

ECONOMIC DEVELOPMENT DEPARTMENT

Annual Report 2012 - 2013



**economic
development**

Economic Development Department
REPUBLIC OF SOUTH AFRICA



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ECONOMIC DEVELOPMENT DEPARTMENT

VOTE 28
ANNUAL REPORT
2012/2013

ECONOMY HIGHLIGHTS

| | |
|--------------------------------------------------------|-------------------------|
| Annual employment grew by | 199 000 new jobs |
| Total employment | 13,62 million |
| Jobs held by women | 5,96 million |
| Jobs held by youth | 5,77 million |
| GDP annual growth | R240 billion |
| Size of GDP | R3,2 trillion |
| Infrastructure spending (estimate) | R204 billion |
| Investment grew by (year on year) | R50 billion |
| Manufacturing production grew by (year on year) | R14 billion |
| Agricultural production grew by (year on year) | R7,6 billion |
| Agricultural jobs grew by | 83 000 jobs |
| Employment growth since adoption of New Growth Path | 647 000 jobs |

EDD AND AGENCY HIGHLIGHTS

| | |
|-------------------------------------------------------|----------------------------------|
| IDC funding approvals | R13,1 billion |
| IDC funding approvals for BBBEE companies | R4,4 billion |
| IDC funding disbursements to companies | R15,9 billion – up by 87% |
| Jobs created /saved through IDC funding | 22 872 jobs |
| Reduction in IDC project approval times (non-complex) | 37% |
| Sefa facilitated funding approvals | R432 million |
| Penalties imposed by the competition authorities | R731 million |
| Competition penalties grew by | 33% |
| Mergers where employment conditions were imposed | 10 mergers |
| Accords concluded | 2 |
| EDD staff numbers increased by | 21% |
| EDD budget spent (incl. transfers) | 96,7% |
| Jobs on PICC projects | 180 000 |
| PICC monitored infrastructure projects (value) | R807 billion |
| ITAC tariff increases | 10 |

PART A: GENERAL INFORMATION



1.1 OVERVIEW OF THE REPORT AND POLICY AND COMMITMENT STATEMENT BY THE MINISTER

It is my pleasure to table this Annual Report of the Economic Development Department (EDD), which sets out its key activities against its Annual Performance Plan.

The Department was established in mid-2009 to assist the new Administration with coordination of policies in the economic sphere.

By late 2010, the framework for that coordination had been formalised through the New Growth Path, which set out the steps to achieve equitable, employment-rich and dynamic economic development.

The National Development Plan was adopted during the past financial year. It provides a 20-year vision, that gives a broad framework for the New Growth Path (NGP), the National Infrastructure Plan (NIP), the Industrial Policy Action Plan (IPAP) and other medium-term plans.

Indeed, as noted by President Zuma in January 2013: "Some of the key programmes of the National Development Plan are already being implemented. These include the New Growth Path framework, with its major infrastructure development programme, as well as the state-led industrial policy."

In this context, the role of the Economic Development Department (EDD) is to help drive government interventions to bring about a more equitable and dynamic economy, and to assist in coordination across the state to achieve that aim.

The Department aims to ensure implementation of the NGP through catalytic interventions where required; by supporting alignment of state agencies around the common economic framework; and by working with stakeholders to develop commitments that can bring about equitable and inclusive economic growth.

KEY ECONOMIC TRENDS AND INTERVENTIONS

Despite the slowdown in the global economy in the past financial year, we have made considerable progress toward achieving our aims.



ECONOMIC DEVELOPMENT MINISTER
Ebrahim Patel

The economy continued to grow and created 199 000 new jobs during the 2012/13 financial year, and 647 000 new jobs in the 30-month period since the adoption of the New Growth Path in October 2010. (See sidebar, below, for a review of trends since the adoption of the NGP).

In the financial year under review, from 1 April 2012 to 31 March 2013:

- The GDP grew by 2,4%. For the first time, GDP is above R3 trillion, expanding by R240 billion in current rands, reaching R3,2 trillion in the year to the first quarter of 2013;
- Investment climbed by 5,3% in year on year terms, with public investment rising by 8,5%. Investment rose by R50 billion in the twelve months to March 2013. As a result, the investment rate climbed to 19,3% of GDP in the first quarter of 2013, compared to 19,1% a year earlier;
- Agricultural production grew by R7,7bn or 2% with 83 000 more jobs over the period, the

biggest annual rise in agricultural employment in 40 years; and

- Manufacturing production rose by R14,3bn or 2%, but the factory capacity utilisation of large firms dropped in the period. Manufacturing jobs grew by 31 000 over the period. Mining however saw a 0,8% fall in production, mostly due to the global slowdown and the resulting fall in commodity prices as well as the disruption to production caused by industrial action in the sector. Mining lost around 9 000 jobs over the period.

The Department worked closely with public entities to lay the basis for long-term growth and at the

same time fast-track interventions that can have an immediate effect.

Critical interventions to sustain more inclusive growth in the past year included:

- The implementation of the National Infrastructure Plan, overseen by the Presidential Infrastructure Coordinating Commission. Already, the past year has seen an increase in the share of public investment in the GDP and, as of early 2013, it sustained some 180 000 jobs;
- Targeted funding of various industries through the Industrial Development Corporation (IDC) led to growing disbursements to enhance industrialisation, local manufacturing and job saving or creating efforts. The IDC approved funding to the value of R13.1 billion in the 2012/13 financial year. Disbursements for the period was R15,9 billion, up from R8,5 billion in the previous financial year – an increase of 87%;
- Stronger alignment of state efforts to support small businesses. Within the first year of its existence, the newly established Small Enterprise Finance Agency (**sefa**) doubled the value of approvals of loans, compared to that collectively made by its predecessors – Khula and **samaf**;
- The competition authorities undertook a detailed investigation of collusive behaviour in key sectors of the economy that were prioritised in the NGP. These included construction and infrastructure contracts and telecommunications. This investigation led to penalties of R1,4 billion against colluders in the construction industry imposed during July 2013 and penalties of about R650m in telecommunications, part of which was finalised after the end of the financial year under review;
- Close collaboration with other public agencies to support new productive investment, deepening industrialisation while diversifying the economy away from dependence on commodity exports. Amongst others, co-operation between the IDC and the state-owned infrastructure companies boosted local procurement, adding to economic and employment gains from the infrastructure programme; collaboration between the IDC and **sefa** saw a substantial increase in lending to smaller enterprises; and alignment of interventions by ITAC, the Department of Trade and Industry and the IDC promoted substantial new investment in the assembly of minibus taxis.

ECONOMIC TRENDS SINCE NGP ADOPTION

Since the New Growth Path was adopted in October 2010:

- Employment is up: Total employment increased by 647 000 from October 2010 to March 2013, an increase of 5,0%. The biggest job gains were in Gauteng, Limpopo and KwaZulu Natal. Women gained some 366 000 more jobs in this period – up by 6,5%.
- More young people are in school or jobs: The share of young people aged 15 to 29 in education or employment rose to 62,4% in March 2013 from 62% in October 2010.
- The average worker has to support fewer people: The ratio of employed people to the rest of the population continued to fall, from 2,86 in October 2010 to 2,71 in March 2013. That means that every worker had to support fewer people.
- The economy is growing again: The GDP grew by 6,1% over these two years, with an average growth rate of 3% a year. In the 2012/3 fiscal year, the South African economy produced R627 billion more than it had in the year to October 2010. Moreover, the employment-intensity of growth improved from 0,8 to 0,9 – that is, for every rand increase in the GDP, more jobs were created.
- Investment is up: Quarterly investment rose by 13%, for a cumulative gain in nominal terms of R110 billion. Major new projects ranged from investments in the auto industry – in the BMW 3 Series, Ford Ranger and C-Class Mercedes – and in local taxi production, to large-scale soya plants and a world-class film studio in Cape Town.

- The October 2012 Social Accord which helped to end a large strike in the platinum sector which showed signs of spreading to the rest of mining.

NATIONAL INFRASTRUCTURE PLAN

The New Growth Path identifies infrastructure as a priority Jobs Driver. The adoption of the National Infrastructure Plan in February 2012 represented a major step towards stronger state support for more dynamic and inclusive growth. The Plan lays down guidelines for integrated infrastructure provision that will transform the economic landscape, create hundreds of thousands of jobs directly and indirectly, strengthen service delivery and advance regional integration. It aims to promote productive investment through local procurement, as well as by providing improved logistics, water and electricity for both emerging and established enterprises.

The National Infrastructure Plan was developed by the Presidential Infrastructure Coordinating Commission (PICC), for which the Department provides technical support. I have the responsibility to chair the Secretariat of the Commission and worked closely with Minister Gugile Nkwinti, who chairs the Management Committee.

The National Infrastructure Plan is by far the most comprehensive and integrated programme aimed at reversing the spatial, social and economic distortions of the colonial and apartheid era. As well as improving living standards, it aims to create economic opportunities in underdeveloped areas through improved roads, rail, ports and broadband, as well as water and energy infrastructure.

In the financial year ending March 2013, the estimated (unaudited) spending on infrastructure across the state was more than R200 billion. If current trends continue, the administration is expected to have spent about R1 trillion by the end of its term of office in 2014, doubling the achievement of the previous administration and 2.3 times higher than spending in real terms at any five year period in more than 40 years.

Construction of infrastructure under the plan monitored by the PICC sustained about 180 000 direct jobs in the past financial year.

Eighteen strategic integrated projects (SIPs) have been developed which integrate more than 150 individual infrastructure projects clusters into a coherent package. The SIPs cover social and economic infrastructure across all nine provinces, with an emphasis on poorer regions. They include

catalytic projects that can fast-track development and growth. Work is being aligned with key cross-cutting areas, especially human settlement planning, skills development and local procurement.

In April 2012, the Department's Annual Conference provided a platform for launching the National Infrastructure Plan and discussed how social partners and expert groups could support its implementation. The Conference was attended by leaders of organised business, labour and civil society, and by key professional associations. Participants also included executives from local and provincial governments, and representatives of the Parliamentary oversight committees for the Department.

The conference assisted in developing a shared vision of the National Infrastructure Plan by social partners, as well as identifying practical measures for implementation.

Over the past financial year, 16 SIPs were formally launched and work is taking place across all 18 SIPs. The Department's PICC Technical Unit did an outstanding job in bringing together officials across government in each of these launches, and worked closely with the coordinating agencies to develop business plans, ensured careful monitoring and produced high-quality evaluations and dashboards for each of the SIPs for Cabinet and for the PICC.

In October 2012, the Department facilitated the National Infrastructure Investment Conference of the PICC. The conference brought together senior public servants across the state, together with investors and worker representatives to share information and plans around the investment opportunities provided by the National Infrastructure Plan. It provided a platform for policy, programme and project alignment across government, private sector, unions, community structures and various social partners. The President described the infrastructure projects as 'catalysts to sustainable economic development and to improvement of the quality of life of our people in a most fundamental way.'

The conference led to agreement with key partners to take forward the national build programme. The NEDLAC constituencies all signed a Memorandum of Understanding to ensure, amongst others, competitive pricing for the national infrastructure plan rollout and to support local suppliers. Agreements were also signed with the Engineering Council of South Africa to build capacity. In addition, the IDC signed an MOU with Transnet



A GREEN LIGHT FOR HOT WATER TO THE POOR THROUGH A 1 MILLION SOLAR WATER HEATER ROLL OUT

During the apartheid era, one of the most common images of poverty and

inequality was the sight of people washing themselves from buckets of water at dawn, in the heart of winter. Now, those days are gone for hundreds of thousands of families across the country.

By March 2013, over 330 000 households had already benefited, through the government-sponsored solar water heater programme. For some people it has been the first time in their lives that they have had access to running hot water. Current government plans provide for at least a million people living in some of the poorer communities in South Africa to be proud recipients of tapped hot water.

and Eskom to enhance collaboration aimed at speeding up localisation in the infrastructure build programme. Representatives of the retirement funds announced that they would support the programme by exploring ways to mobilise savings for investment in infrastructure.

The Department supports implementation of the Plan through coordination of relevant agencies and spheres across the state. This has led to a full-time contingent of about 60 people (about 40 during the past financial year) across government who are coordinating activities to see infrastructure delivered successfully in the country.

A central role for the Department is to monitor all infrastructure projects included in the Plan and to generate quarterly reports for the PICC. Where challenges are experienced, the Technical Unit in the Department helps find solutions to unblocking these.

Through the PICC, an industrialisation unit within the IDC was formed.

The Infrastructure Development Bill was published for comment in February 2013 and is in the process of further review. Cost Containment and Anti-Bribery Policy Frameworks have been drafted and are now the subject of comments from entities and Departments. On completion of this process, they will be submitted to Cabinet.

SOCIAL PACTS FOR THE NEW GROWTH PATH

Social partnership is one key means of building the trust and joint commitments required to ensure deeper levels of investment, greater cooperation on the shopfloor and coordination of the resources of government, the business sector, workers and communities.

An important part of the Department's focus in the past year has therefore been on fostering social dialogue. I addressed a number of business conferences, trade union meetings and public platforms to complement the sessions with social partner leaders on formal pacts and agreements. I had the opportunity to visit new and expanding factories and to participate in the launch of major new investments, all of which build the prosperity of our country and our people.

Two major social accords were concluded in 2012-13.

The October 2012 Social Accord helped settle a strike wave in the mining industry characterised by violent conflict, in the second half of 2012. Within a week of its finalisation, most workers had returned to work. Moreover, the Accord led to a commitment on income restraint for the top leadership of the public sector and some private companies.

The October Social Accord included:

- Strengthening confidence in labour market institutions;
- Addressing income inequalities and building social cohesion;
- Taking action to combat violence and lawlessness during industrial disputes; and
- Addressing key socio-economic challenges, amongst others, supporting the infrastructure build programme, a commitment to conclude a Youth Employment Accord with specified elements and improving human settlements and living conditions for miners.

In February 2013, Cabinet approved the Youth Employment Accord after all parties represented in NEDLAC reached consensus on a common approach to address the spiralling challenges of youth unemployment in South Africa. The Youth Employment Accord is anchored on six pillars:

- Improving education and training opportunities for the gap grouping between school-leaving and first employment;
- Connecting youth people with employment opportunities, through support for job placement schemes and work-readiness promotion;
- Increasing the number of youth people employed in the public sector;
- Setting aside youth targets in particular industries, especially new industries where young people can be drawn in on scale;
- Improving youth entrepreneurship and youth cooperatives; and
- Working with private sector to expand the intake of young people.

The Accord has been signed by a large number of youth organisations across different sectors and political formations.

During the year under review, a commitment to provide special finance for executing the Youth Employment Accord was made by EDD public entities – **sefa** and IDC – for implementation during the new financial year. Nearly R3 billion was committed by these public entities, which is not only for financing youth business and industries, but to serve as a stimulant for private sector and other social partners to increase their own support for youth. **Sefa** ring-fenced R1,7 billion over the next five years to support young entrepreneurs and promote youth mainstreaming in the economy particularly those contributing to addressing the challenge of youth unemployment.

The IDC set aside R1 billion in their multi-year budget projections to fund new and growing businesses belonging to or supporting young people in South Africa.

During the financial year, the Department supported implementation of the four Social Accords that were signed in 2011 to support economic growth and development. They are:

- The Basic Education Accord;
- The National Skills Accord;
- The Green Economy Accord; and
- The Local Procurement Accord.

It was my pleasure on 7 May 2013 to release the first report that provided a comprehensive picture of implementation of the Accords.

Under the Basic Education Accord, the state, private sector, union and community partners



A STATE-OF-THE-ART SOYA BEANS CRUSHING PLANT IN MPUMALANGA

A R600 million investment by a Singapore company

– Noble Resources – is set to accelerate change in Mpumalanga's economic landscape. The construction of the plant for crushing soya beans to produce bio-fuel, edible oils and animal feeds is at an advanced stage.

The Standerton plant aims to create 120 jobs, produce 2 000 tons of oil per day and stimulate the creation of thousands more jobs on feeder farms. Small scale farmers, transport industry players and local communities are set to benefit as the company requires a million tons of soya beans every year, while dozens of trucks are required to deliver oil to markets every day. Noble Resources has already invested R2 million in training 150 local people who have been awarded NQ3 certificates.

committed to adopt under-performing schools and to support them. About 700 schools had been adopted by social partners and public officials by March 2013. These included large companies such as Anglo Platinum, as well as the trade union, SACTWU.

The parties involved in the National Skills Accord increased their support for training substantially. In the year under review, over 17 000 people entered artisan training, of which 8 650 completed their courses, according to provisional data from 18 SETAs, the national trade testing centre Indlela, and four state-owned corporations (Eskom, Transnet, SAA and Denel). Since the signing of the Accord, about 15 000 students have been placed in companies, of which about one-third were in the engineering field. Various State-Owned Companies have started setting up state-of-the-art workshops in FETs to help close the gaps between what these institutions produce and what industry expects.

In accordance with the Green Economy Accord, government had installed more than 330 000 solar water heaters by March 2013 and started reviewing proposals to accelerate their installation, while also expanding local production of components.



VITAL ACCORD: Ministers Ebrahim Patel, Blade Nzimande and Thulas Nxesi during the Youth Employment Accord signing ceremony held in Soweto.

From 1 October 2012 the rebate for installation of solar water heaters (SWH) with higher local content was increased by between 10% and 20%. Over the one year period, the IDC approved 40 projects worth R3,8 billion for green energy such as solar, wind and hydro, creating over 5 000 jobs in construction as well as 941 jobs in operations and the manufacture of inputs. Other projects underway included the clean coal initiative, bio-fuels and the reduction of carbon emissions in the bus rapid transport system being established in major metros.

The Ministry assisted in ensuring a speedy implementation by government of an appropriate incentive scheme for the development of the bio-fuels sector in South Africa. As a result, the IDC approved the establishment of the Aringo Biofuels plant in Cradock in the Eastern Cape.

Substantial progress was made in implementing the Local Procurement Accord, as discussed in the next section.

LOCALISATION AND RE-INDUSTRIALISATION

Local manufacturing and industrialisation efforts were a major feature during the period under review. Anchoring the interventions was the Local Procurement Accord.

In July 2012, government signed instruction notes for all Departments to buy designated products locally, with the first stock including bus-bodies, pylons, rolling stock, canned vegetables, clothing, textiles, footwear, leather and set-top-boxes.



27-year-old Phiwe Buthelezi, an engineer employed at Eskom's Medupi Power Plant

A YOUNG AMBITIOUS FEMALE ENGINEER IS GIVEN WINGS AT THE MEDUPI POWER STATION PROJECT

Phiwe Buthelezi is a 27-year-old female engineer employed at the Eskom Medupi

Power Station Project in Lephalale since July 2010. She serves with eight men in the boiler department of the power plant currently under construction. She obtained her engineering degree from the University of KwaZulu-Natal in 2009, and was employed immediately by Eskom.

'Being involved in such a huge engineering project has allowed me an opportunity to understand the project life cycle from concept design to implementation. This is a rare experience because power plants as huge as Medupi are not built often. Sometimes we young engineers are ambitious, so we tend to handle things differently. I appreciate the guidance and the mentorship that I receive from experienced staff. Eskom has provided a platform for female engineers to enhance their technical knowledge and gain experience in the field, but there is still a challenge with gender equality in this field. We need to put more emphasis in ensuring that girls at high school level are encouraged to do technical subjects such as maths and science. This will open room for females to venture into engineering studies because the demand for engineers is growing,' said Ms Buthelezi, a young star born in Esikhawini, with a bigger vision of becoming a chief engineer at Eskom in a few years' time.

In November 2012, the designations were extended to solid pharmaceuticals, school and office furniture, bed bases and mattresses.

In the period under review as reported earlier, a localisation unit was set up for the PICC. It is housed in the IDC, and its purpose is to review all infrastructure projects and to identify which components can be made locally.

Adjustments of import tariffs for set-top boxes by the ITAC were increased from 0% to 15%, and government designated the sector so that public entities buy from local manufacturers.

During the financial year, the EDD met with **the dti** and ITAC to discuss interventions in the scrap metal sector to address local beneficiation of scrap metal in the steel and engineering industry, job losses and de-industrialization. Rising exports of scrap metal have deprived local steel mini-mills, secondary smelters and foundries of affordable inputs. In 2012, South African exports of ferrous scrap metals were 1060% higher in current Rand value and 340% higher in volume than in 2003, while exports of copper scrap were 740% higher in current Rand value and 90% higher in volume than in 2003. The result has been considerable job losses estimated at 10 000 since 2007, as well as the destruction of industrial capacity that is needed for the infrastructure build programme. There have also been decreases in production, with output in ferrous foundries dropping by 15% since 2007. The interventions were gazetted for public comment in January 2013 in the form of a ministerial policy directive to ITAC.

Industrial funding support by the Industrial Development Corporation (IDC) included its Medium and Heavy Commercial Vehicle Funding strategy and other measures to help recover lost industrial capacity in South Africa. The IDC worked on a localisation strategy and collaborates with the SABS which serves as a verification agency of local content.

The Department of Health set a global benchmark with the local manufacturing of a single ARV dose to fight HIV and AIDS.

Eskom has set a local content target of 51% for its R234 billion power plant rollout programme that includes Medupi, Kusile and Ingula.

Major metropolitan cities driving the rollout of the integrated Public Transport system have implemented national government's local content threshold of 80% for bus bodies to be manufactured and supplied to Cape Town, Johannesburg and Pretoria.

Workshops were held with government in various spheres as well as with State Owned Companies on the Local Procurement Accord and how to strengthen it across the National Infrastructure Plan with its 18 Strategic Integrated Projects (SIPs).

PRASA and Transnet have placed the local content threshold of the purchase of locomotives and wagons worth billions of rands at 65% with the aim of 100%



Pupils at Litha Primary school reaping the benefits of an innovative partnership

PARTNERSHIPS TO STRENGTHEN BASIC EDUCATION

A special partnership between business and trade unions is helping with the under-resourced Litha Primary School in Gugulethu, near Cape Town, which has 258 learners from Grade R to Grade 8.

About two years ago Litha had weak education outcomes, particularly in numeracy and literacy. A social partnership has translated the Basic Education Accord into a practical programme that makes a difference to school children. The social partners ran Saturday morning classes and provided pupils with additional learning materials, a computer lab and a library.

It is one of many new initiatives taken to lay foundations for long-term growth and development.

assembly of the stock in South Africa within a few years.

Government has created a supportive environment for local manufacturing of minibus taxis. The Department supported new investments to take advantage of this programme, in collaboration with **the dti** and the IDC.

In 2011, the 23 000 new taxis entering the South African market were fully imported. In the year under review, however, two companies began to assemble taxis in South Africa – Toyota in Durban from 1 April 2012, and Beijing Automotive Works (BAW) in Springs from January 2013. As a result, from April 2012 to March 2013, 9 040 taxis were assembled locally, with Toyota contributing the bulk of it. That is approximately 38% of the demand in South Africa during this period – up from 0% in the previous year.

Shifting to local procurement requires ongoing engagement to identify new suppliers and re-think procurement procedures. This was shown by the challenge facing a footwear factory in Durban whose workers' jobs were threatened by procurement patterns and delays in placing orders by various government Departments. The Economic Development Department intervened and the threatened jobs were saved.



EASTERN CAPE COMMUNITIES BENEFIT FROM THE GREEN ECONOMY

The Green Economy, a jobs driver in the New Growth Path, is gaining momentum, thanks to programmes such as the Department of Energy's Renewable Energy Independent Power Producers (REIPP) and the DBSA's Green Fund, as well as the IDC investment in renewable energy.

The Eastern Cape has received the lion's share in the approved wind energy projects that are expected to create over 1 500 new jobs. In response, stakeholders in

the province have formed a forum of Communities for Wind Energy (CFWE) to prepare for participation in the government incentivized wind energy development.

The Chairperson of the CFWE, Mr George Meko, says the projects have revived hopes for more construction jobs and an even better future for these communities. 'We are working on mobilizing and lobbying government and businesses to empower communities to optimize opportunities created by the expansion of these wind energy projects. We are also working on creating sustainable livelihoods projects that will ensure a better life beyond the construction phase of the projects.' Projects under construction in places such as Cookhouse, Metrowind and Jeffreys Bay were expected to create about 350 new jobs.

ENSURING A COMPETITIVE, PRO-EMPLOYMENT BUSINESS ENVIRONMENT

The Department is responsible for oversight of key regulatory authorities – the Competition Commission and the Competition Tribunal, and the International Trade Administration Commission (ITAC).

Through these agencies, bold steps to create a fair and competitive business environment were

taken. Significant improvements in the performance of regulatory agencies were made in numbers of cases handled and in the value of penalties metered out.

The competition authorities have focused on the strategic sectors where collusion and price-fixing impacts sharply on the national economic goals. Large investigations were substantially concluded in construction and the telecommunications sectors. Penalties imposed by the Competition Tribunal during the year increased to R731 million from R550 million in the previous year, a rise of 33%.

A significant increase in penalties will be reflected in the current financial year, to take account of the competition settlements in the construction and telecommunication sectors.

The Competition Appeals Court judgment in the Walmart-Massmart settlement raised the profile of the public interest issues incorporated in the Competition Act. It helped to advance our competition jurisprudence to recognise the important role of jobs and local industrial capacity in mergers and acquisitions.

The settlement included the establishment of a R240 million fund to support local suppliers. The Director General of the Department sits on the advisory committee for the Walmart Fund, together with representatives of organised labour and small business. Disbursement of funds is expected to commence in the current financial year.

The competition authorities have imposed a public interest condition on mergers in ten cases in the past year. In one matter involving infant nutrition, an innovative rebranding condition was imposed and in two cases, the authorities required merger parties to open up their facilities or access to products to other users in the sector. Some 17 remedies had conditions that dealt with addressing any negative impact of the merger on the ability of SMMEs to compete in the market concerned.

As part of the Pioneer Competition settlement, a sum of R250 million was earmarked from the penalties imposed on the company to create a new Agro Processing Competitiveness Fund aimed at bringing in new entrants in agri-processing, creating jobs and expanding production. In the past financial year, R108 million of this sum was transferred to the IDC who manages the Fund on behalf of the Department. From inception in April 2011 to the end of March 2013, the Fund approved 32 projects with

investments and grants of R204 million. Together with the IDC's co-investment of R228 million in these projects, this created 2 156 jobs. For the period under review (1 April 2012 to 31 March 2013), the fund approved 20 projects with grants and investments of R137 million with co-funding by the IDC of R117 million, which together created 1 292 jobs. Some of these projects included bakeries, sweet manufacturing, poultry farming, flour milling and animal feed production.

In the past year the Competition Commission continued its investigations into collusion in the construction industry. It reviewed some 300 cases involving 21 companies. To manage the process more efficiently and effectively, the Commission entered a fast-track process in 2011, where companies could admit engaging in collusive practices, have a penalty imposed and introduce measures to end market abuse in future. The cases were finally settled in July 2013 and constituted the largest settlement of its kind into corruption and fraudulent action by private sector companies.

Amendments to the Competition Act were promulgated that give the Competition Commission authority to conduct market inquiries. The Commission announced that it would undertake the first enquiry – into the private health care industry in South Africa – in the new financial year.

ITAC conducted 55 tariff investigations during the year. These were in line with government efforts to promote industrialization, competitiveness and job creation.

Decisions that contributed to these goals included increasing tariffs on set-top boxes, windscreens, taps and mixers, conical steel drums, television antennas, lawn mower blades, pasta and mussels.

On the matter of windscreens, for example, ITAC concluded that the domestic industry was experiencing considerable price disadvantages especially with regard to East Asian manufacturers, with 41% of the R370 million annual market already being held by imports. Over the past few years, imports had been growing by 29% per annum. The intervention would significantly improve the competitive position of the domestic industry manufacturing windscreens in the face of low-priced competition from abroad. The support can enable the industry to fully utilise its existing production capacity, achieving cost-competitiveness

R120 MILLION ASTRAL'S STANDERTON FEED MILL CONSTRUCTION KICKED OFF

In October 2012, a sod-turning ceremony in Standerton marked the beginning of construction at a site for Astral's Feed Mill, which will specialise in animal feed production. The plant is being built close to a soya beans crushing plant, since it will use soya by-products of the plant to manufacture animal feed.

The project is part of government's support to the agro-processing industry. Through this support, the sector is set to grow, replace imports, strengthen the economy and create jobs.



and economies of scale through longer production runs, leading to further investment, overall higher production levels, and international competitiveness.

Increased tariffs on processed tomato products has helped to revive the local industry, including helping a Limpopo factory which closed in 2010 and reopened in 2013, with 120 people being employed.

During the year, ITAC commenced an investigation into tariffs on frozen chicken meat. The results will be announced shortly.

STRATEGIC SUPPORT FOR INDUSTRIAL DEVELOPMENT

The Industrial Development Corporation has increased its allocation for funding new and growing industries in South Africa. During the reporting period, the IDC approved funding of R13,1 billion and disbursed funding of about R16 billion. Disbursements were almost 90% higher than the previous year. The approvals are estimated to support the creation of 18 900 new jobs and saved 4000.

The IDC is co-funding a number of strategic industries across the provinces – to strengthen local manufacturing and industrialisation, drive job creation and enhance economic growth and development. Examples of some of these projects include:

TAXI ASSEMBLY FACTORY IN SPRINGS BRINGS HOPE

In October 2012, the BAW taxi assembly plant opened its doors in Springs, Gauteng. It is an investment of the Chinese Beijing Automobile Works (BAW). The factory is part of a plan to ensure that half of new taxis purchased are assembled in South Africa by the end of 2013, and more than two-thirds at the end of 2015. It has already created 143 new jobs, with a target of 460 over the next few years.



Ms Mamoroesi Nkosi is an assembler and quality controller at the BAW factory. She says, 'The opening of this factory has changed my life. I am the first lady operator and assembler at this factory. As a 49 year old, my age was not an issue as the management gave me the opportunity to reach my potential. They do not differentiate between men and women in assigning responsibilities. I was a cleaner for years in my previous job, but here they recognised my engineering qualifications and gave me this job, which also assisted me in supporting my five children as a breadwinner. I am definitely proud of my achievements and believe my future is bright.'

- In the Northern Cape, the construction of the world's largest manganese sinter plant that will produce 2,4 million tons a year and create an estimated 800 jobs in the sinter plant and manganese mine;
- In the Eastern Cape, the IDC is funding a number of green economy manufacturing projects, which together are set to create over 200 jobs. These projects include the manufacturing of Solar PV panels at the East London IDZ, as well as towers for wind turbines in the Coega IDZ;
- In the Western Cape, the IDC co-funds the expansion of the Cape Town Film Studios with a new water-tank facility for the production of ocean scenes, which together with other areas of expansion, will create a further 500 jobs;
- In Mpumalanga, the IDC is providing funding for small farmers who will supply a new state of the art oilseed crushing facility in Standerton;

- In KwaZulu-Natal, the IDC is funding a new factory in Durban for manufacturing plastic moulded components for motor vehicles; this is set to create 450 jobs;
- In Limpopo, the IDC is funding the upgrading of a sawmill near Tzaneen to improve its competitiveness and help retain 449 existing jobs;
- In Gauteng, the IDC funds a semi-automated material recycling facility able to process over 6 000 tons of waste per month;
- In Free State, the IDC is assisting a mining company to re-develop a diamond mine in the Kroonstad area. The R308 million project will create 159 jobs. The IDC is contributing R220 million. Production from the underground portion of the mine is expected to commence in 2014; and
- In North West, the IDC is providing R6 million from the Green Energy Efficiency Fund (GEEF) to assist in funding a R11 million co-generation project close to Leeudoringstad.

In the year under review, through its Fund for companies in distress, the IDC approved R592 million for 26 companies. The financing was expected to save or create 3 424 jobs.

BUILDING CAPACITY FOR THE ECONOMY AND FOR ECONOMIC GOVERNANCE

One of the functions of the Department is to drive economic research and encourage a broader discussion of socio-economic challenges in order to promote policy cohesion and broad consensus. To support this work, the Department has developed a virtual Economic Development Institute capacity, which in this first phase refers to major research projects that are undertaken in collaboration with experts from academia and outside of government, as well as support for high-level roundtables and workshops.

In the past financial year, the Economic Development Institute provided a home for three major projects: a roundtable on industrialisation in Africa in conjunction with the International Economics Association, which was organised together with the Nobel Prize-winning economist Professor Joseph Stiglitz and the World Bank past-

Chief Economist Justin Lin; a research project on financialisation in South Africa, in collaboration with the UN Department of Economic and Social Affairs; and a project to identify the potential for regional value chains, in collaboration with a research entity at the University of the Witwatersrand.

Improving education and skills is central to drive economic development and to ensure a more equitable economy and society. The Department undertook a number of initiatives to support this critical objective, in addition to the Skills and Education Accords that are reported on elsewhere in this Report.

In order to expand infrastructure rollout dramatically, we need to build a larger base of appropriate skills. During the year under review, the PICC initiated work to quantify the skills required to roll out the 20 year Infrastructure Plan, assess the critical and scarce skills categories and develop action plans to address the gaps identified. Working closely across the public sector and with Minister Nzimande, I am pleased to note that the first version of the skills plan was completed for Cabinet during the period under review. It included information on the projects included in the Infrastructure Plan, prototypes of skills required to implement the projects, skills categories where shortages may occur and information on available skills. In the current year, we have taken the work further with more detailed information (demand, supply and gaps) and interventions to build up the required skills.

The Department partnered with the Graduate School of Public and Development Management (PDM) at Wits University to implement a training course for municipal officials. EDD worked with municipalities which selected delegates to attend the course, while the University was responsible for the delivery of the programme and certification of the delegates upon completion. The course was rolled-out in three groups and benefited 91 municipal officials.

The consolidated report back from delegates indicates that the course was a success and will assist them in implementing economic development strategies at municipal level. The Department partnered with the South African Institute of Chartered Accountants (SAICA) to train graduates to assist smaller enterprises with accounting and financial services.

In addition, the Department undertook capacity building programmes with social partners and

BENEFICIARY OF TARIFF INCREASES MEETS LOCAL DEMAND AND EYES EXPORT OF CONICAL DRUMS

Peninsula Drums is a Cape Town-based company manufacturing steel drums, used for canning fruit and other foods. It is a beneficiary of ITAC tariff increases to support investment, enhance manufacturing and creation of jobs.



Workers at Peninsula Drums

The Director of Finance at Peninsula Drums, Mr Subbiah Moodley, says that at the beginning of 2012 South Africa was importing over 50 000 drums from European and South American countries, and from Jordan in the Middle East. The local industry was threatened. He says, 'Since the introduction of the new tariffs by ITAC, our company has added seven new employees and increased its production within one year to over 61 000 drums to meet the local demand at competitive prices. We are also working with government to promote our product to other African countries. We are gearing ourselves to increase our capacity and jobs to export.' There is growing international demand for conical steel drums to transport food products.

provincial stakeholders. These included workshops on measuring the impact of state activities on job creation, supply-chain issues to support small business, and knowledge of policy frameworks to allow provincial and local plans to be aligned with the national plans.

A partnership agreement was signed with the University of Johannesburg to develop the technical capacity of regulatory bodies and this work will commence during the current financial year.

Finally, the Department worked with a task team of the Human Resources Development Council of South Africa, of which I am a member, to explore how best to align skills planning with the New Growth Path. This process has led to the establishment of a joint committee to strengthen demand-side planning for skill needs across the economy.

ESKOM ARTISAN TRAINING

As part of the implementation of the New Growth Path's

National Skills Accord, State-Owned Companies such as Eskom have pledged to increase the number of artisans in their employment. The Eskom Welding School of Excellence is a case in point. It focuses on developing skills for the construction and maintenance phases of power stations. The programme, accredited by the South African Welding Association, is currently training over 150 young learners. The programme is undertaken in partnership with the Southern African Institute of Welding (SAIW) and the International Institute of Welding (IIW).



BENEFITING FROM BRICS AND AFRICAN REGIONAL DEVELOPMENT

Faced with continuing slow or no economic growth in the European Union and the United States of America, South Africa has increased its focus on new opportunities on the African continent, as well as with countries such as Brazil, Russia, India and China. South Africa expanded its work within BRICS and at the end of the reporting period, the country hosted the BRICS Summit in eThekweni, the first on the African continent.

Altogether, the fast-growing BRICS economies account for over 21% of the global GDP, providing major markets for South African products, as well as opportunities for inward investment, and stronger industrialisation and local manufacturing. Trade with BRICS accounted for 17,4% of South African exports in the year under review.

The Department supported the BRICS Summit by providing information on trade and investment opportunities, as well as assisting in developing the core themes of industrialisation and infrastructure. One of the important outcomes of the Summit was agreement to launch a BRICS-led development bank, which will be able to link the needs of some BRICS members to diversify the investment profile of their savings surpluses with the needs of others (such as South Africa) to tap savings to invest in infrastructure and industrialisation.

The BRICS Summit was preceded by a state visit by Xi Jinping, the new President of China, his first trip abroad. One of the agreements signed during the state visit was on investment in a new Chinese-owned factory to manufacture televisions and fridges. The company, Hisense, subsequently opened the factory in Atlantis, Western Cape.

The BRICS Summit included a side meeting focusing on infrastructure between BRICS leaders and African Heads of State and Government. The Department launched SIP 17, which focuses on African regional development, at this meeting.

African economic growth continued strongly during the year under review. Average growth in sub-Saharan Africa in 2012 was 4,8%. Trade with Africa is also becoming increasingly important as a basis for continental development, as well as for South African industrialisation.

The 2013 financial year saw further growth in South Africa's manufacturing exports to the rest of the continent, up by 22% in Rand value. Since the start of this administration, it has grown by 24%. The continued economic problems in other parts of the world means that African manufacturing exports now constitute 23% of all manufactured exports, up from just 18% two years ago.

The Department initiated research into potential value chains in southern Africa. Phase 2 of this research, to be undertaken in the current financial year, will identify opportunities to integrate regional value chains in line with the New Growth Path proposals.

These projects will build on the IDC's increasingly strategic and important investments in the rest of Africa. For example, in the past financial year, the IDC expanded its support for African development through a major investment in a cement producer in Ethiopia, in collaboration with a private sector investor.

GROWING THE SMALL BUSINESS SECTOR

The Department has oversight of a key agency for the development of smaller enterprises – the Small Enterprise Finance Agency or **sefa**.

Sefa was established on 1 April 2012 through the consolidation of Khula and Samaf, which provided credit to small and micro enterprise respectively, with the IDC's small and medium financing facilities. The IDC committed R1 billion in additional funding to the new agency.

During the first year of its existence, **sefa** doubled the approval and disbursement rates achieved in the previous financial year by Khula and Samaf together.

Sefa facilitated loans worth R432 million to small and micro enterprises. These were through three lending channels: R146 million through direct **sefa** lending, R265 million through retail financial intermediaries that are supported by **sefa**, and R21 million by commercial banks through a **sefa** credit guarantee scheme. According to **sefa's** records, 47 000 SMMEs were supported covering an estimated 53 700 jobs. I have directed **sefa** to ensure that lending rates are more equitable – with lower interest rates to be charged by intermediaries and lending to be expanded to under-served provinces, beyond the traditional markets in Gauteng and Western Cape.

Many small businesses close due to lack of technical skills, including finance and accounting support. As noted above, the Department launched a programme in partnership with the South African Institute of Chartered Accountants (SAICA) and **sefa** to train young unemployed accounting and finance graduates. We allocated R6 million to train 100 young people in the first intake. The first group has graduated and most have been deployed in various businesses and the **sefa** Business Hub to support SMMEs. The Department increased funding to R9 million in the current year to train 170 unemployed accounting graduates and smoothen their transition from studying to work.

PROVINCIAL AND COMMUNITY ENGAGEMENT

Our work on economic development requires strong engagement with communities and the provincial and local government leadership. The following examples illustrate the range of community and industrial interaction undertaken.

As part of the work of the PICC, I visited Mqwangqweni Village in the Eastern Cape to open a new school that replaced a mud structure.

In Mitchells Plain, we engaged community members on the BRICS Summit, to ensure that there is strong public participation in South Africa's global engagements.

In Lephalale, I accompanied the President on a visit the Medupi power station building site and community facilities in the area.

I visited factories in Rosslyn and Kuils River to encourage efforts to expand our industrial base.

ATLANTIS INDUSTRIAL RECOVERY PLACES FOOD ON MRS GAMIELDIEN'S TABLE

In June 2013, Hisense, a smart TV and fridge factory was officially launched in Atlantis.

The Chinese company – Hisense – invested

R350 million to establish the state-of-the-art factory, while government, through the Manufacturing Investment Programme (MIP) assisted Hisense with a R26.8 million cash grant.

For three years Ms Gamiel dien, a mother of three, had been jobless following the closure of the Tedex factory in March 2010. Now, she is one of 300 workers at the new Hisense plant. Some 50% of them are women and over 60% are youth. The opening of the factory marked the realisation of the goal of the Minister of Economic Development, and the Minister of Trade and Industry, Mr Rob Davies, to reverse job losses in Atlantis through the development of the industrial area as a hub of manufacturing. It also highlighted the benefits of the Beijing Declaration signed by the People's Republic of China and South Africa during President Jacob Zuma's visit in 2010.

The agreement and the subsequent adoption of the New Growth Path in 2010 formed part of broader efforts by government to help the economy recover from the global economic crisis. Mrs Gamiel dien is one of 647 000 people who found jobs since the adoption of the NGP in 2010.



Mr Ebrahim Patel, Minister of Economic Development, with Ms Latiefa Gamiel dien who received a job at Hisense in March 2013

Job creation efforts were promoted in Doringbaai, a small fishing community on the West Coast. Other visits were to Elsie's River (anti-poverty focus), Midrand (skills), Vredendal, Kyalami (training programme) and Claremont (religious community).

The Department undertook work with provinces, coordinated through the MinMEC, which met twice in the period. It also did detailed work on infrastructure spending with provinces to identify under-spending and work with provinces to improve spending levels. The Department did an analysis of local government infrastructure spending and a survey of construction in a number of localities.

MEDUPI POWER STATION SET TO DEVELOP LEPHALALE INTO THE FIRST POST-APARTHEID CITY

Even though Medupi Power Station is still under construction, it has already transformed the face of Lephalale in Limpopo, and is improving the lives of thousands of people. Over 17 000 jobs have been created during its construction.



Medupi power station under construction

Medupi will be the fourth largest coal-powered plant and the biggest dry-cooled power station in the world, with an operational life of 50 years. It is expected to add 0,35% to South Africa's Gross Domestic Product (GDP), with 40% of the project cost spent locally. Its boiler and turbine contracts are the largest contracts Eskom has signed in its 90-year history. Medupi's first unit is set to be commissioned by 2014.

Medupi Power Station is a key project tracked by the Presidential Infrastructure Coordinating Commission (PICC). The PICC actively monitors construction progress and expenditure on major projects, helping to identify constraints and blockages; as well as developmental impacts such as local procurement, support for rural development and improvement in inputs and logistics for industry.

INSTITUTIONAL DEVELOPMENT

The past year saw further strengthening of the capacity of the EDD and the agencies it oversees.

The Department met or exceeded 97,6% of the targets in its Annual Performance Plan.

Staff numbers are up by 21%, and a new Director General, Ms Jennifer Schreiner, was appointed in November 2012 to lead the Department in the next phase of its development. Using EDD as the coordinating unit, we have now built a team of dedicated public servants for the PICC, with more than 60 officials across the state doing work on implementing the 18 SIPs. This model

will increasingly be used to ensure alignment and coordination in the other jobs drivers of the NGP, dealing with manufacturing, agriculture, mining, the green economy, tourism and other drivers. The EDD will need to strengthen its technical capacity and, crucially, its high-level project management and coordinating skills.

Spending levels (excluding transfers and external virements) are up by 77% compared with the previous financial year, though there is scope to improve the impact and quality of spending. I have requested that attention be given to more closely link financial resources to outcomes and ensure that budgets are aligned with policy priorities.

In the period under review, I appointed two interim Deputy Commissioners to the Competition Commission, Ms Trudi Makhaya and Advocate Oliver Josie. Following recommendations made, the President appointed three new members to the Competition Tribunal, namely Ms Mondo Mazwai, Mr Anton Roskam and Prof Imraan Valodia.

The Boards of the IDC and **sefa** are unchanged and are carrying out the mandate given to them.

CONCLUSION

The past year is the third full year of operations of the new Department. Its focus has been on unlocking capacity elsewhere in the state, rather than building a large new bureaucracy.

The EDD's work has been most successful where it has worked closely with other government departments and public entities, and with social partners. By its nature, as an integrating department, where it is succeeding, it is precisely through the work that many different parts of the state contribute.

I wish to acknowledge and appreciate the work of:

- Deputy Minister Hlengiwe Mkhize;
- Ms Jenny Schreiner, the newly appointed Director General of the Department, her predecessor who acted as accounting officer, Mr Saleem Mowzer, and the staff of the Ministry and Department.

I wish to also express my appreciation to the EDD's wider team of partners, including:

- Minister Nkwinti, with whom I work closely on the PICC, together with the members of the PICC Secretariat and MANCO; and the PICC Technical Unit that has been built in EDD, led by Ms Lynette Milne;

- Minister Davies, whose work on IPAP has helped to strengthen one of the key jobs drivers of the NGP and who has supported EDD on **the dti** campus; and Minister Gordhan, who has provided budget support to our efforts;
- Colleagues in Cabinet in the many Ministries with whom I interact and whose support has been invaluable;
- The Chairperson of the Portfolio Committee (Honourable Coleman) and Select Committee (Honourable Adams) and members of the parliamentary committees;
- Ms Monhla Hlahla, chairperson of the Industrial Development Corporation (IDC) and Mr Geoffrey Qhena, the CEO, as well as executives and staff of the IDC and the Small Enterprise Finance Agency (sefa);
- The Commissioners of the International Trade Administration Commission (ITAC) and of the Competition Commission, as well as the Chairperson and members of the Competition Tribunal;
- The Audit Committee led by chairperson Mr Simelane as well as the Auditor General of South Africa assigned to EDD;
- Social partners in organised labour (Cosatu, NACTU and FEDUSA), business (BUSA and BBC), as well as community and youth organisations;

Finally, I wish to express my appreciation to the President and the Deputy President for their ongoing support.



Ebrahim Patel
Minister of Economic Development
Date: 31 July 2013

1.2. STATEMENT BY THE DEPUTY MINISTER

In June 2012, when I assumed the position of Deputy Minister of Economic Development, the world was slowly recovering from the effects of the global economic crises. In the West, Europe was, and is, still contending with the sovereign debt crises, which up to now has affected several countries in the region including Greece, Spain, Portugal and Cyprus. As one of our largest trading partners the problems that our European counterparts have been facing are intricately related to South Africa's economy.

Our economic challenges centre on joblessness, extreme levels of poverty and a high Gini co-efficient. In attempting to address these challenges, the source of my inspiration was that the Department was already well branded with its policy framework, the New Growth Path, which had set a target to create 5 million jobs by 2020. My approach was to re-visit the signed social accords so as to monitor and evaluate impact on our pockets of vulnerable groups such as youth, women, people with disabilities and people in rural communities.



Professor Hlengiwe Mkhize, Deputy Minister of Economic Development

MAINSTREAMING WOMEN, YOUTH AND PEOPLE WITH DISABILITIES IN ECONOMIC DEVELOPMENT RECEIVES A BOOST.

The Deputy Minister of Economic Development has engaged in a number of initiatives to mainstream

women, youth and people with disabilities in economic development. She has interacted with women hawkers at a taxi rank at Kwa-Dolwane in KwaZulu Natal. She visited Intingwe Tea Estate in KwaZulu Natal, where she met with farm workers, entrepreneurs and women cooperatives. A commitment to assist Intingwe Tea Estate was made by the Department of Agriculture, Forestry and Fisheries. The engagement of the Deputy Minister and other government leaders with the Sheleni Citrus Fruit farm led to the registration of the cooperatives in the area with the Department of Trade and Industry. The farm has since been adopted by the KwaZulu-Natal Department of Agriculture.

To achieve my goals I held social dialogues in some of our 23 poorest districts, inner cities and rural communities such as Umhlatuze, Ntabankulu, Diepsloot, Alexandra, Vaal Triangle campus, Kwa-Dolwane and Bushbuckridge. In all these marginalized communities, there are cross-cutting challenges, inter alia:

- Poor infrastructure especially social infrastructure;
- Lack of bankable projects;
- Barriers to credit access; and
- Lack of skills.

Our guiding principle is to ensure integration and coordination. With all our visits, we have extended an invitation to the Department of Trade and Industry, in particular, and other Departments within the economic cluster. We also consulted with the provincial economic and local economic development Departments. Our development finance institutions such as the small enterprise and Funding Agency (**sefa**), the Industrial Development Corporation (IDC) and the National Empowerment Fund (NEF) have also accompanied me.

Lessons learned are that, much as there are remarkable strides in some communities as a result of Strategic Infrastructure Projects (SIPs), at a local and community level, much more needs to be done to ensure that we accelerate inclusion, through incubation and to consolidate our support so as to place new entrants at the centre of economic hubs and develop them to be suppliers of scale.

From the dialogues we have already had, we have learned that if we leave out business partners,

professional bodies and other relevant stakeholders during our community economic indabas, we are delaying our victory. Looking to 2013/14, the Ministry plans to upscale visits to many other vulnerable communities. Moving forward, we will be putting the Youth Social Accord at the centre of our economic dialogue. We need to ensure that youth benefit from the key partners of government, business and institutions of higher learning.



Prof. H.B. Mkhize, MP
Deputy Minister of Economic Development
Date: 31 July 2013

1.3. OVERVIEW OF THE ACCOUNTING OFFICER

The report demonstrates growing institutional capacity of the Economic Development Department to execute its mandate. The mandate is to promote decent work, inclusive economic growth, coordination of policy, planning, monitoring and reporting, as well as sustaining dialogue on economic development.

With a fairly lean structure that operates through other primary economic development players and its public entities, EDD has made a significant mark in the year under review.

The Department helped in accelerating the growth of an enabling economic development policy environment, with its policy conference, facilitation of Infrastructure Development Bill, the PICC investor's conference and the promulgation of legislative amendments to enable market enquiries by the Competition Commission.

It improved its staff complement by a net 21% from 115 to 139 after having considered natural attrition and staff turnover. Central to these changes has been the appointment of a Director General and the Chief Financial Officer as part of broader strategic appointments made.

The Department has also optimally utilised its partnerships within government through deployment of 39 experts from Departments and public entities to provide high level technical support to the Presidential Infrastructure Coordinating Commission (PICC).

As the secretariat of the PICC with a clear 20-year National Infrastructure Plan, the Department is considering adjusting its structure to build this permanent capacity for providing high-level technical support to the PICC. The Department embarked on a headhunting drive to fill some executive positions where normal recruitment processes did not deliver the requisite levels of competencies.

We have introduced quarterly construction updates to assist in tracking the execution of major infrastructure development programmes across the spheres of government. These reports to the PICC Manco and the PICC Council have assisted in ensuring improved implementation and spending of the allocated resources. It has also assisted to provide early warning systems to enable in-time adjustments and shifting of resourcing to performing programmes



and projects. Entities of government responsible for delays are held to account while interventions are implemented to assist where required.

Management systems were strengthened with planning, implementation, monitoring and reporting stepped up to ensure full accountability for the progress made in meeting the performance targets. To enhance a requisite shift to a more outcomes focused approach even quarterly reports were reviewed and portfolio of evidence compiled to meet performance audit requirements.

Internal controls were also stepped up, with the Audit Committee meeting its targets and providing advisories to the leadership of EDD. Queries raised by the Auditor General were attended to including strengthening of risk management through the appointment of a dedicated manager and development and execution of a risk management plan for EDD.

The political and administrative oversight on the EDD public entities was also stepped with a series of meetings organised for the Minister where a clearer mandate was given for adopting a developmental approach that enhances creation of decent jobs and inclusivity of economic growth interventions.

Quarterly performance review sessions were held with the newly established **sefa**, the Industrial Development Corporation (IDC), the Competition Commission, and the International Trade Administration Commission (ITAC). These meetings assisted in ensuring heightened implementation of programmes and quick interventions to unlock blockages. The efficacy of the system contributed to the better outcomes registered by the public entities such as approvals and disbursements of funds by **sefa** and IDC, quantities of cases handled by the Competition Commission and the quantum of penalties meted out to violators of competition legislation by the Competition Tribunal.

The Department's utilisation of its allocated budget is 96,7% of the allocated R697 million in the 2012/13 financial year expended. Taking into consideration an allocation of R30 million towards the end of the financial year, EDD still managed to remain with R23 million under expenditure. As the Department made a commitment to advance the training of local government officials responsible for

economic development, a request was submitted to the National Treasury for the rollover of R20,9 million.

The achievements of the Department against the indicators and clear targets set and the over-achievement in many areas demonstrates the growing capacity and passion with which the officials have dealt with their responsibilities. I therefore wish to state my appreciation of the executive management and staff's hard work and contribution in asserting the position of Economic Development. Our gratitude also goes to the management of EDD public entities, our partner Department of Trade and Industry, as well as cluster members and coordinators of the 18 SIPs for heightened collaboration.

I must take this opportunity as well to thank my predecessor, acting Director General, Saleem Mowzer, for having played such a crucial role in leading this Department and setting up a system that we continued to strengthen during the year.

Last but not least, we are grateful for the leadership and guidance provided by the Minister and the Deputy Minister during the year.



Jennifer Schreiner
Director General
Date: 31 July 2013

1.4. ENTITIES REPORTING TO THE MINISTER

During the macro-reorganisation process that resulted in the formation of the EDD, public entities with similar mandates were transferred to the EDD to

create improved synergies. Three regulatory bodies and two development finance institutions report to the EDD. They are:

| Name of Entity | Legislation | Financial Relationship | Nature of Business |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Competition Commission | The Competition Act, 1998 (Act 89 of 1998) creates the framework in which the Competition Commission operates. | Government contributes funding on an annual basis to support entity. | The Competition Commission is the investigative and enforcement arm of the Competition Act and investigates mergers and/or anti-competitive conduct and refer these issues to the Competition Tribunal for decision. |
| The Competition Tribunal | The Competition Act, 1998 (Act 89 of 1998) creates the framework in which the Competition Tribunal and Competition Appeal Court operate. | Government contributes funding on an annual basis to support the entity. | Apart from adjudicating competition matters, the Competition Tribunal must also investigate all matters referred to it by the public if the Competition Commission failed to do so. Competition Tribunal decisions can be appealed in the Competition Appeal Court. |
| The International Trade Administration Commission (ITAC) | The International Trade Administration Act, 2002 (Act 71 of 2002), save for item 2 of Schedule 2 of this Act read with section 4(2) of the Board on Tariffs and Trade Act 107 of 1986, which is administered by the Minister of Trade and Industry. | Government contributes funding on an annual basis to support the entity. | ITAC aims to create fair trade conditions that will boost South Africa's economic development and growth. |
| The Industrial Development Corporation (IDC) | The Industrial Development Corporation Act, 1940 (Act 22 of 1940); | Transfers to the IDC were made for the Agro-Processing Competitive Fund. An amount of a R1 million was transferred for the small business advisory committee to do an investigation on SMMEs. | The IDC provides financial assistance for industrial development projects, and promotes partnerships across industries to promote regional growth. |
| The Small Enterprise Finance Agency (sefa) | sefa resulted from a merger of Khula, Samaf and the IDC small business loan book. sefa was launched in April 2012 as a wholly-owned subsidiary of the IDC. | sefa is funded to strengthen its balance sheet in order to increase its client base across the country. | sefa fosters the establishment, development, sustainability and growth of SMMEs to alleviate poverty and assist in job creation. |

1.5 STRATEGIC OVERVIEW

1.5.1. VISION

Creating decent work for all through meaningful economic transformation and inclusive growth.

1.5.2. MISSION

The EDD aims to:

- Coordinate the contributions of government departments, State entities and civil society to effect economic development;
- Improve alignment between economic policies, plans of the State, its agencies, government's political and economic objectives and mandate; and
- Promote government's goal of advancing economic development via the creation of decent work opportunities.

1.5.3. VALUES

The Economic Development Department promotes the Constitution, with special reference to the chapters on human rights, cooperative governance

and public administration, including these key basic values and principles governing public administration (Section 195(1)).

The EDD upholds the following values:

- Promotion of decent work for all citizens (opportunity to work and quality of employment);
- Social partnership and dialogue;
- Equity and development; and
- Sustainability (environmental, social and economic).

1.5.4. STRATEGIC OUTCOME-ORIENTATED GOALS

- Promote decent work through meaningful economic transformation and inclusive growth; and
- Provide participatory, coherent and coordinated economic policy, planning and dialogue for the benefit for all South Africans.

1.6. LEGISLATIVE AND OTHER MANDATES

The EDD was established in 2009 when the state conducted a macro-reorganisation of state institutions under Schedule 1 of the Public Service Act of 1994 (as amended by the Public Service Amendment Act 30 of 2007).

The EDD acts in accordance with the following legislation, government policies and strategies, and social accords.

The EDD administers the following legislation:

- The Industrial Development Corporation Act (Act 22 of 1940);
- The Competition Act (Act 89 of 1998);
- The Competition Amendment Act S16 (2008) s16 promulgated 1 April 2013; and
- The International Trade Administration Act (Act 71 of 2002).

The following policy frameworks guide the Annual Performance Plans of the Department:

- State of the Nation Address (SONA) (annually);
- National Development Plan, November 2012 (policy);
- New Growth Path, October 2010 (strategy)
- National Infrastructure Plan, February 2012 (jobs driver);
- Industrial Policy Action Plan, April 2013 (jobs driver);
- Delivery Agreement on Outcome 4: Decent employment through inclusive economic growth;
- Delivery Agreement on Outcome 5: Skilled and capable workforce to support inclusive growth;
- Delivery Agreement on Outcome 6: Efficient, competitive and responsive infrastructure;
- Delivery Agreement on Outcome 7: Vibrant, equitable, sustainable rural communities; and
- Framework for South Africa's response to the international economic crisis (Accord).

Accords the Department facilitated and monitors:

- Basic Education Accord;
- National Skills Accord;
- Local Procurement Accord;
- Green Economy;
- October 2012 Social Accord; and
- Youth Employment Accord.

The following entities report to the EDD:

- Development Finance Institutions – IDC and sefa; and
- Economic Regulatory Bodies – Competition Commission, Competition Tribunal, International Trade Administration Commission (ITAC).

Presidential Infrastructure Coordinating Commission:

- The Minister of Economic Development heads the PICC Secretariat;
- The EDD coordinates, integrates and provides technical support, monitoring and evaluation functions, and secretariat services.

Inter-governmental coordination:

- The EDD, together with the dti, convenes the MinMEC/Tech MinMEC with provincial MECs and Economic Development Departments;
- The EDD works with other national, provincial and local Departments and agencies to support common priorities and initiatives;
- Outcome 4: The EDD convenes the Outcome 4 Technical Implementation Forum and is one of the three Coordinating Departments of this outcome;
- Economic Sectors and Employment Cluster: The EDD is a member of the Cluster, where it supports alignment of economic policy around inclusive growth;
- Infrastructure Development Cluster: The EDD is a member of the Cluster and works to ensure alignment around the National Infrastructure Plan and to maximise the economic benefits from infrastructure.

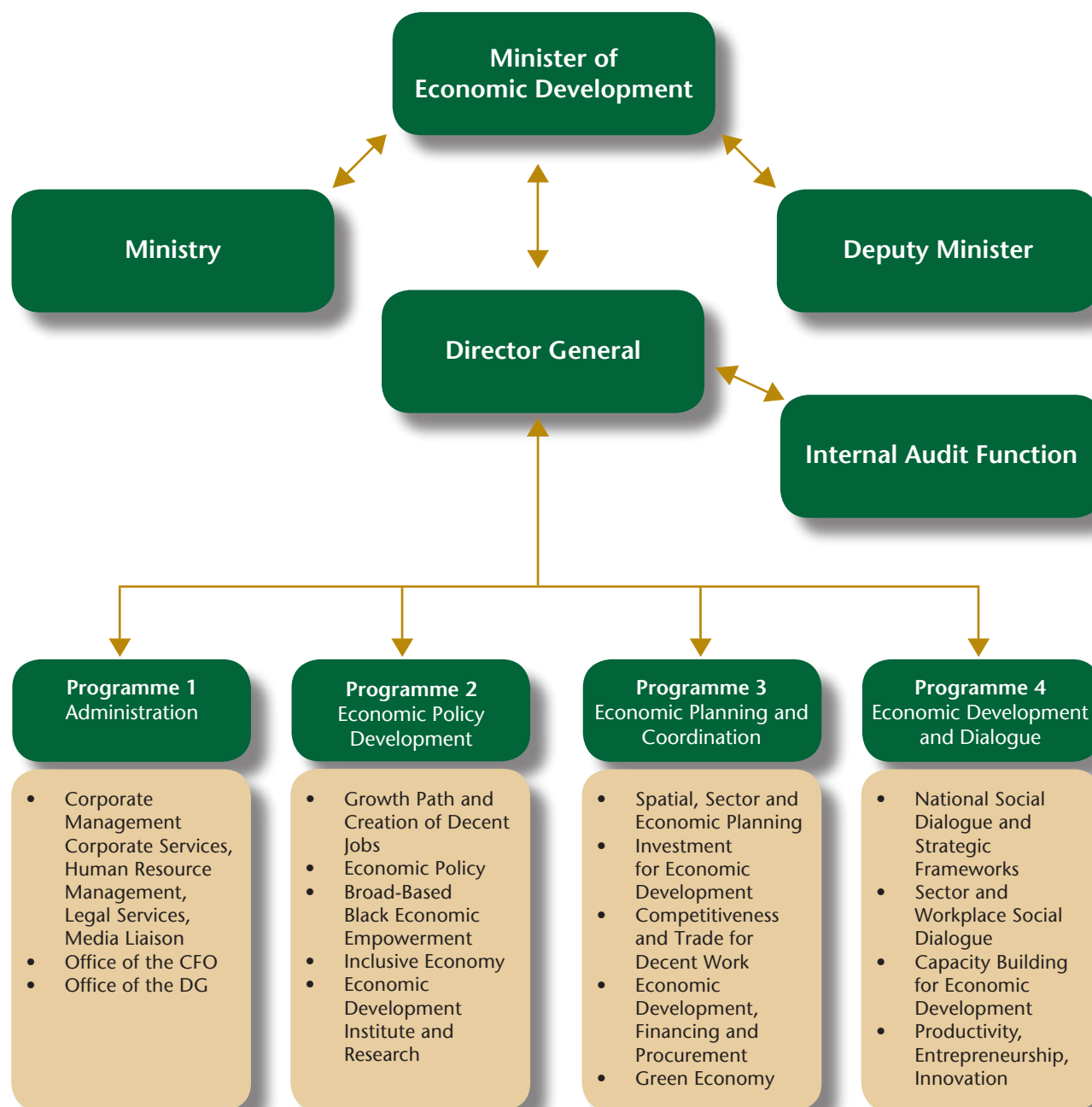
As part of the implementation of the NGP, the Department develops strategies and implementation plans in cooperation with relevant government departments and agencies. These include:

- Promoting the implementation of the National Infrastructure Plan;
- Developing sector and spatial strategies in ways that support employment creation and equity, as well as growth;

- Developing strategies to support inclusion of historically marginalised and vulnerable groups, including women, young people and workers in the informal sector and other low-wage sectors;
- Supporting strategic implementation of competition policies to encourage inclusive, sustainable economic development;
- Identifying and supporting catalytic projects
- Aligning the work of the IDC and **sefa** to support dynamic and inclusive growth, and economic diversification; and
- Monitoring the impact of government actions and regulations on employment creation.

1.7. ORGANISATIONAL STRUCTURE

ORGANOGRAM



CONTACT DETAILS OF THE MINISTRY AND DEPARTMENT

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LIST OF ABBREVIATIONS / ACRONYMS

| | | | |
|-----------|-----------------------------------------------------|----------|----------------------------------------------------------------------------|
| APDP - | Automotive Production Development Programme | MANCO - | Management Committee |
| APP - | Annual Performance Plan | MEC - | Member of Executive Council |
| BBBEE - | Broad Based Black Economic Empowerment | MinMEC - | Meeting chaired by a Minister and attended by Members of Executive Council |
| BBC - | Black Business Council | MoU - | Memorandum of Understanding |
| BLSA - | Business Leadership South Africa | BLNS - | Botswana, Lesotho, Namibia and Swaziland |
| BRICS - | Brazil, Russia, India, China and South Africa | NAFCOC - | National African Chamber of Commerce and Industry |
| BUSA - | Business Unity South Africa | NEDLAC - | National Economic Development and Labour Council |
| CFO - | Chief Financial Officer | NEF - | National Empowerment Fund |
| COSATU - | Congress of South African Trade Unions | NGP - | New Growth Path |
| CSA - | Code Share Agreement | NUM - | National Union of Mineworkers |
| DAFF - | Department of Agriculture, Forestry & Fisheries | PFMA - | Public Finance Management Act |
| DDG - | Deputy Director General | PGDS - | Provincial Growth and Development Strategy |
| DFI - | Development Finance Institutions | PICC - | Presidential Infrastructure Coordinating Commission |
| DG - | Director General | PRC - | People's Republic of China |
| DHET - | Department of Higher Education and Training | SAA - | South African Airways |
| DPME - | Department of Performance Monitoring and Evaluation | SACTWU - | Southern African Clothing and Textile Workers' Union |
| DRDLR - | Department of Rural Development and Land Reform | SACU - | South African Custom's Union |
| the dti - | Department of Trade and Industry | SAICA - | The South African Institute of Chartered Accountants |
| DWA - | Department of Water Affairs | SAISI - | South African Iron and Steel Institute |
| EDD - | Economic Development Department | SALGA - | South African Local Government Agency |
| ERB - | Economic Regulatory Bodies | SAMAF - | South African Micro- Finance Apex Fund |
| ESEC - | Economic Sectors and Employment Cluster | SARS - | South African Revenue Service |
| EU - | European Union | SCM - | Supply Chain Management |
| EXCO - | Executive Committee | SDIP - | Service Delivery Implementation Plan |
| FET - | Further Education and Training | sefa - | Small Enterprise Finance Agency |
| GDP - | Gross Domestic Product | SIP - | Strategic Integrated Projects |
| GEMS - | Government Employees Medical Scheme | SMMEs - | Small Medium Micro Enterprises |
| GPSSBC - | General Public Service Sector Bargaining Council | SOE - | State-Owned Entities |
| HRDCSA - | Human Resource Development Council of SA | TCTA - | Trans-Caledon Tunnel Authority |
| IDC - | Industrial Development Corporation | WTO - | World Trade Organisation |
| IDZ - | Industrial Development Zone | | |
| IPAP - | Industrial Policy Action Plan | | |
| ITAC - | International Trade Administration Commission | | |

PART B: PERFORMANCE INFORMATION



2.1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

The Accounting Officer is responsible for the preparation of the department's performance information and for the judgements made in this information.

The Accounting Officer is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance

as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the performance information of the Department for the financial year ended 31 March 2013.



Jennifer Schreiner

ACCOUNTING OFFICER: Economic Development Department

Date: 31 July 2013

2.2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.2.1. SERVICE DELIVERY ENVIRONMENT

In 2012, a number of steps taken by the Department laid the basis for a more coordinated and sustained approach to economic development. The adoption and roll out of the National Infrastructure Plan laid a foundation for faster and more equitable economic growth. The October Social Accord brought together organised business and labour under the leadership of the President to address core economic challenges and assisted to resolve the industrial action in the mining sector.

In this context, significant gains were made. In particular, employment grew by almost 200 000 from 1 April 2012 to 31 March 2013, in difficult domestic and global circumstances. The biggest job gains over the year were in agriculture and the public sector, with some jobs gains in manufacturing and mining. Youth unemployment remained a significant challenge. Small business and industrial funding levels have increased compared to the historic trends. Still, the year under review saw the emergence of significant headwinds.

South Africa experienced slower economic growth from the middle of 2012. The slowdown resulted in part from the ongoing recession in one of our largest export markets, Europe, which in turn slowed growth in Asia. Workplace conflict in the

mining sector added to pressure on the economy. Finally, both the energy-generating capacity and its costs presented a risk to the economy.

Through the Outcome 4 process and Cabinet discussions, action plans have been developed to address the emerging challenges and risks. The National Infrastructure Plan in particular provides a critical platform for responding to the global downturn, laying the basis for sustained growth, while shaping a more equitable economy and society.

2.2.2. SERVICE DELIVERY IMPROVEMENT PLAN

The Service Delivery Improvement Plan (SDIP) was developed and published in the EDD Strategic Plan in March 2012, in compliance with the Public Service Regulations. The EDD quarterly performance reports have been used to monitor progress and improvements to delivery processes identified in the SDIP. The SDIP focuses on the controls over quantity and timeousness, quality and public acceptance of policy documentation and reports, planning and social dialogues processes. The EDD will review, amend and implement a new SDIP for the next budget cycle in 2013/14. More attention will be placed on implementing a suite of service delivery mechanisms which include service standards and a service charter.

MAIN SERVICES PROVIDED AND STANDARDS

| Main Services | Actual Customers | Potential Customers | Standard of Service | | Actual Achievement against Standards |
|-------------------------------|--------------------------------------------------------------------|----------------------------------------------------------|---------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Economic policies and reports | Economic Cluster, Cabinet, Provincial Authorities and Wider Public | Economic Development Departments, Expand public audience | Quantity and time | Reports and policies produced but some not on time | APP targets were mostly met. Implementation was delayed in a few instances as a result of time and resource constraints. |
| | | | Quality | Reports and policies well received by key clients | Reports and policies were well received. |
| | | | Consultation | Consultation takes place at cluster and ministerial level | Consultation was done extensively. |

MAIN SERVICES PROVIDED AND STANDARDS CONTINUES

| Main Services | Actual Customers | Potential Customers | Standard of Service | | Actual Achievement against Standards |
|-----------------|---------------------------------------------------------------------------------------------|---------------------|---------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| | | | | | |
| Economic Plans | National departments, Provincial governments, Municipalities, Social partners, Wider public | | Quantity and time | Targets (quantity and time) are met on plans | Reports and policies produced but some not on time |
| | | | Quality | Reports generally of good quality | Reports have been of a high standard and well received by stakeholders |
| | | | Consultation | Time constraints may limit consultation | Consultation was done with all clients |
| Social Dialogue | National departments, Provincial governments, Municipalities, Social partners, | | Quantity and time | Sufficient quantity and good timing | Accords and platforms were finalised as per APP but implementation of commitments by social partners remains a challenge |
| | | | Quality | All accords are of very good standard | Final Accords have been of a high standard |
| | | | Consultation | Extensive consultation conducted, with social partners satisfied with final product | Extensive consultation occurred and social partners have received them well |

CONSULTATION ARRANGEMENT WITH CUSTOMERS

| Type of Arrangement | Actual Customers | Potential Customers | Actual Achievement |
|------------------------------|---------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Engagement with stakeholders | Ministers, MECs and legislature | Provincial Departments | Economic development plans are well received by Parliament, Ministers, and MEC |
| | Economic Clusters | Economic Cluster Departments | Meetings with Economic Cluster progress well generally and are well received by the relevant Departments. An agreed schedule of meetings at more frequent intervals should be planned and better resourced to provide greater impetus against socio-economic delivery mandates. |
| | Sectoral Networks/ Platforms | Government stakeholders and constituencies (Business, Labour, Community) and the general public | Network sessions and platforms are generally well attended and provide inputs and wider perspectives into a variety of projects. Network sessions and platform engagements increased and attended by stakeholder and constituencies |
| | The Public | Public, Provinces and Municipalities | Good reviews are received from economic development consultations. Engagements with Provincial and Municipal bodies have increased. |

SERVICE DELIVERY ACCESS STRATEGY

| Access Strategy | Actual Achievement |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Internet | All staff have access to the internet. Certain domains and websites are excluded according to the approved internet and security policy. The public is able to access the EDD website. |
| Telephone | Staff have access to telephones to perform their work functions. |
| Email | Staff have access to email facilities to perform their work functions. |

SERVICE INFORMATION TOOL

| Type of Information Tool | Actual Achievement |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Electronic (website) | Real time usage was generated through monthly reports. The webmaster monitored user searches to optimize ease of user experience. |
| Brochures (Accords) | Brochures and the various Accords were produced and distributed at various fora, meetings and workshops. |
| Policy Documents | Policy documents were generated as required by the Department, Minister, Cluster, PICC or Cabinet. |

COMPLAINTS MECHANISM

| Complaints Mechanism | Actual Achievement |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Telephonic, electronic, and personal interfaces | A large part of the work of the Department consists of unblocking obstacles to effective implementation. Many of these activities are based on complaints received, typically through correspondence or at meetings from social partners or project managers. In respect of infrastructure, these are monitored through the reports to the PICC. A dedicated email address (complaints@economic.gov.za) has been introduced. |

2.2.3. ORGANISATIONAL ENVIRONMENT

The Department is housed on **the dti** campus. This has been done to promote coordination between the two departments. The accommodation requirements have improved with the move to new offices on **the dti** campus. A total of 2056 square metres of new space was allocated during the past financial year. Staff are housed in two buildings, albeit with greater office space than at the beginning of the Financial Year. The existing MOU with **the dti** allows for shared services, office space, and ICT support.

With the support of the political leadership, there has been significant focus placed on improving governance and management systems and procedures. These areas included risk management, auditing, planning and reporting processes. The latter has led to the tabling of the 2013/14 Annual Performance Plan in March 2013 with significantly more outputs as a result of a concerted initiative towards implementation and integration of policy initiatives with stakeholders.

Mr Saleem Mowzer served as Acting Director-General from the beginning of the financial year until November 2012, when Ms Jennifer Schreiner was appointed as the Accounting Officer. During the financial year the Chief Financial Officer left the EDD and a new CFO, Ms Semphete Thobejane, was appointed. A headhunting process for suitable senior management was initiated.

Strategic planning and reporting weaknesses were addressed through the reworking of all quarterly reports in the final quarter of the year against a comprehensive file of evidence. This intervention aimed to improve the management of performance information, enable use of management information for decision-making, and enhance accountability and compliance. The Department has striven to institute integrated delivery across budget programmes, to ensure practical and effective outcomes.

The approval by Cabinet of the National Infrastructure Plan in February 2012 greatly influenced the operations of the Department in the year under review. As a result of the

establishment of the Presidential Infrastructure Co-ordinating Commission to coordinate and oversee the infrastructure plan implementation, and the appointment of the Minister of Economic Development to head the PICC Secretariat, the EDD functions have been significantly expanded during the course of the financial year, with unanticipated services that are now rendered to government as a whole. The EDD provides the technical services to the PICC. The PICC Secretariat requires technically skilled personnel with expertise in various engineering disciplines, project management, law and finance, amongst others, for specific projects. The Department is carrying out this mandate through appointments against its own establishment, as well as utilising the existing skills base within government and public entities. The EDD has been able to secure agreements with specific public entities to make staff available on a dedicated basis for its work, including on infrastructure and industrial development. By the end of the financial year, it was able to draw on the services of 39 technical experts from within government and State-Owned Companies (SOC;).

Human resource and labour-related matters around the **sefa** merger were addressed at the EDD bargaining chamber. These engagements resulted in a transfer agreement being signed by the employer and labour, resulting in a transfer of employees from **samaf** and Khula to **sefa**.

Despite challenges, the EDD managed to deliver against its strategic objectives and performance targets, and established a significantly improved governance environment. The EDD developed policies and strategies, monitored the implementation of Accords signed in 2011, and performed well to realize some of the objectives of Outcome 4. The EDD has increasingly strengthened its role of integrating and coordinating national economic policies and plans, to ensure the implementation of decent work and inclusive growth opportunities.

2.2.4. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

Cabinet adopted the National Development Plan during the second half of 2012 as the overall vision for government work. The NDP noted that the New

Growth Path is government's key programme to take the country onto a higher growth trajectory. (p117)

In January 2013, President Zuma noted that some of the key programmes of the National Development Plan (NDP) were already being implemented, and that these include the New Growth Path framework with its major infrastructure development programme, as well as the state-led industrial policy.

The manufacturing driver of the New Growth Path, namely the Industrial Policy Action Plan (IPAP) was updated during April 2012 (and again subsequent to this reporting period).

The infrastructure driver of the New Growth Path, namely the National Infrastructure Plan, was amended during the year to include a SIP 18 on Water and Sanitation.

The principal contribution of the Department to the achievement of the NDP is in driving the economic strategy contained in the New Growth Path, particularly the infrastructure, industrialisation, competition, developmental trade policy, and small business components.

During 2012/13, the EDD drafted the Infrastructure Development Bill and submitted the draft to Cabinet. It was published for public comment. The objects of the Bill are:

- to provide facilitation and coordination of infrastructure development which is of significant economic or social importance; and
- to ensure the prioritisation of infrastructure development in all state planning.

In relation to the Competition Law Amendment Act, 2009 (Act 1 of 2009), the Department facilitated the promulgation by the President of Section 6 of the Competition Law Amendment Act, which came into effect on the 1 April 2013. The section deals with market enquiries to be conducted by the Competition Commission if it has reason to believe that any feature or features of a market for any goods or services prevents, distorts or restricts competition within that market.

The Minister published a Draft Policy Directive on the Export of Ferrous and Non-Ferrous Waste and Scrap Metal for public comment on 25 January 2013, in terms of Section 6 of the ITAC Act, (71/2002) and issued a directive after the end of the financial year.

2.3. STRATEGIC OUTCOME ORIENTED GOALS

The strategic outcome-oriented goals and goal statement for the EDD is to:

- Promote decent work through meaningful economic transformation and inclusive growth
- Provide participatory, coherent and coordinated economic policy, planning and dialogue for the benefit of all South Africans.

These goals have been given greater detail through the various Outcomes that the Presidency introduced, which include Outcome 4 (decent employment through inclusive growth). Other outcomes that

are also relevant to the goals of the Department include Outcome 5 (a skilled and capable workforce to support inclusive growth); Outcome 6 (efficient, competitive and responsive infrastructure); and Outcome 7 (vibrant, equitable, sustainable rural communities).

The EDD, as one of the three coordinating departments for Outcome 4, has provided policy advice, drafting assistance and support, as required, to both the Economic Sectors and Employment Cluster and the Outcome 4 Secretariat.

2.4 PERFORMANCE INFORMATION BY PROGRAMME

The Annual Performance Plan (APP) of the EDD reflects its strategic outcome-orientated goal of creating decent work and inclusive growth opportunities, whilst integrating its work around other outcomes (particularly on infrastructure) to ensure participatory, coherent and coordinated economic policy, planning and dialogue for the benefit for all South Africans.

Within the EDD, work activities are divided into four programmes, namely:

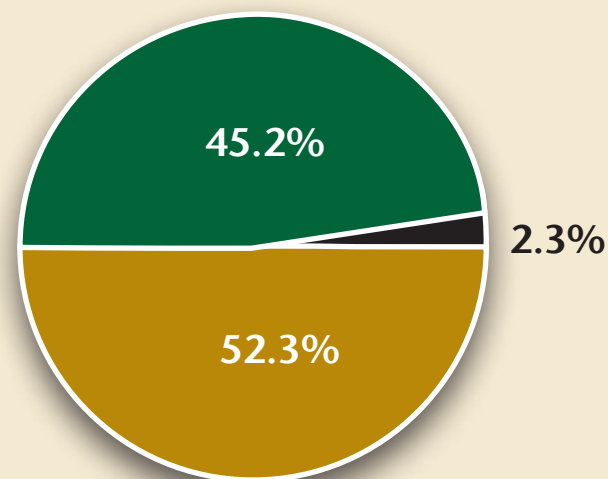
- Programme 1: Administration
- Programme 2: Economic Policy Development
- Programme 3: Economic Planning and Coordination
- Programme 4: Economic Development and Social Dialogue.

This narrative below provides a brief overview of the main accomplishments of the programmes and their sub-programmes for the past year. The implementation of the APP for the 2012/13 financial year is reported on against the 16 strategic objectives, 42 indicators, with review of the performance against the planned targets. This will be followed by a report linking the performance against the allocated financial resources.

OVERALL ASSESSMENT

The Department has performed well against the predetermined targets of the 2012/13 APP. The Department

- exceeded 45.2% of its targets;
- achieved 52.3% of its targets and
- under-achieved in 2.3% of its targets.



| | |
|------------------------------------------|----|
| Programme 1 (total of 4 targets) | |
| Targets exceeded | 1 |
| Targets met | 2 |
| Targets under-achieved | 1 |
| Programme 2 (total of 18 targets) | |
| Targets exceeded | 6 |
| Targets met | 12 |
| Targets under-achieved | 0 |
| Programme 3 (total of 10 targets) | |
| Targets exceeded | 8 |
| Targets met | 2 |
| Targets under-achieved | 0 |
| Programme 4 (total of 10 targets) | |
| Targets exceeded | 4 |
| Targets met | 6 |
| Targets under-achieved | 0 |

| | |
|------------------------------------------------------|----|
| TOTAL PERFORMANCE LEVEL (total of 42 targets) | |
| Targets exceeded | 19 |
| Targets met | 22 |
| Targets under-achieved | 1 |

PROGRAMME 1: ADMINISTRATION PURPOSE

The purpose of the Administration Programme is to coordinate and render effective, efficient, strategic support and administrative services to the Minister, Deputy Minister, Director General, the Department itself, and its agencies.

The sub-programmes of the Administration Programme are:

- Ministry
- Office of the Director General
- General Management Services

The strategic objectives linked to this budget programme are:

- Provide efficient and effective support to the Minister and Deputy Minister in the execution of their executive and other obligations
- Provide strategic support and administrative services to the Director General
- Provide operational and administrative support to the EDD

This budget programme had four indicators in the year under review. The Department exceeded one

target, met two targets and under-achieved against one.

| | |
|-------------------------|----------|
| Targets exceeded | 1 |
| Targets met | 2 |
| Targets under-achieved | 1 |
| Total Number of targets | 4 |

PROGRAMME 1: ADMINISTRATION

| Strategic Objective | Performance indicator | Baseline (actual output) 2011/12 | Target (2012/13) | Actual (2012/13) | Deviation from Planned to Actual Target 2012/13 | Comment on deviation |
|-------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------|-----------------------------------------------------|------------------|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provide strategic support and administrative services to the Director General | Number of management meetings | New indicator | 16 | 24 | +8 | More strategic meetings held to improve governance, and to review quarterly reports, performance information evidence files, and signing of accords. |
| Provide operational and administrative support to the EDD | Audit reports submitted | New indicator | 6 | 6 | 0 | |
| | Number of new staff employed by the EDD (net) | | 13 | 24 | +11 | Need for staff exceeded the planned new staff target |
| | Total staff employed | 115 | 142 | Total Staff 139 | -3 | See note on staffing below |
| | Projected expenditure (R thousand) | R 577 602 with variance of R20 757 | Initial budget R672 732 Adjusted Budget R696 518 | R673 673 | R23 045 | See note on spending below. |

EXPENDITURE

The Department and its entities spent R673,6 million for the year. This is 96,7% of the departmental budget. The bulk of the R23 million not spent was made up of a late allocation of R30 million in the Adjustment Estimate process in November 2012 for support to improve the performance of regulatory bodies across different departments. R10 million of this additional allocation was spent by the end of the financial year. National Treasury indicated that the remaining R20 million could be rolled-over to permit an efficient spending plan to be developed to utilise the monies during the 2013/14 financial year.

STAFFING

At the start of the financial year the Department employed 115 staff. By the end of the financial year,

it employed 139 staff. This is an increase of 21% over the financial year.

The APP set a target of appointing 13 (net) new staff during the year. This target was exceeded with the appointment of 24 net new staff (after taking account of staff departures).

The funded post establishment was 142 for the financial year. So, following the appointments and terminations, there were still three funded vacancies as the Department had three staff appointed in addition to the establishment, due to unavailability of posts at the required levels. Of the appointments made, eight staff members assumed duties during April 2013.

The vacancy rate of 4,2% is based on the number of posts filled. When taking into account

appointments additional to the establishment, the vacancy rate reduces to 2,1%.

Notably, 11 young unemployed graduates were recruited on a year-long internship programme, over and above the 139 staff members. This is equal to 8% of the total staff employed and exceeds the minimum target of 5% set by Cabinet.

MINISTRY

In the year under review, the Minister's executive responsibilities centred on coordinating work around economic policy, job creation and infrastructure development across the state. His responsibilities included attending meetings of Cabinet, Cabinet Committees, Presidentially-coordinated Councils and structures (PICC, HRD Council, Anti-Poverty IMC, BBBEE Council), Inter-Ministerial Committees, Ministerial Cluster meetings and MinMEC meetings.

The Minister led the PICC Secretariat and supported the work of the PICC Manco.

The Minister was responsible for presentations on infrastructure, as well as on the New Growth Path, to the two Cabinet Makgotla (September 2012 and February 2013).

The Minister engaged with the entities reporting to the Department, including the board of the IDC, the management of *sefa*, the Competition Commission and the Competition Tribunal and ITAC. A particular focus was on expanding the developmental impact of the IDC (jobs, youth enterprise and industrial funding levels) and the promotion of small business.

The Minister engaged with investors and social partners at home and abroad, and with a range of international institutions and business delegations. These included the World Economic Forum in Davos in January 2013, where meetings with investors and policy-makers took place, and the BRICS Summits in Delhi, India (March 2012) and eThekweni, South Africa (March 2013).

Meetings with, and addresses to, business associations and companies focused on infrastructure, job creation, small business development and industrialization. These included meetings with BUSA, BBC, and BLSA leaders.

Community engagements and meetings with workers took place during the year, including at trade union congresses (for Cosatu, Numsa, Nehawu, Saccawu and Sactwu) and with union leaders (for Fedusa and Nactu) as well as with youth structures, women's organisations, civic structures and other

community representatives. Community and workplace meetings or visits were undertaken, including in Mqwangqweni Village, Mitchells Plain, Lephhalale, Rosslyn, Elsies River, Midrand, Doringbaai, Vredendal, Kyalami, Claremont and Kuils River.

The Minister participated in social dialogue sessions on youth employment, infrastructure and on addressing the economic challenges.

In the past year, the Deputy Minister of Economic Development undertook two international trips. In September 2012, the Deputy Minister led a business delegation to Sri Lanka, with the aim of exposing them to development projects underway in that country and potential opportunities for investment. In October 2012, the Deputy Minister delivered a paper and participated in a panel discussion on Development Strategies and Financing, including trade and manufacturing, in Kigali, Rwanda.

The Deputy Minister focused on visits to vulnerable communities and municipalities, including KwaDolwane, Nongoma, Alexandra, Diepsloot and Saldanha Bay. The areas visited included poor and rural municipalities, economically depressed inner city communities and areas lying around farms. The aim of the visits was to dialogue with communities and come to a better grasp of their challenges, with a view to promoting the inclusion of vulnerable groups such as unemployed youth, women entrepreneurs and people living with disabilities.

In the course of the year, the Minister and the Director General engaged extensively with both the Portfolio and Select Committees, with the Department and/or its entities attending 27 such meetings. These included regular accountability meetings on the APP, quarterly performance and expenditure reports, and the Annual Reports of both the Department and its entities, as well as briefings on selected strategic issues, such as small business development.

Media liaison and communications capacity in the Department has been built over the financial year to enable effective communication of the work of the Minister and the Department to the public.

MANAGEMENT MEETINGS

Despite the changes in leadership in the Department's administration, the Office of the Director General ensured that the Department functioned effectively in the Economic Sectors

and Employment Cluster, and as a coordinating Department in Outcome 4. The ODG is responsible for the setting of the Technical MinMEC and MinMEC meetings, in coordination with the dti as the co-chairs, and four such meetings took place during the year. Regular meetings with the corporate services of the entities were held by the DG and senior managers of the Department. In this process, a dashboard was established to enhance accountability

of these entities. The number of management meetings held helped to achieve the improvement in service delivery and achievement of APP targets.

EXPENDITURE:

From the departmental adjusted budget of **R62.9million**, total expenditure for Administration for the year 2012/13 was **R55.4 million** or **88%** of the programme budget.

| Programme name | 2012/2013 | | | 2011/2012 | | |
|--------------------------------|---------------------------|--------------------------|--------------------------------|---------------------------|--------------------------|--------------------------------|
| | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 |
| Administration | | | | | | |
| Ministry | 19,533 | 16,321 | 3,212 | 18,428 | 18,355 | 73 |
| Office of the Director General | 10,976 | 10,975 | 1 | 10,143 | 9,559 | 584 |
| General Management Services | 32,422 | 28,098 | 4,324 | 29,075 | 22,908 | 6,167 |
| Total | 62,931 | 55,394 | 7,537 | 57,646 | 50,822 | 6,824 |

PROGRAMME 2: ECONOMIC POLICY DEVELOPMENT PURPOSE

The Economic Policy Development programme aims to strengthen the economic development policy capacity of government; review, develop and propose the alignment of economic policies; and develop policies aimed at broadening participation in the economy and creating decent work opportunities.

This budget programme has four sub-programmes:

- Growth Path and Creation of Decent Work
- Economic Policy
- Broad Based Black Economic Empowerment
- Inclusive Economy

The strategic objectives of this budget programme for 2012/13 were to:

- Coordinate and monitor the implementation of the New Growth Path
- Develop and implement inclusive growth strategies
- Give policy advice to support the Economic and Employment Sectors Cluster
- Ensure regular engagement on policy issues

This budget programme had 18 indicators in the year under review. The Department met 12 of its targets, exceeded six of its targets and did not have any indicator where the target was not met.

| | |
|-------------------------|----------|
| Targets exceeded | 6 |
| Targets met | 12 |
| Targets under-achieved | None |
| Total number of targets | 18 |

PROGRAMME 2: ECONOMIC POLICY DEVELOPMENT

| Strategic Objective | Performance indicator | Baseline (actual output) 2011/12 | Performance Target (2012/13) | | Deviation from Planned Target to Actual Achievement for 2012/13 | Comment on deviation |
|------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------------------|------------------------------|------------------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------|
| | | | Target (2012/13) | Actual (2012/13) | | |
| Coordinate and monitor the implementation of the New Growth Path | Regular survey of public sector (with DPME) | New indicator | 2 | 3 | +1 | A survey was conducted on employment in construction activities financed by the state |
| | Impact of state actions on employment assessed through modeling | New indicator | 1 | 2 | +1 | Additional work done on the impact of trade with Africa on employment |
| | Regulatory Impact Assessment process reviewed to ensure alignment with NGP | New indicator | 1 | 1 | 0 | |
| | Workshops held on assessing employment impact of the state | New indicator | 2 | 2 | 0 | |
| | SA Development Index approved and then monitored | New indicator | 1 | 1 | 0 | |
| | Outcome 4 outcomes reviewed regularly | New indicator | 4 | 4 | 0 | |
| | Annual in-depth analysis of trends in employment, inequality and growth | New indicator | 1 | 1 | 0 | |
| | The EDD Conference held with high-level inputs | New indicator | 1 | 1 | 0 | |
| | Develop and implement inclusive growth strategies | Sector methodologies developed and applied | New indicator | 2 | 2 | 0 |

PROGRAMME 2: ECONOMIC POLICY DEVELOPMENT CONTINUES

| Strategic Objective | Performance indicator | Baseline (actual output) 2011/12 | Performance Target (2012/13) | | Deviation from Planned Target to Actual Achievement for 2012/13 | Comment on deviation |
|--------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------|------------------------------|------------------|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Target (2012/13) | Actual (2012/13) | | |
| | Competition Act amended and regularly reviewed | New indicator | 1 | 1 | 0 | |
| | Other policy interventions identified and appropriate amendments proposed | New indicator | 1 | 6 | +5 | Additional interventions were required by the Ministry based on developments in infrastructure, industrial development and industrial relations. |
| | Policy platforms | New indicator | 4 | 8 | +4 | Additional platforms were held to respond to economic and policy challenges |
| Policy advice to support Cluster | Impact of BBEE on NGP targets analysed and modifications proposed as required | New indicator | 1 | 2 | +1 | In addition to planned research, a submission was made to the Minister on the amendments to the BBEE Codes |
| | Platforms on BBEE and NGP | New indicator | 2 | 5 | +3 | There were opportunities to advance the EDD goals with additional platforms held within budget. |
| Ensure regular engagement on policy issues | Gender strategy adopted and reviewed | New indicator | 2 | 2 | 0 | |
| | Youth employment strategy adopted and reviewed | New indicator | 2 | 2 | 0 | |
| | Strategy on micro-enterprises, livelihoods and the social economy adopted and reviewed | New indicator | 1 | 1 | 0 | |
| | Economic Development Institute established | 0 | 2 | 2 | 0 | |

In terms of overall analysis of economic trends, in 2012/3, under this budget programme, the Department provided:

- Quarterly reviews of progress on Outcome Four – Decent Employment through Inclusive Growth – in collaboration with the National Treasury and **the dti** as well as development of a draft Economic Development Index for South Africa.
- An annual in-depth assessment of progress on the New Growth Path and, in particular, the Jobs Drivers, in the form of an extensive and detailed submission to Cabinet, leading to a number of practical action plans to strengthen implementation.

To encourage all institutions of the state to take employment creation and equity, as well as growth, into account in their work, the Department conducted biannual surveys of departments on their employment impact; held capacity-building sessions with departments and provinces on how to evaluate their overall effect on employment; worked with the Department of Performance Monitoring and Evaluation, and the Cabinet Office to ensure that regulatory impact assessments take employment and inclusion systematically into account; initiated a partnership with the International Labour Office (ILO) to develop a model that can systematically assess the likely impact of some kinds of state activity on employment; and drafted a methodology for sector strategies that aims to maximise employment creation.

The EDD worked with the Department of Higher Education and Training (DHET), as well as the HRD Council of South Africa on alignment of skills planning systems with the New Growth Path and subsequently with the National Infrastructure Plan.

In the context of the Economic Development Institute, the EDD developed a 'virtual institute research capacity', which consists of undertaking, sponsoring or coordinating work on various matters by drawing local and global experts together. These included programmes on financialisation of the South African economy and African regional development and industrialisation. Under this budget programme, the EDD also provided research to support engagements around iron and steel pricing, electricity, the green economy, access to broadband, skills development and the provision and pricing of economic infrastructure, amongst others.

The Department has undertaken work to ensure that growth in employment reaches the historically marginalised – women and youth, and small and micro enterprises. Key outputs in this regard include support for the Youth Employment Accord; various kinds of research on improving the environment for SMMEs; proposals for strengthening the incentives for employment creation and local procurement in the Codes of Good Practice for broad-based BEE; and research on women in the economy.

This budget programme also provided for a number of platforms, with topics ranging from issues around gender to African industrialisation, to the impact of BBBEE and financialisation.

This budget programme provided for the EDD Conference which was held on 19-20 April 2012, with the theme of infrastructure and development.

EXPENDITURE:

Expenditure for Programme 2 amounted to R11,6 million or 60,3% of the adjusted programme budget of R19,2 million. The spending patterns were slow largely due to the vacancies at senior management level of the programme.

| Programme name | 2012/2013 | | | 2011/2012 | | |
|-----------------------------------------|---------------------------|--------------------------|--------------------------------|---------------------------|--------------------------|--------------------------------|
| | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 |
| Economic Policy Development | | | | | | |
| Growth Path and Creation of Decent Work | 5,936 | 3,898 | 2,038 | 4,970 | 2,636 | 2,334 |
| Economic Policy | 9,262 | 7,677 | 1,585 | 10,443 | 9,568 | 875 |
| BBBEE | 3,317 | - | 3,317 | 673 | 294 | 379 |
| Inclusive Economy | 682 | - | 682 | 74 | - | 74 |
| Total | 19,197 | 11,575 | 7,622 | 16,160 | 12,498 | 3,662 |

PROGRAMME 3: ECONOMIC PLANNING AND COORDINATION PURPOSE

The Economic Planning and Coordination Budget Programme aims to align economic planning across the state, including support to the Presidential Infrastructure Coordinating Commission, as required; provide policy guidelines and oversight for the development finance institutions (DFIs) and economic regulatory bodies (ERBs) that fall under the EDD; and drive catalytic projects.

The sub-programmes of this budget programme are:

- Spatial, Sector and Planning
- Economic Development, Financing and Procurement
- Investment for Economic Development

- Competitiveness and Trade for Decent Work
- Green Economy

The strategic objectives of this budget programme are to:

- Develop and/or review infrastructure, sector, spatial and national economic plans
- Promote investment for economic development
- Promote competitiveness and trade for decent work
- Leverage financing and procurement processes (Rm/number of interventions)
- Grow the Green Economy

This budget programme had 10 indicators in the year under review. The Department met two of its targets, exceeded its targets in eight cases and did not have any indicator where the target was not met.

| | |
|-------------------------|----------|
| Targets exceeded | 8 |
| Targets met | 2 |
| Targets under-achieved | 0 |
| Total number of targets | 10 |

PROGRAMME 3: ECONOMIC PLANNING AND COORDINATION

| Strategic Objective | Performance indicator | Baseline (actual output) 2011/12 | Performance Target (2012/13) | | Deviation from Planned Target to Actual Achievement for 2012/13 | Comment on deviation |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------|------------------------------|------------------|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Target (2012/13) | Actual (2012/13) | | |
| Develop and or review Infrastructure, Sector, Spatial and National Economic Plans | Number of engagements with provincial and local governments | 17 | 8 | 10 | +2 | The number of engagements were both planned and based on requests, thus leading to over-achievements. |
| | Number of sector and/or infrastructure plans produced or reviewed per year | 46 | 2 | 5 | +3 | The PICC implementation work was not planned for at the outset of the financial year, thus leading to the over-achievement of the targets. |
| | Number of spatial and/or infrastructure plans produced or reviewed per year | New indicator | 7 | 9 | +2 | The PICC implementation work was not planned for at the outset of the financial year, thus leading to the over-achievement of the targets. |
| Promote Investment for Economic Development | Number of strategic engagements with DFIs | 19 | 6 | 8 | +2 | The launch of <i>sefa</i> required additional engagements with DFIs. |

PROGRAMME 3: ECONOMIC PLANNING AND COORDINATION CONTINUES

| Strategic Objective | Performance indicator | Baseline (actual output) 2011/12 | Performance Target (2012/13) | | Deviation from Planned Target to Actual Achievement for 2012/13 | Comment on deviation |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------------|------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Target (2012/13) | Actual (2012/13) | | |
| Promote Competitive-ness and Trade for Decent Work | Number of strategic engagements with ERBs | 6 | 6 | 8 | +2 | Additional engagements were required to achieve the APP objectives. |
| | Number of engagement forums to foster alignment of SOEs and PICC's investment decisions with that of the state | New indicator | 6 | 9 | +3 | The pace of PICC work required additional engagements with public entities. |
| Leverage financing and procurement processes (Rm/ number of interventions) | Value of special financing facilitated for small businesses, targeted growth sectors and companies in distress [R billion] | R7,32 billion | R5 billion | R19,84 billion | +R14,84 | The IDC expanded its lending and funding based on additional investment-ready projects in its pipeline. Sefa improved on the historical lending levels of its predecessors. |
| | Number of interventions promoting economic development through leveraging state expenditure and procurement | New indicator | 10 | 10 | 0 | |
| Grow the Green Economy | Number of reports on the implementation of the Green Economy Strategy | 17 | 2 | 2 | 0 | |
| | Number of interventions to grow the green economy | | 10 | 12 | +2 | The growing commitment to the green economy enabled the EDD to exceed this target |

The Planning Branch provided technical support for the implementation of the National Infrastructure Plan through its work with the Secretariat and

Technical Task Team of the PICC. In particular:

- It liaised with external public agencies to ensure the development of business plans for seven SIPs

and assisted in the development of the Master Water Plan (SIP 18) together with DWA, TCTA and the regional water boards.

- It coordinated the launch of intergovernmental forums for several SIPs.
- It managed the drafting of the Infrastructure Development Bill, which was gazetted for comments on the 8 February 2013.
- It worked with the DRDLR and the CSIR to develop an improved understanding of economic potential of the rural space economy. To add value to the development of SIP 6, it initiated a process to identify functional economic regions as the basis for establishing a more spatially integrated economy.
- It compiled the quarterly construction updates provided to Cabinet with an analysis of expenditure trends, construction progress, number of jobs created and local procurement percentages against targets, as well as identification of key constraints and blockages.
- It facilitated the signing of a memorandum of understanding between Transnet, Eskom and the IDC to cooperate on accelerated SIP implementation, as well as an MOU with social partners on infrastructure, and with the Engineering Council of South Africa on capacity support.

To align the organs of the state to facilitate and support sustainable, employment-creating growth in the core productive sectors, the Planning Branch was responsible for guidance and support for the agencies under the EDD's oversight; efforts to facilitate major productive investments; and back up for the local procurement drive.

The Planning Branch supported the Ministers' engagements with key agencies – the IDC, **sefa**, ITAC and the Competition Commission. The success of this work can be seen in the increase and improved targeting of financing for industrial development as well as smaller enterprises; the increased use of trade policy to support integrated sectoral strategies; and the growing success of the Competition Commission in identifying and acting against price-fixing and collusive practices.

The EDD has undertaken a number of activities to support major productive investments. Under

this budget programme, it established a team to 'unblock' significant projects that faced regulatory delays or required other kinds of support. In addition, the EDD facilitated a number of catalytic projects, including a major soya crushing plant in Mpumalanga and biofuels processors.

The EDD has worked closely with **the dti** and National Treasury to increase local procurement by the state, as well as business and the public. To this end, under this budget programme, it entered into a partnership with Proudly South Africa and supported procurement by government agencies of more locally produced stationery and uniforms, amongst others. In addition, the IDC established a localisation project office to identify opportunities for local suppliers across all 18 SIPs in the National infrastructure Plan.

In addition to its support for **sefa**, the EDD worked with the South African Institute of Chartered Accountants (SAICA) to establish a business hub and training programme to improve the practical accounting skills of accounting graduates while improving services for smaller enterprises.

To support more integrated and coordinated spatial development, the EDD has offered advice on development plans for a number of provincial and local governments, and has worked with stakeholders in KwaZulu-Natal to establish an integrated strategy for the Umhlatuze-Llembe corridor.

To support the green economy, the EDD facilitated investments in renewable energy and biofuels, as well as supporting the rollout of solar water heaters in the course of the financial year.

This budget programme also provided support for multilateral and bilateral economic engagements, including support for the BRICS Summit, bilateral meetings with the Peoples Republic of China, and work on the North-South Corridor for African development.

EXPENDITURE:

Actual expenditure for Programme 3 and its sub-programmes amounted to R597,5 million or 99,3% of the adjusted programme budget of R601,8 million for the 2012/13 financial year. Spending in this programme is driven mainly by transfer payments to the departmental entities and agencies.

| Programme name | 2012/2013 | | | 2011/2012 | | |
|------------------------------------------------|---------------------------|--------------------------|--------------------------------|---------------------------|--------------------------|--------------------------------|
| | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 |
| Economic Planning and Coordination | | | | | | |
| Spatial Sector and Planning | 40,388 | 40,188 | 200 | 11,185 | 10,881 | 304 |
| Economic Development Financing and Procurement | 3,727 | 1,840 | 1,887 | 7,402 | 7,402 | - |
| Investment for Economic Development | 306,421 | 305,099 | 1,322 | 270,504 | 270,504 | - |
| Competitiveness and Trade for Decent Work | 251,289 | 250,396 | 893 | 214,186 | 212,226 | 1,960 |
| Green Economy | - | - | - | - | - | - |
| Total | 601,824 | 597,523 | 4,301 | 503,277 | 501,013 | 2,264 |

PROGRAMME 4: ECONOMIC DEVELOPMENT AND SOCIAL DIALOGUE

PURPOSE

The purpose of the Economic Development and Social Dialogue Programme is to promote social dialogue; implement strategic frameworks; build capacity among social partners; and promote productivity, entrepreneurship and innovation in the workplace.

The sub-programmes of this budget programme are:

- National Social Dialogue and Strategic Frameworks

- Sector and Workplace Social Dialogue
- Capacity Building for Economic Development
- Productivity, Entrepreneurship, Innovation

The strategic objectives of this programme are:

- National social dialogue and strategic frameworks
- Sectoral and workplace dialogue
- Capacity building for economic development
- Productivity, entrepreneurship and innovation

This budget programme had 10 indicators in the year under review. The Department met its target in six cases, exceeded its targets in four cases and did not have any indicator where the target was not met.

| | |
|-------------------------|----------|
| Targets exceeded | 4 |
| Targets met | 6 |
| Targets under-achieved | 0 |
| Total number of targets | 10 |

PROGRAMME 4: ECONOMIC DEVELOPMENT AND DIALOGUE

| Strategic Objective | Performance indicator | Baseline (actual output) 2011/12 | Performance Target (2012/13) | | Deviation from Planned Target to Actual Achievement for 2012/13 | Comment on deviation |
|---------------------------------------------------|------------------------------------------------------------------|----------------------------------|------------------------------|------------------|-----------------------------------------------------------------|----------------------------------------------------------------------|
| | | | Target (2012/13) | Actual (2012/13) | | |
| National Social Dialogue and Strategic Frameworks | Number of social dialogue and capacity building engagements held | 16 | 10 | 20 | +10 | Success with the Accords increased the demand for capacity building. |

PROGRAMME 4: ECONOMIC DEVELOPMENT AND DIALOGUE CONTINUES

| Strategic Objective | Performance indicator | Baseline (actual output) 2011/12 | Performance Target (2012/13) | | Deviation from Planned Target to Actual Achievement for 2012/13 | Comment on deviation |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------------|------------------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| | | | Target (2012/13) | Actual (2012/13) | | |
| Sectoral and Workplace Dialogue | Number of economic development agreements (sectoral, workplace and national) facilitated with social partners per year | New indicator | 2 | 6 | +4 | More agreements were signed due to progress on the implementation of the Local Procurement Accord |
| | Number of interventions to save or create new jobs | New indicator | 4 | 8 | +4 | Opportunities to save jobs exceeded the original target. |
| | Number of reports on the implementation of the framework agreements and social pacts | New indicator | 4 | 4 | 0 | |
| Capacity Building for Economic Development | Number of Economic Advisory Panel meetings | New indicator | 1 | 1 | 0 | |
| | Number of knowledge networks | New indicator | 4 | 4 | 0 | |
| | Number of capacity building engagements (for organised labour and other social partners) | New indicator | 10 | 14 | +4 | Demand for capacity-building exceeded the original target. |
| Productivity, Entrepreneurship and Innovation | National/ sectoral engagements on productivity | New indicator | 4 | 4 | 0 | |
| | Research reports on productivity | New indicator | 1 | 1 | 0 | |
| | Productivity Month – October | New indicator | 1 | 1 | 0 | |

Two new national Accords were completed in the financial year with support from the EDD.

In October 2012, the Economic Development Ministry assisted in the finalisation of an Accord with business and labour to address workplace conflict in the platinum belt as well as the global downturn.

In the first quarter of 2013, the Minister supported engagements with the NEDLAC constituencies and youth organisations, which led to approval of the core elements of a Youth Accord by Cabinet in February 2013, and the signing of the Youth Employment Accord on 18 April 2013.

In addition, the EDD monitored implementation of the national accords finalised in the previous budget year on the Green Economy, Skills, Basic Education and Local Procurement, in order to identify actions required to improve outcomes. A publication was produced collating key outcomes of the Accords.

Sector and workplace dialogue and interventions included work on the poultry industry, action on complaints about illegal imports at trade fairs, procurement in the footwear industry and research into the iron and steel industry, which led to

gazetting of new regulations on scrap metal exports.

The establishment of knowledge networks improved government access to expertise, with networks on small business, spatial planning, the space economy and regional and local economic development.

The Department invested significant energies in improving capacity within the public sector and among social partners on matters related to the New Growth Path and employment creation, including a range of capacity building workshops at District level across three provinces, and value chain competitiveness workshops in four provinces.

EXPENDITURE:

Spending for Programme 4 for the year 2012/13 was R8,9 million or 71,5% from the adjusted programme budget of R12,6 million. Similarly to the expenditure pattern in Programme 2, the spending pattern in Programme 4 was slower than expected due to an evolving mandate and the concomitant slow pace of finding the appropriate candidates to fill vacant posts.

| Programme name | 2012/2013 | | | 2011/2012 | | |
|---------------------------------------------------|---------------------------|--------------------------|--------------------------------|---------------------------|--------------------------|--------------------------------|
| | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 |
| Economic Development and Dialogue | | | | | | |
| National Social Dialogue and Strategic Frameworks | 9,667 | 6,692 | 2,975 | 10,666 | 5,264 | 5,402 |
| Sector and Workplace Social Dialogue | 288 | - | 288 | 49 | 5 | 44 |
| Capacity Building for Economic Development | 1,521 | 1,521 | - | 671 | - | 671 |
| Productivity, Entrepreneurship and Innovation | 1,089 | 768 | 321 | 9,890 | 8,000 | 1,890 |
| Total | 12,565 | 8,981 | 3,584 | 21,276 | 13,269 | 8,007 |



2.5. SUMMARY OF FINANCIAL INFORMATION

2.5.1. DEPARTMENTAL RECEIPTS

The Departmental revenue collection for 2012/13 amounted to R670,861,000 compared with the R592,904,000 collected in 2011/12. Revenue is generated from fines and penalties imposed by the Competition Commission and confirmed by the

Competition Tribunal. Additional revenue is also received in the form of dividends payments from the IDC.

The table below provides a breakdown of sources of revenue.

| Departmental receipts | 2012/2013 | | | 2011/2012 | | |
|------------------------------------------------------|----------------|-------------------------|--------------------------|----------------|-------------------------|--------------------------|
| | Estimate | Actual Amount Collected | (Over)/Under Expenditure | Estimate | Actual Amount Collected | (Over)/Under Expenditure |
| Tax Receipts | | | | | | |
| Sale of goods and services other than capital assets | 0 | 21 | (21) | 0 | 16 | (16) |
| Transfers received | | | | | | |
| Fines, penalties and forfeits | 530,369 | 619,994 | (89,625) | 243,800 | 538,285 | (294,485) |
| Interest, dividends and rent on land | 50,000 | 50,106 | (106) | | 50,263 | (50,263) |
| Sale of capital assets | | | | | | |
| Financial transactions in assets and liabilities | | 1191 | (1,191) | | 4,340 | (4,340) |
| Total | 580,369 | 671,312 | (90,943) | 243,800 | 592,904 | (349,104) |

2.5.2. PROGRAMME EXPENDITURE

The budget allocation for the 2012/13 financial year was R696,5 million compared with R598,4 million in 2011/12. The expenditure for 2012/13 was R673,5 million, which is to say, 96,7% of the budget. In 2011/12 it stood at 96,5%, which is to say R577,6 million.

The spending pattern should be considered in the context of the main departmental cost driver, which comprises transfer payments. Approximately 79% of the expenditure consisted of transfers to the departmental agencies. The remaining funds were utilised for operational expenses. All the EDD transfer payments are disbursed via Programme 3: Economic Planning and Coordination. Programme 3 expended 97% of the adjusted budget. Under-expenditure occurred primarily in Programme 2: Economic Policy Development and Programme 4: Economic Development and Dialogue.

The total under-spending for the Department amounted to R23,01 million or 3,3% of the voted budget for the 2012/13 financial year.

The total amount in the requests for rollovers to the 2013/14 financial year came to R20,9 million. The reason for the bulk of the rollovers was mainly because of the delayed communication about the R30 million additional allocation for economic regulatory bodies. A comprehensive programme could, therefore, not be implemented to spend the entire budget by the end of the financial year. While National Treasury has indicated their support for the roll over, formal approvals for these requests are awaited from National Treasury.

The table below reflects expenditure by programme:

| Programme name | 2012/2013 | | | 2011/2012 | | |
|------------------------------------|---------------------------|--------------------------|--------------------------------|---------------------------|--------------------------|--------------------------------|
| | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 |
| Administration | 62,931 | 55,394 | 7,537 | 57,646 | 50,822 | 6,824 |
| Economic Policy Development | 19,197 | 11,575 | 7,622 | 16,160 | 12,498 | 3,662 |
| Economic Planning and Coordination | 601,825 | 597,523 | 4,302 | 503,277 | 501,013 | 2,264 |
| Social Dialogue | 12,565 | 8,981 | 3,584 | 21,276 | 13,269 | 8,007 |
| Total | 696,518 | 673,473 | 23,045 | 598,359 | 577,602 | 20,757 |

The table below reflects expenditure by sub-programme

| Sub Programme name | 2012/2013 | | | 2011/2012 | | |
|---------------------------------------------------|---------------------------|--------------------------|--------------------------------|---------------------------|--------------------------|--------------------------------|
| | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 |
| Ministry | 19,533 | 16,321 | 3,212 | 18,428 | 18,355 | 73 |
| Office of the Director General | 10,976 | 10,975 | 1 | 10,143 | 9,559 | 584 |
| General Management Services | 32,422 | 28,098 | 4,324 | 29,075 | 22,908 | 6,167 |
| Growth Path and Creation of Decent Work | 5,936 | 3,898 | 2,038 | 4,970 | 2,636 | 2,334 |
| Economic Policy | 9,262 | 7,677 | 1,585 | 10,443 | 9,568 | 875 |
| BBBEE | 3,317 | - | 3,317 | 673 | 294 | 379 |
| Second Economy | 682 | - | 682 | 74 | - | 74 |
| Spatial Sector and Planning | 40,388 | 40,188 | 200 | 11,185 | 10,881 | 304 |
| Economic Development Financing and Procurement | 3,727 | 1,840 | 1,887 | 7,402 | 7,402 | - |
| Investment for Economic Development | 306,421 | 305,099 | 1,322 | 270,504 | 270,504 | - |
| Competitiveness and Trade for Decent Work | 251,289 | 250,396 | 893 | 214,186 | 212,226 | 1,960 |
| National Social Dialogue and Strategic Frameworks | 9,667 | 6,692 | 2,975 | 10,666 | 5,264 | 5,402 |
| Sector and Workplace Social Dialogue | 288 | - | 288 | 49 | 5 | 44 |
| Capacity Building for Economic Development | 1,521 | 1,521 | - | 671 | - | 671 |
| Productivity, Entrepreneurship and Innovation | 1,089 | 768 | 321 | 9,890 | 8,000 | 1,890 |
| Total | 696,518 | 673,473 | 23,045 | 598,359 | 577,602 | 20,757 |

2.5.3. TRANSFER PAYMENTS (EXCLUDING PUBLIC ENTITIES)

All organisations that received transfer payments from the EDD complied with s38 of the PFMA. The necessary checks and balances have been incorporated to

ensure that money is used effectively for its intended purposes. Funds for these projects were secured by virements approved by National Treasury.

2.5.4. PUBLIC ENTITIES

All entities reporting to the Minister provided the EDD with the necessary s38 (PFMA) assurances, that they have efficient, effective and transparent systems

for financial and risk management and internal control in place before transfers were paid. All budgeted transfers to entities for the period 1 April 2011 to 31 March 2012 were affected.

| Name of Public Entity | Service rendered by the Public Entity | Amount transferred to Public Entity | Amount spent by Public Entity (R'000) | Achievements of Public Entity |
|------------------------|---------------------------------------|-------------------------------------|---------------------------------------|-------------------------------|
| Competition Commission | Implements competition policy | R157,2 million | R157,2 million | Please refer below. |
| Competition Tribunal | Adjudicates competition matters | R15,8 million | R15,8 million | |
| ITAC | Administers international trade | R74,4 million | R73,1 million | |
| IDC | Development finance institution | R109 million | R75,1 million | |
| Sefa | Development finance institution | R171, 3million | R171, 3 million | |

Achievements of the Public Entities:

- The Competition Commission finalized 327 mergers in the 2012/13 financial year as opposed to 283 in the previous year; this represents an increase of 15,5%.
- The Competition Tribunal issued 124 orders in 2012/13 as opposed to 149 in 2011/12; however, penalties levied increased to R731,470 807 in the current year, from R548,491 066 – an increase in excess of 33%.
- Significant progress was made with regard to the development of regulations and guidelines for the new Automotive Production Development Programme (APDP), ITAC investigated 55 cases for tariff amendments, and issued 14 977 import permits and 6 926 export permits, mainly for machinery and mechanical appliances.
- IDC approved funding to the value of R13,1 billion in the 2012/13 financial year. This is slightly lower than the R13,5 billion committed in 2011/12, but still significantly higher than in previous years. The higher level of new funding commitment is translating into higher levels of funding disbursements as project implementation has commenced.
- During the year, **sefa** approved R146 million through direct lending channels and R293 million in wholesale lending channels, while it disbursed R41million in direct lending and R159 million in wholesale funding. During the year under review, **sefa** data show that 53 720 jobs were created/maintained and 47 126 SMMES were funded.

MONITORING SYSTEMS AND FEEDBACK

Entities report to the EDD on a quarterly basis against their APPs, which are interrogated in terms of performance indicators, as well as financial projections. Difficulties identified in the quarterly reports of entities are discussed in a formal quarterly meeting with entities, which is chaired by the Director General.

2.5.5. DIVISION OF REVENUE ACT

In terms of the Division of Revenue Act, the EDD does not disburse money to any provinces, and no conditional grants and earmarked funds were paid or received by the EDD.

2.5.6. DONOR FUNDING

The Employment Creation Fund (ECF) was launched in 2009 by the Government of South Africa, the European Commission and the United Kingdom's Department for International Development. The funds available are to support activities of the Economic Cluster and to enhance the government's ability to address issues such as poverty alleviation and quality job creation, as well as projects with potentially large employment prospects, which could not be financed through the fiscus because of the risks they entailed.

During 2011/12, the EDD concluded a MoU with the ECF to provide funding to the PhytoEnergy project. Of the R39 million committed to this project, R28 million was received in 2011/12. In 2012/13,

the Department received the outstanding balance of R11 million from ECF to disburse to the PhytoEnergy Biofuels Refinery and Integrated Canola Farming project.

The EDD collaborated with **the dti** on behalf of the ECF to grant funding to the Western Cape Furniture Initiative in support of the project that will enhance employment in the furniture industry through the interventions of skills development, and to increase cooperation between the manufacturers through cluster development in

the Western Cape. The funding totals R4 352 600. The strategic objective of the project is to increase skills and productivity, especially for workers with only basic education, who can gain artisanal skills in furniture-making and to promote domestic manufacturing. The project is further aimed at supporting employment creation by improving the competitiveness and sustainability of the furniture industry. Training for the cluster programme will commence in June 2013.

PHYTOENERGY PROJECT

| | |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of donor | Employment Creation Fund (ECF) |
| Full amount of the funding | R39 million in total; R28 million was received in 2011/12 and R11 million in 2012/13 |
| Period of the commitment | Funding commitment from 1 September 2011 to 1 June 2012. (The project MoU is valid for three years, or until completion of the project, whichever comes first.) |
| Purpose of the funding | PhytoEnergy Biofuels Refinery and Integrated Canola Farming project |
| Expected outputs | Basic engineering of biodiesel refinery (package of studies, calculations and reports); Intermediate Environmental Impact Assessment of the refinery; survey of infrastructure, geological and soil testing and preparation for construction (package of studies, calculations and reports); preparation of necessary documentation for production license, SA legal procedures and identification and support of emerging and commercial farmers to match the future demands of the plant/refinery requirements. |
| Actual outputs achieved | Yes |
| Amount received (R'000) | R11 million in 2012/13 |
| Amount spent by the department (R'000) | Transferred to project |
| Reasons for the funds unspent | n/a |
| Monitoring mechanism by the donor | Monthly reporting relating to the utilisation of the funding |

FURNITURE INITIATIVE

| | |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of donor | Employment Creation Fund (ECF) |
| Full amount of the funding | R4 809 600 |
| 1 st Tranche Payment as per activity plan | R2 650 600 |
| Period of the commitment | The project MoU is valid for 3 years, or until completion of the project |
| Purpose of the funding | The strategic objectives of the project are: 1) to increase skills and productivity, especially amongst workers with only basic education, and who can gain artisanal skills in furniture-making; and 2) to promote domestic furniture manufacturing. The project is further aimed at supporting employment creation, by improving competitiveness and sustainability of the furniture industry. |
| Expected outputs | <ul style="list-style-type: none"> • A report on key skills shortages in the furniture industry; • 200 workers trained on the model; and • Establishment of a cluster |
| Actual outputs achieved | <ul style="list-style-type: none"> • An industry skills needs survey has been completed; and • A training model has been finalised |
| Amount received (R'000) | R2,6 million received and transferred to Western Cape Furniture |
| Amount spent by the department | n/a. Western Cape Furniture has spent R176 909 |
| Reasons for the funds unspent | The bulk of funds were due to be disbursed from June 2013, when the roll out of the programme started. Key reasons for the low expenditure are as follows: the first tranche payment was disbursed only in October 2012; and during December and January, when decreased activity takes place in the production and manufacturing sectors, as a result of year-end closure. |
| Monitoring mechanism by the donor | Submission of quarterly reports and <i>ad hoc</i> visits by the donor to the beneficiary |

2.5.7. CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

The Department's register has a net increase of R1,997 million. The net increase is comprised of new acquisitions amounting to R1,806 million; fair valuation of assets that were previously recorded at R1 amounting to R576 000, donations received

valued at R32 000. The total disposals amounted to R531 000.

The Department conducts quarterly asset verifications and discrepancies are updated as and when they are identified. Losses are reported within 24 hours to the Asset Management team and the South African Police Services.

All assets, with the exception of eight (2,13%) printers out of 376 are in good condition. The faulty printers are being decommissioned.

| Infrastructure Projects | 2012/2013 | | | 2011/2012 | | |
|----------------------------|---------------------------|--------------------------|--------------------------------|---------------------------|--------------------------|--------------------------------|
| | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 | Final Appropriation R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 |
| New and replacement assets | 5,506 | 1,806 | 3,700 | 6,495 | 1,299 | 5,196 |
| Total | 5,506 | 1,806 | 3,700 | 6,495 | 1,299 | 5,196 |

PART C: GOVERNANCE



3.1. INTRODUCTION

The Accounting Officer is responsible for the governance of the Department and is actively involved in the various governance structures.

In compliance with Section 38 of the PFMA, the Department submitted monthly financial and in-year monitoring reports, on time, to National Treasury during 2012/13.

In this period, the EDD strove to improve existing policies and procedures, to become more transparent, economical and effective in the use of its budget. Considerable effort was expended to decrease the potential risks, with the assistance of Internal Audit under the guidance of the Audit Committee. Focus has been on ensuring that Branch management and staff become more accountable for minimising risks within areas of their control. Steps were also taken to prevent unauthorised expenditure and irregular, fruitless and wasteful expenditure, as well as losses resulting from criminal conduct.

To ensure that reporting becomes more integrated, regular EXCO and MANCO meetings are held to discuss future plans, performance, and risk management, to name but a few items. A system of monthly reporting and review of performance and budget expenditure has been instituted.

To reduce the reliance on the dti, the EDD has also prioritised the development of an ICT Strategy or Master Information Systems Plan in 2013/14 to identify the management information system needs, manage IT more cost effectively, protect and manage information, safeguard IT assets, improve disaster recovery procedures and contribute to operation continuity processes.

The establishment of the collective bargaining and consultative structure in March 2012 allowed the Department to facilitate the transfer of staff from the merger of Khula, samaf and the IDC small-book loan to the newly formed entity, **sefa**. The formation of this structure should prevent the escalation of labour issues and allow for a sustained healthy work environment.

Below, brief explanations are provided to highlight steps taken to improve the governance environment within the EDD and to provide the necessary risk assurance to the Executing Authority.

3.2. RISK MANAGEMENT

During the year under review, a strategic risk assessment was conducted with managers to identify, assess and develop plans to address significant risks that could negatively affect the achievement of the Department's set objectives.

EXCO has been tasked with managing the risk management process, including assessing the Department's risks and implementing appropriate risk management strategies. In line with the risk assessment, an Enterprise-Wide Risk Management Strategy and Policy was developed and approved. This will be implemented and reviewed in 2013/14. While management is tasked with risk mitigation on an on-going basis, all employees in the Department are required to participate in risk management processes.

3.3. FRAUD AND CORRUPTION

A fraud and corruption risk identification and assessment exercise recognised fraud and corruption risk exposure specific to the Department. These fraud and corruption risks were documented in a Fraud Risk Register with appropriate controls for each risk. On this basis, an Anti-Fraud and Corruption Strategy and Policy have been developed. The Department subscribes to the National Anti-Corruption Hotline, where matters of fraud and corruption against the Department can be reported confidentially by any member of staff or the public.

In line with the Public Sector Anti-Corruption Strategy, which emphasises the need for comprehensive fraud and corruption prevention measures as the first line of defence against corruption, the EXCO owns the anti-fraud responsibility. Matters related to fraud prevention were considered as part of the standing item on Risk Management at management meetings.

Members of the Audit Committee provide an anti-fraud oversight role, whilst internal audit serves as a critical line of defence against the threat of fraud, by focusing on risk-monitoring, fraud prevention and detection.

3.4. MINIMISING CONFLICT OF INTEREST

When commencing employment at the EDD, all employees are required to complete a conflict of interest register, which is lodged with the Public Service Commission. In addition, all employees are also required to complete a financial disclosure form and sign a code of conduct, which clearly states that staff must recuse themselves from any decision or action that may result in improper personal gain.

Employees involved in tender adjudicating committees must complete a declaration of interest and a confidentiality form at each sitting. Should any employee be found guilty of abusing their position for financial gain, steps will be taken to recover funds, and employment could be terminated if an individual is found guilty of convening the above.

3.5. CODE OF CONDUCT

All employees are required to sign a code of conduct form when they join the Department. In so doing, they pledge to:

- deal professionally and equitably with all stakeholders irrespective of colour, gender or creed;
- be honest, transparent and cost-effective and professional in all interactions with internal and external stakeholders;
- honour confidential information;
- provide honest and impartial advice, based on available and relevant information; and
- report to the appropriate authorities all incidences of fraud, corruption, nepotism, and maladministration transpiring in the workplace.

Depending on the offence committed by a staff member, recourse could range from an internal disciplinary action which could lead to the termination of employment.

3.6. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The Department participates in the **dti** Campus health and safety programme. Programmes include regular occupational health and safety inspections.

The EDD remains a tenant on the **dti** campus and adheres to the waste management requirements of the landlord. The Department has yet to develop a departmental specific programme and policy related to recycling, managing electricity consumption and the re-use of equipment.

3.7. INTERNAL CONTROL UNIT

The Internal Audit Unit focuses mainly on providing assurances and advice on matters pertaining to governance, risk management and control processes, and reports to the Audit Committee on a quarterly basis.

An annual audit plan approved by the Audit Committee was developed from a risk assessment. The capacity of the Internal Audit was built over the financial year, with a full complement of staff by the end of the year. In addition, a co-sourced capacity was procured to enable completion of the internal audit coverage plan. Audit reviews including regulatory and follow-up reviews were performed in accordance with the plan. Internal Audit also provides secretarial services to the Audit Committee.

With regard to the management of risk and the prevention of fraud, the Internal Audit function ensured that a risk register and mitigation plan were developed and monitored at EXCO meetings.



PART D: HUMAN RESOURCE MANAGEMENT



4.1. LEGISLATION THAT GOVERNS HUMAN RESOURCE MANAGEMENT

The statistics and information published in the Human Resources Management part of the Annual Report are required in terms of Chapter 1, Part III J.3 of the Public Service Regulations, 2002 and have been prescribed by the Minister for the Public Service and Administration for all departments within the Public Service.

4.2. OVERVIEW

At the inception of the Department in 2009, 265 posts were approved for the EDD after consultation with DPSA. Posts were filled yearly on an incremental basis since the organisational structure was only partially funded. A staff target complement of 142 funded posts was envisaged at the end of the financial year 2012/13. On 31 March 2013, 139 posts were filled, of which 98 were permanent posts, and 41 were filled on contracts.

A human resource planning strategy, to fill 166 funded posts over the Medium Term Strategic Framework period from, 2011 to 2015, was developed and approved. The annual targets (for funded posts) for these periods were 129 in 2011/12, expanding to 142, 166, 166, and 166 respectively over the MTSF period. In 2012 a transitional organisational structure was approved for implementation in 2013/14, which is currently under review.

The implementation of the recruitment strategy was prioritized to enable the Department to achieve the targets listed in its Strategic and Annual Performance Plans. Branches were consulted to provide inputs to fill key posts on the approved organisational structure. Efforts to recruit for these posts were intensified and resulted in a vacancy rate of 2.1%.

The EDD encountered difficulty in attracting staff with specialised and critical skills, and employing women in senior management positions. While the target for employing women in senior management positions was 50%, The EDD achieved 45% of the target. The target of 2% for appointment of persons with disabilities was achieved.

Executive search companies were tasked to enhance recruitment efforts to find suitable candidates for senior management positions. Staff were successfully recruited to fulfill a range of functions for the PICC. The recruitment drive included secondments from institutions with the required expertise.

In response to the President's call to focus on the employment of youth, within the EDD the core of our staff is comprised of youth with ages ranging from 20 to 35. In addition, 11 young unemployed graduates were recruited on a year-long Internship Programme.

The Department continued with training programmes, including the induction of newly-appointed employees. A workplace skills plan was developed and submitted to the Public Service SETA and is monitored on a monthly basis. The collective bargaining and consultative structure (the EDD bargaining chamber) was fully functional to maintain labour relations, and provided consultation on the transfer of samaf employees to **sefa**.

In the merger of Khula, samaf and the IDC small loans book, the transfer of staff to the newly-created organisation, **sefa**, was prioritised. The establishment of the Departmental Bargaining Chamber in March of 2012, which represented the interests of staff in all negotiations, assisted in this achievement.

The Employee Assistance Programme was implemented and rendered 24-hour support services to all the EDD employees and their family members. Through the Health Promotion Programme, the HIV/AIDS Counseling and Testing Campaigns were conducted in partnership with GEMS.

In 2012/13 reporting period, the Performance Management and Development System (PMDS) was implemented. Performance agreements were received for all employees and the DG's performance agreement was submitted to the Public Service Commission. Quarterly and annual SMS assessments were conducted and the annual assessments of non-SMS staff who qualified for evaluation were moderated. The Department experienced some delays in the moderation of the performance assessments of SMS members because of the difficulty of convening a panel. A moderating panel consisting of two DDGs from other departments and one from the EDD moderated the performance assessments.

At the inception of the EDD, the Department adopted the **dti** policies as part of the Memorandum of Understanding between the two departments.

Since then, 14 policies were developed and approved in the 2012/13 reporting period. The list of issues is as follows:

Internship; Session Assistance; Smoking; Working hours; Resettlement; Disability; Employee Wellness; Recruitment; Retention; Job Evaluation; Overtime; Conflict of interest; Whistle Blowing; Secondment; Scholarship

The Human Resources component strives to be a strategic partner in achieving the strategic goals of the Department and by promoting the Batho Pele principles of government.

4.3. HUMAN RESOURCE OVERSIGHT STATISTICS

4.3.1. PERSONNEL-RELATED EXPENDITURE

The following tables summarise the final audited personnel-related expenditure by programme and by salary bands. In particular, it provides an indication of the following:

- amount spent on personnel; and
- amount spent on salaries, overtime, homeowner's allowances and medical aid.

TABLE 4.3.1.1 – PERSONNEL EXPENDITURE BY PROGRAMME

| Programme | Total Expenditure (R'000) | Personnel Expenditure (R'000) | Training Expenditure (R'000) | Professional and Special Services (R'000) | Personnel cost as a percent of total expenditure | Average personnel cost per employee (R'000) |
|-----------------------------------|---------------------------|-------------------------------|------------------------------|-------------------------------------------|--------------------------------------------------|---------------------------------------------|
| Administration | 55,394 | 30,885 | 250 | 801 | 4,6 | 260 |
| Economic Policy | 11,575 | 7,696 | 28 | 579 | 1,1 | 65 |
| Economic Planning | 597,523 | 17,442 | 55 | 171 | 2,6 | 147 |
| Economic Development and Dialogue | 8,981 | 6,051 | 25 | 0 | 0,9 | 51 |
| Total | 673,473 | 62,074 | 358 | 1,551 | 9,2 | 523 |

TABLE 4.3.1.2 – PERSONNEL COSTS BY SALARY BAND

| Salary bands | Personnel Expenditure (R'000) | % of total personnel cost | Average personnel cost per employee (R'000) |
|------------------------------------------|-------------------------------|---------------------------|---------------------------------------------|
| Skilled (Levels 3-5) | 790 | 1,3 | 131,667 |
| Highly skilled production (Levels 6-8) | 5,565 | 8,9 | 214,038 |
| Highly skilled supervision (Levels 9-12) | 7,980 | 12,8 | 346,957 |
| Senior management (Levels 13-16) | 24,862 | 40,0 | 887,929 |
| Contract (Levels 3-5) | 575 | 0,9 | 143,750 |
| Contract (Levels 6-8) | 380 | 0,6 | 380,000 |
| Contract (Levels 9-12) | 14,829 | 23,9 | 617,875 |
| Contract (Levels 13-16) | 6,504 | 10,5 | 929,143 |
| Periodical remuneration | 286 | 0,5 | 57,200 |
| Abnormal appointment | 401 | 0,6 | 36,455 |
| Total | 62,172 | 100,0 | 460,533 |

TABLE 4.3.1.3 – SALARIES, OVERTIME, HOME OWNERS ALLOWANCE AND MEDICAL AID BY PROGRAMME

| Programme | Salaries | | Overtime | | Home Owners Allowance | | Medical Assistance | |
|------------------------------------|----------------|-----------------------------------|----------------|-----------------------------------|-----------------------|------------------------------|--------------------|---------------------------------------------|
| | Amount (R'000) | Salaries as a % of personnel cost | Amount (R'000) | Overtime as a % of personnel cost | Amount (R'000) | HOA as a % of personnel cost | Amount (R'000) | Medical Assistance as a % of personnel cost |
| Administration | 20,236 | 65,5 | 347 | 1,1 | 452 | 1,5 | 663 | 2,2 |
| Economic Policy Development | 5,073 | 65,9 | 115 | 1,5 | 11 | 0,1 | 53 | 0,5 |
| Economic planning and coordination | 12,171 | 69,8 | 62 | 0,4 | 26 | 0,2 | 231 | 1,3 |
| Economic Development and Dialogue | 4,128 | 68,2 | 34 | 0,6 | 3 | 0,1 | 53 | 0,9 |
| Total | 41,608 | 67,0 | 558 | 0,9 | 492 | 0,8 | 984 | 1,6 |

TABLE 4.3.1.4 – SALARIES, OVERTIME, HOME OWNER'S ALLOWANCE AND MEDICAL AID BY SALARY BAND

| Salary Bands | Salaries | | Overtime | | Home Owners Allowance | | Medical Assistance | |
|------------------------------------------|----------------|-----------------------------------|----------------|-----------------------------------|-----------------------|------------------------------|--------------------|---------------------------------------------|
| | Amount (R'000) | Salaries as a % of personnel cost | Amount (R'000) | Overtime as a % of personnel cost | Amount (R'000) | HOA as a % of personnel cost | Amount (R'000) | Medical Assistance as a % of personnel cost |
| Skilled (Levels 3-5) | 541 | 68,5 | 16 | 2,0 | 52 | 6,6 | 55 | 7,0 |
| Highly skilled production (Levels 6-8) | 3,247 | 58,4 | 133 | 2,4 | 250 | 4,5 | 275 | 4,9 |
| Highly skilled supervision (Levels 9-12) | 6,058 | 75,9 | 82 | 1,0 | 40 | 0,5 | 233 | 2,9 |
| Senior management (Levels 13-16) | 15,235 | 61,3 | 0 | 0 | 150 | 0,6 | 361 | 1,5 |
| Contract (Levels 3-5) | 525 | 91,3 | 7 | 1,2 | 0 | 0 | 0 | 0 |
| Contract (Levels 6-8) | 368 | 96,8 | 113 | 29,7 | 0 | 0 | 0 | 0 |
| Contract (Levels 9-12) | 10,312 | 69,5 | 207 | 1,4 | 0 | 0 | 60 | 0,4 |
| Contract (Levels 13-16) | 5,322 | 81,8 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 41,608 | 67,7 | 558 | 0,9 | 492 | 0,8 | 984 | 1,6 |

4.3.2. EMPLOYMENT AND VACANCIES

The tables in this section summarise the position with regard to employment and vacancies. The following tables summarise the number of posts in the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables:

- programme
- salary band
- critical occupations

In terms of current regulations, it is possible to create a post on the establishment that can be occupied by more than one employee. Therefore, the vacancy rate reflects the percentage of posts that are not filled.

TABLE 4.3.2.1 – EMPLOYMENT AND VACANCIES BY PROGRAMME

| Programme | Number of posts on the establishment | Number of posts filled | Vacancy rate excluding post additional to the establishment | Number of employees additional to the establishment | Vacancy rate including posts filled and posts additional to the establishment |
|-------------------------------------|--------------------------------------|------------------------|-------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------|
| Administration | 62 | 73 | -17,7 | 3 | -22,6 |
| Economic Policy Development | 26 | 14 | 46,2 | 0 | 46,2 |
| Economic Planning and Co-ordination | 38 | 38 | 0,0 | 0 | 0,0 |
| Economic Development and Dialogue | 16 | 11 | 31,3 | 0 | 31,3 |
| Total | 142 | 136 | 4,2 | 3 | 2,1 |

By the 31 March 2013, 131 officials had been appointed and a further eight had accepted offers of employment from the Department.

TABLE 4.3.2.2 – EMPLOYMENT AND VACANCIES BY SALARY BAND

| Salary band | Number of posts in the establishment | Number of posts filled | Vacancy rate excluding post additional to the establishment | Number of employees additional to the establishment | Vacancy rate including posts filled and posts additional to the establishment |
|----------------------------------------------------|--------------------------------------|------------------------|-------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------|
| Skilled (Levels 3-5) | 8 | 8 | 0 | 0 | 0 |
| Highly skilled production (Levels 6-8) | 29 | 28 | 3,5 | 0 | 3,5 |
| Highly skilled supervision (Levels 9-12) permanent | 25 | 28 | -12,0 | 0 | -12,0 |
| Senior management (Levels 13-16) | 39 | 33 | 15,4 | 0 | 15,4 |
| Contract (Levels 3-5) | 2 | 0 | 100 | 3 | -50,0 |
| Contract (Levels 6-8) | 3 | 3 | 0 | 0 | 0 |
| Contract (Levels 9-12) | 22 | 21 | 4,6 | 0 | 4,6 |
| Contract (Levels 13-16) | 14 | 15 | -7,1 | 0 | -7,1 |
| Total | 142 | 136 | 4,2 | 3 | 2,1 |

By the 31 March 2013, 131 officials had been appointed and a further eight had accepted offers of employment from the Department.

TABLE 4.3.2.3 – EMPLOYMENT AND VACANCIES BY CRITICAL OCCUPATIONS

| Critical occupation | Number of posts in the establishment | Number of posts filled | Vacancy rate excluding post additional to the establishment | Number of employees additional to the establishment | Vacancy rate including posts filled and posts additional to the establishment |
|-----------------------------------------------|--------------------------------------|------------------------|-------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------|
| Administrative Related | 35 | 26 | 25,7 | 3 | 17,1 |
| Financial and Related Professionals | 16 | 18 | 12,5 | 0 | 12,5 |
| Head of Department/ Chief Executive Officer | 3 | 2 | 33,3 | 0 | 33,3 |
| Human Resources Clerks | 8 | 11 | -37,5 | 0 | -37,5 |
| Human Resources Related | 4 | 4 | 0 | 0 | 0 |
| Information Technology | 2 | 4 | -100 | 0 | -100 |
| Legal Services | 1 | 1 | 0 | 0 | 0 |
| Messenger Services | 3 | 3 | 0 | 0 | 0 |
| Secretaries & Other Keyboard Operating Clerks | 5 | 3 | 40,0 | 0 | 40,0 |
| Senior Managers | 20 | 18 | 10,0 | 0 | 10,0 |
| Economists & Other Related Professionals | 45 | 46 | -2,2 | 0 | -2,2 |
| Total | 142 | 136 | 4,2 | 3 | 2,1 |

As the EDD is still relatively new, it utilized posts according to need and not necessarily according to the post establishment. By the 31 March 2013, 131 officials had been appointed and a further eight had accepted offers of employment from the Department.

4.3.3. JOB EVALUATION

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations, all vacancies on salary levels 9 and higher must be evaluated before they are filled. The following table

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

TABLE 4.3.3.1 – JOB EVALUATION BY SALARY BAND

| Salary band | No. of posts on the establishment | No. of Jobs Evaluated | % of posts evaluated by salary bands | Posts Upgraded | | Posts downgraded | |
|------------------------------------------|-----------------------------------|-----------------------|--------------------------------------|----------------|----------------------|------------------|----------------------|
| | | | | No. | % of posts evaluated | No. | % of posts evaluated |
| Skilled (levels 3-5) | 8 | 0 | 0 | 0 | 0 | 0 | 0 |
| Highly skilled production (Levels 6-8) | 32 | 0 | 0 | 0 | 0 | 0 | 0 |
| Highly skilled supervision (Levels 9-12) | 32 | 9 | 28,13 | 0 | 0 | 0 | 0 |
| Senior Mgt Service Band A | 29 | 8 | 27,59 | 0 | 0 | 0 | 0 |
| Senior Mgt Service Band B | 35 | 13 | 37,14 | 0 | 0 | 0 | 0 |
| Senior Mgt Service Band C | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Mgt Service Band D | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 142 | 30 | 21,13 | 0 | 0 | 0 | 0 |

The following table provides a summary of the number of employees whose positions were upgraded due to their posts being upgraded. The number of employees might differ from the number

of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

TABLE 4.3.3.2 – PROFILE OF UGRADED POSITIONS DUE TO POSTS BEING UGRADED

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

The following table summarises the number of cases where remuneration bands exceeded the

grade determined by job evaluation. Reasons for the deviation are provided in each case.

TABLE 4.3.3.3 - EMPLOYEES WITH SALARY LEVELS HIGHER THAN THOSE DETERMINED BY JOB EVALUATION BY OCCUPATION

| Occupation | Number of employees | Job evaluation level | Remuneration level | Reason for deviation |
|------------------------------|---------------------|----------------------|--------------------|----------------------|
| | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| Percentage of total employed | | | | |

TABLE 4.3.3.4 PROFILE OF EMPLOYEES WHO HAVE SALARY LEVELS HIGHER THAN THOSE DETERMINED BY JOB EVALUATION

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

| | |
|-------------------------------------------------------------------------------------------------------|------|
| Total Number of Employees whose salaries exceeded the grades determined by job evaluation in 2012/ 13 | None |
|-------------------------------------------------------------------------------------------------------|------|

4.3.4. EMPLOYMENT CHANGES

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment

profile of the Department. The following tables provide a summary of turnover rates by salary band and critical occupations.

TABLE 4.3.4.1 – ANNUAL TURNOVER RATES BY SALARY BAND

| Salary Band | Number of employees at beginning of period April 2012 | Appointments and transfers into the Department | Terminations and transfers out of the Department | Turnover rate |
|------------------------------------------|-------------------------------------------------------|------------------------------------------------|--------------------------------------------------|---------------|
| Skilled (Levels 3-5) | 6 | 5 | 0 | 0 |
| Highly skilled production (Levels 6-8) | 24 | 5 | 3 | 12.5 |
| Highly skilled supervision (Levels 9-12) | 15 | 8 | 1 | 6.7 |
| Senior Management Service Band A | 9 | 5 | 1 | 11.1 |
| Senior Management Service Band B | 13 | 4 | 2 | 15.4 |
| Senior Management Service Band C | 1 | 1 | 0 | 0 |
| Senior Management Service Band D | 0 | 1 | 0 | 0 |
| Contract (Levels 3-5) | 2 | 1 | 0 | 0 |
| Contract (Levels 6-8) | 4 | 1 | 0 | 0 |
| Contract (Levels 9-12) | 30 | 6 | 5 | 16.7 |
| Contract (Band A) | 2 | 5 | 0 | 0 |
| Contract (Band B) | 8 | 8 | 4 | 50.0 |
| Contract (Band C) | 0 | 0 | 0 | 0 |
| Contract (Band D) | 1 | 1 | 0 | 0 |
| Total | 115 | 51 | 16 | 13.9 |

TABLE 4.3.4.2 – ANNUAL TURNOVER RATES BY CRITICAL OCCUPATION

| Occupation | Number of employees at beginning of period April 2012 | Appointments and transfers into the Department | Terminations and transfers out of the Department | Turnover rate |
|-----------------------------------------------|-------------------------------------------------------|------------------------------------------------|--------------------------------------------------|---------------|
| Administrative related | 30 | 14 | 5 | 16,7 |
| Financial and related professionals | 13 | 0 | 1 | 7,69 |
| Head of Department/ Executive Management | 1 | 1 | 1 | 100 |
| Human Resources clerks | 7 | 4 | 2 | 28,57 |
| Human resources related | 6 | 0 | 1 | 16,67 |
| Information technology related | 3 | 2 | 0 | 0 |
| Other admin & related clerks and organisers | 2 | 1 | 0 | 0 |
| Secretaries & other keyboard operating clerks | 5 | 4 | 0 | 0 |
| Senior managers | 11 | 10 | 3 | 27,27 |
| Economist & other related professionals | 37 | 15 | 4 | 10,81 |
| Total | 115 | 51 | 16 | 13,91 |

The table below identifies the major reasons why staff left the Department.

TABLE 4.3.4.3 – REASONS WHY STAFF LEFT THE DEPARTMENT

| Termination Type | Number | % of Total Resignations |
|---------------------------------------------------------------------------------|-----------|-------------------------|
| Death | 1 | 6,3 |
| Resignation | 6 | 37,5 |
| Expiry of contract | 6 | 37,5 |
| Dismissal – operational changes | 0 | 0 |
| Dismissal – misconduct | 0 | 0 |
| Dismissal – inefficiency | 0 | 0 |
| Discharged due to ill-health | 0 | 0 |
| Retirement | 0 | 0 |
| Transfer to other Public Service Departments | 3 | 15,8 |
| Total | 16 | 100 |
| Total number of employees who left as percentage of the total employment | | 13,7 |

TABLE 4.3.4.4 – PROMOTIONS BY CRITICAL OCCUPATION

| Occupation | Employees 1 April 2012 | Promotions to another salary level | Salary level promotions as a % of employees by occupation | Progressions to another notch within a salary level | Notch progressions as a % of employees by occupation |
|-----------------------------------------------|------------------------|------------------------------------|-----------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------|
| Administrative related | 30 | 4 | 13,3 | 13 | 43,3 |
| Financial and related professionals | 13 | 0 | 0 | 7 | 53,9 |
| Human Resources clerks | 7 | 1 | 14,3 | 5 | 71,4 |
| Human resources related | 6 | 0 | 0 | 4 | 66,7 |
| Information Technology related | 3 | 0 | 0 | 1 | 33,3 |
| Messenger | 2 | 0 | 0 | 2 | 100,0 |
| Secretaries & other keyboard operating clerks | 5 | 0 | 0 | 0 | 0 |
| Senior managers | 11 | 1 | 9,1 | 1 | 9,1 |
| Head of Department / Chief Executive Officer | 1 | 0 | 0 | 0 | 0 |
| Economist & other related professionals | 37 | 2 | 5,4 | 2 | 5,4 |
| Total | 115 | 8 | 7,0 | 35 | 30,4 |

TABLE 4.3.4.5 – PROMOTIONS BY SALARY BAND

| Salary Band | Employees 1 April 2012 | Promotions to another salary level | Salary bands promotions as a % of employees by salary level | Progressions to another notch within a salary level | Notch progressions as a % of employees by salary band |
|------------------------------------------|------------------------|------------------------------------|-------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Skilled (Levels 3-5) | 8 | 1 | 12,5 | 3 | 37,5 |
| Highly skilled production (Levels 6-8) | 28 | 2 | 7,1 | 15 | 53,6 |
| Highly skilled supervision (Levels 9-12) | 45 | 2 | 4,4 | 16 | 35,6 |
| Senior management (Levels 13-16) | 34 | 3 | 8,8 | 1 | 2,9 |
| Total | 115 | 8 | 7,0 | 35 | 30,4 |

4.3.5. EMPLOYMENT EQUITY

TABLE 4.3.5.1 TOTAL NUMBER OF EMPLOYEES (INCLUDING EMPLOYEES WITH DISABILITIES) IN EACH OF THE FOLLOWING OCCUPATIONAL CATEGORIES AS ON 31 MARCH 2013

| Occu- pational category | Male | | | | Female | | | | Total |
|-----------------------------------------------------|-----------|----------|----------|----------|-----------|----------|----------|----------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Legislators, senior officials and managers | 17 | 2 | 4 | 5 | 10 | 2 | 1 | 7 | 48 |
| Professionals | 17 | 0 | 0 | 1 | 25 | 4 | 1 | 1 | 49 |
| Technicians and associate professionals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Clerks | 11 | 1 | 0 | 0 | 28 | 1 | 0 | 1 | 42 |
| Service and sales workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled agriculture and fishery workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Craft and related trades workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plant and machine operators and assemblers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Elementary occupations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 45 | 3 | 4 | 6 | 63 | 7 | 2 | 9 | 139 |
| Employees with disabilities | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 2 |

TABLE 4.3.5.2 TOTAL NUMBER OF EMPLOYEES (INCLUDING EMPLOYEES WITH DISABILITIES) IN EACH OF THE FOLLOWING OCCUPATIONAL BANDS AS ON 31 MARCH 2013

| Occupational Band | Male | | | | Female | | | | Total |
|------------------------------------------------------------------------------------------------------------------|-----------|----------|----------|----------|-----------|----------|----------|----------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top Management (L15-L16) | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 2 | 3 |
| Senior Management (L13-14) | 17 | 2 | 3 | 5 | 10 | 2 | 1 | 5 | 45 |
| Professionally qualified and experienced specialists and mid-management | 11 | 0 | 0 | 1 | 20 | 2 | 1 | 1 | 36 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendent | 6 | 0 | 0 | 0 | 5 | 2 | 0 | 0 | 13 |
| Semi-skilled and discretionary decision-making | 11 | 1 | 0 | 0 | 28 | 1 | 0 | 1 | 42 |
| Total | 45 | 3 | 4 | 6 | 63 | 7 | 2 | 9 | 139 |

TABLE 4.3.5.3 – RECRUITMENT

| Occupational Band | Male | | | | Female | | | | Total |
|-------------------------------------------------------------------------------------------------------------------|-----------|----------|----------|----------|-----------|----------|----------|----------|-----------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Senior Management | 6 | 2 | 1 | 0 | 6 | 2 | 1 | 4 | 22 |
| Professionally qualified and experienced specialists and mid-management | 8 | 0 | 1 | 0 | 8 | 0 | 1 | 0 | 18 |
| Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled and discretionary decision making | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled and defined decision making | 3 | 0 | 0 | 0 | 8 | 0 | 0 | 0 | 11 |
| Total | 17 | 2 | 2 | 0 | 22 | 2 | 2 | 5 | 52 |
| Employees with disabilities | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |

4.3.5.4 – PROMOTIONS

| Occupational Band | Male | | | | Female | | | | Total |
|-------------------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Senior Management | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 2 |
| Professionally qualified and experienced specialists and mid-management | 1 | 0 | 0 | 0 | 3 | 0 | 0 | 1 | 5 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 2 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 3 |
| Semi-skilled and discretionary decision-making | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| Unskilled and defined decision making | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Total | 5 | 0 | 0 | 0 | 5 | 0 | 0 | 3 | 13 |
| Employees with disabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

TABLE 4.3.5.5 – TERMINATIONS

| Occupational Band | Male | | | | Female | | | | Total |
|-------------------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 3 | 0 | 1 | 2 | 2 | 0 | 0 | 2 | 10 |
| Professionally qualified and experienced specialists and mid-management | 2 | 0 | 0 | 0 | 3 | 0 | 0 | 1 | 6 |
| Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| Semi-skilled and discretionary decision making | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 2 |
| Unskilled and defined decision making | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 5 | 0 | 1 | 2 | 7 | 0 | 1 | 3 | 19 |
| Employees with disabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

TABLE 4.3.5.6 DISCIPLINARY ACTION

| Disciplinary action | Male | | | | Female | | | | Total |
|---------------------|---------|----------|--------|-------|---------|----------|--------|-------|-------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

TABLE 4.3.5.7 SKILLS DEVELOPMENT

| Occupational category | Male | | | | Female | | | | Total |
|--------------------------------------------|-----------|----------|----------|----------|-----------|----------|----------|----------|-----------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Legislators, senior officials and managers | 4 | 1 | 1 | 0 | 7 | 0 | 0 | 0 | 13 |
| Professionals | 3 | 0 | 0 | 1 | 7 | 2 | 1 | 0 | 14 |
| Technicians and associate professionals | 3 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 6 |
| Clerks | 13 | 0 | 0 | 0 | 13 | 0 | 1 | 0 | 27 |
| Service and sales workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled agriculture and fishery workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Craft and related trades workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plant and machine operators and assemblers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Elementary occupations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 23 | 1 | 1 | 1 | 30 | 2 | 2 | 0 | 60 |
| Employees with disabilities | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |

4.3.6. PERFORMANCE REWARDS

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

TABLE 4.3.6.1 – PERFORMANCE REWARDS BY RACE, GENDER, AND DISABILITY

| Race and Gender | Beneficiary Profile | | | Cost | |
|-----------------------------|-------------------------|---------------------|-------------------------|--------------|---------------------------|
| | Number of beneficiaries | Number of employees | % of total within group | Cost (R'000) | Average cost per employee |
| African, Male | 8 | 46 | 17,4 | 129 | 16 |
| African, Female | 12 | 63 | 19,1 | 183 | 15 |
| Asian, Male | 0 | 4 | 0,0 | 0 | 0 |
| Asian, Female | 2 | 2 | 100 | 34 | 17 |
| Coloured, Male | 0 | 3 | 0,0 | 0 | 0 |
| Coloured, Female | 4 | 7 | 57,1 | 155 | 39 |
| Total Blacks, Male | 8 | 53 | 15,1 | 129 | 16 |
| Total Blacks, Female | 18 | 72 | 25 | 372 | 21 |
| White, Male | 0 | 6 | 0,0 | 0 | 0 |
| White, Female | 1 | 8 | 12,5 | 0 | 0 |
| Total | 27 | 141 | 19,2 | 501 | 19 |
| Employees with a disability | 0 | 2 | 0,0 | 0 | 0 |

TABLE 4.3.6.2 PERFORMANCE REWARDS BY SALARY BAND FOR PERSONNEL BELOW SENIOR MANAGEMENT SERVICE

| Salary Band | Beneficiary Profile | | | Cost | | |
|------------------------------------------|-------------------------|---------------------|--------------------------------|--------------------|-----------------------------------|------------------------------------------------------|
| | Number of beneficiaries | Number of employees | % of total within salary bands | Total Cost (R'000) | Average cost per employee (R'000) | Total cost as a % of the total personnel expenditure |
| Skilled (Levels 3-5) | 1 | 11 | 9,09 | 5 | 5 | 0 |
| Highly skilled production (Levels 6-8) | 12 | 31 | 38,7 | 132 | 11 | 6 |
| Highly skilled supervision (Levels 9-12) | 13 | 49 | 26,5 | 365 | 28 | 11 |
| Total | 26 | 91 | 28,57 | 502 | 19 | 7 |

TABLE 4.3.6.3 – PERFORMANCE REWARDS BY CRITICAL OCCUPATIONS

| Critical Occupation | Beneficiary Profile | | | Cost | |
|-------------------------------------------------|-------------------------|---------------------|------------------------------|--------------------|---------------------------|
| | Number of beneficiaries | Number of employees | % of total within occupation | Total Cost (R'000) | Average cost per employee |
| Administrative Related | 10 | 35 | 38,5 | 220 | 22 000 |
| Economists and other related professions | 2 | 44 | 4,5 | 36 | 18 000 |
| Financial and related professionals | 6 | 14 | 42,9 | 111 | 18 500 |
| Human Resource clerks | 1 | 8 | 12,5 | 12 | 12 000 |
| Human Resource related | 4 | 4 | 80 | 100 | 25 000 |
| Information Technology related | 1 | 3 | 33,3 | 11 | 11 000 |
| Messengers porters and deliverers | 2 | 3 | 66,7 | 12 | 6 000 |
| Legal Services | 0 | 1 | 0 | 0 | 0 |
| Secretaries and other keyboard operating clerks | 0 | 5 | 0 | 0 | 0 |
| Head of Department / Chief Executive Officer | 0 | 2 | 0 | 0 | 0 |
| Senior Managers | 1 | 20 | 5 | 22 | 22 000 |
| Total | 27 | 139 | 20,6 | 524 | 19 407 |

TABLE 4.3.6.4 PERFORMANCE-RELATED REWARDS (CASH BONUS) BY SALARY BAND, FOR SENIOR MANAGEMENT SERVICE

| Salary Band | Beneficiary Profile | | | Cost | | |
|-------------|-------------------------|---------------------|-------------------------------|--------------------|---------------------------|------------------------------------------------------|
| | Number of beneficiaries | Number of employees | % of total within salary band | Total Cost (R'000) | Average cost per employee | Total cost as a % of the total personnel expenditure |
| Band A | 1 | 19 | 5,3 | 22 | 22 000 | 0,2 |
| Band B | 0 | 26 | 0 | 0 | 0 | 0 |
| Band C | 0 | 1 | 0 | 0 | 0 | 0 |
| Band D | 0 | 2 | 0 | 0 | 0 | 0 |
| Total | 1 | 48 | 2,1 | 22 | 22 000 | 0,2 |

4.3.7. FOREIGN WORKERS

The tables below summarise the employment of foreign nationals in the Department in terms of salary band and major occupation.

TABLE 4.3.7.1 – FOREIGN WORKERS BY SALARY BAND

| Salary Band | 1 April 2012 | | 31 March 2013 | | Change | |
|------------------------------------------|--------------|------------|---------------|------------|--------|----------|
| | Number | % of total | Number | % of total | Number | % change |
| Lower skilled (Levels 1-2) | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled (Levels 3-5) | 0 | 0 | 0 | 0 | 0 | 0 |
| Highly skilled production (Levels 6-8) | 0 | 0 | 0 | 0 | 0 | 0 |
| Highly skilled supervision (Levels 9-12) | 1 | 100 | 2 | 50 | 1 | 33,3 |
| Senior management (Levels 13-16) | 0 | 0 | 2 | 50 | 2 | 66,7 |
| Total | 1 | 100 | 4 | 100 | 3 | 100 |

TABLE 4.3.7.2 – FOREIGN WORKER BY MAJOR OCCUPATION

| Major Occupation | 1 April 2012 | | 31 March 2013 | | Change | |
|---------------------------|--------------|------------|---------------|------------|--------|----------|
| | Number | % of total | Number | % of total | Number | % change |
| Professional and managers | 1 | 100 | 4 | 100 | 3 | 100 |
| Total | 1 | 100 | 4 | 100 | 3 | 100 |

4.3.8. LEAVE UTILISATION

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

TABLE 4.3.8.1- SICK LEAVE

| Salary Band | Total days | % days with medical certification | Number of employees using sick leave | % of total employees using sick leave | Average days per employee | Estimated Cost (R'000) |
|------------------------------------------|------------|-----------------------------------|--------------------------------------|---------------------------------------|---------------------------|------------------------|
| Skilled (Levels 3-5) | 11 | 72,7 | 3 | 4,1 | 4 | 4 |
| Highly skilled production (Levels 6-8) | 158 | 78,5 | 26 | 35,6 | 6 | 91 |
| Highly skilled supervision (Levels 9-12) | 67 | 70,1 | 13 | 17,8 | 5 | 109 |
| Senior management (Levels 13-16) | 79 | 96,2 | 13 | 17,8 | 6 | 226 |
| Contract (Levels 3-5) | 9 | 55,2 | 3 | 4,1 | 3 | 4 |
| Contract (Levels 6-8) | 2 | 100 | 1 | 1,4 | 2 | 1 |
| Contract (Levels 9-12) | 35 | 45,7 | 13 | 17,8 | 3 | 47 |
| Contract (Levels 13-16) | 3 | 100 | 1 | 1,4 | 3 | 12 |
| Total | 364 | 77,2 | 73 | 100 | 5 | 494 |

TABLE 4.3.8.2- DISABILITY LEAVE (TEMPORARY AND PERMANENT)

| Salary Band | Total days | % days with medical certification | Number of employees using disability leave | % of total employees using disability leave | Average days per employee | Estimated Cost (R'000) |
|------------------------------------------|------------|-----------------------------------|--------------------------------------------|---------------------------------------------|---------------------------|------------------------|
| Lower skilled (Levels 1-2) | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled (Levels 3-5) | 0 | 0 | 0 | 0 | 0 | 0 |
| Highly skilled production (Levels 6-8) | 23 | 100 | 1 | 100 | 23 | 14 |
| Highly skilled supervision (Levels 9-12) | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior management (Levels 13-16) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 23 | 100 | 1 | 100 | 23 | 14 |

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

TABLE 4.3.8.3 – ANNUAL LEAVE

| Salary Band | Total days taken | Average per employee | Number of employees using annual leave |
|-----------------------------------------|------------------|----------------------|----------------------------------------|
| Skilled Levels 3-5) | 40 | 8 | 5 |
| Highly skilled production (Levels 6-8) | 527 | 20 | 27 |
| Highly skilled supervision(Levels 9-12) | 344 | 16 | 22 |
| Senior management (Levels 13-16) | 412 | 14 | 30 |
| Contract (Levels 3-5) | 36 | 9 | 4 |
| Contract (Levels 6-8) | 12 | 12 | 1 |
| Contract (Levels 9-12) | 440 | 14 | 31 |
| Contract (Levels 13-16) | 34 | 4 | 8 |
| Total | 1845 | 14 | 128 |

TABLE 4.3.8.4 – CAPPED LEAVE

| Salary Band | Total days of capped leave taken | Number of employees using capped leave | Average number of days taken per employee | Average capped leave per employee as at 31 March |
|-----------------------------------------|----------------------------------|----------------------------------------|-------------------------------------------|--------------------------------------------------|
| Skilled Levels 3-5) | 0 | 0 | 0 | 0 |
| Highly skilled production (Levels 6-8) | 0 | 0 | 0 | 1 |
| Highly skilled supervision(Levels 9-12) | 0 | 0 | 0 | 25 |
| Senior management (Levels 13-16) | 0 | 0 | 0 | 49 |
| Total | 0 | 0 | 0 | 75 |

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

TABLE 4.3.8.5 – LEAVE PAYOUTS

| Reason | Total amount (R'000) | Number of employees | Average per employee (R'000) |
|---------------------------------------------------------------------------------|----------------------|---------------------|------------------------------|
| Leave payout for 2011/12 due to non-utilisation of leave for the previous cycle | 169 | 10 | 17 |
| Capped leave payouts on termination of service for 2011/12 | 0 | 4 | 0 |
| Current leave payout on termination of service for 2011/12 | 180 | 11 | 16 |
| Total | 349 | 25 | 14 |

4.3.9. HIV AND AIDS & HEALTH PROMOTION PROGRAMMES

TABLE 4.3.9.1 – STEPS TAKEN TO REDUCE THE RISK OF OCCUPATIONAL EXPOSURE

| Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any) | Key steps taken to reduce the risk |
|------------------------------------------------------------------------------------------------------------|------------------------------------|
| N/A | N/A |

TABLE 4.3.9.2 – DETAILS OF HEALTH PROMOTION AND HIV AND AIDS PROGRAMMES

| Question | Yes | No | Details, if yes |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position. | X | | Mr Molefe Matsomela, Chief Director: Human Resource Management. Employee Health and Wellness is a sub-component within the Chief Directorate. |
| 2. Does the Department have a dedicated unit or has it designated specific staff members to promote the health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose. | X | | The Department has two staff members within the unit. The unit does not have a dedicated budget for this purpose; however, funding is sourced from the budget of the Chief Directorate: Human Resource Management. |
| 3. Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme. | X | | Counselling services including health and wellness issues, relationships and financial. Telephonic and one-on-one consultations 24/7. Information sessions/ workshops and awareness creation on health matters, etc. |
| 4. Has the Department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) they represent. | X | | The Health and Wellness Committee comprises the following members: -Mr M. Matsomela, Ms B. Tabane, Mr Z, Momeka, Ms B. Dlodla, Ms M. Mageza, Ms P. Mkhungo |
| 5. Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed. | X | | The Department has reviewed its Employee Health and Wellness Policy in line with the DPSA framework. The other policies reviewed are the Employment Equity; Recruitment and Selection Policy and Leave Policy |
| 6. Has the Department introduced measures to protect HIV-positive employees, or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures. | X | | The measures are guided by the code of conduct, Employee Health and Wellness Policy, Equity Policy, and the Basic Conditions of Employment Act. These policies have been developed to eliminate and /or prevent discrimination and unfair treatment. Any contravention against the above mentioned prescripts and policies is addressed through the disciplinary code and procedure. |
| 7. Does the Department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved. | X | | There are wellness days and information sessions were held in partnership with GEMS. |
| 8. Has the Department developed measures/ indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators. | X | | GEMS & ICAS provide quarterly reports to the department. |

4.3.10. LABOUR RELATIONS

TABLE 4.3.10.1 – COLLECTIVE AGREEMENTS

| Subject Matter | Date |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Transfer of employees from South African Micro-finance Apex Fund (samaf) to Small Enterprise Finance Agency (sefa) | Not yet ratified by the GPSSBC |

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

TABLE 4.3.10.2 – MISCONDUCT AND DISCIPLINARY HEARINGS FINALISED

| | |
|---------------------------------|------|
| Disciplinary hearings – 2012/13 | None |
|---------------------------------|------|

TABLE 4.3.10.3 – TYPES OF MISCONDUCT ADDRESSED AT DISCIPLINARY HEARINGS

| | |
|--------------------|------|
| Type of misconduct | None |
|--------------------|------|

TABLE 4.3.10.4 – GRIEVANCES LODGED

| | |
|-----------------------------------|------|
| Total number of grievances lodged | None |
|-----------------------------------|------|

TABLE 4.3.10.5 – DISPUTES LODGED

| | |
|---------------------------------|------|
| Total number of disputes lodged | None |
|---------------------------------|------|

TABLE 4.3.10.6 – STRIKE ACTIONS

| | |
|------------------------------------------|------|
| Total number of person working days lost | None |
|------------------------------------------|------|

TABLE 4.3.10.7 – PRECAUTIONARY SUSPENSIONS

| | |
|----------------------------|------|
| Number of people suspended | None |
|----------------------------|------|

4.3.11. SKILLS DEVELOPMENT

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

TABLE 4.3.11.1 – TRAINING NEEDS IDENTIFIED

| Occupational Category | Gender | Number of employees as at 1 April 2012 | Training needs identified at start of reporting period | | | |
|--------------------------------------------|--------|----------------------------------------|--------------------------------------------------------|-----------------------------------------|-------------------------|-----------|
| | | | Learnerships | Skills Programmes & other short courses | Other forms of training | Total |
| Legislators, senior officials and managers | Female | 11 | 0 | 4 | 0 | 4 |
| | Male | 20 | 0 | 12 | 0 | 12 |
| Professionals | Female | 28 | 0 | 18 | 0 | 18 |
| | Male | 20 | 0 | 7 | 0 | 7 |
| Technicians and associate professionals | Female | 0 | 0 | 4 | 0 | 4 |
| | Male | 0 | 0 | 5 | 0 | 5 |
| Clerks | Female | 26 | 0 | 25 | 0 | 25 |
| | Male | 10 | 0 | 10 | 0 | 10 |
| Service and sales workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Skilled agriculture and fishery workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Craft and related trades workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Plant and machine operators and assemblers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Elementary occupations | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Sub Total | Female | 65 | 0 | 51 | 0 | 51 |
| | Male | 50 | 0 | 34 | 0 | 34 |
| Total | | 115 | 0 | 85 | 0 | 85 |

TABLE 4.3.11.2- TRAINING PROVIDED FOR THE PERIOD –

| Occupational Category | Gender | Number of employees as at 1 April 2012 | Training provided within the reporting period | | | |
|--------------------------------------------|--------|----------------------------------------|-----------------------------------------------|-----------------------------------------|-------------------------|-----------|
| | | | Learnerships | Skills Programmes & other short courses | Other forms of training | Total |
| Legislators, Senior Officials and Managers | Female | 11 | 0 | 6 | 8 | 14 |
| | Male | 20 | 0 | 4 | 0 | 4 |
| Professionals | Female | 28 | 0 | 7 | 2 | 9 |
| | Male | 20 | 0 | 4 | 0 | 4 |
| Technicians and associate professionals | Female | 0 | 0 | 10 | 1 | 11 |
| | Male | 0 | 0 | 8 | 2 | 10 |
| Clerks | Female | 26 | 0 | 7 | 0 | 7 |
| | Male | 10 | 0 | 8 | 2 | 10 |
| Service and sales workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Skilled agriculture and fishery workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Craft and related trades workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Plant and machine operators and assemblers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Elementary occupations | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Sub Total | Female | 65 | 0 | 30 | 11 | 34 |
| | Male | 50 | 0 | 24 | 4 | 45 |
| Total | | 115 | 0 | 54 | 15 | 69 |

4.3.12. INJURY ON DUTY

The following tables provide basic information on injury on duty.

TABLE 4.3.12.1- INJURY ON DUTY

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

4.3.13. UTILISATION OF CONSULTANTS

TABLE 4.3.13.1- REPORT ON CONSULTANT APPOINTMENTS USING APPROPRIATED FUNDS

| Project title | Total number of consultants that worked on the project | Duration work days | Contract value in rand |
|-------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------|------------------------|
| Design of the SMME regulatory impediments index for South Africa | 1 | 90 | 171,171 |
| Assessment of the job creation targets in the New Growth Path | 1 | 19,5 | 136,500 |
| Legal opinion on the infrastructure bill | 8 | 21,6 | 234,064 |
| Workshop facilitation | 2 | 4 | 26,000 |
| Legal opinion on the amendment of the Competition Act | 1 | 2,19 | 39,330 |
| Legal opinion on the Minister's powers in terms of International Trade Administration Act | 1 | 2,72 | 17,400 |
| Research on BBBEE impact on equity and employment creation | 5 | 32,4 | 276,490 |
| Comprehensive analysis of the South African Labour Market | 2 | 35 | 196,308 |
| GRAND TOTAL | | | 1,097,263 |

TABLE 4.3.13.2 ANALYSIS OF CONSULTANT APPOINTMENTS USING APPROPRIATED FUNDS, IN TERMS OF HISTORICALLY DISADVANTAGED INDIVIDUALS (HDIS)

| Project title | % ownership by HDI group | % Management by HDI group | Number of consultants from HDI group that worked on the project |
|---------------------------------------------------------------------------------------|--------------------------|---------------------------|-----------------------------------------------------------------|
| Design of the SMME regulatory impediments index for South Africa | 100 | 100 | 100 |
| Assessment of the job creation targets in the New Growth Path | 100 | 100 | 100 |
| Legal opinion on the infrastructure Bill | 50 | 50 | Not specified |
| Workshop facilitation | 0 | 0 | 0 |
| Legal opinion on the amendment of the Competition Act | ¹ | | |
| Legal opinion on Minister's powers in terms of International Trade Administration Act | ² | | |
| Research on the BBBEE fit in equity and employment creation | 0 | 0 | 0 |
| Comprehensive analysis of the South African Labour Market | 25 | 25 | 1 |

Department of Justice

¹ The Department of Justice billed the EDD

² The Department of Justice billed the EDD

PART E: FINANCIAL INFORMATION

for the year ended 31 March 2013



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5.1 REPORT OF THE ACCOUNTING OFFICER

1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

The period under review is the third financial year in which the Department functioned independently. The development of organisational and governance frameworks enabled the EDD to function more effectively and efficiently, and as a direct result hereof, no unauthorised and/or irregular expenditure was incurred.

The growth of the Internal Audit function and the establishment of a Risk Management function will ensure even better adherence to legislation and frameworks, improve internal process efficiencies and allow the Department to identify risks on a more proactive basis. This will then allow the EDD to take the necessary mitigation action more quickly and implement the required safeguards to prevent any reoccurrences.

As an Outcome 4 Coordinating Department, energies were focused on the alignment of national economic policies, that will allow economic growth and create employment and empowerment opportunities. The EDD also continued to monitor and promote the work of the PICC and the implementation of the NGP and the Accords, including as job creation and skills development mechanisms.

In 2012/13, the EDD staff also exerted a considerable amount of effort to address spatial inequalities; leverage the financial and procurement powers of the state to save jobs; intervened by imposing higher import taxes on certain products to prevent the demise of some sectors and the growth in others; and also impose a ban on the exportation of scrap metals to enable these metals to be used within South Africa, in the manufacturing sector and in infrastructure projects, to name but a few. As the oversight body of five Public Entities, the Department will continue to strengthen relations with these agencies, with the objective of improving support for economic development initiatives and to synergise efforts to improve delivery to SMMEs. In view of the failure of many SMMEs, the EDD will encourage the incorporation/packaging of business support to complement the monetary investments

made to them. Likewise, the EDD will also avail its service to its agencies, in particular **sefa**, as well as Provincial Economic Development Departments with an economic development mandate.

At an organisational level, the Department reviewed its planning and reporting standards at the beginning of the fourth quarter to ensure that performance addresses the strategic objectives within the APP. Improving reporting efforts in 2013/14, primarily by interrogating monthly performance achievements, will receive priority.

The budget allocation for the 2012/13 financial year was R696,5 million, compared with R598,4 million in 2011/12. To review the allocation expenditure per programme, please revert to Programme Expenditure Table under Summary of Financial Information in Section B.

OVERVIEW OF SPENDING TRENDS

The expenditure for 2012/2013 was 673,5 million i.e. 96,5% of the budget, and in 2011/12 it stood at 96,7%, i.e. R577,6 million.

Within the EDD, the bulk spending goes for transfer payments to the five entities that the Department oversees. As the coordination arm for entities reporting to the Minister, funds are transferred to these agencies (see Public Entities under Summary of Financial Information in Part B) via Programme 3. Approximately 82% of the Department's expenditure consists of transfers to departmental agencies with the remaining funds utilised for operational expenses.

The Economic Planning and Coordination Branch also facilitates monitoring of entities and coordinates quarterly meetings between the EDD and entity executives to discuss performance, amongst other issues.

Programme 3 expended 99% of the adjusted budget. Under-expenditure occurred primarily in Programme 2: Economic Policy Development and Programme 4: Economic Development and Dialogue.

The total under spending for the Department amounts to R 23,1 million or 3,3% of the voted budget for the 2012/13 financial year.

EXPENDITURE TRENDS PER PROGRAMME

Programme 1: Administration

Purpose: Coordinate and render an effective and efficient strategic support and administrative service to the Minister, Deputy Minister, Director General, the Department and its agencies.

Expenditure: From the Departmental adjusted budget of R62,9 million, total expenditure for Administration for the year 2012/13 was R55,4 million or 88% of the programme budget.

Programme 2: Economic Policy Development

Purpose: Strengthen the economic development policy capacity of government; review, develop and propose the alignment of economic policies; and develop policies aimed at broadening participation in the economy and creating decent work opportunities.

Expenditure: Expenditure for Programme 2 amounted to R11,6 million or 60,3% of the adjusted programme budget of R19,2 million. Underspending resulted principally from vacancies for senior specialists in the programme.

Programme 3: Economic Planning and Co-ordination

Purpose: Promote economic planning and coordination through developing economic planning proposals; provides oversight and policy coordination of identified development finance institutions and economic regulatory bodies; and contribute to the development of the green economy.

Expenditure: Actual expenditure for Programme 3 and its sub-programmes amounted to R597,5 million or 99,3% of the adjusted programme budget of R601,8 million for the 2012/13 financial year. Spending in this programme is driven mainly by transfer payments to the departmental entities and agencies.

Programme 4: Economic Development and Dialogue

Purpose: Promote social dialogue; implement strategic frameworks; build capacity among social partners; and promote productivity, entrepreneurship and innovation in the workplace.

Expenditure: Spending for Programme 4 for the year 2012/13 was R8,9 million or 71,5% from the adjusted programme budget of R12,6 million. Similarly to the expenditure pattern in Programme 2, the spending pattern in Programme 4 was slower than expected due to an evolving mandate and the concomitant slow pace of finding the appropriate candidates to fill vacant posts.

The total under-spending for the Department amounts to R23,1 million, or 3,3% of the voted budget for the 2012/13 financial year, which can largely be attributed to the inability to spend R20 million of the additional allocation for capacity building in the economic regulatory bodies.

The value of rollovers in the 2013/14 financial year is worth R20,9 million. Formal approvals for these requests are awaited from National Treasury. Roll-overs were requested for the following:

| Programme | Amount R'000 |
|-----------------------------|--------------|
| Economic Regulatory matters | 20,000 |
| IDC Localisation | 918 |
| Total | 20,918 |

VIREMENTS

A total of R24,1 million was redirected among divisions of the Vote and spending item classifications by means of virement requests that were approved by the National Treasury. All organisations that received transfer payments from the EDD complied with s38 of the PFMA. The necessary checks and balances have been incorporated to ensure that money is used effectively for its intended purposes.

- The Capacity Building Course conducted at Wits University provided economic and policy development training to provincial and local municipality officials: All provinces were afforded the opportunity to nominate officials to attend the training. At the end of the five day programme, all officials were issued with a certificate of attendance.

- A transfer payment was effected to the University of Johannesburg to provide an Economic Regulatory Course to ERB. The MoU including the objectives for the course has been signed, but the business plan will have to be finalised before the course can commence.
 - The transfer payment to SAICA was effected as a continuation of a programme commenced in 2011/12. Funds were also transferred to the CSIR to conduct a multi-disciplinary research on Functional Economic Regions from a Spatial Development Perspective.
- Funds were redirected as outlined below.

| Virements from Programmes | Virements to Programmes | Virement Amounts (R'000S) | Reason |
|------------------------------------------|---------------------------------------------------------|---------------------------|---------------------------------------------------------------------------------------------------|
| Economic Planning and Coordination | Transfer Payment to the University of Johannesburg (UJ) | 10,000 | Development and payment of the Economic Regulatory Course to train ERBs |
| Economic Development and Social Dialogue | Transfer Payment to SAICA | 8,996 | Continuation and expansion of the Business Hub and Training Programme |
| Economic Planning and Coordination | | | |
| Economic Policy Development | | | |
| Economic Planning and Coordination | Transfer Payment to the CSIR | 1,808 | Payment for spatial research, Spatial Development Perspective-Functional Regions |
| Economic Planning and Coordination | Wits University | 2,280 | Continuation of Capacity Building Course (adjustment budget process). |
| Economic Planning and Coordination | SEFA | 1,250 | Additional allocation to Sefa for merger costs (adjustment budget process). |
| Economic Planning and Coordination | IDC | 1,000 | Funds allocation to the Minister's Small Business Advisory Committee (adjustment budget process). |
| Total | | 24,084 | |

2. SERVICE RENDERED BY THE DEPARTMENT

As one of the coordinating Departments of Outcome 4, the EDD plays an implementation coordination role across government, and will make legal interventions, for example, in the poultry industry, if it will aid economic development and/or prevent the collapse of a sector due to cheap imports. During 2012/13, the EDD funded development skills programmes, spatial projects and continued to monitor the achievements of its public entities. During meetings with the latter, strategic advice would be provided by senior executives within the Department. The EDD also assisted with the transfer of employees in the merger of Khula, samaf and the IDC small book loan to sefa, and continue to assist them in operational endeavours. For a comprehensive review of the services rendered by the Department, please refer to the narratives and tables included in Part B.

3. CAPACITY CONSTRAINTS

Within the EDD, vacant positions are within scarce-skill posts located at SMS and MMS levels. Given the Department's difficulty in attracting the right calibre of applicants, who have the requisite skills and experience, personnel agencies were asked to assist in filling some posts. Vacancies at these levels add to the workload of other individuals and inevitably cause delays in some projects' conceptualisation and implementation.

4. UTILISATION OF DONOR FUNDS

For an overview of donor funding received, please revert to Donor Funding located under the Summary of Financial Information in Part B.

5. TRADING ENTITIES AND PUBLIC ENTITIES

For a comprehensive overview of the work conducted by the five Entities reporting to the Minister, please refer to the Public Entities section located under Summary of Financial Information in Part B.

6. ORGANISATIONS TO WHOM TRANSFER PAYMENTS HAVE BEEN MADE

For an inclusive summary of organisations that received transfers from the EDD, please refer to the Transfer Payment tables, located under Summary of Financial Information in Part B.

7. PUBLIC PRIVATE PARTNERSHIPS (PPP)

The Department participates in the PPP agreement between **the dti**, Rainprop and Experience Delivery Company for accommodation on **the dti** campus. The EDD partakes in this PPP, through **the dti**, via payment of monthly office rental, which includes office furniture acquisition, security services, maintenance services, cleaning services, and food aid services.

It is envisaged that the departmental participation in the PPP agreement will continue and increase, as more office space becomes available for the Department on the dti campus.

8. CORPORATE GOVERNANCE ARRANGEMENTS

The EDD endeavoured to comply with the King III principle of 'apply or explain', and attempted to apply itself diligently in all aspects thereof. Although improved understanding and interpreting of King III and the PFMA could only improve the governance environment, the EDD efforts (outlined in Part C of this report) should be viewed as a intense attempt to achieve improved combined assurance.

9. DISCONTINUED ACTIVITIES/ ACTIVITIES TO BE DISCONTINUED

No activities were discontinued in 2012/13

10. NEW/PROPOSED ACTIVITIES

The evolving mandate of the Department, specifically with regard to the support to be provided for the Secretariat of the PICC, is a new area of work which has been accounted for in the approved interim organisational arrangements in the Department.

11. ASSET MANAGEMENT

At the end of 2012/13, all assets within the EDD had been captured on the asset register and comply with the Asset Management Reform/Guide.

12. INVENTORIES

The EDD has no inventories

13. EVENTS AFTER THE REPORTING DATE

Mr Kumaran Naidoo served as acting CFO on secondment from **the dti** from 1 March 2013 until the end of April 2013. Ms Semphete Thobejane was permanently appointed as CFO and assumed duty on 2 May 2013.

The EDD facilitated the signing of the Youth Employment Accord on the 18 April 2013. It is also responsible for driving of the youth employment strategy and monitoring its implementation.

IPAP 3 was launched on 4 April 2013. The EDD has significant responsibilities together with other Departments stemming from the launch of the IPAP.

Other relevant events have been addressed in the body of the report. An estimate of the financial effect of the matters reported here cannot be given in this report.

14. INFORMATION ON PREDETERMINED OBJECTIVES

In 2012/13, quarterly reports were compiled for the first three quarters of the year, accompanied with an evidence file that was audited internally. In January 2013, a decision was taken to revise the quarterly reports to account strictly against the APP objectives and targets, as well as to improve the quality of reporting. In addition, it was then decided to report to the MANCO Meeting and to the Ministry on a monthly basis to improve reporting standards and ensure improved implementation of the APP.

To enhance overall reporting, a monthly performance monitoring template was developed that mirrors the approved APP for 2013/14. Monthly reports must be accompanied by evidence files to reduce the effort taken to assemble evidence on a quarterly basis.

A policy guideline on performance planning, measurement and reporting was prepared in the last quarter of the financial year and approved in the new financial year.

15. SCOPA RESOLUTIONS

None

16. PRIOR MODIFICATIONS TO AUDIT REPORTS

None

17. EXEMPTIONS AND DEVIATIONS RECEIVED FROM THE NATIONAL TREASURY

No exemptions were requested and/or approved for the Department in terms of the Public Finance

Management Act (PFMA) or Treasury Regulations where they are applicable to any of the reporting requirements.

18. INTERIM FINANCIAL STATEMENTS

The EDD complied with the all the Interim Financial Statement (IFS) submission dates and requirements, as requested by National Treasury. Departments are required to submit IFS 30 days after the end of each quarter, accompanied by a letter signed by the Accounting Officer, confirming the accuracy and completeness of the IFS. The Department took cognizance of the fact that Practice Note 5 of 2009 was repealed by Instruction Note 1 of 2012/2013, and that the reporting requirements could change on an annual basis. Guidance to complete the IFS was issued with the template in 2012/13.

| End of Quarter | THE EDD IFS Submission | Audited IFS |
|-------------------|------------------------|-------------|
| 30 June 2012 | 31 July 2012 | |
| 30 September 2012 | 31 October 2012 | Yes |
| 31 December 2012 | 31 January 2013 | |
| 31 March 2013 | 30 April 2013 | |

The IFS submitted on 31 October 2012, obtained wrong mapping on the IFS template findings. The EDD consulted the representative allocated to the Department and commenced to prepare financials on a monthly basis to increase familiarity with the template and to prevent a reoccurrence of a similar audit finding.



Name: Ms J. Schreiner
Accounting Officer: EDD
Date: 31 July 2013

19. OTHER

None

20. APPROVAL

The Annual Financial Statements set out in Annexure A have been approved by the Accounting Officer.



5.2. ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Accounting Officer is responsible for the preparation of the department's annual financial statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements

In my opinion, the financial statements fairly reflect the operations of the department for the financial year ended 31 March 2013.

The external auditors are engaged to express an independent opinion on the AFS of the department.

The Economic Development Department's Annual Financial Statements for the year ended 31 March 2013 have been examined by the external auditors and their report is presented on page 96 to page 98.

The Annual Financial Statements of the Department set out on page 99 to page 144 have been approved.



Ms J. Schreiner
ACCOUNTING OFFICER: EDD
Date: 31 July 2013

5.3. AUDIT COMMITTEE REPORT FOR THE YEAR ENDED 31 MARCH 2013

3.8.1 AUDIT COMMITTEE TERMS OF REFERENCE

In broad terms, the Audit Committee is responsible for providing an advisory service to the Department, Accounting Officer and Executing Authority in discharging their duties relating to the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of adequate financial statements. The Audit Committee, herein referred to as the Committee, is satisfied that it has discharged its responsibilities in terms of its charter as contained therein, in line with the requirements of section 38(1)(a) of the PFMA and Treasury Regulation 3.1

MEMBERSHIP AND ATTENDANCE OF MEETINGS

The Committee consists of five independent members listed below. During the year under review, the Committee met four times and appropriate feedback was also provided to the Executive Authority on matters that were within the mandate of the Audit Committee. All the members listed below were appointed on 28 February 2011 for a three-year period.

3.8.2. ROLE AND RESPONSIBILITIES OF THE COMMITTEE

The committee performed the following duties:

STATEMENT ON INTERNAL CONTROLS, RISK AND INTERNAL AUDIT

The Committee:

- approved the Internal Audit Operational Plan, as well as capacity and resources within the Internal Audit Function to execute its work plan and monitored adherence to the work plan;
- reviewed the report prepared by Internal Audit regarding the risk management processes and the level of embeddedness within the Department;
- considered all audit reports on the work of internal audit conducted during the year and made further recommendations in improving the internal control environment; and
- considered to its satisfaction the independence, objectivity and effectiveness of the Internal Audit Function.

Based on the results of the reviews conducted on the system of internal control and risk management, including the design, implementation and effectiveness of internal controls, nothing significant has come to the attention of the Committee that caused it to believe that the internal controls of the Department are not sound and effective. The Head of Internal Audit reports functionally to the Chair of the

| Name | Qualification | Position | Number of meetings attended |
|-----------------|---------------------------------------|---------------------------------------|-----------------------------|
| SA Simelane | BCom, BCom (Hons), CGAP | Chairperson and an independent member | 5 out of 5 |
| DP van der Nest | BCom(Hons), MCom, Doctor Technologiae | Independent member | 5 out of 5 |
| R van Wyk | CA (SA), MBA | Independent member | 5 out of 5 |
| M Dukandar | CA (SA), CIA, CCSA | Independent member | 4 out of 5 |
| M Vuso | B.Compt(Hons)CA(SA) | Independent member | 5 out of 5 |

All committee members served on the committee for the full financial year.

Committee and administratively to the Accounting Officer, and as such the Committee is satisfied with the independence of the Audit function. The Committee, however, believes that there is room for improvement in embedding in the EDD the risk management systems within the Department and that the appointment of the Risk Officer is a step in the right direction. The capacity of the Internal Audit Function has been improved to allow effective execution of the audit plan.

STATEMENT ON INTERNAL FINANCIAL CONTROLS AND FINANCIAL STATEMENTS

The Audit Committee performed a review of the Annual Financial Statements focusing on:

- compliance to the applicable reporting framework;
- significant financial reporting judgments and estimates contained in the annual financial statements;
- clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- quality and acceptability of, and any changes in, accounting policies and practices;
- compliance with and, any changes in, accounting policies and practices;
- significant judgments and/or unadjusted differences resulting from the audit;
- reflection of unusual circumstances or events, and management's explanation for the accounting treatment adopted; and
- reasons for major year-on-year fluctuations.

Based on the continuous review of financial information, discussion with management, the external auditors and the internal audit function, the Committee confirms that it has no reason to believe that there were any material breakdowns in the design and operating effectiveness of internal financial controls during this financial year that have not been addressed or that are not in the process of being addressed. The financial records can thus be relied on in the preparation of financial statements. The Committee has noted the progress made by the Department in addressing the shortcomings raised by the Auditor General South Africa.

EXTERNAL AUDIT

The Committee:

- considered the scope and work of external audit and is satisfied that there was no duplication of work effort between internal and external auditors;
- considered and confirmed the proposed external audit fees; and
- considered to its satisfaction the independence, objectivity and effectiveness of external auditors.

QUALITY OF MANAGEMENT REPORTS

The audit committee reviewed:

- the integrity, accuracy and reliability of the performance position of the Department;
- the disclosure in the financial reports of the Department and the context in which statements on the financial health of the Department are made; and
- material information presented together with the management accounts.

The reports were discussed with Department officials and the Committee believes that more effort should be put in the development and quality of these reports.

3.8.3 CONCLUSION

The report should be read together with the Audit report as issued by the Auditor General South Africa.



SA Simelane

Audit Committee Chairman

For and on behalf of the EDD Audit Committee

Date: 31/07/2013

5.4 REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 28 ECONOMIC DEVELOPMENT DEPARTMENT

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Economic Development Department set out on pages 99 to page 133, which comprise the appropriation statement, the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of the financial statements in accordance with the Departmental financial reporting framework prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of Economic Development Department as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the *Departmental financial reporting framework* prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Emphasis of matters

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

7. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2012 have been restated as a result of an error discovered during 2013 in the financial statements of the Economic Development Department at, and for the year ended, 31 March 2012.

Additional matters

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Inconsistencies in other information included in the annual report

8. Part D of the annual report includes the Human Resource Management oversight report. The report is not fully consistent with the supporting documentation submitted for audit.

Unaudited supplementary schedules

9. The supplementary information set out on page 134 to page 144 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Financial reporting framework

10. The financial reporting framework prescribed by the National Treasury and applied by the department is a compliance framework. The wording of my opinion on a compliance framework should reflect that the financial statements have been prepared in accordance with this framework and not that they “present fairly”. Section 20(2)(a) of the PAA, however, requires me to express an opinion on the fair presentation of the financial statements. The wording of my opinion therefore reflects this requirement.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the Performance Information Report as set out on page 38 to page 50 of the annual report.
13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury’s annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

14. There were no material findings on the performance information report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

15. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual financial statements, performance and annual reports

16. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(b) of the Public Finance Management Act. Material misstatements of receivables; departmental revenue; and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal audit

17. The internal audit function did not submit quarterly reports, detailing the performance against the annual internal audit plan, to the audit committee every quarter, as required by Treasury Regulation 3.2.7(d).
18. The internal audit function did not assess the operational procedure and monitoring mechanisms over all transfers made and received, as required by Treasury Regulation 3.2.8.

Human resource management and compensation

19. The accounting officer did not ensure that all leave taken by employees were recorded accurately and in full as required by Public Service Regulation 1/V/F(b).
20. Persons in charge at pay points did not always certify that the employees receiving payment were entitled thereto as required by TR 8.3.4.

Internal control

21. I considered internal control relevant to my audit of the financial statements, Performance Information Report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

22. Management did not exercise sufficient oversight to ensure compliance with laws and regulations.

Financial and performance management

23. Management has not established the required controls to ensure complete and accurate financial statements.

Governance

24. Internal audit has not established adequate measures to ensure compliance with Treasury Regulations 3.2.7(d) and 3.2.8.

Auditor-General

Pretoria
31 July 2013



APPROPRIATION STATEMENT For The Year Ended 31 March 2013

| APPROPRIATION STATEMENT | Appropriation per programme | | | | | | | | | | |
|----------------------------------------------------------------------------------|-----------------------------|-------------------|----------|----------------------------|---------------------------|---------------|-----------------------------------------|----------------------------|---------------------------|-------|--|
| | 2012/13 | | | | | 2011/12 | | | | | |
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final Appropriation | Final Appropriation | Actual Expenditure | R'000 | |
| R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | R'000 | R'000 | |
| 1. Administration | | | | | | | | | | | |
| Current payment | 46,794 | 14,104 | (3,586) | 57,312 | 53,474 | 3,838 | 93,3% | 51,017 | 49,389 | | |
| Transfers and subsidies | - | 113 | - | 113 | 113 | - | 100,0% | 134 | 135 | | |
| Payment for capital assets | 5,506 | - | - | 5,506 | 1,807 | 3,699 | 32,8% | 6,495 | 1,298 | | |
| 2. Economic Policy | | | | | | | | | | | |
| Current payment | 18,467 | 1,240 | (510) | 19,197 | 11,575 | 7,622 | 60,3% | 16,160 | 12,498 | | |
| 3. Economic Planning and Co-ordination | | | | | | | | | | | |
| Current payment | 83,340 | (16,522) | (15,909) | 50,909 | 46,608 | 4,301 | 91,6% | 23,412 | 21,148 | | |
| Transfers and subsidies | 529,665 | 446 | 20,805 | 550,916 | 550,915 | 1 | 100,0% | 479,865 | 479,865 | | |
| 4. Economic Development and Dialogue | | | | | | | | | | | |
| Current payment | 12,746 | 596 | (800) | 12,542 | 8,958 | 3,584 | 71,4% | 13,276 | 5,272 | | |
| Transfers and subsidies | - | 23 | - | 23 | 23 | - | 100,0% | 8,000 | 7,997 | | |
| Subtotal | 696,518 | - | - | 696,518 | 673,473 | 23,045 | 96,7% | 598,359 | 577,602 | | |
| TOTAL (brought forward) | | | | 2012/13 | 2011/12 | | | 2011/12 | | | |
| | | | | Final Appropriation | Actual Expenditure | | | Final Appropriation | Actual Expenditure | | |
| | | | | 696,518 | 673,473 | | | 598,359 | 577,602 | | |
| Reconciliation with statement of financial performance | | | | | | | | | | | |
| ADD | | | | | | | | | | | |
| Departmental receipts | | | | 668,662 | | | | 592,904 | | | |
| Aid assistance | | | | 13,651 | | | | 28,000 | | | |
| Actual amounts per statement of financial performance (total revenue) | | | | 1,378,831 | | | | 1,219,263 | | | |
| ADD | | | | | | | | | | | |
| Aid assistance | | | | | 13,651 | | | | 28,000 | | |
| Actual amounts per statement of financial performance (total expenditure) | | | | | 687,124 | | | | 605,602 | | |

APPROPRIATION STATEMENT For The Year Ended 31 March 2013

| ECONOMIC CLASSIFICATION | Appropriation economic classification | | | | | | | | | | | |
|---------------------------------------------|---------------------------------------|-------------------|----------|---------------------|--------------------|--------------|-----------------------------------------|---------------------|--------------------|---------------------|--------------------|--|
| | 2012/13 | | | | | | 2011/12 | | | | | |
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final Appropriation | Final Appropriation | Actual Expenditure | Final Appropriation | Actual Expenditure | |
| R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | R'000 | R'000 | R'000 | |
| Current payments | | | | | | | | | | | | |
| Compensation of employees | 63,889 | 10,373 | (3,863) | 70,399 | 62,074 | 88,2% | 8,325 | 56,172 | 48,347 | 47,694 | 48,347 | |
| Goods and services | 97,458 | (10,955) | (16,941) | 69,562 | 58,544 | 84,2% | 11,018 | 47,694 | 39,960 | | 39,960 | |
| Transfers and subsidies | | | | | | | | | | | | |
| Departmental agencies and accounts | 247,412 | - | 1,808 | 249,220 | 249,220 | 100,0% | - | 301,911 | 301,911 | | 301,911 | |
| Universities and technikons | 2,280 | - | 10,000 | 12,280 | 12,280 | 100,0% | - | 5,510 | 5,510 | | 5,510 | |
| Public corporations and private enterprises | 279,973 | 359 | 8,996 | 289,328 | 289,327 | 100,0% | 1 | 180,443 | 180,444 | | 180,444 | |
| Households | - | 223 | - | 223 | 222 | 99,6% | 1 | 134 | 131 | | 131 | |
| Payments for capital assets | | | | | | | | | | | | |
| Machinery and equipment | 4,005 | - | - | 4,005 | 1,705 | 42,6% | 2,300 | 5,196 | 1,151 | | 1,151 | |
| Software and other intangible assets | 1,501 | - | - | 1,501 | 101 | 6,7% | 1,400 | 1,299 | 148 | | 148 | |
| Total | 696,518 | - | - | 696,518 | 673,473 | 96,7% | 23,045 | 598,359 | 577,602 | | 577,602 | |

APPROPRIATION STATEMENT For The Year Ended 31 March 2013

| DETAIL PER SUB-PROGRAMME | Appropriation per programme | | | | | | | | | | |
|---------------------------------------|-----------------------------|-------------------|----------------|---------------------|--------------------|--------------|-----------------------------------------|---------------------|--------------------|-------------------|--|
| | 2012/13 | | | | | | 2011/12 | | | | |
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final Appropriation | Final Appropriation | Actual Expenditure | Final Expenditure | |
| R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | R'000 | R'000 | |
| 1.1 Ministry | | | | | | | | | | | |
| Current payment | 19,500 | 2,209 | (2,176) | 19,533 | 16,321 | 3,212 | 83,6% | 18,272 | 18,199 | 18,199 | |
| Transfers and subsidies | | | | - | | - | | 121 | 121 | 121 | |
| Payment for capital assets | | | | - | | - | | 35 | 35 | 35 | |
| 1.2 Office of the Director-Gen | | | | | | | | | | | |
| Current payment | 6,236 | 5,021 | (350) | 10,907 | 10,906 | 1 | 100,0% | 10,143 | 9,559 | 9,559 | |
| Transfers and subsidies | | 69 | | 69 | 69 | - | 100,0% | | | | |
| 1.3 Gen Management Services | | | | | | | | | | | |
| Current payment | 21,058 | 6,874 | (1,060) | 26,872 | 26,247 | 625 | 97,7% | 22,602 | 21,631 | 21,631 | |
| Transfers and subsidies | | 44 | | 44 | 44 | - | 100,0% | 13 | 14 | 14 | |
| Payment for capital assets | 5,506 | | | 5,506 | 1,807 | 3,699 | 32,8% | 6,460 | 1,263 | 1,263 | |
| Total | 52,300 | 14,217 | (3,586) | 62,931 | 55,394 | 7,537 | 88,0% | 57,646 | 50,822 | 50,822 | |

APPROPRIATION STATEMENT For The Year Ended 31 March 2013

| ECONOMIC CLASSIFICATION | Appropriation economic classification | | | | | | | | | | | |
|--------------------------------------|---------------------------------------|-------------------|----------------|---------------------|--------------------|--------------|-----------------------------------------|---------------------|--------------------|---------------------|--------------------|--|
| | 2012/13 | | | | | | 2011/12 | | | | | |
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final Appropriation | Final Appropriation | Actual Expenditure | Final Appropriation | Actual Expenditure | |
| R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | R'000 | R'000 | R'000 | |
| Current payments | | | | | | | | | | | | |
| Compensation of employees | 29,534 | 7,347 | (2,355) | 34,526 | 30,885 | 89,5% | 3,641 | 28,041 | 27,899 | 28,041 | 27,899 | |
| Goods and services | 17,260 | 6,757 | (1,231) | 22,786 | 22,591 | 99,1% | 195 | 22,976 | 21,490 | 22,976 | 21,490 | |
| Transfers and subsidies to: | | | | | | | | | | | | |
| Households | | 113 | | 113 | 112 | 99,1% | 1 | 134 | 134 | 134 | 134 | |
| Payment for capital assets | | | | | | | | | | | | |
| Machinery and equipment | 4,005 | | | 4,005 | 1,705 | 42,6% | 2,300 | 5,196 | 1,151 | 5,196 | 1,151 | |
| Software and other intangible assets | 1,501 | | | 1,501 | 101 | 6,7% | 1,400 | 1,299 | 148 | 1,299 | 148 | |
| Total | 52,300 | 14,217 | (3,586) | 62,931 | 55,394 | 88,0% | 7,537 | 57,646 | 50,822 | 57,646 | 50,822 | |

APPROPRIATION STATEMENT For The Year Ended 31 March 2013

| PROGRAMME 2 - ECONOMIC POLICY | Appropriation per programme | | | | | | | | | |
|-------------------------------------------|---------------------------------|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|----------------------------------------------|------------------------------|-----------------------------|--|
| | 2012/13 | | | | | 2011/12 | | | | |
| | Adjusted Appropriation R'000 | Shifting of Funds R'000 | Virement R'000 | Final Appropriation R'000 | Actual Expenditure R'000 | Variance R'000 | Expenditure as % of final Appropriation % | Final Appropriation R'000 | Actual Expenditure R'000 | |
| 2.1 Growth Path & Creation of Decent Work | | | | | | | | | | |
| Current payment | 6,236 | | (300) | 5,936 | 3,898 | 2,038 | 65,7% | 4,970 | 2,636 | |
| 2.2 Economic Policy | | | | | | | | | | |
| Current payment | 8,232 | 1,240 | (210) | 9,262 | 7,677 | 1,585 | 82,9% | 10,443 | 9,568 | |
| 2.3 BBB Economic Empowerment | | | | | | | | | | |
| Current payment | 3,317 | | | 3,317 | | 3,317 | | 673 | 294 | |
| 2.4 Second Economy | | | | | | | | | | |
| Current payment | 682 | | | 682 | | 682 | | 74 | | |
| Total | 18,467 | 1,240 | (510) | 19,197 | 11,575 | 7,622 | 60,3% | 16,160 | 12,498 | |

| PROGRAMME 2 - ECONOMIC POLICY: ECONOMIC CLASSIFICATION | Appropriation per economic classification | | | | | | | | | |
|--------------------------------------------------------|-------------------------------------------|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|----------------------------------------------|------------------------------|-----------------------------|--|
| | 2012/13 | | | | | 2011/12 | | | | |
| | Adjusted Appropriation R'000 | Shifting of Funds R'000 | Virement R'000 | Final Appropriation R'000 | Actual Expenditure R'000 | Variance R'000 | Expenditure as % of final Appropriation % | Final Appropriation R'000 | Actual Expenditure R'000 | |
| Current payments | | | | | | | | | | |
| Compensation of employees | 11,274 | | (300) | 10,974 | 7,696 | 3,278 | 70,1% | 9,767 | 8,075 | |
| Goods and services | 7,193 | 1,240 | (210) | 8,223 | 3,879 | 4,344 | 47,2% | 6,393 | 4,423 | |
| Total | 18,467 | 1,240 | (510) | 19,197 | 11,575 | 7,622 | 60,3% | 16,160 | 12,498 | |

APPROPRIATION STATEMENT For The Year Ended 31 March 2013

| PROGRAMME 3 - ECONOMIC PLANNING & COORDINATION | Appropriation per programme | | | | | | | | | | | |
|-------------------------------------------------------------|-----------------------------|-------------------|--------------|---------------------|--------------------|--------------|-----------------------------------------|---------------------|--------------------|---------------------|--------------------|--|
| | 2012/13 | | | | | 2011/12 | | | | | | |
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final Appropriation | Final Appropriation | Actual Expenditure | Final Appropriation | Actual Expenditure | |
| R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | R'000 | R'000 | R'000 | |
| 3.1 Spatial, Sec & Planning | | | | | | | | | | | | |
| Current payment | 39,572 | 1,615 | (3,166) | 38,021 | 37,821 | 200 | 99,5% | 11,185 | 10,881 | 11,185 | 10,881 | |
| Transfers and subsidies | - | 87 | - | 87 | 87 | - | 100,0% | | | | | |
| 3.2 Economic Development Financial & Procurement | | | | | | | | | | | | |
| Current payment | 3,885 | (2) | (156) | 3,727 | 1,840 | 1,887 | 49,4% | 7,402 | 7,402 | 7,402 | 7,402 | |
| 3.3 Investment for Economic Development | | | | | | | | | | | | |
| Current payment | 4,668 | 616 | | 5,284 | 3,963 | 1,321 | 75,0% | 2,013 | 2,013 | 2,013 | 2,013 | |
| Transfers and subsidies | 282,253 | 359 | 20,805 | 303,417 | 303,416 | 1 | 100,0% | 268,491 | 268,491 | 268,491 | 268,491 | |
| 3.4 Competitiveness & Trade for Decent Work | | | | | | | | | | | | |
| Current payment | 35,215 | (18,751) | (12,587) | 3,877 | 2,984 | 893 | 77,0% | 2,812 | 852 | 2,812 | 852 | |
| Transfers and subsidies | 247,412 | | | 247,412 | 247,412 | - | 100,0% | 211,374 | 211,374 | 211,374 | 211,374 | |
| Total | 613,005 | (16,076) | 4,895 | 601,824 | 597,523 | 4,301 | 99,3% | 503,277 | 501,013 | 503,277 | 501,013 | |

APPROPRIATION STATEMENT For The Year Ended 31 March 2013

| PROGRAMME 3 - ECONOMIC PLANNING & COORDINATION: ECONOMIC CLASSIFICATION | Appropriation economic classification | | | | | | | | | | |
|-------------------------------------------------------------------------|---------------------------------------|-------------------|--------------|---------------------|--------------------|--------------|-----------------------------------------|---------------------|--------------------|--------------------|--|
| | 2012/13 | | | | | 2011/12 | | | | | |
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final Appropriation | Final Appropriation | Actual Expenditure | Actual Expenditure | |
| R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | R'000 | R'000 | |
| Current payments | | | | | | | | | | | |
| Compensation of employees | 16,219 | 2,407 | (808) | 17,818 | 17,442 | 97,9% | 376 | 9,374 | 9,345 | 9,345 | |
| Goods and services | 67,121 | (18,929) | (15,101) | 33,091 | 29,167 | 88,1% | 3,924 | 14,039 | 11,803 | 11,803 | |
| Transfers and subsidies to: | | | | | | | | | | | |
| Departmental agencies and accounts | 247,412 | | 1,808 | 249,220 | 249,220 | 100,0% | - | 301,911 | 301,911 | 301,911 | |
| Universities and technicians | 2,280 | | 10,000 | 12,280 | 12,280 | 100,0% | - | 5,510 | 5,510 | 5,510 | |
| Public corporations and private enterprises | 279,973 | 359 | 8,996 | 289,328 | 289,327 | 100,0% | 1 | 172,443 | 172,444 | 172,444 | |
| Non-profit institutions | | | | - | | | | | | | |
| Households | | 87 | - | 87 | 87 | 100,0% | - | | | | |
| Total | 613,005 | (16,076) | 4,895 | 601,824 | 597,523 | 99,3% | 4,301 | 503,277 | 501,013 | 501,013 | |

APPROPRIATION STATEMENT For The Year Ended 31 March 2013

| PROGRAMME 4 - ECONOMIC DEVELOPMENT & DIALOGUE | Appropriation per programme | | | | | | | | | |
|------------------------------------------------------------------------|---------------------------------------|-------------------|--------------|---------------------|--------------------|--------------|-----------------------------------------|---------------------|--------------------|-------|
| | 2012/13 | | | | | 2011/12 | | | | |
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final Appropriation | Final Appropriation | Actual Expenditure | R'000 |
| R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | R'000 | R'000 |
| 4.1 National Social Dialogue & Strategic Frameworks | | | | | | | | | | |
| Current payment | 10,444 | | (800) | 9,644 | 6,669 | 2,975 | 69,2% | 10,666 | 5,267 | |
| Transfers and subsidies | | 23 | | 23 | 23 | - | 100,0% | | (3) | |
| 4.2 Sector & Workplace Social | | | | | | | | | | |
| Current payment | 288 | | | 288 | | 288 | | 49 | 5 | |
| 4.3 Capacity Building for Economic Development | | | | | | | | | | |
| Current payment | 899 | 622 | | 1,521 | 1,521 | - | 100,0% | 671 | | |
| 4.4 Productivity, Entrepreneurship & Innovation | | | | | | | | | | |
| Current payment | 1,115 | (26) | | 1,089 | 768 | 321 | 70,5% | 1,890 | 8,000 | |
| Transfers and subsidies | | | | - | | - | | 8,000 | 8,000 | |
| Total | 12,746 | 619 | (800) | 12,565 | 8,981 | 3,584 | 71,5% | 21,276 | 13,269 | |
| PROGRAMME 4 - ECONOMIC DEVELOPMENT & DIALOGUE: ECONOMIC CLASSIFICATION | Appropriation economic classification | | | | | | | | | |
| | 2012/13 | | | | | 2011/12 | | | | |
| | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final Appropriation | Final Appropriation | Actual Expenditure | R'000 |
| R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | R'000 | R'000 |
| Current payments | | | | | | | | | | |
| Compensation of employees | 6,862 | 619 | (400) | 7,081 | 6,051 | 1,030 | 85,5% | 8,990 | 3,028 | |
| Goods and services | 5,884 | (23) | (400) | 5,461 | 2,907 | 2,554 | 53,2% | 4,286 | 2,244 | |
| Transfers and subsidies to: | | | | | | | | | | |
| Public corporations and private enterprises | | | | - | | - | | 8,000 | 8,000 | |
| Non-profit institutions | | | | - | | - | | | | |
| Households | | 23 | | 23 | 23 | - | 100,0% | | (3) | |
| Total | 12,746 | 619 | (800) | 12,565 | 8,981 | 3,584 | 71,5% | 21,276 | 13,269 | |

NOTES TO THE APPROPRIATION STATEMENT

For The Year Ended 31 March 2013

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

Detail of these transactions can be viewed in the note on Transfers and subsidies, disclosure notes and Annexure 1 (A-C) to the Annual Financial Statements.

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

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

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

| 3.1 Per Programme | Final Appropriation | Actual Expenditure | Variance R'000 | Variance as a % of Final Appropriation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|----------------|----------------------------------------|
| | R'000 | R'000 | R'000 | % |
| Administration | 62,931 | 55,394 | 7,537 | 12% |
| Explanation of variance: Under spending in this programme is largely on payment for capital assets and this is attributed to delays experienced in the procurement processes. | | | | |
| Economic Policy | 19,197 | 11,575 | 7,622 | 39,7% |
| Explanation of variance: Under spending is mainly attributed to outstanding commitments and vacancies at senior management levels of the programme. | | | | |
| Economic Planning & Co-ordination | 601,824 | 597,523 | 4,301 | 0,7% |
| Explanation of variance: Under spending is mainly attributed to the additional allocation for economic regulatory matters during the adjustment budget and vacancies within the programme. | | | | |
| Economic Development and Dialogue | 12,565 | 8,981 | 3,584 | 28,5% |
| Explanation of variance: Under spending is mainly attributed to outstanding commitments and vacancies within the programme. | | | | |
| Total | 696,518 | 673,473 | 23,045 | 3,3% |

| 3.2 Per Economic classification | Final Appropriation | Actual Expenditure | Variance | Variance as a % of Final Appropriation |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|----------|----------------------------------------|
| | R'000 | R'000 | R'000 | % |
| Current payments: | | | | |
| Compensation of employees | 70,399 | 62,074 | 8,325 | 11,8% |
| Goods and services | 69,562 | 58,544 | 11,018 | 15,8% |
| Transfers and subsidies: | | | | |
| Departmental agencies and accounts | 249,220 | 249,220 | - | 0% |
| Universities and Technikon | 12,280 | 12,280 | - | 0% |
| Public corporations and private enterprises | 289,328 | 289,327 | 1 | 0% |
| Households | 223 | 222 | 1 | 99,6% |
| Payments for capital assets: | | | | |
| Machinery and equipment | 4,005 | 1,705 | 2,300 | 57,4% |
| Software and other intangible assets | 1,501 | 101 | 1,400 | 93,3% |
| Total | | | | |
| Explanation of variances: Under spending on Compensation of Employees is due to vacancies mainly at senior management levels, Goods and Services was largely due to the additional allocation for economic regulatory matters during the adjustments. | | | | |

STATEMENT OF FINANCIAL PERFORMANCE

For The Year Ended 31 March 2013

| PERFORMANCE | Note | 2012/13 R'000 | 2011/12 R'000 |
|---------------------------------------------------|------|------------------|------------------|
| REVENUE | | | |
| Annual appropriation | 1 | 696,518 | 598,359 |
| Departmental revenue | 2 | 668,662 | 592,904 |
| Aid assistance | 3 | 13,651 | 28,000 |
| TOTAL REVENUE | | 1,378,831 | 1,219,263 |
| EXPENDITURE | | | |
| Current expenditure | | | |
| Compensation of employees | 4 | 62,074 | 48,347 |
| Goods and services | 5 | 58,544 | 39,960 |
| Total current expenditure | | 120,618 | 88,307 |
| Transfers and subsidies | | | |
| Transfers and subsidies | 6 | 551,049 | 487,996 |
| Aid assistance | 3 | 13,651 | 28,000 |
| Total transfers and subsidies | | 564,700 | 515,996 |
| Expenditure for capital assets | | | |
| Tangible capital assets | 7 | 1,705 | 1,151 |
| Software and other intangible assets | 7 | 101 | 148 |
| Total expenditure for capital assets | | 1,806 | 1,299 |
| TOTAL EXPENDITURE | | 687,124 | 605,602 |
| SURPLUS FOR THE YEAR | | 691,707 | 613,661 |
| Reconciliation of Net Surplus for the year | | | |
| Voted funds | 13 | 23,045 | 20,757 |
| Annual appropriation | | 23,045 | 20,757 |
| Departmental revenue and NRF Receipts | 14 | 668,662 | 592,904 |
| SURPLUS FOR THE YEAR | | 691,707 | 613,661 |

STATEMENT OF FINANCIAL POSITION

For The Year Ended 31 March 2013

| POSITION | Note | 2012/13 R'000 | 2011/12 R'000 |
|-----------------------------------------------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Current assets | | 50,122 | 56,035 |
| Cash and cash equivalents | 8 | 39,484 | 54,710 |
| Prepayments and advances | 9 | | 422 |
| Receivables | 10 | 10,638 | 903 |
| Non-current assets | | 1,392,969 | 1,392,969 |
| Investments | 11 | 1,392,969 | 1,392,969 |
| TOTAL ASSETS | | 1,443,091 | 1,449,004 |
| LIABILITIES | | | |
| Current liabilities | | 50,035 | 55,946 |
| Voted funds to be surrendered to the Revenue Fund | 13 | - | 5,906 |
| Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund | 14 | 50,001 | 49,998 |
| Payables | 15 | 34 | 42 |
| TOTAL LIABILITIES | | 50,035 | 55,946 |
| NET ASSETS | | 1,393,056 | 1,393,058 |
| Represented by: | | | |
| Capitalisation reserve | | 1,392,969 | 1,392,969 |
| Recoverable revenue | | 87 | 89 |
| TOTAL | | 1,393,056 | 1,393,058 |

STATEMENT OF CHANGES IN NET ASSETS**For The Year Ended 31 March 2013**

| NET ASSETS | Note | 2012/13 R'000 | 2011/12 R'000 |
|-----------------------------------------------------|------|------------------|------------------|
| Capitalisation Reserves | | | |
| Opening balance | | 1,392,969 | 1,704,250 |
| Transfers: | | | |
| Other movements | | | -311,281 |
| Closing balance | | 1,392,969 | 1,392,969 |
| Recoverable revenue | | | |
| Opening balance | | 89 | - |
| Transfers: | | (2) | 89 |
| Debts recovered (included in departmental receipts) | | (2) | |
| Debts raised | | | 89 |
| Closing balance | | 87 | 89 |
| TOTAL | | 1,393,056 | 1,393,058 |

CASH FLOW STATEMENT

For The Year Ended 31 March 2013

| CASH FLOW | Note | 2012/13 R'000 | 2011/12 R'000 |
|----------------------------------------------------------|-----------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | 1,296,312 | 1,154,412 |
| Annual appropriated funds received | 1.1 | 663,999 | 583,508 |
| Departmental revenue received | | 618,662 | 542,904 |
| Aid assistance received | 3 | 13,651 | 28,000 |
| Net (increase)/decrease in working capital | | 153 | (453) |
| Surrendered to Revenue Fund | | (674,565) | (662,334) |
| Current payments | | (120,618) | (88,307) |
| Transfers and subsidies paid | | (564,700) | (515,996) |
| Net cash flow available from operating activities | 16 | (63,418) | (112,678) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for capital assets | 7 | (1,806) | (1,299) |
| (Increase)/decrease in loans | | | 89 |
| Net cash flows from investing activities | | (1,806) | (1,210) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Distribution/dividend received | | 50,000 | 50,000 |
| Increase/(decrease) in net assets | | (2) | - |
| Net cash flows from financing activities | | 49,998 | 50,000 |
| Net increase/(decrease) in cash and cash equivalents | | (15,226) | (63,888) |
| Cash and cash equivalents at beginning of period | | 54,710 | 118,598 |
| Cash and cash equivalents at end of period | 17 | 39,484 | 54,710 |

ACCOUNTING POLICIES

For The Year Ended 31 March 2013

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 1 of 2010.

1. PRESENTATION OF THE FINANCIAL STATEMENTS

1.1 Basis of preparation

The financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. Under this basis, the effects of transactions and other events are recognised in the financial records when the resulting cash is received or paid. The "modification" results from the recognition of certain near-cash balances in the financial statements as well as the revaluation of foreign investments and loans and the recognition of resulting revaluation gains and losses. In addition supplementary information is provided in the disclosure notes to the financial statements where it is deemed to be useful to the users of the financial statements.

1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

1.3 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements.

Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

1.5 Comparative figures - Appropriation Statement

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the Appropriation Statement.

2. REVENUE

2.1 Appropriated funds

Appropriated funds comprises of departmental allocations as well as direct charges against revenue fund (i.e. statutory appropriation). Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective. Unexpended appropriated funds are surrendered to the National Revenue Fund.

Any amounts owing to the National Revenue Fund at the end of the financial year are recognised as payable in the statement of financial position.

2.2 Departmental revenue

All departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the National Revenue Fund, unless stated otherwise.

Any amount owing to the National Revenue Fund at the end of the financial year is recognised as a payable in the statement of financial position. No accrual is made for amounts receivable from the last receipt date to the end of the reporting period. These amounts are however disclosed in the disclosure notes to the annual financial statements.

2.3 Aid assistance

Aids assistance is recognised as revenue when received

All in-kind aid assistance is disclosed at fair value on the date of receipt in the annexures to the Annual Financial Statements. The cash payments made during the year relating to aid assistance projects are recognised as expenditure in the statement of financial performance when final authorisation for payments is effected on the system (by no later than 31 March of each year)

The value of the assistance expensed prior to the receipt of funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using aid assistance and any unutilised amounts are recognised as payables in the statement of financial position.

3. EXPENDITURE

3.1 Compensation of employees

3.1.1 Salaries and wages

Salaries and wages are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Other employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements at its face value and are not recognised in the statement of financial performance or position.

Employee costs are capitalised to the cost of a capital project when an employee spends more than 50% of his/her time on the project. These payments form part of expenditure for capital assets in the statement of financial performance.

3.1.2 Social contributions

Employer contributions to post employment benefit plans in respect of current employees are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

Employer contributions made by the department for certain of its ex-employees (such as medical

benefits) are classified as transfers to households in the statement of financial performance.

3.2 Goods and services

Payments made during the year for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

The expense is classified as capital if the goods and/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5, 000). All other expenditures are classified as current.

Rental paid for the use of buildings or other fixed structures is classified as goods and services and not as rent on land.

3.3 Interest and rent on land

Interest and rental payments are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

3.4 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.5 Unauthorised expenditure

When confirmed unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the statement of financial performance on the date stipulated in the Act.

3.6 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

3.7 Irregular expenditure

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

4. ASSETS

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

Bank overdrafts are shown separately on the face of the statement of financial position.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

4.2 Other financial assets

Other financial assets are carried in the statement of financial position at cost.

4.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and are derecognised as and when the goods/services are received or the funds are utilised.

Prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

4.4 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus

any accrued interest. Amounts that are potentially irrecoverable are included in the disclosure notes.

4.5 Investments

Capitalised investments are shown at cost in the statement of financial position.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

4.6 Loans

Loans are recognised in the statement of financial position when the cash is paid to the beneficiary. Loans that are outstanding at year-end are carried in the statement of financial position at cost plus accrued interest.

Amounts that are potentially irrecoverable are included in the disclosure notes.

4.7 Inventory

Inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

All inventory items at year-end are reflected using the weighted average cost or FIFO cost formula.

4.8 Capital assets

4.8.1 Movable assets

Initial recognition

A capital asset is recorded in the asset register on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

All assets acquired prior to 1 April 2002 are included in the register R1.

Subsequent recognition

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as "expenditure for capital assets" and is capitalised in the asset register of the department on completion of the project.

Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

4.8.2 Intangible assets

Initial recognition

An intangible asset is recorded in the asset register on receipt of the item at cost. Cost of an intangible asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the intangible asset is stated at fair value. Where fair value cannot be determined, the intangible asset is included in the asset register at R1.

All intangible assets acquired prior to 1 April 2002 can be included in the asset register at R1.

Subsequent expenditure

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as "expenditure for capital asset" and is capitalised in the asset register of the department.

Maintenance is expensed as current "goods and services" in the statement of financial performance.

5. LIABILITIES

5.1 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are carried at cost in the statement of financial position.

5.2 Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

5.3 Contingent assets

Contingent assets are included in the disclosure notes to the financial statements when it is probable that an inflow of economic benefits will flow to the entity.

5.4 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

5.5 Accruals

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

5.6 Employee benefits

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the statement of financial performance or the statement of financial position.

5.7 Lease commitments

Operating lease: Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statement.

5.8 Impairment

The Department tests for impairment where there is an indication that a receivable, loan or investment may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at year-end. Impairments on investments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows / service potential flowing from the instrument.

5.9 Provisions

Provisions are disclosed when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

6. RECEIVABLES FOR DEPARTMENTAL REVENUE

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements. These receivables are written off when identified as irrecoverable and are disclosed separately.

7. NET ASSETS

7.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National/Provincial Revenue Fund when the underlying asset is disposed and the related funds are received.

7.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National/Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

8. RELATED PARTY TRANSACTIONS

Specific information with regards to related party transactions is included in the disclosure notes.

9. KEY MANAGEMENT PERSONNEL

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

10. PUBLIC PRIVATE PARTNERSHIPS

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

1. ANNUAL APPROPRIATION

1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Departments (Voted funds).

| | Final Appropriation | 2012/13 Actual Funds Received | Funds not requested/not received | 2011/12 Appropriation received |
|-----------------------------------|------------------------|-------------------------------------|----------------------------------------|--------------------------------------|
| | R'000 | R'000 | R'000 | R'000 |
| Administration | 62,931 | 46,218 | 16,713 | 50,369 |
| Economic Policy Development | 19,197 | 13,467 | 5,730 | 21,335 |
| Economic planning & Coordination | 601,824 | 595,064 | 6,760 | 496,921 |
| Economic Development and Dialogue | 12,565 | 9,250 | 3,315 | 14,883 |
| Total | 696,518 | 663,999 | 32,519 | 583,508 |

The Final Appropriation for 2012/13 amounted to R697 million, which is reflected in the Statement of Financial Performance, whilst the amount of R664 million reflected in the table above is the actual funds received for the 2012/13. Funds not requested created negative amount a debt against Treasury which will be requested after audit as per Treasury agreement.

Explanation of funds not requested/not received:

Refer to the Notes to the Appropriation on reasons why funds were not requested/not received.

2. DEPARTMENTAL REVENUE

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|-------------------------------------------------------|------|------------------|------------------|
| Sales of goods and services other than capital assets | 2.1 | 21 | 16 |
| Fines, penalties and forfeits | 2.2 | 617,344 | 538,285 |
| Interest, dividends and rent on land | 2.3 | 50,106 | 50,263 |
| Transactions in financial assets and liabilities | 2.4 | 1,191 | 4,340 |
| Total revenue collected | | 668,662 | 592,904 |
| Departmental revenue collected | | 668,662 | 592,904 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

2.1 Sales of goods and services other than capital assets

| | Note | 2012/13 | 2011/12 |
|--------------------------------------------------------|------|-----------|-----------|
| | 2 | R'000 | R'000 |
| Sales of goods and services produced by the department | | 21 | 16 |
| Sales by market establishment | | 17 | 13 |
| Other sales | | 4 | 3 |
| Total | | 21 | 16 |

Sales by market establishment relates to revenue received in respect of parking rental. Other sales comprise commission received on the deduction of insurance.

2.2 Fines, penalties and forfeits

| | Note | 2012/13 | 2011/12 |
|--------------|------|----------------|----------------|
| | 2 | R'000 | R'000 |
| Penalties | | 617,344 | 538,285 |
| Total | | 617,344 | 538,285 |

Penalties are fines imposed by the Competition Commission and confirmed by Competition Tribunal. These penalties are then paid to Competition Commission, and deposited over to EDD and surrendered to the National Revenue Fund.

The following are penalties and fines imposed that are two million Rand and above:

| | |
|---------------------|---------------|
| Flo Tech Pipes | 2,524,716.63 |
| Suidwes Agriculture | 2,644,617.65 |
| Singapore Airlines | 25,106,692.00 |
| Senwes | 2,000,000.00 |
| BRIDGESTONE | 9,355,970.39 |
| SAA | 18,799,292.00 |
| Steeldaleste | 32,226,160.00 |
| Oceana Brancoce | 34,750,050.00 |
| Afrisam (SA) | 20,813,145.00 |

2.3 Interest, dividends and rent on land

| | Note | 2012/13 | 2011/12 |
|--------------|------|---------------|---------------|
| | 2 | R'000 | R'000 |
| Interest | | 106 | 263 |
| Dividends | | 50,000 | 50,000 |
| Total | | 50,106 | 50,263 |

Interest is earned from the commercial bank

Dividends are received from Industrial Development Corporation for 1,392,969,000 Investment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

2.4 Transactions in financial assets and liabilities

| | Note | 2012/13 | 2011/12 |
|----------------------------------------------|------|--------------|--------------|
| | 2 | R'000 | R'000 |
| Other Receipts including Recoverable Revenue | | 1,191 | 4,340 |
| Total | | 1,191 | 4,340 |

3. AID ASSISTANCE RECEIVED IN CASH FROM OTHER SOURCES

| | | 2012/13 | 2011/12 |
|------------------------|--|----------|----------|
| | | R'000 | R'000 |
| Foreign | | | |
| Opening Balance | | | |
| Revenue | | 13,651 | 28,000 |
| Expenditure | | (13,651) | (28,000) |
| Transfers | | (13,651) | (28,000) |
| Closing Balance | | - | - |
| Total | | | |
| Opening Balance | | | |
| Revenue | | 13,651 | 28,000 |
| Expenditure | | (13,651) | (28,000) |
| Transfers | | (13,651) | (28,000) |
| Closing Balance | | - | - |

- German- Swiss Company, PhytoEnergy is pursuing a project for production of Canola biodiesel refinery in the Eastern Cape R11 million was fourth tranche of payment.
- R2,651 Million first tranche to the Western Cape Furniture Industry on the initiative of Employment Creation fund from European Commission and United Kingdom.

4. COMPENSATION OF EMPLOYEES

4.1 Salaries and Wages

| | Note | 2012/13 | 2011/12 |
|----------------------------------|------|---------------|---------------|
| | | R'000 | R'000 |
| Basic salary | | 41,611 | 31,276 |
| Performance award | | 533 | 163 |
| Service Based | | 182 | 237 |
| Compensative/circumstantial | | 1,393 | 1,029 |
| Periodic payments | | 13 | 580 |
| Other non-pensionable allowances | | 13,820 | 11,500 |
| Total | | 57,552 | 44,785 |

Other non-pensionable allowances comprise of car allowances, housing allowances, benefits structured as part of salary packages for employees on level 11 and higher etc.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

4.2 Social contributions

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|----------------------------------------|------|------------------|------------------|
| Employer contributions | | | |
| Pension | | 3,529 | 2,782 |
| Bargaining council | | 6 | 9 |
| Medical | | 987 | 771 |
| Total | | 4,522 | 3,562 |
| Total compensation of employees | | 62,074 | 48,347 |
| Average number of employees | | 117 | 115 |

5. GOODS AND SERVICES

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|---------------------------------------------------------|------|------------------|------------------|
| Administrative fees | | 492 | 92 |
| Advertising | | 15,766 | 341 |
| Assets less than R5,000 | 5.1 | 74 | 192 |
| Bursaries (employees) | | 87 | 47 |
| Catering | | 2,060 | 683 |
| Communication | | 2,091 | 1,755 |
| Computer services | 5.2 | 544 | 505 |
| Consultants, contractors and agency/outsourced services | 5.3 | 8,693 | 10,976 |
| Entertainment | | 31 | 4 |
| Audit cost – external | 5.4 | 2,633 | 1,572 |
| Fleet services | | 485 | 499 |
| Inventory | 5.5 | 2,338 | 1,853 |
| Operating leases | | 3,709 | 2,844 |
| Property payments | 5.6 | 34 | 1,836 |
| Travel and subsistence | 5.7 | 13,024 | 11,973 |
| Venues and facilities | | 4,401 | 2,063 |
| Training and staff development | | 358 | 1,210 |
| Other operating expenditure | 5.8 | 1,724 | 1,515 |
| Total | | 58,544 | 39,960 |

- Advertising: EDD paid R10 million to GCIS for Advertising of Media Campaign and R5 million to DIRCO for BRICS broadcast advertising.

5.1 Assets less than R5,000

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|-------------------------|------|------------------|------------------|
| Tangible assets | 5 | 74 | 192 |
| Machinery and equipment | | 74 | 192 |
| Total | | 74 | 192 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

5.2 Computer services

| | Note | 2012/13 | 2011/12 |
|-------------------------------------|------|------------|------------|
| | 5 | R'000 | R'000 |
| SITA computer services | | 311 | 187 |
| External computer service providers | | 233 | 318 |
| Total | | 544 | 505 |

5.3 Consultants, contractors and agency/outsourced services

| | Note | 2012/13 | 2011/12 |
|----------------------------------------|------|--------------|---------------|
| | 5 | R'000 | R'000 |
| Business and advisory services | | 1,321 | 6,409 |
| Legal costs | | 1,010 | 4,028 |
| Contractors | | 6,069 | 182 |
| Agency and support/outsourced services | | 293 | 357 |
| Total | | 8,693 | 10,976 |

5.4 Audit cost – External

| | Note | 2012/13 | 2011/12 |
|-------------------|------|--------------|--------------|
| | 5 | R'000 | R'000 |
| Regularity audits | | 2,633 | 1,572 |
| Total | | 2,633 | 1,572 |

5.5 Inventory

| | Note | 2012/13 | 2011/12 |
|-------------------------|------|--------------|--------------|
| | 5 | R'000 | R'000 |
| Other consumables | | 30 | 32 |
| Materials and supplies | | 17 | 11 |
| Stationery and printing | | 2,291 | 1,808 |
| Medical supplies | | - | 1 |
| Medicine | | - | 1 |
| Total | | 2,338 | 1,853 |

5.6 Property payments

| | Note | 2012/13 | 2011/12 |
|--------------------------|------|-----------|--------------|
| | 5 | R'000 | R'000 |
| Property management fees | | - | 1,795 |
| Other | | 34 | 41 |
| Total | | 34 | 1,836 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

5.7 Travel and subsistence

| | Note | 2012/13 | 2011/12 |
|--------------|------|---------------|---------------|
| | 5 | R'000 | R'000 |
| Local | | 12,796 | 9,222 |
| Foreign | | 228 | 2,751 |
| Total | | 13,024 | 11,973 |

5.8 Other operating expenditure

| | Note | 2012/13 | 2011/12 |
|-------------------------------------------------------|------|--------------|--------------|
| | 5 | R'000 | R'000 |
| Learnerships | | 442 | 143 |
| Professional bodies, membership and subscription fees | | 5 | 30 |
| Resettlement costs | | 115 | 263 |
| Other | | 1,162 | 1,079 |
| Total | | 1,724 | 1,515 |

6. TRANSFERS AND SUBSIDIES

| | Note | 2012/13 | 2011/12 |
|---------------------------------------------|----------|----------------|----------------|
| | | R'000 | R'000 |
| Departmental agencies and accounts | Annex 1A | 249,220 | 301,911 |
| Universities and technikons | Annex 1B | 12,280 | 5,510 |
| Public corporations and private enterprises | Annex 1C | 289,326 | 180,444 |
| Households | Annex 1D | 223 | 131 |
| Total | | 551,049 | 487,996 |

7. EXPENDITURE FOR CAPITAL ASSETS

| | Note | 2012/13 | 2011/12 |
|---------------------------------------------|------|--------------|--------------|
| | | R'000 | R'000 |
| Tangible assets | | 1,705 | 1,151 |
| Machinery and equipment | 27.1 | 1,705 | 1,151 |
| Software and other intangible assets | | 101 | 148 |
| Computer software | 29.1 | 101 | 148 |
| Total | | 1,806 | 1,299 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

7.1 Analysis of funds utilised to acquire capital assets – 2012/13

| | Voted funds R'000 | Aid assistance R'000 | Total R'000 |
|---------------------------------------------|----------------------|-------------------------|----------------|
| Tangible assets | 1,705 | | 1,705 |
| Machinery and equipment | 1,705 | | 1,705 |
| Software and other intangible assets | 101 | | 101 |
| Computer software | 101 | | 101 |
| Total | 1,806 | | 1,806 |

7.2 Analysis of funds utilised to acquire capital assets – 2011/12

| | Voted funds R'000 | Aid assistance R'000 | Total R'000 |
|---------------------------------------------|----------------------|-------------------------|----------------|
| Tangible assets | 1,151 | | 1,151 |
| Machinery and equipment | 1,151 | | 1,151 |
| Software and other intangible assets | 148 | | 148 |
| Computer software | 148 | | 148 |
| Total | 1,299 | | 1,299 |

8. CASH AND CASH EQUIVALENTS

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|----------------------------------------|------|------------------|------------------|
| Consolidated Paymaster General Account | | 39,484 | 54,248 |
| Cash on hand | | - | - |
| Investments (Domestic) | | - | 462 |
| Total | | 39,484 | 54,710 |

9. PREPAYMENTS AND ADVANCES

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|------------------------|------|------------------|------------------|
| Staff advances | | - | 71 |
| Travel and subsistence | | - | 7 |
| Advances paid | | - | 344 |
| SOCPEN advances | | - | - |
| Total | | - | 422 |

9.1 Advances paid

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|---------------------|---------|------------------|------------------|
| National department | Annex8A | - | 344 |
| Total | | - | 344 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

10. RECEIVABLES

| | Note | 2012/13 | | | 2011/12 | |
|-------------------------|------|-----------------------|-----------------------|---------------------------|---------------|------------|
| | | R'000 | R'000 | R'000 | R'000 | R'000 |
| | | Less than one year | One to three years | Older than three years | Total | Total |
| Claims recoverable | 10.1 | 785 | 274 | | 1,059 | 783 |
| Recoverable expenditure | 10.2 | 1 | | | 1 | - |
| Staff debt | 10.3 | 6 | 98 | | 104 | 120 |
| Other debtors | 10.4 | 9,474 | | | 9,474 | - |
| Total | | 10,266 | 372 | | 10,638 | 903 |

10.1 Claims recoverable

| | Note | 2012/13 | 2011/12 |
|------------------------|------|--------------|------------|
| | 10 | R'000 | R'000 |
| National departments | | 1,055 | 783 |
| Provincial departments | | 4 | - |
| Total | | 1,059 | 783 |

10.2 Recoverable expenditure (disallowance accounts)

| | Note | 2012/13 | 2011/12 |
|-----------------|------|----------|---------|
| | 10 | R'000 | R'000 |
| Salary Tax debt | | 1 | |
| Total | | 1 | |

10.3 Staff debt

| | Note | 2012/13 | 2011/12 |
|--------------------------|------|------------|------------|
| | 10 | R'000 | R'000 |
| Pension fund overpayment | | 8 | 20 |
| Salary Overpayment | | 92 | 91 |
| Tax debt | | 4 | 7 |
| Petty Cash advance | | - | 2 |
| Total | | 104 | 120 |

10.4 Other debtors

| | Note | 2012/13 | 2011/12 |
|----------------------------------------------|------|--------------|----------|
| | 10 | R'000 | R'000 |
| Funds not requested due by National Treasury | | 9,474 | - |
| Total | | 9,474 | - |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

11. INVESTMENTS

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|--------------------------------------------------------|------|------------------|------------------|
| Non-Current | | | |
| Shares and other equity | | | |
| IDC A Shares 1,000, 000 at cost (100% shareholding) | | 1,000 | 1,000 |
| IDC B Shares 1,391,969,357 at cost (100% shareholding) | | 1,391,969 | 1,391,969 |
| Total | | 1,392,969 | 1,392,969 |
| Total non-current | | 1,392,969 | 1,392,969 |
| Analysis of non current investments | | | |
| Opening balance | | 1,392,969 | 1,392,969 |
| Closing balance | | 1,392,969 | 1,392,969 |

IDC is a wholly owned subsidiary of EDD, and it is considered a public entity similar to the other institutions which are under EDD. As with the other institutions, the IDC's financial statements are not consolidated with those of EDD.

12. LOANS

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|----------------------------|------|------------------|------------------|
| Analysis of Balance | | | |
| Opening balance | | - | 311,281 |
| New Issues | | | (311,281) |
| Closing balance | | - | - |

13. VOTED FUNDS TO BE SURRENDERED TO THE REVENUE FUND

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|------------------------------------------------------------|------|------------------|------------------|
| Opening balance | | 5,906 | 49,166 |
| Transfer from statement of financial performance | | 23,045 | 20,757 |
| Voted funds not requested/not received | 1.1 | (32,519) | (14,851) |
| Paid during the year | | (5,906) | (49,166) |
| Balance | | (9,474) | 5,906 |
| Amount due by National Treasury transferred to Receivables | | 9,474 | - |
| Closing balance | | - | 5,906 |

Funds were not requested in February 2013, as per National Treasury agreement they will pay funds not requested after Audited financial Statements are submitted at Treasury, hence the amount is reflected on receivables under statement of position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

14. DEPARTMENTAL REVENUE AND NRF RECEIPTS TO BE SURRENDERED TO THE REVENUE FUND

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|--------------------------------------------------|------|------------------|------------------|
| Opening balance | | 49,998 | 70,262 |
| Transfer from Statement of Financial Performance | | 668,662 | 592,904 |
| Paid during the year | | (668,659) | (613,168) |
| Closing balance | | 50,001 | 49,998 |

15. PAYABLES – CURRENT

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|---------------------------------|------|------------------|------------------|
| Amounts owing to other entities | | - | - |
| Clearing accounts | 15.1 | 5 | 42 |
| Other payables | 15.2 | 29 | |
| Total | | 34 | 42 |

Other payables consists of payment by The Presidency which was erroneously paid to Edd instead of SAPS

15.1 Clearing accounts

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|--------------|------|------------------|------------------|
| PAYE | 15 | 5 | 42 |
| Total | | 5 | 42 |

15.2 Other payables

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|----------------|------|------------------|------------------|
| DIRCO | 15 | 2 | - |
| The Presidency | | 27 | - |
| Total | | 29 | - |

- The Presidency paid claim erroneously to EDD which was meant for SAPS
- Dirco advance paid for Overseas travel expenses

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

16. NET CASH FLOW AVAILABLE FROM OPERATING ACTIVITIES

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|------------------------------------------------------------------|------|------------------|------------------|
| Net surplus/(deficit) as per Statement of Financial Performance | | 691,707 | 613,661 |
| Add back non cash/cash movements not deemed operating activities | | (755,125) | (726,339) |
| (Increase)/decrease in receivables – current | | (261) | (529) |
| (Increase)/decrease in prepayments and advances | | 422 | 44 |
| Increase/(decrease) in payables – current | | (8) | 32 |
| Expenditure on capital assets | | 1,806 | 1,299 |
| Surrenders to Revenue Fund | | (674,565) | (662,334) |
| Voted funds not requested/not received | | (32,519) | (14,851) |
| Dividends Received (IDC) | | (50,000) | (50,000) |
| Net cash flow generated by operating activities | | (63,418) | (112,678) |

17. RECONCILIATION OF CASH AND CASH EQUIVALENTS FOR CASH FLOW PURPOSES

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|----------------------------------------|------|------------------|------------------|
| Consolidated Paymaster General account | | 39,484 | 54,248 |
| Cash on hand | | - | - |
| Cash with commercial banks (Local) | | - | 462 |
| Total | | 39,484 | 54,710 |

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

18.1 Contingent liabilities

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|------------------------------------------------------------|----------|------------------|------------------|
| Liable to | Nature | | |
| Other guarantees | Annex 3A | 575,448 | 646,518 |
| Other departments (interdepartmental unconfirmed balances) | Annex 5 | - | 344 |
| Total | | 575,448 | 646,862 |

19. COMMITMENTS

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|---------------------------------|------|------------------|------------------|
| Current expenditure | | | |
| Approved and contracted | | 2,068 | 1,622 |
| Approved but not yet contracted | | | |
| | | 2,068 | 1,622 |
| Capital expenditure | | | |
| Approved and contracted | | 85 | 333 |
| Approved but not yet contracted | | | |
| | | 85 | 333 |
| Total Commitments | | 2,153 | 1,955 |

Commitments are less than a year

20. ACCRUALS

| | | 2012/13 R'000 | 2011/12 R'000 |
|------------------------------------------|--------------|------------------|------------------|
| Listed by economic classification | | | |
| | 30 Days | Total | Total |
| Goods and services | 2,448 | 2,448 | 1,073 |
| Total | 2,448 | 2,448 | 1,073 |

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|-----------------------------------------------|------|------------------|------------------|
| Listed by programme level | | | |
| Programme 1:Administration | | 1,413 | 341 |
| Programme 2:Economic Policy Development | | 114 | 33 |
| Programme 3:Economic Planning & Co-ordination | | 315 | 108 |
| Programme 4:Economic Develop & Dialogue | | 606 | 591 |
| Total | | 2,448 | 1,073 |

Accruals are due to Bank details and late invoices from suppliers

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

21. EMPLOYEE BENEFITS

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|-----------------------------------|------|------------------|------------------|
| Leave entitlement | | 2,162 | 1,571 |
| Service bonus (Thirteenth cheque) | | 869 | 311 |
| Performance Awards | | 1,056 | |
| Capped leave commitments | | 146 | 138 |
| Total | | 4,233 | 2,020 |

Of R2,162 million of leave entitlement, an amount of R183,202.42 was deducted for leave utilised in 2012/13 but captured in April 2013 and R46,754.59 has already been deducted in respect of negative balance on leave. This is due to an over grant of leave taken as employees are given full leave credits in January of each year although information in the financial statement is based on the leave accruals as at 31 March 2013.

22. LEASE COMMITMENTS

22.1 Operating leases expenditure

| | Specialised military equipment | Land | Buildings and other fixed structures | Machinery and equipment | Total |
|----------------------------------------------|--------------------------------|------|--------------------------------------|-------------------------|--------------|
| 2012/13 | | | | | |
| Not later than 1 year | | | | 1,262 | 1,262 |
| Later than 1 year and not later than 5 years | | | | 2,724 | 2,724 |
| Total lease commitments | | | | 3,986 | 3,986 |

| | Specialised military equipment | Land | Buildings and other fixed structures | Machinery and equipment | Total |
|----------------------------------------------|--------------------------------|------|--------------------------------------|-------------------------|--------------|
| 2012/13 | | | | | |
| Not later than 1 year | | | | 702 | 702 |
| Later than 1 year and not later than 5 years | | | | 425 | 425 |
| Total lease commitments | | | | 1,127 | 1,127 |

An Amount of R3,986 million of Operating Lease consists of lease for cell phones and photocopy machines and cars.

23. IRREGULAR EXPENDITURE

23.1 Reconciliation of Irregular expenditure

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|-------------------------------------------------------|------|------------------|------------------|
| Opening balance | | - | - |
| Add: Irregular expenditure – relating to current year | | 61 | - |
| Irregular expenditure awaiting condonation | | 61 | - |

Analysis of awaiting condonation per age classification

| | | |
|--------------|--|-----------|
| Current year | | 61 |
| | | 61 |

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

23.2 Details of irregular expenditure – current year

| Incident | Disciplinary steps taken/ criminal proceedings | 2012/13 R'000 |
|---------------------------------------------------------------------------------|---------------------------------------------------|------------------|
| Overtime applications were approved after overtime was performed. | | |
| Awaiting condonement | | 7 |
| Consultant rendered services without signed SBD4 and no original tax clearance. | | |
| Awaiting condonement | | 54 |
| Total | | 61 |

24. FRUITLESS AND WASTEFUL EXPENDITURE

24.1 Reconciliation of fruitless and wasteful expenditure

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|---------------------------------------------------------------|------|------------------|------------------|
| Opening balance | | | 27 |
| Less: Amounts resolved | | | (27) |
| Fruitless and wasteful expenditure awaiting resolution | | | - |

25. RELATED PARTY TRANSACTIONS

| | Note | 2012/13 R'000 | 2011/12 R'000 |
|------------------------------------------------------------------------|-------|------------------|------------------|
| Fines, penalties and forfeits | 2.2 | 617,344 | 538,285 |
| Interest, dividends and rent on land | 2.3 | 50,000 | 50,000 |
| Total | | 667,344 | 588,285 |
| Other | | | |
| Guarantees issued/received | Ann3A | 575,448 | 646,518 |
| List other contingent liabilities between department and related party | | | |
| Total | | 575,448 | 646,518 |

Guarantees are as result of Loan given to IDC by foreign banks.
EDD has oversight responsibility over the following Public and Trading entities:
SEFA
Industrial Development Corporation
Competition Commission
Competition Tribunal
ITAC

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

26. KEY MANAGEMENT PERSONNEL

| | No. of Individuals | 2012/13 R'000 | 2011/12 R'000 |
|-------------------------------------------------|--------------------|------------------|------------------|
| Political office bearers (provide detail below) | 2 | 3,414 | 3,207 |
| Officials: | | | |
| Level 15 to 16 | 5 | 3,871 | 3,399 |
| Level 14 (2 Chief Directors Acting as DDG) | 26 | 17,450 | 12,983 |
| Family members of key management personnel | | | 135 |
| Total | | 24,735 | 19,724 |

Political office bearers consist of:

- Minister E Patel [Minister from 2009-05-11 - Economic Development]
- Deputy Minister H Mkhize [2012-06-01 - Economic Development]
- IA Makgetla: Family member to N Makgetla as K.M.P (2011/12)

27. MOVABLE TANGIBLE CAPITAL ASSETS

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

| | Opening balance | Current Year Adjustments to prior year balances | Additions | Disposals | Closing Balance |
|----------------------------------------------|--------------------|----------------------------------------------------------|--------------|--------------|--------------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| MACHINERY AND EQUIPMENT | 6,980 | 618 | 1,737 | (531) | 8,804 |
| Transport assets | 2,800 | | 422 | (491) | 2,731 |
| Computer equipment | 1,685 | 159 | 713 | (31) | 2,526 |
| Furniture and office equipment | 1,418 | 578 | 546 | - | 2,542 |
| Other machinery and equipment | 1,077 | (119) | 56 | (9) | 1,005 |
| TOTAL MOVABLE TANGIBLE CAPITAL ASSETS | 6,980 | 618 | 1,737 | (531) | 8,804 |

27.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

| | Cash | Non-cash | (Capital Work in Progress current costs and finance lease payments) | Received current, not paid (Paid current year, received prior year) | Total |
|---------------------------------------------------------------|--------------|-----------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| MACHINERY AND EQUIPMENT | 1,705 | 32 | | | 1,737 |
| Transport assets | 422 | | | | 422 |
| Computer equipment | 681 | 32 | | | 713 |
| Furniture and office equipment | 546 | - | | | 546 |
| Other machinery and equipment | 56 | | | | 56 |
| TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS | 1,705 | 32 | - | - | 1,737 |

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

27.2 Disposals

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

| | Sold for cash | Transfer out or destroyed or scrapped | Total disposals | Cash Received Actual |
|---------------------------------------------------------------|---------------|---------------------------------------------|-----------------|-------------------------|
| | R'000 | R'000 | R'000 | R'000 |
| MACHINERY AND EQUIPMENT | | (531) | (531) | |
| Transport Assets | | (491) | (491) | |
| Computer Equipment | | (31) | (31) | - |
| Other machinery and equipment | | (9) | (9) | - |
| TOTAL DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS | | (531) | (531) | - |

27.3 Movement for 2011/12

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

| | Opening balance | Additions | Disposals | Closing balance |
|--------------------------------------|-----------------|--------------|-------------|-----------------|
| | R'000 | R'000 | R'000 | R'000 |
| MACHINERY AND EQUIPMENT | 5,891 | 1,151 | (62) | 6,980 |
| Transport assets | 2,800 | - | - | 2,800 |
| Computer equipment | 1,277 | 460 | (52) | 1,685 |
| Furniture and office equipment | 971 | 447 | - | 1,418 |
| Other machinery and equipment | 843 | 244 | (10) | 1,077 |
| TOTAL MOVABLE TANGIBLE ASSETS | 5,891 | 1,151 | (62) | 6,980 |

28. MINOR ASSETS

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2013

| | Specialised military assets | Intangible assets | Heritage assets | Machinery and equipment | Biological assets | Total |
|-------------------------------------|-----------------------------------|----------------------|--------------------|-------------------------------|----------------------|------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Opening balance | | | | 363 | | 363 |
| Current Yr adj to prior YR balances | | | | (14) | | (14) |
| Additions | | | | 74 | | 74 |
| TOTAL MINOR ASSETS | | | | 423 | | 423 |

28.1 MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 March 2012

| | Specialised military assets | Intangible assets | Machinery and equipment | Biological assets | Total |
|-----------------|-----------------------------------|----------------------|-------------------------------|----------------------|------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Opening balance | | - | 171 | - | 171 |
| Additions | | | 192 | | 192 |
| TOTAL | | | 363 | | 363 |

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

29. INTANGIBLE CAPITAL ASSETS

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

| | Opening balance | Current Year Adjustments to prior year balances | Additions | Disposals | Closing Balance |
|---------------------------------|--------------------|----------------------------------------------------------|-----------|-----------|--------------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| COMPUTER SOFTWARE | 202 | | 101 | | 303 |
| TOTAL INTANGIBLE CAPITAL ASSETS | 202 | - | 101 | | 303 |

29.1 Additions

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

| | Cash | Non-cash | (Development work in Progress - current costs) | Received current, not paid (Paid current year, received prior year) | Total |
|-------------------------------------------------|-------|----------|---------------------------------------------------------|------------------------------------------------------------------------------------|-------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| COMPUTER SOFTWARE | 101 | | | | 101 |
| TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS | 101 | | | | 101 |

29.2 Movement for 2011/12

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

| | Opening balance | Additions | Disposals | Closing balance |
|------------------------------------|-----------------|-----------|-----------|-----------------|
| | R'000 | R'000 | R'000 | R'000 |
| COMPUTER SOFTWARE | 54 | 148 | - | 202 |
| TOTAL INTANGIBLE CAPITAL ASSETS | 54 | 148 | - | 202 |

30. RECONCILIATION OF THE NET SURPLUS(DEFICIT) FOR THE YEAR

The prior year's annual appropriation surplus was incorrectly reflected as the actual appropriation.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2013

ANNEXURE 1A:
STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

| DEPARTMENT/ AGENCY/ ACCOUNT | TRANSFER ALLOCATION | | | TRANSFER | | 2011/12 Appropriation Act R'000 | |
|-----------------------------------------------|------------------------|------------|--------------|-----------------|-----------------|---------------------------------------|----------------------------------|
| | Adjusted Appropriation | Roll Overs | Adjustments | Total Available | Actual Transfer | | % of Available funds Transferred |
| | R'000 | R'000 | R'000 | R'000 | R'000 | | % |
| Competition Commission | 157,211 | | | 157,211 | 157,211 | 100% | 126,595 |
| Competition Tribunal | 15,600 | | 198 | 15,798 | 15,798 | 100% | 15,175 |
| CSIR | - | | 1,808 | 1,808 | 1,808 | 100% | - |
| International Trade Administration Commission | 73,665 | | 738 | 74,403 | 74,403 | 100% | 69,604 |
| | 246,476 | - | 2,744 | 249,220 | 249,220 | | 211,374 |

ANNEXURE 1B
STATEMENT OF TRANSFERS TO UNIVERSITIES AND TECHNIKONS

| UNIVERSITY/TECHNIKON | TRANSFER ALLOCATION | | | TRANSFER | | 2011/12 Appropriation Act R'000 | |
|-----------------------------|------------------------|---------------|---------------|-----------------|-----------------|---------------------------------------|----------------------------------|
| | Adjusted Appropriation | Roll Overs | Adjustments | Total Available | Actual Transfer | | % of Available funds Transferred |
| | R'000 | R'000 | R'000 | R'000 | R'000 | | % |
| University of Witwatersrand | 2,280 | | | 2,280 | 2,280 | 100% | 5,510 |
| University of Johannesburg | - | | 10,000 | 10,000 | 10,000 | 100% | - |
| | 2,280 | 10,000 | 10,000 | 12,280 | 12,280 | | 5,510 |

ANNEXURE 1E STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

| NAME OF ORGANISATION | NATURE OF GIFT, DONATION OR SPONSORSHIP | 2012/13 | 2011/12 |
|---------------------------|-----------------------------------------------------------------------|-----------|----------|
| | | R'000 | R'000 |
| Received in kind | | | |
| NEXUS TRAVEL | 6 Easter Eggs Gift Pack | - | - |
| NEXUS TRAVEL | 3 File Folder with 3 Pens | - | - |
| NEXUS TRAVEL | 5 Vanity Bag(incl Hand cream, Hand Scrub,Bath Crystal & Face Cloth) | 9 | 9 |
| UAE SA EMBASSY | Book and Framed model of a Building /Structure | - | - |
| MINOLTA SOUTH AFRICA | 4 Calendars Diaries | - | - |
| ECLIPSE STATIONERS | 2 Boxes of 2 Mugs and 2 Saucers | - | - |
| VODACOM | 4 T-shirts,4 Caps, 8 Pens and 4 Lanyards | - | - |
| GIFT NKUNA PROJECTS | 100xSupreneur Board Games | - | - |
| DSS STATIONERS | 3 Calendars | - | - |
| VAN SCHAIK BOOKSTORES | 12 Calendars | - | - |
| Received in kind | | | |
| SPOT PRINT | 4 Carry Bag(including Stationery (pad note, pen & ruler) and Umbrella | - | - |
| NEXUS TRAVEL | 6 Tickets for Soccer Match (Carling Cup - Chiefs and Pirates) | - | - |
| DEUTSCHE BANK | 3 Ground Coffee and Plunger | - | - |
| CISCO (Turkish Investors) | 1 Prayer Mat | - | - |
| JOEL TRANSPORT | 5 2013 Year Calendars | - | - |
| TSHWANE SOUTH COLLEGE | 4 Branded pens in a holder and Note book holder/ cover | - | - |
| FREEWORLD KANSAI PAINT | 1 Manchester United T-shirt | - | - |
| BRAND UNION | 5 Samsung Galaxy Tab 10.1V | 32 | 32 |
| TWF | 20 Squeeze bottles | - | - |
| Subtotal | | 32 | 9 |
| TOTAL | | 32 | 9 |

ANNEXURE 1F
STATEMENT OF AID ASSISTANCE RECEIVED

| NAME OF DONOR | PURPOSE | Opening Balance | Revenue | Expendi- ture | Closing Balance |
|-----------------------------------|--------------------------------------------------------------|-----------------|---------------|------------------|-----------------|
| | | R'000 | R'000 | R'000 | R'000 |
| Received in cash | | | | | |
| PhytoEnergy Bio-Diesel | PhytoEnergy Bio fuels Refinery and Integrated Canola Farming | - | 11,000 | 11,000 | - |
| Western Cape Furniture Initiative | Furniture Initiative | - | 2,651 | 2,651 | - |
| Subtotal | | - | 13,651 | 13,651 | - |
| TOTAL | | - | 13,651 | 13,651 | - |

- German- Swiss Company, PhytoEnergy is pursuing a project for production of Canola biodiesel refinery in the Eastern Cape R11 million was fourth tranche of payment.
- **R2,651 Million** first tranche to the Western Cape Furniture Industry on the initiative of Employment Creation fund from European commission and United Kingdom

ANNEXURE 2A

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES

| Name of Public Entity | State Entity's PE/MA Schedule type (state year end if not 31 March) | % Held 12/13 | % Held 11/12 | Number of shares held | | Cost of investment R'000 | | Net Asset value of investment R'000 | | Profit/(Loss) for the year R'000 | Losses guaranteed Yes/No | |
|------------------------------------------|---------------------------------------------------------------------|--------------|--------------|-----------------------|----------------------|--------------------------|------------------|-------------------------------------|-------------------|----------------------------------|--------------------------|----|
| | | | | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 | | | |
| National/Provincial Public Entity | | | | | | | | | | | | |
| Industrial Development Corporation of SA | Schedule 2 | 100% | 100% | 1,392,969,357 | 1,392,969,357 | 1,392,969 | 1,392,969 | 98,654,690 | 92,193,000 | 2,295,076 | 3,303,000 | No |
| Subtotal | | | | 1,392,969,357 | 1,392,969,357 | 1,392,969 | 1,392,969 | 98,654,690 | 92,193,000 | 2,295,076 | 3,303,000 | |
| TOTAL | | | | 1,392,969,357 | 1,392,969,357 | 1,392,969 | 1,392,969 | 98,654,690 | 92,193,000 | 2,295,076 | 3,303,000 | |

ANNEXURE 2B STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES (CONTINUED)

| Name of Public Entity | Nature of business | Cost of investment | | Net Asset value of Investment | | Amounts owing to Entities | | Amounts owing by Entities | |
|------------------------------------------|---------------------------------------------------------------------------------------------------------|--------------------|------------------|-------------------------------|-------------------|---------------------------|----------|---------------------------|----------|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| | | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 |
| Controlled entities | | | | | | | | | |
| Industrial Development Corporation of SA | Contribution to growth Industrial Development and Economic Empowerment through its financial Activities | 1,392,969 | 1,392,969 | 98,654,690 | 92,193,000 | - | - | - | - |
| | | 1,392,969 | 1,392,969 | 98,654,690 | 92,193,000 | - | - | - | - |
| TOTAL | | 1,392,969 | 1,392,969 | 98,654,690 | 92,193,000 | - | - | - | - |

ANNEXURE 3A STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2012 – LOCAL

| Guarantor institution | Guarantee in respect of | Original guaranteed amount | Opening balance 1 April 2012 | Guarantees drawn down during the year | Guarantees repayments/ cancelled/ reduced/ re-leased during the year | Revaluations | Closing balance 31 March 2013 | Guaranteed interest for year ended 31 March 2013 | Realised losses not recoverable i.e. claims paid out |
|-----------------------|-------------------------|----------------------------|------------------------------|---------------------------------------|----------------------------------------------------------------------|--------------|-------------------------------|--------------------------------------------------|------------------------------------------------------|
| | | | | | | | | | |
| ABSA | Housing | - | 14,680 | - | (14,680) | - | - | - | - |
| | Subtotal | - | 14,680 | - | (14,680) | - | - | - | - |
| | Total | - | 14,680 | - | (14,680) | - | - | - | - |

ANNEXURE 3A (continued)
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2012 – FOREIGN

| Guarantor institution | Guarantee in respect of | Original guaranteed amount | Opening balance 1 April 2012 | Guarantees drawn during the year | Guarantees repaid/cancelled/reduced during the year | Revaluations | Closing balance 31 March 2013 | Guaranteed interest for year ended 31 March 2013 | Realised losses not recoverable i.e. claims paid out |
|--------------------------|-------------------------|----------------------------|------------------------------|----------------------------------|-----------------------------------------------------|----------------|-------------------------------|--------------------------------------------------|------------------------------------------------------|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Other | | | | | | | | | |
| European Investment Bank | IDC | 512,039 | 29,222 | | 32,353 | 3,131 | - | | |
| African Investment Bank | IDC | 767,330 | 345,298 | | 84,956 | 61,584 | 321,927 | 652 | |
| Nordic Investment Bank | IDC | 230,199 | 19,950 | | 11,044 | 3,051 | 11,957 | 19 | |
| KFW | IDC | 314,060 | 251,335 | | 45,849 | 35,364 | 240,850 | 43 | |
| Subtotal | | 1,823,628 | 645,805 | - | 174,202 | 103,130 | 574,734 | 714 | - |
| Total | | 1,823,628 | 645,805 | - | 174,202 | 103,130 | 574,734 | 714 | - |

The Guarantee total of R575,448 in note 18 is made of Closing balance and Interest as at 31 March 2013.

ANNEXURE 4 CLAIMES RECOVERABLE

| Government Entity | Confirmed balance outstanding | | Unconfirmed balance outstanding | | Total | |
|-------------------------------------------------------|-------------------------------|------------|---------------------------------|------------|------------|------------|
| | 31/03/2013 | 31/03/2012 | 31/03/2013 | 31/03/2012 | 31/03/2013 | 31/03/2012 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Department | | | | | | |
| Department of Public Works | - | 115 | 36 | - | 36 | 115 |
| Department of Trade and Industry | - | - | 275 | 449 | 275 | 449 |
| Department of Public Commission | - | 144 | - | - | - | 144 |
| Department of Public Enterprise | - | - | - | 29 | - | 29 |
| Department of Public Service Administration | - | - | - | 35 | - | 35 |
| Department of International Relations and Cooperation | - | - | 274 | - | 274 | 0 |
| Department of Correctional Service | - | - | - | 11 | - | 11 |
| National Treasury | - | - | 9,925 | - | 9,925 | 0 |
| | | 259 | 10,510 | 524 | 10,510 | 783 |
| Other Government Entities | | | | | | |
| Economic Development and Tourism | - | - | 19 | - | 19 | - |
| KZN Provincial | - | - | 4 | - | 4 | - |
| | - | - | 23 | - | 23 | - |
| TOTAL | - | 259 | 10,533 | 524 | 10,533 | 783 |

An amount of R81 was received in April 2013.

ANNEXURE 5 INTER-GOVERNMENT PAYABLES

| Government Entity | Confirmed balance outstanding | | Unconfirmed balance outstanding | | Total | |
|------------------------------------------|-------------------------------|------------|---------------------------------|------------|------------|------------|
| | 31/03/2013 | 31/03/2012 | 31/03/2013 | 31/03/2012 | 31/03/2013 | 31/03/2012 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| DEPARTMENTS | | | | | | |
| Current | | | | | | |
| International Relations and Cooperations | - | - | - | 344 | 0 | 344 |
| Subtotal | - | - | - | 344 | - | 344 |
| Total | - | - | - | 344 | - | 344 |

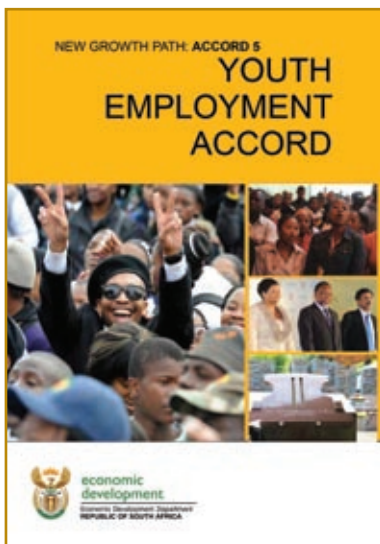
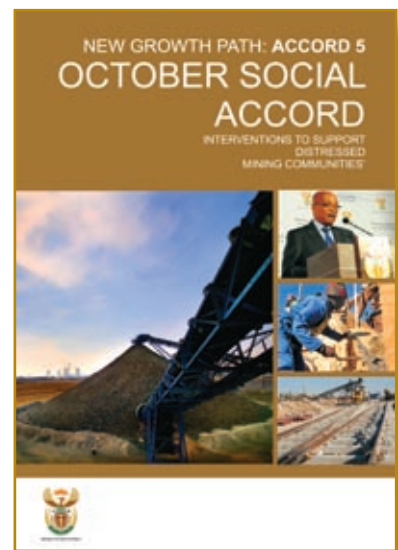
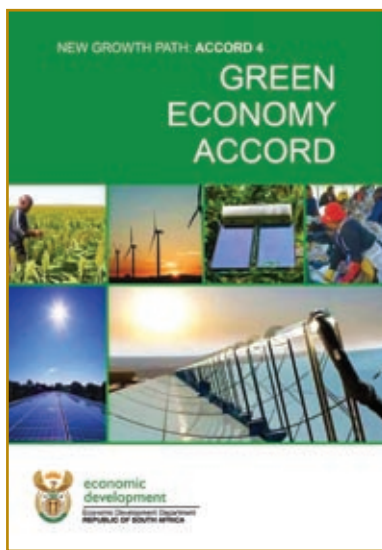
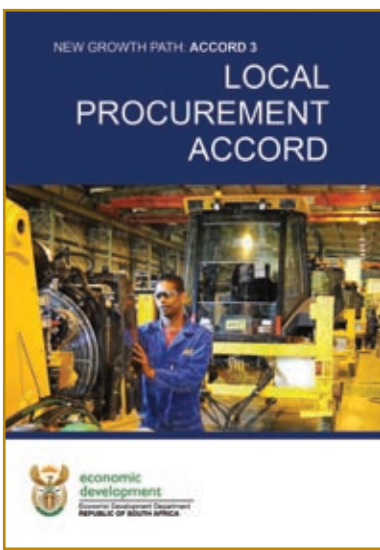
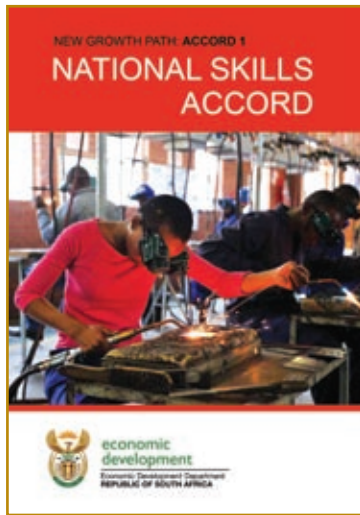
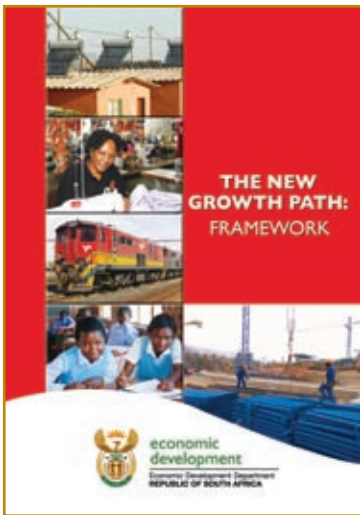
ANNEXURE 6 INTER-GOVERNMENT RECEIVABLES

| Government Entity | Confirmed balance outstanding | | Unconfirmed balance outstanding | | Total | |
|-------------------------------------|-------------------------------|----------------|---------------------------------|------------|----------------|----------------|
| | 31/03/2013 | 31/03/2012 | 31/03/2013 | 31/03/2012 | 31/03/2013 | 31/03/2012 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Current | | | | | | |
| Competition Commission ¹ | 274,879 | 594,135 | | | 274,879 | 594,135 |
| Subtotal | 274,879 | 594,135 | | | 274,879 | 594,135 |
| Total | 274,879 | 594,135 | | | 274,879 | 594,135 |

¹ The confirmed balance relates to outstanding amounts, for administrative penalties imposed and settlements confirmed by the Competition Tribunal due to be paid to the Competition Commission on behalf of the National Revenue Fund.

ANNEXURE 7 INVENTORY

| Inventory | Note | 2012/13 | | 2011/12 | |
|-----------------------------------------------|------|----------|-------|----------|-------|
| | | Quantity | R'000 | Quantity | R'000 |
| Opening balance | | | | | |
| Add/(Less): Adjustments to prior year balance | | | | | |
| Add: Additions/Purchases - Cash | | | | | |
| Add: Additions - Non-cash | | | | | |
| (Less): Disposals | | | | | |
| (Less): Issues | | | | | |
| Add/(Less): Adjustments | | | | | |
| Closing balance | | | | | |



ECONOMIC DEVELOPMENT PUBLICATIONS



economic development

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