

IN PURSUIT OF  
PROVINCIAL GROWTH  
AND DEVELOPMENT

THROUGH SOCIAL DIALOGUE  
AND PARTNERSHIPS



**ANNUAL REPORT OF THE WESTERN CAPE  
PROVINCIAL DEVELOPMENT COUNCIL  
APRIL 2004 TO MARCH 2005**

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11th Floor, Wale Street, Cape Town  
PO Box 15134 Vlaeberg 8018  
Telephone 021-4262825/6/7/8 • Fax 021-4238742  
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# CONTENTS

<b>INTRODUCTION</b>	5
<b>A: IN PURSUIT OF PROVINCIAL GROWTH AND DEVELOPMENT THROUGH SOCIAL DIALOGUE: IMPLEMENTING THE FRAMEWORK AGREEMENT</b>	6
<b>1. Economic Participation, Enterprise Development and Employment Creation</b>	8
1.1. Priority Economic Sectors	8
1.2. BEE and Procurement	15
1.3. Comprehensive support for SMMEs	15
1.4. Support for Co-operatives	15
1.5. The Expanded Public Works Programme (EPWP)	15
1.6. The Proudly South African Campaign (PSA)	16
1.7. Monitoring employment trends	16
1.8. The Micro Economic Development Strategy (MEDS)	16
<b>2. Human Resource and Social Development</b>	17
2.1. An Integrated Human Resource Development Strategy	17
2.2. Social Development	19
<b>3. Infrastructure, Human Settlements and Spatial Development</b>	20
3.1. The Provincial Spatial Development Framework (PSDF)	20
3.2. The Provincial Strategic Infrastructure Plan (PSIP)	21
3.3. The Integrated Transport Plan (ITP)	21
3.4. Land Use Management: Law Reform Project	22
3.5. Sustainable Human Settlements	22
<b>4. Governance, Integrated Planning and Provincial Growth and Development</b>	23
4.1. Land	23
4.2. Sustainable Development	23
4.3. Integrated Development Planning (IDP) and the Provincial Growth and Development Strategy (PGDS)	24
<b>B. FACILITATING GOOD GOVERNANCE AND STRATEGIC MANAGEMENT IN SOCIAL DIALOGUE PROCESSES</b>	25
<b>1. Managing the PDC Strategically</b>	25
1.1. Guidelines for the Functioning of the PDC	26
1.2. Establishment of the Management Committee	26

## CONTENTS CONTINUED

1.3. Establishment of Specialist Committees	26
1.4. Relations between the Council, Management Committee, Specialist Committees and Staff	27
<b>2. Communications and Marketing</b>	28
<b>3. Staffing</b>	29
<b>4. Financial Statements</b>	30
4.1. Approval of the financial statements	30
4.2. Report of the independent auditors	31
4.3. Report of the Accounting Authority (Council) of the Western Cape Provincial Development Council on the Financial Statements for the year ended 31 March 2005	32
4.4. Report of the Audit Committee to the Western Cape Provincial Development Council	44

## INTRODUCTION



The year under review, April 2004 to March 2005, has demonstrated the magnitude of the challenges faced by government, organised business, organised labour and civil society in its pursuit for growth and development in a difficult social, economic and environmental situation. It nevertheless brought to a close what has previously been referred to as a tumultuous period of transition. Central to this has been the need to operationalise the Framework Agreement for Provincial Growth and Development that was signed by the social partners on 14 November 2003. This had to be done in an environment where the Western Cape economy grew at an average of 3.2 % between 1996 and 2003. The Human Development Index, however, a composite measure of the country and province's economic and social wellbeing, declined since 1990.

The transitional arrangements that prevailed since November 2003 led to the development of an experiential base that the new Council can use to execute its mandate. While a Provincial Development Council existed since October 2003 and endorsed decisions of social partners, it was imperative that any tendency to question its legitimacy by groups outside its ambit had to be dealt with to ensure that the spirit and content of the agreement were adhered to. This required the management of a transitional period in such a manner that ensured that the expectations of the stakeholders are accommodated and that the PDC Law No. 5 of 1996 was adhered to in the interest of good governance. The Progress Report: *The Framework Agreement for Growth and Development and Social Dialogue* presented at the Mini-Summit on 29 January 2005 encapsulated the work done to date and signposts pathways to be pursued in 2005. The reports of some of the social partners also reflect in more detail how the commitments made by them in the Framework Agreement will be pursued. It is through an analysis of these reports that certain critical items can be highlighted for the attention of the new Council. Furthermore, it is imperative that the required decisions concerning the institutional arrangements be expedited. This involves, among other, the need to establish a management committee, specialist committees and finalise the rules of engagement to



ensure effective and efficient governance. It is in this context that the Annual Report reflects the progress that has been attained with the implementation of the Framework Agreement for Provincial Growth and Development in the Western Cape.

The newly proclaimed Council was established by 10 March 2005 in terms of the Provincial Development Council Law Amendment Act No. 4 of 2004, that has essentially been informed by the provisions of the Framework Agreement for Growth and Development in the Western Cape. Its powers and functions are derived from the provisions of the Act. The Council was required to address how it will execute these powers and functions with due regard to the priorities identified by the social partners as reflected in the commitments made in the Framework Agreement. These priorities have historically been grouped into five categories, namely Economic Participation, Enterprise Development and Employment Creation; Human Resource and Social Development; Infrastructure and Spatial development; Planning and Integration and Institutional issues. To enable the process of social dialogue to be effective, cognizance must be taken of the understanding that social dialogue concerning these issues traverses policy and strategy development, planning, programme and project management and implementation, as well as monitoring and evaluation. This can go a long way to negating the talk shop syndrome or what some call 'consultative paralysis'. It is in this sense that a Strategic Management Plan has been crafted and agreed to, to ensure the effective and efficient management of Council activities for the 2005 to 2010 period.



# IN PURSUIT OF PROVINCIAL GROWTH AND DEVELOPMENT THROUGH SOCIAL DIALOGUE: IMPLEMENTING THE FRAMEWORK AGREEMENT

The pursuit of provincial growth and development based on agreed objectives contained in the Framework Agreement involved the development of the appropriate organizational infrastructure to facilitate sustained engagement among the key role players, as well as the determination of key measurable objectives. Central to this was the enactment of amendments to the existing PDC Law of 1996 and the establishment of the new Council in terms of the PDC Law Amendment Act No. 4 of 2004 promulgated in September 2004. Both the then existing Council and the newly proclaimed one agreed to confer certain responsibilities to specialist committees established to develop common approaches towards the identified work areas. This involved, among other :

- (a) **Economic participation, enterprise development and employment creation** - this includes the establishment of 11 Sector Initiatives, the provision of comprehensive support services for SMMEs, including co-operatives and the development of additional supply side measures and investment in priority sectors. Short to medium term remedial measures for the unemployment situation were reflected in interventionist strategies such as the Expanded Public Works Programme and the establishment of a rapid response unit to assist enterprises in distress.
- (b) **Human resource and social development** should consider the finalisation of an Integrated Human Resource Development Strategy that incorporates agreement on General Education, Further Education and Training, Adult Basic Education and Training, Work Place Learning and Higher Education. Social Development issues such as Comprehensive Social Security, Health and HIV/Aids, Food Security and Safety and Security development were also considered.

- (c) **Infrastructure, human settlements and spatial development** work area involved reaching consensus concerning the Provincial Infrastructure Plan, the Integrated Provincial Transport Plan, the Provincial Spatial Development Framework, Land Use Management and the Law Reform Project.

These focus areas were addressed with due regard to the transitional measures made to ensure that the momentum gained by Specialist Committees under the auspices of the then existing Council were not lost with the establishment of the new Council during the year under review. This was facilitated largely because all the social partners were represented thereon by its constituents and agreed to embark on and managed this changed process with the concurrence of the Provincial Government. These committees deliberated on these focus areas taking cognizance of the use of various methods of public participation to enrich its endeavours.

All of the aforementioned activities will contribute to a Strategy for Provincial Growth and Development with due regard for transversal issues such as land, sustainable development and Integrated Development Planning and Urban Renewal and Integrated Rural and Sustainable Development. The annual organization of a mini-Summit held on 28 January 2005 to consider a Progress Report provided a particular milestone indicative of progress towards the construction of such a consensus based strategy.





**Back row, left to right**

*Adrian Sayers, Gilbert Lawrence, Ismail Dockrat, Jonathan Cartwright, Johann Baard, Dudley Cupido, Leonie Caroline*

**Third row :**

*Shelton kaba Mandondo, Ernest Bester, Themba Mgobozi, Tony Ehrenreich, Sipiwo Piti, David Mbolekwa, Daluxolo Sipika, Brendon Roberts, Lesley Africa*

**Second row :**

*Andrew Peterson, Anthea Bingle, Augustinus Hendricks, Derek Fredericks, Rajen Ghasi, Crosby Booij, Lulama Siwa, Fanie Bekker, Ali Gierdien, Aziza Kannemeyer, Thozama Tekka*

**Front row :**

*Lulama Siwa, Phelisa Mgweba, Tasneem Essop, Rhoda Bazier, Gretchen Humphries*





## 1. ECONOMIC PARTICIPATION, ENTERPRISE DEVELOPMENT AND EMPLOYMENT CREATION

While the province's economy registered an average growth rate of 3.2% between 1996 and 2003, the secondary industrial sector registered a below average growth of 1%. Significant losses in employment were experienced, particularly in the Clothing, Textile, Leather and Footwear, Food and Beverages, Wood, Paper and Publishing industries. The social partners agreed to collaborate to stem the job losses and to create 100 000 sustainable jobs by 2008 in priority economic sectors. They agreed to develop the capacity to monitor employment trends and to assist enterprises in distress in the short term. The Expanded Public Works Programme will also endeavour to create 120 000 employment opportunities. More comprehensive support measures for enterprises in the areas of investment, BEE and procurement and SMME and Co-operative development should be facilitated.

### 1.1. Priority Economic Sectors

By the end of the year under review more initiatives were reported on in various sectors as a direct result of the Framework Agreement deliberations. In the case of priority sectors, a pattern emerged through which these initiatives were established. The method used to embark on a sector initiative involved the establishment of task teams to start a process through the organization of a conference, the development of a process proposal and its implementation that would lead to an interventionist strategy for the sector. The strategy will then be unveiled at a sector summit.

#### (a) Agriculture and Agri-business

The work programme of the Agriculture and Agri-Business sector commenced on 31 August 2004 after a conference was held in May 2004. The following thematic areas have been deliberated on in detail and a series of recommendations; project proposals and programmes were identified, together with stake-



holder responsibilities to ensure that the implementation process is executed. The issues identified include:

- ▲ Competitiveness of agriculture, marketing, market development and market access;
- ▲ Land reform and Agri- BEE;
- ▲ Human resource development and social development;
- ▲ Research and development;
- ▲ Extension services and / farmer support;
- ▲ Environment, food safety and security;
- ▲ Institutional development and
- ▲ Physical infrastructure;

All the work done in the eight thematic areas listed above has been consolidated into a final draft report that will be presented to the stakeholders who participated in the entire process by 23 June 2005. It has been agreed that the sector strategy be unveiled to the broader constituency through a signatory summit to be convened at a later date.



### **(b) The Fishing, Aquaculture and Mariculture industry**

A Task Team with a mandate to discuss and develop a process to address challenges confronting the Fishing, Aquaculture and Mariculture industry was established in 2004. An array of key issues was highlighted in preparation for conference deliberations scheduled for 19 July 2005. These include, *inter alia*:

- ▲ Constraints exist on the resources being harvested, necessitating some form of management that includes the issuing of rights and its policing.
- ▲ Fishing provides limited opportunities for employment growth as such alternative income generating projects in the sector should be identified.
- ▲ Access rights and resource management impact on livelihoods in coastal towns.
- ▲ It is believed that 90% of fisheries and marine resources are in the coastal waters of the Western Cape. As such, the 15-year access policy will have more significant effects to the Western Cape than any other province abutting the coast.

- ▲ Different definitions exist as to what constitutes SMME enterprises. However, SMMEs require various types of support ranging from finance to marketing.
- ▲ Human resource development: the rules for harvesting and marketing marine resources for SMME and commercial companies are the same, hence, without adequate training and capacity development, the majority of SMMEs cannot sustain their operations. They end up surrendering their rights (quotas) or are forced to form unequal joint ventures with well-established enterprises.
- ▲ Aquaculture and mariculture production has a significant potential to generate employment and enhance food security. However, the process is capital intensive and may have environmental implications. The questions that need to be answered relate to the availability of adequate sites to implement the programme, research and development capacity, institutional arrangements and political will to drive the process.
- ▲ Draft legislation on mariculture is being prepared and should be opened for public scrutiny.

A process proposal involving the establishment of a Steering Committee to manage the post conference programmes will be considered by stakeholders at this conference. This Steering Committee may establish Task Teams to deal with issues identified and to develop short, medium and long term intervention strategies for the industry.

### **(c) Clothing, Textiles, Leather and Footwear (CTLF)**

A plethora of issues besieging the CTLF industry was identified by a core committee comprising representatives from the social partners actively involved in this industry. The prioritized areas below present a summary of some of the outcomes from the deliberations on these issues and include:

- ▲ **Job Creation and Job Retention:** the sector has been shedding jobs at an alarming rate. After

identifying the key reasons for job losses and factory closures, the social partners embarked on a process to develop a strategy that contains a package of measures essential to grow the industry. This involved the establishment of a data base of retrenched workers and the establishment of the Rapid Response Unit

- ▲ **Developing manufacturing capability** was considered critical with particular emphasis on design, beneficiation and government incentives, learnerships and exports and tariffs
- ▲ **SMME development:** SMMEs serve as an important support to the formal sector despite its diminished capacity compared to big firms in the industry. There is a need to define, underpin and revisit the role, functions and contribution of small firms, especially since it is an important creator of employment and contributor to the economic activity of the province and are able to compete at a high level. SMMEs in the informal sector should be incorporated as part of the mainstream of the clothing and textile industry and be provided with the necessary resources, access to capital and markets and the required infrastructure. The discussion on SMME development and the informal sector focuses on the compliance criteria to become part of the formal sector and the associated benefits that they could derive from this process.

As part of the implementation process, a package of project proposals should be presented to the Premier before the mini summit scheduled for November 2005.

#### **(d) Metals and Engineering (including Oil and Gas)**

A Task Team involved in the Metals and Engineering, Oil and Gas and associated value chain sector(s) assembled equipped with mandates to discuss the status quo of the industries and utilise a conference scheduled for 20 July 2005 as a launching pad for

the sector initiative. Challenges facing the Metals and Engineering, Oil and Gas and value chain industries, that includes ship repair, precision engineering, plastics, automobile supply industries and boat building will be brought to the attention of stakeholders, namely:

- ▲ **Skills shortage:** Firstly, the capacity of FET colleges to equip learners with skills tailor made to suit industrial demands is limited. It was indicated that the Department of Education is proposing to inject R1.3 billion for FET re-capitalization programmes, but the FETs have insufficient capacity to utilize the financial resources effectively. Secondly, industries have limited capacity to conduct in-house training, especially on skills such as precision engineering. It is in this context that a comprehensive programme is required to audit the nature of skills required and the establishment of a school of excellence that offers a wide range of accredited skills training tailor made for the needs of the industries.
- ▲ **Infrastructure:** The railway line from Cape Town to Saldanha Bay and complementary road networks that link the two towns should be upgraded and utilized effectively to alleviate the current congestion at the Cape Town harbour. The revitalization of these networks will rejuvenate economic activities in a number of towns on the West Coast, such as Atlantis. On the global scale, aviation networks should be upgraded. There is a need for a direct flight linking Cape Town with countries such as Angola, where a number of local companies have direct or indirect investment projects that benefit the country.
- ▲ **Benchmarking:** A number of initiatives and support is required to encourage sector innovations in science and technology and production methods. There should be space for research and development and employees should be given an opportunity to experiment as long as such experience falls within the scope of their work.



- ▲ **Markets and market access:** A number of professional services rendered by industries in the Western Cape are not well marketed on the global arena. An example was cited of international ships that pass through the local harbours travelling to other countries in search of services that are locally available.
- ▲ **Regulation:** A plethora of rules and regulations that govern the operations of industries are cumbersome to follow. The existing red tape and bureaucracy deters effective operations in the sectors and the opportunity cost of such red tape is employment and investment forgone.
- ▲ **Logistical costs:** The docking tariffs are extremely high for local operators and the National Ports Authority proposal to wait for two years before reviewing the tariff structure is unsustainable.
- ▲ **Business environment:** There is a need to improve the working environment involving businesses (through partnerships and agglomeration/clustering of business) and government at local and international level. For example, the government could engage oil exporting countries in Africa to enable them to understand and accept our operations as partners in the global value chain industries destined to improve the socio-economic status of Africa, as opposed to unhealthy competitors seeking to control the sea routes.
- ▲ **Competitiveness:** The value of the Rand has both a negative and positive impact on our economy. Exporting companies are experiencing problems with respect to accessing global markets, since the products are considered to be expensive after factoring all the logistical costs incurred through the process. On the other hand, companies such as automobile associations that import raw materials not locally manufactured have a competitive advantage.

- ▲ **Industrial Development Zone (IDZ):** Local industries believe that the introduction of an IDZ may assist in improving the financial status of the Western Cape export oriented companies. However, this issue needs further engagement with other social partners since there are labour implications.
- ▲ **The Oil and Gas Scope:** It was indicated that the oil and gas scope is limited to upstream activities and not downstream operations such as the recapitalisation of refineries and petrol retail stations. Clear linkages also exist with the chemical industry in the precision engineering area such as plastics. To this end, the Council should explore ways to ensure that the issues raised are addressed by possibly looking at an initiative for the chemical industry.

It is envisaged that a process proposal will be tabled and adopted by stakeholders at a conference scheduled for 20 July 2005 that include among other the establishment of a Steering Committee to manage the post conference programmes. This Steering Committee may establish Task Teams to deal with issues identified and to develop short, medium and long term intervention strategies for the industry.

#### **(e) The Paper, Printing and Packaging Industry**

A Task Team was established to continue with the preparations for a sector conference scheduled for 5 August 2005. It should be observed that the industry comprises three distinct sub-sectors, namely paper, printing and packaging. The following imperatives have been emphasised:

- ▲ **Technology:** The pace of technological innovations and change on the global scale is occurring at an alarming rate in this sector. There has been a major shift in the area of automation, inline production, computer to plate, digital printing to direct imaging, dual to flexo press to mention a few. New inventions or improvements to technology that occurred on an annual basis are now taking place

on a quarterly or six-month basis. The implications to local industries include:

- Industries should be innovative in the production process by adding value to finished products, penetrate global arena and identify niche markets in order to survive.
- The industry needs to move apace with the new global technological innovations. This implies that more people should be trained, if need be, learners should be sent abroad to learn and acquire skills that may enhance local production. To this end, the role of SETAs and FETs together with the curriculum offered should be reviewed to meet the global standards.

▲ **The need for capital investment:** Printing and packaging and value chains have become extremely capital intensive. These annual or quarterly improvements imply that not only is there a requirement for continual reinvestment, but entrepreneurs in the sector are actually on a never ending treadmill of investment which they cannot afford, as many companies are small firms mostly family owned and without access to huge capital resources. Furthermore, the fact that almost all technology - both hardware and software - is imported, is a challenge in itself as businesses are affected by the exchange rate.

▲ **Human Resource Development:** The shortage of skilled labour, particularly in managerial positions and artisans such as top quality journeymen, particularly in the area of flexography in view of the rapid change in technology is apparent. As a result, this pool of labour has become stagnant and shrunk as most of the people have retired or emigrated to other parts of the world in search of better working opportunities. There is also a serious shortage of professional, middle and senior managers from the previously disadvantaged groups.

- **Learnerships:** The training capacity of a new labour force in the Western Cape is not only hampered by inadequate external resources, namely finance and equipment, but the current training syllabus of SETAs and FET Colleges to mention a few, has not adequately kept pace with the exponential change in technology and the process is exacerbated by the National Skills Development Legislation which is highly bureaucratic and expensive to follow. Based on experiences in the first five years of skills development, the new regulations of the Skills Development Act should make it easier for companies to follow the procedures needed to access funding from SETAs for capacity building.
- **Recognition of Prior Learning:** There is a number of semi-literate but experienced workers who have the capability and knowledge to produce high quality goods. These people are hardly acknowledged and upgraded in line with the labour markets based on their experience. As such, effective measures should be taken to address this anomaly.







▲ **Effective Logistical support and transport:**

The majority of companies in the publishing industry (especially focusing on school books) require infrastructure logistic support that includes rent, marketing, salaries, office overheads and warehousing to operate effectively. The problems are exacerbated by the fragmented purchasing of products by provinces. In most cases, government mounts pressure on companies to produce books then postpones or reduces the grade implementation process. This has a catastrophic effect on book publishers. It prevents economies of scale and encourages stock losses and stock piling at a cost. The majority of industries in the Western Cape, especially those specialising in packaging, are confronted with the burgeoning cost of transporting finished printed packaging materials from the Western Cape to the Reef where most of this packaging is consumed.

▲ **Outsourcing and procurement:** A number of producers/manufacturers are being forced into offshore buying of cheap printed packaging materials. This may be a business decision to reduce costs but it is creating unemployment in

the industries as more and more people are retrenched.

- An in-depth investigation on factors causing industries to outsource their work to other countries should be launched and recommendations to address the problem must be implemented.
- The importation of finished products affects not only the packaging industry but the food, sweet and beverage manufacturing industry as well. Large imports of cheap sweets and chocolates from Brazil is just one example of this phenomenon. Last year this resulted in Beacon Sweets, a traditionally profitable business, reporting a loss of R70 million. Companies like Cadbury are also being affected.
- The strength of the Rand vis-a-vis international currencies has impacted dramatically on South African printing and packaging companies that export products around the world and for certain, facilitated the huge increase in cheap imports into South Africa.
- Government procurement policy, it is argued, has not conformed to the Proudly South African campaign. The Department of Education was cited as a case example whereby 1.5 billion Rand was budgeted for school textbooks during the previous financial year and only R600 million was spent. It is believed that the books were printed in other countries at a cheaper rate and for those that were printed locally, the work was executed by local unregistered companies that offered cheaper rates, but have poor labour practices at the expense of well established, registered and reputable establishments that adhere to basic conditions of employment.
- Trade agreements that affect this sector should be scrutinized, monitored and adjusted where necessary to ensure that local companies are



not disadvantaged by the existing tariff structures and more importantly, to curb cheap importation and dumping of goods that can be manufactured locally, since the practice has detrimental effects on labour and business.

- On the provincial level, effective instruments should be developed to ensure a fair and equitable procurement and outsourcing practice. The now defunct institution that used to monitor tenders and the procurement process should be reinstated to monitor procurement processes.

▲ **The import parity pricing of raw materials:**

This problem relates particularly to plastic resins and solvents produced by Sasol who arbitrarily increase the prices of these products as the international price of crude oil rises. The irony is that these products, like Sasol petroleum, are not produced from imported crude oil but from local gas and coal and furthermore, the U.S. Dollar price of crude oil has no direct bearing whatsoever on the raw material input costs of Sasol.

- ▲ **Dumping:** Certain countries use South Africa as a dumping ground for printed packaging materials. It is also common knowledge that certain countries receive export incentives, tax breaks or subsidies from their governments in order to encourage exports. This has detrimental effects on our local industries. In the flexible packaging manufacturers industry for example, the Western Cape companies have been forced to retrench large numbers of their staff in recent months as a result of printed packaging materials, imported from countries like Dubai, Israel and India, landing at prices which are up to 35% cheaper than locally produced material.

- ▲ **Transformation of the industry:** There is a serious shortage of professional, middle and senior managers from the previously disadvantaged

groups in the sector. The ownership pattern and managerial structures of industries should be reflective of the demographic composition of this country. More people from the previously disadvantaged groupings should be trained, get access to senior leadership positions and also acquire shareholding in these companies. The process should not encourage fronting.

It is envisaged that a process proposal will be finalised by stakeholders at a conference that includes, among other, the establishment of a Steering Committee to manage the post conference programmes. This Steering Committee may establish Task Teams to deal with issues identified and to develop short, medium and long-term intervention strategies for the industry.

**(f) Tourism**

A Task Team was established to deal with developmental issues facing the industry. Although a number of issues were identified as critical to the development of a sector strategy, the involvement of the tourism marketing agency, Cape Town Routes Unlimited, was considered critical. Thereafter, all key role players will be invited to consider a process proposal to expedite the development of a sector strategy.

**(g) Other Sectors: The Furniture, Cultural industries (Crafts and jewellery), Call Centers, Construction and ICT sectors**

Although considerable progress has been registered in seven of the thirteen identified priority sectors, the same cannot be said of the Furniture, Cultural industries (Crafts and jewellery), Call Centers and ICT sectors. Although numerous discussions were held and existing initiatives identified in those sectors, considerable work has to be done on the development of more comprehensive interventionist strategies.

## **1.2. BEE and Procurement**

Although extensive discussions were held on an envisaged BEE and procurement policy for the Western Cape, the process to develop and finalise such a policy was hampered by national processes such as the Department of Trade and Industry (DTI) finalising the score card allocation criteria and other guidelines related to the procurement process. The department responsible for developing the Provincial BEE and procurement framework will use the national guidelines to finalize the draft framework for the Western Cape that will be availed to the social partners for perusal and comments once completed.

## **1.3. Comprehensive support for SMMEs**

Agreement has been reached on the establishment and operationalisation of Red Doors. Its implementation is proceeding apace despite some not rendering the required services as expected and some prospective entrepreneurs receiving inappropriate information. The problem may be related to the fact that the training modules for officials have been generic and the mode of communication has been the English language. One of the possible solutions is to ensure that the services are rendered using vernacular languages, since some of the prospective entrepreneurs are semi-literate. In some cases, people are not aware of the type of services rendered at these establishments. For example, issues related to social grants have been brought to these offices to address. The resolution of staff appointments to manage the Red Doors and render the required services to the communities will be resolved with Casidra.

## **1.4. Support for Co-operatives**

Discussions were held with a number of representatives of the Co-operative movement in the Western Cape. These discussions focused on the nature of support required by co-operatives. However, they were inconclusive, as the Department of Trade and Industry (DTI) has not finalized the National Co-operative Bill that has a direct implication for the provincial strategy on co-operatives.

## **1.5. The Expanded Public Works Programme (EPWP)**

Although the EPWP was launched in 2004, a number of issues had to be resolved. The establishment of an EPWP Forum materialized when social partners agreed to its powers and functions and composition. The Forum met on a number of occasions to consider past experiences in the Western Cape, KwaZulu-Natal and Limpopo. References were also made to experiences elsewhere in the world. A comprehensive EPWP programme involving all the social partners and national and local government departments could, however, not be expedited as the Provincial Government had to have a number of bilaterals to finalise co-operative arrangements among departments and different spheres of government. A comprehensive list of projects, integral to the implementation of the EPWP, involving all social partners could not be concluded by March 2005. The Department of Transport and Public Works undertook to fulfill its leading role in this regard and provide social partners with a more comprehensive Framework for the implementation of the EPWP by August 2005. It is in this context that it has been difficult to evaluate the impact of limited and unco-ordinated work that has been done by an array of agencies, albeit local, provincial or national for the year under review. The implementation of the programme has nevertheless proceeded albeit in a fragmented form.



## 1.6 The Proudly South African Campaign (PSA)

A number of problems have been identified with the implementation of the Proudly South Africa Campaign across most industries where sector initiatives have been effected. The Campaign is nevertheless seen as a critical instrument in support of the development of local markets in the face of globalisation. Although the social partners have recommitted themselves to the Campaign, a number of sector specific problems require attention during the remainder of 2005.

## 1.7 Monitoring employment trends

It has been established that it is difficult to ascertain employment trends through an exclusive reliance on current statistical information for various reasons. Hence the need to develop early warning methods<sup>1</sup> that utilize existing social networks and technology. The experience of enterprises in distress such as Novell, Tej and Rex Trueform has also highlighted the complexity and limitations with respect to provincial

government competencies to assist enterprises. Firstly, the national legislation requires certain procedures to be followed and the existing legislation covers labour related matters that include the involvement of the CCMA. Secondly, the stakeholders have rights, DTI inspectors may be involved and liquidation procedures need to be followed. It is in this context that when we discuss such matters we have to understand the dynamics involved. The powers of the provincial government are limited, but it can be the co-ordinator of the process. The idea is to tie down specifically what the province can do at an industry level and if the crisis is of public interest, then the Premier can appoint a Commission of Enquiry. To this end, a fresh re-look at the situation being affected by both the Convenors of the Specialist Committee and importantly, by the Government in response to enterprises in distress is critical. A proposal for the establishment of a Rapid Response Unit is being finalised for implementation.

## 1.8 The Micro Economic Development Strategy (MEDS)

A need exists to provide a more strategic orientation to all the aforementioned initiatives. The Provincial Government embarked on a process to develop a Micro Economic Development Strategy for the Western Cape. The initial first and second phases that primarily involve research on all the critical economic sectors and related areas of support activities will soon be reaching fruition. Valuable additional information and recommendations will assist the development of a consensus based Micro Economic Development Strategy.

<sup>1</sup> An early warning system is a scientific periodic evaluation of local economic indicators in order to determine the potential for economic problems before such problems prominent within the local economy. The system detects changes in the local economy. It evaluates these changes in terms of their impact on the long term sustainability of the economy and it gives a warning of impending problems.

## 2. HUMAN RESOURCE AND SOCIAL DEVELOPMENT

In addition to the finalisation of an integrated Human Resource Development Strategy, the new Council agreed to the inclusion of additional items focusing on social development. A number of critical documents were subsequently tabled detailing a proposed Integrated Human Resource or Human Capital formation strategy, a Social Capital formation strategy and a Poverty Reduction strategy. These issues were either addressed directly in the specialist committee or task teams established for this purpose. Workshops were used as instruments to effect broader consultation.

### 2.1 An Integrated Human Resource Development Strategy

The finalisation of the Human Capital Formation strategy is proceeding apace with most of the social partners agreeing to the contents of General Education and Training (GET), Further Education and Training (FET) and Adult Basic Education and Training (ABET) components. More extensive work is required on Work Place Learning and Higher Education.

#### (a) General Education and Training (GET)

Approximately 13.5% of the population of the Western Cape Province is 0 – 6 years. Investing in ECD and giving children a good start has a determining effect on their future as individuals, but also on their families and the socio-economic development of the province as a whole. Departments with key responsibility for the provision of services to children in this age group, namely Education, Welfare and Health developed a Draft Integrated Childhood Development Strategy. ECD should be seen on how it is located in the ambit of importance to the development of society within the agenda of national and regional agreements and charters. We have the UN Convention on Children's Rights, The African Rights on the Child and now we should develop a charter or strategy for the Western Cape. It should cover, amongst other:

- Inter-government collaboration
- The right of the child to best provision
- The most disadvantaged should have access to the best provision
- Programmes must reflect culture and diversity
- Training provision including bursary schemes to the practitioners.

#### (b) Adult Based Education and Training (ABET)

Agreements were made involving all social partners nationally to achieve various objectives such as by March 2005, at least 70 per cent of workers will have at least basic literacy and numeracy according to level one on the National Qualifications Framework (Grade 9 in the schooling system). These and other agreements would be implemented to ensure that the integrated HRD strategy incorporates national processes and takes into consideration provincial dynamics. More resources, especially time and funds, should be made available to conduct rigorous and detailed research on the state of ABET provision in the province. Studies reflecting best practice examples should be conducted to profile the success stories and benefits of ABET provision.

#### (c) Further Education and Training (FET)

Current public provision at the 6 public FET colleges in the province is 20 000 learners of a possible 400 000 in the 16 –20 age. The aim is to increase provision to 60 000 by 2014 (and in FET schooling provision to 160 000). Besides these participation rate targets, the WCED has also set targets for learner achievement of a FETC, and by targets for numbers of learners with an FETC that access higher education and that gain employment.

#### Student numbers and success rates

There were almost 3 800 more learners in FET colleges for the first nine months of 2004 than for the whole of 2003 with the current total of 45 800 (total





for 2003 was 42 017) of whom 29% are female, 44% are above 21 years old and 9% are over 35 years old. Colleges are projecting a total of 52 000 for 2005. The WCED is recording a highly satisfactory throughput rate, which it ascribes to increased awareness of learner support strategies and the implementation of those strategies.

#### Programme responsiveness

The WCED FET Directorate has an array of structures and mechanisms in place, which drive programme responsiveness. These programmes are being identified and developed in direct response to identified needs so as to increase employability.

General agreement on the range of FET proposals made by government has been achieved.

#### (d) Workplace Learning: Learnerships and Recognition of Prior Learning

A workshop on learnerships has been held on 13 August 2004 which was attended by SETAs, provincial government departments, civil society, business and one person from labour. A recent study commissioned by the Department of Economic Development and Tourism on the SETAs - referred to as the "baseline study" - as well as the Department of Labour's skills development programme were used as the basis for discussions. By December 2004 a total number of 9,816 learnerships in the industry, 856 apprenticeships and 2,086 at FET colleges were provided in the province. This is within the target set by the Framework Agreement. The workshop indicated that the following issues need attention:

- A need exists for integrating the various learner-ship interventions in the province
- A communication mechanism needs to be established for intervention efforts between the service providers, government, communities and the private sector

- The lack of information and communication results in mistrust and tensions
- The need for SETAs to meet regularly for co-ordination and information sharing and link into the provincial efforts
- The Learnership Task Team process should work towards establishing the mechanisms that will facilitate a co-ordinated approach towards learnerships in the province.

It was also noted that not a significant amount of work is being done concerning the development of a framework for the implementation of the Recognition of Prior Learning in the province and entrusted the Task Team to expedite matters. These activities will contribute significantly to the strengthening of the draft Human Capital Formulation Strategy.

#### (e) Higher Education (HE)

The Cape Higher Education Consortium (CHEC) was founded by the Universities of Cape Town, Western Cape, Stellenbosch and the Cape and Peninsula Technikons in 1993. The new UNISA now has observer status. It exists to facilitate co-operation between HEIs, to create a strong HE region, and to be responsive to regional and national development needs. The goals of public higher education involve among other:

- To promote equity of access and fair chances of success.
- To meet national development needs through well-planned teaching, learning research programmes, including the challenges presented by a growing economy operating in a global environment.
- To support a democratic ethos and a culture of human rights.
- To contribute to the advancement of all forms of knowledge and scholarship, in particular, addressing the diverse problems and demands of the local, national and southern African and African contexts.

What, however, remains critical are the relation between regional growth and development needs and the service HEI might provide. An audit was developed of research strengths and teaching capabilities that they are able to showcase to potential fellows for the UNESCO/DoE pilot. They are confident that, with an appropriate audit of resources, they can find (or develop) a fit between the priorities identified by the HRD Specialist Committee and the teaching and research programmes of the HEIs. CHEC also made representations for the inclusion of HEI in the PDC. Further representations on the Human Capital Formulation strategy will be made latter in 2005.

**(f) The promotion of life long learning:  
The Learning Cape Initiative (LCI)**

The new Council agreed to expedite the establishment of the Learning Cape Initiative as a Section 21 company in terms of the Companies Act of 1973 to promote life long learning. A Board of Directors was appointed based on nominations received from the social partners. Part of their responsibilities will be the management of the annual Learning Cape Festival.

## **2.2 Social Development**

Social Development was introduced as part of the PDC work programme only towards the end of the year under review. The Provincial Government tabled two documents dealing with a Social Capital Formation Strategy and a Poverty Reduction Strategy. The issues of HIV/Aids and the provincial health policy, food security and nutrition and the need for a safe and secure community will be dealt with in the context of the development of these strategies.

**(a) Poverty Reduction**

The Department of Social Services and Poverty Alleviation tabled its draft policy on the Poverty Reduction Strategy for the Province in March 2005. The Social Partners reacted positively to the suggestions made by the Department and are busy con-

structing their official responses to the document's proposals and to indicate the gaps and other areas of inclusion. The document proposes comprehensive intervention strategies that should be introduced in geographical areas and it intends to conclude memorandums of understanding (MOU's) with an array of departments and spheres of government.

**(b) Social Capital**

The Social Services and Poverty Alleviation Department has drafted a Social Capital Strategy document for the Province that intends to package the department's programmes in a comprehensive and integrated way. The focus of the strategy is to capture people or communities experiences and to link the Department's service delivery programmes to the communities' experiential skills and practices. The argument put forward is that communities have a plethora of ways in dealing with the challenges that faces them daily. Government should build on these mechanisms that evolved within these communities and structure its programmes to support such developmental and creative mechanisms in dealing with communal requirements and challenges. The social partners will be forwarding their responses to the strategy later in 2005.

**(c) Other**

The Specialist Committee has also scheduled discussions on the Health, Safety and Security and Food Security strategies from the Provincial Departments. These presentations will be done during the course of 2005.



### 3. INFRASTRUCTURE, SPATIAL DEVELOPMENT AND SUSTAINABLE HUMAN SETTLEMENTS

The Infrastructure, Spatial Development and Sustainable Human Settlements focus area essentially deals with projects that underpin both social and economic development as well as impacting on critical environmental considerations. It critically involved reaching finality on issues such as the Provincial Spatial Development Framework (PSDF), Provincial Land Transport Framework (PLTF), Strategic Infrastructure Plan (SIP), the Law Reform Project and the Sustainable Settlements Implementation Plan. The Specialist Committee concerned with these matters choose to develop additional public participation processes to aid social dialogue with an emphasis on workshops in the various regions and the organisation of focussed conferences.

#### 3.1 The Provincial Spatial Development Framework (PSDF)

Contained in the Framework Agreement is the need to construct a comprehensive Provincial Spatial Development Framework (PSDF). Significant progress has been made in the process of drafting the PSDF, which will, inter alia:

- address and make proposals to correct the inequitable spatial pattern and development of our communities in urban and rural areas and the formulation of guiding principles for sustainable development;
- indicate areas for growth and potential for growth;
- indicate areas of decline that need special intervention for the sustainable survival of these areas;
- provide a new spatial development pattern for the Western Cape that will ensure integrated budget alignments of all spheres of government and also of private sector investment, with a view of promoting economic growth while maintaining and enhancing the Province's unique environment as an essential part of its socio-economic base and the quest to uplift its population, and

- ensure that our biodiversity and our cultural heritage are conserved for future generations in pursuit of the above.

The series of regional workshops held in October 2004 formed an integral part of a process to embark on a comprehensive consultative process to develop such a Framework. The inputs received at the workshops were synthesised and presented to the social partners for further deliberations on 28 October 2004 as part of the process for constructing the PSDF earmarked for finalisation by March 2005. Each social partner was also required to use the opportunity to brief its constituency on progress concerning the implementation of the Framework Agreement for Growth and Development in the Western Cape.

Consequent to the PSDF Consultative Summit of 29 November (with its goal of the social partners being informed of the PSDF and underlying studies, and of attaining consensus on progress thus far), the outcome of the Summit will inform the subsequent PSDF process up to the first draft of the PSDF. That draft will be workshopped during April 2005 with the social partners on the same basis as before (through the five District Municipal Areas and the City of Cape Town). This will lead up to the final PSDF which will be the subject of a Signatory Summit of the social partners before adoption by Cabinet and approval in terms of planning law by mid-2005.

The above is therefore being done through a process inclusive of meaningful public participation for the purpose of laying down and enforcing by-law where necessary, policies, imperatives and directives that are essential to be followed in the development of land. The overarching goal is then to ensure sustainable development and conservation of the Province, given that the Western Cape's natural environment is unique – even on a world scale especially in terms of biodiversity (one of the world's six floral kingdoms



occurring only here) - and in addition, given the crucial role that this fact, as well as the Province's broader agricultural, built and cultural environment plays in the establishment of the Western Cape's future socio-economic base. Consensus should be sought in the Western Cape around maintaining the Province's environment at all cost and enhancing it as the socio-economic base for the Province.

### 3.2. The Provincial Strategic Infrastructure Plan (PSIP)

The following issues as highlighted within the context of the PSIP and based on the presentation made by Government, still need to be addressed by the Committee in their future deliberations:

- Marginalisation of certain industries, e.g. ship repair
- The provision for public transport facilities in new development initiatives and expansion projects
- N2 Gateway Project
- Township infrastructure development and the functional integration of existing town and township development to ease movement between work and home.

### 3.3 The Integrated Transport Plan (ITP)

After numerous presentations and discussions of Public Transport and the Provincial Land Transport Framework in particular, a Task Team for Transport was established. It identified December 2005 as a

timeframe for their functioning and highlighted the following critical issues that need to be addressed within this period:

- The Task Team's immediate responsibility is to ensure that, as required by the National Land Transport Transition Act (NLTTA), a date is determined by which local authorities must submit ITPs to Provincial Government. The Task Team highlighted the urgency for social partners to monitor that the due date of end October 2005 for submission of ITPs from municipalities to Provincial Government is published by Provincial Gazette by no later than end July 2005.
- The need to consider the issues as detailed in the document, "Draft document on issues raised by social partners towards the development of a Provincial Land Transport Framework for the Western Cape" which contains social partner contributions during 2004/5. The Task Team will review both the document and the response from Government to establish areas of concern, agreement and disagreement.
- The need to clarify the existence of a Transport Plan for the Province or identify at what level of development any existing work-in progress currently is. The Integrated Transport Plans form the basis of the development of the Provincial Land Transport Framework (PLTF) for the Province, which will be reviewed on an



annual basis as a changing Framework. The Task Team and Provincial Government plan to review and consider the submitted ITPs between October and December 2005 for incorporation in the PLTF. The date for completion of the PLTF has not yet been established.

**Their key responsibilities were highlighted as follows:**

- (a) Determine the status quo of the Integrated Transport Plans (ITPs) in the Province. This would entail establishing the progress of the ITP in each of the 5 District Municipalities as well as in the City of Cape Town.
- (b) Review and evaluate the content of the ITPs against the national requirements of an Integrated Transport Plan.
- (c) Ensure government provides regular feedback to the municipalities with regard to the required standards and status quo of the ITPs submitted and on the progress with development of the PLTF. Feedback would be based on and include identified sections that are not meeting national, provincial and social partner requirements.
- (d) Consider alternative ways to improve the public participation processes with para-statals, including facilitating their presence, presentations and active engagement with social partners at the meetings of the Specialist Committee and other opportunities as identified.
- (e) Review other provinces' experience of a Metropolitan Transport Authority to enlighten social partners on problems experienced and successes recorded, as assistance in establishing guidelines to the formation of a Cape Metropolitan Transport Authority.
- (f) Design a communication/marketing package of the PLTF to ensure a high profile and increased levels of awareness.

- (g) Ensure the process is transparent, gets enriched with contributions and that the content is aimed at impacting meaningfully on people's lives.

### **3.4. Land Use Management: Law Reform Project**

The process of integrating the legislation on Town Planning, Heritage and Environmental planning into one set of legislation is progressing according to plan. However, further focussed discussion, where social partners identify specific issues impacting on this project, is required. During the consultative process thus far, the legal fraternity has been engaged, whilst environmental concerns have been considered. The primary deliverable has been identified as the creation of one set of legislation to alleviate time lapses in applications for development and to improve the process for rights and authorisations of development applications.

The Public Participation Process (PPP) was detailed as one process with different mechanisms to involve different stakeholders and consists of various events throughout the rest of 2005. The way the PPP is structured for each project it will have to be driven from where it is located and which stakeholders are relevant to that particular project. The legislation should provide the right kind of framework to ensure that the process is effective.

### **3.5. Sustainable Human Settlements**

The need for a Sustainable Human Settlements Implementation Plan has only recently been integrated into the work programme of the PDC. Although it forms an integral part of deliberations concerning land and sustainable development in activities identified in this report, the organisation of a Summit focussing exclusively thereon is envisaged in mid 2005.



## 4. GOVERNANCE, INTEGRATED PLANNING AND PROVINCIAL GROWTH AND DEVELOPMENT

The formulation of a provincial growth and development strategy should also be premised on effective and efficient governance and integrated planning that facilitates seamless planning and the development of more effective partnerships that have a meaningful impact on the current development reality. The Framework Agreement outlined the commitment among the social partners to pursue social dialogue with the intention of developing an agreed Provincial Growth and Development Strategy (PGDS), based on the implementation of various aspects of the Agreement. This has meant that the social partners have to assess the implications of the Agreement on its activity and prepare to embark on a new process structured around the various themes of the Agreement. In order to comply with the timeframes as specified in the Framework Agreement within which a PGDS should be developed, discussions and the necessary preparations would have to commence to achieve the deadline of November 2006. The mini-summit scheduled for 29 November 2005 would be an important milestone that would serve to assess the progress made to date and outline the process ahead.

### 4.1. Land

Land is a precious resource and is an important and sensitive issue to all South Africans, especially given our past history of dispossession and denial of land rights. Various concerns such as the principle of willing buyer and willing seller (sale of land at market related prices), the slow progress being made with regard to land redistribution, restitution and tenure reform, the lack of political and administrative will within government (especially local government), the lack of co-ordination between government departments, water access and rights, lack of support (finance, advice, technical, credit, management), foreign ownership of land and the absentee landlord were raised in relation to initiatives involving land. Although this list is not exhaustive, it provides a

glimpse of the critical issues that have to be addressed when dealing with the PSDF and the Agriculture and Agri-business initiative.

Although it was explained that the perception of a wholesale sale of state land with reference to Provincial Government's "*policy disposal of fixed property assets in the Western Cape*" is incorrect, it was agreed that the PDC should develop a process that clearly outlines the process ahead to address this problem by end July 2005. The provincial summit scheduled for 18 July will afford social partners and other stakeholders an opportunity to engage in this critical issue when it deliberates land and sustainable development, economic development and land and sustainable human settlements and land.

### 4.2. Sustainable Development

Preparations are afoot for the Department of Environmental Affairs and Development Planning in association with the PDC to convene a Sustainable Development Summit between 19 – 22 June 2005 at the Cape Town International Convention Centre. The conference will be structured into plenary sessions and dialogue sessions, which will allow for more intensive debates and discussions around various thematic areas. The conference dialogue sessions will be based on seven thematic areas, namely, (i) Embedding Sustainable Development in Growth, Trade and Tourism Strategies; (ii) Building Sustainable Human Settlements; (iii) Energy and Climate Change; (iv) Sustainable Water and Waste Management; (v) Integrating Sustainable Development and Governance (vi) Effective Biodiversity and Natural Resources Management and (vii) Adopting and using Sustainable Development Indicators. The intention is to develop a Sustainable Development Implementation Plan for the Western Cape within 12 months and the record of the challenges and actions that were identified during the conference dialogue sessions should form the basis for the development of such a plan.

### 4.3. Integrated Development Planning (IDP) and the Provincial Growth and Development Strategy (PGDS)

Both local and provincial spheres of government have competencies that are developmental in nature, thus necessitating the provisions of services with due regard for the needs and voices of the poor. Recent experiences with the IDP processes of the various municipalities have identified a number of weaknesses in the discharge of development functions in local areas. Problematic inter-governmental and inter-stakeholder relations have been a recurring theme that needs to be corrected. Whereas working together within government and between spheres of government is crucial for the effective governance of our society, the role that the broader civil society can play in bringing the preconditions for local development about is critically important.

According to the Framework Agreement, it is government's role to ensure effective provincial-municipal co-operative planning and budgeting through a provincial growth and development strategy that is aligned with the annual municipal integrated development plans (IDPs), which specifically support sector development strategies at the local level and include the Integrated and Sustainable Rural Development Programme (ISRDP) and Urban Renewal (UR) programme.

The IDP, Urban Renewal and the ISRDP are key instruments at a local level that inform development within communities and the targeting of investment and resources into certain areas. The relation between the Framework Agreement, the IDP processes, urban renewal and ISRDP processes, resource allocation and social dialogue is critical. Although work has historically been done by the PDC in relation to some of these areas highlighted above, these initiatives in the context of the Framework Agreement will have to be considered by the Management Committee.



# FACILITATING GOOD GOVERNANCE AND STRATEGIC MANAGEMENT IN SOCIAL DIALOGUE PROCESSES



The Council proclaimed in October 2003 was largely responsible for the successful management of a transitional period that was concluded with its disestablishment and the inauguration of a new Council in March 2005. This involved, among other (a) facilitating agreement concerning amendments to the PDC Law of 1996 (b) deciding on the establishment of five specialist committees, later reduced to three, to facilitate dialogue concerning the key growth and development themes dealt with the Framework Agreement (c) to provide the necessary resources to facilitate the implementation of the Framework Agreement. This together with its previous experiences provided an experiential base for the operations of the new Council.

A new Council was established by the Premier, Mr E. Rasool in terms of the provisions in the Western Cape Provincial Development Council Law Amendment Act No. 4 of 2004 and held its inaugural meeting at Leewenhof on 10 March 2005. It thereafter met to consider and finalise a new Strategic Management Plan for the period ending 2010. This involves developing appropriate structures and clear governance arrangements. Critical to this process is the finalisation the establishment of a management committee, specialist committees and the development of a code of ethics and guidelines for the functioning of these structures. Activities that were subsequently embarked on involved the establishment of a management committee, the establishment of specialist committees that involved a re-affirmation of the existing themes that should be dealt with, in addition to the need to address the construction sector, human settlements and matters of social capital.

## 1. MANAGING THE PDC STRATEGICALLY

The PDC's Finance and Administrative arrangements are largely determined by the PFMA and appropriate labour legislation, in addition to the provisions of the PDC Law Amendment Act No. 4 of 2004. Furthermore, the Council should have in place agreed administrative and financial management procedures as required by the PFMA and other related legislation dealing with labour relations and human resource development. All these policies have been grouped into a handbook for easy reference.

A Strategic Management Plan, covering a five-year period commencing 1 April 2005, to guide the effective and efficient management of the organisation has been developed and adopted as required by the PFMA. The PDC is required to develop a Medium Term Expenditure Framework linked to its Strategic Management Plan. This Plan should reflect on issues such as operating budgets, capacity building resourcing, project funding and asset management.

The Council will be responsible for submitting Quarterly Reports to the Executive Authority, the Premier and an Annual Report to the Provincial Parliament. These reports should contain reflections on the extent to which its Strategic Management Plan, agreed to by the Council, has been implemented and the administrative and financial implications.

An Audit Committee was established in 2004. It had a number of meetings where an audit charter was developed and submitted to the old Council for ratification. It also focused on the need for more effective and efficient governance of the PDC. Ideas have been developed in this regard. It would be imperative that the Council not only considers its future, given the legal requirement to have such a Committee in place, but also considers its viewpoints on the proposed good governance arrangements.



### **1.1. Guidelines for the Functioning of the PDC**

It has been observed that each of the social partners approach matters from a perspective suited to its particular interest and traditions. Each also has a unique set of challenges in representing these interests. While a commonality exists in the need for social dialogue to forge a common approach towards growth and development, its conceptual understanding and practice of social dialogue reflects the prevalence of differences. Differences that impact on matters such as the nature of the issue to be considered as a priority, the quality of the inputs made, the representativeness of the inputs, mandating processes and communication strategies within constituencies.

The establishment of agreed rules of engagement is paramount to facilitating constructive dialogue. It is in this context that provisions within the PDC Law Amendment Act No. 4 of 2004 do not provide all the answers, thus necessitating the development of additional rules to inform social dialogue processes. Additional Guidelines and a Code of Ethics are intended, in part, to address this problem. The former deals with the detailed structures required and the relation between the structures in terms of decision-making processes and the role and responsibilities of social partners therein. The latter deals more with the type of conduct that representatives and staff should observe when engaging in dialogue. Both can be amended as the need arises to ensure effective and efficient functioning of the PDC in the context of the PDC Law Amendment Act No. 4 of 2004. The draft Guidelines as well as the Code of Ethics are currently being used as a working document, although it must still be finalized by the Council.

### **1.2. Establishment of the Management Committee**

A Management Committee consisting of five people must be established in terms of the PDC Law Amendment Act No. 4 of 2004. It should consist of the Chairperson and one representative of each social partner. On 10 March 2005, MEC T Essop, Ms L. Caroline, Ms A. Kannemeyer and Mr F. Bekker formed the Management Committee under the chairpersonship of Mr T. Ehrenreich. The order of three-monthly rotatory chairpersonship was also decided on. It will be responsible for the management of Council activities in between the meetings of the Council. It will meet on a monthly basis. It is empowered to deal with both finance and administrative matters and the management of the PDC work programme. Quarterly reports should be submitted to the Council.

### **1.3. Establishment of Specialist Committees**

Up to three Specialist Committees can be established by the Council to expedite its work programme. Three Specialist Committees were established to deal with thematic areas such as Economic Participation, Enterprise Development and Employment Creation; Human Resource and Social Development and Infrastructure, Spatial Development and Sustainable Human Settlements and. Each Committee was populated by at least five representatives per social partner. Additional representatives can be co-opted based on having assessed the needs of social partners in the Committee. Detailed powers and functions of the Committees and the responsibilities of the social partners are specified in the Draft Guidelines. Each social partner should have a primary representative (convenor) to facilitate the co-ordination of its inputs and activities in each Specialist Committee. These inputs should reflect on the need to address policy issues, plans, programmes and projects, resourcing and monitoring and evaluation.

#### 1.4. Relations between the Council, Management Committee, Specialist Committees and Staff

It is imperative that the relation between the Council, its Management Committee, Specialist Committees and staff be understood by everyone involved in the process of social dialogue to ensure optimal functioning.

The Management Committee and the principle representatives of the social partners in Specialist Committees will be critical in ensuring the smooth functioning of structures and good governance arrangements. There is a need for processes to ensure agreement among each social partner, for the determination of the Management Committee and the principle representatives (convenors) in Specialist Committee, given the diversity prevalent within constituents. The powers and functions to enable these representatives to fulfill their roles should be clarified. Reference has, however, frequently been made to a facilitating or co-ordinating role. This involves among other, the co-ordination of constituency mandates and inputs and preparation for Specialist Committee meetings with PDC staff to determine agenda items and content documentation and issues such as the invitation of experts.



##### **Labour**

*Dudley Cupido, Aziza Kannemeyer, Gretchen Humphries, David Mbolekwa, Crosby Booij, Tony Ehrenreich, Derek Fredericks, Thozama Teka*

The staff will provide services to the appropriate structures in terms of decisions made by the Council to ensure informed engagement based on a comprehensive work programme of the organization. These services will range from administrative support such as the organization of meetings, the documentation of meeting proceedings, research, facilitation and strategic inputs where required. The CEO, based on mandates received from the Council and its Management Committee, will manage these responsibilities.

Diverse capacities exist among the social partners that affects its capability to engage in dialogue. Requests have been made, particularly by organized labour and civil society, for resources to enhance their capacity. Assistance has been rendered with the provision of resources to organise workshops, briefing sessions and meetings to enable it to prepare for Council activities and administrative support to deal with the associated logistical arrangements. This arrangement has had limited success and can be continued if the necessary resources exists. Areas where improvements can be effected are for social partners to develop a more comprehensive programme based on a clear schedule of PDC activities for 2005 and the location of the administrative support in the PDC office to facilitate greater co-ordination and information flow.



##### **Business**

*(back) Daluxolo Sipika, Augustinus Hendricks, Lesley Africa, Johann Baard, (front) Ernest Bester, Fanie Bekker, Phelisa Mgweba*



## 2. COMMUNICATIONS AND MARKETING

The systems and networks that representatives of the social partners use to communicate with its constituents remain central to the effectiveness of the mandating, decision making and dialogue processes. Two facilities have been developed to enhance this process, namely a newsletter and web application. The PDC newsletter, Devbrief is still being produced to assist with communication among the social part-

ners. The recent copy reflects on the proceedings of the Mini-Summit held on 29 January 2005 and progress that has been made since 14 November 2003. The PDC has a dysfunctional web-site, in that it has not been updated regularly and access has been limited. Solutions are in the offing about a speedy resolution to this problem.



### **Government**

*(back) Rhoda Bazier, Gilbert Lawrence,  
Brendon Roberts, Ismail Dockrat, Siphiso Piti  
(front) Tasneem Essop, Ayanda Canca*

### **Civil Society**

*(back) Thembalani Mgobozi, Andrew Peterson,  
Jonathan Cartwright, Leonie Caroline, Anthea Bingle  
Ali Gierdien, Lulama Siwa  
(front) Lonwabo Mapolisa*



### 3. STAFFING

The PDC Law Amendment Act No. 4 of 2004 requires it to address staffing issues within twelve months of its establishment. A staffing proposal to enhance the functioning of the PDC was developed with the concurrence of social partners in 2004. It essentially involves developing a staff complement of 8 in varying capacities, based on the workload currently experienced. The PDC currently employs 8 staff members with various responsibilities. Vacancies exist with

regard to the posts of Chief Finance and Administrative Officer and Research Co-ordinator. The implications of the staffing proposal are that 8 additional posts be created and that the job titles of some staff members be changed. A Personnel Plan is being developed to ensure the establishment of an adequate and well-resourced staff complement compliant with existing legislative provisions to facilitate the implementation of the Strategic Management Plan.

STAFF POSITION	STATUS	COLOUR	GENDER	
Executive Director	Occupied	coloured	Male	1
Planning and Programme Co-ordinator	Occupied	coloured	Male	1
Research Co-ordinator	Vacant			
Chief Financial and Administrative Officer	Vacant			
Sector Co-ordinator	Occupied	african	Male	1
Regional Co-ordinator	Occupied	white	Female	1
Rural Project Manager	Occupied	coloured	Male	1
Personal Assistant	Occupied	coloured	Female	1
Financial Administrator	Occupied	coloured	Female	1
Organisational Administrator	Occupied	coloured	Female	1
Admin for social partners* (civil society and labour)	Occupied	african	Male and female	2

\* The current incumbents are currently part of the PDC establishment but are on the payroll of the independent sponsor.



# FINANCIAL STATEMENTS OF THE WESTERN CAPE PROVINCIAL DEVELOPMENT COUNCIL

FOR THE YEAR ENDED 31 MARCH 2005

The annual financial statements of the Western Cape Provincial Development Council are set out on the following pages and are signed on their behalf by:



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*Executive Director*

Date: 31 May 2005



REPORT OF THE AUDITOR-GENERAL TO THE  
PROVINCIAL PARLIAMENT OF THE WESTERN CAPE ON THE  
FINANCIAL STATEMENTS OF THE WESTERN CAPE  
PROVINCIAL DEVELOPMENT COUNCIL  
FOR THE YEAR ENDED 31 MARCH 2005

## 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 38 to 43 for the year ended 31 March 2005 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 8(4) of the Provincial Development Council Act, 1996 (Act No. 5 of 1996). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

## 2. NATURE AND SCOPE

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

### An audit includes:

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

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

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

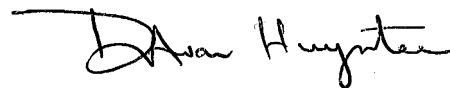
I believe that the audit provides a reasonable basis for my opinion.

## 3. AUDIT OPINION

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

## 4. APPRECIATION

The assistance rendered by the staff of Western Cape Provincial Development Council during the audit is sincerely appreciated.



.....  
D.A. van Huyssteen for Auditor-General

Cape Town

29 July 2005



AUDITOR-GENERAL

# REPORT OF THE ACCOUNTING AUTHORITY (COUNCIL) OF THE WESTERN CAPE PROVINCIAL DEVELOPMENT COUNCIL ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

## 1. FUNCTIONS AND OBJECTIVES OF THE PDC

The Provincial Government and its social partners, namely business, labour and civil society agreed to restructure functions and objectives of the PDC consistent with the requirements of the Framework Agreement for Growth and Development in the Western Cape that was signed on 14 November 2003. This agreement outlined the need to amend the PDC Law based on the need to expedite effective social dialogue pertaining to an array of issues specified therein. The new focus areas of activity involves the need to create more jobs, better jobs and decent work for all, infrastructure and logistics development and increased investment, more effective economic participatory measures and enterprise development arrangements, human resource development and local governance and development.

The Provincial Development Council (PDC) Law, Amendment Act No 4 of 2004, assigns the functions of co-ordinating, facilitating and initiating consensus through social dialogue amongst stakeholders on these provincial growth and development matters, policy objectives and development strategies to the PDC. The PDC's mission is to improve human development through facilitating social dialogue to establish the Western Cape as a world class region that provides a safe and secure social and economic infrastructure and environment, a well integrated, managed transparent and accountable public sector and a vibrant civil society to meet the basic needs of its citizens by:

- ▲ Addressing imbalances through equity;
- ▲ The creation of employment opportunities;
- ▲ Changed ownership patterns; and
- ▲ Promoting participation, co-operation and partnerships

### Strategic intent and goals for 2004 / 2005

The strategic intent and goals of the PDC for the

specified period is detailed in its Strategic Management Plan and the key issues can be summarised in the following manner:

- ▲ To attain consensus among stakeholders concerning a number of developmental priorities in the Western Cape through facilitating consensus concerning a Provincial Growth and Development Strategy.
- ▲ To attain consensus on the implementation of sector development strategies with particular reference to the creation of employment opportunities, whether sustainable or unsustainable through focusing on eleven priority sectors and an EPWP.
- ▲ To attain consensus concerning the establishment of comprehensive support services for particularly SMME businesses, including co-operatives and BEE and procurement policies.
- ▲ To monitor employment trends and facilitate the establishment of capacity focused on employment retention.
- ▲ To develop a process of consensus concerning an integrated Human Resource Development Strategy for the Western Cape Province taking into consideration the benefits of the Learning Cape festival.
- ▲ To facilitate the development of consensus concerning a Strategic Infrastructure Plan, an Integrated Transport Plan and Law Reform in the area of sustainable development.
- ▲ To facilitate the development of a framework for Effective and Efficient Governance through public participatory processes with particular reference to the IDP processes, including Urban Renewal and Rural Development in the province.

### The PDC has its offices in Cape Town:

PDC	PDC
P.O. BOX 15134	11th Floor, Wale Street Chambers
Vlaeberg	33 Church Street
8018	Cape Town
Tel: (021) 426 2825	8001
Fax: (021) 423 8742	E-mail <a href="mailto:prodc@iafrica.com">prodc@iafrica.com</a>
Web-site: <a href="http://www.pdc.org.za">www.pdc.org.za</a>	



REPORT OF THE ACCOUNTING AUTHORITY (COUNCIL) OF THE  
WESTERN CAPE PROVINCIAL DEVELOPMENT  
COUNCIL ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005 CONTINUED

## 2. GOVERNANCE AND CONTROL FRAMEWORK

The PDC follows the guidelines contained in the PDC Law No 5 of 1996, associated regulations and its constitution for the period April 2004 to January 2005. Thereafter the new Council proclaimed in February 2005 adhered to the prescripts of the PDC Law Amendment Act No 4 of 2004.

### The Council as proclaimed on 20 October 2003

It should be observed that the Council members detailed below were appointed on 20 October 2003 for a two-year period subject to amendments to the PDC Law.

Name	Constituency
Mr Godfrey Skwatsha	Business
Mr Sam Pienaar	
Mr Herbert Hirsch	
Mr Abdul Moos (alt)	
Mr Taj Akleker (alt)	
Ms Xoliswa Njoli (alt)	
Mr Fred Petersen	Labour
Mr Norman Johnson	
Mr Tony Ehrenreich (alt)	
Mr Derick Fredericks (alt)	
Mr Kosie Loubser	Agriculture
Mr Willem Williams	
Mr Frans le Roux (alt)	
Mr Augustinus Hendricks (alt)	
Mr Andrew Petersen	Community Organisations
Mr Mthetheleli Joka	
Mrs Nazlie du Toit	Non-Governmental Organisations
Ms Joan Aronowitz	
Mr Patric Solomons (alt)	
Mr Claude Schroeder	Boland
Ms Zelda Fortuin (alt)	
Ms Nondumiso Mvinjelwa	Cape Town
Ms Anthea Bingle	
Mr Benedickt Kabab	
Ms Thembeke Nonkonyana (alt)	
Cllr Apollis Solomons	Local Government
Cllr Siphiso Piti	
Cllr Jan Westenraad	

REPORT OF THE ACCOUNTING AUTHORITY (COUNCIL) OF THE  
**WESTERN CAPE PROVINCIAL DEVELOPMENT  
 COUNCIL ON THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2005 CONTINUED

Name	Position
Cllr Stephen de Vries	Provincial Statutory Bodies  Provincial Government
Mr Tony Myles	
Cllr Pierre-Jean Albertyn	
Cllr Cornelius Zimri	
Cllr Deon Adams (alt)	
Cllr Elize Visser (alt)	
Mr Roland Hein	
Mr Tom de Wet	
Mr Andy Lamont	
Mr Theo Behrens	
Mr Clive Keegan	
Dr Gilbert Lawrence	
Ms Gayle Kaylor (alt)	

**MANAGEMENT COMMITTEE:**

Name	Position
Mr Theo Behrens	Chairperson
Cllr Apollis Solomons	Vice-Chairperson
Mr Clive Keegan (alt)	
Mr Sam Pienaar	
Mr Kosie Loubser	
Mr Willem Williams	
Mr Fred Petersen	
Mr Tony Ehrenreich (alt)	
Mrs Nazlie du Toit	
Mr Claude Schroeder	
Ms Anthea Bingle	
Mr Andrew Petersen	
Mr Andy Lamont	
Cllr Siphwo Piti	
Cllr Jan Westenraad	
Cllr Pierre-Jean Albertyn	

REPORT OF THE ACCOUNTING AUTHORITY (COUNCIL) OF THE  
WESTERN CAPE PROVINCIAL DEVELOPMENT  
COUNCIL ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005 CONTINUED

**The Council as proclaimed in February 2005**

It should be observed that the Council members detailed below were appointed in February 2005 for a three-year period.

Name	Constituency
Mr Lesley Africa	Business
Mr Johann Baard	
Mr Fanie Bekker	
Mr Ernest Bester	
Mr Rhajen Ghasi	
Mr Augustinus Hendricks	
Mr Daluxolo Sipika	
Ms Phelisa Mgweba	Civil Society
Ms Anthea Bingle	
Ms Leonie Caroline	
Mr Jonathan Cartwright	
Imam Ali Gierdien	
Mr Lonwabo Mapolisa	
Mr Thembalani Mgobozi	
Mr Andrew Peterson	Government
Mr Lulama Siwa	
Cllr Rhoda Bazier	
Ms Ayanda Canca	
Mr Ismail Dockrat	
MEC Tasneem Essop	
Dr Gilbert Lawrence	
Mr Thami Manyathi	Labour
Ald Siphwo Piti	
Mr Brendon Roberts	
Mr Dudley Cupido	
Mr Tony Ehrenreich	
Mr Derek Fredericks	
Ms Gretchen Humphries	
Ms Aziza Kannemeyer	Labour
Mr Jan Kotze	
Mr David Mbolekwa	
Ms Felicity Petersen	
<b>MANAGEMENT COMMITTEE:</b>	
Name	Position
Mr T. Ehrenreich	Chairperson
Ms L. Caroline	Vice-Chairperson
Mr F. Bekker	
MEC T. Essop	

The position of Chairperson is held among the Management Committee members drawn from the social partners on a quarterly basis. This arrangement commenced on 10 March 2005.

REPORT OF THE ACCOUNTING AUTHORITY (COUNCIL) OF THE  
WESTERN CAPE PROVINCIAL DEVELOPMENT  
COUNCIL ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005 CONTINUED

### 3. INTERNAL AUDIT AND AUDIT COMMITTEE

#### Internal Audit

The internal audit function of the PDC has been outsourced to Sizwe Ntsaluba vsp. for the financial year 2004/2005.

#### Audit Committee

The establishment of the Audit Committee was finalised with the appointment of Messrs:

- A. Adams:           Manager – Research and Projects  
                          Finance at UCT
- V. Botto:            Head of the Forensic Audit Unit,  
                          City of Cape Town
- H. Daniels:         H Daniels and Co; and
- F. Najaar :         Internal Audit Manager,  
                          First Rand Bank.

The Audit Committee status was reaffirmed at a sitting of the newly Proclaimed Council on 29 March 2005.

### 4. FINANCE AND STAFFING REGULATIONS

Our finance and staffing regulations, that have to date not been approved by Provincial Administration of the Western Cape, are dated and new proposals have been formulated that does not require the promulgation of a regulation. These proposed changes initially resulted from the internal audit processes, interactions with the Department of Labour concerning the Employment Equity Act and discussions of the PDC's Staffing and Finance Committee. The proposed changes have furthermore been informed by the provisions of the Framework Agreement for Growth and Development, signed on 14 November 2003. A human resource audit has been concluded and is being finalised by the new Council in the context of the PDC Law Amendment Act No 4 of 2004.

The Audit Committee is also developing proposals/recommendation of proposed changes to the consolidated financial policies, as mandated by the new Council for its consideration.

#### Staffing

The Framework Agreement for Growth and Development signed on 14 November 2003 significantly altered the responsibilities of the PDC, thus necessitating a revision of the Strategic Management Plan and the adaptation of the initial human resource report. The staffing situation in relation to the revised Strategic Management Plan has been examined. The impact of the evolving human resource strategy on conditions of employment of staff and the consequent regulatory environment is evident. A critical element is the employment of a Chief Financial and Administrative Officer whose responsibilities will include human resource management. The recommendations emanating from the first phase of the investigation were considered and approved by the Staffing and Finance Committee of the PDC. The Council was informed of the progress to date and mandated the Staffing and Finance Committee to finalise the matter. The development of performance indicators will be dealt with as part of phase two of the formulation of a human resource development strategy. The implementation of the strategy could, however, not be commenced with, due to the imminent proclamation of the new Council in the new financial year.

Furthermore, the PDC as a public entity must comply with the Employment Equity Act by constructing an Employment Equity Plan, despite the size of its staff complement and turnover. This is being revised and developed linked to the changed human resource development strategy.

#### Finance

All the matters highlighted in the previous audit report have been addressed due to the need to fully comply with the prescripts of the Public Finance Management Act. One critical area is the improvement of procurement arrangements. A proposal has

# REPORT OF THE ACCOUNTING AUTHORITY (COUNCIL) OF THE WESTERN CAPE PROVINCIAL DEVELOPMENT COUNCIL ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005 CONTINUED

been developed to improve on the existing situation with the use of the current electronic based procurement system where PAWC would provide an agency service for consideration by the PDC.

## 5. FINANCIAL RESULTS

- The PDC's total expenditure in respect of 2004/2005 amounted to R4,10 million.
- The PDC's revenue source for 2004/2005 was R3,43 million.
- The PDC's net loss for the 2004/2005 was R0,65 million.

## 6. NATURE OF THE BUSINESS OF THE PDC AND FIXED ASSETS

Although there has been a major change in the business of the PDC, the nature of its fixed assets for the current year under review has not changed.

## 7. MATERIAL LOSSES AS A RESULT OF CRIMINAL CONDUCT OR IRREGULAR, FRUITLESS OR WASTEFUL EXPENDITURES

There were no material losses as a result of criminal offences or irregular, fruitless or wasteful expenditures and no criminal procedures were instituted.

## 8. MATERIAL ASPECT AFTER THE FINANCIAL YEAR-END

An agency agreement has been entered into with the Department of Social Services and Poverty Alleviation. Only R700 000 has been received for the Project: Integrated Food Security and Nutrition

Programme out of an initial amount of R1, 000, 000. The Department must still transfer the remainder of the money. The slowness in implementing the terms of the agreement is related to the consideration that individual contractual arrangements are being entered into with each of the individual municipalities responsible for a pilot area.

The PDC's Finance Committee approved the allocation of the VAT returns received from SARS for capacity building purposes.

Provision is being made for a materiality margin of one (1%) of the PDC'S budget to accommodate for eventualities as specified in the regulations accompanying the PFMA.

There are no legal cases involving the PDC in progress hence no additional financial claims affecting the current financial year under review are pending.

## 9. DISCLOSURE OF DIRECTOR'S EMOLUMENTS

The Director's emoluments for the financial year 2004/05 amounted to R486, 999.

The financial statements for the year 2004/2005 set out on pages 38 to 43 have been approved by the Accounting Authority.



Mr. A. Sayers

Executive Director

31 May 2005



# WESTERN CAPE PROVINCIAL DEVELOPMENT COUNCIL

## STATEMENT 1

### BALANCE SHEET AS AT 31 MARCH 2005

	2004 - 05 R	NOTES	2003 - 04 R
<b>ASSETS</b>			
Property, plant and equipment	55 090	2	108 743
Current assets	1 224 568		1 630 536
Accounts receivable	11 832	3	9 919
Bank and cash	0		288 418
Call Account	1 093 901		701 050
Petty Cash	520		520
VAT receivable	118 315		630 629
	<u>1 279 658</u>		<u>1 739 279</u>
<b>EQUITY AND LIABILITIES</b>			
Accumulated fund	290 114		945 840
Current liabilities	989 544		793 439
Bank and cash	17		0
Accounts payable	862 139	4	94 159
Project grant	127 388	8	699 280
	<u>1 279 658</u>		<u>1 739 279</u>



Cape Town, 31 May 2005

A. Sayers

Accounting Officer

# WESTERN CAPE PROVINCIAL DEVELOPMENT COUNCIL

## STATEMENT 2

### INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	<b>2004 - 05 R</b>	NOTES	2003 - 04 R
Revenue	<b>3 428 000</b>	5	3 262 000
Expenses			
Other operating costs	<u><b>4 097 821</b></u>	7	<u>3 038 857</u>
Profit/(loss) from operations	<b>(669 821)</b>		223 143
Interest received	<b>14 095</b>		21 510
Net profit/(loss) for the year	<u><u><b>(655 726)</b></u></u>		<u><u>244 653</u></u>

#### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2005

	<b>R</b>
Accumulated fund at 31/03/2001	195 144
Profit for the year	164 514
Surplus paid to PAWC	0
Accumulated fund at 31/03/2002	<u>359 658</u>
Loss for the year	(31 112)
Surplus paid to PAWC	0
Accumulated fund at 31/03/2003	<u>328 546</u>
Profit for the year	244 653
Surplus paid to PAWC	0
VAT claims submitted to SARS for previous fin. years	372 641
Accumulated fund at 31/03/2004	<u>945 840</u>
Loss for the year	(655 726)
Accumulated fund at 31/03/2005	<u>290 114</u>

# WESTERN CAPE PROVINCIAL DEVELOPMENT COUNCIL

## STATEMENT 3

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005



	2004 - 05 R	2003 - 04 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit/(loss) per Income Statement	<b>(655 726)</b>	244 653
Adjustments	<b>54 927</b>	51 589
Depreciation	<b>69 022</b>	73 099
Interest received	<b>(14 095)</b>	(21 510)
Operating profit/(loss) before working capital changes	<b>(600 799)</b>	296 242
Working capital changes	<b>706 489</b>	655 917
Decrease/(increase) in accounts receivable	<b>510 401</b>	(120 512)
Increase in accounts payable	<b>196 088</b>	776 429
Cash generated from operations	<b>105 690</b>	952 159
Interest Received	<b>14 095</b>	21 510
Surplus paid to PAWC	<b>0</b>	0
Net cash inflow from operations	<b><u>119 785</u></b>	<u>973 669</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to fixed assets	<b>(15 369)</b>	(34 533)
Net cash outflow from investing activities	<b><u>(15 369)</u></b>	<u>(34 533)</u>
<b>Net increase in cash and cash equivalents</b>	<b>104 416</b>	939 136
<b>Cash and cash equivalents at the beginning of the year</b>	<b>989 988</b>	50 852
<b>Cash and cash equivalents at the end of the year</b>	<b><u>1 094 404</u></b>	<u>989 988</u>



# WESTERN CAPE PROVINCIAL DEVELOPMENT COUNCIL

## SCHEDULE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

#### 1 Accounting Policies

The annual financial statements have been prepared on the historical cost basis and incorporate the following principle accounting policies, which have been consistently applied in all material respects:

##### 1.1 Income and expenditure

Income and expenditure is recognised on the accrual basis.

##### 1.2 Government grants received

Government grants are accounted for in the period in which it is received.

##### 1.3 Property, plant and equipment and depreciation

Property, plant and equipment are shown at cost and written off on a straight line basis over its useful life at the following rates:

Furniture and fittings	16.66%
Computer equipment	33.33%
Office equipment	33.33%

	2004 - 05 R	2003 - 04 R
<b>2 Property, plant and equipment</b>		
2.1 Computer Equipment		
Carrying amount at beginning of year	78 390	104 196
Movements during the year:		
Acquisitions	15 369	31 881
Depreciation for the year	(58 041)	(57 687)
Net carrying amount at end of year	<u>35 718</u>	<u>78 390</u>
Cost	<u>292 112</u>	<u>276 743</u>
Accumulated depreciation	<u>(256 394)</u>	<u>(198 353)</u>
2.2 Furniture & Fittings		
Carrying amount at beginning of year	25 050	28 181
Movements during the year:		
Acquisitions	0	2 652
Depreciation for the year	(5 921)	(5 783)
Net carrying amount at end of year	<u>19 129</u>	<u>25 050</u>
Cost	<u>128 190</u>	<u>128 190</u>
Accumulated depreciation	<u>(109 061)</u>	<u>(103 140)</u>
2.3 Office Equipment		
Carrying amount at beginning of year	5 303	14 932
Movements during the year:		
Acquisitions	0	0
Depreciation for the year	(5 060)	(9 629)
Net carrying amount at end of year	<u>243</u>	<u>5 303</u>
Cost	<u>28 889</u>	<u>28 889</u>
Accumulated depreciation	<u>(28 646)</u>	<u>(23 586)</u>
Total net carrying amount of fixed assets	<u>55 090</u>	<u>108 743</u>

# WESTERN CAPE PROVINCIAL DEVELOPMENT COUNCIL

## SCHEDULE CONTINUED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

	2004 - 05 R	2003 - 04 R
<b>3 Accounts receivable</b>		
Salaries	1 269	851
Prepaid expenses and deposits	10 563	9 068
	<u>11 832</u>	<u>9 919</u>
<b>4 Accounts payable</b>		
Accrued expenses	640 931	32 412
Pro-Rata Bonus & Leave Pay (staff)	221 208	61 747
	<u>862 139</u>	<u>94 159</u>
<b>5 Revenue</b>		
Government Grants	3 428 000	3 262 000
	<u>3 428 000</u>	<u>3 262 000</u>
<b>6 Net income from operations</b>		
Staff cost	2 074 004	1 660 714
Depreciation - Computer equipment	58 041	57 687
- Furniture and fittings	5 921	5 783
- Office Equipment	5 060	9 629
<b>7 Net profit/(loss) for the year</b>		
Income	3 442 095	3 283 510
Government Grants	3 428 000	3 262 000
Interest received	14 095	21 510
Expenditure	4 097 821	3 038 857
External Audit fees	30 734	32 959
Internal Audit Fees	21 833	25 865
Bank fees	8 904	5 921
Communication costs	257 125	148 300
Consultancy and special services	12 694	38 980
Depreciation	69 022	73 099
Fax and copier lease	126 848	103 632
Insurance	12 817	13 473
Interest Paid	75	54
Maintenance and repairs	20 782	16 510
Meeting and travelling expenses	771 948	278 031
Postage, courier and sundries	18 806	6 565
Project Cost	220 455	252 802
Rental	210 792	198 323
Salaries	2 074 004	1 660 714
Stationery and printing	55 899	23 684
Subscriptions and advertisements	32 764	9 916
Staff Training	0	0
SARS	0	6 614
Regional Service Levies	7 538	20 851
Compensation Comm. Fund	10 309	7 980
Telephone and fax	134 472	114 584
<b>Net profit/(loss) for the year</b>	<u>(655 726)</u>	<u>244 653</u>



# WESTERN CAPE PROVINCIAL DEVELOPMENT COUNCIL

## SCHEDULE CONTINUED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

	2004 - 05 R	2003 - 04 R
<b>8 Project grant</b>		
Project cost - Dept. of Social Serv. & Poverty All.	699 280	700 000
Interest accrued	29 668	2 740
Expenses	<u>(601 560)</u>	<u>(3 460)</u>
	<u>127 388</u>	<u>699 280</u>
<b>9 Lease Charges</b>		
<b>Operating photocopy lease charges</b>		
(i) Not later than one year	120 601	106 392
(ii) Later than one year and not later than five years	<u>13 486</u>	<u>131 227</u>
	<u>134 087</u>	<u>237 619</u>
<b>Office rental lease charges</b>		
(i) Not later than one year	120 460	*
(ii) Later than one year and not later than five years	0	*
* <i>Comparative figures not available</i>		
<b>10 Events after balance sheet date</b>		
Change in the VAT Act to deregister for VAT In terms of section 8(2)(iv) there is no financial effect as the registration date was 11/09/2002		
<b>11 Comparatives</b>		
Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.		

# WESTERN CAPE PROVINCIAL DEVELOPMENT COUNCIL

## REPORT OF THE AUDIT COMMITTEE

### **Audit Charter:**

The Provincial Development Council formally approved the Audit Charter on the 22 July 2004.

### **Members:**

The new Council reappointed the Audit Committee on the 29 March 2005.

The members of the Audit Committee are:

- Hilmi Daniels (Chairman) -practicing Chartered Accountant and Registered Accountant and Auditor.
- Faizel Najaar – Internal Audit Manager with First Rand Bank.
- Abu Adams – Manager-Research and Projects Finance at UCT.
- Vincent Botto- Head of Forensic Audit Unit, City of Cape Town

### **Report on the activities of**

#### **the Audit Committee:**

Matters arising in respect of the financial statements and Internal Audit report:

The Audit Committee reports as follows:

- The Committee reviewed the report of the Auditor-General in respect of the financial year ended 31 March 2005.
- The Chair of the Audit Committee met with the office of the Auditor-General to finalise the audit of 2004/05 financial statements.
- There are no material matters in respect of the above audited financial statements that need to be specifically brought to the attention of the Council.
- The Committee is at this stage unable to approve the report of the Internal Auditors.

### **Other matters:**

- The Committee is to review the procurement policy of PDC once this has been finalised.
- Certain Committee members attended workshops on internal audit standards and functions of audit committees. These provided valuable insights into the functions of the audit committee and the obligations imposed on all the members. This resulted in the Audit Committee proposing a stringent programme for the ensuing financial year, which will necessitate the Committee meeting monthly.

### **SIGNED ON BEHALF OF THE AUDIT COMMITTEE**



Hilmi Daniels

*BCompt Hons CA(S.A)LLM*

*August 2005*



IN PURSUIT OF PROVINCIAL GROWTH AND DEVELOPMENT THROUGH SOCIAL DIALOGUE AND PARTNERSHIPS



**WESTERN CAPE PROVINCIAL DEVELOPMENT COUNCIL**

11th Floor, Wale Street, Cape Town

PO Box 15134 Vlaeberg 8018

Telephone 021-4262825/6/7/8 • Fax 021-4238742

E-mail [prodc@iafrica.com](mailto:prodc@iafrica.com) • Website: [www.pdc.org.za](http://www.pdc.org.za)