@dpsa.gov.za

fax: (012) 314-7020

To ensure that enough time is available to evaluate and incorporate your suggestions, please ensure that all submissions are submitted on or before 31 December.

For a detailed description and explanation of the terminology used in this section of the report, please consult the publication from the DPSA entitled '*A guide to understanding the oversight report of departmental annual reports*'. A copy of the guide is available from all departments or can be accessed from the DPSA website (www.dpsa.gov.za).

VOTED FUNDS

Total amount appropriated for the financial year 2002-03	173,910,000
Responsible Minister	Mr RM Burrows, MPP
Accounting Officer	Mr MC Clark

AIM

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

SUMMARY OF PROGRAMMES

The activities of the department are organised in four programmes. These are:-

- Administration
- Integrated Planning and Economic Development
- SMME and Internal Trade
- Auxiliary Services

1 - Service Delivery

At the start of the financial year, departments are required to develop service delivery indicators. These are summarised in the following pages of Part 3. The following table summarises what progress has been made with regard to meeting each of the published indicators. In the case of a deviation from the service delivery indicator, an appropriate comment is provided.

TABLE 1 – Report against outputs and service delivery indicators

Original Targets set in the Medium-Term Expenditure Estimate			Report against Targets	
Sub-programme	Outputs	Service Delivery Indicators	Status	Comment

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 level (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 level within the department.

TABLE 2.1 – Personnel costs by programme, 2002/ 03

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Administrative 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	27 053	11 469	4 925	5 578	42%	188

Integrated Planning and Economic Development	31 888	2 989	1 410	3 023	9%	199
SMME and Internal Trade	17 486	4 889	2 002	9 782	28%	158
Auxilliary and Associated Services	87 691	-	-	-	0%	-
TOTAL	164 118	19 347	8 337	18 383	12%	181

TABLE 2.2 – Personnel costs by salary level, 2002/ 03

Salary levels	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Administrative Expenditure (R'000)	Professional and Special Services (R'000)	Personnel cost as a percent of total expenditure	Average personnel cost per employee (R'000)
Salary levels 1-2		413			0.3%	103
Salary levels 3-5		1 163			0.7%	68
Salary levels 6-8		5 331			3.2%	115
Salary levels 9-12		5 051			3%	194
Senior Management Service		7 389			4.5%	527
TOTAL	164 118	19 347			11.7%	180

The following tables provide a summary by programme (Table 2.3) and salary level (Table 2.4), of expenditure incurred as a result of overtime, allowances, and benefits. Benefits reflect the amount utilised for homeowner allowances, medical aid, and pension. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

TABLE 2.3 – Overtime, Allowances, and benefits by programme, 2002/ 03

Programme	Overtime		Allowances		Benefits	
	Amount (R'000)	% of personnel costs	Amount (R'000)	% of personnel costs	Amount (R'000)	% of personnel costs

Administration	-	-	1 072	9.3%	1 816	15.8%
Integrated Planning and Economic Development	-	-	167	5.6%	481	16.0%
SMME and Internal Trade	-	-	212	4.3%	812	16.6%
Auxilliary Services	-	-	-	-	-	-
TOTAL	-	-	1 451	7.5%	3 109	16.0%

TABLE 2.4 – Overtime, Allowances, and benefits by salary level, 2002/ 03

Salary level	Overtime		Allowances		Benefits	
	Amount (R'000)	% of personnel costs	Amount (R'000)	% of personnel costs	Amount (R'000)	% of personnel costs
Salary levels 1-2	0	0	110	26.6%	65	15.7%
Salary levels 3-5	0	0	7	0.6%	230	19.8%
Salary levels 6-8	0	0	7	0.1%	1 153	21.6%
Salary levels 9-12	0	0	62	1.2%	779	15.4%
Senior Management Service	0	0	1 265	17.1%	882	11.9%
TOTAL	0	0	1 451	7.5%	3 109	16.0%

[3 – Employment and Vacancies](#)

The tables in this section summarise the position with regard to employment and vacancies. The approved establishment is the number of posts that an executing authority has approved to carry out the core and support functions of the department. The first table (table 3.1) provides an estimate of the size of the establishment over the MTEF period.

TABLE 3.1 – Approved establishment by programme

c	Approved Establishment	Medium-term establishment estimate
---	------------------------	------------------------------------

	1 April 2002	31 March 2003	31 March 2004	31 March 2005
Administration	71	71	71	71
Integrated Planning and Economic Development	43	45	45	45
SMME and Internal Trade		2	2	2
Auxilliary Services	27	27	27	27
TOTAL	141	143	143	143

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 four key variables:- programme (Table 3.2), salary band (Table 3.3).

Departments have identified critical occupations that need to be monitored. Table 3.4 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 3.2 – Employment and vacancies by programme, 31 March 2003

Programme	Establishment	Number of employees	Vacancy Rate	Additional to the establishment
Administration	71	61	14	0
Integrated Planning and Economic Development	45	33	26	0
SMME and Internal Trade	27	13	52	0
Auxilliary Services	-	-	-	-
TOTAL	143	107	25	0

TABLE 3.3 – Employment and vacancies by salary band, 31 March 2003

Salary band	Establishment	Number of employees	Vacancy Rate	Additional to the establishment
Salary levels 1-2	4	4	0	0
Salary levels 3-5	17	17	0	0

Salary levels 6-8	64	46	28	0
Salary levels 9-12	43	26	40	0
Senior Management Service	15	14	7	0
TOTAL	143	107	25	0

TABLE 3.4 – Employment and vacancies by critical occupation, March 2003

Critical occupations	Establishment	Number of employees	Vacancy Rate	Additional to the establishment
0	0	0	0	0

The information in each case reflects the situation as at 31 March 2003. 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.

TABLE 4.1 – Job Evaluation, 1 April 2002 to 31 March 2003

	Establishment	Number of Jobs Evaluated	Post Upgraded		Posts downgraded	
			Number	% of total	Number	% of total
Salary levels 1-2	4					

Salary levels 3-5	17	7	7	41		
Salary levels 6-8	64	8	8	13	-	-
Salary levels 9-12	43	2	2	5		
Salary levels 13-14 (Professional)						
Senior Management Service	15	12	-	-	-	-
TOTAL	143	29	17	12		

The following table provides a summary of the number of employees absorbed in an upgraded post. In addition to the total number of employees absorbed, the table provides an indication of the beneficiaries by race, gender and disability.

TABLE 4.2 – Profile of employees absorbed in an upgraded post, 1 April 2002 to 31 March 2003

Total number of employees absorbed in an upgraded post				
<i>Beneficiaries</i>	African	Asian	Coloured	White
Female	6	2	0	0
Male	4	2	1	2
Employees with a disability				0

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

TABLE 4.3 – Remuneration levels that exceeded the grade determined by job evaluation, 1 April 2002 to 31 March 2003 (in terms of PSR V, C.3)

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
n/a	-	-	-	-

Total Number of Employees whose remuneration exceeded the grade determined by job evaluation in 2002/ 03	0
Percentage of total employment	0

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

TABLE 4.4 – Profile of employees whose remuneration levels exceed the grade determined by job evaluation, 1 April 2002 to 31 March 2003 (in terms of PSR V, C.3).

Total number of employees whose remuneration levels exceed the grade determined by job evaluation				0
<i>Beneficiaries</i>	African	Asian	Coloured	White
Female	-	-	-	-
Male	-	-	-	-
Employees with a disability				-

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

Total Number of Employees whose remuneration exceeded the grade None determined by job evaluation in 2002/ 03

5 - Employment Changes

This section provides information on changes in employment over the financial year. Table 5.1 summarises appointments (including interdepartmental transfers to the department), promotions and service terminations (including interdepartmental transfers from the department) by race, gender, and disability. In addition, the table provides an indication of the impact of these changes on the employment profile of the department.

TABLE 5.1 – Appointments, promotions, and terminations, 1 April 2002 to 31 March 2003

	Employees, 1 April 2002	Appointments and transfer	Promotions	Terminations and transfers	Net % change
African	90	2	1	6	5
Male	38		1	3	8

Female	52	2		3	2
Asian	9	4			44
Male	3	2			66
Female	6	2			33
Coloured	2				-
Male	2				-
Female	0				-
White	8			2	25
Male	3				-
Female	5			2	40
Employees with a disability					
TOTAL	109	6	1	8	2

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 5.2) for critical occupations (Table 5.3). (These "critical occupations" should be the same as those listed in Table 3.5).

TABLE 5.2 – Annual turnover rates by salary band

	Appointments and transfer	Terminations and transfers	Turnover rate
Levels 1-2	-	-	-
Levels 3-5	-	1	6
Levels 6-8	-	-	-
Levels 9-12	4	5	4
Professionals (13-14)	-	-	-
Senior Management Service	2	2	-
TOTALS	6	8	2

TABLE 5.3 – Annual turnover rates by critical occupation

Occupation:	Appointments and transfer	Terminations and transfers	Turnover rate
n/a	-	-	-
TOTALS	-	-	-

Table 5.4 identifies the major reasons why staff left the department. Figures are also provided for the previous three years for comparative purposes.

Table 5.4 – Reasons why staff are leaving the department

Termination Type	Number	Per 100 000 employees
Death	3	2752
Resignation	5	4587
Expiry of contract	-	-
Dismissal – operational changes	-	-
Dismissal – misconduct	-	-
Dismissal – inefficiency	-	-
Discharged due to ill-health	-	-
Retirement	-	-
Other	-	-

6 – Affirmative Action

The Public Service Regulations require the development and implementation of an affirmative action programme that contain the following:-

- Numeric and time-bound targets for achieving representativeness,
- Annual statistics on the appointment, training and promotion within each grade of each occupational category, of persons historically disadvantaged (PSR, III, D.2)

The following tables describe changes in the composition of the department for employees below the level of SMS (Table 6.1), the Senior Management Service (Table 6.2), and other key target groups in terms of race, gender, and disability.

TABLE 6.1 – Progress made with respect to affirmative action, 2002/ 03 [Employees at levels below the SMS]

	Progress – 2002/ 03	Medium-Term targets (if any)
--	---------------------	------------------------------

		2003	2003				
African	10	10	9	-1			
Male	5	5	5	0			
Female	5	5	4	-1			
Asian	2	2	2	0			
Male	2	2	2	0			
Female	0	0	0	0			
Coloured	1	1	1	0			
Male	1	1	1	0			
Female	0	0	0	0			
White	2	2	2	0			
Male	2	2	2	0			
Female	0	0	0	0			
Employees with a disability	0	0	0	0			
TOTAL	15	15	14	-1			

TABLE 6.3 – Progress made with respect to affirmative action, [name of key target group], 2002/ 03

	Progress – 2002/ 03				Medium-Term targets		
	1 April 2002	Target set for 31 March 2003	Actual number at 31 March 2003	Variance	March 2004	March 2005	March 2006
African	90	90	87	-3			
Male	38	38	37	-1			
Female	52	52	50	-2			
Asian	9	9	11	2			
Male	3	3	3	0			
Female	6	6	8	2			

Coloured	2	2	2	0			
Male	2	2	2	0			
Female	0	0	0	0			
White	8	8	7	-1			
Male	3	3	2	-1			
Female	5	5	4	-1			
Employees with a disability	0	0	0	0			
TOTAL	109	109	107	-2			

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 levels (table 7.2), and critical occupations (Table 7.3).

TABLE 7.1 – Performance Rewards by race, gender, and disability, 1 April 2002 to 31 March 2003

	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Per capita cost
African	0	0	0	0	0
Male	0	0	0	0	0
Female	0	0	0	0	0
Asian	0	0	0	0	0
Male	0	0	0	0	0
Female	0	0	0	0	0
Coloured	0	0	0	0	0
Male	0	0	0	0	0
Female	0	0	0	0	0
White	0	0	0	0	0
Male	0	0	0	0	0

Female	0	0	0	0	0
Employees with a disability	0	0	0	0	0
TOTAL	0	0	0	0	0

TABLE 7.2 – Performance Rewards by salary level, 1 April 2002 to 31 March 2003

Salary Level	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Per capita cost
Levels 1-2	0	0	0	0	0
Levels 3-5	0	0	0	0	0
Levels 6-8	0	0	0	0	0
Levels 9-12	0	0	0	0	0
Professionals (13-16)	0	0	0	0	0
Senior Management Service	0	0	0	0	0
TOTAL	0	0	0	0	0

TABLE 7.2 – Performance Rewards by critical occupations, 1 April 2002 to 31 March 2003

Critical Occupations	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Per capita cost
N/a	0	0	0	0	0
TOTAL	0	0	0	0	0

8 – Foreign Workers

The table below summarises the employment of foreign nationals in the department in terms of salary level and by major occupation. The table also summarises changes in the total number of foreign workers in each salary band and by each major occupation.

TABLE 8.1 – Foreign Workers, 1 April 2002 to 31 March 2003

BY GRADE (SALARY BAND)	1 April 2001		31 March 2002		Change	
	Number	% of total	Number	% of total	Number	% change
Salary levels 1-2	0	0	0	0	0	0
Salary levels 3-5	0	0	0	0	0	0
Salary levels 6-8	0	0	0	0	0	0
Salary levels 9-12	0	0	0	0	0	0
Salary levels 13-14	0	0	0	0	0	0
Senior Management Service	0	0	0	0	0	0
BY MAJOR OCCUPATION	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

9 - Sick Leave

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 2002 to 31 March 2003

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)
Levels 1-2	-	-	-	-	-	-
Levels 3-5	72	100	11	10	6	25
Levels 6-8	171	100	30	28	5	111
Levels 9-12	78	100	11	10	5	134
SMS	44	100	7	6	3	31
TOTAL	365	100	59	55	6	301

TABLE 9.2 – Disability leave (temporary and permanent), 1 April 2002 to 31 March 2003

GRADE (SALARY BAND)	Total days taken	Per cent certification	Number of Employees	% of total employees	Average per employee	Estimated Cost (R'000)
---------------------	------------------	------------------------	---------------------	----------------------	----------------------	------------------------

			disability leave	disability leave		
Levels 1-2						
Levels 3-5						
Levels 6-8						
Levels 9-12	175	100	1		71	55
Levels 13-14	-	-	-	-	-	-
SMS	214	100	2	1	107	274
TOTAL	389	100	3	2	73	329

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 2002 to 31 March 2003

GRADE (SALARY BAND)	Total days taken	<u>Number of Employees in grade</u>	Average per employee
Levels 1-2	0	4	0
Levels 3-5	351	17	20
Levels 6-8	935	46	20
Levels 9-12	330	26	13
Levels 13-16	-	-	-
SMS	183	14	13
TOTAL	1799	107	17

TABLE 9.4 – Leave payouts

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

REASON	Total Amount	Number of Employees	Average per employee
Non-utilisation of leave for current cycle	17	1	17
Leave accrued before 30 June 2001	173	2	86.5
TOTAL	190	3	63

10 – Labour Relations

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

TABLE 10.1 – Collective agreements, 1 April 2002 to 31 March 2003

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 10.2 – Misconduct and discipline

Outcomes of disciplinary hearings	Number	% of total
Verbal warning		
Written warning		
Final written warning		
Not guilty		
Case withdrawn		
Dismissal	1	0.7
TOTAL	1	0.7

11 - Skills Development

This section highlights the efforts of the department with regard to skills development. Table 11.1 summarises the development of skills by salary band including costs incurred in skills development while table 11.2 provides the same information in terms of race, gender and disability.

TABLE 11.1 – Skills development by salary band, 1 April 2002 to 31 March 2003

Grade (Salary Band)	Internal Training		External Training		Expenditure	
	Training day equivalents	Average days per employee	Training day equivalents	Average days per employee	Total expenditure (R'000)	Average per employee (R'000)
Levels 1-2	-	-	-	-	-	-
Levels 3-5	-	-	3	0.2	9	0.5
Levels 6-8	-	-	9	0.1	46	1
Levels 9-12	-	-	11	0.3	45	1.7
Levels 13-14	-	-	-	-	-	-
SMS			8	0.5	11	0.7
TOTAL			31	0.28	111	1.03

TABLE 11.2 – Skills development by race, gender, and disability, 1 April 2002 to 31 March 2003

Grade (Salary Band)	Internal Training		External Training		Expenditure	
	Training day equivalents	Average days per employee	Training day equivalents	Average days per employee	Total expenditure (R'000)	Average per employee (R'000)
African	-	-	39	-	-	-
Male			13	0.3	31	2.3
Female			26	0.6	73	2.8
Asian	-	-	5	-	-	-
Male			2	0.4	8	4
Female			3	0.6	11	3.6
Coloured	-	-	2	-	-	-
Male			2	1	7	3.5
Female			-	-	-	-
White	-	-	8	-	-	-

Male			3	0.3	15	5
Female			5	0.6	29	5.8
Employees with a disability			-	-	-	-
TOTAL	-	-	54	0.5	174	3.2

The following table provides a summary of the various training areas where staffs were provided with skills training.

TABLE 11.3 – Skills development by type of training, 1 April 2002 to 31 March 2003

Type of training	Training				Expenditure	
	Number of beneficiaries	Training day equivalents	Average days per person	% of total	Total expenditure (R'000)	Average per beneficiary (R'000)
Internal training	-	-	-	-	-	-
Formal training	46	Part time	-	43	54	1.2
Computer training	13	5	2.6	12	27	2.1
Management development	9	5	1.8	8	-	
Office-based training	4	5	1.3	4	9	2.3
Policy-specific training	4	3	1	4	-	
ABET	-	-	-	-	-	-
Other	-	-	-	-	-	-
TOTAL	72				90	

The following table summarises actual expenditure on training for the year under review. The table also provides a comparison with the initial estimate published in the Estimate of Expenditure.

TABLE 11.4 – Total expenditure on skills development by programme, 2002/03

Programme	Expenditure – 2002/ 03	Medium-term expenditure estimates
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	Original estimate	Actual expenditure	Variance	2003/ 04	2004/ 05	2005/ 06
Administration	151 830	82 477	100 540	100 000	60 000	40 000
Integrated Planning and Economic Development	50 000	1 380	48 620	20 000	10 000	10 000
SMME and Internal Trade	109 250	28 058	81 191	40 000	20 000	20 000
Auxilliary Services	0	0	0	0	0	0
TOTAL	311 080	119 115	230 351	160 000	90 000	70 000

Finally, the following table summarises the bursaries granted to employees during the last financial year by salary level (Table 11.5) and race, gender and disability (Table 11.6).

TABLE 11.5 – Bursaries granted by salary level, 1 April 2002 to 31 March 2003

Salary Level	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees in salary band	% of total in salary band	Cost (R'000)	Per capita cost (R'000)
Levels 1-2	0	4	0	0	0
Levels 3-5	5	17	29.4	16	3,2
Levels 6-8	14	46	30.4	57	4,071
Levels 9-12	6	26	23	42	7,0
Senior Management Service	1	14	7	5	5,0
TOTAL	26	107	24.3	121	4,653

TABLE 11.6 – Bursaries granted by race, gender and disability, 1 April 2002 to 31 March 2003

	Beneficiary Profile	Cost

	Number of beneficiaries	Number of employees in salary band	% of total in salary band	Cost (R'000)	Per capita cost (R'000)
African	24	87	27.6	80	3,333
Male	7	37	19	22	3,142
Female	17	50	34	58	3,411
Asian	2	11	18	5	2,5
Male	0	3	-	-	-
Female	2	8	-	5	2,5
Coloured	0	2	-	-	-
Male	-	2	-	-	-
Female	-	0	-	-	-
White	0	7	-	-	-
Male	0	3	-	-	-
Female	0	4	-	-	-
Employees with a disability	0	0	0	0	-
TOTAL	26	107	24	85	3,269

12 – Injury On Duty

The following tables provide basic information on injury on duty.

TABLE 12.1 – Injury on duty, 1 April 2002 to 31 March 2003

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

PART 4

We are pleased to present our report for the financial year ended 31 March 2003.

Audit Committee Members and Attendance:

The audit committee consists of the members listed hereunder and met 4 times as per its approved terms of reference.

Name of Member	Number of Meetings Attended
JTM Edwards	4
BP Campbell	4
BS Khuzwayo	4
R Morar	4
DSD Shabalala	3
RW Green-Thompson	1
RK Sizani	1

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 38 (1)(a) of the PFMA 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.

The effectiveness of internal control

Our review revealed that the department has implemented sound systems of internal control for major areas of its operations. Fundamental weaknesses in such systems of internal control that were identified by Internal Audit have been raised with the Department of Economic Development and Tourism.

The committee has only reviewed the design of the systems of internal control as implemented by management. The effective operation of such systems will be the focus of the committee in the 2003/2004 financial period.

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

The Committee cannot at this stage 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.

REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2003 - continued

Evaluation of Financial Statements

The Audit Committee has

- 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;
- Reviewed changes in accounting policies and practices;
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



.....
Chairperson of the Audit Committee



Date:.....



AUDITOR - GENERAL

**OF VOTE 4 – DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM FOR THE YEAR ENDED
31 MARCH 2003**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 82 to 107, for the year ended 31 March 2003, 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 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). 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.

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 and Tourism at 31 March 2003 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice.

4. EMPHASIS OF MATTER

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

4.1 Matters affecting the financial statements

4.1.1 Unauthorised expenditure: 1999-2000

The amount of R219 929 which originated in the 1999-2000 financial year, pertaining to a fraudulent cheque cashed is still reflected as unauthorised, fruitless and wasteful expenditure (Current assets) in the balance sheet at 31 March 2003. The chances of making any recovery diminishes as time goes by and urgent steps should be taken by management to expedite the recovery of the loss. The Accounting Officer reported that the matter is currently under investigation by the province's Internal Audit and Fraud Unit.

4.1.2 Amounts owing by other departments

Amounts owing by other KwaZulu-Natal provincial departments totalled more than R1,6 million. However, the undermentioned departments are disputing these amounts and the debt that is recoverable is uncertain.

Department	Confirmed Balance R	Economic Development and Tourism balance R
Agriculture and Environmental Affairs	NIL	1 370 000
Welfare and Population Development	NIL	36 000
Health	NIL	58 000
Premier	10 571	110 000
Total	R10 571	R1 574 000

4.1.3 Reconciliation between PERSAL and FMS

Personnel costs as per PERSAL were not reconciled to the expenditure recorded in FMS. A comparison between FMS (R19 149 447) and the Vulindlela report (R18 617 067) extracted by Treasury in respect of personnel costs for the 2002-2003 financial year reflected an unexplained difference of R532 380. The

department has undertaken to investigate and explain the difference with the assistance of Provincial Treasury.

4.2 Matters not affecting the financial statements

4.2.1 Late submission of the annual financial statements

Section 40 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended requires the accounting officer of the department to submit financial statements within two months after the end of the financial year to the Auditor-General. The financial statements initially submitted by the Accounting Officer were withdrawn by the Accounting Officer on 25 July 2003, as a result of *inter alia*, mis-postings and problems in finalising certain ledger accounts as the department had to rely on Provincial Treasury. The final financial statements were received on 29 July 2003.

4.2.2 KwaZulu-Natal Business Rehabilitation Trust Fund

The trust fund has to date still not been listed as a public entity, although meeting all three requirements of the definition of a 'provincial public entity' in Chapter 1 of the Public Finance Management Act (Act No. 1 of 1999), as amended.

Audited financial statements for the 2002-2003 financial year have not been submitted by the fund as required by section 55 of the Public Finance Management Act, 1999 (Act No. 1 of 1999).

The Accounting Officer replied that the financial statements for the year ended 31 March 2003 was expected to be ratified by the Board on 31 August 2003.

4.2.3 Revenue

In terms of Treasury Regulation 7.2, the accounting officer of an institution must, *inter alia*, 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.

Revenue received from liquor licences issued has not been reconciled and checked by staff of the department to confirm completeness. The effectiveness of the policing by staff of the department has not been assessed. The department's records reflect R275 124 received from the Department of Finance.

Attention is drawn to paragraph 2.2.2 of Part 2 of the departments annual report which reports that an investigation into allegations of possible mal-administration, corruption and fraud in Liquor Administration was conducted after year-end, the outcome of which is not yet available.

4.2.4 Fruitless/wasteful expenditure

The former Chief Financial Officer was on sick leave with full pay, from 8 March 2002 until 31 March 2003, as a result of serious injuries sustained from a motor vehicle accident.

The initial medical certificate dated 18 April 2002 indicated that the official was "temporarily disabled, will review status early next year in 2003". A second medical report, by the same medical practitioner, dated 6 August 2002 indicated, *inter alia* that the official "would not be able to return to his former employment, as his brain injury was extremely severe. I would strongly recommend therefore, that he be permanently boarded on medical grounds."

Paragraph 7.5.2 of Resolution No. 7 of 2000 of the Public Service Co-ordinating Bargaining Council provides for a maximum of 30 working days paid sick leave, or such additional number of days required by the employer to finalise the process set out in paragraphs 7.5.2 (b) and (c). This includes 30 days to ascertain the feasibility of alternative employment, or adapting duties or work to accommodate the disability and the application for ill health benefits in terms of the Pension Law of 1996.

The official should have been boarded within a reasonable period of time after 6 August 2002, however the department continued to pay the official for eight months after the date of the second medical report. A memorandum was addressed to and approved by the Minister on 27 March 2003. Taking the Head of Department's reply into account and in view of the absence of a departmental policy to deal with permanent disability, I view the costs relating to the official's continued employment amounting to R173 290 as fruitless/wasteful expenditure.

4.2.5 Dube Tradeport (Pty) Ltd

A transfer payment of R15 million and a further amount of R9, 9 million allocated to "Professional and special services" of the departments' Special Projects Directorate was paid to Ithala Development Corporation (Ithala) for the establishment of Dube Tradeport (Pty) Ltd, a fully owned subsidiary of Ithala.

A review of the 2002-2003 audited annual financial statements of Ithala revealed that the abovementioned amounts were not utilised and reflected as "Deferred income - grants received not yet applied" of R25,348 million at 31 March 2003 (R3,8million: 2002). Although the payment is supported by a valid contract, supporting invoices are not available for the R9,9 million paid. The Head of Department replied that the R9,9 million should have been reflected as a Transfer payment. Attention is drawn to paragraph 2.8 of Part 2 of the departments' annual report, which indicates the status of the project.

4.2.6 Project management and related expenditure

A review of project management and related expenditure highlighted areas for improvement relating to the department's core business, co-ordination between the relevant role-players and weaknesses in project management. The department has accepted the recommendations contained in my management letter dated 31 July 2003, and assisted by Internal Audit of Provincial Treasury is reviewing the entire process with the intention of establishing a "Project Support Office".

Seven (7) projects, involving expenditure totalling R1 131 126, some of which may be considered to be fruitless and wasteful as elaborated on in my aforementioned management letter, are still under investigation by the department. The Accounting Officer stated that a separate report would be submitted to me in due course.

5. APPRECIATION

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



**for Auditor-General
LB van der Merwe
DURBAN
02/09/03**

PART 6

**AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2003**

Statement of accounting policies and related matters

Income statement

Balance Sheet

Cash flow statement

Notes to the annual financial statements

Disclosure notes to the Annual Financial Statements

Annexure 1

Annexure 2

Annexure 3

Appropriation statement

Notes to the appropriation statement

Financial statements of trading entities

**STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS
for the year ended 31 March 2003**

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material respects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the 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 2002.

1. Basis of preparation

The financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The reporting entity is in transition from reporting on a cash basis of accounting to reporting on an accrual basis of accounting. 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

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.

Interest and dividends received are recognised upon receipt of the funds, and no accrual 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 financial statements of the department and then transferred to the National/Provincial Revenue Fund.

3. Donor Aid

Donor Aid is recognised in the income statement in accordance with the cash basis of accounting.

4. Current expenditure

Current expenditure is recognised in the income statement when the payment is made.

5. Unauthorised, irregular, and fruitless and wasteful expenditure

Unauthorised expenditure means:

- 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.

Unauthorised expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party or funded from future voted funds.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of 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, and
- the KwaZulu-Natal Provincial Procurement Act.

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended 31 March 2003 continued

Irregular expenditure is treated as expenditure in the income statement.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure must be recovered from a responsible official (a debtor account should be raised), or the vote if responsibility cannot be determined.

6. Debts written off

Debts are written off when identified as irrecoverable. No provision is made for irrecoverable amounts.

7. Capital expenditure

Expenditure for physical items on hand at 31 March 2003 to be consumed in the following financial year, is written off in full when they are received and are accounted for as expenditure in the income statement. Physical assets (fixed assets and movable assets) acquired are expensed i.e. written off in the income statement when the payment is made.

8. Receivables

Receivables are not normally recognised under the cash basis of accounting. However, receivables included in the balance sheet arise from cash payments that are recoverable from another party.

Receivables for services delivered are not recognised in the balance sheet as a current asset or as income in the income statement, as the financial statements are prepared on a cash basis of accounting, but are disclosed separately in the notes to enhance the usefulness of the financial statements.

9. Payables

Payables are not normally recognised under the cash basis of accounting. However, payables included in the balance sheet arise from cash receipts that are due to either the Provincial/National Revenue Fund or another party.

10. Provisions

A provision is a liability of uncertain timing or amount. Provisions are not normally recognised under the cash basis of accounting, but are disclosed separately in the notes to enhance the usefulness of the financial statements.

11. Lease commitments

Lease commitments for the period remaining from the accounting date until the end of the lease contract are disclosed as a note to the financial statements. These commitments are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

12. Accruals

This amount represents goods/services that have been delivered, but no invoice has been received from the supplier at year end, OR where the goods/services have been delivered, and an invoice is on hand but remains unpaid at year end. These amounts are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on a cash basis of accounting, but are however disclosed.

13. Capitalisation reserve

The capitalisation reserve represents an amount equal to the value of the investments and/or loans capitalised, or deposits paid on behalf of employees of a foreign mission, for the first time in the previous financial year. On disposal, repayment or recovery, such amounts are transferable to the Revenue Fund.

14. Recoverable revenue

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

15. Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the department may reasonably have available for reporting.

**INCOME STATEMENT (STATEMENT OF FINANCIAL PERFORMANCE)
for the year ended 31 March 2003**

	Note	2002/03 R'000	2001/02 R'000
REVENUE			
Voted funds			
Charge to National/Provincial	1	173,408	153,009

Revenue Fund			
Statutory appropriation	2	502	502
Non voted funds			
Other revenue to be surrendered to the revenue fund	3	5,134	826
TOTAL REVENUE		179,044	154,337
EXPENDITURE			
Current			
Personnel	4	19,088	17,369
Administrative		8,591	6,375
Inventories	5	1,892	1,173
Machinery and Equipment	6	263	632
Land and buildings	7	2,311	1,661
Professional and special services	8	42,433	18,444
Transfer payments	9	87,553	83,520
Miscellaneous	10	0	45
Special functions: authorised losses	11	29	1
Total Current Expenditure		162,160	129,220
Capital			
Administrative		4	0
Inventories	5	2	0
Machinery and Equipment	6	1,952	2,565
Total Capital Expenditure		1,958	2,565
TOTAL EXPENDITURE		164,118	131,785
NET SURPLUS /(DEFICIT)	13	14,926	22,552
Add back unauthorised, and fruitless and wasteful expenditure disallowed	12	221	221
NET SURPLUS /(DEFICIT) FOR THE YEAR		15,147	22,773

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
at 31 March 2003

ASSETS	Note	2002/03 R'000	2001/02 R'000
Current assets		4,422	474
Unauthorised, fruitless and wasteful expenditure	12	221	221
Treasury Balance	14	2,211	0
Receivables	15	1,990	253
TOTAL ASSETS		4,422	474
 LIABILITIES			
Current liabilities		(4,422)	(474)
Voted funds to be surrendered	17	712	352
Revenue funds to be surrendered	18	(5,134)	(826)
TOTAL LIABILITIES		(4,422)	(474)
 NET ASSETS/LIABILITES		0	0

CASH FLOW STATEMENT
for the year ended 31 March 2003

	Note	2002/03 R'000	2001/02 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flow generated by operating activities	19	16,878	25,117
Cash generated (utilised) to (increase)/decrease working capital	20	(1,737)	2,022
Voted funds and Revenue funds surrendered	21	(14,926)	(22,552)
Net cash flow available from operating activities		215	4,587
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(1,952)	(2,565)
Net cash flows from operating and investing activities		(1,737)	2,022
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in cash and cash equivalents		(1,737)	2,022
Cash and cash equivalents at beginning of period		(474)	(2,496)
Cash and cash equivalents at end of period		(2,211)	(474)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 MARCH 2003

1. Charge to National/Provincial Revenue Fund

1.1 Included in the above are funds specifically and exclusively appropriated for National Departments (Voted funds) and Provincial Departments (Equitable Share):

Programmes	Total Appropriation R'000	Actual R'000	Variance over/(under) R'000
Administration	28,910	27,053	(1,857)
Integrated Planning & Economic Development	35,931	31,888	(4,043)
SMME & Internal Trade	20,904	17,486	(3,418)
Auxiliary & Associated Services	87,663	87,691	28
TOTAL	173,408	164,118	(9,290)

The under-spend is mainly due to three areas as follows:

- Personnel and related Admin costs is as a direct result of the non-filling of vacant budgeted posts.
- Professional and Special Services is the allocation for project expenses where the Department contracts professional expertise to undertake various studies and project implementation. Some of these projects have been approved, and business plans prepared, and will be implemented in the next year. Roll-overs will be applied for.
- Other Departmental overhead variance is mainly due to the fact that March rental has not been paid yet. Some corporate publications planned for during the year were not published.
- Included in the above actual expenditure of R164, 118,000 is an amount of R536, 000 which relates to statutory appropriation. The amount is above budget as a result of a late adjustment to the Ministers salary, which was only approved after the adjustment estimates had been completed

2. Statutory appropriation

	2002/03 R'000	2001/02 R'000
Appropriation for remuneration and other payments to Executive Authority and Legislature not under the control of the Department	502	502
	502	502

3. Other revenue to be surrendered to revenue fund

Interest received	0	1
Sale of Washesha Bus Services	4,184	0
Other	950	825
	5,134	826

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 MARCH 2003 continued

4.	Personnel			
		Note	2002/03	2001/02
4.1	Current expenditure		R'000	R'000
	Appropriation to Executive and Legislature		536	519
	Basic salary costs		12,461	11,244
	Pension contributions		1,820	1,728
	Medical aid contributions		915	781
	Other salary related costs		3,356	3,097
			<u>19,088</u>	<u>17,369</u>
	Average number of employees		<u>112</u>	<u>112</u>
	Total Personnel Costs		<u>19,088</u>	<u>7,369</u>
5.	Inventories			
5.1	Current expenditure			
	Stationery		1,892	1,173
5.2	Capital expenditure			
	Stationery		2	0
	Total cost of inventories		<u>1,894</u>	<u>1,173</u>
	Inventory on hand at year end is not material			
6.	Machinery and Equipment			
	Current (Rentals, maintenance and sundry)		263	632
	Total current expenditure		<u>263</u>	<u>632</u>
	Capital	6.1	1,952	2,565
	Total capital and current expenditure		<u>2,215</u>	<u>3,197</u>
.1	Capital machinery and equipment analysed as follows:			
	Computer equipment		740	673
	Furniture and office equipment		787	67
	Other machinery and equipment		353	137
	Transport		72	1,688
			<u>1,952</u>	<u>2,565</u>
7.	Land and buildings			
	Maintenance		14	343
	Rental		2,297	1,318
	Total current expenditure		<u>2,311</u>	<u>1,661</u>

Total current and capital expenditure	<u>2,311</u>	<u>1,661</u>
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 MARCH 2003 continued

8. Professional and special services			
8.1 Current expenditure	Note	2002/03	2001/02
		R'000	R'000
Auditors' remuneration		434	201
Contractors		0	131
Consultants and advisory services		39,506	3,683
Commissions and committees		1	303
Computer services		659	586
Other		1,833	13,540
		<u>42,433</u>	<u>18,444</u>
Total Professional and special services		<u>42,433</u>	<u>18,444</u>

9. Transfer payments

Refer Annexure 1 on conditional grants and transfer payments.

10. Miscellaneous

10.1 Current Expenditure			
Home loan guarantee payments		<u>0</u>	<u>45</u>
		0	45
Total miscellaneous expenditure		<u>0</u>	<u>45</u>

11. Special functions: Authorised losses

Debts written off	11.1	0	1
Losses	11.2	29	0
		<u>29</u>	<u>1</u>

11.1 Debts written off

Staff Debt written off		<u>0</u>	<u>1</u>
		0	1

11.2 Losses Awaiting Approval

Equipment Lost		<u>29</u>	<u>0</u>
		29	0

12. Unauthorised and fruitless and wasteful expenditure disallowed

Unauthorised expenditure	12.1	221	221
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221

221

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 MARCH 2003 continued

Note		2002/03	2001/02
		R'000	R'000
12.1 Unauthorised expenditure			
Fraudulent cheque		220	220
Payment to wrong supplier		1	1
		<u>221</u>	<u>221</u>
13. Analysis of surplus			
Voted funds to be surrendered to the Revenue Fund		9,792	21,726
Non voted funds		5,134	826
Other revenue to be surrendered to the Revenue Fund		<u>5,134</u>	<u>826</u>
Total		<u>14,926</u>	<u>22,552</u>
14. Treasury Balance			
Treasury Balance		(2,211)	0
		<u>(2,211)</u>	<u>0</u>
15. Receivables - current			
Amounts owing by other departments	15.1	1,666	0
Staff debtors	15.2	324	246
Other debtors	15.3	0	7
		<u>1,990</u>	<u>253</u>
15.1 Amounts owing by other departments			
Foreign Affairs		7	0
Transport		32	0
Agriculture & Environmental Affairs		1,370	0
Welfare & Population Development		36	0
Public Works		54	0
Health		58	0
Office of the Premier		110	0
Total		<u>1,666</u>	<u>0</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 MARCH 2003 continued

15.2 Staff debtors

	2002/03 R'000	2001/02 R'000
S&T Control Account	123	203
Debt control Tax	11	12
Interim Account	94	0
Employee miscellaneous	1	0
Debt Personal	3	3
Deduction Disallowance	(8)	(3)
Housing Guarantee payment	0	8
Other Staff Debts	0	3
Pension Receipts	(1)	11
Persal Disallowance current	1	3
Persal Disallowance previous	0	1
Salary Reversal	68	5
Telephone control	32	0
	<u>324</u>	<u>246</u>

15.3 Other debtors

Claims recoverable from the office of the Premier	0	6
Dishonoured cheques	0	1
	<u>0</u>	<u>7</u>

15.4 Age analysis – receivables current

Less than one year	1,782	50
One to two years	51	0
More than two years	157	203
	<u>1,990</u>	<u>253</u>

16. Investments

Investee	Nature of Investment		
Ithala Development Finance and Investment co-operation	Shares	1,008,582	1,008,582
African Bank of Southern Africa	Shares	25	25
		<u>1,008,607</u>	<u>1,008,607</u>

Amounts not included in balance sheets as they were expensed in the period that the investment was made.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 MARCH 2003 continued

17. Voted funds to be surrendered

	2002/03	2001/02
	R'000	R'000
Opening balance	352	22,078
Transfer from Income & Expenditure Statement	9,792	0
Voted funds not required/received	(12,129)	(21,726)
Paid during the year	2,697	0
Closing balance	712	352

18. Revenue funds to be surrendered

Paid during the year	(5,134)	(826)
Closing balance	(5,134)	(826)

19. Net cash flow generated by operating activities

Net surplus as per Income Statement	14,926	22,552
Adjusted for items separately disclosed	1,952	2,565
Capital expenditure	1,952	2,565
Net cash flow generated by operating activities	16,878	25,117

20. Cash generated (utilised) to (increase)/decrease working capital

(Increase)/ decrease in receivables – current	(1,737)	2,022
	(1,737)	2,022

21. Voted funds and Revenue funds surrendered

Voted funds surrendered	(9,792)	(21,726)
Revenue funds surrendered	(5,134)	(826)
	(14,926)	(22,552)

for the year ended 31 MARCH 2003

These amounts are not recognised in the financial statements, and are disclosed to enhance the usefulness of the 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 2002.

22. Contingent liabilities

Liable to	Nature	Note	2002/03 R'000	2001/02 R'000
Housing loan guarantees	Employees	22.1	445	666
KwaZulu Transport		22.2	5,300	0
Other guarantees		22.3	317,378	387,328
			<u>323,123</u>	<u>387,994</u>

22.1 Housing loan guarantees

Refer Annexure 2 on financial guarantees issued at 31 March 2003

22.2 KwaZulu Transport

Contingent Liability raised in respect of possible claims in respect of the liquidation of KZT Transport.

22.3 Other guarantees

Refer Annexure 2 on financial guarantees issued at 31 March 2003

23. Commitments

Approved but not yet contracted	6,336	0
Total Commitments	<u>6,336</u>	<u>0</u>

24. Accruals

Listed by standard Item		
Administration	469	118
Stores and Livestock	19	52
Equipment	77	319
Land & Buildings	40	256
Professional and Special Services	138	3,312
	<u>743</u>	<u>4,057</u>
Listed by programme level		
Programme 1	512	706
Programme 2	167	3,083
Programme 3	64	208
Programme 4	0	60
	<u>743</u>	<u>4,057</u>

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 MARCH 2003 continued

25. Employee benefits

	2002/03	2001/02
	R'000	R'000
Leave entitlement	4,348	4,026
Thirteenth cheque	313	290
	4,661	4,316

26. Leases

	Property	Equipment		
26.1 Operating leases				
Not later than 1 year	2,376	307	2,683	2,467
Later than 1 year and not later than 5 years	7,804	244	8,048	
Later than 5 years				11,787
Future finance charges				
Present value of lease liabilities				
Total present value of lease liabilities	10,180	551	10,731	14,254

27. Key management personnel

27.1 Remuneration

The aggregate remuneration of the key management of the department and the number of individuals determined on a full time equivalent basis receiving remuneration within this category.

Key management personnel consist of the following:

1x HOD, 5x General Managers, 9 x Managers

Total	5,226	4,573
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ANNEXURE 1
STATEMENT OF TRANSFER PAYMENTS MADE TO PUBLIC ENTITIES &
MUNICIPALITIES
AS AT 31 MARCH 2003

Name of Grant	Date received	Received From	Total Appropriation	Actual	Variance Over/ (under)	Current transfer payments			Capital transfer payments				
						Date of Transfer	Ear-marked	Other	Public entity paid to	Date of transfer	Ear-marked	Other	Public entity paid to
						**							
Ithala Development Finance Corporation			18,000	18,000					18,000				
KZN Tourism Authority			34,000	34,000					34,000				
KZN Philharmonic Orchestra			4,000	4,000					4,000				
TIK			14,671	14,671					14,671				
Natal Sharks Board			16,882	16,882					16,882				
Hibiscus Coast Municipality			50		(50)								
			87,603	87,553	(50)				87,553				

**** Transfers to Public Entities are made in tranches every month.**

Guaranteed Institution	Guarantee in respect of	Guaranteed capital amount	Opening balance as at 31 March 2003	Guarantees raised during the year	Guarantees repaid during the year	Guaranteed capital amount outstanding as at 31 March 2003	Guaranteed interest outstanding as from the last date of interest until 31 March 2003	Claims paid out during past financial year	Realised losses i.r.o. claims paid out
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First National Bank/NBS	Housing	826	241	30	109	162			
Standard Bank	Housing	0	19	0	19	0			
Saambou	Housing	70	61	0	47	14			
Nedbank	Housing	0	113	0	113	0			
ABSA	Housing	778	122	25	0	147			
Permanent Bank	Housing	229	14	29	0	43			
Peoples Fidelity	Bank/ Housing	189	37	0	0	37			
BOE	Housing	139	18	0	0	18			
Ithala Dev Corp.	Housing	89	41	0	17	24			
Housing Total		2,320	666	84	305	445			
DBSA	Loans advanced to Ithala	359,143	387,328	26,209	144,478	317,378	48,319		
Total		361,463	387,994	26,293	144,783	317,823	48,319		

PHYSICAL ASSETS
ACQUIRED DURING
FINANCIAL YEAR 2002/03

Opening Balance	Additions	Disposals	Transfers In	Transfers Out	Closing Balance
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Machinery & Equipment
Transport Assets

1,325,847	956,127				2,281,974
1,749,604					1,749,604

3,075,451	956,127				4,031,578
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Comparatives are not available, as this was not a reporting requirement in the previous year
Department does not have any Intangible Assets to disclose

APPROPRIATION STATEMENT
for the year ended 31 March 2003

Programme								
	2002/03						2001/02	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings (Excess)	Expenditure as % of Revised Allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
1 Administration	29,412	-	29,412	27,053	2,359	92%	26,776	21,792
Current	28,104	-	28,104	27,053	1,051	96%	25,515	21,246
Capital	1,308	-	1,308	-	1,308	0%	1,261	546
2 Intergrated Planning and Economic Development	35,931	-	35,931	31,888	4,043	89%	22,049	9,698
Current	35,815	-	35,815	31,888	3,927	89%	21,979	9,437
Capital	116	-	116	-	116	0%	70	261
3 SMME and Internal Trade	20,904	-	20,904	17,486	3,418	84%	19,451	15,088
Current	20,904	-	20,904	17,486	3,418	84%	19,278	15,017
Capital	-	-	-	-	-	-	173	71
4 Auxilliary and Associated Services	87,553	-	87,553	87,553	-	100%	63,580	83,520
Current	87,553	-	87,553	87,553	-	100%	63,580	83,520
Capital	-	-	-	-	-	-	-	-
5 Statutory Payments	110	-	110	138	-28	125%	21,655	1,687
Current	-	-	-	-	-	-	-	-
Capital	110	-	110	138	-28	125%	21,655	1,687
Total	173,910	0	173,910	164,118	9,792	6%	153,511	131,785

APPROPRIATION STATEMENT
for the year ended 31 March 2003

	2002/03	2001/02
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Direct Charge Against the National Revenue Fund	Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
¹ Provinces Equitable Share	173,910		173,910	164,118	9,792	94%	153,511	130,097
State Debt Costs								
Total	173,910	-	173,910	164,118	9,792	94%	153,511	130,097
Economic Classification	2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
Current								
Personnel	21,531	-	21,531	19,088	2,443	89%	21,634	17,369
Transfer payments	87,663	-	87,663	87,553	110	100%	65,235	81,833
Other	63,838	-	63,838	57,477	6,361	90%	43,483	28,329
Capital								
Transfer payments	-	-	-	-	-	-	20,000	-
Acq. of Capital Assets	878	-	878	-	878	0%	3,159	2,566
Total	173,910	-	173,910	164,118	9,792	94%	153,511	130,097
Standard Item Classification	2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
Personnel	22,033		22,033	19,088	2,945	87%	21,634	17,369
Administrative	9,051		9,051	8,594	457	95%	7,405	6,375
Inventories	2,650		2,650	1,894	756	71%	1,701	1,173
Equipment	1,425		1,425	2,215	-790	155%	1,709	3,197
Land and Buildings	2,646		2,646	2,311	335	87%	2,986	1,661
Prof and Special Services	48,422		48,422	42,433	5,989	88%	32,801	18,444
Transfer Payments	87,663		87,663	87,553	110	100%	65,235	81,833
Miscellaneous	20		20	29	20	145%	40	45
Total	173,910	-	173,910	164,118	9,792	94%	153,511	130,097

Subprogramme	Appropriation	ment	Allocation	Expendi-ture	(Excess)	of revised allocation	Allocation	Expendi-ture
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
2.1 Local Economic Development	13,692		13,692	10,763	2,929	79%	10,090	2,201
2.2 Rural Economic Development	9,794		9,794	9,299	495	95%	6,137	2,972
2.3 Special Projects	12,445		12,445	11,826	619	95%	5,752	4,265
Capital							70	140
Total	35,931	-	35,931	31,888	4,043	89%	22,049	9,698
Economic Classification	2002/03						2001/02	
	Adjusted Appropriation	Vire-ment	Revised Allocation	Actual Expendi-ture	Savings (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expendi-ture
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Current								
Personnel	3,724	-	3,724	2,989	734	80%	5,608	3,598
Other	32,208	-	32,208	28,898	3,310	90%	16,371	5,837
Capital								
Acquisition of capital assets							70	262
Total	35,931	-	35,931	31,888	4,044	89%	22,049	9,697
Standard Item Classification	2002/03						2001/02	
	Adjusted Appropriation	Vire-ment	Revised Allocation	Actual Expendi-ture	Savings (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expendi-ture
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	3,724		3,724	2,989	734	80%	5,608	3,598
Administrative	1,876		1,876	1,410	466	75%	1,134	759
Inventories	118		118	63	55	53%	18	9
Equipment	117		117	352	-235	301%	275	261
Professional and Special Services	30,096		30,096	27,074	3,023	90%	15,014	5,070
Total	35,931	-	35,931	31,888	4,044	89%	22,049	9,697

Detail per programme 3

Programme per	2002/03						2001/02	
	Adjusted	Vire-	Revised	Actual	Savings	Expendi-ture as %	Revised	Actual

Sub-programme	Appropriation	ment	Allocation	Expenditure	(Excess)	of Revised Allocation	Allocation	Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
SMME								
Current	12,693		12,693	11,028	1,665	87%	12,273	10,263
Capital							173	71
Internal Trade								
Current	8,211		8,211	6,460	1,751	79%	7,005	4,754
Total	20,904	-	20,904	17,488	3,416	84%	19,451	15,088
Economic Classification	2002/03						2001/02	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings (Excess)	Expenditure as % of Revised Allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Current								
Personnel	6,841	-	6,841	4,889	1,951	71%	5,680	4,410
Other	14,063	-	14,063	12,597	1,467	12%	13,598	10,607
Capital								
Acq of capital assets							173	71
Total	20,904	-	20,904	17,486	3,418	84%	19,451	15,088
Standard Item Classification	2002/03						2001/02	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings (Excess)	Expenditure as % of Revised Allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	6,841		6,841	4,889	1,951	71%	5,680	4,410
Administrative	2,304		2,304	2,002	301	87%	879	827
Inventories	38		38	272	-234	715%	410	385
Equipment			-	541	-541		173	71
Professional and Special Services	11,722		11,722	9,782	1,940	83%	12,309	9,395
Total	20,904	-	20,904	17,486	3,418	84%	19,451	15,088

Detail per programme 4

Programme per Subprogramme	2002/03						2001/02	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings (Excess)	Expenditure as % of Revised Allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Trade and Investment KZN								
Current	14,671		14,671	14,671	-	100%	8,500	8,500
Natal Sharks Board			-		-			
Current	16,882		16,882	16,882	-	100%	15,794	15,794
KZN Tourism Authority			-		-			
Current	34,000		34,000	34,000	-	100%	27,650	27,650
KZN Philharmonic Orchestra			-		-			
Current	4,000		4,000	4,000	-	100%	4,000	4,000
Ithala Development Finance Corporation			-		-			
Current	18,000		18,000	18,000	-	100%	24,843	24,843
Provincial Motor Transport			-		-			
Capital	110		110	138	-28	125%	1,655	
KZN Transport			-		-			
Current			-	-	-		2,760	2,700
SA Lifesaving			-		-			
Current			-	-	-		33	33
Total	87,663	-	87,663	87,691	-28	100%	85,235	83,520

Economic Classification

Current								
Transfer payments	87,553	-	87,553	87,553		100%	63,580	81,833
Capital								
Transfer payments							20,000	
Acquisition of capital assets	110		110	138	-28	125%	1,655	1,687
Total	87,663	-	87,663	87,691	-28	100%	85,235	83,520

Standard Item Classification

Equipment	110							1,687
Transfer payments	87,553		87,663	87,553	110	100%	85,235	81,833
Total	87,663	-	87,663	87,553	110	100%	85,235	83,520

NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2003

- 1. Detail of current and capital transfers as per Appropriation Act (after Virement):**
Detail of these transactions can be viewed in note 9 (Transfer payments) 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 (Charge to National/Provincial Revenue Fund) to the annual financial statements.
- 3. Detail of special functions (theft and losses)**
Detail of these transactions per programme can be viewed in note 11.1 (Details of special functions) to the annual financial statements.
- 4. Explanations of material variances from Amount Voted (after virement):**

Programme 1

The under-spend is mainly due to projects planned by Ministry, which did not take place.

Programme 2

Under-spend is mainly due to:

Delays in filling of vacant posts and vacancies that are still not filled to date that were budgeted for in 2002/03, i.e. Project Officer: Spatial Economic Frameworks, Chief Director: IP&ED, etc.

Non-response to adverts calling for proposals, even after advertising for the second time. Business plans are in place for the projects. Also shortage of human resources (late or non-appointments) to undertake related activities, i.e. Spatial Economic Frameworks (see reason for a variance in Personnel above). Roll-over will be applied for, for these projects.

Programme 3

Under-spend is mainly due to:

The non-filling of vacant posts, which were budgeted for but have not been filled due the restructuring

Various projects under this programme are underway, some with business plans submitted but payment has not yet been made, roll-overs will be applied for in the new year.

Programme 4

Expenditure is in line with budget.

**NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2003 - continued**

Per standard item:

Personnel

The variance is attributed to the delay in filling of vacant budgeted posts as well as resignations.

Administration

The under-spend within the standard item is due to the following:
Some of the administration costs relate to amount budgeted for the higher number of staff (e.g. S&T, cell phone cost), which has been delayed as explained above.

Equipment

Expenditure is within the guideline projections.

Professional and special services

The under-spend is mainly due to project which are in progress, with business plans, however have not been implemented yet. For most of these projects rollover will be applied for.

Transfer Payments

Expenditure is in line with budget.

5. Reconciliation of appropriation statement to income statement:

	2002/03	2001/02
	R'000	R'000
Total expenditure per income statement	164,118	137,185
Less: Expenditure from other revenue		
Less: Local and foreign aid assistance (including RDP funds)		
Actual expense per appropriation statement	164,118	131,785

Contact Details:

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