



Province of the  
**EASTERN CAPE**

ECONOMIC DEVELOPMENT,  
ENVIRONMENTAL AFFAIRS AND TOURISM



**ANNUAL PERFORMANCE  
PLAN**

2019	2021
2020	2022

## FOREWORD

In his State of the Nation Address in February, President Cyril Ramaphosa reiterated that the National Development Plan is still our vision and set our nation five tasks which are:

- Accelerating inclusive economic growth and create jobs.
- Improving the education system and develop the skills that we need now and into the future.
- Improving the conditions of life for all South Africans, especially the poor.
- Fighting corruption and state capture, and
- Strengthening the capacity and capability of the state to address the needs of the people.

As the DEDEAT Group we are entrusted with the first task of accelerating inclusive economic growth to create jobs. Consequently, this means that all eyes are correctly on DEDEAT to lead the way. We must address weaknesses in the Group to ensure that we are fit for the task at hand. In this regard, the filling of critical funded posts in the structure will be prioritised and we will also fully utilise the human capital of the Group to expedite implementation of policy directives.

In the Budget Speech for 2019/20 the Provincial Government outlined a plan to stimulate the economy to Grow our Province. In the main the plan directs us to adopt a bottom up approach to achieve an all-inclusive growth. Firstly, it says we must invest on skills development and create a pool of technical capabilities that are needed by the economy. In this regard DEDEAT will work closely with other partners in the Education Sector and industry organisations based in the province to ensure that critical digital and industrial skills are included in the curriculum of our tertiary institutions. Secondly, the plan directs us to drive investment promotion across sectoral spectrum, starting with investing on socio-economic infrastructure to attract investors in key sectors of our economy such as agriculture, manufacturing, ocean economy, energy, tourism and film industry to grow the economy and create jobs. Already in the 2019 MTEF National Government has announced the establishment of an Infrastructure Fund to turn our country and province into a construction site. The DEDEAT Group is leading processes of developing an investment book to be submitted to the Presidency through which we aim to sell bankable infrastructure projects for capital funding by National Government. In addition, the provincial government is investing R1.1 billion stimulate the sectors of our economy I referred to earlier. In the next few months we will announce projects that have been chosen to benefit from this stimulus fund. These projects will create jobs for our people and contribute to the tax base of our country.

At the centre of all this work in 2019/20 will be the affirmation of SMMEs and young entrepreneurs. The DEDEAT Group will lead the processes of assisting entrepreneurs in our province to get a fair share of the financial incentives which were announced by Finance Minister Tito Mboweni in his Budget Speech amounting to R28 billion across sectors including clothing and textile and emerging farmers. DEDEAT will also identify beneficiaries of the R50 million Isiqalo Youth Fund across all Districts and the two Metros working in partnership with the NYDA.

As we pursue these initiatives we will also heighten the processing of EIAs as they are critical to the implementation of infrastructure projects. On compliance, the work that has been done by the Eastern Cape Gambling Board to generate revenue in our Province is commendable. We will support the efforts of the Gambling Board to enhance its revenue generation capacity. The Eastern Cape Liquor Board on

the other hand will intensify its awareness campaigns against alcohol abuse as we have disturbing trends of alcohol abuse by the youth of our province. The focus of the campaigns will be extended to our Institutions of Higher Learning as recent reports indicate that students are falling into the alcohol trap.

The Department will also take the fight against the poaching of our flora and fauna to the perpetrators by working together with law enforcement agencies and other interested partners to combat poaching in our Province under the Theme: Not in Our Province. The sixth administration will implement all these measures that we have alluded to, with the sole purpose of Growing the Eastern Cape.



**The Honourable Mlungisi Mvoko**

MEC for Finance, Economic Development, Environmental Affairs and Tourism

**Official Sign-Off**

It is hereby certified that this Annual Performance Plan:

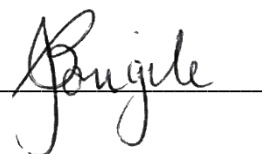
- Was developed by the management of the of the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) under the guidance of the Member of Executive Council, Hon Mungisi Mvoko;
- Takes into account all the relevant policies, legislation and other mandates for which the DEDEAT is responsible;
- Accurately reflects the strategic goals and objectives which the DEDEAT will endeavour to achieve over the period 2019/20 to 2021/22.

**Ms Sibongile Jongile**

Chief Financial Officer

**Signature:**

Date:

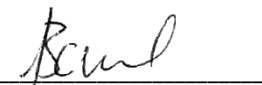


**Mr Tyronne Boucher**

Chief Director: Strategic and  
Information Management

**Signature:**

Date:



**Mr Bongani Gxilishe**

Accounting Officer

**Signature:**

Date:



**Approved by:**

**Mr Mlungisi Mvoko**

Hon. MEC for Finance, Economic Development,  
Environmental Affairs & Tourism

**Signature:**

Date:





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## ACRONYMS AND ABBREVIATIONS

ACB	Admin Craft Basin	HOD	Head of Department
AIM	Agro-Industrial Manufacturing	HR	Human Resource
ANC	African National Congress	ICT	Information Communication Technology
APP	Annual Performance Plan	ICM	Integrated Coastal Management Act
AQMP	Air Quality Management Plan	IDPs	Integrated Development Plans
ASGISA	Accelerated and Shared Growth Initiative for South Africa	IDZ	Industrial Development Zone
BBBEE	Broad Based Black Economic Empowerment	IGR	Inter-governmental Relations
COBIT	Control Objectives for Information and Related Technology	IMF	International Monetary Fund
CDC	Coega Development Corporation	INECE	International Environmental Compliance and Enforcement
CoP	Community of Practice	IPAP	Industry Policy Action Plan
DEDEAT	Department of Economic Development Environmental Affairs and Tourism	IT	Information Technology
DMR	Department of Mineral Resources	ITIL	Information Technology Infrastructure Library
DPME	Department of Performance Monitoring and Evaluation	IWMPs	Integrated Waste Management Programmes
DTI	Department of Trade and Industry	JGDM	Joe Gqabi District Municipality
EC	Eastern Cape	KPI	Key Performance Indicator
ECBCSAP	Eastern Cape Biodiversity Conservation Strategy and Action Plan	LED	Local Economic Development
ECDC	Eastern Cape Development Corporation	LPM	Limited Pay-out Machine
ECGB	Eastern Cape Gambling Board	LRED	Local and Regional Economic Development
ECHRA	Eastern Cape Heritage Resource Agency	MDA	Manufacturing Development Act
ECLB	Eastern Cape Liquor Board	MEC	Member of Executive Council
ECPTA	Eastern Cape Parks and Tourism Agency	MPL	Member of Provincial Legislature
ECSECC	Eastern Cape Socio Economic Consultative Council	MTEF	Medium Term Expenditure Framework
EIA	Environmental Impact Assessment	MTSF	Medium Term Strategic Framework
ELIDZ	East London Industrial Development Zone	NEMA	National Environmental Management Act
EPWP	Expanded Public Work Programme	NCT	Ngqura Container Terminal
EU	European Union	NGP	New Growth Path
FLISP	Finance Linked Individual Subsidy Programme	NMBBC	Nelson Mandela Bay Business Chamber
GDP	Gross Domestic Product	NMBM	Nelson Mandela Bay Municipality
GDPR	Gross Domestic Product Regional	NMMU	Nelson Mandela Metro University
GVA	Gross Value Added	NTCE	National Tourism Career Expo
HIV	Human Immune Virus	OEMPs	Operational Environmental Management Plans
		PCMTC	Provincial Coastal Management Technical Committee
		PEs	Public Entities

PEDS	Provincial Economic Development Strategy	SDFs	Spatial Development Frameworks
PGDS	Provincial Growth and Development Strategy	SER	State of the Environment Report
PICC	Presidential Infrastructure Coordinating Commission	SEZ	Special Economic Zone
PIDS	Provincial Industry Development Strategy	SIPs	Strategic Infrastructure Projects
PMDS	Performance Management Development System	SITA	State Information Technology Agency
SANRAL	South African National Roads Agency Limited	SMMEs	Small Medium Micro Enterprises
SAWIC	South African Waste Information Centre	SMS	Senior Management Services
SEDA	Small Enterprise Development Agency	TNPA	Transnet National Port Authority
		TVET	Technical and Vocational Education Training
		UNDOC	United Nations Office on Drugs and Crime
		WEO	World Economic Outlook
		YoY	Year on Year



PART A: STRATEGIC OVERVIEW

Updated Situational Analysis

The Department’s value chain (See figure 1 below) is designed to ensure shared economic growth, sustainable development and tourism. A new service delivery model was developed in 2016/17 but the key features of the previous combination of delivery mechanism involving head office, regional offices, public entities and to a limited extent consultants’ services remains unchanged. The Department’s organisational structure was approved in March 2018 by the Minister of Public Service and Administration. The outline of programmes and sub-programmes has not changed while the department has aligned its programmes to the key policy and programmatic imperatives applicable in 2018/19 financial year and beyond. This plan should be read in conjunction with the 2019/20 and 2021/22 APPs and Corporate Plans of Public Entities as well as District Operational Plans of the Department that outline the comparative advantages of each District and the challenges faced.

Figure 1: Service Delivery Chain



The value proposition remains unchanged for the MTEF period 2019/20 to 2021/22.

**TABLE 1: VALUE PROPOSITION**

VALUE PROPOSITION		
<b>Customers:</b> Investors, manufacturers, unemployed and community	<b>Services:</b> Economic & Tourism Development; Environment Management	<b>Positioning:</b> Custodians of legislation and Policy
ALIGN RESOURCE SYSTEM		FINANCIAL MODEL
<b>Services:</b> Economic & Tourism development; Environmental Management		<b>Sources of funding:</b> Equitable share, own revenue (±R230 million)
<b>Capabilities:</b> Research, policy analysis, planning and programme implementation		<b>Public Economic Value:</b> Increase tax base and reduce strain on welfare system
<b>Resources:</b> DEDEAT Group ±1800 employees, ±R1.481 billion, office infrastructure and IT system		<b>Growing available funding:</b> Partnership with DFIs and donors
<b>Extent:</b> Globally		
<b>Partners:</b> Public Entities, DFIs, other spheres		
MARKET SPACE OFFERING		
Scope: Research to advisory services		
Customers access: District Offices, Public Entities, 3 <sup>rd</sup> Party Entities and the Internet		
Organized for accessibility: Devolved to municipal level		

The department's programmes are aligned to six of the 14 outcomes developed by the Department of Performance Monitoring and Evaluation (DPME) in 2010. The strategic plan outlines the links as shown on pages 45, 54 – 55, 60 – 62 and 66 - 67 of the strategic plan. The department has aligned its plans to the National Development Plan, the MTSF, Vision 2030, 9-point plan among others. The department is cognisant of the need to fast track economic transformation in various socio-economic areas in the Province. Special attention is being made to the implementation of the SEZ Act and the outlook being presented through the Climate Change Bill which has recently gone through the public comment phase. The department is also watchful of the debates and impending changes around land expropriation, the results of which have a bearing on the economic dynamics of the Province. The Risk Management sections of the strategic plan also provide the risk mitigation measures which are part of the operational plan of the department. The table below highlights the policy prescripts, outcomes, the department's responsibilities and specific outputs.

Policy directive:	Sustainable Development Goals (SDGs)	Provincial MTSF Priorities	DEDEAT's intended contribution / responsibility:	Outputs in the APP & Operational Plan
<b>[Outcome 4]<sup>1</sup></b> Growth, decent employment through inclusive economic growth & sustainable livelihoods  <b>Nine-point plan = 1;</b> 4; 7; 9.  <b>NDP Priority:</b> Employment and Economy (promoting employment in labour absorbing industries; promoting exports and competitiveness; strengthen capacity of government for economic policy implementation; demonstrate strategic leadership among stakeholders);	8. Decent work and economic growth	6.4. Decent employment through inclusive growth	<ul style="list-style-type: none"> <li>Promotion of the Green Economy through extensive collaboration with communities and local municipalities in creating EPWP-led initiatives (erosion combating, re-forestation, aquatic systems management, thicket rehabilitation, waste management, recycling etc.)</li> <li>Investing in research, skills and capacity development, market development and manufacturing of sustainable energy generation and applications;</li> <li>Supporting, through public entities, the creation of Green Jobs in the Tourism and Environmental Management sectors</li> <li>Facilitating the establishment of regional economic nodes, with local clustered supply and demand-side linkages, promoting agro-industry</li> <li>Implement the Provincial Industrial Development Strategy in order to diversify the manufacturing sector, simultaneously attending to the Green Economy and labour absorption capacity.</li> </ul>	Sustainable initiatives supported; climate change response strategy; recycling projects  Report on Sustainable Energy Initiatives supported  EPWP work opportunities created  Implementation of Cluster organizations to support the Non-Automotive Manufacturing, Automotive and Tooling sectors in the province; Revitalisation of old industrial sites; support to small towns  Implementation of a support plan to manufacturing industries in distress to retain the industrial base in the Province; develop new provincial economic strategy

<sup>1</sup> Outcomes were developed in May 2010 to enhance effective planning by the national government of the 2010/11 to 2014/14 strategic cycle. A total of 12 outcomes were developed. Two more outcomes were added in 2014/15. In this table, only six outcomes linked to the mandate of the department have been included.

Policy directive:	Sustainable Development Goals (SDGs)	Provincial MTSF Priorities	DEDEAT's intended contribution / responsibility:	Outputs in the APP & Operational Plan
Environmental sustainability (transforming to a low carbon economy); positioning South Africa in the World (increase trade within SADC and Southern Africa).			<ul style="list-style-type: none"> <li>Using the SMME and Co-operatives policies to guide and target the development of capacity in respect of Green Jobs and harnessing the socio-economic opportunities of the renewable energy build programme.</li> </ul>	SMMEs supported with finance and non-financial support; Cooperatives supported; SMMEs supported in the renewable space
			<ul style="list-style-type: none"> <li>Regularise and manage legal liquor and gaming activities, and close down illegal operations</li> </ul>	Liquor and gaming licences issued; responsible liquor and gambling campaigns
			<ul style="list-style-type: none"> <li>Using youth and disability policies and strategies to promote participation in the economic growth of the province</li> </ul>	Youth jobs created
			<ul style="list-style-type: none"> <li>Implement programmes for job creation through IPAP3; National Development Plan; New Growth Path; National LED Framework; Provincial Growth and Development Plan (Vision 20130); Job Fund Strategy; Provincial Industrial Development Strategy (PIDS); and SIP3.</li> </ul>	Number of socio-economic infrastructure projects supported; jobs created
			<ul style="list-style-type: none"> <li>Develop a strategy and programme for the maritime economy "Operation Phakisa"</li> </ul>	Report on the implementation of the "Operation Phakisa"; Establishment and coordination of a Boatbuilding and Ship repair working group linked to Maritime Manufacturing in the Province Establishment and coordination of a Provincial Oil and Gas Working Group; Implementing the Coastal and Marine Tourism Strategy;

Policy directive:	Sustainable Development Goals (SDGs)	Provincial MTSF Priorities	DEDEAT's intended contribution / responsibility:	Outputs in the APP & Operational Plan
<b>[Outcome 5]</b> A skilled and capable workforce to support an inclusive growth path Nine-point plan = 8	8. Decent work and economic growth	6.5. A skilled and capable workforce to support an inclusive growth	<ul style="list-style-type: none"> <li>DEDEAT will directly and indirectly, through various capacity and skills development initiatives, contribute to enhancing the skills-base of the Eastern Cape</li> <li>Leverage human resources within the DEDEAT Group and external partners</li> </ul>	Establishment and coordination of a Provincial Coastal and Marine tourism Working Group Skills developed/ people trained HR Plan; Four (4) quarterly reports on HR assessment action plans
	9. industry, innovation and infrastructure	6.6. An efficient, competitive and responsive economic infrastructure network	<ul style="list-style-type: none"> <li>Support the rehabilitation and construction of infrastructure related to Provincial Parks, including access roads, telecommunications infrastructure, electrification, bulk water supply and adequate sanitation</li> </ul>	METT score Expenditure value Revenue generated from provincial parks Prototypes produced at ECDC Promote black industrialist programme Revitalisation of old industrial parks Clusters supported e.g. auto-sector and non-auto
			<ul style="list-style-type: none"> <li>Support and facilitate the development of tourism products including infrastructure</li> <li>Establish partnerships to address infrastructure backlogs in the former homelands</li> </ul>	A dashboard for priority projects developed and support for resource mobilisation; implement the new tourism plan Partnerships established
<b>[Outcome 6]</b> Building social and economic infrastructure <b>Nine-point plan = 4; 5; 9.</b> <b>NDP Priority: Economic Infrastructure</b> <i>(renewable energy-MW; value; IPPs);</i>				

Policy directive:	Sustainable Development Goals (SDGs)	Provincial MTSF Priorities	DEDEAT's intended contribution / responsibility:	Outputs in the APP & Operational Plan
<i>increase port capacity; broadband – availability (coverage; speed); ICT strategy; coal exports – value; shale gas – decision-support; Gas imports; Refineries- oil import (volume, value); N2 highway.</i>			<ul style="list-style-type: none"> <li>Prioritise the establishment of storage and packing facilities linked to highly effective logistics networks</li> </ul>	Logistics parks/ warehouses developed
			<ul style="list-style-type: none"> <li>Support the establishment of municipal waste management infrastructure</li> </ul>	98% waste licenses finalised
			<ul style="list-style-type: none"> <li>Provide project management expertise in the delivery of social infrastructure</li> </ul>	GIS Mapping of Projects Portfolio; Portfolio dashboard report; Portfolio Management Framework Policy.
			<ul style="list-style-type: none"> <li>Provide continued support to the existing IDZ infrastructure and migrate the existing IDZs into SEZs</li> </ul>	Status reports on SEZs; Transition the Coega and ELIDZ to SEZs; Investments facilitated in the two SEZs
			<ul style="list-style-type: none"> <li>Promote the development of the Wild Coast SEZ</li> </ul>	2 Strategic projects supported on WC SEZ.
			<ul style="list-style-type: none"> <li>Support research on new economic opportunities such as shale gas</li> </ul>	Shale gas research report; oil and gas implementation plan
			<ul style="list-style-type: none"> <li>Support a Provincial Institutional Nuclear Readiness platform, including readiness in regard to municipal and provincial roles and responsibilities, harnessing the value chain and deepening skills and capacity.</li> </ul>	Annual Report on Provincial Institutional Readiness Platform.
			<ul style="list-style-type: none"> <li>Greater collaboration with the Department of Rural Development and Agriculture</li> </ul>	Report on the Agro-Industry Development Forum
			<ul style="list-style-type: none"> <li>Promotion of agro-industry to support sustainable economic development</li> </ul>	Agro-processing initiatives supported
<b>[Outcome 7]</b> Rural development, land and agrarian reform, food security	15. Life on land	6.7. Vibrant, equitable, sustainable rural communities contributing	<ul style="list-style-type: none"> <li>Influence collaborating departments to improve road networks linking farm and</li> </ul>	Small Towns Revitalization Programme Intervention report.



Policy directive:	Sustainable Development Goals (SDGs)	Provincial MTSF Priorities	DEDEAT's intended contribution / responsibility:	Outputs in the APP & Operational Plan
<p>Nine-point plan = 2.  <b>NDP Priority:</b>            Integrated and inclusive rural economy (Agro-processing (jobs; value; volume; incomes).</p> <p><b>[Outcome 10]</b>            Sustainable resource management and use</p> <p><b>Nine-point plan = 1.</b>  <b>NDP Priority:</b>            Environmental Sustainability – Transforming to low carbon economy (greenhouse gas emissions – (value; reduction); climate change projects-recycling; retrofitting); renewable energy (value; MW generated); energy certification for buildings).</p>	<p>13. Climate action</p>	<p>towards food security for all</p> <p>6.10. Protect and enhance our environment assets and natural resources</p>	<p>non-farm activities in strategic rural locations</p>	
			<ul style="list-style-type: none"> <li>• Ensure the integration and expansion of Parks with local communities</li> <li>• Develop, transform and expand the hunting industry</li> <li>• Promote investment in the agro-industry sector and export of agro- products</li> <li>• Develop guidelines for the protection and promotion of bio-cultural diversity for the on-going responsible use of medicinal and traditional herbs and plants</li> </ul>	<p>Stakeholders sessions reports; MOUs</p> <p>Quarterly stakeholder's forum reports</p> <p>Permits issued</p> <p>Agro-Industrial Cluster established</p> <p>Biodiversity Plan</p>
	<p>13. Climate action</p>	<p>6.10. Protect and enhance our environment assets and natural resources</p>	<ul style="list-style-type: none"> <li>• Promote use of cleaner technologies to enhance environmental quality</li> <li>• Link with the EPWP to use labour-intensive methods</li> <li>• Support initiatives to identify and commercialise sustainable energy production and management.</li> <li>• Draft guidelines for the development and management of the Eastern Cape coastline in support of, and linked to, existing spatial development and planning frameworks</li> <li>• Support and measure greenhouse gas emissions reduction</li> </ul>	<p>Climate change responses tools developed</p> <p>EPWP jobs</p> <p>Mega Watt energy produced from renewable sources</p> <p>Construction of a renewable energy minigrid.</p> <p>Gazetted coastal management lines</p>
				<p>Two (2) provincial Atmospheric Emission Licenses registered</p>

Policy directive:	Sustainable Development Goals (SDGs)	Provincial MTSF Priorities	DEDEAT's intended contribution / responsibility:	Outputs in the APP & Operational Plan
			<ul style="list-style-type: none"> <li>Monitor climate change impacts and improved air/atmospheric quality</li> <li>Support sustainable environmental management and economic development</li> <li>Protect biodiversity</li> <li>Provide environmental education and awareness programmes</li> <li>Support implementation of environmental laws and regulations</li> <li>Combat and reduce all types of environmental crime</li> </ul>	<p>Two (2) climate change reports</p> <p>39 IDPs assessed</p> <p>ECPTA parks managed (METT Score) Implement bio-diversity economy</p> <p>Awareness sessions and capacity building activities conducted</p> <p>Environmental Management Plan</p> <p>Enforcement actions undertaken</p>
<b>[Outcome 12]</b> Improving public service and democratic institutions and empowered citizens Nine-point plan = 8.	10. Reduced inequality	6.12. An efficient, effective and development-oriented public service	<ul style="list-style-type: none"> <li>Streamlining DEDEAT's structures and processes to optimise delivery models</li> </ul>	Approved and updated organogram
			<ul style="list-style-type: none"> <li>Refocus and re-gear public entities to deliver on their mandates</li> </ul>	Review SLAs and Shareholder compact; Attend to legislations of public entities
			<ul style="list-style-type: none"> <li>Functionally integrate departmental and public entity capacity at a regional level on a project basis</li> </ul>	Joint planning & implementation
			<ul style="list-style-type: none"> <li>Re-organise DEDEAT to focus on the provision of strategic and policy direction, supported by regulatory, monitoring and evaluation functions</li> </ul>	Strategic planning report; Plans of the Department and Public entities; Quarterly & Annual Reports
			<ul style="list-style-type: none"> <li>Through improved internal risk management and controls, DEDEAT will prevent fraud and corruption amongst its officials</li> </ul>	Four (4) risk management reports; Four (4) compliance reports.

Policy directive:	Sustainable Development Goals (SDGs)	Provincial MTSF Priorities	DEDEAT's intended contribution / responsibility:	Outputs in the APP & Operational Plan
			<ul style="list-style-type: none"> <li>Fully utilise the Intergovernmental Relations Framework to promote co-operation and capacity across spheres of government</li> <li>Provide support and redress mechanism to citizens as they access administration related services, economic, environmental and tourism programmes</li> <li>Promote responsible liquor consumption and gaming</li> <li>Promote responsible and compliant business activities;</li> <li>Empower consumers;</li> <li>Take proactive steps to mitigate the negative effects of addiction, particularly in already impoverished communities</li> <li>Offer educational opportunities in respect of sustainable harvesting of traditional medicine plants</li> <li>Empower communities and vulnerable groups to enhance equity and ease of access to physical and non-physical assets in the Province</li> </ul>	<p>Four (4) reports on Munimec resolutions; Status report on key projects; IWDP steering committee report</p> <p>Complaints Management System operationalised; quarterly complaints report Resolution of consumer complaints</p> <p>Education programmes on responsible drinking and betting</p> <p>Integrated Complaints Management System</p> <p>Six (6) Consumer awareness programmes conducted</p> <p>Education programmes on Responsible drinking</p> <p>Education programmes for sustainability of traditional medicine plants; Guidelines on sustainable harvesting of traditional medicine plants; Mainstream Traditional Medicinal plants strategy/ report; Opportunities identified</p> <p>Distribution of Departments Service Standards to LMs, and DMs; Education programmes conducted through various programmes.</p>

## PERFORMANCE ENVIRONMENT

### Global Economic Review & Outlook

Global growth was projected to reach 3.9 percent between 2018 and 2019, in line with the forecast of the April 2018 World Economic Outlook (WEO), but the expansion is becoming less even, and risks to the outlook are mounting. Among emerging markets and developing economies, growth prospects are also becoming more uneven, amid rising oil prices, higher yields in the United States, escalating trade tensions, and market pressures on the currencies of some economies with weaker fundamentals. Financial market conditions remain accommodative for advanced economies—with compressed spreads, stretched valuations in some markets, and low volatility—but this could change rapidly. Tighter financial conditions could potentially cause disruptive portfolio adjustments, sharp exchange rate movements, and further reductions in capital inflows to emerging markets, particularly those with weaker fundamentals or higher political risks.

Future markets, however, indicate prices are likely to decline over the next 4–5 years (in part due to increased US shale production)—as of end-June, medium-term future prices are about \$59 per barrel (20 percent below current levels). The US Federal Reserve continued the course of gradual policy normalization. It raised the target range for the Federal Funds rate by 25 basis points in June, while signalling two additional rate hikes in 2018 and three in 2019—a steeper schedule than indicated in March.

Advanced economy growth is expected to remain above trend at 2.4 percent for the rest 2018 similar to 2017, before easing to 2.2 percent in 2019. In the United States, near-term momentum in the economy is expected to strengthen temporarily in line with the April WEO forecast, with growth projected at 2.9 percent in 2018 and 2.7 percent in 2019. Growth in the euro area economy is projected to slow gradually from 2.4 percent in 2017 to 2.2 percent in 2018 and to 1.9 percent in 2019 (a downward revision of 0.2 percentage point for 2018 and 0.1 percentage point for 2019 compared with the April WEO).

The growth forecast for Japan is expected to strengthen over the remainder of the year and into 2019, aided by stronger private consumption, external demand, and investment. Growth in China is projected to moderate from 6.9 percent in 2017 to 6.6 percent in 2018 and 6.4 percent in 2019, as regulatory tightening of the financial sector takes hold and external demand softens. India's growth rate is expected to rise from 6.7 percent in 2017 to 7.3 percent in 2018 and 7.5 percent in 2019, as drags from the currency exchange initiative and the introduction of the goods and services tax fade.

In emerging and developing Europe, growth is projected to moderate from 5.9 percent in 2017 to 4.3 percent in 2018 and further to 3.6 percent in 2019 (0.1 percentage point lower than in the April WEO for 2019). Oil exporters in the Middle East, North Africa, Afghanistan, and Pakistan region growth is projected to strengthen from 2.2 percent in 2017 to 3.5 percent in 2018 and further to 3.9 percent in 2019—0.2 percentage point higher than in the April WEO for 2019. Despite the weaker-than-expected first quarter outturn in South Africa (in part due to temporary factors), the economy is expected to recover somewhat over the remainder of 2018 and into 2019 as confidence improvements associated with the new leadership are gradually reflected in strengthening private investment. Growth in the Commonwealth of Independent States is projected to stabilize at around 2.3 percent in 2018–19, with an upward revision of 0.1 percentage point for each year compared with the April WEO.

## South African Economic Review & Outlook

2017 saw subdued economic growth but a general recovery from the dismal growth of 2016. Output was boosted by recoveries in the agricultural sector and the rand's appreciation, which assisted in moderating food price inflation and bringing inflation under the upper limit. The year was overshadowed by political uncertainty in the run-up to the ANC elective conference on the 16<sup>th</sup> of December 2017. Growth recovered by the last quarter of 2017 as economic activity picked up. Markets responded favourably to the election of Cyril Ramaphosa as head of the ANC. With Ramaphosa's swearing in as South African President on the 15<sup>th</sup> February 2018, a wave of optimism spread across the country, dubbed the 'Cyril Spring' or 'Ramaphoria'. Consumer confidence reflected this optimism rising to levels not seen since 2007.

The acceleration in South Africa's real gross domestic product in 2017 marked the first upturn in the current downward phase of the business cycle. There was a mild uptick in growth in domestic investment as real gross fixed capital formation increased by a marginal 0.4% in 2017, an improvement on the -4.1% contraction in 2016.

The South African economy slipped into recession during the second quarter of 2018, shrinking by 0.7% quarter-on-quarter (seasonally adjusted and annualised). This followed a revised 2.6% contraction in the first quarter of 2018.

The widely recognised indicator of recession is two (or more) consecutive quarters of negative growth (real GDP quarter-on-quarter). South Africa experienced its last recession during the 2008–2009 global financial crisis with three consecutive quarters of economic decline.

The 0.7% downturn in the second quarter of 2018 was a result of a fall-off in activity in the agriculture, transport, trade, government and manufacturing industries.

Agriculture production fell by 29.2% in the second quarter of 2018, following a 33.6% slump in the first quarter. This was largely driven by a decline in the production of field crops and horticultural products. Continued drought conditions in Western Cape and a severe hailstorm in Mpumalanga, resulting in extensive crop damage, also placed additional pressure on production in the second quarter.

The transport industry contracted by 4.9%, largely a result of decreased activity in both land and air transport. Industrial action within the industry, combined with a decline in freight transport, contributed to the slowdown.

The trade industry experienced its second consecutive quarter of negative growth, falling by 1.9%. Subdued sales in both motor and retail trade contributed to the decline. South African household consumption expenditure fell in the second quarter of 2018 compared with the first quarter of 2018, in line with the fall in retail trade sales. Households spent less on products such as transport, food, beverages and clothing.

Government activity decreased by 0.5%, largely as a result of falling employment numbers in the civil service. Manufacturing was the third industry to record a second consecutive quarter of negative growth, following in the footsteps of agriculture and trade. Manufacturing activity fell by 0.3%, driven by a fall in the production of electrical machinery, transport equipment (including motor vehicles), and products within the furniture and 'other' manufacturing division.

Mining, construction, electricity, finance and personal services experienced positive growth, but not enough to lift overall economic growth out of negative territory. Mining's growth rate of 4.9% was largely spurred on by a rise in the production of platinum group metals, copper and nickel. Construction activity increased by 2.3%, driven by a rise in non-residential buildings and construction work activities.

## Eastern Cape Economic Review & Outlook

The Eastern Cape's growth recovered in 2017 from a very low base in 2016. Growth in 2017 was estimated at 1.1%, which is lower than the national growth rate of 1.3%. This growth was low by provincial standards as the province was ranked eighth lowest in terms of GDP-R growth in 2017. Factors affecting the province's growth are its reliance on the general government sector, this being the largest contributing sector to total GVA-R in 2016, whilst the sector grew 1.5% in 2016. This growth is not expected to continue in 2017. Provincial growth was also affected by the contraction in agriculture due to the effects of the drought on the sector. A number of large sectors in the province, like finance, trade and transport, saw moderate growth.

The province's exports were impacted by a slowdown in exports of centrifuges, tyres and agricultural produce. Thus, between 2016 and 2017 provincial exports contracted by -8.1%, whilst total merchandise imports grew by 5.3%. The province returned to a trade deficit in 2017 of R3.9 billion after a trade surplus in 2016. Exports however were up on previous years and showed a positive upward trend.

Provincial government has committed to fiscal consolidation through the reduction of expenditure on compensation to employees, the provincial government's largest expenditure item. The 2018 fiscal framework is tighter than previous years. The province lost R147.9 million due to national government's fiscal consolidation in order to fund new priorities.

The Eastern Cape's key challenges continue to lie in improving education, value addition in the economy and assisting more young people to enter the ranks of the employed.

In 2017, South Africa had a total population of 56.5 million people, of which 6 489 683 (11.5%) resided in the Eastern Cape. The Eastern Cape has experienced a notable decrease in population. In 2010, the province was home to 6 743 800 of South Africa's population. This represents a decrease of 254 117 people in the period. The Eastern Cape had been the third largest provincial population in 2016, but in 2017 it had the fourth highest share after Gauteng, KwaZulu-Natal and Western Cape. The provincial share has dropped from 12.7% in 2010 to 11.5% in 2017.

The South African and Eastern Cape economies are both in technical recession as GDP growth rate remains negative for two consecutive quarters. The Eastern Cape GDP contracted to an annualized rate of -0.3% QoQ in 2018Q2, and -0.7% QoQ in the previous quarter.

South Africa's GDP went from -2.6% in 2019Q1 to -0.7% in 2018Q2, in the second quarter of 2018, the Eastern Cape economic growth outpaced South Africa's growth. YoY GDP for the Eastern Cape fell from 0.4% in 2017Q2 to -0.3% in 2018Q2.



- In 2017Q4, the Eastern Cape and South Africa recorded both 0.8% GDP growth. In 2018Q2, only two provinces had positive growth: Mpumalanga (0.12%) and Limpopo (0.19%). Four provincial economies experienced growth below the national average of -2.0%: Western Cape (-0.6%), KwaZulu-Natal (-0.4%), Eastern Cape (-0.3%), and Free State (-0.3%). Other provinces' performance was above the national average growth rate
- Agricultural was the only sector that experienced negative growth for two consecutive quarters, falling to -8.0% in 2018Q1 and -5.9% in 2018Q2.
- Sectors that contributed negatively to the Eastern Cape GDP were: agriculture -5.9%, manufacturing -0.1%, trade -0.7%, transport -1.3% and government services -0.3% QoQ growth.
- In contrast, the sectors that contributed positively to the Eastern Cape GDP were: mining 0.7%, electricity 0.3%, construction 0.5%, finance 0.3% and community services 0.2%
- In 2018Q2, the tertiary sector accounted for 79.5% of the Eastern Cape GDP. The secondary sector and primary sector accounted for 18.5% and 2.0% respectively. In rand values the tertiary sector amounted to R 169 813 million, the secondary sector R39 555 million and the primary sector R4 169 million. Two of the three sectors had negative growth for two consecutive quarters. The primary sector fell to -7.3% in 2018Q1 and to -4.9% in 2018Q2. The tertiary sector dropped to -0.1% in 2018Q1 and to -0.3% in 2018Q2.
- The large decrease in the primary sector was mainly because of the decline in agriculture, caused by a drop in the production of field crops and horticultural products from 2017Q4
- Four sectors contributed negatively to the national GDP: agriculture (-29.2%), transport (-4.9%), trade (-0.5%), government (-0.5%) and manufacturing (-0.3%).
- Two sectors that positively contributed to the South African GDP were: the mining sector (4.9%) and the construction sector (2.3%).
- Year-on-year (YoY), the South African economy contracted from 0.7% in 2017Q2 to -0.2% in 2018Q2

The labour absorption rate compares the number of employed individuals to the size of the working-age population. The Eastern Cape's labour absorption rate was 33.0% in the fourth quarter 2017, which is lower than the national average of 43.1%. This indicates that working-age individuals in the Eastern Cape are less likely to be employed than is the case in South Africa. This means that just over a third of the working-age population in the province is employed. The rate for the Eastern Cape has improved by 2.5% compared to five years previously but has decreased by 1.8% between fourth quarter 2016 and fourth quarter 2017.

The provincial unemployment rate (35.1%) was higher than the national rate (26.7%) at the end of fourth quarter 2017. The Eastern Cape saw a 5.7% percentage point increase in the unemployment rate between 2012 and 2017, compared to a national growth of 1.73% percentage points. The official unemployment rate increased between 2016 and 2017 in the Eastern Cape by 6.7%.

The labour force in the Eastern Cape was equal to just over 2.1 million in the fourth quarter of 2017, up by approximately 406 000 since the fourth quarter of 2012. Black Africans made up 85.5% of the provincial labour force, followed by coloured (8.6%) and white (5.4%) people. Despite only making up 5.6% of the workforce, white people account for 10.0% of the employed and only 1.4% of the

unemployed. Black Africans make up 85.5% of the workforce and account for 77.1% of the employed and 90.3% of the unemployed.

The labour force is comprised of 46.7% males and 53.3% females. The number of employed were, however, equally split between male (50.0%) and female (50.0%). In the fourth quarter of 2017, almost 60.0% of the labour force was aged between 15 and 34 years. The age cohorts of 25 to 34 years old and between 45 and 54 years old account for 31.5% and 13.4% of the labour force respectively. As the labour force continues to age, labour force growth has been most rapid amongst the 55 to 65-year-old cohort (10.7% per annum) and for those aged 35 - 44 years (16.3% per annum).

The largest employer in the formal sector of the Eastern Cape in fourth quarter of 2017 was the community, social and personal services sector. This sector contributed 29.3% to the total provincial formal sector employment. It was followed by the wholesale and retail trade sector accounting for 25.2% and the manufacturing sector accounting for 9.0% of the formal sector employment.

These three industries account for 63.5% of all formal sector employment in the Eastern Cape in 2017. This is a similar share to the national levels (58.6%). Community, social and personal services sector was a proportionally smaller employer within the national formal sector (4.5% smaller than provincial share). Agriculture, which is seen as an important sector in the province, only accounts for 7.4% of employment. This is higher than the national average of 5.7%.

Between the fourth quarter of 2016 and the fourth quarter of 2017 the Eastern Cape economy shed 69 000 formal sector jobs. This equated to a formal sector employment decline of 5.4% quarter-to-quarter. In the same period, the South African economy added 130 000 formal sector jobs. The principal driver of this Eastern Cape employment decline was the secondary sector, specifically the construction and the manufacturing sectors, which saw a decline in 39 000 and 28 000 jobs respectively. The agricultural sector added the highest number of jobs over the period, adding 6 000 jobs and growing at quarter-on-quarter rate of 6.7%.

### **Agro Value Chains**

The Eastern Cape's Agro-Industrial Manufacturing (AIM) Cluster is geared to support the coordinated development of manufacturing which utilises agricultural inputs. The economic cluster model is considered to be the most appropriate structure to drive and coordinate this development. O.R. Tambo District Municipality possesses potential over a wide range of number of agricultural activities. As a result, the district contributes towards provincial production in a similarly wide range of commodities, predominantly within the subsistence and emerging market sectors. Several of these are apparent, such as the rural livestock rearing, and subsistence maize farming. In accordance with the Agricultural Policy Action Plan and directives from the Department of Rural Development and Land Reform the three top scoring commodities have been identified for inclusion as the core focus areas for the Joe Gqabi Agri-Park. The top three scoring commodities for Joe Gqabi were identified as: wool, maize and red meat (Including beef, sheep and chevon/goat) production. Wool is currently JGDM's most significant agricultural commodity. Sheep and goat farming takes places across the district. The district is one of the largest wool producers in the country.

The agro-processing subsectors in the Eastern Cape, which account for 31.0% of all manufacturing enterprises, are led by food with 59 enterprises or 9.9% of the province's manufacturing enterprises. The food subsector encompasses beverages, dairy, meat, and poultry. Tobacco products are also classified under the food subsector due to their SIC codes but are not discussed in this profile. The next most highly represented subsector in the Eastern Cape is wood with 35 enterprises or 5.9% of the province's manufacturing enterprises; this subsector encompasses wood-energy, joinery, and timber. Furniture manufacturing constitutes 29 enterprises, making up 4.9% of the province's manufacturing enterprises. The textile subsector, which includes textiles, clothing and fibre, has 19 enterprises or 3.2% of province's manufacturing enterprises, whilst leather manufacturing has six enterprises in the Eastern Cape and clothing three enterprises, or 1.0% of provincial agro-processing enterprises (KBP, 2013).

The Eastern Cape agro-processing sector has remained stable and has the potential to grow based on the growth exhibited by its subsectors comprising food, wood, textiles, leather and clothing. These subsectors constitute 31.0% of all manufacturing enterprises in the province. A large proportion of the agro-processing subsectors is made up of the food subsector with 59 enterprises, accounting for 9.9% of the total manufacturing enterprises in Eastern Cape. The sector also contributes 0.6% of total employment in the provincial manufacturing sector.

The Eastern Cape food subsector comprises the meat value chain which is dominated by broiler meat followed by beef, mutton, and pork. The province has the largest number of livestock in the country and 18 abattoirs accounting for 4.0% of total abattoirs in nationally. The meat sector faces challenges from cheap imports, continued drought and the increasing cost of feed.

With regards to fibres, the Eastern Cape is the largest producer of wool and mohair. The wool and mohair processing facilities are located in the Eastern Cape in Port Elizabeth. Opportunities for the sector include the manufacture of high-quality, designer finished garments for the domestic and international markets.

The Eastern Cape is the second largest milk producing province in South Africa after the Western Cape. The province has improved its processing capacity considerably from ten years ago, when milk was exported out of the province. Today large-scale processors in Port Elizabeth, Humansdorp, East London and Queenstown produce dairy products for the national market.

In terms of fruit, the province is the second largest citrus producer. Citrus provides employment to 19 700 workers in the production phase and 10 000 workers in the packing, processing, and marketing of the fruit. The province is the largest pineapple producer in the country as well as the largest exporter of pineapple juice. The pineapple production sector is steadily recovering from a disastrous 2007 contamination scare.

## **Ocean Economy**

In 2014 the South African government launched the Operation Phakisa initiative to harness the largely untapped potential of the ocean economy. The ocean economy has the potential to create up to a million jobs and contribute R177 billion to the economy by 2030. The initiative however acknowledged that for these targets to be realised there was a need for an improvement in the pool of skills available to the marine and maritime industry (NMBBC, 2017a). This was the impetus that launched the first ever Ocean Sciences Campus in South Africa, located at NMU. The campus was opened in September 2017

and cost R62 million to develop, whilst Phase 2 will involve an additional R17 million. The campus aims to be an ocean sciences centre of excellence that will foster transdisciplinary research and innovation, with a postgraduate focus. The campus offers a range of marine and maritime programmes including oceanography, marine engineering, maritime economics and logistics, marine tourism, port development and management, marine spatial planning and the law of the sea, including fisheries law enforcement (RNews, 2017).

The Transnet National Port Authority (TNPA) has invested heavily into the three ports within the province. At the Port of East London R542 million has been invested into various major infrastructure and equipment projects over the past few years as part of Operation Phakisa. These include the R219 million refurbishment of the dry dock to support ship repair and marine manufacturing and R108 million to rehabilitate the wharf adjacent to the Princess Elizabeth Dry Dock and Latimer's Landing. With multiple functions, including use as a ship repair facility and for berthing small craft, the wharf was completed earlier in October 2017. The total dry dock refurbishment project is expected to be completed in 2021, with new switchgear and crane rails already installed. Other investments already completed include the R176 million West Bank foreshore protection project, with the upgrade of the port's tanker berth fire protection system underway. The port is replacing its rail network and refurbishing the Buffalo Bridge, while port security received an investment of R92 million to date, with further investments on surveillance equipment under way. Feasibility studies for the Latimer's Landing jetty project have been completed and are awaiting finalisation of approval by the Eastern Cape Heritage Resource Agency (ECHRA) (Engineering News, 2017b).

The Port of Ngqura Container Terminal (NCT) received its third consecutive year of a clean NOSA audit and a five-star NOSCART rating, which is a first-ever achievement for the terminal. The NCT received a score of 95%, which is recognised as an international benchmark in the management of occupational health, safety and environmental risks (News24, 2018).

The Port of Ngqura saw the completion of the admin craft basin (ACB) valued at R360 million in early 2018. The new craft basin will be home to the port's three tugs and one pilot boat, thereby freeing up berths which were designed for revenue-generating vessels. TNPA Lighthouses will also install navigational equipment on-site. The facility is made up of a 300m long breakwater armoured with rock and a 120m long finger pier capable of handling four to six tugs, a pilot boat and other small craft. The design of the ACB will allow for opportunities to construct additional small craft berths to accommodate service vessels for the South African National Parks and South African Police Service in future. The ADC is expected to open opportunities for revenue growth in the port (Engineering News, 2018a). 2017 also saw the NCT reach a milestone recording its highest monthly number of units ever handled in October 2017, with nearly 82 000 containers passing through the deep-water port (The Herald, 2017).

Transnet Port Terminals (TPT) achieved higher than forecast automotive and container handling volumes at the Port of Port Elizabeth in December 2017, which is attributed to greater demand from local and international markets, along with automotive investments made in the region. Automotive units handled increased from an expected 5 133 units to 10 574 units handled. The port has developed strong relationships with automotive suppliers. There has also been interest from Ford to grow its export capacity through the Port of Port Elizabeth. TNPA Port Elizabeth port manager Rajesh Dana indicated that this was aligned the TNPA's vision of positioning the port as the premier automotive transshipment hub for sub-Saharan Africa (Engineering News, 2018b).

## Skills

For the Eastern Cape economy to grow, a skilled workforce is a necessity. Raising the skill levels of enough South Africans to push the economy forward has become a priority at national, regional and local level. The Eastern Cape has eight Technical and Vocational Education Training (TVET) colleges, most of which have more than one campus: Buffalo City, Port Elizabeth, Lovedale, King Hintsa, Ingwe, King Sabata Dalinyebo, Ikhala and Eastcape Midlands College. King Sabata Dalinyebo offers business and engineering studies among its formal programmes, and short courses in bricklaying and computer studies. The Mercedes-Benz Learning Academy in East London has MerSETA accreditation. A R130-million agreement between Mercedes-Benz and the Jobs Fund (run by National Treasury) has set high goals for the academy in tackling skills shortages, and not just for the auto-manufacturer. The South African National Roads Agency Limited (SANRAL) has opened an engineering materials laboratory to test materials for use on roads in the Eastern Cape, which will also be used to give graduate engineers experience. This will form part of SANRAL's experiential learning programme.

Meroe Skills Development was the service provider used by SANRAL when it put 20 contractors through a programme to train them to make dolosse (concrete blocks to mitigate wave action on the coast). The venue for the training was the Heartlight Community Learning Centre in Walmer, Port Elizabeth. Premier Hotels trains chefs and hotel managers through its Academic College SA. Professional Cookery and Beverage Management are among the diplomas.

Unemployed residents in the small Eastern Cape town of Somerset East have been offered a lifeline to access job opportunities. The Karoo Tech Hub has launched the Nerd Academy Programme, a free initiative to offer unemployed people online studying opportunities and training on how to pitch to foreign businesses and become part of the 'gig economy'. The hub is run by video production company Piehole.tv in collaboration with ProcurementExpress.com. More than 20 people have already been trained at the Karoo Tech Hub. The academy seeks to solve some of the unemployment problems in the Karoo through upskilling unemployed persons of any age, and then assisting them to market themselves successfully. The academy, which caters for both technical and creative skill sets, aims to assist participants who display the creative potential to build careers around their talent (The Herald, 2018).

The Nelson Mandela Bay Business Chamber in partnership with the Eastern Cape Development Corporation (ECDC) launched a new one-year Exporter Development Programme as part of an enterprise development strategy to empower business owners and companies. The programme is targeted at several companies that are on the verge of exporting but in need of further assistance to enter and explore new markets. The Eastern Cape Export Strategy identified that many Small, Medium and Micro-sized Enterprises (SMMEs) face barriers such as intensified international competition, inability to participate in potential buyer outreaches, costs relating to marketing, logistics and transport and export documentation. These prohibit companies from expanding and growing their products and services in foreign markets. The Exporter Development Programme is designed to assist companies to reduce and eliminate these barriers and get more local firms exporting. The companies that will form part of the programme will come from different regions in the province. The Nelson Mandela Bay Business Chamber will assist with programme implementation due to the strength of metro in exports. The programme entails a combination of interventions aimed at improving the export readiness of the firms and includes modular training by an accredited service provider as well as mentorship with firms in the bay that are

currently exporting. The companies are to participate on the programme for a period of a year and thereafter an evaluation will be made on the impact of the programme (NMBBC, 2018a).

### **Small Towns Revitalisation**

The Eastern Cape government has put plans in place to advance the economic potential of the province's underdeveloped rural regions, which will include a special economic zone (SEZ) in Mthatha. The province's Department of Economic Development, Environmental Affairs and Tourism has also introduced a project called the Small Towns Revitalisation Programme, which aims to target the most underdeveloped parts of the province in an effort to make them industrial hubs. The department had applied to the national department of trade and industry for permission to recognise and develop the Wild Coast as an SEZ, which will be located near Mthatha's airport. The Wild Coast SEZ is intended to address the underdevelopment of industry and agriculture in the region; the high unemployment levels, particularly among youngsters; and the unacceptably high levels of poverty. Roads and bridges are being built, and rural economic hubs being set up with the intention of upgrading the region, making it accessible and bettering the living standards of rural people. The Eastern Cape economy is increasingly modern and export oriented, with great potential for growth of existing industry and establishment of new industry.

Continuous engagements with stakeholders are being held, e.g. a roundtable was convened by the MEC on 18 December 2018 in Mthatha. Lobbying of national government to support the Wild Coast continues. A project management unit will identify immediate work to be done and the various entities that can fund specific infrastructure there. Projects such as Magwa tea can be incorporate into the WC-SEZ.

Small towns in the Karoo have been experiencing an out migration of their population. Many towns were built around a single commodity or servicing a particular sector; with changes in transportation and the then advent of the post-productionist economy, many Karoo towns are struggling to survive. On the 10-11 of July 2017 the 2<sup>nd</sup> Annual Karoo Small Town Regeneration Conference was held hosted by SALGA. The conference held in the Emthanjeni Local Municipality in the Northern Cape focused on the theme of 'The Karoo: Small Towns, New Futures'. There have been a number of university and developmental organisations pursuing a karoo development agenda, but since 2014/15 SALGA has increasingly prioritised and become involved in small-town development and regional planning for the Karoo. The conference acknowledged that a regional approach to the Karoo was needed rather than to focus on plans contained within municipal boundaries. It is hoped that this cross-boundary approach to economic development will aid municipalities in a sustainable way, promoting diversified economies and thus a degree of protection from economic shocks. A focus of the programme will be on building a solid understanding of the resources available within the region and to use this as a basis for municipal cooperation and joint planning (SALGA, 2017).

### **Job Creation and Investments**

Eastern Cape Province continues to attract job-creating investors, particularly in the automotive sector, which is one of the main industries in the province. The establishment of the Beijing Automotive Holdings Company (BAIC) is injecting R11-billion into the economy and is currently under construction in the Coega Industrial Development Zone, which is set to boost the Eastern Cape's economy and create thousands of jobs. Projects that would create jobs include the N2 Wild Coast toll highway, the expansion



and redevelopment of Mthatha Airport, the bridge over the Mthatha River, the construction of the Nelson Mandela Legacy Bridge over the Mbashe River and the Umzimvubu Dam project, which includes a hydropower component. The province's low economic growth rate has impacted on job creation as key sectors have shed jobs. The unemployment rate of 28.2% reflected a decrease of 1% on 2015.

Large foreign direct investments have been focused on the province's SEZ's Coega and the ELIDZ. These have seen large investments in automotive, aquaculture, technology and pharmaceutical sectors. The ELIDZ signed four new investors with an investment value of R1.06 billion in 2017 with job creation potential of 1 422 jobs. The Coega SEZ signed 16 investors at a value of R11.685 billion in the 2016/2017 financial year. A major investment from a local manufacturing firm was seen in the R1 billion investment in a high containment facility at the Port Elizabeth Aspen Pharmacare plant. The province and organised business has acknowledged the need to boost small businesses' export potential and has thus partnered to offer a one-year Exporter Development Programme.

The Coega SEZ welcomed Kenako Concrete in 2017, its 41st operational investor. The investment in a concrete manufacturing facility located in Zone 5 was valued at R71 million. The plant is considered state-of-the-art as it has the capacity to produce 6m<sup>3</sup> of concrete in four minutes and 150m<sup>3</sup> in an hour. The plant also manufactures retarded mortar, plaster and topping. The investment was made by the first black industrialist in Port Elizabeth to be funded by the DTI and the Industrial Development Corporation (IDC). The plant has created 46 jobs with a further 90 jobs created in the construction phase (RNEWS, 2018).

By the end of 2016/2017 financial year, the East London IDZ (ELIDZ) had been successful in maturing and locating 28 operational investors across a range of industrial sectors. An independent survey of the impact of the ELIDZ was undertaken by Statistics South Africa (StatsSA). The survey highlighted the following performance achievements:

- Manufacturing and, to a lesser extent, non-manufacturing activities undertaken by ELIDZ-located industries served to inject in excess of R8 billion of expenditure into the economy in 2015.
- Surveyed changes between the 2013 and the 2015 Statistics South Africa Surveys of the ELIDZ's economic impact show impressive annualised rates of growth in relation to principal measured performance statistics – and notably in relation to 35.8% annualised increase in employment, 200.3% annualised expenditure growth on new assets and 91.5% annualised growth in salaries and wages by zone tenants (ELIDZ, 2017).

In relation to the ELIDZ's core business, the period under review saw the ELIDZ signing four new investors with an investment value of R1.06 billion. Combined, these new investors have a job creation potential of 1 422 direct manufacturing and service jobs. The new investors attracted to the ELIDZ were in the pharmaceutical, advanced manufacturing and ICT industries.

A notable investment was of Yekani Manufacturing (Pty) Ltd. Yekani Manufacturing (Pty) Ltd, an information and communications technology (ICT) company, launched a smart factory worth R1 billion in ELIDZ on 05 June 2018. The plant was funded by Yekani Manufacturing, the DTI and private financial institutions. The plant is expected to create approximately 1 000 jobs for both East London and the Eastern Cape community.

The 28 000m<sup>2</sup> state-of-the-art smart factory resides within a customs-controlled area of the ELIDZ. The technologically advanced facility is geared to manufacturing innovative products for clients in the automotive, defence, aerospace/aviation industries including consumers. Yekani's product range includes education 2-in-1 tablets, laptops and mobile handsets. (Yekani Manufacturing, 2018).

The ELIDZ is pursuing interests to exploit land in the Belin industrial area that it has acquired. The node is being considered for investment in the renewable energy generation and manufacturing sectors.

In August 2017 the Buffalo City Metro signed a five-year agreement with the Chinese, Jinhua Municipality. The agreement promised R22 millions of investment into Dimbaza and Fort Jackson industrial areas (BKCOB, 2017; Daily Dispatch, 2017a). The deal also looked at the establishment of electronics manufacturing firms within the ELIDZ. China's Youngman Automotive Group, Honchi Automobiles, has committed to enhancing strategic trade and investment cooperation between the two cities. It was estimated that 400 permanent jobs would be created by November 2017 (Daily Dispatch, 2017a).

Investment is critical to the promotion of the South African and provincial economy. These investments – whether from the private or public sector – create opportunities for small business development, improved infrastructure, innovation or economic growth. The investment climate in South Africa was under strain in 2016 and only recovered moderately in 2017. It is hoped that greater consumer and business optimism of the first quarter 2018 will be carried through into the year to attract both foreign and domestic investment.

## **Tourism Development**

Regarded as South Africa's 'wild' province, the Eastern Cape features expanses of untouched beach, bush and forest that yield a plethora of visitor activities and attractions.

The Port of Port Elizabeth is one of three South African ports that has been nominated for the Africa and Indian Ocean segment of the 25th Annual World Travel Awards in the category of 'Africa's Leading Cruise Port 2018'. The members of the public have been invited to vote for which port should take home the prestigious title. Voting closed on the 19th of August 2018. The ports of Port Elizabeth, Durban and Cape Town were nominated alongside Kenya's Port of Mombasa and Tanzania's Ports of Dar Es Salaam and Zanzibar (World Travel Awards, 2018).

The 2018 IRONMAN 70.3 World Championship took place in Nelson Mandela Bay on the 1st and 2nd September 2018 (NMBT, 2018). The event was expected to boost the city's economy by bringing in an estimated R300 million in tourist spend, selling 150 000 room nights and attracting 15 000 domestic and international visitors. Moreover, it was expected that the majority of the 4 000 participants would be international athletes, thus boosting international exposure of the city and province (World Endurance Africa Holdings, 2016).

Beaches that fly the Blue Flag have also been judged to have good water quality; promote environmental education, supply good information; practise excellent environmental management; and have good safety and other services. Beaches in the Eastern Cape which received Blue Flag Status in 2017 were Humewood, Hobie and Kings Beach in NMBM along with Hamburg, Kelly's Beach in Port Alfred, Kariega Beach at Kenton-on-Sea, and Jeffreys Bay's Dolphin Beach. In East London two beaches are in the pilot phase of obtaining Blue Flag status that being Gonubie and Kidds beaches. They will be among 22

beaches listed nationally as Blue Flag pilot sites on the road to becoming fully accredited recreational destinations (Daily Dispatch, 2017e).

Skills development and training in tourism within the Eastern Cape has seen 33 youth successfully completing a Food Safety Learnership Program in June 2018. There has also been the rolling out of a National Certificate in Fast Food Services Learnership Programme for a duration of 12 months targeting 200 unemployed youth that have passed Grade 12.

The department has also been part of a programme for Beach Precinct Development. In this programme, 6 beaches identified were Mtentu and Mzamba Beaches from Mbizana Local Municipality and Kelly, Kenton on Sea, Krantz and Ntakazilali Beaches from Ndlambe Local Municipality: R10 million. The National Department of Tourism has also approved R1 million to conduct technical studies for the Port St. Johns Waterfront Development as recommended in the Feasibility Study Report.

## **Manufacturing and Industry 4.0**

Manufacturing in South Africa is dominated by the following industries namely Agro-processing, Automotive, Chemicals, ICT and electronics, Metals, Textiles, clothing and footwear. Agriculture contributes 4% to South Africa's gross domestic product (GDP) and consists largely of cattle and sheep farming, with only 13% of land used for growing crops. Maize is most widely grown followed by wheat, oats, sugar cane and sunflowers. The government is working to develop small-scale farming in efforts to boost job creation. Citrus and deciduous fruits are exported, as are locally produced wines and flowers. The South African agri-food complex has a number of competitive advantages, making it both an important trading partner and a viable investment destination. The automotive industry is one of South Africa's most important sectors, with many of the major multinationals using South Africa to source components and assemble vehicles for both the local and international markets. The South African automotive and components industry is growing rapidly and is perfectly placed for investment opportunities. The industry is largely located in two provinces, the Eastern Cape (coastal) and Gauteng (inland).

The chemical industry has been shaped by the political and regulatory environment which created a philosophy of isolationism and protectionism during the apartheid years. This tended to foster an inward approach and a focus on import replacement in the local market. It also encouraged the building of small-scale plants with capacities geared to local demand, which tended to be uneconomic. The industry is the largest of its kind in Africa. The ICT and electronics industries growth outstrips the world average. The South African electronics industry has repeatedly proved itself in terms of world-class innovation and production. The industry is characterised by a handful of generalist companies with strong capabilities in professional electronics, while small to medium companies specialise in security systems and electricity pre-payment meters. South Africa's large, well-developed metals industry, with vast natural resources and a supportive infrastructure, represents roughly a third of all South Africa's manufacturing. The South African textile and clothing industry has a powerful vision. It aims to use all the natural, human and technological resources at its disposal to make South Africa the preferred domestic and international supplier of South African manufactured textiles and clothing.

The Eastern Cape economy is increasingly modern and export oriented, with great potential for growth of existing industry and establishment of new industry. Its geographic location, quality sea and air ports, abundance of natural resources and world-class infrastructure bodes particularly well for the growth of

export oriented industry. The province is committed to providing high value goods to the world rather than cheap raw materials. The province is using innovative ways to draw rural people, who survive mostly on subsistence agriculture, migrant labour and welfare grants, into the mainstream economy. One of the most important of these interventions is the Provincial Development Plan formulated by the provincial government and its social partners, in line with the national policy framework for socio-economic planning at provincial level. The availability of transport infrastructure, land, labour, government incentives and raw materials, make the province a strategic investment destination for high-potential economic sectors such as agriculture, mining and energy, manufacturing tourism, construction and knowledge-based services.

The department together with the Provincial Treasury are coordinating the implementation of local procurement. Four departments are in the local procurement forum but it would be important to bring on board big departments of roads and public works, health and education in the forum. Commodity working groups are in place with only 3 groups showing progress. Procurement spent on companies based in the Eastern Cape is currently at 53% on average in 2018/19 financial year. Issues of haphazard orders and shortened purchasing contracts need to be addressed if certainty and stability in production are to be maintained.

### **Renewable Energy**

The South African Energy Landscape is changing, while the country has an electricity generation surplus for the next few years, it is clear that in the medium to long term new forms of generation will be used, shifting away from coal-based energy to a new, more dynamic, least-cost and climate friendly energy mix.

The Minister of Energy Hon Jeff Radebe has repeatedly recognised the global energy transition taking place, and that South Africa is itself in an inevitable process of transition from the conventional energy business used in the past. This implies a shift from a dominantly coal based energy sector, to one with more renewable energy and more gas derived energy, tied to decentralised energy provision and services. All of these items have great significance for the Eastern Cape, indicating a change in the trajectory of energy supply.

The Minister sees energy as a means of “igniting economic growth”, highlighting that it has a key role to play in attracting the \$100 billion of investment into the South African economy as targeted by the National President. He also sees the role of the energy sector in transforming South Africa into a more equitable, integrated and just society and economy. The key details of the new energy future, and implications for the Eastern Cape, will be outlined in the Integrated Energy Plan and Integrated Resources Plan, which will be released later this year.

The Eastern Cape is a key national player in this changing landscape because it has some of the best wind energy resources in the world, good quality solar resources, has prospects for shale gas in the long term, and the correct port and infrastructure conditions for Liquid Natural Gas to Power projects, linked to gas pipelines in later phases.

The Eastern Cape has been awarded 16 wind farms and 1 solar farm, in 4 procurement rounds, at an estimated value of R33.4 Billion. 13 of these facilities have already been constructed, while the remaining 3 will be constructed in the next two years. Energy is both an economic opportunity and an economic

enabler, sustainable energy represents a sector with significant opportunities for growth in the Eastern Cape. It forms one of the pillars of the Provincial Sustainable Energy Strategy.

Key focus areas of DEDEAT in respect to the sustainable energy sector are:

- Utility Scale Renewable Energy (wind and solar farms);
- Small Scale Embedded Generation (roof top solar and small wind);
- High quality rural electrification through mini-grids;
- Liquid Natural Gas to Power;
- Shale Gas;
- Offshore oil and gas; and
- Offshore (ship to ship) Bunkering.

All of the above activities link to industry development, localisation of the value chain and local supplier development (including SMMEs and black industrialists).

It is anticipated that the new Integrated Resources Plan will allow significant opportunities for wind and solar farms going forward. In the wind sector alone, the scope of investment nationally is in the order of R1 trillion to 2050. Many factors will determine what portion will accrue to the Eastern Cape.

In many cases, the bid-ready wind and solar farms are at a competitive disadvantage relative to other provinces. It is crucial that the DEDEAT works hand in hand with the Eastern Cape REIPPP project developers to ensure that they are on a competitive footing with developers in other provinces.

However, there are large portions of the province that are at risk of being excluded from the REIPPP due to a number of factors. Many substations are fully subscribed in their ability to take power from wind farms. This means that many of the prospective wind and solar farms in the Eastern Cape may be excluded from future bidding rounds, as many EC substations have little capacity to take wind turbines where the wind resources are good. Land tenure in the former homelands remains an overriding constraint to wind farm development in these areas. Without access to this land any development is close to impossible. Once wind or solar farms are awarded to the province through the REIPPPP, it is critical that every effort goes toward harnessing the socio-economic and transformative opportunities from these investments.

## Natural Gas

Although renewable energy is becoming the cheapest and cleanest form of electricity generation, it is nevertheless variable in its power output. In order to ensure a secure and stable supply of energy, this variability must be counter-balanced by quick and agile generation fuelled by natural gas. Together with renewables, natural gas is equally projected to be one of the fastest growing forms of energy supply over the next few decades (international energy outlook 2017).

## Strategic Outlook for the Province

- The Eastern Cape has prospects of 5 to 20 trillion cubic feet of gas in the form of Shale Gas, and 26 trillion cubic feet of offshore gas. Furthermore, the Coega-Ngqura complex is one of three ports in South Africa technically capable of importing Liquid Natural Gas. The Coega-Ngqura complex is in a high state of readiness for a proposed Liquid Natural Gas to Power project valued at R25 Billion.
- The initial phase of the Gas to Power Programme will utilise imported Liquefied Natural Gas whilst looking at the options related to the regional gas and the domestic shale gas in the long term.

The result will be to stimulate the development of a gas demand in South Africa whilst providing a market for the expected domestic shale gas.

- The gradual rise in the oil price means that oil companies will start to have appetite for gas and oil exploration. Consequently, South Africa must be ready to capture this opportunity.
- The Gas to Power Programme was started two years ago and substantial work has been done in relation to the required studies at the different ports, most important in Richards Bay and Coega.

### **Key responses by the EC Provincial Government: Gas to Power**

To date, national government has a tendency to favour Richards Bay over Coega in regard to the phasing of Liquid Natural Gas Infrastructure. It is therefore necessary to continue with lobbying efforts to ensure that a LNG to Power Project is indeed established at Coega/Ngqura. Of all the ports, Coega/Ngqura is most technically ready for LNG Gas to Power, while the LNG infrastructure solution is most cost efficient at Ngqura.

DEDEAT together with Coega has, since 2015, continued with a gas readiness programme, including efforts to open a gas market beyond bulk Gas to Power. Emphasis has been placed on localisation and supplier development, including black industrialists. The above is contextualised by the provincial Oil and Gas efforts of the Operation Phakisa for an Oceans Economy.

### **Key responses by the EC Provincial Government: Shale Gas**

Shale Gas is likely to place a heavy burden on the various mandates of local government. Hence DEDEAT initiated a process of capacity building with local government in 2016. The process will allow local government to make optimal economic, social, infrastructural and environmental decisions in response to potential shale gas exploration and exploitation. The toolkit was developed together with local government stakeholders and in partnership with NMMU over the course of 2016/2017. It has been published and will form the basis for further local government capacity building in 2018/19.

Over and above the shale gas toolkit, DEDEAT has funded an ongoing technical study to enhance the capability of decision-makers to understand the technical implications of Shale Gas Development. The project is ongoing with the current set of 30 academic studies nearing completion. Funding has been sourced by NMU for 40 and then 50 postgraduate studies in 18/19, 19/20 respectively.

### **Small scale generation in municipalities**

As part of the Energy Transition there is a gradual and inevitable shift from centralised conventional electricity generation to smart distributed generation at the customer level. South Africa is going through a phase of transition in much the same way that cell-phone and digital communication technology has leap-frogged wire-based communication. The greatest evidence of this is the proliferation of rooftop solar installations, although there are many other ways in which the phenomenon is manifesting itself. This has significant implications for the municipal electricity business model. While Minister Radebe has been more silent on small scale generation, the Minister for COGTA, Dr Zweli Mkhize, has expressed a strong will for greater municipal involvement in respect to localised generation.



## **Key responses by the EC Provincial Government: Small Scale Generation**

DEDEAT is facilitating a process whereby provincial and local government can adapt to this new energy landscape on the one hand, and harness the social and economic opportunities on the other.

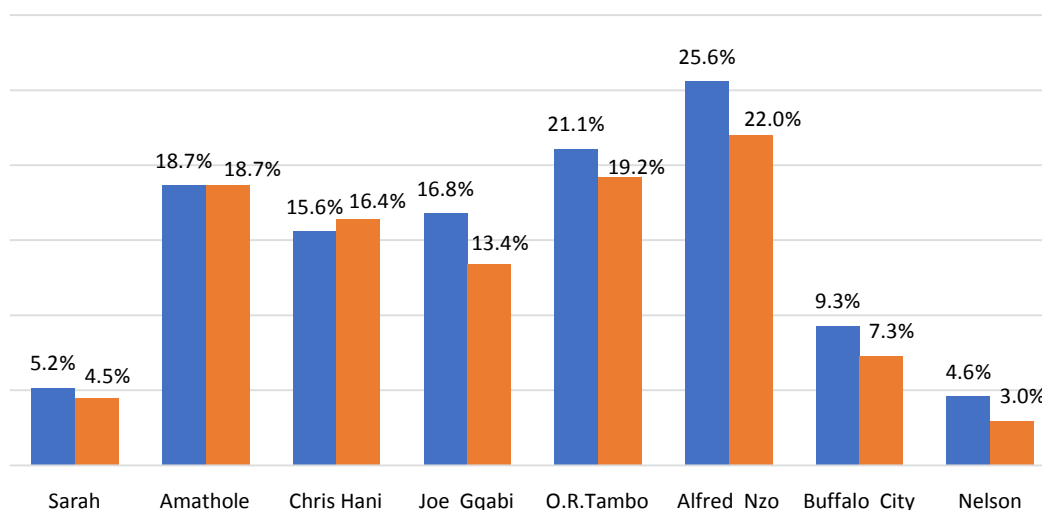
### **East Cape Minigrid Project**

DEDEAT has championed the Eastern Cape Minigrid Project, which is being implemented in the Raymond Mhlaba Local Municipality. The project represents a model for supplying high quality energy to deep rural villages which are not due to be connected to the national electricity grid within the next five to ten years. This represents a first of kind technical and institutional model for rural electrification. The project is not only about electrification. It is also about crowding in training, livelihood development and local enterprise development with contributions from multiple partners both from South Africa and Germany. It is a holistic village development concept with high quality local energy as the backbone. The project has completed its first phase of construction and will be initiating the second phase shortly.

### **Infrastructure Development**

Lack of infrastructure is continually identified as a challenge to economic development in the province. Select developments in building sustainable human settlements and road infrastructure are highlighted in this section.

The National Department of Human Settlements introduced a R1 billion government-backed Florida Heights integrated housing development project near Despatch, along the R367 road opposite the Swartkops River. The project is the first of its kind in South Africa. The first phase of the development was due to start in December 2017, which will see the construction of 1 020 housing units developed alongside community and mixed-use facilities (News24, 2017). In addition, phase one will allow space for retail, schools and churches (IOL, 2017). Of the phase one units, 740 units will be social housing apartments or “walk-ups” for rent, 100 units will be Finance Linked Individual Subsidy Programme (FLISP) residential units – homes sold to residents with government subsidies on the bonds – and 180 units will be RDP homes and military veteran units for those living below the poverty line. Phase two, which is in the planning stages, which has a long-term time frame of 15 years, will include a further 12 030 residential units. It is expected that the Florida Heights is set to accommodate approximately 45 000 residents and that more than 10 000 jobs will be created during the five-year construction period of the housing scheme. The scheme is important due to the assistance it will provide with helping to address the housing backlog of over 80 000 units in Nelson Mandela Bay Municipality (NMBM). It is also the largest development to move away from typical RDP housing schemes towards an integrated settlement design by incorporating mixed-use sites, community and education stands and a variety of house and subsidy types, thus offering a community development that can grow with its residents (News24, 2017).

**Poverty is greatest in the Alfred Nzo region of the Province as depicted below:**

For a developing country, South Africa has a well-established social welfare system, with a sizeable percentage of social spending going towards social grants. As of 2016, just under 17 million South Africans received some form of social assistance. As of January 2016, the South African Social Security Agency (SASSA) (2016) estimated that there 16 893 570 grant recipients in South Africa. This represents a marginal 2.4% increase from the 16 494 520 registered in 2015. Despite this increase, the percentage of the total South African population dependent on social grants remained largely unchanged at 30.2% in 2016.

The Buffalo City Metropolitan Municipality (BCM) took steps to improve its service delivery through the purchase of a fleet of utility vehicles valued at R56 million. The vehicles include three tipper trucks, two honey suckers, two cherry-pickers, three double-cab bakkies and two crane trucks, including aerial lifts and crew cages for tippers. The new fleet was funded through the BCM budget. The tipper trucks are expected to help alleviate litter and illegal dumpsite problems, problems that were exacerbated by a shortage of trucks. At one stage, the city had only eight trucks working in refuse removal. This development is also expected to improve the city's finances and be more sustainable as the city had been forced to hire trucks (Daily Dispatch, 2018a).

BCM has also embarked on a multimillion-rand upgrade of the Mdantsane main access road. The project will see the congested Mdantsane City Mall Road to Golden Highway expanded to four lanes at a cost of R117 million. Although parts of the Qumza Highway are already dual lanes, the road goes into a single lane near the Mdantsane City Mall and is often congested as a result. Other factors of concern that would be addressed include the lack of pedestrian facilities, lack of signage, poor lighting, flooding of cross-culverts in heavy rains, road condition and the lack of intersection control during peak hours. It was estimated the entire road expansion project would be completed in 18 months. The project is estimated to create 50 employment opportunities for the local community, and local small, medium and micro-sized enterprises will be used during construction (Daily Dispatch, 2017b).

Other planned road infrastructure projects in the medium term include the N2 Butterworth ring road which will commence in June 2019 at an estimated cost of R450 million. Extensive upgrades to the N2

are planned and include the section from Mount Frere to Ngcweleni River, which is planned to commence in March 2020 at an estimated cost of R500 million. The N2 Mthatha southern bypass will commence in January 2022, at an estimated cost of R500 million. Road construction that is planned to commence in 2018 includes the N2 from Nqadu Forest to Mzeke River in Qumbu, with a budget of R850 million and the N2 from Viegsville to Mthatha which was scheduled to commence in January 2018 (Eastern Cape Legislature, 2018).

A number of projects are at various stages of completion, such as the phases 1 and 2 of the upgrading of the R61 from Magusheni to Mzamba which are near completion. Identified roads to be upgraded in the next financial year include the Hluleka Nature Reserve road and access road to Canzibe Hospital. Furthermore, R3.1 billion over the Medium-Term Expenditure Framework (MTEF) is allocated for the maintenance of rural access roads facility (Eastern Cape Legislature, 2018).

The refurbishment of the Mthatha Airport has been completed at a cost of R700 million over the last five years. The Airports Company of South Africa has been appointed to manage the facility, but as of yet there are limited flights out of the airport with only the Johannesburg route available (Eastern Cape Legislature, 2018; Daily Dispatch, 2018b).

### **SMME'S and Co-Operatives**

Small enterprise came under pressure over the year to the third quarter of 2017. The number of SMMEs contracted by close to 4% and SMME employment by 5.6%. It would appear that the big contraction occurred in 2017 Q31. As a result of the decline in SMME ownership, employment created in this sector is down to 6.9 million from 8.1 million reported in 2017Q1; the share of female SMME employment remained stable around 37%. Including the decline in the number of employers and own account workers, total SMME employment is down from 10.6 million in 2017Q1 to 9.1 million in 2017Q3. The SMME sector accounted for 56% of economy-wide employment compared to 63% reported previously. This probably provides a more realistic range of the share of SMME employment in the broader. Closer inspection of the results is revealing. The attrition of SMME owners occurred mainly in the older than 40 age group (e.g. among experienced 50-59 year-olds), suggesting these individuals preferred to enter (formal) employment. This tendency should be read in conjunction with the following results, i.e. The share of formal SMMEs declined; the share of SMME owners with no education (or less than primary education) increased sharply and the main occupational categories that lost small business owners were crafts & related trades, as well as technical & related professions. These results point to the previously uncovered fact that a large (and apparently increasing) share of SMMEs may be of survivalist nature. It also appears that the black population group may be experiencing higher stress levels in this regard as the growth in SMME ownership that did occur was found in this population group. The shares of Indian, colored and white SMME ownership declined in the year up to 2017Q3. In time around, the distribution of SMME ownership across industries changed somewhat.

The manufacturing and trade & accommodation sectors gained numbers, while that of construction reported declines. The most SMMEs (43% on average) are still found in the trade & accommodation sector, with an even greater exposure to this sector found in the Eastern Cape, Limpopo, Mpumalanga, the North West and KwaZulu-Natal provinces. Financial & business services are disproportionately represented in Gauteng and the Western Cape, as well as agriculture in the Northern Cape. The poor economic conditions take its tolling all, the results point to a reversal of the SMME growth reported previously. This may partly be a statistical glitch, however, between the two sets of results we may be

able to arrive at a more realistic picture. The intensification of survivalist operations was ongoing and the number and share of informal SMMEs continued to expand. This may reflect the impact of the poor economic conditions. In the third quarter of 2017 just more than 30% of SMMEs operated in Gauteng, followed by close to 14% in both KwaZulu-Natal and Limpopo. In the last four quarters, the share of Limpopo and Mpumalanga increased due to growth of 20% and 21% y-o-y respectively. Growth was also positive, albeit more marginal, in the Free State, the North West and the Western Cape. This growth stands in contrast to the two largest regions, i.e. Gauteng and KwaZulu-Natal, where the number of SMME owners declined by 15% and 13.5% respectively. It may indicate that fewer job opportunities in the rural provinces urge people to become entrepreneurs

## **LRED**

The Local and Regional Economic Development Fund (LRED) was launched with the objective of supporting rural SMME's. Over the past few years the fund has seen phenomenal manufacturing projects flourish that are managed by the people of the Eastern Cape. These include Ikusasa Green, Pro-Gloves and Red Ribbon Paper among others.

In the period under review DEDEAT has funded two 100% women owned chemical manufacturing projects, one in OR Tambo District and another in the Amathole District. One project that has seen growth and development in OR Tambo is also 100% youth owned. DEDEAT has also funded a project which is 90% woman-owned that processes honey for local retailers in the rural town of Willowvale.

LRED projects have a potential of driving economic emancipation in the rural areas by creating local job opportunities. DEDEAT through its LRED unit has entered into a collaboration agreement with the Small Enterprise development Agency (SEDA) for business plan development support. This arrangement will yield positive results in getting bankable business plans in response to this fund. An amount of R21 million was made available for bankable projects in 2018/19, with a call being made public for all project owners and managers to request funding. Going forward, it is important to ensure that youth benefit from the fund. Calls for proposals will be finalised before the end of the 4<sup>th</sup> quarter of each year. Due diligence of projects to consider multi-year options of projects while regional offices are expected to improve on the quality of applications. LRED projects is encouraged to look at projects in other sectors such as the Oceans Economy. The communications team is working to project positive stories of LRED projects.

## ENVIRONMENTAL MANAGEMENT

The work on environmental management will be guided by the National Environmental Management Act (NEMA) and all other applicable pieces of legislation. The following key issues on environment are worth noting:

### Climate Change

Climate Change has been a topical international, national and regional matter which has the potential to undo a lot of the developmental achievements since 1994. We enter an era where the catastrophic impact of climate change is increasingly becoming obvious. Social and economic wellbeing is at increased risk and resilience to mitigate these impacts be built. However isolated activities are not sufficient to and a co-ordinated global effort is required. A Climate Change Bill is in the making and has profound implications for the work of the department. This will be taken into accounting when planning for the next five-year cycle.

The Paris Agreement marked a significant milestone in which the world agreed to work together to start addressing this issue in a coordinated manner. To date, COP22 and its sub-processes are focused on putting in place a rule book with procedures which will guide countries on how to successfully implementation of the Paris Agreement.

During the course of the year the Department has been focused on; assisting all the District Municipalities in developing Climate Change Response Strategies and mainstreaming Climate Change responses into the Municipal IDP's; incorporating Climate Change into the Eastern Cape Biodiversity Conservation Strategy & Action Plan and mainstreaming Climate Change into the Provincial Spatial Development Plan.

The Eastern Cape Climate Change Response Strategy identifies fires and drought as posing a significant risk to communities and agriculture in the province. As a result of the drought three significant fires were experienced in the Province. In total these three fires destroyed close to 200 000 hectares of land in the Sarah Baartman/ Nelson Mandela Bay Metro; Amahlathi Local Municipality and Joe Gqabi District Municipal.

With regards to the drought situation all District; except Alfred Nzo; has been affected. The impacts are exceptionally severe in the Sarah Baartman, Amathole and Chris Hani Region with strict water restrictions being put in place to safe guard this critical resource. What this situation highlights is that communities are vulnerable and insufficient tools exist to manage this impact. The long term prognosis is that water stress is going to become a chronic critical matter requiring a change in focus and strategies to ensure social and economic developmental needs are met.

## Compliance and Enforcement

The rhino poaching figure for the Eastern Cape was reduced from 19 in 2016 to 12 in 2017. An astonishing 23 arrests were made relating to rhino crimes through collaboration and coordinated efforts between SAPS, DPCI, SANParks, ECPTA and DEDEAT. This shows that the cooperative governance structures, including the Provincial Environmental Crime Working Group which is chaired by DEDEAT, are paying dividends.



It has come to light that extensive unlawful clearing of thicket vegetation, unique to the Eastern Cape, is occurring in the Sarah Baartman District. Investigations in collaboration with the Thicket Forum, NGOs and Tertiary Education institutions have resulted in administrative enforcement action being undertaken.

Illegal hunting cases, particularly by hunters using dogs, are increasing in the province. A notable conviction was that of a hunter who hunted a leopard without a permit in the Grahamstown area.

## Environmental Impact Management

There are two different processes that apply to EIA applications, these are specified in the listing notices attached to the EIA Regulations. For activities with lesser environmental impacts a Basic Assessment process is undertaken, which is a shortened, less onerous and cheaper process. For large developmental activities with potential major detrimental impacts a Scoping and Environmental Impact Reporting process must be followed. The current National EIA Regulations promulgated in 2014, and amended in April 2017, stipulate that a Competent Authority such as DEDEAT should finalize EIA applications within 107 days after receipt of either a final Basic Assessment Report or a full Environmental Impact Report as the case may be. In the Annual Performance Plan of the Department the relevant target specifies that 98% of applications should be finalized within these time-frames. In the 2016/17 financial year 96% of applications were finalized within stipulated time-frames and for 2017/18 performance was at 100% in all quarters. In addition, the average turnaround time has also consistently been significantly shorter than the stipulated 107 days. Adherence to time-frames can therefore not be regarded as a significant area for improvement.

In spite of the performance referred to above there is still a perception that EIA processes hamper development, also with respect to the cost of processes for applicants. Since the EIA Regulations are national regulations the National Department of Environmental Affairs is continuously attempting to as much as possible stream-line and improve the efficiency of processes. DEA in collaboration with DPME is undertaking an evaluation of the EIA system. The EIA Regulations specify processes in great detail and DEDEAT is legally bound to follow the legislated processes exactly as they are, with no discretion to deviate from the legislated processes.

In an effort to improve the coordination efficiency of EIA implementation in the Province DEDEAT has taken a number of steps, which are outlined below:

- An external forum has been established which meets quarterly and is attended by stakeholders such as local authorities, environmental assessment practitioners and other organs of state. Although attendance is good there are still many stakeholders that do not make use of this opportunity.



- Participation in Provincial and District Infrastructure Development Forums has been prioritized and has significantly contributed to a better understanding of EIA processes on the part of organs of state and local authorities.
- Participation in quarterly co-operative decision making structures, including the Department of Water and Sanitation's Licensing Authorization Application Committee and Committee on Coordination of Agricultural Water, the Eastern Cape Forestry Sector Forum [DAFF] and the Regional Mining Development Committee [REMDEC] of the Department of Mineral Resources DMR.
- The Regional Offices of DEDEAT participate in District Forums.
- The Environmental Empowerment Services units in DEDEAT Regions undertake regular, targeted capacity building and awareness raising activities.

As mentioned above DEDEAT is bound by the National EIA Regulations and does not have the discretion to deviate from legislated processes, time-frames are already met and co-ordination and awareness and capacity building activities are already undertaken to the extent that capacity allows. The current challenge is therefore essentially one of capacity in terms of both human and financial resources, and it is difficult to see how current performance can be improved without additional resources becoming available. The organisational structure of the EIM Directorate, and in fact of the Environmental Affairs Programme as a whole, is totally inadequate. There is no GIS capacity, no research capacity and no capacity and resources to undertake major strategic level planning activities, such as Strategic Environmental Assessments. The Head Office component of the EIM Directorate contains only 3 officials, supported by 3 administrative staff and it is impossible for the unit to cope with the existing workload, and even less to expand current activities to further improve service delivery.

## Waste and Air Quality Management

In fulfilling the rights contained in section 24 of the Constitution, the DEDEAT is mandated with the concurrence of the National and Local spheres of government to implement uniform measures that seek to reduce the amount of waste that is generated, and where waste is generated, to ensure that waste is re-used, recycled and recovered in an environmentally sound manner before being safely treated and disposed of. The reasonable measures to protect health, well-being and the environment must secure ecologically sustainable development while promoting justifiable economic and social development. The realization by business sector that social and environmental concerns are strategic issues in charting a harmonious future and long-term profitability is critical in turning around business models.



The minimization of pollution through vigorous control, cleaner technologies and cleaner production practices is key to ensuring that the quality of our environment is improved. Various regulatory tools such as pollution prevention plans, licensing of listed activities, Market-Based Instruments in support of Environmental Fiscal Reform, have been designed to ensure an optimal mix of regulatory approaches that will ensure that pollution can be effectively managed with the least possible administrative burden

and use of resources. With continuously increasing waste generation quantities and the total impact of risks associated with waste in terms of production and consumption practices, the departure point for improving waste management efficiency requires not only environmental controls but include numerous factors such as increased and consistent consumer awareness and the manufacturing sector participating in transforming waste into tradable commodities.

The Waste Management profile of the Eastern Cape Province acknowledges the lack of a recycling culture due to in-availability of infrastructure, capacity and institutions to champion recycling economy. According to the South African Waste Information Centre (SAWIC) records 829,784 tonnes of waste (hazardous and general waste) was disposed of to landfill in 2017, in the province. These records are far below the estimated domestic waste generation rates, but may be explained by the fact that not all local municipalities are reporting on the SAWIC, but more importantly that more than half the households in the province do not receive a waste collection service. The composition of the waste varies across the Province with recyclables constituting about 43% of the domestic waste stream, followed by 29% of organic waste and a significant portion of an average of 10,7% being nappies. The 2016 refuse collection survey indicates about 36% of households receiving a weekly kerbside collection service and over 49% of households using their own refuse dump especially in the rural municipal areas. However, the status of landfill sites in the Eastern Cape has improved from the 2010 IWMP which recorded the existence of 117 operational sites and only 38% of those landfill sites were permitted; the current status shows 97 operational sites and 49 sites that have been closed with the majority (75%) of the operational sites permitted.

The DEDEAT provides regular support to local authorities through a Quarterly Waste Officers Forum which generally covers updates on legislative developments, waste management training, technical advice, awareness and information sharing.

Between 2013 and 2018 Financial Years, DEDEAT has funded 17 municipalities across the Province for waste management projects to the value of R28 577 000. In addition, an Annual Budget of R1 million is provided by DEDEAT for the annual Greenest Municipality Competition to support municipal waste management activities.

The Eastern Cape generally enjoys good air quality. Through the network of air monitoring stations, air quality is monitored in both Port Elizabeth and East London. During the course of the year two exceedences of air quality standards were noted in Port Elizabeth. The first exceedance has been attributed to the serious veld fire experienced in the Western part of the province while the second was as a result of fossil and biomass fuel burning in the Markman Township.

Two stations in the Port Elizabeth region have been identified to form part of the National Air Quality Indicator network. This indicator provides a National scope on whether air quality in South Africa is improving or deteriorating and we are happy to report that the indicator is reflecting a slow but steadily improving air quality.

## Biodiversity Management

The Eastern Cape is globally recognised for its high biodiversity value and scenic beauty. It has the highest biome diversity of any province. The Province is also unique among provinces in that it overlaps with three centres of biological endemism i.e. the Albany Center, the Drakensberg Center and the Pondoland Centre.

The Department has reviewed the Eastern Cape Biodiversity Conservation Strategy and Action Plan (ECBCSAP) which will address the urgent need to identify and map critical biodiversity areas and priorities for conservation in the Province. It will also provide land use planning guidelines, recommending biodiversity –friendly activities in priority areas. It is intended to be used by technical users and decision-makers in the spheres of planning, development and environment.



In the process of implementing the National Biodiversity Economy Strategy, the Department is co-chairing with Western Cape the Honeybush Community of Practice (CoP) which has been identified by the Biodiversity Lab to address some of the challenges in the Biotrade/Bioprospecting Industry. The CoP is to provide a collaborative strategy amongst all role players of the Honeybush Industry to sustainably grow and also achieve sustainability and promotion of the Industry by protecting the biodiversity and enhancing industry in entirety.

DEDEAT is key in the implementation of the 2016 Biodiversity Lab Outcomes that identified Cultivation of 25 species. 14 of those species occur in the Eastern Cape 3 priority species that are in the 14 and occurred in Eastern Cape are

- *Aloe ferox*
- *Pelargonium sidoides*
- Honeybush Tea

## Wildlife Management

DEDEAT continues to support Wildlife Industry in the Province. Forums do seat and we are looking at Operational Issues that affects their livelihoods and business. Permit administration as well as development of operational guidelines to simplify policy and practices for better service delivery. Government has to conceptualise and guide the industry on models and /or best practices regarding legislative compliance.

The e-permit system has been developed by SITA and was live from August 2017 to enhance and facilitate the issuing of biodiversity permits in the province.

The Department, with the Eastern Cape Parks and Tourism Agency, will work with local governments, communities, conservation organisations and other landholders to ensure that the protected area estate is expanded. The idea is to expand protected areas at an average rate of 5% per annum. Enhancing land-use planning capacity and co-ordination will facilitate better management of resources in the Province of the Eastern Cape.

## Coastal Management

Since the enactment of National Environmental Management: Integrated Coastal Management Act (24 of 2008) (ICM Act) and the subsequent appointment of the Department in terms of S38(1) to be the Provincial Lead Agency for Coastal Management in the Province the Department has established a Provincial Coastal Committee (EC PCC) for coordination of coastal management activities and projects by various stakeholders. The EC PCC meets quarterly. The Department provides chairpersonship and secretariat duties to the EC PCC. The Provincial Coastal Management Technical Committee (PCMTC) has also been established as a subcommittee to the EC PCC. The PCMTC provides a platform for provision of technical support to management of coastal zone in areas of coastal municipalities jurisdiction.



The Department has gazetted the establishment of coastal management lines (formerly called coastal setback lines) in Nelson Mandela Bay Metro (NMBM) area. New regulations under ICM Act for the control of vehicle use on the coastal zone as well as Management of Public Launch Sites were promulgated in June 2014 and as a result of these regulations, the department has gazetted 48 public (boat) launch sites for implementation. The department has completed the development of Operational Environmental Management Plans (OEMPs) for 48 Public Boat Launch Sites, one generic OEMP and one template for Memorandum of Agreement for Municipalities that will be managing the Boat Launch Sites in the Province. The Department is currently finalizing the process of formally appointing the Municipalities as Management Bodies for these Public Launch Sites in line with regulation 2(1)(b). Marine and aquaculture development are areas that warrant attention as they have the dual benefit of environmental protection and economic development. There has been increased interest in aquaculture farming in the Coega Development Corporation IDZ, East London IDZ and other selected sites along the coast in terms of Operation Phakisa. Market potential is abounding.

## Environmental Empowerment

The Department continues to celebrate the international declared environmental days like World Environment Day, World Wetlands Day, National Marine Day, Biodiversity Day etc. to create awareness and commitment to protect the environment. Themed capacity building for various stakeholders is held targeting different stakeholders across the Province. All this requires the mobilisation of officials, community stakeholders and scholars throughout the Province. In this regard, the department will continue to mobilise schools to participate in the Provincial Environmental Awards Programme where they compete and showcase projects that promote environmental protection and sustainable development. In addition, projects designed to contribute to land restoration and waste management are being implemented in partnership with various



municipalities. Through these projects, EPWP jobs are created thus communities are empowered in the process including improvement in waste management.

### Implications for the Department

The department will continue to provide its services under the seven strategic pillars identified in the strategic plan, namely:

1. Realignment and streamlining of the DEDEAT and its public entities to increase effectiveness and efficiencies.
2. Rapid advancement of rural development to address Apartheid-created spatial distortions and poverty
3. Management and protection of the natural environment.
4. Protection, diversification and expansion of our manufacturing and services sectors.
5. Achieving a sustainable balance between economic growth and responsible use of land and natural resources.
6. Creating an enabling regulatory function that ensures legal and regulatory compliance.
7. Creation of an enabling environment to support enterprise development.

The response to the above challenges and opportunities is contained in the section with programme indicators below as well as the detailed operational plan of the Department. A detailed SWOT analysis is listed in the strategic plan, Table 7, pages 37 - 40.

### Public Entities reporting to Member of Executive Council (MEC)

The DEDEAT Group is the implementation backbone of the Eastern Cape Economic Cluster that primarily seeks to develop an integrated provincial perspective on rural development, consolidate support for the non-auto manufacturing and auto cluster initiatives, and strengthen sector analysis, capacity and action research. In implementing these priorities, the Department will work closely with its public entities whose mandates are as follows:

**Table 2: Public Entities and their Corresponding Legislation/Mandate**

Public Entity	Mandate / Legislation	2019/20 DEDEAT Allocation (R'000)
Eastern Cape Development Corporation (ECDC)	The Eastern Cape Development Corporation was established in terms of the Eastern Cape Development Corporation Act 2 of 1997. The mandate as per preamble of the ECDC Act is to plan, finance, co-ordinate, market, promote and implement the development of the Province and all its people in the fields of industry, commerce, agriculture, transport and finance.	472 139
East London Industrial Development Zone	The IDZ Regulations to the Manufacturing Development Act (MDA), Act.187 of 1993 was the basis for the establishment of the ELIDZ to pursue the aims and objectives of the Industrial Development Zone (IDZ) Programme. The main mandate is to	115 604

Public Entity	Mandate / Legislation	2019/20 DEDEAT Allocation (R'000)
	secure the attraction of strategic investments for purposes of promoting the export competitiveness of South African manufactured products/services; strengthening, expanding and diversifying the local and regional economy; enabling exploitation (via beneficiation of regional natural resources); securing advanced foreign production and technology methods; and encouraging skills transfer and local intellectual capital development.	
Coega Development Corporation (CDC)	The Coega Development Corporation (Pty) Ltd ("CDC") was established in 1999 from the derivatives of Regulations promulgated in terms of the Manufacturing Development Act 187 of 1993. The main mandate is to secure the attraction of strategic investments for purposes of promoting the export competitiveness of South African manufactured products/services; strengthening, expanding and diversifying the local and regional economy; enabling exploitation (via beneficiation of regional natural resources); securing advanced foreign production and technology methods; and encouraging skills transfer and local intellectual capital development.	56 620
Eastern Cape Parks and Tourism Agency (ECPTA)	The Eastern Cape Parks and Tourism Agency is established in terms of the Eastern Cape Parks and Tourism Agency Act, 2 of 2010. The ECPTA's mandate is to develop and manage protected areas and promote and facilitate the development of tourism in the Province. The legislation provides for the establishment of an Eastern Cape Tourism Development Fund to empower and develop previously disadvantaged individuals in the tourism sector; and for an Eastern Cape Biodiversity Conservation and Development Fund to empower and develop previously disadvantaged individuals and to promote biodiversity conservation in Protected Areas.	215 119
Eastern Cape Gambling Board	The Eastern Cape Gambling Amendment Act, 2015 (Act No. 1 of 2015) amended the Eastern Cape Gambling Act, 1997 (Act No. 5 of 1997) and came into operation on 1 August 2016. On the 19 <sup>th</sup> February 2018 the Honourable Premier published a Proclamation bringing into operation section 4 and section 5 of the Eastern Cape Gambling Amendment Act, 2015 (Act No. 1 of 2015). These sections provide that the juristic person will be known as the Eastern Cape Gambling Board. The ECGB was mandated to oversee all gambling and betting activities in the Province and establish, develop and maintain the Board as an effective and efficient regulatory agency. The oversight functions extend to	58 710



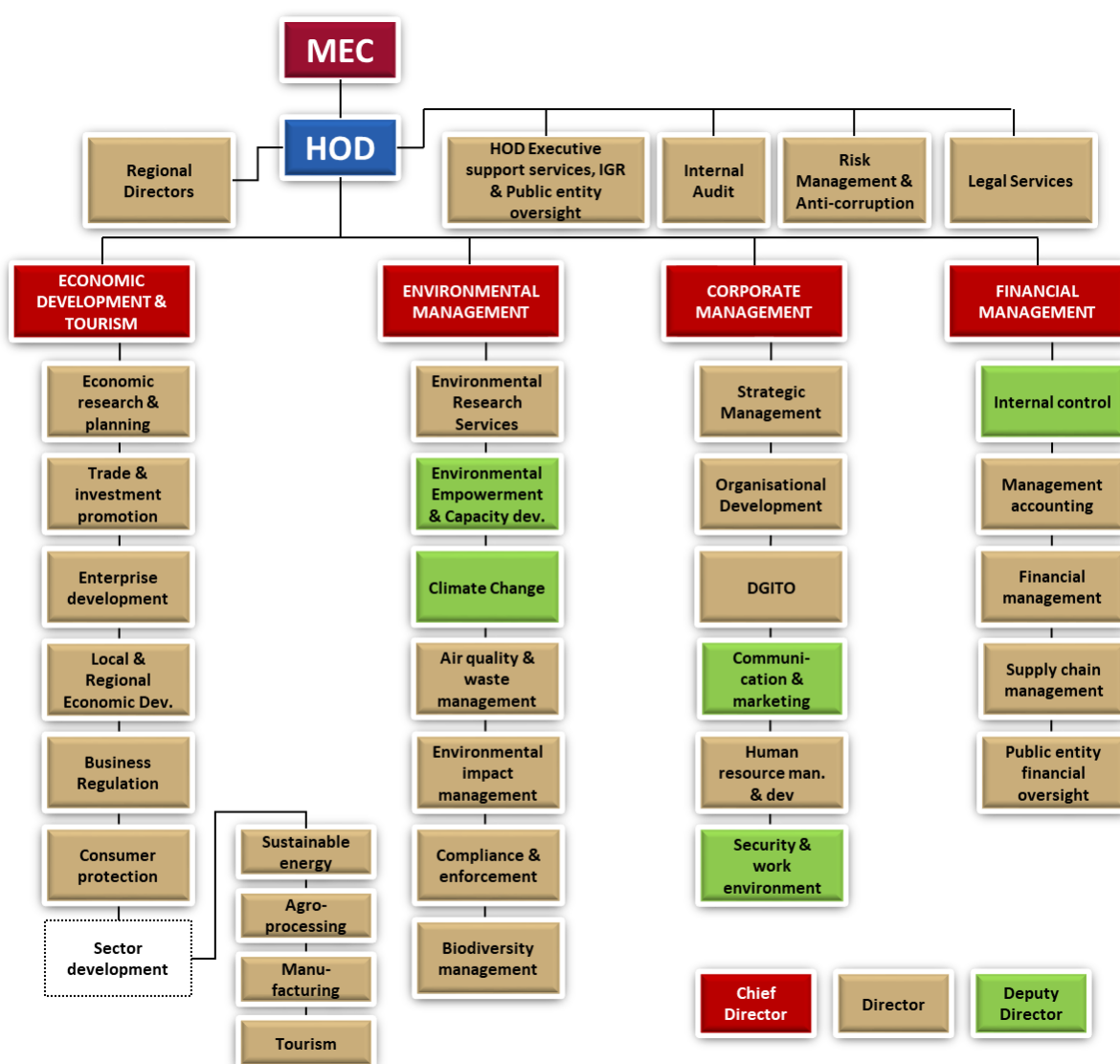
Public Entity	Mandate / Legislation	2019/20 DEDEAT Allocation (R'000)
	casino operations, horse racing, route and site operations based on limited pay-out machines (LPMs), bingo halls and clubs, licensing of gaming equipment manufacturers and suppliers, registration of gambling and betting personnel and curbing illegal gambling operations.	
Eastern Cape Liquor Board (ECLB)	The Eastern Cape Liquor Board was established in terms of the Eastern Cape Liquor Act 10 of 2003 with the following mandate: To regulate the registration of retail sales and micro-manufacturing of liquor in the province; to encourage and support the liquor industry in the management and reduction of the socio-economic and other costs of excessive alcohol consumption by creating a conducive environment in which new entrants into the liquor industry is facilitated; measures are taken against those selling liquor outside of the regulatory framework; those involved in the liquor industry attain and maintain adequate standards of service delivery; ward committees and communities are encouraged to participate in the consideration of applications for registration certificates; and address the challenges facing the liquor industry in the Province.	62 483
TOTAL		980 675

## Organisational Environment

### *Competencies and capabilities*

This section deals with the strength and weakness internal to the Department. The leadership of the Department continues to be stable. This leadership is supported by a well-qualified and experienced management team. The following is the current programme structure which is aligned to the budget programme structures of the Economic Development, Tourism and Environmental Affairs Programmes.

**Figure 2: high level organogram**



The core programmes of Economic Development & Environmental Affairs are established at Chief Directorate level. All sub-programmes of these two programmes are headed by Directors. There are emergent performance areas such as Oceans Economy, 4th Industrialisation & ICT which are not catered for in the organogram. The ideal situation is to have all sub-directorates pitched at Chief Directorate level in line with prevailing structures in other Provinces with similar functions.

## Service Delivery Model (SDM):

The DEDEAT has developed a service delivery model based on the legislative and policy mandates. The SDM is premised on the past offerings and forecasts the delivery format in line with assessed internal and external analysis. The model focuses on six elements of situation analysis, mandate, services offered, evaluation of current delivery mechanism, proposed delivery mechanism and risks factors. Services are provided mainly through the economic development and environmental management services through six District offices and six public entities. As at 31 March 2018, the department had 530 employees out of 615 posts on the approved establishment. The employee numbers exclude those within the six public entities. A new organisational structure was approved by the Minister of Public Service and Administration on 26 February 2018, which is leaner and has a total of 567 posts of which 225 posts will be at head office and 342 posts in regional offices.

Staff turnover has been relatively low over the years but a bit concerning in 2017/18 financial year. In the 2017/18 financial year, the staff turnover was 13.80%. There were 27 appointments / transfers into the Department (compared to 17 in 2016/17 financial year) while there were 48 terminations / transfers out of the Department (compared to only 23 in 2016/17 financial year) During the same period, the department was not able to fully implement the workplace skills plan due to capacity constraints in the unit, but also budgetary pressures within the department. In the 2016/17 financial year, the department awarded 38 bursaries to employees.

In support of DEDEAT's objectives, the following Public Entities were established to drive economic and sustainable development initiatives and to regulate specific sectors/areas in the Eastern Cape:

1. Eastern Cape Development Corporation (ECDC)
2. Eastern Cape Parks & Tourism Agency (ECPTA)
3. Eastern Cape Gambling Board (ECGB)
4. Eastern Cape Liquor Board (ECLB)
5. East London Industrial Development Zone (ELIDZ)
6. Coega Development Corporation (CDC)

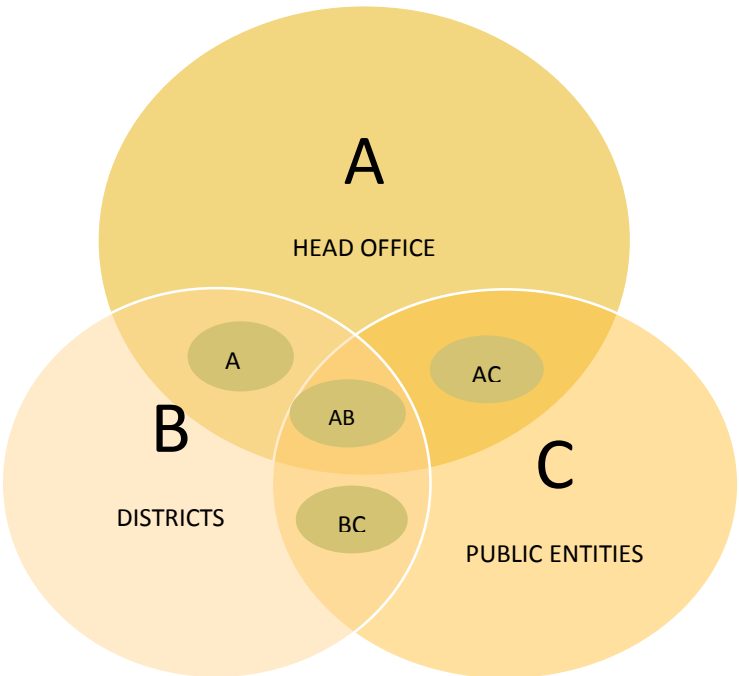
The ECPB and ECTB were merged in 2010 to form the Eastern Cape Parks and Tourism Agency (ECPTA). Fifty-eight percent of the Vote allocation for the Department is transferred to the six public entities of the Department. The majority of these public entities are located in East London. Their presence in Districts shows a varied pattern with the two IDZs (ELIDZ and Coega) located in East London and Port Elizabeth. Public Entities provide services aligned to the legislative and policy mandate of the Department. District Offices were established to enable reach of the Department's programmes. Most of the functions and budgets are however centralized at Head Office while Districts perform limited Corporate Service functions. The Department had to grapple with the issue of capacity which was not readily available in the District Offices.

The department is making use of transversal systems for both financial and human resources management. These are named BAS and PERSAL respectively. In addition, a workflow system called EVAYA, which was introduced in 2012, is proving to be efficient and effective in the operations of the department. The system allows officials to process their memos, leave applications and approval of

documents electronically irrespective of location and time for all officials as long they have access to the network. New modules have since been added such as travel application, travel claims, invoice tracking and quotation management. A new ICT Enterprise architecture has been developed. Over the next few years, different systems will be developed including performance management system to enhance organisational performance. The E-permitting system is entering a critical phase of operability.

The budget programme structure of the Department follows a National Treasury gazetted structure for all Provincial Departments of Economic Development, Environmental Affairs and Tourism. Any service offering within the legislative and policy mandate fits within the gazetted budget programme structure. In summary, the delivery model of the department is as follows:

**Figure 3: Summary of DEDEAT Service Delivery Model**



This Service Delivery Model (SDM) provides high-level breakdown of services between Head Office (A), Districts (B) and Public Entities (C). Critical to the SDM is not only reflecting what the primary focus areas are for each component, but the process areas that form a critical chain between the components. For the delivery model to be effective, sufficient resources and capacity need to be provided. This is highly unlikely in the current period due to tightening fiscal position of government. Where the department and its entities cannot deliver directly, the work is outsourced to third parties. The department continues to explore partnerships in order to extend its reach and effectiveness. Although details of cooperative arrangements cannot be covered in this APP, through reporting, the department is able to demonstrate various partnerships with external stakeholders in order to achieve the key outcomes, specifically outputs and outcomes of the different portfolios of the department.

The fourth year of implementation of the five-year plan continued to be an exciting year for the department despite depressed external operating conditions. The department responded to set legislation, regulations, policies, strategies, priorities as well as emergent issues and demands aligned to

the department's mandate. All structural, strategic, people and process changes were handled well in the 2018/19 financial year.

The Department's strategic goal is to create a conducive environment for sustainable development, which is diversified, innovative, equitable and supported by a skilled workforce. This is delivered directly by the department, its six District Offices and six public entities at a cost of approximately R1 billion. A capable management leadership team supported by an enthusiastic workforce who worked as teams was in place throughout the year. The service delivery model which was outlined in 2016 continues to be operationalised. A new organisational structure was finally approved in March 2018 by the Minister of Public Service and Administration. The structure has fewer staff members and flatter hierarchy compared to the 2006 model. However, owing to capacity challenges within the Human Resources function, an organisational climate survey could not be done. It's worth noting that the DPSA administered HR Assessment yielded slightly poor results (4.5) compared to the score achieved in the previous year (4.7). Scores were particularly poor in the strategic function role of HR. All organisational committees are largely functional and effective in the department.

The centralised recruitment process designed to limit the growth of CEO budgets has yielded some results but can work better if there is direct control by departments. The department operated with 13.8% vacancy rate in 2018. This was outside the acceptable limit of 10% set for the public sector by the DPSA. This is also a good proxy indicator of loyalty to the organisation. The department staff is well qualified with a number of officials being holders of specialist, Masters and PhDs degrees. The department continues to empower staff through trainings and bursaries. Learners and experiential learners are recruited annually in line with the objectives of empowering and developing youth for employment creation and poverty reduction. Overall, the organisational environment remains stable although the human resource function is a bit constrained.

The department has been largely compliant with processes and policies operational in the public service. The financial management processes improved as indicated in the latest MPAT results. The department has achieved a score of 2.75 in 2017/18 compared to 2.5 which was achieved in 2016/17. Key problematic areas include professional ethics and planning for implementation pillars. Management is putting measures in place to address the shortcomings. Unfortunately, the MPAT system in its current format is being discontinued from the year 2019/20 onwards, to be replaced by a new assessment that is still to be developed. Financial resources of the department of approximately R1.1 billion, representing an allocation of 1.4% of the total Provincial budget, is insignificant to make a massive dent to unemployment, poverty and lack of industrial infrastructure. A new fund of R339 million has been set up in 2019/20 as a Provincial Stimulus Fund to support catalytic economic development projects in the Province. On the other hand, financial expenditure has been impressive at 96.5% for the year. However, budgeting efficiency issues need to be improved since there was significant virement of funds within programmes.

Strategic risks were identified and documented at the end of 2018/19. These will assist the department in managing strategic objectives of the department. Work continued on governance and oversight of public entities under care of the department. Management of both the department and public entities continued to receive political and strategic support from the MEC, Portfolio Committee and Boards of Directors. Engagements with the Chairpersons and Chief Executives of all entities will continue to be

undertaken in order to check progress and or remove any hindrance towards the full implementation of the department's plans in line with governance and oversight functions. There is still room for improvement in providing timely and accurate performance information to aid management, the MEC and Boards with decision making.

Although the department adopted a Project Management Methodology Framework Policy and Procedure to support the effective delivery of projects, there hasn't been any traction on the implementation front. Currently, the department does not have capacity in the area of project management. A number of systems still need to be developed and /or finalised e.g., strategic management solution, e-permitting for environmental affairs among others. In future, citizens will be able to interact with the department electronically. The e-vaya (an electronic document processing and tracking tool) system continued to function well easing and speeding transactional processes in the department. More resources need to be allocated for systems as we enter the realm of the 4<sup>th</sup> industrial revolution.

Going forward, there is need for more partnerships to be established at various levels of the department. This increases the chances of success given the dwindling resources and challenging operating environment. Evaluations need to be prioritised and funding has been set aside for at least two evaluations to be conducted in the 2019/20 financial year. The department is desirous to have major projects and programmes evaluated so that the information feeds into planning and decision making. The Operations Management Framework (OMF) will be institutionalised in the department and resources have been set aside.

The department has an adequate complement of tools and assets (e.g. vehicles, uniforms, ICT equipment) to facilitate the implementation of various programmes. It is mainly the head office building that requires serious attention in order to improve the health and safety of staff. Provision of most ICT services like email and internet averages 97.5% to all staff members of the Department but is being hampered by intermittent ESKOM power rationing. Electronic communication of DEDEAT work has been greatly enhanced with regular publications on the intranet, internet and other social media platforms.

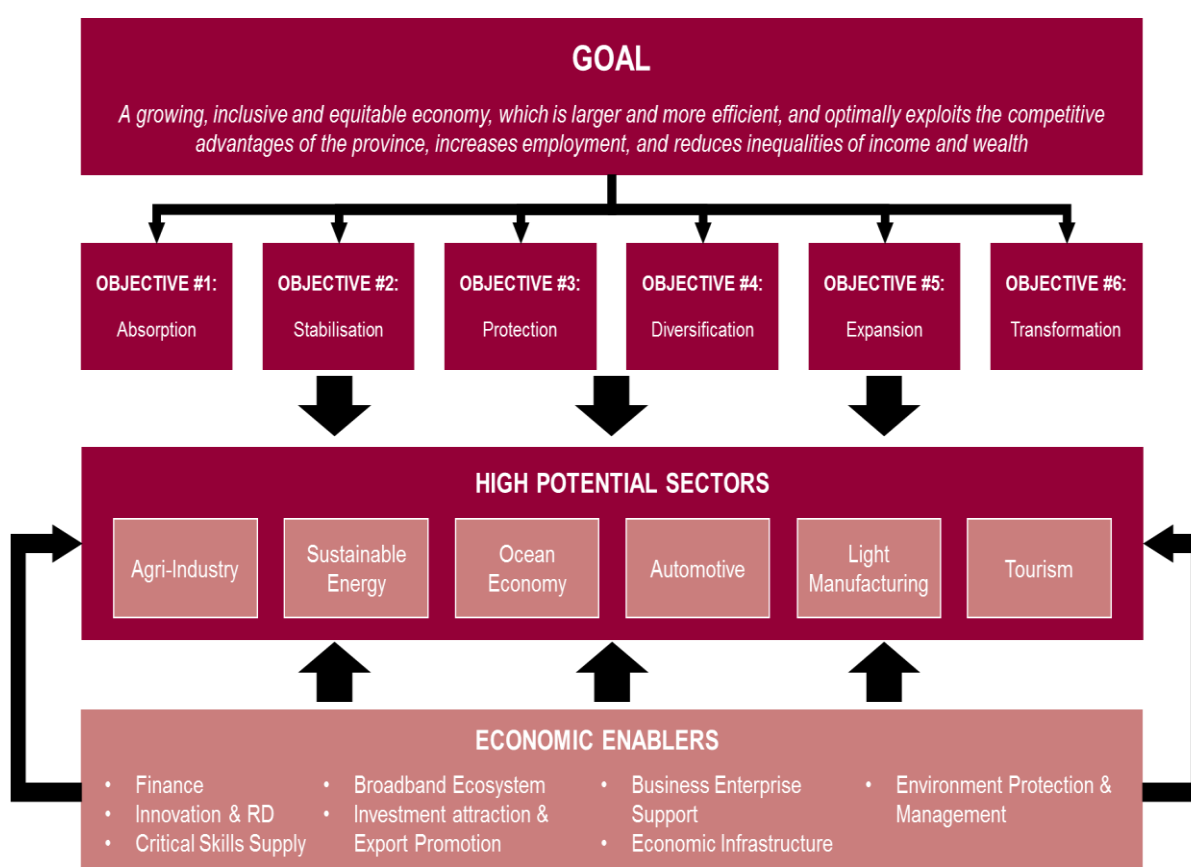


## Revisions to legislative and other mandates

The government outcomes that were introduced after the publication of the Strategic Plan (2010/11 – 2014/15) remain relevant to the Department even though these were expanded to 14. The outcomes more relevant to the Department are following: Outcomes 4, 5, 6, 7, 10 and 12.

The Department has reviewed the Provincial Industrial Strategy (PIDS) with the Provincial Economic Development Strategy (PEDS) whose pillars are as follows:

**Figure 4: key policy initiatives**



The six sectors underpin the economic thrust of the department and are aligned with the various policy instruments and outcomes of government. Detailed implementation plan of the above six sectors is contained in the PEDS. The identified pillars and enablers have been chosen based on iterative processes at both national and provincial level. The situational analysis of various sectors is found in the respective planning documents of the above sectors, e.g. Tourism Master Implementation Plan (2015-2021).

**Status of the following pieces of legislation should be noted:**

- ✓ The Eastern Cape Gambling Amendment Act, 2015 (Act No. 1 of 2015) amended the Eastern Cape Gambling Act, 1997 (Act No. 5 of 1997) and came into operation on 1 August 2016. On the 19<sup>th</sup> February 2018 the Honourable Premier published a Proclamation bringing into operation section 4 and section 5 of the Eastern Cape Gambling Amendment Act, 2015 (Act No. 1 of 2015). These sections provide that the juristic person will be known as the Eastern Cape Gambling Board. The impact of the Legislation provides for the following: reinforced monitoring to enforce compliance by the industry; an expanded revenue-base and increased economic contribution; a revised regulatory system that caters for new forms of gambling; a quicker decision making process and responsiveness to demands; and enhanced suitability of mechanisms to promote entry into the industry. The Regulations in terms of the Act are being developed and it is envisioned that they will be implemented during 2019/2020.
- ✓ The Eastern Cape Liquor Authority Act, 2018 (Act No. 4 of 2018) was assented to and published in the Provincial Gazette during March 2019. Regulations in terms of the Act will be drafted and will be published for comment once the Hon Premier promulgates the Act. .
- ✓ The White Paper on Consumer Protection in the Eastern Cape has been endorsed by the Executive Council. The Eastern Cape Consumer Protection Act, 2018 (Act No. 3 of 2018) has been assented to by the Honourable Premier and published in the Provincial Gazette during March 2019, . The Act when proclaimed and in operation will provide the Office of the Consumer Protector with the necessary legislative mandate to ensure a more effective and efficient service to consumers within the Eastern Cape and will be aligned to the Consumer Protection Act and provides for procedures and mechanisms to provide redress to consumers. Provision is made for the establishment of the Eastern Cape Consumer Tribunal for referral of complaints that are not resolved in terms of alternative dispute resolution mechanisms.
- ✓ The Eastern Cape Parks and Tourism Agency Act (No 2 of 2010) was reviewed. The Eastern Cape Parks and Tourism Bill, 2018 was published for public comment on the 12th February 2018. The Bill will promote alignment with the National tourism legislation whilst it will seek to address gaps that have been identified which have a direct impact on implementation.
- ✓ The Department has reviewed the Eastern Cape Development Corporation Act, 1997 (Act no. 2 of 1997). A White Paper on the Eastern Cape Development Corporation is being developed which will inform the Eastern Cape Development Corporation Bill to align with the Economic Policy direction of the country and the province.
- ✓ Formal and Informal businesses are currently governed by the Business Act, 1991 (Act No. 71 of 1991) which predates the Constitution of the Republic of South Africa, 1996. The Department is currently working on the policy development of a White Paper on Businesses in the Eastern Cape which will culminate in the publication for comment of the Eastern Cape Businesses Bill. The overall intention of the Bill will be to repeal the Business Act no 71 of 1991, provide for measures to protect consumers in the Province against unhealthy, harmful, and unsafe goods and business practises, provide for the designation of Licensing, Permitting and Registration Authorities, Committees and Officers in the Province and their objects, powers, duties and



functions, provide for a conducive environment to ensure graduation and transitioning of small businesses operating in the informal sector into the main stream economy, provide for a developmental agenda that covers transfer of skills, capacity building and business support to the SMME's and to provide for business data collection across the board that will be beneficial to proactive economic planning regime.

- ✓ The Eastern Cape Environmental Management Bill will be published for public comment and consultations will occur during the first quarter of the 2019/2020 financial year.

The department is already factoring some of the issues in the national youth policy 2020 (2015) which cover unemployment and joblessness, inadequate skills development, high rates of violence and substance abuse and disability and exclusion. The policy proposals of economic participation and transformation, education and skills, youth absorption into employment and income opportunities such as EPWP are already factored in the operations of the department. The department has learnership and internship programme for youth. The SMME desk is also supporting youth SMMEs including enterprise education and training, incubation and access to both finance and markets. The ECLB and ECGBB already have programmes to support irresponsible gambling and alcohol abuse.

## Overview of 2019/20 Budget and MTEF estimates

Table 3: Department mtef budget &amp; expenditure estimates

R thousand	Outcome			Main appropriation	Adjusted appropriation 2018/19	Revised estimate	Medium-term estimates			% change from 2018/19
	2015/16	2016/17	2017/18				2019/20	2020/21	2021/22	
1. Administration	196 745	220 907	219 921	234 687	242 643	240 776	241 697	250 847	259 452	0.4
2. Economic Development And Tourism	760 022	522 790	569 345	591 542	611 626	608 613	904 203	928 342	942 001	48.6
3. Environmental Affairs	289 584	295 827	288 513	319 777	312 783	312 032	336 060	353 902	364 785	7.7
<b>Total payments and estimates</b>	<b>1 246 351</b>	<b>1 039 524</b>	<b>1 077 779</b>	<b>1 146 006</b>	<b>1 167 052</b>	<b>1 161 421</b>	<b>1 481 960</b>	<b>1 533 091</b>	<b>1 566 238</b>	<b>27.6</b>

Table 4: Budget summary by economic classification

R thousand	Outcome			Main appropriation	Adjusted appropriation 2018/19	Revised estimate	Medium-term estimates			% change from 2018/19
	2015/16	2016/17	2017/18				2019/20	2020/21	2021/22	
<b>Current payments</b>	<b>393 855</b>	<b>355 171</b>	<b>365 109</b>	<b>415 112</b>	<b>407 132</b>	<b>405 011</b>	<b>414 521</b>	<b>435 054</b>	<b>448 561</b>	<b>2.3</b>
Compensation of employees	216 292	225 822	240 050	265 851	258 541	258 058	269 962	287 532	299 362	4.6
Goods and services	177 563	129 349	125 059	149 261	148 591	146 953	144 559	147 522	149 199	(1.6)
Interest and rent on land	-	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>756 996</b>	<b>648 398</b>	<b>668 698</b>	<b>684 702</b>	<b>742 751</b>	<b>739 671</b>	<b>1 028 147</b>	<b>1 088 387</b>	<b>1 107 502</b>	<b>39.0</b>
Provinces and municipalities	76 132	26 501	13 038	13 450	13 450	12 789	18 956	20 731	21 631	48.2
Departmental agencies and accounts	649 828	590 940	636 482	645 657	703 267	703 267	980 675	1 039 835	1 056 631	39.4
Higher education institutions	3 433	3 042	-	-	-	-	600	634	669	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	23 796	24 237	16 801	22 801	21 001	20 101	21 800	21 899	23 103	8.5
Non-profit institutions	978	1 300	1 268	1 794	1 583	2 041	1 526	1 609	1 697	(25.2)
Households	2 829	2 378	1 109	1 000	3 450	1 473	4 590	3 679	3 771	211.6
<b>Payments for capital assets</b>	<b>95 500</b>	<b>33 897</b>	<b>43 764</b>	<b>46 192</b>	<b>17 169</b>	<b>16 739</b>	<b>39 292</b>	<b>9 650</b>	<b>10 175</b>	<b>134.7</b>
Buildings and other fixed structures	71 018	21 357	30 974	34 524	5 000	5 023	28 954	-	-	476.4
Machinery and equipment	24 482	12 540	12 790	11 668	12 169	11 716	10 338	9 650	10 175	(11.8)
Heritage Assets	-	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total economic classification</b>	<b>1 246 351</b>	<b>1 039 524</b>	<b>1 077 779</b>	<b>1 146 006</b>	<b>1 167 052</b>	<b>1 161 421</b>	<b>1 481 960</b>	<b>1 533 091</b>	<b>1 566 238</b>	<b>27.6</b>

### Performance and Expenditure Trends

Tables 3 and 4 show the summary of payments and estimates per programme and economic classification. The actual expenditure decreased from R1.246 billion in 2015/16 to a revised estimate of R1.161 billion in 2018/19 due to reduction of allocation to CDC for the provincial social infrastructure programme. The budget further increases by 27.6 per cent to R1.481 billion in 2019/20 due to funds allocated and ring-fenced for provincial economic stimulus package.

Compensation of Employees increased from R216.292 million in 2015/16 to a revised estimate of R258.058 million in 2018/19 and further increased to R269.962 million in 2019/20 due to the annual improvement in conditions of services (ICS adjustment) throughout the years. The 2019/20 budget includes funds to create human resource capacity in critical areas in the core programmes.

Expenditure on Goods and Services decreased from R177.563 million to a revised estimate of R146.953 million in 2018/19 as a result of reduction in the allocation to the CDC for social infrastructure projects. In 2019/20, the budget decreases by 1.6 per cent to R144.559 million due to the baseline reduction for the province.

Transfers to public entities are the main cost driver of expenditure. Transfers and Subsidies decreased from R756.996 million in 2015/16 to a revised estimate of R736.671 million in 2018/19. This was due to the reduction of allocation to CDC and ECDC for the provincial social and economic infrastructure programme. In 2019/20, the budget increases by 39 per cent to R1.028 billion due to funds provided for economic stimulus package for the provincial growth and development.

Payments for Capital assets decreased from R95.500 million in 2015/16 to a revised estimate of R16.739 million in 2018/19. Funds for CDC social infrastructure capital projects could not be spent in 2018/19 and were thus rescheduled to 2019/20 resulting in an increase of 134.7 per cent to R39.292 million

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS

Hereunder is a comprehensive description of the Department's programmes and sub-programmes, strategic goal and strategic objectives, performance indicators and their targets. Most of the targets cannot be broken spatially since they are demand driven. Through reporting, the department is able to breakdown achievements of some outputs according to the criteria set for designated groups (youth, women, disabled). The Department's structure has not changed for the past 10 years. The Department is structured as follows:

**Table 5: Programmes and Sub-Programmes**

Programme	Sub-Programmes	Sub-Sub-Programmes
<b>Programme 1: Administration</b>	<b>1.1. Office of the MEC</b>	1.1: Office of the MEC
	<b>1.2. Office of the HOD</b>	1.2.1: Office of the HOD
		1.2.2 Strategic Management
		1.2.3 IT Management
		1.2.4 Monitoring and Evaluation
	<b>1.3. Financial Management</b>	1.3.1 Financial management
		1.3.2 Supply Chain Management
		1.3.3 Compliance and Risk Management
	<b>1.4. Corporate Services</b>	1.4.1: HR Planning and Practices
		1.4.2 Organisational Development
		1.4.3 Office Management
		1.4.4 Communication
		1.4.5 Security Management
<b>Programme 2: Economic Development</b>	<b>2.1: Integrated Economic Development Services</b>	2.1.1: Enterprise Development
		2.1.2: Regional and Local Economic Development
		2.1.3: Economic Empowerment
	<b>2.2: Trade and Sector Development</b>	2.2.1: Trade and Investment Promotion
		2.2.2: Sector Development
		2.2.3: Strategic initiatives
	<b>2.3. Business Regulation and Governance</b>	2.3.1. Public Entity Oversight, Inter-governmental Relations and Resource Mobilisation
		2.3.2. Regulation Services
		2.2.3. Consumer protection
		2.3.4. Liquor Regulation
		2.3.5. Gambling and Betting
	<b>2.4. Economic Planning</b>	2.4.1. Policy and Planning
		2.4.2. Research and Development
		2.4.3. Knowledge Management
		2.4.4. Monitoring and Evaluation
	<b>2.5. Tourism</b>	2.5.1. Tourism Planning



Programme	Sub-Programmes	Sub-Sub-Programmes
		2.5.2. Tourism Growth and Development
		2.5.3. Tourism Sector Transformation
<b>Programme 3: Environmental Affairs</b>	<b>3.1 Environmental Policy, Planning and Coordination</b>	3.1.1. Intergovernmental Coordination, Spatial and Development Planning.
		3.1.2. Legislative Development
		3.1.3. Research and Development Support
		3.1.4. Environmental Information Management
		3.1.5. Climate Change Management
	<b>3.2 Compliance and Enforcement</b>	3.2.1. Environmental quality management compliance and enforcement
		3.2.2. Biodiversity management, compliance and enforcement
	<b>3.3 Environmental Quality Management</b>	3.3.1. Impact Management
		3.3.2. Air Quality Management
		3.3.3. Pollution and Waste Management
	<b>3.4 Biodiversity Management</b>	3.4.1. Biodiversity and Protected Area Planning and Management
		3.4.2. Conservation Agencies & Services
		3.4.3. Coastal Management
	<b>3.5 Environmental Empowerment Services</b>	3.5.1. Environmental Capacity Development and Support
		3.5.2. Environmental Communication and Awareness Raising

PROGRAMME 1: Administration

Purpose

To provide the Department with strategic leadership and management, as well as overall administrative and performance oversight.

Table 6: Programme 1 Overview

Sub-Programme	Sub-Programme Purpose
1.1: Office of the MEC	Provide overall political and policy leadership for the Department
1.2: Office of the HOD	Provide effective and efficient strategic leadership to the Department.
1.3: Financial management	Establish and maintain appropriate financial management systems.
1.4: Corporate Services	Ensure adequate provision of institutional capacity through effective human capital management, organisational development interventions.

## Strategic objective Indicators and Annual targets for 2019/20

Table 7: Programme 1 Strategic Objective Annual Targets 2019/20

Strategic Objectives:	Strategic Performance Indicator	Audited/Actual performance			Estimated Performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
SO1: High Performance Organisation	Organisational performance index <sup>2</sup>	4.5	-	-	5	-	-	5
	Financial maturity index <sup>3</sup>	3	2.84	2.9	3	3	3	3
	HR efficiency index <sup>4</sup>	7.5	4.7	4.5	6.5	7	7	7
	Customer relations index <sup>5</sup>	4	0	2.9	4	4	4	4

## Performance Indicators and Annual targets for 2019/20

**Note:** There are no performance measures in this Annual Performance Plan for Sub-Programme 1.1: Office of the MEC. Activity outputs of the office of the MEC are listed in the operational plan.

Table 8: Sub-Programme 1.2: Office of the HOD

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated Performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Realignment and streamlining of the DEDEAT	1.1 Average MPAT score	New Indicator	2.5	2.7	3	7	-	-

<sup>2</sup> This index is measured on a scale from 1 (lowest) to 5 (highest) and is based on the organisational performance assessment tool administered by the Strategic Management Unit. After 2015/16, the tool will be administered every 3 years. The next target will be set for 2018/19 since this is more of an evaluation.

<sup>3</sup> This index is measured on a scale from 1 (lowest) to 3 (highest) and is based on a Treasury composite questionnaire administered by Financial Management.

<sup>4</sup> This refers to the perceived (by end users of HR services) ability of the HR components to strategically assist in the achievement of service delivery goals of the department. The index is measured on a scale from 1 (lowest) to 10 (highest) and is based on a DPSA composite questionnaire administered by Corporate Services.

<sup>5</sup> This index is measured on a scale from 1 (lowest) to 5 (highest) and is based on a composite questionnaire administered by Corporate Services.

<sup>7</sup> MPAT will be discontinued in the year 2019/20. The DPME is yet to decide and finalise the replacement system that focuses on service delivery.

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
and its public entities to increase effectiveness and efficiencies <sup>6</sup>	1.2 % network uptime <sup>8</sup>	New Indicator	New Indicator	97.5%	100%	99.5%	99.5%	99.5%
	1.3 Public Entities Accountability index <sup>9</sup>	9	8.4	9.5	10	10	10	10

Table 9: Sub-Programme 1.3: Financial Management

Strategic Objectives:		Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
SO1: Improved Organisational Performance		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
National and Provincial priority/outcome	Performance Indicator							
	1.4 Average number of days to pay suppliers	New Indicator	30	21	30	30	30	30
	1.5 Annual audit outcome	New Indicator	Unqualified	Unqualified	Unqualified	Clean <sup>10</sup>	Clean	Clean

<sup>6</sup> The source of this priority is the DEDEAT Strategic Plan 2015-19. This is the first of seven strategic policy initiative pillars of the Department.

<sup>8</sup> The indicator changes from % network functionality to % network uptime in 2019/20

<sup>9</sup> This is measured on a scale of 1 to 10. A score of 10 is the highest possible score which represent 100% (of the 34 index checklist measures). The assessment is made based on the degree to which both the department and the entities implement the provisions of the SLAs.

<sup>10</sup> The department is aiming for a clean audit. A number of issues raised in the previous audit are being addressed through the audit intervention plan which is updated and implemented annually.

**Table 10: Sub-Programme 1.4: Corporate Services**

National and Provincial priority/ outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	
Realignment and streamlining of the DEDEAT and its public entities to increase effectiveness and efficiencies	1.6 % implementation of the work skills plan	New Indicator	67%	113%	80%	85%	90%	90%
	1.7 % of staff complying with all PMDS processes (contracts and reviews)	New Indicator	81.7%	94%	95%	95%	95%	100%

Table 11: Programme 1: Strategic Objectives Annual Targets 2019/20

Strategic Objective Indicator	Reporting Period	Annual Target	Quarterly Targets 2019/20			
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Administration						
Organisational performance index <sup>11</sup>	Every 3 years	-	-	-	-	-
Financial maturity index <sup>12</sup>	Annually	3	-	-	-	3
HR efficiency index <sup>13</sup>	Annually	7	-	-	-	7
Customer relations index <sup>14</sup>	Annually	4	-	-	-	4

### Quarterly targets for programme 1

Table 12: Programme 1 Quarterly Targets 2019/20

Performance Indicator	Reporting Period	Annual Target	Quarterly Targets 2019/20			
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Sub programme1.1: Office of the HOD						
1.1	Average MPAT score <sup>15</sup>	-	-	-	-	-
1.2	% network uptime	99.5%	99.5%	99.5%	99.5%	99.5%
1.3	Public Entities Accountability index	10	-	-	-	10
Sub programme1.2: Financial Management						
1.4	Average number of days to pay suppliers	30	30	30	30	30

<sup>11</sup> This index is measured on a scale from 1 (lowest) to 5 (highest) and is based on the organisational performance assessment tool administered by the Strategic Management Unit. After 2015/16, the tool will be administered every 3 years. The next target will be set for 2018/19 since this is more of an evaluation.

<sup>12</sup> This index is measured on a scale from 1 (lowest) to 3 (highest) and is based on a Treasury composite questionnaire administered by Financial Management.

<sup>13</sup> This refers to the perceived (by end users of HR services) ability of the HR components to strategically assist in the achievement of service delivery goals of the department. The index is measured on a scale from 1 (lowest) to 10 (highest) and is based on a DPSA composite questionnaire administered by Corporate Services.

<sup>14</sup> This index is measured on a scale from 1 (lowest) to 5 (highest) and is based on a composite questionnaire administered by Corporate Services.

<sup>15</sup> MPAT will be discontinued in the year 2019/20. The DPME is yet to decide and finalise the replacement system that focuses on service delivery.



Performance Indicator		Reporting Period	Annual Target	Quarterly Targets 2019/20			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.5	Annual audit status	Annually	Clean	-	Clean	-	-
<b>Sub programme 1.3: Corporate Services</b>							
1.6	% implementation of the work skills plan	Annually	85%	-	-	-	85%
1.7	% of staff complying with all PMDS processes (contracts and reviews)	Quarterly	95%	-	-	-	95%

**Table 13: Department mtef budget & expenditure estimates**

R thousand	2015/16	2016/17	2017/18	Main appropriation	Adjusted appropriation 2018/19	Revised estimate	Medium-term estimates	% change from 2018/19
1. Office of the MEC	1 451	2 130	2 233	3 029	4 029	3 904	4 372	12.0
2. Office of the HOD	53 169	68 197	64 192	66 090	70 660	68 026	67 765	(0.4)
3. Financial Management	96 167	99 471	98 247	103 528	111 021	111 194	113 470	2.0
4. Corporate Services	45 958	51 109	55 249	62 040	56 933	57 652	56 090	(2.7)
<b>Total payments and estimates</b>	<b>196 745</b>	<b>220 907</b>	<b>219 921</b>	<b>234 687</b>	<b>242 643</b>	<b>240 776</b>	<b>241 697</b>	<b>0.4</b>

**Table 14: Budget summary by economic classification**

	Outcome			Main appropriation	Adjusted appropriation 2018/19	Revised estimate	Medium-term estimates			% change from 2018/19
R thousand	2015/16	2016/17	2017/18				2019/20	2020/21	2021/22	
<b>Current payments</b>	<b>179 299</b>	<b>205 178</b>	<b>205 849</b>	<b>224 015</b>	<b>227 024</b>	<b>227 587</b>	<b>226 169</b>	<b>236 884</b>	<b>244 837</b>	<b>(0.6)</b>
Compensation of employees	103 037	108 294	111 326	123 132	118 632	117 922	124 254	132 843	140 150	5.4
Goods and services	76 262	96 884	94 523	100 883	108 392	109 665	101 915	104 041	104 687	(7.1)
Interest and rent on land	-	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>2 829</b>	<b>2 378</b>	<b>1 109</b>	<b>1 003</b>	<b>3 450</b>	<b>1 473</b>	<b>5 190</b>	<b>4 313</b>	<b>4 440</b>	<b>252.3</b>
Provinces and municipalities	-	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	3	-	-	-	-	-	-
Higher education institutions	-	-	-	-	-	-	600	634	669	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-	-
Households	2 829	2 378	1 109	1 000	3 450	1 473	4 590	3 679	3 771	211.6
<b>Payments for capital assets</b>	<b>14 617</b>	<b>11 293</b>	<b>12 755</b>	<b>9 669</b>	<b>12 169</b>	<b>11 716</b>	<b>10 338</b>	<b>9 650</b>	<b>10 175</b>	<b>(11.8)</b>
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-	-
Machinery and equipment	14 617	11 293	12 755	9 669	12 169	11 716	10 338	9 650	10 175	(11.8)
Heritage Assets	-	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>2 058</b>	<b>208</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total economic classification</b>	<b>196 745</b>	<b>220 907</b>	<b>219 921</b>	<b>234 687</b>	<b>242 643</b>	<b>240 776</b>	<b>241 697</b>	<b>250 847</b>	<b>259 452</b>	<b>0.4</b>

### Performance and Expenditure Trends

Tables 13 and 14 above, shows that actual expenditure increased from R196.745 million in 2015/16 to a revised estimate of R240.776 million in 2018/19 due to the centralisation of expenditure to this programme. In 2019/20, the budget increases by 0.4 per cent to R241.697 million.

Compensation of Employees increased from R103.037 million in 2015/16 to a revised estimate of R117.922 million in 2018/19 due to annual ICS adjustments. In 2019/20, the budget increase to R124.254 million or 5.4 per cent due to ICS inflationary adjustments.

Goods and Services increased from R76.262 million in 2015/16 to a revised estimate of R109.665 million in 2018/19 due to the re-alignment of the available funds towards the support of core programmes for legal cost, consultancy services as well as operating leases. In 2019/20, the budget decreased by 7.1 per cent to R101.915 million due to the baseline reductions.

Transfers and Subsidies decreased from R2.829 million in 2015/16 to a revised estimate of R1.473 million in 2018/19 due to decline in the natural attrition rate and the payment of leave gratuities. In 2019/20, the budget increases by 252.3 per cent to R5.190 million due to provision for leave gratuities for departmental employees.

Payments for Capital assets decreased from R14.617 million in 2015/16 to a revised estimate of R11.716 million in 2018/19 due to reduction of funds for finance leases and departmental fleet. In 2019/20, budget decreases to R10.338 million or 11.8 per cent due to internal reprioritisation.

## PROGRAMME 2: Economic Development and Tourism

### Programme Purpose

The Economic Development and Tourism Programme is primarily responsible for promoting and administering sustainable economic development and job creation.

**Table 15: Programme 2 Overview**

Sub-Programme	Sub-Programme Purpose
2.1: Integrated Economic Development Services	<ul style="list-style-type: none"> <li>To support and develop business enterprises.</li> <li>To promote economic growth and development of local economies with partnerships with key stakeholders by aligning Local and Regional Economic Development (LRED) initiatives with government programmes.</li> <li>To facilitate the process of empowerment and creation of an enabling business environment for PDIs.</li> </ul>
2.2: Trade and Sector Development	<ul style="list-style-type: none"> <li>To facilitate trade promotion, retention and attraction of investment in priority sectors.</li> <li>To facilitate implementation of National and Provincial Priority Programmes.</li> <li>To create an enabling environment for the sustainable economic growth and development in prioritised and emerging sectors in the Eastern Cape.</li> <li>To drive implementation of programmes in these prioritised sectors: agro processing; Automotive; Green Economy; Manufacturing; and Tourism</li> </ul>
2.3: Business Regulation and Governance	<ul style="list-style-type: none"> <li>To lobby for provision of a regulatory framework that addresses barriers in the broader business environment</li> <li>To promote good corporate governance principles, stability and efficiency in doing business.</li> <li>To develop, implement and promote measures that ensure the rights and interests of all consumers.</li> <li>To promote and maintain an effective and efficient system for regulation of business, industries and sectors.</li> </ul>
2.4: Economic Planning	<ul style="list-style-type: none"> <li>To develop evidence based provincial policies and strategies which inform decision making processes.</li> <li>To ensure accessible scientific information to inform economic policy and planning processes.</li> </ul>
2.5: Tourism	<ul style="list-style-type: none"> <li>To create an enabling tourism environment through legislation, policy and strategy development</li> <li>To create demand and supply for tourism</li> <li>To ensure sustainability and tourism sector transformation</li> </ul>

## Strategic objective indicators and annual targets 2019/20

Table 16: Strategic Objective Annual Targets 2019/20

Strategic Objective	Strategic Objective Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
SO2: Sustainable enterprises and infrastructure development that benefits local communities are supported and promoted.	Employment creation (growth in employment - %) <sup>16</sup>	1.3	0.7	-2.3	1.9	0.8	1.0	1.3
	Eastern Cape Regional Economic Growth Rate (GDPR - %) <sup>17</sup>	1.1	0.6	1.1	1.2	1.6	1.8	2.0
	Industry growth rate <sup>18</sup>	0.90	0.5	7.96%	1.0	1.0	1.1	1.2
	Number of strategic projects supported by the Provincial Economic Stimulus Fund (PESF)	-	-	-	-	5	6	7

<sup>16</sup> This is reportable data which is generated from information reported by Statistics South Africa over the last 5 to 8 years and projected estimates made by Quantec.

<sup>17</sup> This is reportable data which is generated from information reported by Statistics South Africa over the last 5 to 8 years and projected estimates made by Quantec.

<sup>18</sup> This is reportable data which is generated from information reported by Statistics South Africa over the last 5 to 8 years and projected estimates made by Quantec.

## Performance indicators and annual targets 2019/20

Table 17: Sub-Programme 2.1: Integrated Economic Development Services

National and Provincial priority/outcome	Performance Indicators	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Enterprise development								
Creating an enabling environment to support enterprise development, in reference with outcome 4: Decent employment through inclusive economic growth <sup>19</sup>	2.1	Number of cooperatives provided with non-financial support <sup>20</sup>	250 <sup>21</sup>	88	98	104	118	150
	Regional and Local Economic Development							
	2.2	Number of economic development projects funded at local and regional levels <sup>22</sup>	8	9	9	8	10	12

<sup>19</sup> The sources of this priority are DEDEAT Strategic Plan 2015 – 2019 policy initiative number seven and National Outcome number 4: Decent employment through inclusive economic growth which was facilitated and developed by the Presidency in May 2010.

<sup>20</sup> Among others, cooperatives are provided with a range of support which may include assistance with co-operative governance and business management trainings, business plan development, source funding from various funding institutions, access to markets, mentorship, development of high level feasibility studies and monitoring and evaluation. Activities are dependent on the availability of funding.

<sup>21</sup> Funding to Chris Hani District Cooperative Centre ended in 2015/16. Although the Cooperative Centre is not an entity of the department, it receives funding from other sources and continues to provide non-financial support services. Non-financial support services to cooperatives are now being provided by the Department's regional offices.

<sup>22</sup> Projects are directly funded by the DEDEAT through the LRED grant. The LRED grant fund has been reduced in the 2017/18 financial year. The department participates in LED forums in a number of Districts where COGTA and Municipalities participate to review strategic projects and sector strategies. In addition, District Support Teams (DST) convene quarterly to select projects to be funded under the LRED fund. The DST is used as a platform for identification, generation and packaging of projects. Upon approval, they also use this structure to strengthen monitoring and evaluation of these projects on monthly basis. The challenge though is that there is no LED-Provincial Working Group, and this needs to be resuscitated. It is desirable to have a bigger LRED fund and higher grant value for each recipient.

**Table 18: Sub-Programme 2.2: Trade and Sector Development**

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance				Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18	2018/19		2019/20	2020/21	2021/22
Protection, diversification and expansion of manufacturing and services sectors; and Creating an enabling environment to support enterprise development.									
	2.3 Number of sustainable energy initiatives facilitated	5	5	6	6		4	4	6
Outcome 10: Protection and enhancement of environmental assets and natural resources.									
Protection, diversification and expansion of manufacturing and services sectors	2.4 Number of manufacturing initiatives facilitated	3	8	7	6		6	4	6
	2.5 Number of agro-processing initiatives facilitated	New Indicator	2	3	4		3	4	5



Table 19: Sub-Programme 2.3: Business Regulation and Governance

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Creating an enabling regulatory function that ensures legal and regulatory compliance <sup>23</sup>	<b>Business regulation</b>							
	2.6 Number of policy frameworks developed to enable the ease of doing business	New indicator	New indicator	5	3	3	3	3
	<b>Consumer protection</b>							
	2.7 Number of consumer education programmes implemented <sup>24</sup>	6	6	6	6	6	6	6
	2.8 Number of participants reached <sup>25</sup>	4 830	6089	8607	8607	9050	10000	12000

Table 20: Sub-Programme 2.4: Economic Planning

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
<b>Policy and Planning</b>	<b>Knowledge Management</b>							
Protection, diversification and	2.9 Number of provincial economic intelligence reports produced <sup>27</sup>	3	3	6	4	4	4	4

<sup>23</sup> The source of this priority is the DEDEAT Strategic Plan 2015 – 2019. Strategic policy initiative number six is linked to initiatives of this priority/outcome.

<sup>24</sup> Consumer education programmes are varied depending on the topical issues affecting Eastern Cape consumers. The following awareness programmes have been targeted for 2019/20: (1) Right to fair value, good quality and safety; (2) The Office of the Consumer Protector; (3) Financial Literacy & (4) Consumer Rights; (5) Spend Wisely Campaign; (6) The Eastern Cape Consumer Protection Act

<sup>25</sup> In future, participants reached would be expanded to include people reached through electronic media such as radio.

<sup>27</sup> The department produces the following intelligence reports: 1. Socio-Economic Review & Outlook (SERO) 2. Eastern Cape Trade Tracker 3. Investment Monitor 4. Eastern Cape Economic Review. Working with Strategic Management, the Economic Planning Unit will strive to motivate for funding in order to evaluate key programmes/ projects/processes. Limited evaluation is currently undertaken due to budgetary constraints.

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance				Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18	2019/20		2020/21	2021/22	
expansion of manufacturing and services sectors; and achieving a sustainable balance between economic growth and responsible use of land and natural resources <sup>26</sup>									

Table 21: Sub-Programme 2.5: Tourism

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Tourism Planning								
Legislation /policy	2.10	0	2	2	2	2	3	2
	Status report on implementation of sector policies / strategies <sup>28</sup>							

<sup>26</sup> The original source of this priority is the Eastern Cape PGDP 2004 – 2014. Pillar number 4 – manufacturing diversification and tourism are aligned to this priority area. Also the DEDEAT Strategic Plan 2010 – 15, policy initiative number 5 was linked to this key performance area.

<sup>28</sup> The department will track the implementation of the EC Tourism Master Plan and Action Plan 2020 and produce 2 half yearly (bi-annual) reports.

Table 22: Programme 2 Quarterly Targets 2019/20

Performance Indicator	Reporting period	Annual target	Quarterly Targets 2019 / 20			
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Sub programme 2.1: Integrated Economic Development Services						
Enterprise Development						
Employment creation (growth in employment - %)	Annual	0.8	-	-	-	0.8
Eastern Cape Regional Economic Growth Rate (GDPR - %)	Annual	1.6	-	-	-	1.6
Industry growth rate	Annual	1.0	-	-	-	1.0
Number of strategic projects supported by the Provincial Economic Stimulus Fund (PESF)	Annual	5	-	-	-	5

### Quarterly targets for programme 2

Table 23: Programme 2 Quarterly Targets 2019/20

Performance Indicator	Reporting period	Annual target	Quarterly Targets 2019 / 20				
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	
Sub programme 2.1: Integrated Economic Development Services							
Enterprise Development							
2.1	Number of cooperatives provided with non-financial support	Quarterly	104	27	28	25	24
Regional and Local Economic Development							
2.2	Number of economic development projects funded at local and regional levels	Quarterly	10	-	-	-	10
Sub programme 2.2: Trade and Sector Development							
2.3	Number of sustainable energy initiatives facilitated	Annually	4	-	-	-	4
2.4	Number of manufacturing initiatives facilitated	Annually	6	-	-	-	6

Performance Indicator		Reporting period	Annual target	Quarterly Targets 2019 / 20			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
2.5	Number of agro-processing initiatives facilitated	Annually	3	-	-	-	3
<b>Sub programme 2.3: Business Regulation</b>							
<b>Business Regulation</b>							
2.6	Number of policy frameworks developed to enable the ease of doing business <sup>2</sup>	Annually	3	-	-	-	3
<b>Consumer Protection</b>							
2.7	Number of consumer education programmes implemented	Quarterly	6	1	2	1	2
2.8	Number of participants reached	Quarterly	9050	2060	2760	3480	750
<b>Sub programme 2.4: Economic Planning</b>							
<b>Knowledge Management</b>							
2.9	Number of provincial economic intelligence reports produced	Quarterly	4	1	1	1	1
<b>Sub programme 2.5: Tourism</b>							
<b>Tourism Planning</b>							
2.10	Status report on implementation of sector policies / strategies	Bi-annually	2	-	1	-	1

**Table 24: Department mtef budget & expenditure estimates**

R thousand	Outcome			Main appropriation	Adjusted appropriation 2018/19	Revised estimate	Medium-term estimates			% change from 2018/19
	2015/16	2016/17	2017/18				2019/20	2020/21	2021/22	
1. Integrated Economic Development Services	145 339	160 197	160 395	180 827	203 640	230 940	179 456	186 014	193 243	(22.3)
2. Trade And Sector Development	492 933	232 373	262 438	252 525	251 645	222 423	559 173	566 724	565 498	151.4
3. Business Regulation & Governance	111 916	120 019	131 783	141 615	141 865	140 679	148 013	156 087	162 671	5.2
4. Economic Planning	5 510	6 057	4 882	7 525	3 826	3 957	6 517	7 893	8 327	64.7
5. Tourism	4 324	4 144	9 877	9 050	10 650	10 614	11 044	11 624	12 262	4.1
<b>Total payments and estimates</b>	<b>760 022</b>	<b>522 790</b>	<b>569 345</b>	<b>591 542</b>	<b>611 626</b>	<b>608 613</b>	<b>904 203</b>	<b>928 342</b>	<b>942 001</b>	<b>48.6</b>

**Table 25: Budget summary by economic classification**

R thousand	Outcome			Main appropriation	Adjusted appropriation 2018/19	Revised estimate	Medium-term estimates			% change from 2018/19
	2015/16	2016/17	2017/18				2019/20	2020/21	2021/22	
<b>Current payments</b>	<b>129 863</b>	<b>63 304</b>	<b>75 041</b>	<b>88 881</b>	<b>83 459</b>	<b>81 323</b>	<b>81 244</b>	<b>86 579</b>	<b>91 336</b>	<b>(0.1)</b>
Compensation of employees	41 370	43 010	56 784	59 930	60 988	60 689	60 406	65 436	69 033	(0.5)
Goods and services	88 493	20 294	18 257	28 951	22 471	20 634	20 838	21 143	22 303	1.0
Interest and rent on land	-	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>549 276</b>	<b>437 514</b>	<b>463 330</b>	<b>467 354</b>	<b>523 167</b>	<b>522 267</b>	<b>794 005</b>	<b>841 763</b>	<b>850 665</b>	<b>52.0</b>
Provinces and municipalities	65 300	15 500	1 000	770	770	770	-	-	-	(100.0)
Departmental agencies and accounts	456 747	394 735	445 529	443 783	501 396	501 396	772 205	819 864	827 562	54.0
Higher education institutions	3 433	3 042	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	23 796	24 237	16 801	22 801	21 001	20 101	21 800	21 899	23 103	8.5
Non-profit institutions	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-
<b>Payments for capital assets</b>	<b>80 883</b>	<b>21 972</b>	<b>30 974</b>	<b>35 307</b>	<b>5 000</b>	<b>5 023</b>	<b>28 954</b>	<b>-</b>	<b>-</b>	<b>476.4</b>
Buildings and other fixed structures	71 018	21 357	30 974	34 524	5 000	5 023	28 954	-	-	476.4
Machinery and equipment	9 865	615	-	783	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total economic classification</b>	<b>760 022</b>	<b>522 790</b>	<b>569 345</b>	<b>591 542</b>	<b>611 626</b>	<b>608 613</b>	<b>904 203</b>	<b>928 342</b>	<b>942 001</b>	<b>48.6</b>

## Performance and Expenditure Trends

Tables 24 and 25 above show expenditure and the budget allocation for Programme 2. The transfers to the entities include the ECDC, CDC, ELIDZ, ECLB and ECGBB and account for 66.1 per cent of the department's budget. The expenditure declines from R760.022 million in 2015/16 to a revised estimate of R608.613 million in 2018/19 due to the reduction in the social infrastructure programme implemented by CDC. In 2019/20, the budget increases to R904.203 million due to provision made for the implementation of economic stimulus package for the province.

Compensation of Employees increased from R41.370 million in 2015/16 to a revised estimate of R60.689 million in 2018/19 due to the filling of vacant posts to strengthen the functional programme performance and ICS inflationary adjustments. The budget decreases by 0.5 per cent to R60.406 million in 2019/20.

Goods and Services decreased from R88.493 million in 2015/16 to a revised estimate of R20.634 million in 2018/19 as result of the funds for social infrastructure projects being allocated under capital assets. In 2019/20, the budget increases by 1 per cent to R20.838 million.

Transfers and Subsidies decreased from R549,276 million in 2015/16 to a revised estimate of R522.267 million in 2018/19 due to the payment of Nelson Mandela Metropolitan Municipality for storm water ponds and providing electricity to RDP houses. In 2019/20, the budget increases by 52 per cent to R794.005 million due to allocation of funds for the implementation of provincial economic stimulus package.

Payment for Capital Assets expenditure decreased from R80.883 million in 2015/16 to a revised estimate of R5.023 million in 2018/19 due to completion of some CDC Social Infrastructure projects. In 2019/20, budget increases to R28.954 million or 476.4 per cent to finalise the completion of CDC Social infrastructure projects.

## PROGRAMME 3: Environmental Affairs

### Purpose

The programme administers environmental policies that are cascaded from national level in line with the mandate of the Department. Importantly, it regulates environmental management through instruments such as the environmental impact assessments, compliance and enforcement, air quality, waste and biodiversity management tools.

### Programme Overview

The Programme is responsible for monitoring and evaluating the work of the Eastern Cape Parks and Tourism Agency (ECPTA), the public entity tasked with implementing biodiversity management systems in Protected Areas and promoting private sector investment in Provincial Parks as well as Tourism development and transformation. The Programme delivers on its mandate through the following sub-programmes:

**Table 26: Programme 3 Structure and Purpose**

Sub-Programme	Sub-Programme Purpose
3.1: Environmental Policy, Planning and Coordination	<ul style="list-style-type: none"> <li>To establish legislation, policies, programmes, procedures and systems that will effectively empower and support the core functional programmes.</li> </ul>
3.2: Compliance and Enforcement	<ul style="list-style-type: none"> <li>To ensure that environmental legislation is effectively used to protect the environment and its resources from unlawful and unsustainable exploitation and negative impact.</li> </ul>
3.3: Environmental Quality Management	<ul style="list-style-type: none"> <li>To strive towards a safe and healthy environment through effective environmental impact assessment, air quality management, waste and pollution management for the people of the Eastern Cape.</li> </ul>
3.4: Biodiversity Management	<ul style="list-style-type: none"> <li>To conserve the diversity of landscapes, ecosystems, habitats, biological communities, populations, species &amp; genes and promote conservation and sustainable use of natural resources in the Eastern Cape.</li> </ul>
3.5: Environmental Empowerment Services	<ul style="list-style-type: none"> <li>To empower and capacitate the external stakeholders of the Department to meaningfully participate in and contribute to effective environmental management.</li> </ul>



**Strategic objective indicators and annual targets for 2019/20**

**Programme 3 has the following strategic Objectives:**

<b>Short Statement: Strategic Objective 3.1</b>	Sustainable solutions promoted and carbon footprint reduced
<b>Objective Statement</b>	Carbon footprint reduced and investments in sustainable projects increased in the Eastern Cape
<b>Strategic Objective 3.2</b>	Environmental management systems established and maintained to enhance sustainable development
<b>Objective Statement</b>	To establish, implement and maintain effective environmental systems to manage waste, air quality, environmental impact, coastal management and climate change for sustainable development.

The following Strategic Objective Indicators have been removed and new ones will be crafted during the course of the 2019/20 financial year. The two indicators have been removed due to the fact that final values could not be computed accurately owing to unreliable and inconsistent data from multiple sources.

- 1. CO2 Emission
- 2. Status of Ecosystems and Species

## Performance indicators and annual targets for 2019/20

Table 27: Sub-Programme 3.1: Environmental Policy, Planning and Coordination

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
<b>Sector Specific</b>								
Management and protection of the natural environment; and Creating an enabling regulatory function that ensures legal and regulatory compliance <sup>29</sup>	<b>Legislative Development</b>							
	3.1 Number of legislated tools developed	-	4	30	1 <sup>31</sup>	1	1	1
	<b>Intergovernmental Coordination, Spatial and Development Planning.</b>							
	3.2 Number of inter-governmental sector tools reviewed	45	0 <sup>32</sup>	39	39 <sup>33</sup>	1	1	1
	<b>Research and Development Support</b>							
	3.3 Number of environmental research projects completed <sup>34</sup>	-	-	35	-	-	-	1
	<b>Environmental Information Management</b>							
	3.4 Number of functional environmental information management systems maintained	5	3	1 <sup>36</sup>	1 <sup>37</sup>	1	1	1

<sup>29</sup> The source of this priority is the DEDEAT Strategic Plan 2015 – 19, strategic policy initiative number 3 and 6. This is also linked to National Outcome 10 (The Presidency, May 2010).

<sup>30</sup> Operationalisation of this indicator is dependent on the availability of resources. Currently, the programme does not have resources for legislated tools.

<sup>31</sup> Hunting review proclamation

<sup>32</sup> The Provincial inter-departmental Municipal IDPs Review Analysis was not held as COGTA did not organise the Provincial session as the lead department.

<sup>33</sup> The tool is one on Municipal IDP.

<sup>34</sup> The indicator was reworded 'number of research projects completed' in 2016/17.

<sup>35</sup> Operationalisation of this indicator is dependent on the availability of resources. Currently, the programme does not have resources for conducting research.

<sup>36</sup> Only the South African Atmospheric Emission Licensing and Information Portal (SAAELIP), which is used for processing Atmospheric Emission Licences and reporting of emission inventory information from industry; it is the only functional information system.

<sup>37</sup> Biodiversity E-permit

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
	Climate Change Management							
	3.5	Number of climate change response interventions implemented <sup>38</sup>	-	-	- <sup>39</sup>	- <sup>40</sup>	-	-

Table 28: Sub-Programme 3.2: Compliance and Enforcement

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets			
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22	
Sector Specific									
Creating an enabling regulatory function that ensures legal and regulatory compliance	Compliance and enforcement								
	3.6	Number of administrative enforcement notices issued for non-compliance with environmental management legislation <sup>41</sup>	115	118	89	68	70	80	80
	3.7	Number of completed criminal investigations handed to the NPA for prosecution <sup>42</sup>	New indicator	New indicator	55	64	50	70	70
	3.8	Number of compliance inspections conducted	145	83	80	88	78	100	100

<sup>38</sup> No budget is available to develop climate change response tools in the current financial year. This indicator changes in 2017/18 from number of climate change response tools developed to 'number of climate change response interventions implemented.'

<sup>39</sup> Operationalisation of this indicator is dependent on the availability of resources. Currently, the programme does not have resources for climate change response interventions.

<sup>40</sup> There is no budget for this indicator.

<sup>41</sup> The indicators 3.6 and 3.7 were previously merged for the 2015/16 and 2016/17 financial years by the Environmental Sector. However, the sector resolved that Provinces split the indicator into two. Therefore, when one looks at the target for 2017/18 in comparison to the previous financial year, it may appear as though the target is 66% below the 2016/17 target.

<sup>42</sup> The indicator is new in the environmental sector (2017/18 financial year).

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
	<b>Biodiversity management, compliance and enforcement</b>							
3.9	Number of s24G applications finalised <sup>43</sup>	15	8	3	6	6	6	6

Table 29: Sub-Programme 3.3: Environmental Quality Management

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
	<b>Environmental Quality Management</b>							
	<b>Impact Management</b>							
Management and protection of the natural environment <sup>44</sup>	Percentage of complete EIA applications finalized within legislated time-frames <sup>45</sup>	98%	97.3%	100%	98%	100%	100%	100%
	<b>Air Quality Management</b>							
3.11	Percentage of Atmospheric Emission Licenses issued within legislated timeframes	98%	100%	0%	100%	100%	100%	100%
	<b>Pollution and Waste Management</b>							
3.12	Percentage of waste licence applications finalised within legislated time-frames <sup>46</sup>	98%	75%	83.3%	98%	98%	98%	98%

<sup>43</sup> In the previous years, this indicator was expressed in two indicators of s24Gs received and s24Gs paid respectively. In the 2017/18 financial year, the indicators are merged to 'Number of s24G applications finalised'. Finalised is when a decision has been issued (whether positive/negative) whereas previously it was based on payment of the fine.

<sup>44</sup> The source of this priority is the National Outcome 10 as well as the DEDEAT Strategic Plan 2015 – 19, strategic policy initiative 3.

<sup>45</sup> The indicator used to be number of EIA applications finalized within legislated time-frames. However, this was changed in 2015 to percentage of EIA applications finalized within legislated time-frames. The target of 98% was set as a directive from the Presidency in 2019 is now 100%

<sup>46</sup> The target for 2013/14 was drastically reduced due to the fact that in the previous year, DWAF handed a backlog of cases to DEDEAT for processing with no accompanying resources. The department does not anticipate DWAF to do the same in the next MTEF period. In the 2015/16 APP, the percentage replaced the number. The target is set by the national environmental sector.

Table 30: Sub-Programme 3.4: Biodiversity Management

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
<b>Sector Specific</b>								
Management and protection of the natural environment <sup>47</sup>	3.13 Number of permits issued within legislated time-frames <sup>48</sup>	9500	9519	1167 <sup>49</sup>	1600	1100	1100	1100

Table 31: Sub-Programme 3.5: Environmental Empowerment Services

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
<b>Sector Specific</b>								
Achieving a sustainable balance between economic growth and responsible	<b>Environmental Capacity Development and Support</b>							
	3.14 Number of work opportunities created through environmental programmes <sup>51</sup>	600	954	921	350 <sup>52</sup>	750	780	800
	3.15 Number of environmental capacity building activities conducted	29	29	31	25	36	37	39
	<b>Environmental Communication and Awareness Raising</b>							

<sup>47</sup> The source of this priority is the National Outcome 10 as well as the DEDEAT Strategic Plan 2015 – 19, strategic policy initiative 3.

<sup>48</sup> The target for the performance indicator is demand driven.

<sup>49</sup> Previously all permits (such as CAE; Convention on International Trade in Endangered Species (CITES), etc) were counted but only Threatened or Protected Species (TOPS) has the regulated timeframes. All the other permits are included in the operational plan. The number is constant due to the fact that there is a constant number of people in the Province who apply for the same permit every year. The Hunting Proclamation has to be done every year and the same number of outfitters in the Province apply for permits.

<sup>51</sup> These are job opportunities created through programmes and projects such as working for water, clearing of invasive alien plants, and waste management. The targets are split between the ECPTA and DEDEAT.

<sup>52</sup> The target in the previous years had contributions from both the DEDEAT and ECPTA. In 2018/19, the target is just for DEDEAT.

National and Provincial priority/outcome	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
use of land and natural resources <sup>50</sup>	3.16 Number of environmental awareness activities conducted	25	33	28	28	38	38	39

### Quarterly targets for Programme 3

Table 44: Programme 3 Quarterly Targets 2019/20

Performance Indicator	Reporting period	Annual target	Quarterly Targets 2019 /20			
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Sub programme 3.1: Environmental Policy, Planning and Coordination						
Legislative Development						
3.1 Number of legislated tools developed	Annually	1	-	-	-	1
Intergovernmental Coordination, Spatial and Development Planning.						
3.2 Number of inter-governmental sector tools reviewed	Annually	1	-	-	-	1
Research and Development Support						
3.3 Number of environmental research projects completed	Annually	-	-	-	-	-
Environmental Information Management						
3.4 Number of functional environmental information management systems maintained	Annually	1	-	-	-	1
Climate Change Management						
3.5 Number of climate change response interventions implemented	Annually	-	-	-	-	-
Sub programme 3.2: Compliance and Enforcement						
Environmental quality management compliance and enforcement						

<sup>50</sup> The source of this priority is the DEDEAT Strategic Plan 2015 – 19, strategic policy initiative 5 and National Outcome 4 and 10 (The Presidency, May 2010).

Performance Indicator	Reporting period	Annual target	Quarterly Targets 2019 /20			
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
3.6 Number of administrative enforcement notices issued for non-compliance with environmental management legislation	Quarterly	70	14	22	19	15
3.7 Number of completed criminal investigations handed to the NPA for prosecution	Quarterly	50	13	12	13	12
3.8 Number of compliance inspections conducted	Quarterly	78	21	21	18	18
<b>Biodiversity management, compliance and enforcement</b>						
3.9 Number of s24G applications finalised	Quarterly	6	1	2	2	1

<b>Sub programme 3.3: Environmental Quality Management</b>						
<b>Impact Management</b>						
3.10 Percentage of complete EIAs finalised within legislated time frames	Quarterly	100%	100%	100%	100%	100%
<b>Air Quality Management</b>						
3.11 Percentage of Atmospheric Emission Licenses issued within legislated time-frames	Quarterly	100%	100%	100%	100%	100%
<b>Pollution and Waste Management</b>						
3.12 Percentage of waste licence applications finalised within legislated time-frames	Quarterly	98%	98%	98%	98%	98%
<b>Sub programme 3.4: Biodiversity Management</b>						
<b>Biodiversity and Protected Area Planning and Management</b>						
<b>Conservation Agencies &amp; Services</b>						



3.13	Number of permits issued within legislated time-frames	Quarterly	1100	300	350	300	150
<b>Sub programme 3.5: Environmental Empowerment Services</b>							
<b>Environmental Capacity Development and Support</b>							
3.14	Number of work opportunities created through environmental programmes	Quarterly	750	-	-	-	750
3.15	Number of environmental capacity building activities conducted	Quarterly	36	8	10	10	8
<b>Environmental Communication and Awareness Raising</b>							
3.16	Number of environmental awareness activities conducted	Quarterly	38	10	8	11	9

**Table 46: Reconciling performance targets with the Budget and MTEF Estimates**

R thousand	Outcome		Main appropriation	Adjusted appropriation 2018/19	Revised estimate	Medium-term estimates			% change from 2018/19
	2015/16	2016/17				2019/20	2020/21	2021/22	
1. Environmental Policy, Planning and Coordination	20 261	21 368	26 310	24 583	24 477	30 832	33 204	34 489	26.0
2. Compliance and Enforcement	43 957	45 544	45 735	46 435	46 473	51 422	52 345	54 286	10.6
3. Environmental Quality Management	17 836	16 960	23 339	22 150	21 846	23 021	24 958	25 686	5.4
4. Biodiversity Management	198 385	201 722	211 234	207 324	207 249	217 236	228 881	236 783	4.8
5. Environmental Empowerment Services	9 145	10 233	13 159	12 291	11 987	13 549	14 514	13 541	13.0
<b>Total payments and estimates</b>	<b>289 584</b>	<b>295 827</b>	<b>319 777</b>	<b>312 783</b>	<b>312 032</b>	<b>336 060</b>	<b>353 902</b>	<b>364 785</b>	<b>7.7</b>

**Table 47: summary budget by economic classification**

R thousand	Outcome		Main appropriation	Adjusted appropriation 2018/19	Revised estimate	Medium-term estimates			% change from 2018/19
	2015/16	2016/17				2019/20	2020/21	2021/22	
<b>Current payments</b>	<b>84 693</b>	<b>86 689</b>	<b>102 216</b>	<b>96 649</b>	<b>96 101</b>	<b>107 108</b>	<b>111 591</b>	<b>112 388</b>	<b>11.5</b>
Compensation of employees	71 885	74 518	82 789	78 921	79 447	85 302	89 253	90 179	7.4
Goods and services	12 808	12 171	19 427	17 728	16 654	21 806	22 338	22 209	30.9
Interest and rent on land	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>204 891</b>	<b>208 506</b>	<b>216 345</b>	<b>216 134</b>	<b>215 931</b>	<b>228 952</b>	<b>242 311</b>	<b>252 397</b>	<b>6.0</b>
Provinces and municipalities	10 832	11 001	12 680	12 680	12 019	18 956	20 731	21 631	57.7
Departmental agencies and accounts	193 081	196 205	201 871	201 871	201 871	208 470	219 971	229 069	3.3
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	978	1 300	1 794	1 583	2 041	1 526	1 609	1 697	(25.2)
Households	-	-	-	-	-	-	-	-	-
<b>Payments for capital assets</b>	<b>-</b>	<b>632</b>	<b>1 216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	-	632	1 216	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total economic classification</b>	<b>289 584</b>	<b>295 827</b>	<b>319 777</b>	<b>312 783</b>	<b>312 032</b>	<b>336 060</b>	<b>353 902</b>	<b>364 785</b>	<b>7.7</b>

## Performance and Expenditure Trends

Tables 46 and 47 above reflect a stable expenditure increased from R289.584 million in 2015/16 to a revised estimate of R312.032 million in 2018/19 due to internal reprioritisation for the payments of leave gratuities and the posts that was not filled in 2018/19. In 2019/20, the budget increased to R336.060 million or 7.7 per cent due to ICS adjustment.

Compensation of Employees increased from R71.885 million in 2015/16 to a revised estimate of R79.447 million in 2018/19 due to the filling of posts for environmental and law enforcement officers. In 2019/20, the budget increases by 7.4 per cent to R85.302 million for the filling of posts of the environmental officers and provision for ICS adjustment.

Goods and Services increased from R12.808 million in 2015/16 to a revised estimate of R16.654 million in 2018/19 due to the implementation of environmental management programmes such as Biodiversity day, Wetlands programmes and Environmental implementation of the Biodiversity Conservation Strategy Action Plan and ICS inflationary adjustment. In 2019/20, the budget further increases by 30.9 per cent to R21.806 million due to funding of Biodiversity day, Wetlands programmes and Environmental implementation of the Biodiversity Conservation Strategy Action Plan, the development of a Species Management Plan, implementation of the provincial Integrated Waste Management Programmes (IWMPs) research and provincial recycling strategy.

Transfers and Subsidies increased from R204.891 million in 2015/16 to a revised estimate of R215.931 million in 2018/19 due to the implementation of environmental awareness sessions and EPWP job creation programmes for the province. The budget increases by 6 per cent to R228.952 million in 2019/20 due to inflationary adjustment.

Payment for Capital assets expenditure decrease from R632 thousand in 2016/17 to zero in the 2018/19 revised estimates and in 2019/20 due to the centralisation of capex funds to the Administration.

## PART C: LINKS TO OTHER PLANS

### Links to the long-term infrastructure and other capital plans

The department does not provide infrastructure directly. However, infrastructure is provided through public entities of the department. Details of these plans are found in the respective plans of the public entities. Funds are being set aside over the next MTEF period for catalytic projects. These projects are subject to assessment by a committee to be set up in the department during the 2019/20 financial period.

### Conditional grants

The department is a recipient of one conditional grant. Conditional grants increased from R1.370 million in 2015/16 to a revised estimate of R3.196 million in 2018/19 due to an increase in the EPWP integrated grant for provinces utilised on projects relating to cleaning, poverty alleviation and job creation. The grant decreases by 16.5 per cent to R2.670 million in 2019/20.

### Public entities

As explained in part A of this document, the Department implements part of its mandate through six Public Entities, viz ECPTA, ECLB, ECGBB, ECDC with subsidiaries ELIDZ and COEGA. All these public entities receive annual allocations from the DEDEAT Vote 9 budget. The APP of the Department should be read in conjunction with the APPs and Corporate Plans of Public Entities. This APP contains a sample list of indicators and targets for the six Public Entities. Approximately 53% of the Department's 2018/19 budget was transferred from the Department to the six Public Entities compared to about 58% in the 2017/18 financial year. The slice of budget allocation to Public Entities increases to 66.2% in 2019/20 mainly due to an allocation of R339 million to the ECDC for the Provincial Economic Stimulus Fund and more funds to the CDC. The budgets for public entities are allocated as follows:

**Table 49: Public Entities Budget Allocation**

R thousand	Outcome			Main appropriation	Adjusted appropriation 2018/19	Revised estimate	Medium-term estimates			% change from 2018/19
	2015/16	2016/17	2017/18				2019/20	2020/21	2021/22	
East London Industrial Development Zone Corporation	94 932	100 866	106 767	112 172	112 172	112 172	115 604	120 244	123 857	3.1
Eastern Cape Development Corporation	221 180	153 023	184 022	181 375	236 344	236 345	472 139	502 231	529 269	99.8
EC Provincial Arts and Culture Council	–	–	–	–	–	–	–	–	–	–
EC Gambling and Betting Board	43 843	49 454	53 072	55 761	55 761	55 761	58 710	60 634	62 969	5.3
EC Liquor Board	43 792	48 392	56 668	59 541	59 541	59 540	62 483	66 413	69 066	4.9
EC Parks and Tourism Agency	193 081	196 205	195 953	206 805	208 179	208 179	215 119	226 986	236 470	3.3
Coega Development Corporation	53 000	43 000	40 000	30 000	31 270	31 270	56 620	63 327	35 000	81.1
<b>Total departmental transfers</b>	<b>649 828</b>	<b>590 940</b>	<b>636 482</b>	<b>645 654</b>	<b>703 267</b>	<b>703 267</b>	<b>980 675</b>	<b>1 039 835</b>	<b>1 056 631</b>	<b>39.4</b>

The relationship between the department and its entities is formalised through shareholder compacts and service level agreements (SLAs). The transfers to public entities comprise 66.1 per cent of the departmental budget for 2019/20.

Expenditure by public entities increased from R649,828 million in 2015/16 to a revised estimate of R703,267 million in 2018/19 due to funds provided for financial support for Local and Regional Economic Development projects (LRED) and Small, Medium and Micro Enterprises to stimulate economic growth in the province. In 2019/20, budget increases to R980,675 million or 39.4 per cent due to the ring-fenced funds for the provincial economic stimulus package.

## Appendix A: (Included in the Strategic Plan)

### **Vision**

Sustainable development underpinned by economic growth and sound environmental management.

### **Mission**

To lead economic development and environmental management in the Eastern Cape.

### **Values [LIFT]**

**LEADERSHIP:** We influence the thinking and development of the Eastern Cape; develop team skills at every level and lead in research, planning, performance management and financial results.

**INTEGRITY:** We remain honest and loyal while maintaining high professional standards.


**FLEXIBILITY:** Within the framework of the law, our operations are amenable to adjustments in line with changes in the operating environment.

**TEAMWORK:** We design, implement and review our work through strong relationships, respect and sharing across boundaries to achieve our objectives.


**Table 48: Strategic Objectives & strategic objective indicators of the Department**

Strategic Objective indicators of the department have changed to read as follows:

**Programme 1: Administration**

Short Statement: Strategic Objective 1.1	High Performance Organisation
Objective Statement	A leading high performance organisation which is efficient, effective, relevant and financially viable with sufficient capacity and motivated staff.
5-year objective measures (2015 – 2019)	<div><div>Old Strategic Objective Indicators</div><div></div><div><ol style="list-style-type: none"><li>1. High performance organization – organizational performance index score of 5.</li><li>2. Efficient – 90% of organizational processes are completed within regulated timeframes.</li><li>3. Effective- customer relations index score of 5</li><li>4. Relevant – 100% alignment of programmes to the legislative and mandate requirements</li><li>5. Financial integrity – Clean audit report for the department</li><li>6. Capacity – At least 85% of all targets are achieved.</li></ol></div></div>



Strategic objectives:	Strategic Performance Indicator	Audited/Actual performance			Estimated Performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
SO1: High Performance Organisation	Organisational performance index <sup>53</sup>	4.5	-	-	5	-	-	5
<b>New Strategic Objective Indicators</b> 	Financial maturity index <sup>54</sup>	3	3	3	3	3	3	3
	HR efficiency index <sup>55</sup>	7.5	7	6	6.5	7	7	7
	Customer relations index <sup>56</sup>	4	4.5	3.5	4	4	4	4


<sup>53</sup> This index is measured on a scale from 1 (lowest) to 5 (highest) and is based on the organisational performance assessment tool administered by the Strategic Management Unit. After 2015/16, the tool will be administered every 3 years. The next target will be set for 2018/19 since this is more of an evaluation.

<sup>54</sup> This index is measured on a scale from 1 (lowest) to 3 (highest) and is based on a Treasury composite questionnaire administered by Financial Management.

<sup>55</sup> This refers to the perceived (by end users of HR services) ability of the HR components to strategically assist in the achievement of service delivery goals of the department. The index is measured on a scale from 1 (lowest) to 10 (highest) and is based on a DPSA composite questionnaire administered by Corporate Services.

<sup>56</sup> This index is measured on a scale from 1 (lowest) to 5 (highest) and is based on a composite questionnaire administered by Corporate Services.

## Programme 2: Economic Development & Tourism

<b>Short Statement: Strategic Objective 2.1</b>	Sustainable enterprises and infrastructure development that benefits local communities are supported and promoted.
<b>Objective Statement</b>	Strategic frameworks and partnerships support and promote infrastructure development, industrialisation and sustainable SMMEs that reduce poverty, create employment and economic equity in the Eastern Cape Province.
<b>5-year objective measures (2015 – 2019)</b>	<div> <div> <p><b>Old Strategic Objective Indicators</b></p>  </div> <div> <ol style="list-style-type: none"> <li>1. Sustainable development – 10% increase in energy generated from sustainable energy sources</li> <li>2. Diversified – 5% increase in diversification of the provincial economy in line with the identified sectors</li> <li>3. Innovative – 6% annual increase in number of new ideas processed through the open innovation platform at ELIDZ</li> <li>4. Equitable – 5% growth in income of the bottom 40% of the population in the Province</li> <li>5. Skills – 75 000 people trained in various sectors</li> </ol> </div> </div>



Strategic Objective	Strategic Objective Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
SO2: Sustainable enterprises and infrastructure development that benefits local communities are supported and promoted.	Employment creation (growth in employment - %) <sup>57</sup>	1.3	0.8	1.1	1.9	1.9	2.0	2.0
	Eastern Cape Regional Economic Growth Rate (GDPR - %) <sup>58</sup>	1.1	0.5	0.7	1.2	1.2	1.3	1.4
	Industry growth rate <sup>59</sup>	0.90	0.4	0.59	1.02	1.0	1.1	1.2
SO3: Sustainable energy solutions promoted and carbon footprint reduced.								
<b>New Strategic Objective Indicators</b>								

<sup>57</sup> This is reportable data which is generated from information reported by Statistics South Africa.

<sup>58</sup> This is reportable data which is generated from information reported by Statistics South Africa.

<sup>59</sup> This includes the rate of productivity growth in an industry given investment.

### PROGRAMME 3: ENVIRONMENTAL AFFAIRS

<b>Short Statement: Strategic Objective 3.1</b>	Sustainable solutions promoted and carbon footprint reduced	
<b>Objective Statement</b>	Carbon footprint reduced and investments in sustainable projects increased in the Eastern Cape	
<b>5-year objective measures</b>	<b>Old Strategic Objective Indicators</b> 	1. Number of sustainable projects – 34 sustainable energy initiatives facilitated.
<b>Strategic Objective 3.2</b>	Environmental management systems established and maintained to enhance sustainable development	
<b>Objective Statement</b>	To establish, implement and maintain effective environmental systems to manage waste, air quality, environmental impact, coastal management and climate change for sustainable development.	
<b>5-year objective measures</b>	<b>Old Strategic Objective Indicators</b> 	1. Functional environmental management systems – 5 environmental systems 2. Compliant licensed waste sites - 80% of licensed sites 3. EIAs processed within timeframes – 98% of applications finalized within legislated timeframes.

The following Strategic Objectives have been removed from the plans of the Department based on discussions and outcome of the 2016/17 audit cycle.

- Co2 emission
- Status of Ecosystems and Species

The above seven indicators replace strategic objective indicators listed prior to the 2018/19 financial year, whether in the Strategic Plan of 2015/16 – 2019/20 or the APP of 2017/18.

## Appendix B: Selected Indicators of Public Entities

Listed below are some of the key indicators and corresponding targets contained in the APPs and Corporate Plans of Entities that fall under the department for the 2018/19 financial year. Full lists of indicators and targets of the respective public entities are contained in the APPs / Corporate Plans of the public entities concerned. While the department is responsible for plans and performance of public entities, they are accountable for performance hence auditing of performance will take place in the public entities. Public Entities are also responsible for reporting to the Department on a quarterly and annual basis. In the 2018/19 period, the department transferred approximately 52% of its budget to six public entities for work aligned to the mandate and objectives of the department. In 2019/20, the budget allocation to Public Entities increases to 66% primarily due to the allocation of R339 million for the Provincial Stimulus Fund to be administered by the EDC. The department performs oversight work on the performance of the six Public Entities whose results are calculated in the 'Public Entities Accountability Index' performance indicator under Programme 2.

### East London Industrial Development Zone (ELIDZ)

Public Entity	Performance Indicators	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Enterprise development								
ELIDZ	Number of jobs created	2811	2 439	3904	6162	8758	7633	7993
ELIDZ	Number of investments realized <sup>60</sup>	5	4	5	5	5	3	3
ELIDZ	Value of investments realised <sup>61</sup>	R840.2m	R1,060m	R1,355m	R320m	R320m	R400m	R400m
ELIDZ	Number of people trained (sector development and strategic initiative) (Number of skills development beneficiaries trained in the Science and Technology Park)	n/a	n/a	117	120	120	120	120

<sup>60</sup> Investments realised: ELIDZ = 5; the ELIDZ will also report on its investment pipeline and the different sectors represented as part of the quarterly reporting process.

<sup>61</sup> Investment value: ELIDZ = R320 million. Investment value realised refers to investment value pledged and is linked to investments realised.

Public Entity	Performance Indicators		Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
			2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Enterprise development									
ELIDZ	Number of incubation programmes supported <sup>62</sup>		2	3	3	3	3	3	2

## Coega Development Corporation

Public Entity	Performance Indicators	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Enterprise development								
COEGA	Number of jobs created	11 775	16 869	17 767	19323	19842	21244	18187
COEGA	Number of investments realized <sup>63</sup>	17	16	14	7	8	9	10
COEGA	Value of investments realised <sup>64</sup>	R26.99bn	R11.685bn	R860m	R693m	R1.1bn	R1.2bn	R1.4bn
COEGA	Number of people trained (sector development and strategic initiative)	6 347	6 697	6 674	4 598	5 013	5 373	5 695

<sup>62</sup> This indicator changes in 2017/18 from 'Number of entrepreneurs in the incubation programmes (in targeted sectors)' to align with the dti plan to establish 250 incubation programmes throughout the country. Although number of incubation programmes supported is measured annually, the throughput of the incubators will be measured on a quarterly basis in terms of progress in relation to SMMEs/ Cooperatives supported, youth, women and people with disability who benefited and turnover generated by entrepreneurs in the incubation programme. Incubators are provided with funding so that they support entrepreneurs with rental subsidies, market the incubation facilities together with their incubated companies as part of the offering, advertising promotion and exhibitions, conduct media campaigns, promote networking opportunities through STP network, provide linkages to mentors and advisors who help the incubated companies to get their products to commercialisation stage among others. Furthermore, partnerships with other players are explored to enhance the growth and sustainability of the incubators.

<sup>63</sup> Investments realised: Coega = 9. Coega will also report on its investment pipeline and the different sectors represented as part of the quarterly reporting process.

<sup>64</sup> Investment value: Coega = R1.5 billion. Investment value realised refers to investment value pledged and is linked to investments realised.

## Eastern Cape Development Corporation (ECDC)

Public Entity	Performance Indicators	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Enterprise development								
ECDC	Number of SMMEs assisted with non-financial support <sup>65</sup>	292	368	278	150	150	150	150
ECDC	Number of SMMEs received development finance	260	263	163	150	150	150	150
ECDC	Number of youth jobs facilitated <sup>66</sup>	42%	42%	575	645	245	245	245
ECDC	Number of cooperatives supported with finance <sup>67</sup>	17	16	20	20	20	20	20
ECDC	Number of jobs facilitated <sup>68</sup>	2852	1853	498	1400	510	510	510
ECDC	No. of economic infrastructure projects implemented <sup>69</sup>	New indicator	3	4	4	2	2	2
ECDC	Value of investments realised <sup>70</sup>	R2.262m	R633.2m	R394.4m	R370m	R370m	R370mil	R350mil
ECDC	Number of development projects facilitated <sup>71</sup>	8	9	10	10	12	12	12
ECDC	Number of SMMEs/Local entrepreneurs provided with integrated export support	143	93	81	70	75	75	75

<sup>65</sup> Non-financial support includes but is not limited to the following: business planning, quality management including certification support, accreditation, trademark registration, intellectual property registration, environmental planning support, marketing, branding, web designs, market access, financial management support and mentoring.

<sup>66</sup> This is aligned to the Eastern Cape Youth Development Strategy (2015) which focuses on the creation of an enabling environment, placement of youth for vocational training, education and skills development, township and rural hubs and enterprise/ entrepreneurship development. The indicator changes in 2017/18 from 'Number of youths supported' to 'Number of youth jobs facilitated'.

<sup>67</sup> This indicator changes in 2017/18 from 'Number of cooperatives funded' to 'Number of cooperatives supported with finance' in line with the wording in ECDC's Corporate Plan. Funding is done through the Invaba Fund whereupon being successful, disbursement schedules (Promun) and relevant supporting documentation for payments are provided.

<sup>68</sup> The department does not create jobs per se. The job occupants are not employed directly by the department or the public entity. The words created and facilitated are used interchangeably. The department creates a platform through its various projects where jobs are created/ facilitated.

<sup>69</sup> In the 2014/15 financial year, this indicator was called "Number of social infrastructure projects supported." The projects are implemented by the ECDC in 2017/18 through the ISIDP programme which was established to assist in the establishment of socio-economic infrastructure for development. These projects will assist in creating, saving and retaining of jobs as well as deliver on social outcomes.

<sup>70</sup> Investment value: ECDC = R350 million. Investment value realised is derived from the Rand value of investments facilitated.

<sup>71</sup> This indicator has changed in 2017/18 from number of investments facilitated to number of development projects facilitated. ECDC = 10.



Public Entity	Performance Indicators	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Enterprise development								
ECDC	Number of people trained (sector development and strategic initiative)	464	559	135	150	200	200	100
ECDC	Number of incubation programmes supported <sup>72</sup>	2	3	4	3	3	3	3

### Eastern Cape Gambling Board (ECGB)

Public Entity	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
ECGB	Revenue collected	R158.1m	R170.8m	R181.3m	R183m	R200m	R208m	R214m
ECGB	Number of licenses issued <sup>73</sup>	4	2	10	1	2	1	1
ECGB	Number of responsible gambling Awareness Sessions/ workshops Conducted	10	5	14	12	12	12	12
ECGB	Number of Inspections Conducted	110	120	125	130	140	140	140
ECGB	Number of People Reached Through Responsible Gambling Campaigns	1.89 m	2.3 m	3.7m	1.7m	1.0m	1.1m	1.2m

<sup>72</sup> This indicator changes in 2017/18 from 'Number of entrepreneurs in the incubation programmes (in targeted sectors)' to align with the dti plan to establish 250 incubation programmes throughout the country. Although number of incubation programmes supported is measured annually, the throughput of the incubators will be measured on a quarterly basis in terms of progress in relation to SMMEs/ Cooperatives supported, youth, women and people with disability who benefited and turnover generated by entrepreneurs in the incubation programme. Incubators are provided with funding so that they support entrepreneurs with rental subsidies, market the incubation facilities together with their incubated companies as part of the offering, advertising promotion and exhibitions, conduct media campaigns, promote networking opportunities through STP network, provide linkages to mentors and advisors who help the incubated companies to get their products to commercialisation stage among others. Furthermore, partnerships with other players are explored to enhance the growth and sustainability of the incubators. ECDC =3.

<sup>73</sup> New key licenses that are earmarked for issuing in 2017/18 (2 LPM type B; 6 ISO) and in 2018/19 (1 LPM type B) and in 2019/20 (1 LPM Type B).

## Eastern Cape Liquor Board (ECLB)

Public Entity	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
ECLB	Percentage of fully compliant liquor license applications processed within 60 working days <sup>74</sup>	58%	66%	70%	100%	100%	100%	100%
ECLB	Number of compliance monitoring inspections conducted	3010	6855	7124	5000	5 000	5 000	5 000
ECLB	Percentage of complaints attended to within 30 days	63%	87%	84%	75%	75%	75%	75%
ECLB	Number of awareness interventions conducted	4	4	120	118	160	160	170
ECLB	Number of social responsibility programmes conducted	5	7	7	4	8	8	9

<sup>74</sup> This indicator is new starting in 2016/17 financial year. Previously the ECLB had a measure called "Number of liquor licenses issued (new and renewed licenses)".

## Eastern Cape Parks and Tourism Agency (ECPTA)

Public Entity	Performance Indicator	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Tourism Planning								
ECPTA	Brand Awareness Index	3	3	2.9	2.7	2.7	2.7	2.7
ECPTA	Hospitality Revenue <sup>75</sup>	R4.600 million	R4.900 million		R5.194 million	R8.1 million	R7.33 million	R7.73 million
ECPTA	Provincial Tourism Development Index <sup>76</sup>	1 (2.7)	3 (measure changed)	1	2.7	2.7	2.7	2.7
ECPTA	Number of hectares in the conservation estate <sup>77</sup>	606 135 (added 25 900)	0		Add 8 000ha	10 000	18 050	8 000
ECPTA	Proportion of reserves with METT-SA score over 67	53(8)	60(9)	67(10)	67(10)	80(12)	80(12)	80(12)
ECPTA	Number of Biodiversity Economy initiatives implemented	New Indicator	New Indicator	1	2.7	2.7	2.7	2.7

<sup>75</sup> Hospitality revenue services on reserves range from the supply of formal accommodation, camping, conservation fees, activities (hiking / fishing / mountain biking, etc). In addition to tracking the income from hospitality, it is important to compare this to the investment required to generate this income. In future when systems are developed, it would be desirable to measure hospitality revenue for the entire Province.

<sup>76</sup> The tourism industry remains dominated by white-owned businesses and established national and multi-national conglomerates. Tourists and government are desirous to contract with products with at least a 3-star grading. The indicator will assist to gauge the success of the incubator approach to supporting tourism products implemented by the ECPTA.

<sup>77</sup> ECPTA, a public entity of the department, is the driver of this indicator. The stewardship programme has been utilised to increase the protected area estate by 31 335 ha in 2014/15, 25 900 ha in 2015/16. A minimum of 14 000 ha is projected to be added in 2016/17. The Provincial National Protected Area Expansion Strategy (NPAES 1.2 in ECPTA) targets must increase and maintain the conservation estate. The indicator therefore measures the increase in the size of the Province's land coverage which has been declared/proclaimed to be under formal protection.



Province of the  
**EASTERN CAPE**  
ECONOMIC DEVELOPMENT,  
ENVIRONMENTAL AFFAIRS AND TOURISM

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