



Department of
Economic Development
and Tourism

FIVE YEAR STRATEGIC PLAN

2010/15

WESTERN CAPE



**Department of
Economic Development
and Tourism**

FIVE YEAR STRATEGIC PLAN

2010/15

WESTERN CAPE



FOREWORD

The Department of Economic Development and Tourism recognises the immense challenge that lies ahead. Today we find our Province, much like the rest of the globe, burdened by job loss, poverty, and the lack of skills to grow. I am, however, optimistic that we are ready to tackle these challenges head on, a fact which is demonstrated by our bold budget decisions as listed in this document.

This Medium Term Strategic Plan (MTSP) has been carefully crafted on the basis of a new set of priorities for this administration, many of which reside within this Department's mandate. These include, the acceleration of growth, giving support to priority sectors, job creation and promoting economic participation. Above all, we intend to provide opportunities for all citizens who are willing to work with us to make this province a centre of excellence. We will undertake this work in partnership with key stakeholders in the private sector, and in co-ordination with other government departments.

Whilst developing this plan, we were forced to take several external and internal factors into account, not least of which has been the effect of the economic downturn on our economy. Not only is there a scarcity of resources in the private sector, but also within government. All indications are that the national target of halving poverty and unemployment by 2014 will not be achieved; the global recession has resulted in negative economic growth in 2009 and projected economic growth of less than 3% for the next two years. In addition, we face binding skills constraints that limit economic growth and job creation. In 2009, 441,622 people in the Western Cape were unemployed. This included over 219,488 people that were unemployed for over one year, and 222,174 that had been without work for less than a year.

Internally, we could not ignore the fact that the Department has been stretched too thinly, resulting in limited impacts. On the positive side, last year's election brought changes to government strategy, one of which was the introduction of a new national industrial and sector policy. We were provided the opportunity to inform this process via the MEDS, and leverage national funding.

The Department's strategic planning process took the above factors into account, and prioritised a number of key shifts of focus so as to make the largest possible contribution toward the first of the Western Cape Provincial

Government's ten key strategic goals, namely: **The creation of opportunities for businesses and citizens to grow the economy and employment.**

Firstly, we will prioritise workforce skills development and assert the Department's role as key intermediary between FET and Higher Education institutions and industry, so as to reduce skills mismatches. We will focus on enhanced Consumer Education and Awareness, with an emphasis on financial literacy. We will transform the liquor industry by implementing processes that will allow for the full implementation of the Liquor Board. We will place mentorship and opportunity driven support at the heart of entrepreneurship development so as to minimise business failures, accelerate economic transformation and facilitate the transfer of skills and knowledge. We will leverage additional resources for the development of Priority, Significant and Emerging sectors that have the highest job creation potential, such as tourism, BPO, ICT and Oil and Gas. We will develop new ways to attract investments to our province, and promote our exports to the international market. We will partner with South African Tourism to upscale our international and national tourism marketing, and focus energy on regional and domestic marketing. We will take pro-active measures to accelerate the adoption of cleaner production technologies so as to achieve sustainable economic development and export growth. Lastly, we will renew our efforts to enhance our institutional capacity and governance through the development of improved monitoring and evaluation systems.

Over the coming months, the staff of the Department of Economic Development and Tourism will tackle these new priorities with professionalism, and I thank them for their dedication.

It gives me great pleasure to present the Department of Economic Development and Tourism's Five Year Strategic Plan.

Executive Authority of the Department of Economic Development and Tourism

OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

- Was developed by the management of the Department of Economic Development and Tourism under the guidance of minister Alan Winde
- Takes into account all the relevant policies, legislation and other mandates for which the Department of Economic Development and Tourism is responsible
- Accurately reflects the strategic goals and objectives which the Department of Economic Development and Tourism will endeavour to achieve over the period 2010 - 2015.



Signature: _____

Mymoena Abrahams

Chief Financial Officer



Signature: _____

Bongi Dayimani

Head Official responsible for Planning



Signature: _____

John Peters

Accounting Officer

Approved by:



Signature: _____

Alan Winde

Executive Authority



CONTENTS

PART A: STRATEGIC OVERVIEW

1.	Vision	7
2.	Mission	7
3.	Values	7
4.	Legislative and other mandates	7
4.1	Constitutional mandates	7
4.2	Legislative mandates	7
4.3	Policy mandates	9
4.4	Relevant court rulings	10
4.5	Planned policy initiatives	10
5.	Situational analysis	12
5.1	Service delivery environment	12
5.2	Organisational environment	14
5.3	Description of strategic planning process	15
6.	Strategic goals of the department	16

PART B: STRATEGIC OBJECTIVES

Programme 1: Administration	17
Strategic objectives	
Resource considerations	
Risk management	
Programme 2: Integrated Economic Development Services	22
Strategic objectives	
Resource considerations	
Risk management	
Programme 3: Trade and Sector Development	44
Strategic objectives	
Resource considerations	
Risk management	
Programme 4: Business Regulation and Governance	63
Strategic objectives	
Resource considerations	
Risk management	
Programme 5: Economic Planning	79
Strategic objectives	
Resource considerations	
Risk management	
Programme 6: Tourism, Arts and Entertainment	96
Strategic objectives	
Resource considerations	
Risk management	

PART C: LINKS TO OTHER PLANS 119

7.	Links to other long-term infrastructure and other capital plan	119
8.	Conditional grants	119
9.	Public entities	119
10.	Public-private partnerships	119



PART A : Strategic Overview

1. Vision

The Department's vision is a Western Cape that has a vibrant, innovative, and sustainable economy, characterised by growth, employment and increasing equity, and built on the full potential of all.

2. Mission

- Provide leadership to the Western Cape economy through the Department's understanding of the economy, its ability to identify economic opportunities and potential, and its contribution to government economic priorities
- Act as a catalyst for the transformation of the economy and respond to the challenges and opportunities of the economic citizens, in order to support the government's goal of **Creation of Opportunities for Businesses and Citizens to grow the Economy and Employment.**
- Contribute to the provision of a predictable, competitive, equitable and responsible environment for investment, enterprise and trade

3. Values

The core values that the Department espouses are:

- Respect
- Accountability
- Integrity
- Passion
- Encouraging World Class Innovation
- Rewarding Excellence
- Leadership

4. Legislative and other mandates

4.1 Constitutional mandates

Within the context of programme 3, Schedule 4 and 5 of the Constitution of South Africa states that concurrent national and provincial legislative competence, as relevant for Economic Development, are:

- Industrial Promotion
- Tourism
- Trade

Industrial promotion as well as trade fall within the remit of Trade and Sector Development in so far that Programme 3 seeks to develop and support industries within the economy as well as promote and facilitate trade and export promotion.

Schedule 4A of the Constitution of the Republic of South Africa 1996 lists Tourism as a functional area of concurrent national and provincial competence. Section 4B of the Constitution identifies local tourism as a local government functional area to the extent set out in sections 155(6) (a) and 7 of the Constitution.

4.2 Legislative mandates

Public Finance Management Act, 1999

(Act 1 of 1999 as amended by Act 29 of 1999)

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

The Micro-economic Development Strategy (MEDS)

The Micro-economic Development Strategy (MEDS) is the Department's fulfilment of its mandate within the National Growth and Development Strategy, the ASGISA imperatives, the APEX of priorities and the iKapa Eihlumayo objectives and goals.

The Accelerated and Shared Growth Initiative of South Africa (ASGISA) is a national directive seeking to avoid the hollowing out of the economy and overcome the challenge that a third of the population is currently not benefiting directly from South Africa's relative economic success. National Government identified a set of six binding constraints within the economy, including the volatility and level of the currency; cost, efficiency and capacity of the national logistics system; the shortage of skills; limited new investment opportunities and limited competition; the regulatory environment and the burden on SMEs; and deficiencies in state capacity and leadership. ASGISA is structured to address these challenges through a package of six key interventions. While two of these interventions are dealt with at a national level, four interventions form an integral part of the Programme's strategies and activities: infrastructure programmes, sector strategies, and skills and education initiatives and second economy interventions.

These national priorities are further underpinned by the APEX of priorities list, which has been highlighted in the President's 2008 State of the Nation Address. Emanating from this APEX of priorities, the following have varying degrees of resonance within the Programme's activities: Industry Policy Action Plan (finalisation and implementation of sector strategies); ICT interventions to provide cheap platforms; Self-employment interventions in the second economy; and assistance to SMEs including procurement activities by government.

The MEDS frames the Department of Economic Development and Tourism's (DEDAT) economic sectoral and thematic strategies and realises the PGDS and the Department's overall goals of growing and sharing the economy and fostering greater spatial integration through the achievement of above average sustainable economic growth and significant numbers of new sustainable employment opportunities in perpetuity.

Businesses Act, 1991 (Act 71 of 1991)

The Businesses Act is assigned national legislation that provides for the regulation of informal trading by municipalities, subject to monitoring of the relevant bylaws by the Provincial Minister. It further provides that the Provincial Minister may act as an appeal authority in instances where municipalities refuse applications by certain types of businesses for licenses to trade.

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

This act establishes a legislative framework for the promotion of broad-based black economic empowerment. It furthermore empowers the Minister to issue Codes of Good Practice, to publish transformation charters, to establish the Black Economic Empowerment Advisory Council and to provide for matters connected therewith. The unit Economic Empowerment uses the Act as the basis for its existence.

Preferential Procurement Policy Framework Act of 2000

The Preferential Procurement Policy Framework Act (PPPFA), 2000, is one of the cornerstones of BEE. The Act allows for Government to use its own purchasing power to achieve economic transformation. It provides for 90/10 or 80/20 split on price/other criteria, depending on rand value of contract and the advancement of previously disadvantaged South Africans through taking into consideration the HDI status of enterprises. The BEE Unit has also adopted preferential procurement as a strategy to advance and implement BEE.

The Preferential Procurement Policy Framework Act, 2000 is also currently in the process of being amended to allow for synergy between the BEE Legislation and the PPPFA, 2000.

Small Business Amendment Bill, 2004

This Act amends the National Small Business Act, 1996, so as to repeal all provisions pertaining to the Ntsika Enterprise Promotion Agency (Ntsika). It furthermore provides for the establishment of the Small Enterprise Development Agency (SEDA) and makes provision for the incorporation of Ntsika, NAMAC and any other designated institution into the agency.

Municipal Systems Act, 2000 (Act 32 of 2000)

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

The Local Government Structures Act 117 of 1998

The Act provides for the establishment of municipalities in accordance with the requirements relating to categories and types of municipalities; the establishment of criteria for

determining the category of municipality to be established in an area; defining the types of municipality that may be established within each category; an appropriate division of functions and powers between categories of municipalities; regulation of the internal systems, structures and office bearers of municipalities; and, the appropriate electoral systems and matters in connection therewith.

National Credit Act, 2005 (Act 34 of 2005)

This is national legislation that provides for the regulation of a fair, transparent, competitive, sustainable, responsible, efficient, effective and accessible credit market and industry.

Businesses Act, 1991 (Act 71 of 1991)

This is national legislation that was assigned to the province for administration. The Act provides for the licensing and carrying on of a business and ancillary matters connected

Co-operatives Act of 2005

The Co-operatives Act give rise to the role of all spheres of government (including provincial government) in support co-operatives, this is articulated in the Purpose of the Act as stated in Section 2. (h) Ensure the design and implementation of the co-operative support measures across all spheres of government, including delivery agencies, and adherence to a uniform framework of established norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability and lawfulness. In response to the act, the department has played a lead role in developing and supporting of co-operatives in the Western Cape as part of its economic participation functions.

The BEE: Codes of Good Practice

The Codes of Good Practice were gazetted and came into operation on the 9th February 2007, thus making them Law. In terms of the public sector there is a legal onus on organs of state and public entities to apply the codes of good practice, '*as far as reasonably possible*'.

The obligation to "take into account, as far as is reasonably possible, apply" the COGP places twin obligations on organs of state and public entities –

- A procedural obligation to consider the content of the code of good practice when undertaking any economic activity contemplated by section 10 ("an affected economic activity");
- a substantive obligation to ensure that policies and criteria used in an affected economic activity and all decisions made in terms of those criteria or policies, are consistent with the code.
- Workforce Development legislative and policy frameworks include ikapa Elihlumayo, Growing and Sharing the



Cape and the White Paper, Preparing the Western Cape for the Knowledge Economy of the 21st Century, Joint Initiative of Priority Skills Acquisition (JIPSA), Accelerated Shared Growth Initiative of South Africa (ASGI-SA), National Skills Development Strategy, the Scarce Skills Development Strategy, the Human Capital Development Strategy and latest research findings around the skills shortages and mismatches.

Western Cape Investment and Trade Promotion Agency Amendment Act (Act 1 of 2005)

To define the objects of the organisation, Wesgro and the oversight and management thereof.

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

To establish the Western Cape Investment and Trade Promotion Agency (Wesgro).

Liquor Act, 2003 (Act 59 of 2003)

The Liquor Act, No 59 of 2003 came into effect on 13 August 2004, and replaced the Liquor Act, No 27 of 1989 for national functions while retaining it as transitional measure for provincial functions. It introduces a three-tier system into the liquor industry and regulates the manufacturing and distribution tier. It provides for the devolution of functions relating to the distribution tier. It provides for the devolution of functions relating to the distribution tier to the Provincial Minister, and it requires the Provincial Liquor Licensing Authority to provide it with statistical information relating to the retail and micro-manufacturing tier.

Western Cape Liquor Act, 2008 (Act 4 of 2008)

The Act, when fully implemented, will replace the Liquor Act, 2003.

National Tourism Second Amendment Act, 2000, (Act No. 70 of 2000)

To amend the Tourism Act of 1993 and to further provide for the training and registration of tourist guides; to regulate the procedure for lodging complaints; to make provision for the endorsement of certain registers; to provide for disciplinary measures, appeals and reviews; to criminalise certain conduct; and to provide for transitional matters.

National Tourism Sector Charter as a Sector Code on black economic empowerment in terms of Section 9(1) of the BBBEE Act (Act No 53 of 2003), gazetted May 2009

The Tourism Sector Charter aims to advance the objectives of the Broad-based Black Economic Empowerment Act. It constitutes establishes the principles upon which BBBEE will be implemented in the Tourism Sector.

Provincial Western Cape Tourism Act, 2004, (Act No. 1 of 2004)

To provide for the establishment of the Destination Marketing Organisation (DMO). The destination marketing organisation trading as Cape Town Routes Unlimited (CTRU) in 2004 and has the responsibility for tourism marketing, promotion and market intelligence.

4.3 Policy mandates

The National Integrated Manufacturing Strategy (NIMS)

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

The Advanced Manufacturing and Technological Strategy (AMTS)

A technologically advanced provincial policy in line with iKapa Elihlumayo principles and the Department's strategic priorities which will concentrate more on sector-based initiatives rather than the broad-based IMS.

The Western Cape Micro-Economic Development Strategy however provides the primary guidance to the Department's sectoral strategies.

The Western Cape Liquor Policy, 2005 (Department of Economic Development and Tourism, Western Cape Provincial Government)

This policy, commonly referred to as the Liquor White Paper, was the result of a process of intensive and extensive public participation based on the Liquor Green Paper of 2004. It was drafted by a Policy Drafting Panel consisting of departmental officials, legal experts and health professionals specialising in the research and treatment of alcohol-related ill effects. The policy had five objectives, namely:

- to make it possible for bona fide unlicensed traders in the historically disadvantaged communities to legitimise their businesses without encountering unnecessary barriers to entry and to create an environment that would encourage them to do so;
- to consider land use planning issues as determined by the municipal planning authorities;
- to provide for the involvement of communities in determining the location of licensed liquor outlets;
- to involve the municipalities in the Western Cape, and
- to reduce the social cost of liquor abuse to society in general, and to the people of the Western Cape in particular.

The policy formed the basis on which the initial Western Cape Liquor Bill, 2006, was drafted.

ASGISA (Accelerated Shared Growth Initiative-South Africa)

ASGISA identifies tourism as a priority industry as it is labour intensive, has rapidly growing sectors world-wide, is suited to South African circumstances, and is open to opportunities for BBBEE and small business development.

National White Paper on the Development and Promotion of Tourism in South Africa, 1996

The National White Paper on the Development and Promotion of Tourism in South Africa stipulates that “Tourism should be led by government and driven by the private sector, and be community-based and labour conscious”.

Provincial White Paper on Sustainable Tourism Development and Promotion, 2001

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

The Western Cape Tourism Development Framework

The WC Tourism Development Framework is the 10-year vision and strategy for tourism in the Western Cape and is the sector strategy for the tourism industry that forms part of the WC Micro-economic Development Strategy.

The Western Cape’s Tourism Development Plan

The WC Tourism Development Plan is provincial policy for the development of tourism sites, attractions, facilities, routes and

wealth unlocking infrastructure as well as the expansion of the tourism product. It emphasises a wider distribution of visitors throughout the Province.

4.4 Relevant court rulings

Not applicable

4.5 Planned policy initiatives

The MEDS approach

The Economy of the Western Cape represents less than 1000th of the global economy. As a consequence, we are price takers rather than price makers. To a great extent, our economic activity is what is possible within the global “division of labour” as determined by the big international government and corporate players. We are subject to powerful forces as is demonstrated by those influencing the current state of the World Economy.

The MEDS is an ongoing and evolving process that was initiated in 2003 and has been informed by detailed research and stakeholder consultation into a large number of sectors, as well as 6 cross-cutting issues, including spatial development, informal economy, Transport, and SMME development. The MEDS process has been guided by an Oversight Committee of industrial and regional development experts which has enhanced the Department’s strategic insight into priority opportunities and constraints.

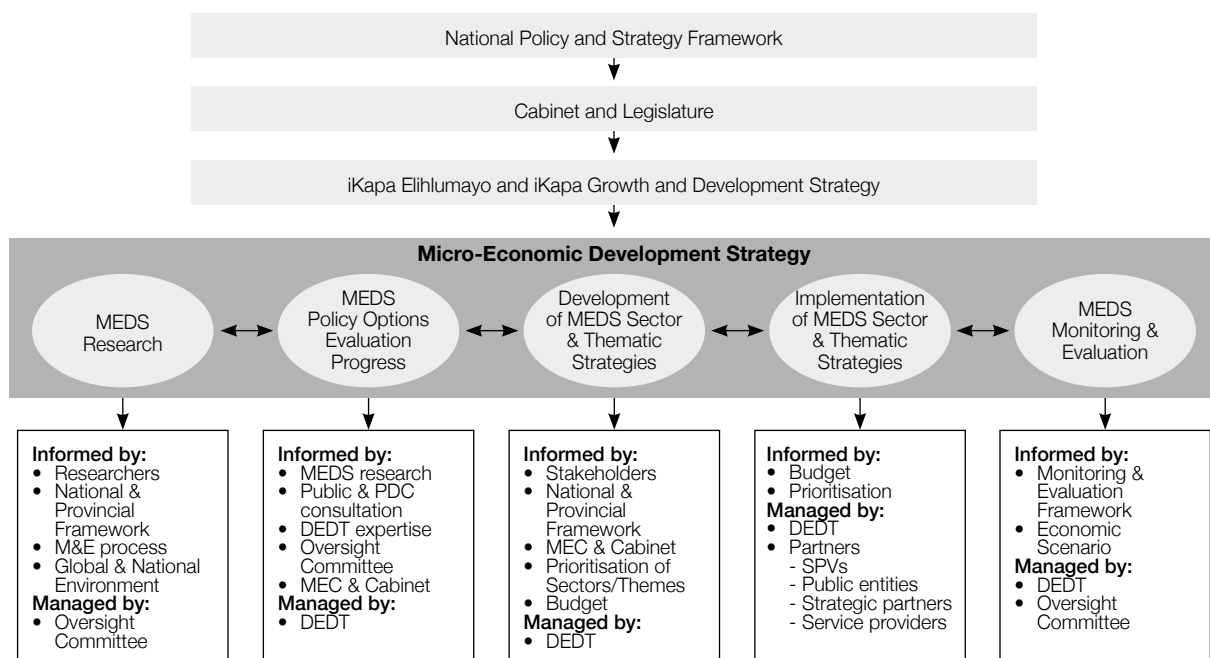


Figure 1: The Evolving Micro-Economic Development Strategic Process

Purpose and Focus of the MEDS

The MEDS is a provincial industrial policy framework that aims to reduce the incidence of government failure, market failure, and network failure in the Western Cape. Government failure is defined to be when governments fail to intervene, or intervene inappropriately in the economy, in a manner which worsens rather than improves the capacity of micro-economic agents (firms, individuals) to participate effectively in the economy. Market failure is defined to be a situation in which the costs and/or benefits of the conduct of firms or individuals are not borne by them, which can lead to under-investment in productive activities, underdeveloped institutions, etc. Networks can fail for many reasons, two of the most important of which include a failure to form networks and/or a failure of different networks to align.

The MEDS is therefore principally concerned with ensuring that there is an alignment between (provincial) government, markets and networks of firms and individuals.

As with the national economy of South Africa; the Western Cape is a dual economy characterised by the existence of an advanced, technologically competitive component combined with a vibrant informal economy. A key focus of the MEDS has consequently been to identify interventions that can accelerate economic and employment growth and sustainability and strengthen the key economic foundations of innovation, research and development, and skills development.

The MEDS argued that the Province has over time become more competitive in activities where intellectual capital – as opposed to cheap labour – drives the agenda of economic activity. The Western Cape scores better than the national average on a host of measurements of intellectual assets, knowledge capabilities and access to critical drivers of knowledge intensive economies. The purpose of the MEDS is to prioritise and focus Provincial government resources on a limited number of economic development opportunities and challenges which can have meaningful economic impact on sustainable, inclusive, and innovative economic development.

To this end, MEDS has identified three categories of sectors which reflect different levels of prioritisation and types of provincial resource allocation:

Priority (high impact “flag ship”) Sectors: where government policy support has clear potential for high impact on output growth and equity, especially employment and new business

entry. Expert-informed scenarios for potential future growth were developed as part of the specialised sector MEDS reports. The current four priority sectors for 2010 – 2014 are: Business Process Outsourcing, Information and Communications Technologies, Oil and Gas offshore services and facility construction, and Tourism.

Provincial government has allocated dedicated personnel to each of these sectors and has and will publicly declare high level political support for these sectors.

Important/significant sectors which have lower medium potential impact but are high social and economic significance by virtue of their social and economic significance to the Western Cape will have non-dedicated provincial personnel assisting a range of medium potential sectors. For 2010-2014, these sectors include: Clothing and Textiles, Boat-building, Aquaculture, Arts and Entertainment (Film, Craft, Visual and Performing Arts, Music), Green technologies, Metals and Engineering, Furniture.

These sectors will continue to receive funding for clustering and specialised Special Purpose Vehicles (SPVs) as well as have access to the Open Architecture Fund whereby proposals will be requested (described in more detail in the Sector Development Programme);

Emerging Sectors which simply required “keeping a watching brief” where support would be ad hoc and very limited. There would be no dedicated personnel but these sectors will have access to the Open Architecture Fund whereby proposals will be requested (described in more detail in the Sector Development Programme). These sectors include Renewable, Energy, Aquaculture, Biotechnology, Green technologies and Electronics.

The Sector Development Programme contains a more detailed motivation for the choices behind these sectors and the reasons why certain “traditional sectors” are not seen as appropriate for provincial government sectoral policy intervention (e.g. financial services, transport, wholesale and retail), although these sectors will be supported through other interventions both directly (e.g. business development and transformation) and indirectly (through stimulation from other priority sectors like tourism and BPO).

In addition, the MEDS has assisted in identifying key economy-wide opportunities, constraints, and enabling factors, as follows:

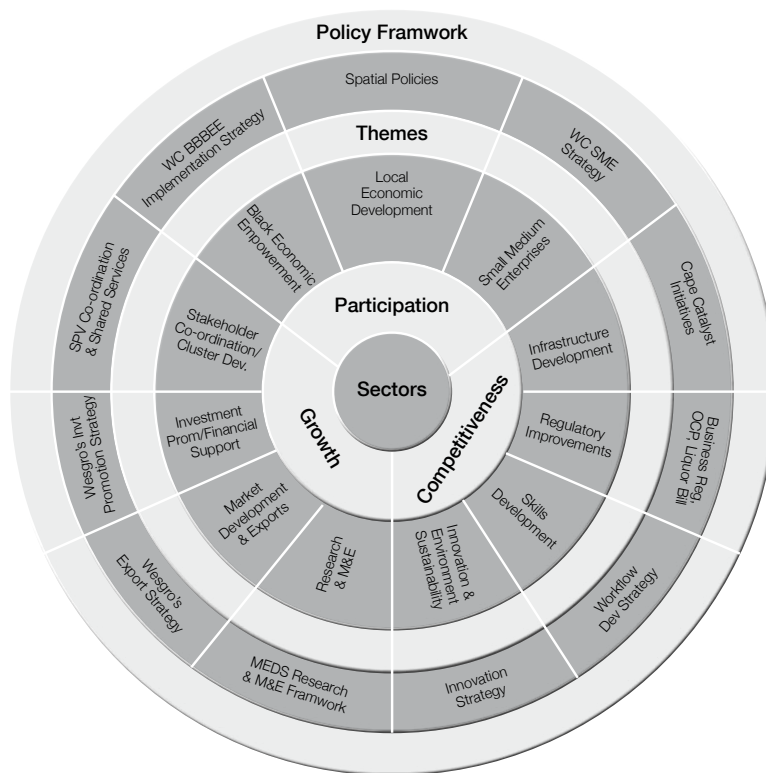


Figure 2: MEDS Cross-cutting opportunities, constraints and enabling factors.

The issues identified in the MEDS process have informed all of the Department's programmes and strategies, over and above sector development and the sector strategies, which are contained in this Medium Term Plan.

5. Situational analysis

5.1 Performance environment

The **global economy** has been mired in the most severe recession since the Second World War. The IMF has forecasted growth of -1.4% for the world economy in 2009, which would represent the first negative growth rate for the global economy since 1946. Huge excesses of indebtedness on the part of households and financial institutions in several leading industrialised countries stemming from decades of low real interest rates and financial diversification spurred by the growth of financial derivatives, contributed towards a huge meltdown of asset prices in the second half of 2008.

Whilst the original source of the downturn and the excess levels of debt accumulated over the years is to be found in the United States economy; the decline in the ability of European and Asian economies to export in the face of low levels of global demand for products, has resulted in many of these economies suffering declines as severe, if not more severe, than the slump in the US economy. On the whole, advanced

economies are expected to contract by almost 4% for the year (2009). Furthermore, the decline in demand for raw materials resulting from the global slump has caused commodity prices to plummet and has eroded export revenues of many emerging markets, contributing towards sharp reductions in their economic growth as well.

As a result of this, **South Africa** felt the full brunt of the global crisis as our economy slid into its first recession in 17 years. This slide has not been surprising bearing in mind the development of a high correlation between domestic economic growth and global economic growth over the past 15 years. In fact, expectations of domestic economic growth for 2009 and 2010 have been downgraded progressively over the past six months in perfect tandem with a corresponding downward revision of global economic growth prospects for these two years.

Essentially, the greater than expected depth of recession in the global economy, and in particular in advanced economies, has reduced the demand for raw and processed materials also by much more than expected. In turn, this has negatively affected South Africa's export performance, given the economy's specialisation in extracting or processing minerals for export. The result has been that the domestic mining and

manufacturing sectors have been especially hard hit, with certain industries experiencing declines in demand of between 30% and 60%.

Specifically, in the manufacturing sector, which has been recording double-digit negative growth, it has been evident that the bulk of the decline in activity has been focused on two broad industries, viz. automotive and metal processing. If one excludes these two industries from calculations, one notices that the downturn in the manufacturing sector has been nowhere near as severe as the aggregate figure suggests. Nonetheless, it is evident that the slide in economic growth has progressively permeated most sectors of the economy, even if not as severely as the mining, automotive and metals processing industries.

Within the **Western Cape economy**, the global turmoil has already impacted significantly on many of our key sectors, although the implications are complex, and in certain some cases the crisis has even benefited a number of our industries in the province.

However, the 2008 and 2009 economic forecast by the Bureau for Economic Research (BER) for the Western Cape has been significantly marked down from 4.6 per cent and 5.3 per cent projected in June 2007. The most recent forecast indicate that the provincial economy will grow by 3.5 per cent and -1.1 per cent in 2008 and 2009 respectively. Moderate improvements in the trend in GDP are projected from 2010 onwards. The moderate improvements is in line with the recent trends in the global economy, which has seen signs of stabilisation in recent months as a result of the world's leading economies embarking upon unprecedented fiscal and monetary stimulus.

However, there is a real fear that the unprecedented magnitude of fiscal and monetary stimulus is itself set to generate problems in the longer term. Governments of many leading economies are running up huge debts, which will have to be accounted for in time to come. As reflected by the increase in global long-term interest rates until recently, fears of potential inflationary pressures in due course have resurfaced. There is therefore a real possibility that the anticipated recovery over the coming year or two might not

be sustained and that in any case that recovery will not be particularly vigorous. One needs to reflect on the fact that there remains an enormous hangover of household as well as financial debt incurred over the past two decades, which needs to be washed out before global economic growth resumes at anywhere near the pace achieved in recent decades. Moreover, the millions of jobs currently being destroyed are also likely to hold back the strength of economic recovery for some time to come.

Within employment in the Western Cape, one should recall that in the same way as there was disappointment with the inability of the economy to create jobs at a rate commensurate with the pace of economic growth during the boom times between 2004 and 2007, there might be countervailing surprise at the unexpectedly low number of jobs lost during the economic downturn. This is because the main area of job creation in recent years has been in respect of functions which require a relatively high level of skill. In this regard, there has been a relative scarcity of such skills and employers have found it hard to come by such skills in an economy characterised by an acute paucity of skills. It is for this reason that it has been so difficult to reduce unemployment. However, this situation has also implied that there has been an increasing strain on those involved in the mainstream of economic activity possessing such skills. Employers are aware of the dangers of replenishing such skills in an economic upturn if they were to lay off such employees during the downturn. As a consequence, there is likely to be considerable reticence to retrench during the downturn. It is against this backdrop of uncertainty that the Department will continue to take the lead in driving economic growth and skills development.

Arguably, Skills Development has never been more important than it is today in this time of financial crisis. At the same time, society faces massive global challenges that extend well beyond the economy.

Hence with a proper focus on Skills Development in the workforce we believe that it will provide a way forward for solving the global challenges of the 21st century, building sustainable development, creating jobs, generating renewed economic growth and advancing human welfare.

Summary of growth variables. (Source: STATS SA and BER August 2009)

	2007	2008 (e)	2009 (f)	2010 (f)	2011 (f)	2012 (f)
G7 Real GDP Growth (%)	2.2	0.0	-3.8	0.6	0.9	-0.3
S.A. Real GDP Growth (%)	5.1	3.1	-2.0	2.9	3.6	3.9
WC Real GDP Growth (%)	5.8	3.5	-1.1	2.7	4.4	4.7

5.2 Organisational environment

The Western Cape economy has been performing at growth rates that substantially exceed the averages for South Africa. A key contributor to this phenomenon is the diverse nature of the economy, consisting of a wide range of competitive niche industries occupied mostly by medium and small companies. With the effects of the global recession becoming ever more prevalent in South Africa, the diversity of the Western Cape economy has helped the region to be more resilient to the global economic crisis than had the region had been dependant on one or two more dominant sectors such as mining.

Despite the province faring slightly better than South Africa in terms of the widening gap between the rich and the poor, in aggregate, the level of inequality in the distribution of income in the Province is getting worse. Our Gini coefficients still remain high by international standards. We are therefore faced with the situation of a growing economy with participation rates below that which can contribute significantly to prosperity for all in the Province. In not addressing participation, sustainable growth comes under threat.

Given the above, the Department's approach to meeting the challenges head on, is grounded in the provincial Micro-economic Development Strategy which shapes the

development of policy, strategy and practical interventions. Delivery in any sector is against the following main themes: Growth, Global Competitiveness, Participation, Skills Development, Conducive Fair Business Environment and Economic Planning.

At the heart of the MEDS, the international best practice with respect to "clustering" have been followed, which has been defined by Stuart Rosenfeld as 'a geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue, that share specialised infrastructure, labour markets and services and that are faced with common opportunities and threats'.

A further key contributor to the Department fulfilling the aims of MEDS is the link to increasing economic participation. Skills development and small business development are the main means of ensuring that participation, by especially the previously disadvantaged, is significantly increased. To this end, the Department has aligned its organisation structure in three core component being Sector Based, Theme based and ensuring that the economy provides a fair and conducive business environment. This can be easily understood by Figure 3 below

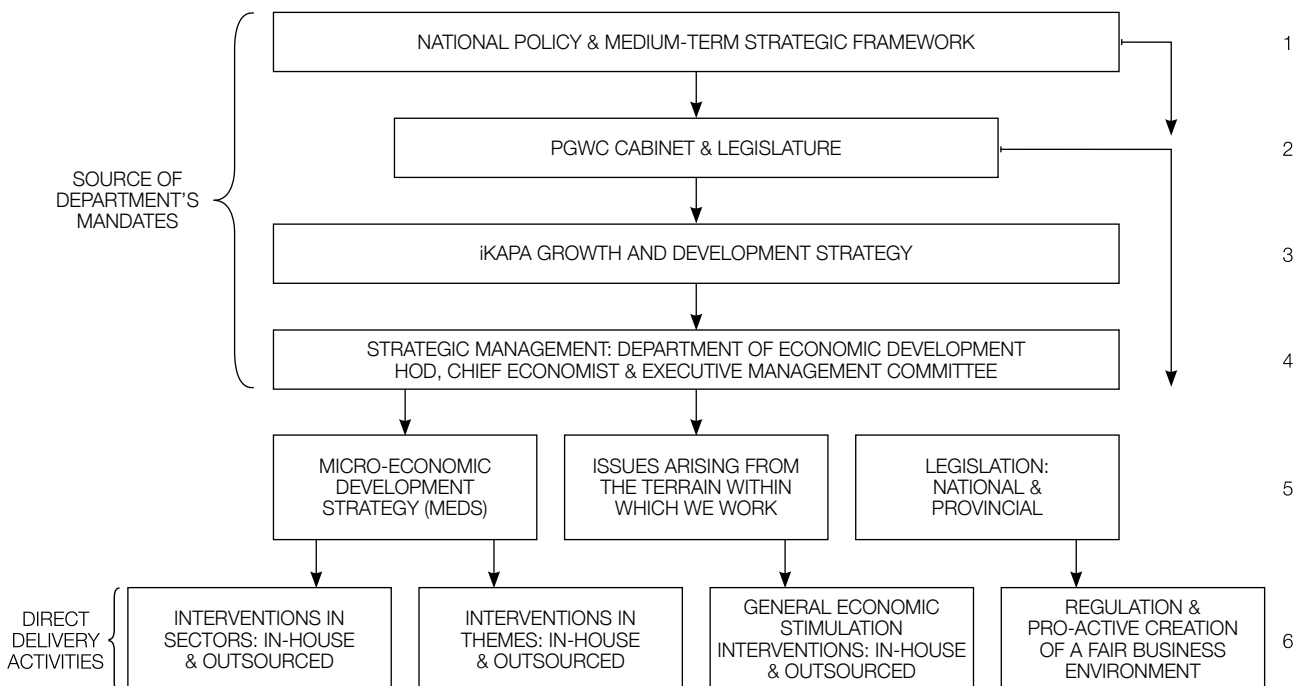


Figure 3: Model for the reorganised Department to meet delivery against set mandates

As depicted above, for the department to meet its challenges with the necessary vigour required, an explicit need to create strategic partnerships is needed. This is evident by the limited resources, both financial and human capacity, at our disposal.

The nature of the programmes and projects of the department does not lend itself to being delivered directly by the department. Extensive use is therefore made of implementing agents. These implementing agents comprise public entities, sector-specific special purpose vehicles (SPVs) and private sector service providers. Taking guidance from the “clustering” best practice, the Provincial Government of the Western Cape has a number of formal industry partnerships in the form of Sector Bodies or Special Purpose Vehicles across key sectors of the economy. These Sector Bodies are Section 21 companies which are dedicated to development and growth of the industry and because membership is open (as opposed to industry associations which have closed membership), provide a platform of dialogue between the various stakeholders – government (local, provincial and in certain cases national), academia, private sector (large and SMEs), labour and where relevant, civil society. Many of their functions are focused on improving the competitive foundations across the sector to allow growth and job creation to be maximised, while specific firm level support is focused on SMEs and transformation initiatives. However, project conceptualisation, planning and monitoring and evaluation remain the domain and responsibility of the Programme.

5.3 Description of the strategic planning process

In developing the Department’s upcoming Five Year Strategic Plan and subsequent Annual Performance Plan a comprehensive approach was followed. Given that nationally and provincially we are entering a new electoral cycle (national and provincial elections were held in April 2009),

the need to revise and amend the planning frameworks has taken on increasing importance as the new political principals election manifesto needs to be incorporated in the strategies of the Department.

In developing the 5-Year Strategic Plan and Annual performance Plan, the Department followed a five phase approach which consisted of the following namely

- a) setting the scene
- b) strategy formulation
- c) strategy input
- d) allocation of resources, and
- e) formal approval

During the “Setting the scene” phase, the department conducted extensive evaluations of both national and provincial mandates, the MEDS documentation, assimilated the Provincial goals and investigated areas of emphasis where intervention by the Department was sorely needed either through market failure or perceived mandate of the Department.

This phase was also characterised by the comprehensive SWOT analysis where both internal and external factors affecting the Department were taken into account and goals and strategic objectives for the Department were set.

The second phase in the process involved the assimilation of the above and the development of a discussion document noting the above constraints and imperatives and developing areas of possible intervention.

The gaining of inputs from all stakeholders/ role players including political principals, sister departments such as Provincial treasury and the Department of the Premier, the business community and civil society characterised the third phase of the Planning process. During this phase key



inputs were received regarding strategy formulation and the prioritisation of Departmental services on offer. Critical to this phase was the honing in on and development on concepts such as focus, ensuring value for money through the crowding in of additional resources and developing of partnerships.

The fourth phase of the strategic planning process involved the allocation of resources available to the Department. It should be noted that this phase did not only review financial resources, but also took the human capital available to the Department

into account. This phase involved the M.E.C responsible for the Department as well as the senior management responsible for the smooth running within the Department.

The fifth and final chapter in the planning process was the finalisation and approval of the Department's 5 year Strategic Plan and Annual Performance Plan. The key role-players in this phase are the political principals, the M.E.C responsible for the Department as well as the Accounting officer for the Department.

6. Strategic goal of the Department

Strategic Goal	Creation of Opportunities for Businesses and Citizens to grow the Economy and Employment
Goal Statement	To facilitate the acceleration of economic and employment growth and sustainability through increased jobs facilitated and/or sustained, increased value of investment and trade and increased value of economic infrastructure
Justification	<p>The <i>sine qua non</i> for achieving the PGWCs overriding goal of combating poverty and promoting opportunities for all, is policies and strategies that encourage strong, sustained, job-creating economic growth. Our approach to realising this is based on the tenet that provincial governments do not grow the economy or create jobs. Businesses grow the economy and create jobs. What this means is that growth of the kind that we want depends, to a great extent, on how well businesses perform.</p> <p>However, strong global forces like trade liberalisation, the introduction of barriers to our exports by rich countries and the information revolution have made the environment within which businesses have to operate increasingly difficult, especially for small and medium-sized businesses which dominate our economy. This is exacerbated by the fact that the governments of our strong competitors have put in place measures to support their businesses to overcome these problems.</p> <p>It is imperative, therefore, that we pursue policies and strategies that:</p> <ul style="list-style-type: none"> • support the capacity of businesses to compete effectively in the global economy • attract, develop and retain the type of skills our businesses need • attract and retain investment and capital • drive the development of growth-enhancing infrastructure • ensure, as far as possible, that government cuts red tape and encourages a fair and enterprise-friendly business environment • promote the participation of citizens in the economy by helping them to establish businesses and develop skills.
Links	This goal is directly linked to the Strategic Objective 1 of the Provincial Government of the Western Cape, which this Department contributes towards together with the Departments of Agriculture, and Transport and Public Works).



PART B : Strategic Objectives

PROGRAMME 1: ADMINISTRATION

Purpose

Provide leadership and strategic management in accordance with legislation, regulations, policies and ensure appropriate service to all other programmes.

Programme structure

- Sub-programme 1: Office of the Head of Department
- Sub-programme 2: Financial Management
- Sub-programme 3: Corporate Services

Context

The Programme's mandate is derived directly from chapters 10 and 13 of the Constitution of the Republic of South Africa (Act 108 of 1996), which compels all spheres of government to ensure that the principles of a high standard of ethics is promoted and maintained, efficient economic use of resources is promoted, encourage the state to be development-orientated, ensure transparency, and accountability.

To give effect to the above-mentioned principles, the Public Finance Management Act, 1999 (Act 1 of 1999) and Public Service Act was promulgated. The Primary aim of these two pieces of legislation is to modernise the systems of management within the public sector and represents a break from the past where management was characterised by opaqueness, poor information and virtually no accountability. Key objectives of the PFMA, 1999 may be summarised as being too:

- Modernise systems of financial management in the public sector,
- Enable public sector managers to manage, however holding managers more accountable,
- Ensuring timely provision of information, and
- Eliminating waste and corruption in the use of public assets.

These changes introduced, were not merely technical in nature, rather it provides for and challenges all public sector departments to continuously search for improvement in service delivery and the achievement of outputs that will forever transform the landscape of the new South Africa and thereby build a better future. For this to be successful, it is crucial that "change leadership" skills are utilised to drive the processes required for the modernisation of public sector governance.

These reforms were instituted in the public service with the aim of achieving a performance culture within the public sector and of improving the responsiveness of the public sector needs of government and the community.

The financial reforms have included:

- Updating the Public Financial Management Act ,
- Implementing an outputs and outcomes framework, building on earlier work program budgeting,
- Introducing whole-of-government financial reporting on an accrual basis and budget on an accrual basis across the general government sector.

Furthermore, with the King Report on Corporate Governance (King III) on the brink of release and the pronounced assertion by the Department's auditing stakeholders of their focus shift from compliance testing to performance measurement, this strategy is the Department's deliberate action to address any existing inefficiencies in terms of financial governance structures and accurate performance measurement tools.

To give effect to the above, it is incumbent upon the Administration programme to offer a world class corporate services function containing financial management and communication services to the entire Department as a whole.

This corporate services function is to be delivered in a manner that espouses the principles as enshrined in chapters 10 and 13 of the Constitution of the Republic of South Africa (Act 108 of 1996), which compels all spheres of government to ensure that the principles of a high standard of ethics is promoted and maintained, efficient economic use of resources are promoted, encourage the state to be development-orientated, ensure transparency, and accountability.

To enable the programme to deliver an effective service to the Department, the programme was essentially divided into two main components excluding the office of the Head of Department. These components are Financial Management which is responsible for all financial issues within the department including Management Accounting, Supply Chain Management, Departmental Accounting and Internal control, and Corporate Services.

In delivery of the above, the strategy of financial management is based on achieving a level 4 financial capability organisation, while the Communications unit's strategy is based on engaging the internal employees as well as the public through marketing campaigns, imbizo cycle programmes, web portals, walk-in centres, pamphlets and other media respectively.

Sub-programme 1.2: Financial Management

Public financial management concerns the effective management of the collection and expenditure of funds by governments. As societal needs will inevitably be greater than the resources available to government, all public resources must be used as efficiently as possible with a minimum of government wastage. Efficient public corporate management



is central to creating a relationship of mutual trust and shared consensus between government and citizens that is at the core of the development process of this strategy. If transparency, accountability and efficiency are the operational foundations of this strategy, then commitment to tasks by all role players, innovative thinking applied in a rule-driven environment and a strong inclination to change management processes and continuous relationship-building are the cornerstones that the success of the strategy rests on.

Sub-programme 1.2: Financial Management
Strategic Priority: Institutional strengthening and governance

We need public servants who are dedicated, capable and who care for the needs of the citizens.

State of the Nation Address 2010
 His Excellency JG Zuma
 President of the Republic of South Africa

Strategic Objective	Maintain level 3 and attainment of a level 4 Financial Management Capability
Objective Statement	The identification and implementation of strategic interventions to assist the Department attain and maintain a level 4 financial management capability level described as the Efficient, Economical and Effective utilisation of Departmental resources to deliver on strategic objectives.
Baseline	The Department is currently maintaining a level 3 financial management capability level described as the implementation of an effective control environment.
Justification	The concept of value for money has become an integral part of the strategic and operational activities for government. The identification and implementation of interventions to assist departments achieve value for money will improve service delivery, eliminate wasteful allocation of resources and enhance public confidence.
Links	This objective is linked to the Constitution of South Africa, PFMA, NTRs, PTIs, State of the Province address

Strategy 1: Improvement of efficiencies while maintaining financial capability level 3 rating of the financial capability model and migrating to levels 4 and beyond.

The goal of Financial Management is to achieve the highest standards in financial governance. It is imperative that the department maintains its current rating as a level 3 organisation and implement strategies that will migrate it to a level 3 in the 6 level financial management capability model as adapted by the Office of the Auditor- General South Africa. To progress to the next level the Department must prioritise not only maintaining this compliant environment (level 3) but also seek to add value in administering scarce public resources and thereby allocating resources more effectively and efficiently (level 4).

This said, the financial management capability model is a model developed by the Canadian Government and adapted by the South African national Auditor-General. The model is used as a basis for assessing the financial capability of departments. This assessment is performed annually and informs the annual Financial Governance Review and Outlook document wherein Provincial Treasury, as contained in their mandate, evaluates the status of departments in terms of performance.

The criteria for this assessment has been designed and developed by the Auditor- General and rates the performance of departments from a level 1 performing department to a level 6 auditable department; level 1 implying an infancy stage in terms of the structure and ensuing roles and responsibilities not clearly defined and a level 6 capability that relates to optimisation of all resources and continuous improvement. The challenge and also the intrinsic desired outcome is therefore to always progress to the next level of capability, and once that last level is reached, to ensure an environment that sustains the level of capability. This document is the first step in that direction. It attempts to map the route to the next level and form the foundation for all financial management re-engineered strategies.

The strategy is a dynamic one, as it will also be reviewed and updated annually and run parallel to the issue of the Financial Governance Review and Outlook report, thus maturing into a management tool that may be used to measure past mistakes, inform improvements and securing the progression of the Department to level 6.

Implementing the strategy demands effective public financial management that is imbued with transparency and

accountability measures to achieve level 4 capability status. Experience however shows that financial resources are scarce with access uneven. More challenging is the difficult task of mobilising the will and commitment required to create a governance friendly environment, involving all stakeholders at the planning, execution and evaluation stages of development.

A need to modernise the public sectors financial and human resource systems is sorely required. To this end, the Department will require a review of all its policies and procedures to ensure that it is at the cutting edge in corporate governance.

This need is ever more critical noting the move from cash based accounting to accrual accounting. It is anticipated that within the coming strategic planning cycle all National and Provincial state departments will need to migrate their financial systems to accrual accounting. This move will require the successful implementation of an integrated financial management system as well as ensuring that the necessary accountancy skills are present within the Department. To deliver on the strategy in an effective and efficient manner, Financial Management has been organised into 5 divisions namely Management Accounting, Supply Chain Management, Departmental Accounting, and Internal Control, each with the following responsibilities:

The Management Accounting unit will focus the Department on intensive and effective planning, allocation of resources and a budgeting process that is transparent and inclusive. Supply chain management is tasked with ensuring an efficient and effective procurement and provisioning system exists and is maintained in the Department. It must ensure the provision of strategic guidance in the implementation of supply chain management while supporting the principles of empowerment, equal opportunities and transparency in procurement processes. The mandate of the unit may be surmised as procuring the right product or service, in the right quantity, at the right time and at the right price.

In order achieve this, the business unit will vigorously address and elevate their demand management processes, value for money initiatives and contract monitoring mechanisms. The unit is uniquely positioned to prevent inappropriate spending of government funds and as such must assert a strong position when confronted with such issues.

Departmental accounting is tasked with the delivery of an effective and efficient financial service and ensuring that the Department maintains healthy accounting practices. The Departmental Accounting unit will also deliver on

numerous other services which will all factor into the aforementioned overarching service. These services do however provide foresight into the necessity and nature of the level 4 interventions the business unit will undertake. These include the preparation and presentation of the financial position of the department, the processing of miscellaneous payments, the handling of state money, a salary administration function, management of the debt system and maintaining an effective systems control function.

The Internal Control business unit as the name implies, must ensure that all processes and functions are operating in a controlled environment. To maintain such an environment demands consistent attention as changes to processes (new interventions) must also be controlled and measured for effectiveness.

The unit in responding to the requirements of progressing to level 4 capability, plays a critical role, that of, infusing the level 4 capability interventions with measures of credibility and quality assurance. More value-adding interventions undertaken by the unit includes the audit of performance information and providing recommendations, based on scientific analysis, on the systems required to produce quality performance information. The latter intervention is directly linked to assisting the former. The ultimate aim of auditing of performance information is to provide assurance to all stakeholders that public funds are invested in projects that create public value. An associated benefit is the integrity of information published by the Department. Another endeavour undertaken by the unit is value for money audits which is congruent to the Auditor General's shift in focus and ensures the unit's status as the Department's buffer against qualified reports and disclaimers.

The expected outcome of this strategy is:

- Migration from rule driven approach followed in past – more performance based, outcome approach i.e. what is to be achieved,
- Greater efficiencies in the unit, cost effectiveness and economical utilisation of financial resources, reliability of information,
- More cohesion between units (no silo's) and greater cohesion with line units – working together for common purpose
- Sustainability, consistency with eye on future developments (improvements), adaptability.

Sub-programme 1.3: Corporate Services

Communication Services

Strategic Priority: Institutional strengthening and governance



Strategic Objective	To ensure horizontal and vertical alignment of the Departmental Communication Strategy to adequately inform and empower the people of the Western Cape by providing access and connectivity of Departmental activities
Objective Statement	To achieve awareness rating by potential beneficiaries of the Department by 70% or higher
Baseline	No current baseline
Justification	The process of communication is a two way process that involves consultation with the recipients of information and to provide adequate answers to their queries
Links	Link to national/ provincial and departmental policies and strategies

Strategy 1: To ensure horizontal and vertical alignment of the Departmental Communication Strategy to adequately inform and empower the people of the Western Cape by providing access and connectivity of Departmental activities

The department's communication strategy is aimed at engaging the internal employees as well as the public through marketing campaigns, imbizo cycle programmes, web portals, walk-in centres, pamphlets and other media. This contact will maintain a strong level of dialogue between the department, its clients and potential clients.

The increasing demand on the department to deliver an effective two-way communication service (internal and external) resulted in the research of global best practice standards to enhance service delivery. The Communications Unit will provide uniformity in communicating the departmental initiatives, successes and challenges to internal and external clients and stakeholders.

The expected outcome of this strategy is:

- Improved departmental branding and marketing through central Communications Strategy,
- Improved access to departmental information for members of the public.

Resource Considerations

The expenditure trends in respect of the programme's structure and the expected growth over the five year period is set out in Table 1 below.

The Provincial Modernisation Project is aimed at eradicating duplications in transversal processes and transactions of the corporate services units of all Provincial departments. This implies a drastic reduction of staff numbers and possible re-deployment of staff from this programme to the envisaged Shared Services Centre, and/or the deployment to other programmes within the Department. The outcomes of the Modernisation Project will only be available towards the end of the 2009/10 financial year.

Risk management

Sub-programme 1.1: Office of the Head of Department

Strategy 1: Institutional strengthening and governance

Strategic risks:

- Failure to identify and implement effective governance structure that could result in the Department not delivering on its strategy

Strategic risk response:

- Create awareness within the Department of the Strategy and with key stakeholders.
- Draft and implement a Departmental Governance Strategy.
- Completion of the Provincial Government (Corporate) Governance Framework.

Sub Programme 1.2 Financial Management

Strategy 1: Improvement of efficiencies while maintaining financial capability level 3 rating of the financial capability model and migrating to levels 4 and beyond

Table 1: Nominal Expenditure on Programme 1: Administration

Programme 1: Administration	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%) ¹
Sub-Programme 1.1: Office of the HoD	5 161	2 236	1 655	2 295	1 981	2 105	2 405	1.6
Sub-Programme 1.2: Financial Management	12 909	10 298	14 208	14 009	14 568	15 958	16 897	6.87
Sub-Programme 1.3: Corporate Services	2 619	8 537	11 097	9 475	8 821	8 903	8 995	(1.69)
Total programme 1:	20 689	21 071	26 960	25 779	25 370	26 966	28 297	3.26

1. Projected average annual change between Adjusted Appropriation 2009/10 and 2012/13

Table 2: Nominal Payments and Estimates per Economic Classification on Programme 1: Administration

Programme 1: Administration	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%) ¹
CURRENT PAYMENTS	19 052	20 107	25 589	25 035	25 205	26 766	28 077	4.05
TRANSFERS AND SUBSIDIES TO:	7	379						
PAYMENTS FOR CAPITAL ASSETS	1 609	585	1 324	744	165	200	220	(23.48)
PAYMENTS FOR FINANCIAL ASSETS	21		47					
TOTAL ECONOMIC CLASSIFICATION	20 689	21 071	26 960	25 779	25 370	26 966	28 297	3.26

1. Projected average annual change between Adjusted Appropriation 2009/10 and 2012/13

Table 3: Staff Establishment for Programme 1: Administration

Programme 1: Administration	Number of Posts on Establishment	Number of posts Filled	Number of Vacant Posts	Vacancy Rate (%)	Number of posts filled additional to the establishment
Total programme 1:	93	86	7	7.53	

Strategic risks:

- Failure to embed a culture of value for money within the department, thereby not achieving a financial management capability level 4.

Strategic risk response:

- Develop a turnaround strategy through a consultative process with top management that will address the financial management capability framework, through the application of specific value for money interventions.
- Monitor departmental performance against the financial management capability framework and provide recommendations for corrective measures.
- Maintain internal governance environment to ensure that we remain at level 3 of the capability model.
- Workshop turnaround strategy with Provincial Treasury to obtain their approval to implement strategy.

Sub- Programme 1.3 Corporate Services Communication

Strategy 1: To ensure horizontal and vertical alignment of the Departmental Communication Strategy to adequately inform and empower the people of the Western Cape by providing access and connectivity of Departmental activities

Strategic risks:

- Inadequate coordination of departmental communication activities

Strategic risk response:

- The Provincial Modernisation Programme may also address some of the fragmented communication activities
- Implement the Departmental Communications Strategy will improve communication interventions
- The establishment of a Communications Forum to articulate roles and responsibilities with regard to communications activities in the Department

PART B : Strategic Objectives

PROGRAMME 2: INTEGRATED ECONOMIC DEVELOPMENT SERVICES

Purpose

To promote and support economic development through shared partnerships.

Programme structure

- Sub-programme 1: Enterprise Development
- Sub-programme 2: Regional and Local Economic Development
- Sub-programme 3: Economic Empowerment
- Sub-programme 4: Workforce Development
- Sub-programme 5: Management Integrated Economic Development Services

Context

Nationally:

- South Africa has a low level of entrepreneurship compared with many other countries; start-up failure rates (where new businesses close before they are three years old) are also unacceptably high. In new firm activity, South Africa is ranked 38th out of 43 countries, with a new business prevalence rate of only 2.1 percent. This is significantly lower than the average of 4.6 percent for all GEM countries and 4.9 percent for all efficiency driven countries (GEMS).
- There are between 2 million and 2.5 million permanent businesses in South Africa and about 1.5 million temporary/occasional and/or not yet trading businesses. Of these, approximately 500,000 are formal businesses, 1.5 million informal, 50,000 subsistence agriculture, and 50,000 among the elderly (over 65).
- About 250,000 new closed corporations were registered in

2008; however, about 3,500 closed corporations, together with about 3,000 sole proprietorships and partnerships were liquidated or became insolvent in the same period.

- About 1 million people try to start a new business every year.
- The contribution of micro to small businesses to total employment grew from 69 to 71 percent between 2001 and 2004.
- High-growth businesses represent a small proportion of total businesses. Only 2 percent of so-called nascent entrepreneurs (those who have taken tangible action to start a new venture in the last 12 months) and new entrepreneurs (those who have founded their business within the last 42 months) expect to create more than 100 jobs within 5 years. Nascent and new enterprises that expected to create 20 or more jobs within 5 years represented only approximately 7 percent of the total population (GEMS).
- A 2007 Baseline Study on Broad-based Black Economic Empowerment (BBBEE) reported a generally low performance on implementation of BEE across the pillars (Black Business Working Group), with:
 - The Enterprise Development pillar having a non-compliance figure of 83,9 percent; and
 - The Preferential Procurement pillar: showing a non-compliance figure of 85, 4 percent.
- Even though more than R10 billion were made available in corporate budgets for enterprise development, companies continued to perform poorly in executing the Enterprise Development pillar. There were three main reasons for this, according to an independent annual BEE survey (2008 KPMG):
 - "Very little is known about enterprise development generally."

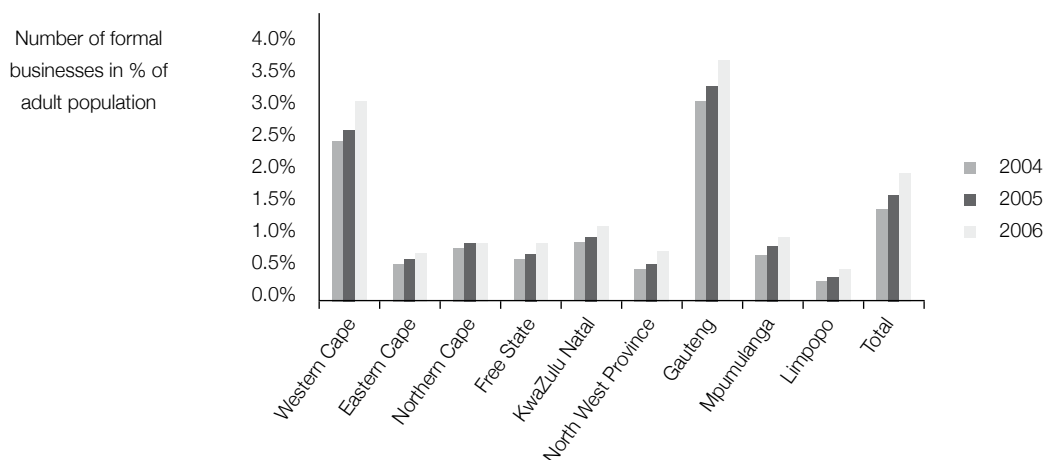


Figure 4: Formal enterprise density per population per province (Source: Small Enterprise Development Agency (2008), Review of Trends on Entrepreneurship and the Contribution of Small Business to the South African Economy: 2000-2006)

- “Difficulty in achieving successful enterprise development.”
- “We do not have internal capacity to implement ED.”

Western Cape:

- This province has the second highest ratio of businesses per population, with the reasons being (in part, at least) the size of Cape Town and the limitless energy of many of its population.
- In 2001, there were about 105,000 urban enterprises and an unknown number of rural enterprises.

Informal Economy

The informal economy plays many roles for different agents (individuals and firms) at various times. But perhaps its most important role is to provide opportunities that will provide a livelihood for those who cannot find employment in the formal sector. Over time, this role becomes particularly important to a country as it experiences cyclical fluctuations of economic growth associated with the medium-term business cycle and longer-term structural change.

Work in the informal sector is characterised by low employment and poor job security. The owners of 71.4 percent of informal sector businesses describe themselves as self-employed; 58 percent of these business owners are also home-based. The majority of informal sector businesses – 36.3 percent – operate in the Wholesale and Retail industries. Next highest at 20.1 percent are private households, followed by personal services at 15 percent.

Workers in the informal sector are less skilled than those in the formal sector. In 2007, just 9.6 percent of workers in the informal sector indicated that they had received some form of training.

A key aim of the Micro Economic Development Strategy (MEDS) since its inception has been to seek ways that will help integrate the informal economy as far as possible into the formulated industrial strategy. It has, however, been a case of easier said than done – due in large part to the scarcity of information on the subject and the diversity of the informal economy as a whole. This continues to prevent the drawing up of a more comprehensive policy strategy. Nevertheless, steps have been put in place to try to accomplish this goal.

The consequence of treating the informal sector as an economy and not as an aberration to “normal” economic

development means that we have to recognise it as an economy with competitive and uncompetitive firms and industries alike. This means that we will have to build up our informal set in order to intervene on a pragmatic and sustainable basis.

Levie and Autio (2008) point out how several studies have demonstrated links between education in entrepreneurship and levels of entrepreneurial activity. The strongly negative rating of the quality of entrepreneurship education at school level is a clear indication that the education system in South Africa has failed to adequately prepare learners to participate meaningfully in the economy. Although entrepreneurship is meant to form part of the secondary school curriculum, it is taught neither widely nor effectively enough.

The development of entrepreneurship and SMMEs requires government to create an enabling environment for the economy to stimulate growth for job creation.

The Western Cape and Free State, in particular, have a relatively healthy ratio of opportunity to necessity-motivated entrepreneurial activity. The entrepreneurial potential of the Western Cape has been further confirmed by a recent report on the entrepreneurial advantage of world cities (Acs et al, 2008). The study analysed six years of GEM data (from 2001 to 2006), while exploring entrepreneurial perceptions and behaviour in 34 cities across the world.

Among the challenges faced by SMMEs are low access to experienced and highly competent mentors, a low number of procurement opportunities and a lack of programmes that stimulate entrepreneurs with a social agenda.

Bearing in mind that corporates are struggling to fully implement enterprise development and have an appetite for entrepreneurship development partnerships, the Department has developed five key strategies to enhance entrepreneurship development, business start-up sustainability, and business growth. These are:

1. Sustained localised enterprise support and accessible and responsive business support centres
2. Mentorship for enterprise sustainability and growth
3. Public-Private-Partnership Enterprise Development
4. Public-Private-Partnership Social Entrepreneurship
5. Facilitated Access to Public and Corporate Procurement Opportunities

Sub-programme 2.1: Enterprise Development
Strategic Priority: Enabling Business Environment

Strategic Objective	To create and promote an enabling business environment through facilitation of support and development of new and existing businesses through provisioning of financial and non-financial support.
Objective Statement	To facilitate support and development of 4170 new businesses, and 4170 existing businesses, leveraging of partnership fund totalling R 50,5 million and unlocking business opportunities for SMMEs to the value of R85 million, and the aforementioned efforts would result in at least 16 680 jobs unlocked.
Baseline	South Africa ranked 38th out of the 43 countries with a new business prevalence rate of only 2.1% (national), meaning that sustainability of new enterprises are very low. In terms of prevalence of existing businesses, South Africa ranked 41st out of the 43 countries, with an established business rate of 2.3%. This indicates a high failure rate for South African start-ups.
Justification	South Africa has a low level of entrepreneurship in comparison to many other countries and a high level of start-up failure rates (where new businesses close before they are three years old). In terms of new firm activity, this strategic objective is a vital component of economic participation through individuals starting their own enterprises and hence contributing to prosperity in the province. The interventions that would be rolled out would be in line to ensure that SMMEs are capacitated financially and non-financially, and skills development to ensure the probabilities of success are increased. The focus would be on (1) pre-startup, this would be to provide basis support and awareness programmes, (2) start-up support, the aim is to convert all potential business with the highest prospects of success and with sustainable business proposition into fully fledged businesses, (3) existing business support, the focus would be to introduce these enterprises to opportunities, provide subsidised professional business development support services, provision of supplier development intervention.
Links	Medium Term Strategic Framework, MEDS, Small Business Act.

Strategy 1: Sustained localised enterprise support and accessible and responsive business support centres
Enterprise support, or the provision of **business development services** seeks to improve the quality of small business management via the provision of business advice, business training, the facilitation of access to business development services, finance and business linkages.

This initiative is designed to ensure that the Western Cape government plays a key referral role via the RED Doors, where any entrepreneur will be provided with accurate information on the full range of business development services offered by both public and private business service providers throughout the province. This will require the development of effective referral systems, top quality data and knowledge management. These will in turn be supported by partnerships and co-operation agreements between the RED Door and these service providers.

A significant number of entrepreneurs in the formal and informal economy have a reasonable earnings capacity, as well as the ability to finance the expansion of their businesses from internal resources. It is important for our provincial government to target these businesses to maximise the potential impact of interventions for the following reasons:

- These entrepreneurs have the greatest capacity to increase productivity, and
- They are the most likely to create additional employment.

Key challenges include finding ways to:

- Focus interventions on individuals and firms engaged in tradable sectors that already have linkages to the formal economy. This could be the most effective way to inject new money into the informal economy (as opposed to circulating flows within that economy).
- Minimise the prospects of government failure. The key here is ensuring alignment of policy between provincial and municipal spheres. Inter-government collaboration on feasible initiatives must be encouraged wherever possible.

The role of the second economy is likely to become increasingly important over the next few years, with a lot depending on how it answers the following questions: will it act as a “shock-absorber” for formal sector contraction? Or will it also contract, thereby increasing the pool of unemployed people in the province?

With the information currently at our disposal, it is very difficult to answer these questions. Over the next few years, the second economy of the Western Cape will have to be monitored in greater depth and with more consistency. And here again, several questions beg answers:

- Is the size (measured in any number of ways) of the second economy growing or contracting?
- Are the numbers of individuals entering the second economy growing or declining (for example, through migration)

- Is employment in the second economy growing or declining?
- Are workers “graduating” out of the second economy into first economy employment, or is it impossible to track this trend at present?

The Department needs to appoint personnel into an existing directorate to monitor and keep track of the second economy. The monitoring aspect should cover existing policies and programmes that affect the second economy (such as the RED Door Initiative) and beyond this (including, for instance, any relevant national initiatives).

A set of key indicators will then need to be developed to track the second economy in the province on an annual basis. The indicators will allow policy interventions to be adapted over time and targeted to specific geographic regions or sectors.

The RED Door Initiative, which targets enterprises ranging from the survivalist to small business, offers services that are predominantly generic in nature. RED Doors cover the whole of the Western Cape, from where they address the large majority of potential entrepreneurs and businesses operating in the emerging and semi-formal sector.

One of the core focuses of the strategic plan is to reposition the RED Door Initiative to enable it to provide help to the “top end of the informal sector,” and high growth-oriented businesses. The intended outcome of this will be to accelerate the development and growth of enterprises by making them more competitive and in this way increasing the number of people they are able to employ.

The second of RED Door’s three implementation phases, will be launched in 2010-11.

Phase 2: Mid-term before 2011

A strong set of financial and non-financial support products will be put in place – and Annual performance measurements will be introduced and implemented.

A central thrust of support programmes and operational streams will be aimed at start-ups. Large emphasis will be placed on creating partnerships for either infrastructure cost sharing or programme sponsors from local municipalities. System improvements will vastly enhance the quality and overall efficiency of measures devised to support SMMEs.

Phase 3: 2011 and beyond

RED Door’s new approach will encompass a scaling up of support services for medium-sized, growth-orientated enterprises, ranging from the informal to the high end.

To ensure sustainability in the funding of RED Door centres, a partnership drive for collaborative funding from municipalities, private sector and donors (both local and international) will be initiated.

The Department’s role in RED Door will be to:

- Provide funding and facilitate other funding partnerships with municipalities, donors, the private sector, and other business development agencies – to broaden service delivery partnerships and service benefits offered by RED Door.
- Ensure that the centres deliver on their mandate
- Monitor whether the quality of the services is world-class and making an impact.

The Department will try to persuade national government (Seda) to share the costs of the RED Door programme – as part of an approach promoting integration. In terms of this approach, the province will retain the current budget allocation for the RED Door, but any cost escalations will be supplemented by contributions from municipalities in the 2010/11 financial year. At the same time, negotiations for the RED Door to be integrated with Seda will commence, as part of the national one-stop-shop model administered by the dti.

The plan is for the provincial government to implement the first phase of the RED Door integration with Seda in the 2010/11 financial year, with an anticipated reduction in the budget allocation of between 30 and 40 percent.

The expected outcomes for this intervention are:

- An increase in the number of businesses started;
- An increase in the number of jobs created.

Strategy 2: Mentorship for enterprise sustainability and growth

In acknowledging that lack of experience and knowledge is largely responsible for business failures, the **Global Entrepreneurship Monitor (GEM): 2008 South African** recommended that, as an integral part of policy change, government should “*set up a national mentorship fund, managed by competent and experienced people with a proven track record in small business support and development.*”

It also recommended that highly-skilled, suitably trained professionals with experience in government be appointed to regulate industry participation.

The fact that the Western Cape has become a prime destination for retired executives has resulted in some intriguing possibilities in areas such as training and mentorship. This programme will seek to leverage this

competitive advantage by setting up hubs of retired executives who will draw on their vast corporate skills and experience to coach and transfer skills. The Department will explore this available skills base and try to ensure that it is used for the benefit of SMMEs in the province.

The Department will liaise with existing mentorship programmes and potential partner organisations with a view to leverage, up-scale, and expand access to mentorship services.

Strategic Interventions will include the following:

1. *Exploring existing mentorship models in order to benchmark and possibly pursue partnerships by:*
 - Examining and (where necessary) emulating the highly effective Business Partners mentorship programme;
 - Exploring the Ilima Trust model; and
 - Working with PUM, the Netherlands mentorship grouping of senior experts and its local partners as well as the Western Cape Business Opportunities Forum on a programme that was set up in conjunction with the Netherlands government.
2. *Skills recruitment will be done through linkages with the following key stakeholders :*
 - Rotary Club;
 - Lions Club;
 - Business Chambers; and
 - Golf clubs.
 - Development of a mentorship match-making system
 - Investment in the database hosting mentors and mentees will be critical to the success of this programme. The database will enable quality screening and profiling of both mentors and mentees; it will also support mentor and mentee matchmaking.

The expected outcomes for this intervention are:

- An increase in business survival rates; and
- An increase in employment numbers of each business participating in this programme

Strategy 3: The implementation of an Enterprise Development Fund following a Public-Private Partnership-driven Enterprise Development approach

The dti's Codes of Good Practice recognise "the lack of awareness of enterprise development in and of itself, as well as a lack of awareness of what constitutes enterprise development" as being an historical impediment to the implementation of BEE. This lack of understanding of Enterprise Development has made the pillar one of the least implemented practices for scorecard gains – 15 percent can be claimed – with billions of Rands being lost instead of stimulating the growth of small businesses.

The Enterprise Development Fund will support initiatives designed to facilitate both effective access and the use of corporate enterprise development funds to service opportunity and needs, in terms of a clear business development strategy.

The Enterprise Development Fund will strive to ensure that its interventions are linked to Preferential Procurement of a participating company. This will make sure that a company's scorecard gains are linked to more BEE points on the Preferential Procurement pillar. This will be a key aspect in opening new markets and ensuring that the efficiency and capabilities of SMMEs are improved. The initiative will stimulate growth-orientated enterprises through building effective systems and addressing the functional business needs of SMMEs through procurement. Moreover, the fund will complement existing support interventions of the Department, based on the requirements of a corporation of growing SMMEs.

To work effectively, the fund will need a significantly different new set of systems and skills. The Department will set up this strategic objective, using Casidra as its managing agent.

The following primary actions have been earmarked for the set-up phase of the proposed business model:

- Creating the Enterprise Development Fund as an investment recruitment instrument;
- Drawing up an investment recruitment strategy and an implementation plan;
- Developing a comprehensive business plan with viability indicators;
- Identifying a credible asset management partner; and
- Drawing up a concise communication strategy

The Department will ensure that the Enterprise Development Fund is speedily implemented. To kick-start the process (and in its role as champion of the development of the fund), the Department will provide upfront funding. This initial capital investment will unlock funding in the private sector. Over time, the fund will require less investment from the Department, and will become self-sustainable in less than five years.

The expected outcome for this intervention is:

- Significant growth in employee numbers among businesses receiving corporate contracts.

Strategy 4: Facilitation of Public-Private-Partnership for Social Entrepreneurship

A social entrepreneur can be defined as a person "who engages in business seeking both financial and social return. He or she is often seen to meet a social need creatively, while at the same time making a profit (in other words, taking a middle path between non-profit and traditional for-profit).

“The social entrepreneur, however, neither anticipates nor organises to create substantial financial profit for his or her investor – philanthropic and government organisations for the most part – or for himself or herself. Instead, the social entrepreneur aims for value in the form of large-scale, transformational benefit that accrues either to a significant segment of society or to society at large. Unlike the entrepreneurial value proposition that assumes a market that can pay for the innovation, and may even provide substantial upside for investors, the social entrepreneur’s value proposition targets an underserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefit on its own.”

Social entrepreneurship recognises that problems are opportunities and that the large range of social problems facing South African society also reflects a major opportunity. In seeking to make the SMME sector more vibrant, more emphasis will be placed on seeking leveraged cost-sharing and opportunities for partnering in the Social Entrepreneurship and Social Philanthropy fields. This will supplement the existing low-end market usage at the RED Doors and assist with the graduation to the top end of the informal sector.

The Department will play a supporting role in strengthening and expanding social entrepreneurship. And it will do this by tailoring business support services to meet the needs of social entrepreneurs in partnership with relevant role-players, including corporates already involved in supporting social entrepreneurs via Corporate Social Investment (CSI) initiatives.

For the period 2010-2014, the Department will:

- Host a bilateral between the Department and provincial Department of Social Development to develop an action plan for the implementation of a Social Entrepreneurship Programme in the Western Cape;
- Facilitate meetings and dialogue between stakeholders; and
- Facilitate a provincial Social Entrepreneurship Conference

The expected outcomes for this intervention are:

- An increase in the number of new businesses; and
- An increase in the number of new jobs.

Sub-programme 2.2: Regional and Local Economic Development

Strategic Priority: Spatial Economic Development

Context:

In redefining the evolving role of local economic development, the International Labour Organisation (ILO) advises that “more attention [must be paid] to the specifics of nations, regions and localities” (Global Thinking for LED, Oct 2008, pg 2, 3). As much as national growth and poverty reduction strategies across the globe have advanced, it is no longer

sufficient for success to be achieved at local level. The ILO thus defines Local Economic Development (LED) as a “participatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory, enabling the joint implementation of a common development strategy, by making use of the local resources and competitive advantage in a global context”.

Comprehensive LED initiatives need multiple dimensions that show:

- The creation and retention of new jobs by stimulating entrepreneurs and local firms,
- An investment in human capital
- The devising of strategic skills to upgrade programmes that will service the needs of communities,
- The development of physical and financial infrastructure for expanding local markets; and
- The incorporation of environmental, economic and social sustainable factors.

All this will be carried out in the context of decent work as translated in the Global Employment Agenda.

Joseph Stiglitz, a well-known development economist, has argued that development is not only about the ability to help a few people get rich, but it is also about transforming societies, improving the lives of the poor, enabling everyone to have a chance at success, and access to health care and education (Stiglitz, 2002).

LED approaches differ most radically from traditional development approaches by their focus on a defined territory (ILO, 2008). The different approaches are linked by their “common concern for making local economies robust and creating productive jobs and incomes for local populations and also the recognition that local or regional competitive advantage rests on local interactions, knowledge spillovers and institutional synergies” (Salazar-Xirinachs, 2008, p. v).

Although the activity of LED embodies a clear economic focus, it is not simply about economic growth. In fact, it is geared ultimately towards attaining “a sustainable development pattern which accommodates and reconciles economic, social and ecological issues and objectives” (Ruecker and Trah, 2007, p.15).

Closer to home, the strategies, policies and legislative mandates that inform the work of the LED sub-programme are the Municipal Structures and Systems Act (2000), the National Industrial Policy Framework, the Regional Industrial Development Strategy, the White Paper on Local Government (1998), the National Guidelines to Stimulating Municipal Economies (2007) and directives such as ASGISA.

Our National LED Framework in South Africa concludes that “in the final analysis, all economic development takes place at the local level and Local Government must influence the shape and direction of local economies if the national economy is to attain the goals set for it and if it is to grow and create a better life for all its residents”. The National Framework for LED aims to support the development of sustainable local economies through integrated government action. This framework supports the Strategic Agenda for Local Government and the 5-year Local Government Implementation Plan (2006-2011).

LED is one of the five Key Performance Areas (KPA) for Local Government. As a key performance area, LED (as an outcome) is strongly interrelated and dependent on the other four KPAs – Municipal Transformation and Organisational Development, Basic Service Delivery, Municipal Financial Viability and Management, and Good Governance and Public Participation. The framework has four key strategies and promotes a strategic approach to the development of local economies, with a shift away from narrow municipal interests that focus only on government inputs into ad-hoc projects.

Provincial strategies that inform the work of the LED sub-programme are the integrated Provincial Growth and Development Strategy, the Provincial Spatial Development Framework, Isidima (the Integrated Human Settlements Strategy) and, more specifically, the Micro Economic Development Strategy (MEDS). The industrial policy interventions that result from the MEDS seeks to guide the economic growth and development trajectory of the province, with implementation plans keenly focused on localities.

Challenges

The Western Cape has a population of 5.29 million people, with approximately 3.62 million (68 percent) living in the City of Cape Town. The province has one metro, 5 district level municipalities and 24 local level municipalities. The City of Cape Town has by far the most skilled portion of the province’s workforce, as well as the most sophisticated support infrastructure. Moreover, its mix of industry options contributed to just over 77 percent of the province’s GDP in 2007 (Source: Statistics South Africa, Regional Gross Domestic Product: Annual Estimates per region 1995-2007). It is therefore not surprising that the Cape Town Metro attracts significantly higher levels of attention from all role-players. The other side of this argument is that roughly 1.67 million (32 percent) of the province’s population live outside the City (based on calculations from StatsSA, 2009).

The Western Cape economy, as a significant contributor to the national economy, emphasises the importance of government interventions and policy to sustain and direct economic

growth. Local economies need to be “robust and inclusive of municipal economies exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives” (LED Guidelines, p15). The Constitution places a responsibility on local government to facilitate local economic development (LED), but does not point to LED as a clear, specific and exclusive function of local or provincial government – and this has had (and continues to have) a negative impact on service delivery. It is worth remembering that although local municipalities play an important role in the performance of the local economy, a system that allows differing interpretation will invariably compromise growth and development efforts.

In terms of service delivery, the primary focus is the provision of basic services and infrastructure. This phenomenon overshadows economic-related activities and projects within municipal planning and implementation activities. There is a general tendency for municipal integrated development plans (IDPs) to “side-step” economic realities in the municipal arena. Despite the obvious need for jobs and the alleviation of poverty, it is a cause for concern that local municipalities do not consider their LED Plans in strategic planning and budgeting processes. Local government struggles to come to terms with the local context and circumstances and in many instances tend to develop a set of actions that potentially serves little collective purpose. Although LED plans have been prepared, their operational language is sometimes difficult to understand and tend to be formulated in isolation of other municipal initiatives. Implementation is further hampered by limited funding allocations, cooperation between stakeholders, low economic development potential and capacity.

Cities are key contributors to social and economic life, but they also host the greatest concentrations of poverty. The changing nature of urban development and the role of cities and functional regions are key factors in local economic development (given their contribution to regional economic development).

One of the strategies of the Provincial Spatial Development Framework (2009) is to: “Acknowledge the City’s pre-eminent role in the province’s demographic, social and economic affairs, but also its significant resource constraints”. It could also be argued, however, that the City’s presence is of such an extent that its influence is not limited to the boundaries of the Cape Metropole itself, but that it should be seen as a City-Region. In other words, areas just outside the confines of the City should also be defined as part of the functional region of the City of Cape Town. Indeed, in its 2008 Report, the Organisation for Economic Cooperation and Development included the City at the core of its Cape Town Functional

Region, and with the periphery including the area from the Saldanha Bay Municipality on the West-Coast all the way South and South-West to the Overstrand Municipality on the south-coast of the province. Almost 78 percent of the population of the Western Cape lives in this Cape Town Functional Region, which is responsible for more than 87 percent of the RGDP of the province.

Challenges facing the Metropole include:

- A geographic space that is scenic, but locked in by land and sea, with no room for expansion;
- A poverty pocket that is experiencing an economic widening of the gap between rich and poor;
- Labour mobility and high transport costs that exacerbate the economic gap;
- Human settlement expansion that increases unemployment levels and the number of low-skilled job seekers; and
- The long-term decline of manufacturing as a major traditional employer.

The South African Cities Network (SACN) recognises that while city authorities cannot largely influence economic fundamentals “they can direct the nature of responsiveness of city services, prioritise city infrastructure and lead local economic development partnerships” (SACN, 2004, p.2).

Similarly, a changing national and provincial policy environment is raising the profile of rural development. The Western Cape is striving for the following in rural areas:

- A halving of poverty and food shortages in selected areas by 2015;
- The empowerment (and coming into their own) of women, children, the aged and people with disabilities;
- The sustainable development of rural areas;
- The systematic addressing of unemployment;
- The building of environmental stability; and
- A considerable reduction in HIV/Aids infection and TB levels.

Rural development is not a new concept in the South African environment; it can be traced back through a number of decades. Any study of interventions that have enjoyed a measure of success will highlight the following:

- Education facilities;
- Health facilities;
- The accessibility of a set of integrated government services;
- Safety and security;
- Social facilities;
- Basic nutrition;
- Initiatives to stimulate community development; and
- Creation of appropriate infrastructure (in the past this focused predominantly on transport infrastructure,

interventions in the future will have to focus to a large extent on information and communication infrastructure to enhance the connectivity of rural areas).

Although the agricultural sector may be the logical and sensible cornerstone of rural development, the environment for successful agricultural economic, social and environmental activity, is what contributes holistically to rural development. Rural economic development is thus merely a component of a more holistic goal. Rural development is not the mandate of a single government department or parastatal; to be successful, interventions from various state agencies will be required.

When considering urban and rural development, cognisance must be taken of the actual development potential of municipal areas – in order to create an environment that supports private sector investment, which will, in turn, address the real needs of communities. In this regard, the main components of an enabling environment for business must include increased skills levels, improved transport and communications infrastructure and participation by main industry sectors.

It is important for government to help identify the things that spur local economies. It should also focus on suitable supply-side interventions to unlock and speed up economic development.

Strategies

To make a significant difference in the Western Cape over the next five years, the Department aims to influence and make a positive impact on the growth and development trajectory of localities that contribute to the regional economy as a whole – through greater economic participation.

To pursue the expected outcomes, a top-down approach, highlighted by an open architecture plan supporting interventions to counter market failure (notably activities that will stimulate or kick-start economic activity in areas) will be adopted in conjunction with a bottom-up approach (aimed at supporting and building the strength of municipalities that are on the coalface of service delivery).

The Department's top-down approach towards spatial economic development support is characterised by a move away from identifying and developing local economic projects towards one that supports local government and local economic role-players. The purpose is to create an enabling environment for economic growth and development, which will encourage sound planning in local economies and which will ultimately benefit of the regional economy.

The Department's bottom-up approach, by contrast, seeks to move away from supporting local government projects with limited resources, and, instead, focus on strengthening municipal capacity to accelerate meaningful delivery based on credible economic plans.

The strategies that have been identified centre on:

1. Support for sound municipal and regional plans for LED; and
2. Improved local capacity for greater economic participation

Specific interventions to deliver on the above two strategies, together with the relevant outputs, will be set out in the Department's Annual Performance Plan. It is important to note that Departmental interventions pursuing spatial economic development have to demonstrate delivery on specific imperatives and national priorities, such as:

- Regional Economic Development;
- Local Economic Development;
- Rural Development; and
- Urban Development (City Functional Regions)

The proposed strategies will complement the Micro Economic Development Strategy and support an Open Architecture Industrial Policy approach designed to ensure that local economic development efforts by the Department are more meaningful and add value to activities in the economic development service delivery arena.

These strategies will hone in on the current environment in which LED efforts are centred

The expected outcomes include:

- More significant, spatially-spread projects to speed up economic activity;

- An increase in the number of economic projects supported that results in more empowered enterprises within emerging sectors in localities;
- The growth of the employment base of municipalities; and
- Credible economic development plans for localities.

Sub-programme 2.2: Regional and Local Economic Development

Strategic Priority: Spatial Economic Development

Strategy 1: Support Sound Municipal and Regional Plans for LED

We believe that the establishment of a regional spatial fund to promote sound regional and municipal plans and action for the achievement of local economic development will support an "Open Architecture Industrial Policy" approach for the Western Cape.

The National Treasury commissioned an international panel to examine the Accelerated Shared Growth Initiative of South Africa (ASGISA) and to make recommendations. Industrial policy is an integral part of ASGISA and Cabinet has approved both an overall framework for industrial policy (DTI, 2007a) and an action or implementation plan (DTI, 2007b). Along with this, the National Industrial Policy Framework sets out a large number of strategic programmes and sector strategies. Among the recommendations is a call to consider a reconfiguration of industrial policy. Faced with a clear lack of support for new activities to stimulate economic development, the international panel proposed "a new budgetary procedure to elicit information on missing public inputs and pay for them" (Hausmann, Rodrik and Sabel –henceforth HRS).

It was recommended that any grouping of firms should be able to approach government to access funding for industry-specific, publicly-funded goods (including infrastructure, research and development, training, fast-tracking bureaucratic

Strategic Objective	Strategic economic development support to municipalities
Objective statement	To provide strategic economic development support to 30 municipalities in terms of: capacity building, local and provincial planning and implementation alignment, and projects supported that contribute to employment, expansion of 70 business and investment recruited to the value of R 15 million in to localities to ensure improved capacity to contribute to local and therefore regional economic growth and development
Baseline	No verified baseline data is available
Justification	The department aims to influence and make a positive impact on the growth and development trajectory of localities that contribute to the regional economy as a whole, through greater economic participation and an increase in the capacity of local government to make this happen. To contribute to local economic growth and development, supporting and building the strength of municipalities who are on the coalface of service delivery can achieve this. The department will provide tailored municipal support and engender and supporting municipalities. Municipalities need to consider how to create an environment supportive of private sector investment, link suitable public sector investment, and address the needs of communities within the development potential of regions with local projects and programmes.
Links	The goal is to support municipalities to improve their capacity to contribute to local economic growth and development within the context of existing, new or revised IDPs. With support directed at: spatial policy and implementation alignment, focused resource allocation, provision of hands-on expertise, capacity building training, suitable IGR vehicles and development of local participation projects, inclusive economic growth and job creation for the province will be achieved.

procedures, property rights, market studies and support to gain market access).

A special dedicated fund to provide finance for public entities will be created for this purpose. The public entities will, in turn, be required to provide the inputs identified via the Open Architecture. The fund will solicit proposals and any firm or grouping of firms requiring government support on this basis will be able to apply. Rather than government deciding what types of firms to support (by sector or by size, for example), applicants will be able to self-select. Government would not predetermine the nature of the support and applicants would in fact advise/ inform as to the support they require. Proposals would be vetted by a technical secretariat. This could be described as an Open Architecture Industrial Policy.

The main criteria for selecting what is worthy of support will centre on increased productivity and location in tradable sectors. The need for public vs. private provision will have to be clearly demonstrated. Firms will be encouraged to co-finance any support given by government.

But there are risks involved. Firstly, there is no precedent for such a fund. Secondly, no appropriate institutional design exists from which to draw concrete experience. Thirdly, there is a very limited basis on which to try to identify unanticipated consequences. This suggests a need for a cautious and more limited approach.

The recommendation therefore is for a provincial pilot that would allow the viability of an Open Architecture approach to be assessed and provide a testing ground for how a larger scheme might operate in the future. Additional measures to further reduce risk are also proposed.

The Western Cape, which sits astride global trade routes, which is dominated by small and medium-sized enterprises, and which is export-oriented, is a likely location for the new activities that an Open-Architecture Industrial Policy seeks to encourage. The Department of Economic Development and Tourism has enjoyed considerable success with its industrial policies and has demonstrated its capabilities to take up this innovative pilot that aims to promote local economic development across the province.

To facilitate sound spatial economic plans for development and implementation, the LED unit's Spatial Economic Programme (SEP) looks at regional and municipal economic projects that contribute to growth and development in, and across, localities and regions in the province. The programme will facilitate support for the development and implementation required for local and regional projects that impact on economic growth, by:

- a) Promoting the establishment and management of economic intelligence on local regions, and facilitating the sourcing and access to resources; and
- b) Providing capacity in the areas of economic planning expertise and broker relations, as required with relevant organisations, businesses and institutions;

Support interventions that crowd-in government and private sector investment

To unlock economic potential, SEP will seek to promote and crowd-in investment into regions that includes soft and hard economic infrastructure. Growing local economies through unlocking wealth and encouraging participation that enable institutional and physical infrastructure to be developed, is crucial to most provincial and national development plans. The establishment of basic infrastructure (such as electricity, transport infrastructure and water supply), transport infrastructure and production and storage facilities, is essential;

Pursuit of partnerships with local and district municipalities to support economic role-players such as firms, groupings of firms, or organisations active in the economic arena

The private sector, as the primary driver of economic activity, and its partnerships with government and its agencies and parastatals such as Wesgro, IDC and DBSA, are crucial for economic investment into regions.

Strategic Intervention: Spatial Economic Development Fund

We propose that a Spatial Economic Development Fund be established with SEP to support sound spatial economic projects that promote LED and to test the viability of an Open Architecture approach in tackling our economic development challenges.

Each municipality must determine what it is that their region produces effectively and efficiently, which is to say they must identify competitive sectors in regions. The Micro Economic Development Strategy (MEDS) seeks to identify those sectors and activities that have the potential for significant growth and an increase in equity. The value of MEDS must be correctly identified and placed within the context of Integrated Development Plans to support meaningful development.

A municipal LED strategy should be concerned with supplying needs and infrastructure required of business; as well as making provision for the further growth and expansion of the "competitive" sector/s. For this reason the Department is suggesting the establishment of a "regional" fund, which will be open to all municipalities and businesses in the province. The fund will be accessed via a proposal to secure public goods that will be required to allow the "competitive" sector to advance. Qualification and

assessment criteria will be developed. We also propose that a panel of experts (drawn from business, academia and government) serve as adjudicators.

The size of the fund needs to be significant enough to make a strong impact, with inter- and intra-departmental cooperation being the key to its success.

To address local capacity, the Department will offer technical assistance to turn potential ideas/concepts into substantial policy proposals and business plans, with possible funding made available to local government to access skills to develop proposals.

There are four key advantages in supporting a Spatial Economic Development Fund:

- It will facilitate business and government working together at a regional level and enable them to emerge with a better and deeper understanding of local needs and available resources; It will create a process of competitive bidding within a clear framework of development priorities. Funds will be allocated on merit; It will allow government to support what occurs on the ground, as opposed to making decisions based on preconceived ideas; and, The funding available to local government to develop proposals will encourage the development of analytic skills in regions. The expected outputs of this intervention are:
- More significant, spatially-spread projects to speed up economic activity;
- An increase in the number of economic projects supported those results in more empowered enterprises within emerging sectors in localities;
- The growth of the employment base of municipalities

Strategy 2: Improved Local Capacity for Greater Economic Participation

Strategic Intervention 1: MCSP: Capacity Building

MCSP: Capacity building will develop and empower local government officials and local economic role-players by addressing training gaps. The aim is to:

- Increase their technical skill requirements;
- Decrease the number of consultant-driven services;
- Increase their ability to access information;
- Increase their ability to project manage and monitor implementation; and
- Improve their ability to engage with the private sector and others, on the direction of LED efforts in a region.

A capacity-building intervention will also confront the challenges faced in facilitating the creation of an environment conducive to economic growth.

The expected outcomes of this intervention are:

- Credible economic development plans for localities.

- An increase in economic projects, resulting in more empowered enterprises within emerging sectors.

Strategic Intervention 2: MCSP: LED Forums

Well-functioning LED forums at district level (and one at provincial level) will be supported to ensure that sound local government LED strategies and implementation plans, which are sustainable and responsive to local level priorities, are pursued. Reliable economic information/data will be established and maintained to promote economic development in localities. Government coordination of support services and interventions will also be considerably boosted. The implementation of awareness initiatives to improve the coordination, alignment and the effectiveness of government policies and programmes will form part of the strategy, which will also seek to address challenges and facilitate the creation of an environment conducive to economic growth, and dissemination of good practice in LED.

The expected outcomes of this intervention are:

- An increase in the number of economic projects supported that results in more empowered enterprises within emerging sectors in localities;
- Credible economic development plans for localities.

Strategic Intervention 3: MCSP: Local Participation Projects

Local Participation Projects will seek to address some of the key strategic challenges faced by local government in efforts to promote LED. Areas of focus will include:

- Increased coordination to avoid duplication and the establishment of complementary roles and responsibilities for synergy;
- Building LED networks;
- Appropriate scaling of LED;
- Supporting the establishment and maintenance of sound economic baseline data;
- Identification and development of economic opportunities that have widespread local impact;
- Access to funding for LED;
- Differing LED practices in urban centres vs. rural towns;
- Reduction of red-tape; and
- Maximising potential for partnership – to facilitate the creation of an environment conducive to economic growth.

The expected outcomes of this intervention are:

- More significant, spatially-spread projects to speed up economic activity;
- An increase in the number of economic projects supported that results in more empowered enterprises within emerging sectors in localities;
- The growth of the employment base of municipalities; and
- Credible economic development plans for localities.



The aim of the Department's LED unit is to promote economic development within local economies through targeted interventions that contribute to a growing and shared economy. The LED strategy is geared towards addressing this aim. It focuses on creating an environment that supports private sector investment through appropriate public sector investment in the real needs of communities within the development potential of regions. The strategy has the strategic objective of promoting participation in the economy through employment and business ownership for all. The strategy is also themed with departmental efforts to promote partnership and private sector inclusion, the reduction of red tape, regional and spatial development, institutional coordination and integration to improve service delivery, and the provision of information to improve expertise. The value of the above strategy will lie in its impact on regions. This will be illustrated by the visible strengthening of local government to impact on its economic development service delivery environment and contribute to a stronger regional Western Cape economy.

Our people want government to lead.

Minister of Finance Pravin Gordhan
Budget Speech 2010

**Sub-programme 2.3: Economic Empowerment
Strategic Priority: Enabling Business Environment**

Strategic Objective	To create an enabling business environment for sustainable economic empowerment through promotion of procurement opportunities to local businesses.
Objective statement	To facilitate economic empowerment of emerging entrepreneurs and small businesses and the expansion of small businesses as well as increasing economic opportunities awareness through improving accesses to procurement and business opportunities. This will be done through ensuring 600 economic opportunities realised, valued at R 60 million.
Baseline	No baseline available Number of economic opportunities realised: 0 Number of job created: 0 Number of companies accessing business opportunities: 0
Justification	Business opportunities will be made available through a "single opportunity access point" which will be in the form of an electronic portal which will in turn ease access to business information by the targeted beneficiaries as well as the broader community, although it is not exclusive to those groupings. The objective is to have a credible, reliable and easy accessible source of information and opportunities on broad based economic empowerment. The portal will be available on the Internet and optimised for mobile phone access. The providers of opportunities and support services (those organisations who would place their opportunities and support services on the portal) such as public and private enterprises would also be able to benefit from an e-portal as the latter is constantly on the look-out for capable providers/suppliers/vendors.
Links	National Broad Based Black Economic Strategy, Broad Based Black Economic Act and the Codes of Good Practice, Provincial Preferential Procurement Act

Strategy 1: Facilitated Access to Public Sector and Corporate Procurement Opportunities

While the Economic Empowerment Unit (EE) is a distinct directorate located within the Department, its programme strategies tie in with the overall focus and repositioning of the Enterprise Development unit. The unit as a strategic objective "seeks to leverage off the open opportunities afforded by the demand-side market for translation into commercial gain on the supply side."

Billions of procurement Rands is spent annually in the province by the public private sectors. The goods and services require ranges from core goods/ services procurement to non-core goods/ services procurement. Some of the goods /services are locally sourced and others are sourced regionally, national and internationally. Procurement has the ability to stimulate local economy through the provision of income opportunities for local suppliers.

A number of factors constrain some SMMEs from either accessing and/or successfully delivering on procurement opportunities, through, among others:

- Lack of awareness and information on procurement opportunities;
- Lack of capacity to meet the documentation requirements of tendering processes;
- Lack of experience in delivering on procurement opportunities and, in some cases, poor delivery of products/ services; and
- Reluctance to use small contractors with limited experience

In seeking to ensure that procurement opportunities are available to all citizens across the province, the Department seeks to roll out the following programmes:

- Advocacy for open opportunity sourcing; and
- A portal for open access.

Economic empowerment opportunities information and advocacy

An advocacy and information roll out programme on economic empowerment opportunities will be intensified in order to:

- Place the open opportunity programme high on the agenda of corporate South Africa.
- Match opportunity seekers with the relevant sources of opportunities and to
- Bridge the barriers of economic empowerment information in between the urban and the rural areas.

Portal for open access

The “single opportunity access point” will be in the form of an electronic portal, which will be made available to the targeted beneficiaries, as well as the broader community (although not exclusively to those groupings).

The objective is to have a credible, reliable and easily accessible source of information and opportunities on broad-based economic empowerment. The portal will be available on the Internet and optimised for mobile phone access.

The providers of opportunities and support services (those organisations that will place their opportunities and support services on the portal), such as public and private enterprises will also benefit from an e-portal as the latter is constantly on the look-out for capable providers/suppliers/vendors.

Small businesses also find that although they may have the ability to provide services and products, they do not always

have the expertise to access the market. The portal will therefore play the role of bridging the gap between large business looking for service providers and small business/ individuals looking for opportunities. Although there are a number of electronic portals in the public sector, the most notable being Tradeworld, the latter does not promote the objectives of the Department.

The Department will investigate whether existing systems can be tailored in a cost-effective way to meet the objectives of the Department.

The expected outcomes for this intervention are:

- An increase in the number businesses started;
- An increase in the number of businesses expanded; and
- An increase in the number of jobs created.

Subprogramme 2.4: Workforce Development

Strategic Priority: Workforce Development

Context

- The labour force became better educated between 1995 and 2006. However, high levels of adult illiteracy and innumeracy, as well as high levels of dissatisfaction by employers over the basic skills levels of their labour and work forces (for example, poor IT skills).
- The four Higher Education Institutions in the Western Cape are University of Cape Town (UCT), University of the Western Cape (UWC), University of Stellenbosch and Cape Peninsula University of Technology (CPUT). The historically white institutions continue to be dominated by white enrolments (80 percent), while the previously Black university (UWC) is dominated by coloured and African enrolments. CPUT is dominated by African enrolments. Whites are more likely to graduate than Africans.
- Skilled workers are most in demand. The only significant increase in demand for labour in the Western Cape has been seen among managers (7.6 percent) and technicians (7.3 percent). Between 1995 and 2006, among the higher-skilled groups, coloured people have made significant inroads in the labour market. This is particularly true of managers (13 percent), technicians (8 percent) and clerical workers (6.4 percent). Over the same period, there was an increase in the number of African sales and service workers (9.7 percent), African craft and trade workers (7.6 percent), and White unskilled elementary workers (12 percent).
- The Western Cape had the lowest unemployment rate of all provinces by 2006, with 23 percent unemployed

(31 percent for Africans and 23 percent for Coloureds; 27 percent female and 19 percent male). Structurally, however, youth unemployment is of particular concern. A worrying 70.4 percent of Western Cape unemployed fall into the 15 to 34 year age group, while narrow unemployment for this age group has been measured at 54.8 percent.

- Unemployment remains high among youth who have no education, complete General Education and Training (GET) and incomplete Further Education and Training (FET). Those with incomplete GET fare worst; those with Matric or higher accounted for 40 percent of the

2006 workforce. It is worth noting, however, that the number of discouraged Matric work-seekers has grown. Unemployment in 2006 stood at 48 percent for 15 to 24 year olds, 24 percent for 25 to 34 year olds and only 8 percent for 55 to 65 year olds.

- 30 percent of firms that were interviewed identified skills and the education of workers as critical to business expansion (Countries with technical degrees and technical higher education show higher growth rates). The higher growth rate for those with a diploma reflects a demand for graduates with work experience. Unemployment has declined since 2007 for those with tertiary qualifications.

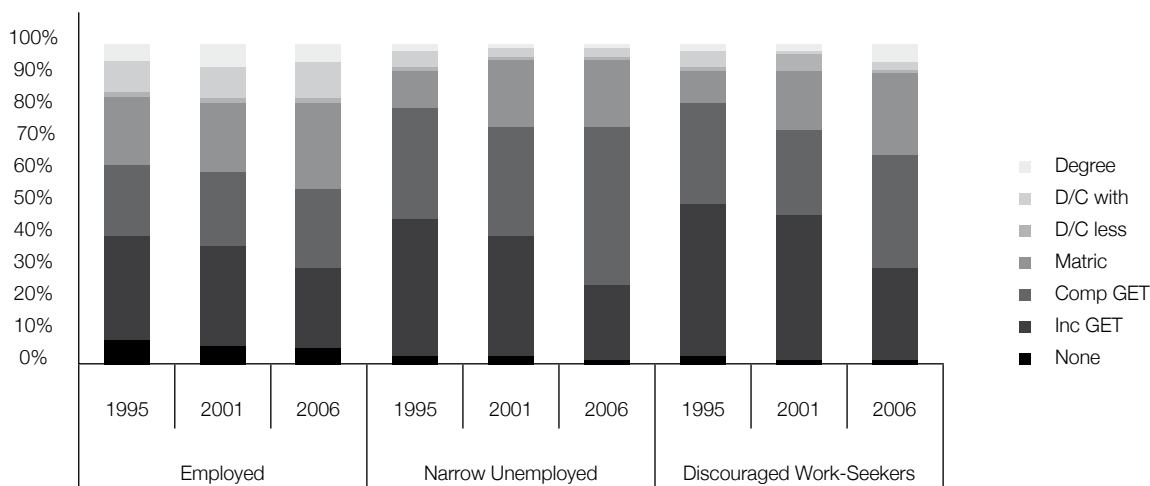


Figure 5: Education Levels of the Broad Labour Force in the Western Cape, by Labour Market Status: 1995 -2006
 (Source: DPRU 2008; OHS 1995, LFS 2001:2, LFS 2006:2 (Statistics SA); own calculations)

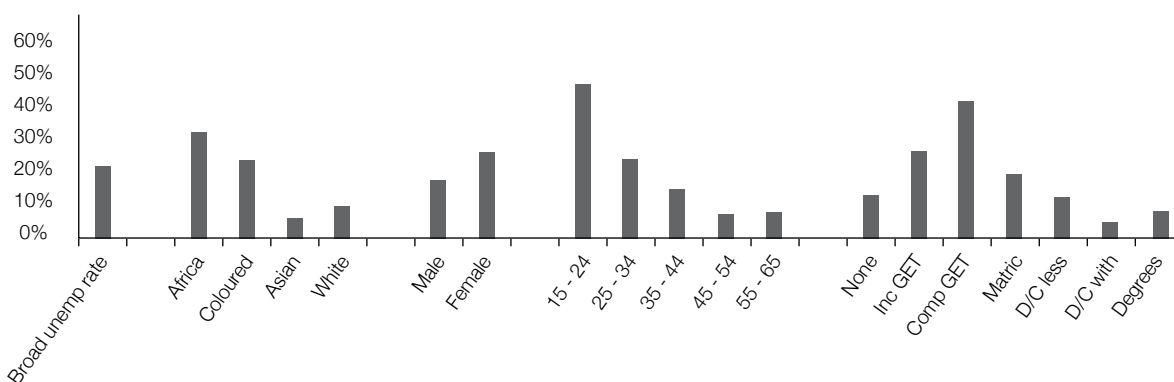


Figure 6: Unemployment Rates in the Western Cape: 2006
 (Source: DPRU 2008; LFS 2006:2 (Statistics SA))

There are a range of interventions in place, aimed at skills development at a variety of levels in the province. However, there are mismatches within the skills development institutional environment, between (1) the school system and workplaces/businesses, between (2) the school system and HEIs/FETs, between (3) the HEIs/FETs and workplaces/businesses and between (4) local and global demand for goods and services and workplaces/businesses. There is a need for coordination and re-integration of these initiatives and the development of specific actions to address the gaps in the current interventions. In particular, there is a need for significant and impacting skills interventions in the targeted MEDS sectors, with innovative programmes to address the gaps in the “school-workplace” continuum.

In considering the above, refer to Figure 7 below.

The model is as follows:

- Workplaces/businesses respond to the market demand for goods and services. To fulfil this demand and remain

competitive, businesses require labour (as one of the factors of production);

- Workplaces/businesses receive labour from two sources – directly from the school system and/or via the Higher Education Institutions and Further Education and Training institutions;
- The first “mismatch” occurs in that the requirements of workplaces are in many cases not what the school system produces;
- The second “mismatch” occurs between what is produced by the school system and that what is required by the HEIs and FETs;
- The third “mismatch” occurs between that which is required by the workplaces and that which is produced by the HEIs and FETs; and
- The fourth “mismatch” occurs between that which is required by the market for the business to be competitive and that which the business is able to offer.

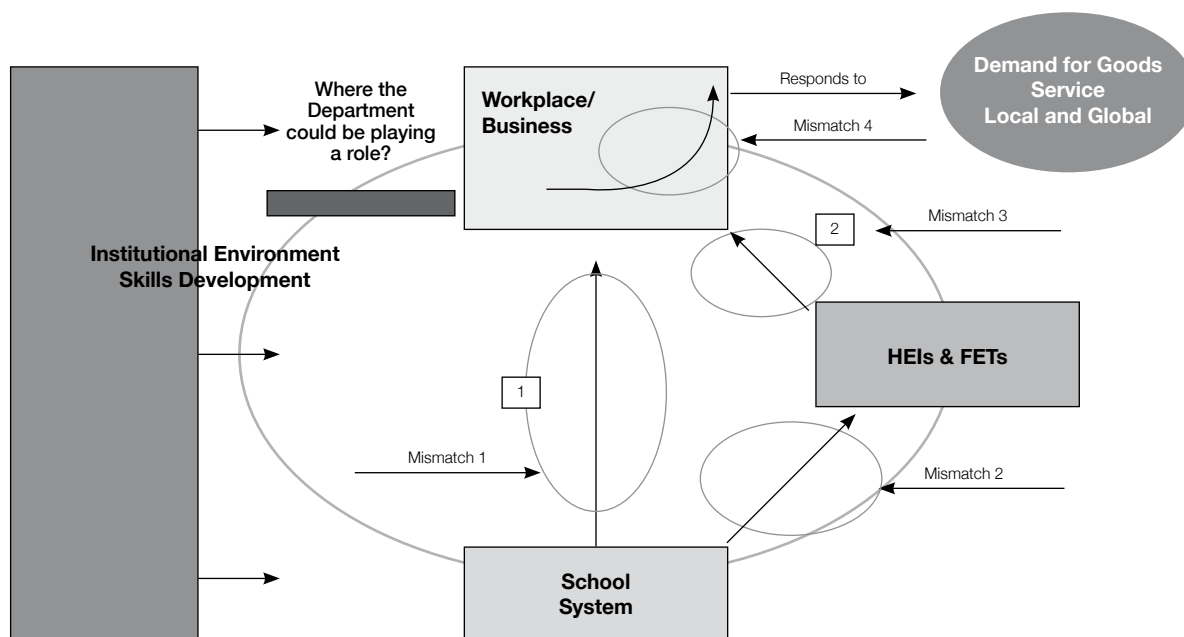


Figure 7: Workforce System Skills mismatches.

The challenges facing the creation of economic opportunity are large, requiring strategic and targeted intervention from the Department. The Department's extensive knowledge and insight of current and future economic trends, as well as sector-specialised skills needs and role-player relationships, can be leveraged by developing coordinated mechanisms and processes, in partnership with the Department of Education, to identify interventions to better address priority skills mismatches.

Provincial economic development policies and strategies, such as the iKapa Growth and Development Strategy, the National Industrial Policy Framework, the Industrial Policy Action Plan, and the MEDS all rely on effective skills development and transfer to take place.

In light of this need, and in the context of the mismatches that exist as depicted in Figure 4, the Department has developed four key strategies to enhance these overall skills deficits.

These are:

- Enhancing cohesion between all provincial and national stakeholders, to ensure an environment conducive to skills development;
- Improving alignment of FET activities with the Department's priority sectors;
- Improving collaboration between SETAs and the Department; and
- Enhancing its role as "unlocker/unblocker" of skills funding.

Each of these strategies is further explained in this document.

Subprogramme 2.4: Workforce Development
Strategic Priority: Workforce Development

We need to invest in our youth to ensure a skilled and capable workforce to support growth and job creation.

State of the Nation Address 2010
 His Excellency JG Zuma
 President of the Republic of South Africa

Strategic Objective	To create and promote an enabling business environment through co-ordinating and directing HRD activities in the Western Cape.
Objective statement	To facilitate a conducive environment for skills development through development and rolling out of Provincial Human Resource Development Strategy, formation of provincial skills development partnership structure, resulting in R 50 million of skills funds leveraged, and facilitation of job placement and skills programme to 4500 youth beneficiaries.
Baseline	Initial Baseline information is not available
Justification	Through co-funded and collaborative HRD interventions the Department facilitates individuals to either become employed or achieve improved employment. Pooling resources, ensuring the establishment of a functional HRD body, facilitation that appropriate learning is transferred and deepening skills interventions will enable greater value for money, increased number of jobs facilitated and prevent duplication of activities. The Western Cape Human Resource Strategy will allow for greater integration and cohesion of HRD activities.
Links	Medium Term Strategic Framework, MEDS, Workforce Development Strategy and JIPSA, National Skills Fund

Strategy 1: Enhancing cohesion between all provincial and national stakeholders, to ensure an environment conducive to skills development

The Western Cape Provincial Growth and Development Strategy (iKapa GDS) has encapsulated the national vision and strategic objectives of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) and the National Industrial Policy Framework (NIPF), providing the strategic framework for accelerated and shared economic growth in the province. At the national level, the NIPF highlights the need for targeted interventions within specific sectors by government to promote economic growth. Furthermore, the MEDS and the Provincial Industrial Development Strategy (PIDS) provide the strategic framework for public-sector interventions in various economic sectors.

Although the Department drives the MEDS; it is crucial that all relevant provincial departments (including the Department of Education – DoE) collaborate to achieve skills development and job creation targets. Collaboration between the Department and the DoE is necessary, as the MEDS interventions need to be grounded in the latter's youth-focused Human Capital Development Strategy (HCDS).

The intention is for the HCDS to be utilised as the foundation of any skills development strategy for the province, by government departments, public education and training institutions, donors and social responsibility programmes – to develop human resource and training plans, and to support educational and vocational training programmes in schools and FET Colleges.

The Provincial Skills Development Forum and the Premier's Skills Task Team, both currently driven by the Department, are key forums to ensure the successful development of the HRDS for the Western Cape.

Strategy 2: Improved alignment of FET activities with the Department's priority sectors

The provision of education and training by the FETs and HEIs must be linked to the requirements of the job creation targets in the MEDS. The following are necessary to build intermediate skills in the FET sector:

- Improved coordination between national and provincial structures (the WCED has already built linkages between public colleges and SETAs);
- Increased coordination between different stakeholders, such as closer liaison between schools, colleges and industry, to ensure that college programmes meet skills needs, thus increasing employment prospects of graduates;
- Provision of incentives to employers to participate in accredited intermediate training and learnerships; and
- Greater collaboration between the Department of Labour,

the WCED and the DEAT with the Directorate: FET Curriculum and Directorate: Human Capital Planning.

One of the bigger challenges faced by the FET sector is to align FET course offerings with the growth and development needs of the province, specifically the priority sectors identified in the MEDS. Currently, few of the FETs offer training in, the Oil and Gas, Call Centre or Business Process Outsourcing (BPO) sectors. Moreover, the physical science, mathematics and computer life sciences fields are characterised by low enrolment. There needs to be an intensive review of all FET College offerings, so that the implications for staffing and other resources can be determined, and the province can better align offerings to provincial growth and development priorities.

The FET sector in the province has already delivered its strategic development plans, restructured its course offerings and delivered new course curricula based primarily on the research done in the MEDS. The recapitalisation funds provided by the DoE will assist in making these colleges more responsive to the development needs of the province. The recapitalisation plans for the colleges are integrated with the colleges' strategic plans. They therefore fully support the niche areas identified through the MEDS. The recapitalisation grant will not be focused on new infrastructure, but rather on upgrading and refitting colleges.

Clarity is needed on the type and level of training conducted by the FET colleges. Their infrastructure needs to be improved to allow learnerships, which are prioritised by staff and fully integrated. Resources need to be improved (particularly at colleges located in previously-disadvantaged areas), and SETA requirements need to be met. A further constraint that will have to be overcome is the development of adequate learning materials.

Adequate buy-in needs to be sought from business (via the DoE) for the new NQF programmes, so that artisan training can be better supported and more successful.

Closer liaison is required between schools and the FET colleges, to ensure increased enrolment in priority areas. There also needs to be collaboration between FET colleges and the province, as has been evident in the supportive relationship with the WCED regarding facilitation of SETAs' relationships. Additionally, greater collaboration is necessary between schools, colleges and industry. Incentives are required for employers to become involved in learnerships and training, and the relevant government departments must work together. The FET management information system must be strengthened to enable progress in supplying the economy with the skills it requires to be evaluated.

The constraints in the skills landscape can be overcome by the Department supporting and leveraging resources from key stakeholders such as the Provincial Government Task Team, the Department of Labour's Provincial Office, the Provincial Development Council and the Provincial Skills Development Forum.

The development of a skills development strategy for the Western Cape should also include consultation with key bodies, such as the Centre for Extended Learning (CEL), the Cape Higher Education Consortium (CHEC) and the SETA cluster. These bodies appear to be very willing to collaborate with all stakeholders, including the Western Cape Provincial Government (WPCG) in the skills development process, with memoranda of understanding already in place between the PGWC and CHEC, and the PGWC and the SETA cluster. These three bodies can play an important role in linking the skills requirements of the MEDS priority sectors to the training and education provided by FETs, HEIs and SETAs. In addition, CEL and CHEC also conduct useful research that the provincial government can draw from when developing skills interventions.

Strategy 3: Improved collaboration between SETAs and the Department

The role of the SETAs is to develop sector skills plans, develop and register learnership programmes, approve workplace skills plans, monitor training and education in the sector, provide quality assurance to qualifications and programmes and disburse national skills development levy funds.

The SETA system has been criticised for its “unwieldy bureaucracy”, lack of quality assurance uniformity, unclear processes, high staff turnover, and a perceived misuse of taxpayers’ monies, mismanagement, and a perceived inability to spend allocated money.

Provincial operations are problematic for SETAs, as the SDA makes no provision for “provincial SETAs”. Most SETAs therefore have limited decentralisation, partly due to the costs involved, and have not disaggregated their Sector Skills Plans (SSP) to a provincial level.

The Department (and the provincial government more generally) seeks greater collaboration with SETAs in order to ensure training in MEDS-priority areas. To this end, SETAs are being encouraged to set up provincial offices so that they can build linkages with provincial structures such as local labour centres, FET colleges, and local and provincial government. Learnerships and skills plans targeting the priority sectors in the MEDS have consistently highlighted the importance of SETAs.

The Western Cape SETA Cluster, which was established in 2005, enables the SETAs to approach provincial skills development in a more coordinated way. The aim is to stimulate discussion among relevant stakeholders and to establish linkages with other initiatives dealing with skills development in the province. The SETA Cluster also provides provincial feedback to SETAs, highlighting specific interventions required by the province. SETAs without offices in the province can develop collaborative relationships with the SETA Cluster and the Skills Task Team, and the SETA Cluster can function as the key link between the PGWC (the Department) and the SETAs.

The Department has previously commissioned research to identify processes for more collaboration and coordinated planning between SETAs and the provincial social partners led by the PGWC. This research focused on the SETAs involved in Western Cape priority sectors identified by the MEDS – Oil and Gas, Call Centre/BPO, Tourism and ICT, and Film/Craft.

The working relationship between the province and SETAs could be improved in the following ways:

- By setting up an initial meeting between the SETA Cluster and provincial government's Skills Task Team as a first step to getting the two structures to work together. Representatives from the DOL national and provincial office should also participate in the meeting;
- By getting the SETA Cluster, the Skills Task Team and the DoL Provincial Office to each appoint a specific person from their structures to discuss issues raised by their respective structures;
- By getting the SETA Cluster and the Skills Task Team to develop a working group to organise a summit between SETA CEOs and the Office of the Premier to elicit a commitment to a working relationship for skills development;
- By establishing a SETA Cluster Office that is supported financially by the provincial government, to ensure communication between stakeholders. Alternatively, the SETA Cluster could form part of the Learning Cape Initiative, which is an existing structure in the province; and
- By getting the Skills Task Team and the SETA Cluster to agree on a process to monitor the working relationship between them.

A memorandum of understanding has already been signed between the Western Cape SETA Cluster and the provincial government, and the Department has taken the lead in refining the memorandum, with joint projects piloted for possible expansion and roll out in other provincial government departments over the next couple of years. A coordinating committee has agreed to meet at least once every quarter to develop, implement and monitor the plan and project

progress. Task groups will be established to oversee the implementation of agreements.

Strategy 4: The Department to enhance its role as “unlocker/unblocker” of skills funding.

Overall, the Department needs to focus on institutional cohesion to unlock funding and to create an environment in which sector skills interventions with the greatest potential to deliver on outcomes can be prioritised. Getting Departmental and industry buy-in is critical to mobilising resources for skills development. It is also important for the broader strategic role of the Department to be kept in mind – for this will encourage the growth of innovative and economically strategic hubs, which will, in turn, attract investment and enhance the local skills base. More specific interventions include:

- A focus by the Department on the development of the Western Cape as the hub for oil and gas, tourism, call centres, BPOs and other areas of strategic economic advantage and international competitiveness as identified in the MEDS. This long-term strategic programme will enhance industry development and possibly attract investment;
- Closer liaison with SETAs (and the SETA Cluster), so that

SETA training is better aligned with the MEDS priorities. Similarly, the Department will develop closer links with the Centre for Extended Learning (CEL) and the Cape Higher Education Consortium (CHEC) – to leverage resources;

- Making better use of resources of the four HEIs in the Western Cape, focusing in particular on science and technology research. Partnering these HEIs through bursary support and fostering industry collaborations would be an important strategic step;
- Improving fundraising by working closely with other programmes, such as the Learning Cape Initiative (LCI) and the Premier’s Skills Task Team;
- Broadening the Department’s resource base and utilising national and/or international funding to tackle skills development. To attract these funds, the Department must focus on areas in which international economic competitiveness is fostered.

Resource considerations

The expenditure trends in respect of the programme’s structure and the expected growth over the five year period is set out in Table 1 below.

Table 1: Nominal Expenditure on Programme 2: Integrated Economic Development Services								
Programme 2: IEDS	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%)¹
Sub-Programme 2.1: Enterprise Development	28 232	34 591	31 021	35 338	40 170	41 543	43 192	7.41
Sub-Programme 2.2: Regional and Local Economic Development	14 481	22 244	6 327	12 613	9 277	10 360	10 645	(4.67)
Sub-Programme 2.3: Economic Empowerment	2 054	3 363	4 507	4 741	3 771	4 025	4 680	(0.43)
Sub-Programme 2.4: Workforce Development	2 826	5 048	26 276	27 989	13 595	14 100	14 700	(15.83)
Sub-Programme 2.5: Management IEDS	1 152	823	180	1 496	1 648	1 700	1 760	5.88
Total programme 2:	48 746	66 069	68 311	82 177	68 461	71 728	74 977	(2.92)

1. Projected average annual change between Adjusted Appropriation 2009/10 and 2012/13

Table 2 below shows a summary of the payments and estimated expenditure per economic classification over the past three years and the nominal average annual change over the MTEF period.

Table 2: Nominal Payments and Estimates per Economic Classification on Programme 2: Integrated Economic Development Services								
Programme 2: IEDS	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%)¹
CURRENT PAYMENTS	16 265	19 125	19 243	22 116	18 716	19 728	20 757	2.05
TRANSFERS AND SUBSIDIES TO:	32 308	46 470	48 759	59 911	49 700	51 900	54 100	(3.23)
PAYMENTS FOR CAPITAL ASSETS	150	458	308	150	45	100	120	(6.67)
TOTAL ECONOMIC CLASSIFICATION	48 746	66 069	68 311	82 177	68 461	71 728	74 977	(2.92)

1. Projected average annual change between Adjusted Appropriation 2009/10 and 2012/13

Table 3 shows the staff establishment.

Table 3: Staff Establishment for Programme 2: Integrated Economic Development Services					
Programme 2: IEDS	Number of Posts on Establishment	Number of posts Filled	Number of Vacant Posts	Vacancy Rate (%)	Number of posts filled additional to the establishment
Total programme 2:	46	35	11	23.91	

The current funding for the programme has been reduced and there has also been a shift in approach, compared with how things have been done over the past five years. The systems need an injection of funds – to enable appropriate reporting on the new approach and the progress of the expected deliverables. The staff complement within the programme needs to be finalised – to ensure that all sub-programmes are able to operate at full capacity. The majority of the sub-programmes, of which the most notable is the Workforce Development Unit, are not operating at full capacity. In lieu of the new focus and new interventions within the programme, funding at the start of the 5 years will be used to set-up new programmes, such as the Spatial Economic Fund, the Mentorship Legacy Programme and the Procurement

Promotion Programme. Funding to elevate the interventions will be required in the next three years, especially if the uptake by the private sector increases to higher than expected levels. The fund leverages could result in more projects than set out in the Annual Performance Plan. If this happens, the programme might require additional resourcing in the mid-term.

The RLED strategic objective has changed substantially. For instance, the Spatial Economic Development Fund will be established as a brand new intervention in the 2010/11 financial year. The funding allocation for Spatial Economic Development Fund will determine and influence (year-on-year) the value of funds leveraged and the number of municipalities impacted with these spatial projects. These spatial projects

will enable new businesses to be established or existing ones expanded funding will therefore increase year-on-year to meet the proposed targets.

When the programme reaches full capacity, its human resource requirements will be sufficient to ensure implementation and delivery

In 2006/07, the ED's budget was R29.595 million. In 2007/08 the allocation rose to R38.260 million, an increase of R8.9 million. In 2008/09, an adjusted budget amounted to R26.638 million, a decrease of R11.5 million compared with 2007/08.

The budget for the current financial year is R39.726 million, R13 million more than 2008/09. The growth of the sub programme seems to be stabilising and an average increase of between 8 and 10 percent in the future is expected.

For the past three years, the organogram for the ED sub-programme has listed 12 staff members as a full complement. The vacancy rate over the above period has been fairly low. The reason for this low turnover rate is primarily because the majority of staffers are fairly new to the programme.

In 2006/07, LED was allocated a budget of R13.3 million. In 2007/08, this rose by R5 million, to R17.3 million. In 2008/09, its allocation was substantially reduced – to R6.5 million (a reduction of about R11 million. LED has a budget of R12.8 million for the current year, an increase of R.6.2 million over the year before. There is no consistent trend in the budget allocation to inform future expenditure trends in the sub-programme. LED has had a consistent sub-programme organogram for the past 3 years. This reflects 14 staff members, at full complement. The vacancy rate currently is at 70% primarily due to external promotions. Ideally, funding will need to increase year-on-year to meet the proposed targets. At full capacity, human resource requirements of the sub programme will be sufficient to ensure implementation and delivery

In terms of staff numbers, budget and annual expenditure, the EE unit is the smallest in the IEDS Chief Directorate. And in terms of staff turnover, the unit has been the most stable. At most times, this resulted in a duplication of work – and pressure on already limited resources. To counteract this, the unit intends strengthening its relationship with partners offering complementary services and to align our plan and efforts with them. Another challenge faced by the EE unit is its inability

to control the private sector lukewarm appetite for doing business with new, small and emerging contractors.

Lastly, despite the budget of the unit being the smallest, the budget has been cut while the scope of work has remained the same. In this regard, the unit intends to leverage funding from its partners, both in the private and public sector. Office staff will also be pushed to the front line of service delivery thereby making optimum use of internal capacity and expertise, as well as supplementing the staff on the ground.

Risk management

Sub-programme 2.1: Enterprise Development

Strategy 1: Sustained localised enterprise support and accessible and responsive business support centres

Strategic risks:

- Lack of adequate skills among RED Door staff

Strategic risk response:

- Implement a skills development programme tailor-made for Business Advisors

Strategy 2: Mentorship for enterprise sustainability and growth

Strategic risks:

- Inability to attract potential experienced mentors

Strategic risk response:

- Development of partnerships between industry stakeholders and networks

Strategy 3: Implementation of Enterprise Development Fund as a Public-Private-Partnership driven Enterprise Development approach

Strategic risks:

- Lack of participation from potential funding stakeholders for the ED Fund

Strategic risk response:

- MEC championing the programme, incentives for participation (for example, public relations opportunities)

Sub-programme 2.2: Regional and Local Economic Development

Strategy 1: Improved Local Capacity for Greater Economic Participation

Strategic risks:

- Failure of municipalities and local stakeholders to commit to, and participate in, the implementation of departmental interventions aimed at improving local capacity

Strategic risk response:

Consistent engagement/consultation to ensure awareness, common understanding and commitment to local capacity interventions;

- Strengthening IGR with LG;
- MEC requested to use suitable platforms and forums to champion specific interventions around local capacity support with the private sector for example, local business chambers); and
- Thorough engagement to secure partnership agreements with public sector players. Strengthening IGR with provincial, national and agency partners.

Sub-programme 2.3: Economic Empowerment

Strategy 1: Facilitated Access to Public Sector and Corporate Procurement Opportunities

Strategic risks:

- Financial constraint for potential bidders.

Strategic risk response:

- Link potential bidders to financial institutions; and
- Cultivating an open opportunity culture through change management programmes with relevant stakeholders.

Subprogramme 2.4: Workforce Development

Strategy 1: Enhancing cohesion between all provincial and national stakeholders such as SETAs, to ensure an environment conducive to skills development

Strategic risks:

- Inadequate joint funding for HRD related projects; and
- Lack of participation/ buy-in of key local and national stakeholders could result in uncoordinated HRD interventions.

Strategic risk response:

- Joint conceptualisation of projects to benefit the stakeholder objectives;
- Thorough consultation with relevant role-players and defining the agenda of the forum;
- Leveraging key partnerships and developing joint proposals that speaks to national and provincial priorities;
- Consultation of social partners from the outset to ensure their buy-in to the structure and agenda of the forum;
- MEC to formally endorse the structure;
- Development of an MOU that defines the relationship with stakeholders.

We must encourage entrepreneurship and self-sustainable income-generating projects that give people the opportunity to break the cycle of dependency on the state.

State of the Province Address 2010

Helen Zille

Premier of the Western Cape



PART B : Strategic Objectives

PROGRAMME 3: TRADE AND SECTOR DEVELOPMENT

Purpose

The purpose of this programme is to stimulate economic growth through industry development, trade and investment promotion.

Programme structure

- Sub-programme 1: Trade and Investment Promotion
- Sub-programme 2: Sector Development
- Sub-programme 3: Strategic Initiatives
- Sub-programme 4: Management Trade and Sector Development

Strategic Priority: Marketing the region

Context

Research has shown that where people have visited the region, they are more likely to make positive decisions about returning to it, whether for business, leisure or study. Therefore, promoting the region's people, places, businesses, assets and quality of life tends to be a central pillar within economic development strategies as promotion of the region is viewed as key to overall regional economic growth. Consequently, marketing a region has become a highly competitive arena with thousands of agencies and government organisations actively marketing and promoting within the spheres of investment promotion, trade promotion, tourism promotion, film promotion and study promotion.

In the current global climate, there have been dramatic declines in tourist, trade and investment flows and it is particularly pronounced in terms of flows to the developing world. Added to this, the Western Cape is disadvantaged in terms of its location in Africa and its remoteness from major markets. This emphasises the critical role of marketing the region proactively, coherently and efficiently in order to achieve the gains and benefits of additional foreign exchange revenue, knowledge exposure and increased employment through attracting film shoots, investment, and exports.

The Western Cape has adopted a differentiated approach to the marketing of the region, in so far that there are a number of organisations dedicated to marketing specific functions or themes. The differentiated marketing approach, also called multi-segment marketing, is where a region or company attempts to appeal to two or more clearly defined market segments with a specific product and unique marketing strategy tailored to each separate segment. The rationale behind this is that the methodology and the tools required to market the Western Cape as a tourism destination is markedly different in comparison to marketing investment opportunities to potential investors. Within the various institutions, *what* is

been sold is different, *to whom* it is been sold is different and *how* it is sold is different.

The portfolio of differentiated marketing strategies within the sphere of economic development is supported and facilitated by the Provincial Government within the 2010 – 2015 5-year plan and includes:

- investment and trade promotion
- tourism promotion
- film promotion
- sector promotion (i.e. BPO, ICT, Oil and Gas, Craft, and fashion), and
- potentially, study promotion

It should be noted that the Provincial Government, under the leadership of the Department of the Premier, is currently conducting a modernisation review of the various public entities within the Province. This review includes the marketing organisations Wesgro, CTRU and the clusters. Central to the modernisation process is not an assessment of the differentiated marketing approach adopted by the Provincial Government, but rather the institutional framework which delivers and implements these marketing strategies.

Trade and Investment Context Global and National

Global context

Foreign direct investment (FDI) plays an extraordinary and growing role in global business.

In developing countries, annual foreign direct investment flows have increased from an average of less than US\$10 billion in the 1970's to a yearly average of less than \$20 billion in the 1980's, to explode in the 1990s from US\$26.7 billion in 1990 to \$208 billion in 1999. It currently comprises a large portion of global FDI (Source: UNCTAD).

Trade—particularly export—also plays an increasingly large role in the economic growth of developing countries. The degree of dependence of developing countries on trade is high, with exports accounting for 20-35% of GDP in some countries.

World trade had been one of the worst casualties of the global economic slowdown towards the end of 2008. According to the World Bank, the value of exports from a sample of 65 countries accounting for 97% of world trade rose by 20.2% in September 2008, compared with a year earlier. But by November 2008 exports were worth 17.3% less than a year earlier, before slumping by 32.6% in the year to January 2009.

Estimates by the World Trade Organisation suggest that trade volumes will shrink by around a tenth this year.



National Context

The growth in world exports has been outpacing the growth in South African exports. By 2008, the volume of world trade was five times higher than in 1980; by contrast, South African export volumes were only two-and-a-half times higher.

South African exports are highly sensitive to developments in OECD markets. This is of particular relevance, given the current projections of a contraction in real output in the OECD countries in 2009.

South Africa recorded FDI inflows of \$9 billion during 2008, a substantial increase on the 2007 figure of \$5, 7 billion. However, South Africa's 2008 inflows were supported, or distorted, materially by one large deal: the \$5, 6 billion investment by the Industrial and Commercial Bank of China into Standard Bank.

But encouragingly, Unctad's survey of prospects for 2009 still forecast that flows into South Africa could rise in 2009, despite the country's retreat into its first recession in 17 years and the emerging consensus among economists that the country could take longer than many other countries to emerge from the downturn.

Sub-programme 3.1: Trade and Investment Promotion Strategic Priority: Marketing the Region

Speaker, besides making the Western Cape the national benchmark for good governance, we want to make the Western Cape the place in South Africa to do business.

State of the Province Address 2010
Helen Zille
Premier of the Western Cape

Strategic Objective	The stimulation, facilitation and increase of economic growth and opportunities through export and investment promotion.
Objective Statement	To facilitate employment, effective global participation and economic growth through attracting, between R3, 8 billion to R7, 4 billion worth of trade and investment, and the facilitation of between 3800 and 7400 jobs, as well as leveraging R5-million worth of funding from stakeholders.
Baseline	No of jobs facilitated/sustained = 1,000 Value of investments and exports = R700-million Value of funding leveraged = 0
Justification	Direct investment brings into the economy additional technology, expertise and foreign exchange, and through activities previously not undertaken in the province, creates jobs, while exports by globally competitive companies ensure the sustainability (and growth) of jobs within exporting businesses and additional revenue into the country. This contributes towards achieving above-average sustainable economic growth. Contributing towards the identified outputs and outcomes are interventions promoting the image of the province as a quality destination in which to do business or consume services resulting in increased demand; facilitate and recruit inward investment; offer supply side assistance to increasing businesses' capacity to take advantage of demand-side measures; open new markets and generating demand from business and consumers outside the Western Cape in order to create decent jobs and work opportunities within firms as a result of a growth in demand.
Links	Attracting investment and increasing exports are key objectives in the National Industrial Action Plan, the Western Cape Strategic Framework and the Provincial Growth and Development Strategy.

Strategy 1: Investment and Trade Promotion

In a global environment of intense competition for severely diminished FDI and trade flows, with literally thousands of investment and trade promotion agencies chasing after less potential investment and trade, the Western Cape needs to

reinforce its efforts to attract foreign direct investment and market its products for export.

Wesgro, the Provincial Trade and Investment Promotion Agency, is tasked to undertake this mandate. With its strong

experience and track record, Wesgro has developed best methodology for foreign direct investment that has seen it successfully attract R7 billion worth of investment and 16199 jobs since 2005. It has historically provided training and export access assistance to local companies.

The 2010 – 2015 strategy of Wesgro will be as follows:

Strategic Intervention 1: Investment Promotion.

Having followed best practice methodology, Wesgro will continue to strengthen and deepen its investment recruitment by maintaining sectoral targeting, but further compliment this through the development of investment opportunities identification and profiles within each targeted sector. This approach will be further supported with the use of location decision-making tools in order to provide compelling arguments for choosing the Western Cape as an investment decision. In addition, the entity will forge linkages and deepen relationships with the clusters, leveraging their sectoral network and membership base to broaden its international contacts and deepen its catchment's of local beneficiaries.

Strategic Intervention 2: Investment Facilitation.

Wesgro will seek to provide an edge over other investment recruitment agencies through the provision of superior facilitation assistance, promoting greater value-added services. This sub-strategy recognises the highly competitive environment of foreign investment and acknowledges that the Provincial levers (such as tax incentives and land) to attract investors into the region are limited. As the Province cannot compete with other regions on this basis, it will seek to compete on the basis of service quality. This will entail strengthening the facilitation unit and a greater focus on cooperative relationships with regulatory officials and departments that have a role to play in the realisation of the investment projects, such as the Department of Labour.

Strategic Intervention 3: Export Promotion.

Export promotion activities will compass development (training and intelligence-sharing); promotion (actively assisting companies to market their product internationally); and facilitation (proactively pursuing opportunities arising from international markets). In addition, export promotion activities will have a specific focus on activities in targeted and/or "High Growth" markets. Collaboration with the cluster bodies will be strengthened, leveraging off the strong networks of companies within the cluster, particularly with respect to more sector-specific marketing activities.

Strategic Intervention 4: Outward Investment

Particularly with respect to Africa, Wesgro will begin to explore

(budget allowing) the outward investment opportunities with respect to West Africa. The institution has already built up considerable intelligence and relationships within the West African countries and within the enabling encouragement and endorsement of NEPAD, the African Union and SADC, Wesgro will seek to increase the growth and competitiveness of Western Cape companies through outward investment.

The focus in the next five years will therefore be on strengthening the institution and its investment and trade promotion role in the province, particularly its capability to target key investments in a more pro-active approach.

Strategy 2: Cape Marketing Alliance / Cluster

When compared to the purchasing power of the South African currency, international agencies tend to have significantly more resources than the collective marketing budgets of the government-funded entities within the Western Cape. With the economic downturn, the competition to attract tourists, investors and buyers has become more intense and there is an urgent need for the Western Cape to 'step up' to the plate with respect to promoting the region. However, 'stepping up' does not necessarily imply providing greater financial or human resources. Resources are limited and marketing can be an extremely expensive exercise, particularly in dollar, euro or pound currency-denominated target markets.

In accepting that the Western Cape has taken a differentiated approach to marketing, co-ordination becomes paramount. But co-ordination is not merely limited to current government-funded entities that have a role to play in promoting the Western Cape. Beyond the marketing organisations that are supported by the Provincial Government, there are a plethora of private sector-driven organisations and entities within other spheres of government which actively promote aspects of the Western Cape, which have access to international platforms, or which have significant influence over perceptions of foreigners. These include organisations such as Accelerate Cape Town, Cape Town Partnership, Cape Chamber of Commerce, Afrikaanse Handels Instituut, Western Cape Business Opportunities Forum (Wecbof), the South African Chamber of Commerce & Industry, NAFCOG, Chambers of Commerce and Industry South Africa: Western (CHAMSA WESTERN CAPE), the South African Chamber of Commerce & Industry (SACCI) and the 81 tourism organisations operating from a district or town level.

In spite of the array of organisations which have marketing the region (or aspects thereof) - or perhaps because of the array of organisations, there have been gaps in marketing the region. Currently, the marketing of the Western Cape

and products/services strongly associated with the Western Cape is fragmented and there is a need for clarity of common purpose and a requirement for leadership to work as a collective while still maintaining the independence and integrity of their organisations' functions and objectives. Ineffective communication results in confusion and miscommunication as well as unfocused and even conflicting activities.

Consolidation of these entities is not sought or proposed. The Provincial Government is rather seeking a co-ordinating mechanism to bring all the relevant stakeholders together to create an coherent marketing message and shared image of the region, accommodating the needs of the various stakeholders and providing a forum which addresses cross-cutting challenges which can only be overcome through joint initiatives or collective effort. In short, the purpose of the Cape Marketing Alliance will be to:

- Enhance synergies and increase cross-sell opportunities amongst stakeholders e.g. 2010.
- Share marketing strategies, intelligence and opportunistic leads.
- Co-ordinate and drive cross-cutting initiatives e.g. Air Access to Africa.

Through the Cape Marketing Alliance, the underlying economic comparative and competitive advantages of the various industries and constituencies within the Western Cape can be pooled and shared.

Strategic Priority: Sector Development

Context

Part One has summarised key global, national, and Western Cape economic trends. These have shown that the growth in services will continue, and that global trade and tourism will remain a dominant growth force.

There are three major forces which are affecting the economy: globalisation, rapidly changing technology and growth in inequality. In general, globalisation refers to the growing interdependence of economics around the world. This changed context means that local companies, products and people compete with global players in not just the international, but in the local and domestic marketplace. Technological change creates new products, new jobs and new industries – and it transforms and destroys others. Technological advances are one of the fundamental forces causing structural shifts in the world's economy.

Essentially, all regions, and the vast majority of businesses, are subject to economic competition from other regions and businesses. Sustainable economic development is therefore a process of constantly enhancing competitive advantage so as to sustain and accelerate business formation and growth. Supporting regional clusters and clustering is globally recognised as one critical intervention to enhance regional and business competitiveness and economic sustainability.



Figure 8: Cape Marketing Alliance Co-ordination

Despite the world economy enjoying overall growth over the last two decades, growth has not necessarily been equally shared by countries or by its population. As measured by the GINI coefficient, the measure of the inequality of income distribution within a country, some countries in fact experienced an increase in inequality despite experiencing economic growth. South Africa now has the highest level of income inequality in the world.

The Provincial Government has taken these phenomena in account when formulating the Western Cape industrial strategy.

In addition, the Department has reviewed the National Industrial Policy Framework (a revised version of which is scheduled to be released in January 2010) as well as the City of Cape Town's draft Economic Development Strategy (released in January 2009 and in October 2009 for public comment).

Selecting Sectors

In shaping economic development policy, Michael Porter, who was among the first to recognise the power of clusters to boost regional economies, argues that the public sector role is to improve the circumstances that impinge on competitiveness. Those circumstances are not always simply cost-related factors or the availability of natural resources. Rather companies move to higher levels of competitive performance when economic foundations (e.g. labour pool, knowledge, physical infrastructure, regulations) are shaped to sector or cluster needs.

An examination of economic policies confirms that countries, regions and cities which are regarded as best practice such as United Kingdom, New Zealand, Singapore, Spain, Chile and Ireland have adopted a sectoral approach, selecting key and often emerging sectors which have 'led' the economy and then developing an enabling environment to ensure its growth and development.

The diversity of sectors and sub-sectors is viewed as strength of the Western Cape economy as it reduces the risk of overdependence on any single industry and reduces the impact of external economic shocks to the region. The broad spectrum of the MEDS research is therefore a reflection of the provincial economy that is diversified. Furthermore, the Western Cape has a wide range of industries and niche sectors that are growing and/or have growth potential.

Growth is therefore likely to occur across a broad range of sectors and is not confined to a few sectors.

With the adoption of a sectoral approach, the selection of sectors becomes pertinent, particularly given the array of industries that exist within the Western Cape.

The Department, through the MEDS process, has conducted detailed research on a wide variety of sectors in order to:

1. Determine their future growth potential.
2. Identify key actions to realise this growth potential.
3. Identify the extent to which scope exists for provincial government to undertake interventions which can have a meaningful impact on this growth potential.

Based on the outcomes of this research, and as outlined in the previous section's summary of the MEDS approach, the Department, assisted by the Oversight Committee, has chosen the following set of prioritised sectors as having the most potential to contribute to the Province's strategic objective of increase and inclusive economic growth and job creation.

The criteria used to determine the selection of sectors are as follows:

- Inclusive Growth, (and in particular, export-led growth).
- Job absorption potential.
- Ability of the Provincial government to intervene.

a) Priority high impact "flag ship" sectors: Business Process Outsourcing, Information and Communications Technologies, Creative Industries, Oil and Gas offshore services and facility construction, and Tourism;

The priority sectors are those industries which can have a significant impact, understood in terms of output and equity objectives, weighted against resource commitments understood both in terms of finance and human resources. Where a sector has significant potential and the resource costs are likely to be limited, it will qualify as a lead sector. The existence of an effective and representative sector body also adds considerable weight in the selection.

b) Important / Significant sectors: Clothing and Textiles, Boat-building, Arts and Entertainment (Film, Craft, Visual and Performing Arts, Music), Metals and Engineering, Furniture; Agri-processing;

With respect to significant sectors, these industries warrant governmental attention, particularly because the resource implications are limited. The sector research indicates that they are not likely to achieve substantial growth in the immediate future in terms of output or employment. However, other factors bring them to the fore as warranting some medium level prioritisation, including contributions toward the inclusion goal of the Province. In addition, these sectors have representative organisations and in certain cases, the social implications (e.g. loss in employment in clothing) of not assisting them are substantial. In other cases, they clearly provide important linkages to the lead priority sectors, and bolstering them would have a significant spin off for these sectors (e.g. craft and film have direct linkages to the tourism sector).

c) Emerging sectors: Renewable Energy, Aquaculture, Biotechnology and Electronics, Green technologies
 Watch-list or emerging Sectors: These industries do not have likely growth prospective or they are still in their infancy stages of development. In the former, the interventions by Provincial Government therefore will be limited and will entail periodically evaluating the sectors to identify positive developments which may change its growth trajectory. In the latter, the Provincial Government will undertake exploratory initiatives to assist with the establishment of the industry.

Questions often arise as to why the Department is not supporting other sectors of the economy which make substantial contributions to current employment. The following three sectors are not reflected as Priority or Significant Sectors for the Department (refer to the detailed MEDS sector reports for further information) and/or are already being effectively supported through other provincial departments and/or other Department programmes (e.g. business development and transformation, trade and investment promotion).

The main reasons for the Department not providing support for these three sectors, which are large sectors in terms of provincial employment, are as follows:

Financial services

Employment growth has been in decline and little or no opportunity exists for provincial government to influence (re) location trends due to the head and branch office nature of this sector. The three opportunities are:

1. Supporting export growth by assisting expansion of the

sector in Africa;

2. Enhancing access to financial services by the lower end of the market.
3. Promoting business process outsourcing in insurance and asset management administration. This opportunity is being address by the Business Process Outsourcing Priority Sector strategy.

Regarding the first two opportunities, the sector is performing well and the job creation growth potential is not deemed to be significant in relation to the existing priority and important sectors.

Transport

The MEDS research paper on transport identified a wide range of public transport and infrastructure issues which require attention and which have significant impacts on the Provincial economy. Many of these issues are being addressed by the transport departments in the three spheres of government. From a direct industry job creation point of view, many of the policy tools sit with national government (e.g. the taxi re-capitalisation process).

In terms of motor vehicle manufacturing, the majority of manufacturing capacity is located in the Eastern Cape and Gauteng, and served by the specialised ports of East London and Durban, with a small number of equipment suppliers being located in the Western Cape. Due to the very constrained logistics delivery time-frames, the Western Cape's distance from the Original Equipment Manufacturers (OEMs), and the lack of specialised port facilities, the job creation growth potential is not seen as significant in the Western Cape. Therefore, the focus has been on other related industries such as the Metals and Engineering sector which supplies a far wide range of upstream industries.

Wholesale and retail

This sector is a significant provider of employment and its growth is predominantly influenced by the strength of domestic demand (as well as expansion into overseas markets) and therefore is not seen to possess significant growth potential which lies within the influence of provincial government (see the intervention opportunity example diagram below which shows that most of the levers impacting on the industry do not fall within Provincial Government powers).

We must have the courage to make to make difficult choices about investment priorities, industrial policy options, spending priorities, technology alternatives and trade strategies.

Minister of Finance Pravin Gordhan
Budget Speech 2010

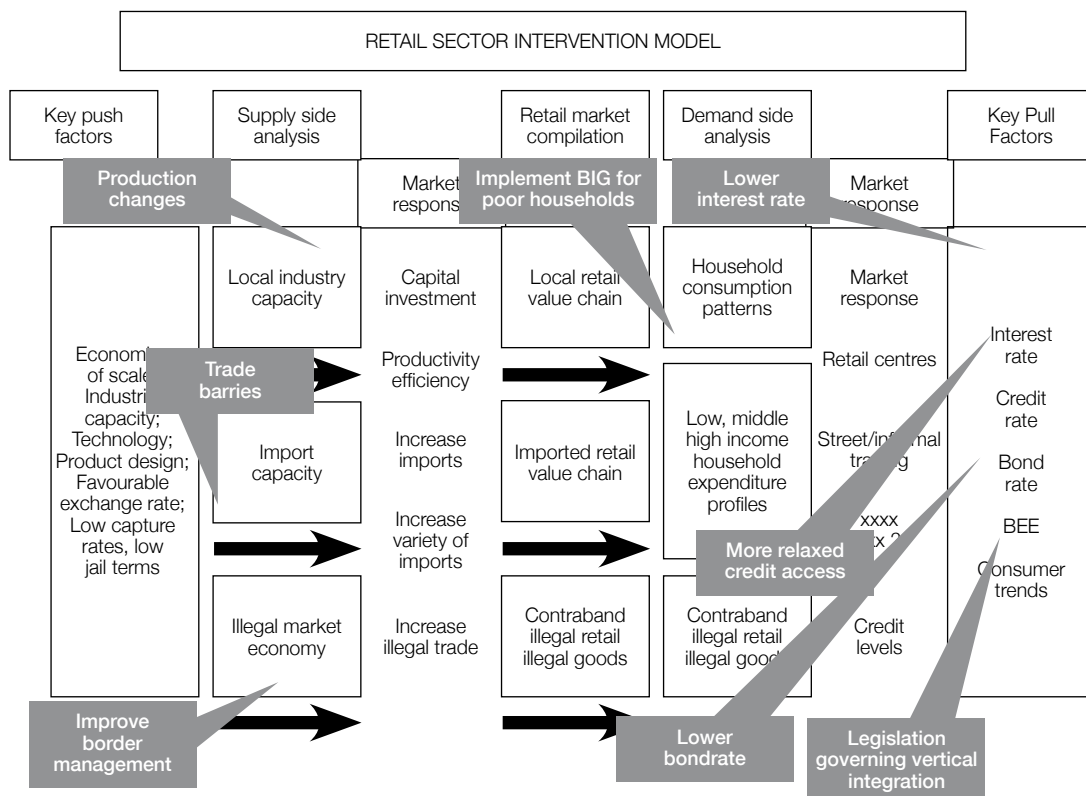


Figure 9: Example of a Retail Sector Intervention Model (Source: Silimela Development Services (www.silimelafrica.com)).



The sector has only recently begun to receive national attention from a sector development perspective. Key issues which have been identified include:

- Import substitution and increasing competition for global retailers.
- Informalisation and relationships between formal and informal role-players.
- Illegal contraband.

While there are issues which impact cross different industries, each industry within the economy has its own dynamics, stakeholders, challenges and opportunities.

Sub-programme 3.2: Sector Development
Strategic Priority: Sector Development

Now is the time to lay the groundwork for stronger growth going forward, and for growth that gives rise to more jobs.

State of the Nation Address 2010
 His Excellency JG Zuma
 President of the Republic of South Africa

Strategic Objective	To support and develop economic sectors as a key contributor towards the achievement of maximising economic opportunities, sustainability and growth.
Objective statement	To develop and grow businesses in prioritised sectors to facilitate and sustain 8,743 jobs, increase 342 businesses expanded and/or sustained, facilitate R640-million of investment and exports, leverage R527.8-million from stakeholders.
Baseline	No of jobs facilitated/sustained = 0 No of businesses expanded = 0 Value of stakeholder contributions = R29.2-million Value of investment and exports = R100-million
Justification	Stimulating and supporting the development of sectors will be achieved through a range of initiatives targeting existing businesses within the relevant sector, and potential entrepreneurs and employees entering the industry. The initiatives will increase global competitiveness of enterprises operating within the sector, and facilitate demand access opportunities to facilitate the sustainability and growth of firms and employees within the affected firms. The expansion of firms will then also contribute towards above-average growth in the economy. The range of interventions offered to firms have a common purpose, namely to increase the number of sustainable jobs, to increase the expansion of firms, and to increase the number of new firms within the sector. The interventions will differ in intensity, priority and content, depending on the unique needs of the sector, and will (1) help established firms to help new suppliers come into existence and to help other suppliers expand through procuring preferentially; (2) offer supply-side assistance to increasing firms' capacity to take advantage of demand-side measures; (3) offer benchmarking services; (4) offer innovation and technology services; (5) increase the skills of targeted firms' management and employees; (6) facilitate sector development through keeping firms well informed about developments in their sectors; (7) increase the skills and experience of members of the workforce to increase their capacity to fill "skills gap" vacancies; (8) increase the skills and experience of low-skilled individuals to assist them to compete for employment effectively; (9) offer advice and services in all localities; (10) offer advice and services in localities in which per capita GRP is low; and/or (11) implement transformation programmes.
Links	Developing and assisting sector development are key objectives in the National Industrial Action Plan, the Western Cape Strategic Framework and the Provincial Growth and Development Strategy in order to transform the economy and achieve above average growth.

Strategy 1: Clustering

The Department's core strategy for industry development is the clustering strategy, which will be focused on the priority, important, and emerging sectors listed above.

An "Industry cluster" is an economic development concept championed by Dr. Michael Porter, who was among the first to recognise the power of clusters to boost regional economies. Cluster initiatives are collaborative activities by a group of companies, public sector entities, and other related institutions

with the objective to improve the competitiveness of a group of interlinked economic activities in a specific geographic region. Clusters, of which Silicon Valley was one of the early adopters, have become main-stream policy for developed and developing countries' economic policies, as it presents a sustainable and systematic mechanism for co-ordination between government, business, and academia.

The motivation for countries' support of clusters and regional specialisation originate from one of three main policy families,

namely regional policy, science and technology or industrial/enterprise policy. In all three of these policy fields, there has been a movement away from a top-down and single-sector approach towards policies that favour co-operative, multi-actor and more frequently, place-based approaches. This is a shift from a scenario where government drives economic development through policy interventions and incentives towards the model where through clusters, economic development is a collaborative process involving government at multiple levels, companies, teaching and research institutions and private sector organisations.

The target groups of clusters to realise main policy thrusts tend to fall within three major categories, namely (1) places (leading regions, lagging regions, hub areas), (2) sectors (dynamic, exposed, strategic, social significance), or (3) groups of actors (universities, SMEs, multinationals etc). In a number of cases, as with the Western Cape, government targets a combination of these different target categories for cluster activity.

The Western Cape's approach to clustering has involved supporting the development of public-private partnership non profit cluster facilitation organisations, called Special Purpose Vehicles, which focus on addressing the cluster-specific needs and opportunities facing high potential clusters.

Clustering Strengthens Localisation Economies. The concentration of an industry at a particular location may result in significant cost savings to firms in the cluster. These cost savings are referred to as *localisation economies*. Sources of potential savings include a greater availability of specialised input suppliers and business services; a larger pool of trained, specialised workers; public infrastructure investments geared to the needs of a particular industry; financial markets familiar with the industry; and an enhanced likelihood of interfirm technology and information transfers.

Clustering Facilitates Industrial Reorganisation. The transition in industrial organisation from large firms engaged in mass production to small firms focused on speciality production is well documented. This change in industrial structure is attributed to increased global competition and the emergence of new production technologies (e.g., computer-aided manufacturing).

Clustering Encourages Networking Among Firms. Networking is cooperation among firms to take advantage of complementarities, exploit new markets, integrate activities, or pool resources or knowledge. This cooperation occurs more naturally and frequently within industry clusters. And surveys of manufacturing networks find that firms in networks perceive significant advantages from cooperation with their

counterparts. Networking firms are more likely than non-networking firms to engage in collaborating and information sharing in marketing, new product development, and technological upgrading. The networking firms also report that their competitiveness and profitability are enhanced by interfirm cooperation and collaboration.

Clustering Permits Greater Focusing of Public Resources. The targeting of industry development efforts permits regions to use their limited economic development resources more efficiently. First, a clusters approach enables regions to focus their recruitment, retention and expansion, and small business development programs rather than attempting to provide assistance for many different business types. This tailoring of development initiatives permits clearer identification of specific industry needs and enables (for a given budget expenditure) the provision of fewer but more highly valued programmes. Second, because of linkages among firms in a cluster, programmes supporting specific businesses will have relatively large multiplier effects for the area economy. The total employment and income gains from recruiting (or retaining) cluster members will likely exceed those associated with non-cluster firms of similar size.

The Western Cape Cluster Strategy has been influenced by the broad cluster literature. Since the establishment of the first cluster, Cape Information & Technology Initiative in 1998, the Western Cape has established 16 successful clusters, or Special Purpose Vehicles.

The main thrusts of the Western Cape Cluster approach is to firstly overcome the deeply rooted South African network failure, and secondly to proactively and constructively adapt and respond to the constantly evolving needs of the sector. The Department has also effectively used the clustering system to assist in the development and implementation of sector-specific initiatives to address opportunities and challenges of the sectors.

The MEDS recognised the existence of both market failure and institutional failure, and hence the need to create specific institutional instruments to deliver public goods, coordinate network alignment, and meet market needs. The SPVs are the institutional mechanisms enabling provincial government to assist industry meet specific sectoral needs and achieve firm competitiveness. The Sector Bodies do this through facilitating the alignment between specific sector firms and provincial government, as well as assisting firms/enterprises to cooperate with each other. The SPVs are hence the most important mechanism ensuring that industrial policy remains relevant and responsive to the needs of the firms and sectors it is designed to support.

The Sector Bodies are constituted to include industry and government department stakeholders on their boards, to which they are jointly accountable on an annual basis. They have to consult broadly and frequently among member firms and then report on their needs and design support mechanisms to address these needs. The SPVs are the focal point of learning, dialogue and information exchange between the private sector and government, led by the former, in formulating policy plans. Given the limitations of government capacity, SPVs are expected to carry much of the burden of industrial policy – its evolution as well as strategic implementation.

One of the simplest, but narrow, indicators of success for an SPV is its ability to leverage additional funding on the basis of government support. – i.e. the growth in the percentage share of its annual budget derived from stakeholders other than provincial government. This indicator is easy to measure and report on and reflects broader levels of satisfaction with the institution. Monitoring and evaluation of SPVs therefore has to be based primarily on the degree to which the perceived needs of firms are met, since these needs are going to change over time, and this is best measured indirectly by assessing whether firms themselves see a benefit in becoming paying members of the SPVs.

In the past financial year 2008/09, the Sector Bodies have not only successfully ‘crowded in’ external funding, but for the first time in its history, collective funding from other sources exceeded the financial support provided through the Provincial Government. Provincial Government, through the Sector Bodies, succeeded in leveraging an additional R29.2 million from other spheres of government, private sector and foreign donors into the various economic programmes within the sector strategy. It should be noted that the bulk of the funding was mainly driven by the more established Sector Bodies which had established credibility, capacity and strong networks. The support provided by the Provincial Government is therefore used as a pull factor to demonstrate government commitment, collaborative funding, and the implementation of interventions identified as relevant to the industry. It effectively harnesses and pools resources to maximise the impact of the various programmes.

Finally the relationship between the provincial government and the various SPVs as embodying process, engagement and learning is of critical importance. The SPVs implicitly understand this. Rather than viewing the MEDS as a set of codified policy prescriptions, they understand it as the mechanism to establish relationships between government and the private sector. Likewise they see their own obligation and responsibility as providing the institutional nexus where this process of learning,

policy reformulation and strategic intervention by government and industry occurs. It is this interrelationship that will determine the success, or lack thereof, of the MEDS as the key pillar of industrial policy in the province.

In summary, the Provincial Government has effectively used clusters in the following ways:

- As an analytical tool: to better understand the economy and define the economic development required customer;
- As an organisational tool: to engage industry leaders in a regional strategy and to foster communication, networking, and improvement among the companies within and across clusters; and
- As a service delivery tool: to provide high-value specialised services to key industries.

Looking forward 2010-2015, the provincial government will need to do two things:

- a) Focus its limited funding on its Priority Sectors (see strategies below)
- b) Be creative in responding to new and evolving high impact opportunities by providing limited support to emerging sectors where some commitment from the private sector for a collaborative cluster initiative can be demonstrated early on.

The Provincial Government has increased its focus on the lead sectors and interventions therein. The intention is not to dilute resources, but ensure that projects have appropriate impact. This notwithstanding, the network of clustering will continue to be supported financially, but the Provincial Government intends to withdraw project funding as from the second Medium Term Budget Framework year and replace funding of projects with the Open Architecture Fund in the forthcoming years, which will provide financial support on the basis of collaborative or reciprocal funding. Open to all stakeholders, one of the critical criteria includes matched funding from external stakeholder funding.

Information and Communication Technologies Sector

Global and National Overview

South Africa's Information Technology market is the largest in Africa, ranking 20th in the world in overall market size, and eighth in IT spending as a proportion of GDP. In 2009 the global economic slowdown had a negative impact on IT spending in key IT verticals. Meanwhile, a combination of rising unemployment and global economic uncertainty has led to a sharp slump in consumption growth, IT market spending has decelerated sharply as a result, with negative growth forecast, and due to the global economic situation, this sluggish market is expected to persist until at least 2010.



Western Cape ICT Industry

The Western Cape accounts for approximately 15% of the South African market. According to the Information Systems, Electronics and Telecommunications Sector Education & Training Authority (ISETT SETA) 2009 employment figures, the Province is estimated to have approximately 3000 companies and makes up 17% of national IT employment, or 23 430 people, however this could be an under-calculation. Unlike the Gauteng province, where industry employment is concentrated in a much higher concentration of medium and large sized firms (78%), the local ICT firms are predominantly small and micro in size; 91% classifying themselves as either micro, very small and small start-up and established firms.

Government, corporate retail, SMEs and corporate financial services companies are the most important customer groups for the Western Cape ICT industry. Nevertheless, the size of the local market is small with the bulk of the procurement occurring in Gauteng. Export potential is therefore critical for growth, and the online digital media and software development sectors have the highest levels of exports (29% in 2007), which are driven by factors that include an increased use of the Internet globally, limited local market size and an increased international demand for specialised skills located in the Western Cape.

While foreign investment levels vary significantly, less than 6% of firms have received foreign investment (via joint ventures, equity and proof of concept funding). Securing investment is a particular challenge by all ICT industry sectors in the Western Cape.

Strategy 1: Clustering

Clustering in the Cape IT Initiative's (CITI) provides the local collaboration to create global awareness, promotion and competitiveness of the local ICT niches, products, services and innovation. Over the last five years, CITI's successes and achievements have remained solid and not out of sync with trends experienced in the global ICT environment (dotcom burst, global economic slump, etc). The CITI has forged strong local and international linkages through its networking events, membership programme and alliances with key private and public sector entities.

Strategy 2: Skills Development

The national and provincial status quo, in terms of immediate skills needs and skills types, is alarming. South African ICT firms require 70 000 skilled ICT skilled personnel. Given the region's existing competencies in Wi-Fi technologies, open source, mobile applications, web development and business applications development, the strength of the digital media niches in post-production, animation, gaming, advertising,

and the comparatively higher quality of senior and tertiary outputs and the high levels of successful entrepreneurial activity, creates the appropriate mix and experiential learning environment and placement to attract and create not only new ICT professionals, but also new ventures and the expansion of existing firms.

Strategy 3: Innovation & Incubation Support

Entrepreneurship, closely associated with the level of economic development of a country, is a crucial engine for innovation and growth for the economy and individual companies. Middle-income countries tend to exhibit the highest levels of early stage entrepreneurial activity; however in South Africa's case, our entrepreneurial activity rate (at 7.8%) is consistently lower, and is characterised by low levels of new business and established enterprises prevalence rates.

The Western Cape SME sector and the ICT SME sector in particular, provide significant regional economic development potential. The Province is highlighted as one of the three most entrepreneurially active in South Africa, with Cape Town exhibiting not only high levels of start-up entrepreneurship, but also significantly higher levels of activity motivated by the willingness and attention by entrepreneurs to seizing an unexploited opportunity. Well known ICT entrepreneurship and innovation award winning success stories have its roots in the BWP, (either as former tenants or business support programme beneficiaries). Since 2004 more than 70 ICT SMEs have been incubated; start-up ICT enterprises have increased employment by 89% since 2005 and turnover increased by more than 40% as a result of business mentorship support programmes.

Strategy 4: Telecommunication's Infrastructure and Broadband Initiatives

Within southern Africa, South Africa is the largest economy and displays the highest levels of ICT development. However in terms of the overall status quo, South Africa has declined by 10 places since 2002, when it ranked 77th in the world in terms of its ICT development (ITU, 2009:22). The importance of a country's broadband penetration and ICT development status is inherently linked to its economic development level and regional growth potential.

Comparatively, broadband penetration in South Africa lags behind countries with a similar level of development such as the Czech Republic, Poland, Hungary and Turkey. Of the estimated 4, 5 million Internet users in South Africa in 2008, South Africa's internet usage has increased by 12, 5% (the highest growth rate since 2001). However, as a result of a decade's worth of excessive pricing by the former monopolistic national bandwidth provider, Telkom, comparative to other

regions, South Africa has a very low broadband penetration rate per person of 0.6% and has fallen into fourth place in terms of its internet penetration levels in Africa.

In 2008, the City of Cape Town (CoCT) announced its intention to build its own municipal broadband infrastructure network, laying approximately 360km of optic fibre cables linking all its main municipal buildings and used to carry all of the CoCT's voice and data traffic. Since that time, the City has been unsuccessful in raising the finance needed to implement this infrastructure. Nevertheless, in terms of the potential economic impact of the City's broadband rollout, the chief conclusions reached were that the proposed project would result in two significant macro-economic benefits, viz. contribution to GDP and creation of jobs. In terms of the GDP (or gross geographic product) it was estimated that Cape Town's economy will have grown by 2.26% by 2016 and at 4.59% by 2026. Similarly, increases will be felt in the numbers of direct and indirect jobs created; with an anticipated 252 000 jobs could be created by 2027. The majority of the indirect job creation will be as a result of the structural changes to the City's economy, primarily as a result of the cost savings and especially, lowered telecoms input costs which positively affect productivity gains that would make Cape Town's businesses and industries more competitive.

Business Process outsourcing and off-shoring (BP&O) Sector Context

The offshore BPO market is an established one. In 2009, industry estimates are that the total BPO market size to be in the region of US\$30 billion annually, and over the next few years the industry is poised for strong growth – estimated to reach an addressable market of between US\$ 220 – 280 billion in opportunities by 2012. The banking, financial services, insurances (BFSI) and manufacturing industry verticals will collectively constitute over 70% of this global BPO off-shore opportunity. Within this global BPO market opportunity, 90% will be in the non-voice, back office, higher-value added industry specific functions.

Top locations poised to service this demand are India and the Philippines. Given its intrinsic strengths, South Africa is well positioned to access this market but needs to act quickly to capture its rightful share in the global sourcing delivery.

The current financial crisis presents opportunities for South Africa and the Western Cape's growth potential in attracting market share in off-shore BPO, especially in verticals including financial services BPO and industry-specific functions and processes. As a regional and highly successful BPO hub in South Africa, the Western Cape has, over the last five years, consistently outperformed national industry trends and offers

an attractive value proposition and significant opportunities as a provider of niche-based BPO&O industry-specific services.

The Province's BPO industry is characterised as a young, fast growing and major employer within the Province. By 2008, 27 819 people were employed in this sector, with an annual employment growth rate of 29% since 2004, compared to the 8% annual industry growth rate over the same period (2008 national industry employment was estimated at 80 000). As a Top 10 employer within Cape Town, this young industry accounts for about 3.1% of the total number of people in formal employment in Cape Town. Hence, BPO is regarded as a major contributor to the provincial economy, with an estimated total economic impact of R2,5 to R3,3 billion of WC Gross Regional Product.

The estimated industry comprises approximately 250 firms. The major sectors of the industry are telecommunications, retail, the various categories of financial services, healthcare, marketing and information technology, confirming that the Province has an advanced and growing expertise as a financial services (particularly insurance) hub in Africa, with most large retail and telecoms companies also established here.

Strategy 1: Clustering

As early as 2003 the Western Cape Provincial Government prioritised the BPO&O industry as a key sector for its sizeable job creation appeal and FDI-earning potential. CallingtheCape, a non-profit organisation, was founded in 2001 and since its establishment has closely worked with Government (provincial and local) in a public-private partnership to realise the common goal of job creation in the BPO industry.

Since 2004, CallingtheCape has facilitated approximately 41 new investments and expansions by 27 domestic and international companies into Cape Town, approximately 14 142 jobs have been created of which 6 000 are direct off-shore jobs. Using the indirect job multiplier calculation (every one direct BPO job, three indirect jobs are created), more than 52 000 indirect jobs have been facilitated.

2010 – 2015 Focus

CallingtheCape's plan seeks to develop both investment demand and enterprise and talent supply, whilst ensuring ongoing stakeholder and industry alignment. Programmatic focus will be spread across its four main pillars of BPO sector development including the targeted and niche-based approach to investment recruitment and destination marketing, ensuring the supply of employable, skilled entry level, management and specialist skills across industry verticals and functional areas. To ensure for transformative

growth in this rapidly growing industry, the focus on enterprise development, economic empowerment and opportunities for new market entrants will be continued, whilst operating a transparent and unified industry development function as the regional industry association.

Strategy2: Skills Development

The Provincial Government believes that BPO represents probably the greatest opportunity for large scale job creation in South Africa for young, unemployed, previously-disadvantaged people since the advent of democracy. The rationale is three-fold:

- **Rapid employment growth:** overall, employment growth has averaged about 30% since 2004, almost four times the national growth rate and locally, the fastest growing local industry. More than 14 000 formal jobs have been created, with total industry employment standing at approximately 20 500. The overwhelming majority of new employment has been amongst previously disadvantaged, unemployed and unemployable Black individuals, primarily matriculants.
- **Current unmet skills supply of existing demand:** According to the 2007/8 industry survey, the local BPO industry forecasted an expected annual growth of 26% in their agent requirements over the following 12 months. This implies that if there are currently 16 000 FTEs (agents) employed, the local industry projects need a further 2 260 to 4 160 entry level staff by the end of 2009 and at least 314 skilled middle management staff, the latter being in critical short supply.
- **Opportunity to attract global off-shore new BPO work:** The opportunities and potential exists for South Africa and the Western Cape to capitalise on new opportunities in the short and medium term for attracting global offshore BPO work, particularly in industry verticals such as existing competency areas including financial services, telecommunications (back office, non-voice functions) or high quality English language front office work. Assuming a conservative projection of 1 750 jobs (new and expansions, based on trends over last few years), the industry in 2014 will need to recruit, train and deploy over 8750 agents.

A key strategic thrust in the sector strategy would be to invest in entry level skills. The total estimated entry-level talent for BPO in South Africa (including high school graduates) is estimated to be 470 000 annually. In addition to scale, this entry level talent pool has strong English language proficiency and cultural affinity with the United States and United Kingdom.

Addressing the key market failure to increase the work readiness, employability and uptake onto industry-specific

learnerships will be a key priority for this Department to assist the future anticipated growth and sustainability of this industry. A structural intervention will also assist in ensuring the supply and suitability of the labour force to enter the higher-value added skills areas, primarily required in the back-office and niche-based BPO functional areas.

In addition to a focus on entry level skills, the region also needs to concentrate on the development of middle and senior management skills. Currently team leadership skills are already in short supply, with an estimated requirement for over 300 skilled team leaders immediately required. However, this Department alone cannot effectively address BPO skills development challenge. Critical partnerships with government departments including Education and Labour are required to ensure that skills supply is in line with current and projected industry demand. Similarly, private sector training resources, if spent on training fundamentals (e.g. literacy) is not efficiently spent. This presents an opportunity to leverage industry co-funding and matching grants to ensure that the benefits of public sector support for skills development results in improvements (within companies) in employee productivity, outputs, staff welfare and progression, lower attrition and the evolution of the industry up the BPO value chain.

Strategy 3: Destination Marketing via Investment Promotion and Export Development

In studies benchmarking South Africa against established Tier 2 off-shoring destinations such as India and the Philippines, it is apparent that South Africa is not the cheapest BPO off-shore destination. However, the advantages offered by the Western Cape as a BPO destination include a strong presence and advantage in growing BPO niche areas, particularly in verticals and industry-specific functions in the Western Cape's major industries, including financial services (banking, insurance, investment and asset management), telecommunications, technology support and retail industries;

As a result, the Western Cape promotes a 'value-for-money' image in its marketing efforts to international companies. This image needs to be reinforced through all available mediums and platforms, whether at industry-specific conferences or in other forums where potential international outsourcers may be attending.

Oil and Gas Sector

Strategy 1: Clustering

In reaction to an approach by some marine engineering companies, the Department funded a study on the upstream oil and gas market, particularly West Africa's booming oilfields and the opportunities this presents to South African (and in particular Western Cape) companies – mostly in the metals engineering field.

Over the past five years the degree of cohesion, even among direct competitors in the industry, has increased dramatically, with many industry members being involved in finding solutions for constraints that affect the industry as a whole. Some of the combined efforts of industry members (on a voluntary basis) and government – through SAOGA have yielded tangible results.

Annual trade missions to OTC have grown into a large South African Pavilion with 20 participating companies. A central reference point for industry enquiries has been well established as well as an access point for the industry to interact with government and to lobby for assistance in unblocking industry constraints. A skills project office has been established and hundreds of industry workers have been skilled or up-skilled over the last two years – mostly as a result of a R 13 million allocation from the Department of Labour.

Most of the current clustering activities are focussed around three types of activities:

1. The necessary platform is created from where communication to the industry is organised. Information is gathered and distributed through newsletters, information briefs and responding to enquiries. Regular visits to companies in the industry ensure that there is a constant measurement of the “pulse” of the industry. This creates a central intelligence base on the needs of the industry, general market conditions as well as specific constraints that need to be unblocked to make the industry more competitive.
2. This platform is used for coordination and networking among firms. The networking function helps to build trust and understanding among various levels within the value chain, as well as between competitors in the same value chain segment. The practical outcomes of the increased levels of trust and understanding are e.g. sharing of knowledge and market opportunities, expertise and technology enhancements, co-ordination on joint projects, etc. Through co-ordinating individual stakeholders’ efforts toward improvement of the industry, the cluster also benefits from higher impact of collective efforts by avoiding duplication, reaching critical mass and improved efficiencies.
3. The cluster body is the main driver for promoting the industry through marketing and lobbying. Because of the increased profile of the industry among the general public as well as lawmakers, government departments and public institutions, there is a greater understanding of the importance of the sector. This helps with the creation of a business environment that is more conducive for the industry to thrive. The industry attracts better skills if it is seen as a promising or satisfying career option; Public policy and regulation can be tailored or applied to be supportive of the industry as opposed to creating

obstacles; and government support for developing of job opportunities and economic growth can be focussed to address the specific needs of the industry.

Future Plans

Over the next five years, the major strategic push would be to address mindsets within the industry. Once the cluster body has established itself as a credible organisation that has the best interests of the industry at heart; is representative of the industry as a whole; has the technical competency to focus on the real needs of the industry; and delivers value to its members by providing solutions to fulfil those needs, it can afford to start challenging the status quo and the points of departure upon which it is based.

A continuation of networking and communication functions should still be the cornerstone of clustering activities, but will no longer be a simple case of fostering relationships, but also to challenge the status quo and point toward a new way of doing business. New relations, especially with national government are required to leverage funding and co-operation towards unblocking industry constraints.

Strategy 2: Be regional skills hub for sector

The immediate focus of skills interventions in the sector is to train more artisans for the marine engineering environment. The current program trains welders, fitter & turners, burners, pipe fitters, riggers, etc. The industry is still desperately short of these basic skills while some major projects are on the horizon. More funding need to be attracted to this project if it is to make a meaningful contribution to the skills shortage in this industry.

In the medium term some structural deficiencies need to be addressed. Marine engineering specific qualifications need to be formalised in the form of unit standards, training material and accreditation. These need to be done to exacting international standards to comply with international safety, health, environmental and quality standards. A major push is also required to ensure that the most appropriate candidates are recruited into skills programmes for the industry. Various forms of assessment and recognition of prior learning (PRL) are important tools to ensure quality recruitment into the training programmes for this industry.

In the longer term it will also be important to address the requirement for specialist engineering and geo-technical training and education options. A host of relevant courses are being offered by higher education institutions (HEIs) in the country (and specifically in the Western Cape), but very little focus is given to oil and gas specific qualifications. Effort have been initiated (and need to be continued) toward the establishment of a virtual centre of excellence – a co-ordination

among FET Colleges, private training providers and HEIs to make all oil and gas or marine specific education opportunities complimentary and accessible through one portal.

Strategy 3: Infrastructure Enhancement

Significant time and effort has been spent over the past five years towards the development of a rig dry-dock in the port of Cape Town. Most of these efforts were stifled by the difficulties encountered in the relationship between industry and TNPA. Major restructuring in Transnet, the advent of the new Ports Act and capacity crises with major container terminals have contributed to a situation where TNPA are mostly uninterested in the marine engineering industries.

In order to address the desperate state of infrastructure, especially in the port of Cape Town, a systematic approach to engage with Transnet and the National Ports Authority is required. The first focus should be the efficient use of current facilities. All stakeholders' (government, labour and business) support needs to be harnessed to set out a clear development path that addresses immediate requirements in the port. This must include a clear maintenance and repair agenda and a collective plan / procedures to address operating inefficiencies around booking and handling of oilfield clients.

In the medium term a new operating model needs to be investigated. In addition to Transnet's feasibility study on the concession of repair facilities, all stakeholders need to engage about potential options. Current inefficiencies are a consequence of structural problems in the way the port operates. The possibility of an international operating partner needs to be explored. These actions may all be contingent upon finding a political solution through which Transnet would be forced to improve their handling of the marine industry.

A legal review of the legislative context is required to inform provincial government's approach to Transnet and the NPA. In addition, provincial government should consider developing a coordinated approach with the City of Cape Town as legislated mechanisms exist to facilitate joint planning between these parties. Regarding the above, the role of the Department will be to ensure a coordinated approach from Provincial government.

Strategy 4: Commercial Credibility

The severe conditions within which the industry operates have caused it to adopt some of the most stringent standards in the world. In addition, lead times are crucial since production delays are extremely expensive. As a result, international oil and gas clients set extremely strict requirements to qualify as service providers on their projects. .

Initial efforts have been undertaken towards establishing an audited system of standards certification for the industry. The first step was to compile a directory of companies. The next step would be to build a system of standards and mechanisms of monitoring or auditing those standards for each member company. An initial link to the Competitive Supplier Development Programme (CSDP) will start the process. This should be followed by submitting all member companies to a standards assessment. A gap analysis will define the required areas of intervention to increase supplier capacity and capabilities to attain oilfield quality standards.

Strategic Priority: Infrastructure Development

Context

Infrastructure plays an important role in promoting sustainable economic growth and making growth more inclusive by sharing the benefits with the poor. Rapid growth in several major developing countries has caused huge pressure on infrastructure, while the lack of adequate infrastructure can hinder potential growth, weaken international competitiveness, and adversely affect poverty reduction efforts.

Globally competitive cities/regions have placed significant emphasis on infrastructure development and regeneration, which involves a complex combination of social, economic, planning, construction and management activities. These come together to improve economic stability and infrastructure of a geographical location, but ultimately also improved urban landscapes and social cohesion.

In 2007/8 ASGISA identified inadequate infrastructure as one of the primary constraints to the high growth in South Africa. As a result, the overall national government spending on infrastructure is set to total approximately R410 billion between 2007 and 2010.

Recently, the Medium Term Strategic Framework presented by the new Planning Minister, Trevor Manuel, identified, a "massive programme to build economic and social infrastructure" as its second strategic priority. In so doing, solidifying the national imperative of "sustained investment growth over the medium term so as to achieve the target of a fixed investment ratio above 25% of the GDP by 2014."

A national success linked to large infrastructure development was the Coega Development in the Eastern Cape. At the end of 2007, the Coega Development Corporation reported a sharp increase in the number of people employed on site at the Coega Industrial Development Zone (IDZ). The intake of labour brought the total number of construction jobs created since the Coega Project started to 19,940.

A local project which is a case in point is the Cape Town International Convention Centre has significantly impacted on Tourism growth in the region.

The CTICC cost a total of R582-million to build, with funding provided by:	
City of Cape Town	R284-million
The Provincial Government of the Western Cape	R142-million
SunWest International	R140-million
Convenco	R16-million

The 2008/2009 financial year, "the seventh annual study of the economic contribution of the convention centre revealed that R2.3 billion was contributed to the South African GDP and R828 million to the Western Cape's Gross Geographic Product. Furthermore, as a direct and indirect result of the existence and operation of the CTICC, 3242 people were employed in the Western Cape and a further 4168 were employed indirectly across the country." This from the initial investment costs of R582 million.

CTICC 2008/2009 Annual Report

Successful infrastructure projects have used methodologies linked to private and public sector partnerships to unlock/strengthen investments. They also leverage joint public sector investment into infrastructure projects as a platform for growth, development and transformation. These projects occur within broader sectoral frameworks which support competitiveness and SMME growth to optimise utilisation.

With respect to Innovation, innovation refers to the implementation of new or significantly improved products

(goods or services), processes, or marketing methods, or a significant organisational change. It is the result of deliberate plans or activities aimed at improving the firm's products and/or business functions. Innovation can encompass the development of new knowledge or technologies, or can be based on new uses or combinations of existing knowledge or technologies. Increasingly the competitiveness of firms and even survival of entire industry sectors is dependent on the levels of innovativeness within firms, and across the sector.

Internationally, innovation is increasingly becoming a key area of intervention for regional governments. Regional Economic Development bodies are focusing on strengthening their Regional System of Innovation (RIS) that involves the triple helix, being the government, private sector, and higher education and research institutions. This approach necessitates a key relationship with the clusters identified in the region, and can form a key component in a cluster strategy.

The role and contribution of the Higher Education institutions towards the regional innovation system is a theme that has become an important focus for any innovation strategy. With the Western Cape's strength both in its four higher education institutions, and above average level of per-capita "knowledge workers", there are considerable opportunities in drawing in the HEIs into innovation and cluster structures. This will lead to an increasing number of university "spin-out" companies, as well as leading to the improved competitiveness of firms as they apply the intellectual and physical resources available within the HEI system to their advantage.

Sub-programme 3.3: Strategic Initiatives **Strategic Priority: Infrastructure Development**

Strategic Objective	Grow and develop the provincial economy and facilitate economic opportunities through development of strategically competitive and/or infrastructural initiatives.
Objective Statement	To facilitate the implementation of strategic programmes to create 3,100 sustainable jobs, facilitate R1-billion of economic infrastructure and leverage R20-million worth of funding from stakeholders.
Baseline	No of sustainable jobs facilitated/sustained = 0 Value of infrastructure = 0 Value of funding leveraged = 0
Justification	Strategic Initiatives are primarily about improving the enabling economic environment in which businesses operate to improve their competitiveness and to overcome barriers to growth.
Links	Developing and assisting infrastructure and strategic initiatives are key objectives in ASGISA, the Western Cape Strategic Framework and the Provincial Growth and Development Strategy in order to create a proper business environment and achieve above-average, equitable growth.

Strategy 1: Infrastructure Development

Through the Cape Catalyst project, the Department will draw together provincial government's economic capability to deliver projects that will have a significant impact on the Western Cape economy.

There are ranges of projects, which do not fit a one-size-fits-all approach, which have been identified, which offer this potential. They vary in scale and investment requirements.

The set of infrastructure projects has been identified on the following grounds (or for the following reasons):

- o Existing infrastructure is inadequate and/or inappropriate resulting in constraints in growth of companies and the monopolisation of limited infrastructure by dominant companies, thereby inhibiting competition, e.g. telecommunication infrastructure, the Oil and Gas Supply Hub, and the boat-building industry hub .
- o Lack of efficient regulatory processes which impact on the cost and speed of doing business, e.g. Aquaculture Zones,
- o Synergic geographic clustering of activities and companies to maximise synergies and reduce costs of business through the provision of common services e.g. ICT science and incubator park, Atlantis Nuclear Supplier Park, Salt River Design Precinct, life sciences convergence centre
- o The need to maximise the economic potential of existing infrastructure and assets in spatial locations to re-address under-investment and geographic racial imbalances in deprived areas of the region, e.g. Culemborg redevelopment and the Cape Film Studio

In the medium term, in addition to the telecommunications infrastructure and the Port of Cape Town initiatives, the following 2 projects will be taken forward:

Saldanha Industrial Development Zone, to stimulate the downstream activities of the Metals and Engineering sector and fabrication industry and to increase the Western Cape's export base through the provision of ring-fenced infrastructure and the reduction of customs-related regulatory constraints.

Design Precinct, to upgrade under-utilised and neglected commercial infrastructure to re-energise the clothing, textiles, furniture and creative industries and realise the synergies between the various design-related tertiary industries such as jewellery and fashion and their related manufacturing sectors. Furthermore, to provide an enabling

environment and space for entrepreneurs and businesses, to increase local employment and to provide a platform for the growth and development of catalytic sectors, and to realise the benefits of 'crowding in' economic investments by the private and public sectors.

Strategy 2: Innovation

Elements of an innovation strategy

- Focus on improving the Regional System of Innovation (RIS) with the HEI's being an integral component to this. This will involve the establishment of an Innovation Forum, that includes key role-players from the innovation system. The Forum will focus on inculcating a culture of innovation, and recognition for new concepts that get developed.
- Ensure that key sectors are identified whereby innovative activities can be developed and applied. Look particularly at the intersection of clusters, where some interesting opportunities may arise for innovation such as in advanced materials, or the packaging sector and linkages with the food or clothing industry.
- Work closely with the Technology Innovation Agency (TIA) to ensure that new forms of venture financing are available and accessible by new start-up companies, or firms wanting to expand. This will include both private and public sector funding. Ensure a focus on the high growth "gazelles" that will provide the bedrock for future growth in the economy.
- The incubation of high tech start-ups is an important tool (in addition to the venture capital financing) in ensuring the long term sustainability of the new firms. Incubation can encompass both a physical as well as a virtual programme, and the WC has built up a reasonable capability in running incubation programmes.
- The role of Intellectual Property Rights (IPR's) is important to firms wishing to either manufacture novel technologies, or on-sell their IP in the open market. IPR's are costly to obtain, particularly if global patents are required, and may often be beyond the reach of most start-up or even more mature companies. There is also the question of the copying of IP by China, and their disregard for global patents. An advisory service should be available to advise firms as to the pro's and con's of protection.
- The Department has been involved in a number of studies examining the possibility of either Science Parks or similar structures such as "Centres of Competency". The Department could play an important role in facilitating such developments, not least through the accessing of government property.

Resource considerations

The expenditure trends in respect of the programme's structure and the expected growth over the five year period is set out in Table 1 below.

Table 1: Nominal Expenditure on Programme 3: Trade and Sector Development								
Programme 3 TSD	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%) ¹
Sub-Programme 3.1: Trade and Investment Promotion	11 222	11 714	20 537	16 650	15 000	16 000	17 000	(2.70)
Sub-Programme 3.2: Sector Development	23 418	26 275	22 408	29 042	34 072	38 355	39 179	6.44
Sub-Programme 3.3: Strategic Initiatives	3 167	973	1 365	6 880	3 918	4 966	5 950	12.56
Sub-Programme 3.4: Management: TSD	1 080	1 494	3 867	1 886	1 752	1 800	1 875	(0.19)
Total programme 3:	38 887	40 456	48 177	54 458	54 742	61 121	64 004	5.84

1. Projected average annual change between 2009/10 Adjusted Appropriation and 2012/13 Indicative Allocation.

Table 2 below shows a summary of the payments and estimated expenditure per economic classification over the past three years and the nominal average annual change over the MTEF period.

Table 2: Nominal Payments and Estimates per Economic Classification on Programme 3: Trade and Sector Development								
Programme 3 TSD	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%) ¹
CURRENT PAYMENTS	7 022	10 961	12 029	12 412	17 552	25 271	28 354	42.89
TRANSFERS AND SUBSIDIES TO:	31 780	29 306	35 762	41 896	37 150	35 750	35 550	(5.05)
PAYMENTS FOR CAPITAL ASSETS	76	189	369	150	40	100	100	(12.76)
TOTAL ECONOMIC CLASSIFICATION	38 887	40 456	48 177	54 458	54 742	61 121	64 004	5.84

1. Projected average annual change between 2009/10 Adjusted Appropriation and 2012/13 Indicative Allocation.

Table 3: Staff Establishment for Programme 3: Trade and Sector Development					
Programme 3: TSD	Number of Posts on Establishment	Number of posts Filled	Number of Vacant Posts	Vacancy Rate (%)	Number of posts filled additional to the establishment
Total programme 3:	33	28	5	15.15	

- The human resource requirements within the Programme are insufficient to effectively facilitate the development of the broad ambit of Western Cape industries. Resources are not limitless – and so to this end, the Department has adopted a targeted approach, which allows the Programme to focus on sectors that will provide the greatest potential to meet departmental objectives. In addition, given the nature of the work that the Sector Managers and Specialists undertake, the Programme has focused human resource resources on professional staff as opposed to having a substantial administrative structure. This has allowed the Programme to use the available human resource budget more effectively.
- The targeted and focused approach notwithstanding, additional capacity will still be required to enable the Programme to respond efficiently to developments and trends, and to assist with the considerable initiatives that may not neatly reside in one particular sector. Efforts will be made to increase research and coordination capacity that will allow the Programme to be more responsive.
- Budgets for Year 1 (2010/11) of the five-year plan have been cut from an initial R90 million to R53 million. Given the emphasis placed on leveraging funding from other stakeholders, performance targets have been maintained. However, should leveraged funding not materialise, or be delayed, the programme runs the risk of not being able to realise its strategies and not delivering on its targets.
- The global economic climate for investment and trade has placed pressure on maintaining past performance of FDI and exports.
- Current performance targets have accommodated the projections for the deliverables as this is the onset of the 5-year plan.
- Targets and projections have incorporated expectations that the South African economy will experience 2.4 percent GDP growth in 2010/11 (IMF). As a result, government revenue will increase and budgets will accordingly be adjusted upwards.

Risk management

Sub-programme 3.1: Trade and Investment Promotion

Strategy 1: Investment and Trade Promotion

Strategic risk:

- Public entities are destabilised because of lack of political commitment and funding certainty; and
- The external economic climate negatively affects the Foreign Direct Investment and trade targets

Strategic risk response:

- Frequent structured formal engagements with WESGRO;

- 3-year MOU/agreements; and
- Economic intelligence to track and trace trends to predict and mitigate against economic trends.

Sub-programme 3.2: Sector Development

Strategy 1: Clustering

Strategic risk:

- Lack of industry buy-in into the SPV, resulting in loss of influence and impact of governmental support

Strategic risk response:

- Support mechanism to encourage alternative funding sources.

Strategy 2: Oil and Gas Sector.

Strategic risk:

- Refusal of national parastatal to cooperate with the Oil and Gas industry regarding their needs in the Port of Cape Town.

Strategic risk response:

- Use legal and/or political means to obtain cooperation of Transnet

Strategy 3: Information, Communication and Technology Sector

Strategic Risk

- Implementation of infrastructure development resides in other government department's mandates/responsibility

Strategic Risk Response

- Obtaining political buy-in and support
- Bilateral Departmental engagements

Strategy 4: Business Process Outsourcing and off-shoring Sector

Strategic Risk

- Inability to deliver competitive labour skills to the industry.

Strategic Risk Response

- Enhance skills programmes and move up value chain which if price elastic regarding skills

Sub-programme 3.3 Strategic Initiatives

Strategy 1: Infrastructure Developments

Strategic risk:

- Lack of specialised HR capacity required for infrastructure project management.

Strategic risk response:

- Utilise Short term Service Providers; and Develop system to obtain 3-5 year contracts of specialised skills.



PART B : Strategic Objectives

PROGRAMME 4: BUSINESS REGULATION AND GOVERNANCE

Purpose

To ensure an enabling socially responsible business environment that allows for predictability

Programme structure

- Sub-programme 1: Regulation Services
- Sub-programme 2: Consumer Protection
- Sub-programme 3: Liquor Regulation
- Sub-programme 4: Management: Business Regulation and Governance

Context

The Business Regulation and Governance programme executes regulatory mandates imposed by the Constitution as a functional area of either concurrent national and provincial legislative competence (consumer protection, as set out in Part A of Schedule 4 to the Constitution) or exclusive provincial legislative competence (liquor licences, as set out in Part A of Schedule 5). Its Regulation Services sub-programme, similarly, draws its mandate from the Constitution, more particularly in certain areas of exclusive provincial legislative competence listed under Part B of Schedule 5 of the Constitution. Regulation Services further derives its mandates from the programme structure alignment process that was initiated by the National Treasury in 2006/07.

The Business Regulation and Governance Programme is an important departmental initiative that gives true meaning to an often-stated promise to put service delivery issues high on the programme's priority list.

The Office of the Consumer Protector (OCP) is a provincial consumer protection agency offering access, information, education and redress to Western Cape consumers involved in consumer-related disputes. The OCP's services are aligned to the principles of Batho Pele and iKapa Elihlumayo and have been designed to achieve the objectives set out in the abovementioned policies.

The Liquor Regulation sub-programme is primarily responsible for the regulation of establishments that micro-manufacture or sell liquor to the public, through licensing and monitoring of those establishments, and for promoting a culture of responsible trading in, and consumption, of liquor in the province. It is also responsible for transforming the liquor industry by facilitating entry into the industry by previously disadvantaged individuals. And it is doing this in order to address the fact that the industry remains largely white-owned and managed.

Most of the programme's policies, legislative interventions, and strategic interventions are aligned to the objectives of iKapa Elihlumayo, to national and provincial consumer protection and to national and provincial liquor policy and legislation. The overall goal of the programme is to ensure that the projects, interventions, strategies and partnerships that are developed contribute to growing and sharing the economy of the Western Cape.

The Department's strategies on liquor regulation are based on a number of policies, position papers, and research and survey findings over the past few years. These include:

The Western Cape Liquor Policy, 2005 (Department of Economic Development and Tourism, Western Cape Provincial Government)

This policy, commonly referred to as the Liquor White Paper, was the result of a process of intensive and extensive public participation based on the Liquor Green Paper of 2004. It was drafted by a Policy Drafting Panel consisting of departmental officials, legal experts and health professionals specialising in the research and treatment of alcohol-related ill effects. The policy had five objectives, namely:

1. To make it possible for bona fide unlicensed traders in historically disadvantaged communities to make their businesses legal without being frustrated by unnecessary barriers to entry – and, indeed, create an environment that would encourage these traders to do so;
2. To consider land use planning issues as determined by the municipal planning authorities;
3. To provide for the involvement of communities in determining the location of licensed liquor outlets;
4. To involve the municipalities in the Western Cape, and
5. To reduce the social cost of liquor abuse to society in general, and to the people of the Western Cape, in particular.

The policy formed the basis on which the initial Western Cape Liquor Bill, 2006, was drafted.

The South African Liquor Industry – An Industry Study, 2005 (Consumer and Corporate Regulation Division, Department of Trade and Industry)

This study found that the South African liquor industry continues to be dominated by a small number of large firms and stakeholders, and that with economic ownership and control within the sector still resting largely in white hands, one of the key challenges continues to centre on how to effect transformation in the sector without negatively impacting on its development and growth prospects.



The Western Cape Reduction of Burden of Disease Project, 2008 (Department of Health, Western Cape Provincial Government)

This massive research project identified alcohol-related disease, injury and death as a major socio-economic burden, with the province registering very high, and often the highest, prevalence in the country. The Western Cape has the highest number of alcohol foetal syndrome (FAS) cases in the world, while alcohol-related violent crime, domestic abuse, traffic-related deaths and injury, loss of productivity in the workplace and poor academic performance are also cause for great concern. The report called for urgent steps to be implemented to stem the tide of socio-economic ill-effects emanating from liquor consumption and abuse.

A Rapid Assessment of the Potential Socio-economic Impact of the Western Cape Liquor Act (Department of Economic Development and Tourism)

According to this research study, there are more than 20,000 unlicensed outlets in the Province. The report also acknowledges that the implementation of the Western Cape Liquor Act could lead to substantial job losses in the informal (unlicensed) sector of the industry.

Position papers on liquor (various)

Various position papers issued by health organisations, such as the World Health Organisation (WHO), industry representative organisations, such as the International Council on Alcohol Policy (ICAP) and the (South African) Industry Association for Responsible Alcohol Use (ARA), as well as industry players themselves, were reviewed.

Regulation, once generally viewed as anti-development and a negative force in an environment committed to the economy, is now being recognised as a factor that will enable all economic role players – consumers, enterprises and the various levels of government – to cooperate in a legally secure and predictable environment (one which has been structured to promote economic growth and transformation). The business sector is increasingly accepting that economic growth should not be at the expense of equity – and that fairness to consumers and responsible trading and production practices will provide them with competitive advantages that will stand them in good stead in a globalised economy, where competition will increasingly be against foreign rivals as opposed to local ones. Government's approach has been to establish and implement mechanisms that will unlock the benefits of the country's robust economic growth, while minimising social costs by striving to achieve social objectives such as the reduction of personal debt; the provision of affordable and transparent access to credit; the empowering of historically disadvantaged individuals (HDIs), the development of social and economic

infrastructure and the putting in place of measures to combat the negative social consequences of the regulated industries.

The Western Cape carries heavy social burdens that will have to be addressed through appropriate and effective regulatory measures. It has, for example, the highest incidence of foetal alcohol syndrome in the world; the highest teenage pregnancy rate in the country (which is often linked to alcohol abuse), the highest levels of substance abuse in the country; very high rates of domestic abuse and violent crime, and its population is, in line with the rest of the country, heavily in debt. It is against this backdrop that the Department, as the driver of economic development in the province, commits itself to the promotion of social responsibility in the trading environment.

It is also against this backdrop that the Business Regulation and Governance unit has continued to evolve and refine its business processes and procedures to render a more effective and efficient service to its customers – liquor licence applicants and holders, as well as aggrieved consumers, in particular, and members of the public (potential consumers and potential objectors to liquor licence applications) in general. Both the OCP and the Liquor Board have distinguished themselves as the benchmarks in service delivery in their respective areas. But in accordance with a stated approach of constant review and improvement, and in pursuit of excellence, they have shifted the goalposts wherever past achievements have indicated the possibility of better results and efficiencies.

Progress has also been made by national and provincial government in the area of legislative enhancements in both the consumer protection and liquor regulation arenas – and this will lead to the programme further developing its effectiveness and impact within the abovementioned arenas. In this regard, it is worth noting that consumer protection across the country will move steadily towards becoming one of the mandates that becomes a national priority. The pending implementation of the Consumer Protection Act, 2008, will hasten this process. The Act was drawn up to specifically address concerns and indications that consumer protection legislation needed to be reviewed. Among the concerns were discriminatory and unfair market practices; the proliferation of low-quality and unsafe products; a lack of awareness of consumer rights; limited channels for redress; inadequate protection for consumers and weak enforcement capacity.

A number of reports have commented on the weaknesses in consumer protection legislation. These have included:

1. An International Legislative Benchmarking Study

The scope of consumer law in various countries, including Argentina, Brazil, Chile, India, the UK, Finland, Botswana,

Malawi, Uganda and Canada was reviewed.

2. A South African National Consumer Survey

The survey established the extent to which consumers are aware of their rights, the types of violations and consumer opinions indicating what could be done to improve access to redress.

3. A Review of Consumer Protection Measures in South Africa

Current legislative and other mechanisms that protect consumers at national, provincial, local and industry level were reviewed. Also reviewed were 70 pieces of legislation.

4. Case statistics from complaints resolution and investigations

A trend analysis of cases, based on number, type and sector, as dealt with at national and provincial level, was completed.

Existing provisions relating to the protection of consumers in South Africa are fragmented and outdated, and have mostly been incorporated into legislation that is mainly incidental to consumer protection. These provisions are further premised on principles that are no longer applicable to the values of the democratic and developing society. This state of affairs has resulted in uneven regulation, with heavy regulation in some industries, and a reliance on self-regulation in others. This is leaving consumers and businesses, especially small businesses, vulnerable to widespread abuse.

Currently, no general rules of law relating to consumers' most basic rights – that of confidentiality, access to information, disclosure, fairness and transparency – exist. The current legislative framework does not address the challenges of discriminatory and unfair market practices, the proliferation of low-quality and unsafe products, the lack of awareness of rights, inadequate protection and limited redress, as well as weak enforcement systems.

In response to these challenges, the Department of Trade and Industry ("the dti"), together with provincial Offices of the Consumer Protector deemed it necessary to create and promote an economic environment that supports and strengthens a culture of consumer rights and responsibilities. A research project to review and recommend a consumer protection regime suitable for South Africa was therefore commissioned. The scope for this research also entailed conducting an international legislative benchmarking study to benchmark the current South African consumer protection regime against international regulatory frameworks.

In 2004, this review culminated in the publication of a Draft Green Paper on Consumer Policy Framework. The research outcomes for this project indicated, among other things, that many countries from Africa, Latin America and the Caribbean, Asia and the Pacific regions, including Argentina, Brazil, Chile, India, UK, Finland, Canada, Botswana, Uganda and Malawi, have adopted a rights-based approach to consumer protection and have developed comprehensive laws that outline upfront the rights and obligations of consumers. Moreover, research among South African consumers indicated that:

- 85 percent of South African consumers, especially rural consumers, were not aware of their rights and 75 percent indicated that the courts were inaccessible;
- Consumer violations were prevalent, with misleading and bait advertising, non-honouring of guarantees, abuse of information, non-disclosure, unfair contract terms and poor product quality being the most frequent
- Where consumers took action and complained, 42 percent were refused assistance (65 percent of this total were in rural areas) and only 21 percent were aware of the various institutions that assist consumers (16 percent mentioned provincial courts);
- Consumers preferred better disclosure, simpler administrative remedies in the form of replacements and refunds, and accessible dispute resolution processes; and.
- An average of 60 percent of consumers did not complain when they experienced problems because they did not know where to go or they lacked confidence in the system of consumer redress and enforcement.

After taking all these factors into account, the Draft Consumer Policy Framework recommended that comprehensive consumer protection legislation be formulated to implement the consumer protection policy and to create the necessary infrastructure to regulate the market for consumer goods and services. This recommendation was implemented, with the outcome being the Consumer Protection Act, 2008. The Act, when fully implemented, will greatly enhance the role and function of the provincial Consumer Protector's Office as for the first time in South Africa's history we will have a single statutory framework which clarifies the rights, obligations and responsibilities of consumers and business. The Act will also provide effective enforcement mechanisms at both national and provincial level, greatly enhancing the impact that Consumer Protector Offices will have.



Sub-programme 4.1: Regulation Services
Strategic Priority: Enabling Business Environment

Strategic Objective	An effective provincial trading environment facilitated through a reduction in regulatory barriers and inhibiting compliance requirements.
Objective Statement	To identify and reduce regulatory barriers that inhibit business formation and growth, through a process of scanning all relevant legislation, analysing it with a view to simplify, shorten and where possible, eliminate business processes, amending and repealing legislation and taking any other measures required to achieve this objective.
Baseline	4 legislative assessments completed and 2 business licence appeals concluded
Justification	This South African, and by extension, the Western Cape, trading environment is often assessed as being restrictive, cumbersome and unfriendly to entrepreneurs and investors. The need therefore exists to remove regulatory and compliance barriers and renders the provincial trading environment more conducive for entrepreneurs and investors. This will ultimately increase the ease of establishing and operating businesses in the Province and lead to higher levels of investment. This, in turn, will lead to job creation and business growth.
Links	Creating jobs through support to entrepreneurs and attracting investment are key objectives of in the Western Cape Strategic Framework and the Provincial Growth and Development Strategy (PGDS).

Strategy 1: Enhancement of systems and procedures

The primary strategy of the Regulatory Services sub-directorate will be the improvement of systems and procedures with regard to business regulatory enhancement and development in the province. One of the focus areas relates to the monitoring of business development legislation developed by municipalities. For example, the Constitution and the Municipal Structures Act empowers municipalities to pass legislation relating to the informal economy. Municipalities have also been empowered to implement by-laws that regulate the businesses of vendors, street traders or hawkers. The sub-directorate will ensure that legislation proposed by municipalities promotes the strategic vision and objectives of the Department. This will be an important intervention, providing impetus to the informal sector, which is assuming an increasingly important role within the developing business sector.

The sub-directorate will also be responsible for the evaluation of business licence application appeals that are submitted to the Provincial Minister. Current provisions of the Businesses Act, designates a municipality with jurisdiction in a particular area as the authority responsible for approving or rejecting a business licence application. Furthermore, the legislation

authorises the provincial Minister responsible for Economic Development to act as the appeal authority in appeal matters. The sub-directorate will therefore be responsible for supervising and managing the business licence appeals process, which will also include providing the Minister with strategic advice (if required).

The Regulatory Services sub directorate will also be tasked with assessing and evaluating governance processes, issues, standards and practice within the programme so as to determine the need for enhancements, amendments, replacement or initiation of new governance practices (aligned to best practice principles) in the programme.

The outcomes of this strategy are:

1. A reduction in the number of regulatory barriers that inhibit business growth and development; and
2. An enhanced governance structure and protocol within the programme.

Sub-programme 4.2: Office of the Consumer Protector
Strategic Priority: Enabling Business Environment

Strategic Objective	A business environment that reflects high levels of consumer rights awareness by a majority of the Western Cape population and business community, supported by effective complaints management and resolution mechanisms.
Objective Statement	Through various education and awareness initiatives ensure that at least 60% of public in the Province are aware of the OCP and services it offers and the establishment of 25 Consumer NGO's partnerships. Save consumers at least R10m through successful complaints resolution.
Baseline	Low levels of awareness, where only approximately 3 in 10 consumers are aware of basic consumer rights. A highly effective complaints management and resolution mechanism at head office with low level service delivery through NGO structures in rural areas.
Justification	Low levels of consumer rights awareness, coupled with non-existing and inadequate complaints management and resolution mechanisms in the past lead to exploitation and often severe economic hardship for the consumers involved. Even with the availability, in recent years, of sophisticated, easily accessible complaints resolution mechanisms, consumers continue to be exploited and lose their hard-earned cash through unfair business practices and fraud. This is especially true of vulnerable consumers.
Links	Consumer rights awareness and availability of resolution and enforcement mechanisms will reduce exploitation of consumers and contribute to their economic well-being. Consumer education and the availability of easily accessible complaints resolution mechanisms are key objectives of the Consumer Protection Act, 2008.

Strategy 1: An enhanced and effective consumer education and awareness programme

The vision of this Strategy on Consumer Protection is that consumers within the Western Cape will become well-informed and self-determined individuals, and will enter into market-place transactions in a confident manner. They will be able to assess a market situation with the ease that comes from comprehensive market surveillance ability. They will also have the confidence that comes from effective protection built on a solid legal framework and institutional background supervised by the government. This legal framework will be increasingly harmonised and will enforce the OCP's administrative capacities and initiate coordinated lawmaking activities. Western Cape consumers will be effectively protected from serious risks and threats that they would not be able to tackle as individuals.

The strategic priorities of this strategy are:

1. To empower Western Cape consumers to make real choices based on accurate information, strong self-determination, and confidence that comes from effective protection;
2. Protect the economic interests of Western Cape consumers in terms of choice, quality, diversity, affordability and safety;
3. To provide Western Cape consumers with comprehensive market surveillance and transparency; and
4. To protect Western Cape consumers from serious risks and threats that ordinarily they would not be able to tackle as individuals.

This strategy consists of three components:

1. Awareness by consumers of the scope and extent of the provincial government's consumer services;
2. Education with regard to financial literacy – for example, effective saving and debt management (short- and long-term); and
3. Ensuring that consumers have a confident but cautious approach to purchasing products or services and that they are aware of their rights and responsibilities, and the recourse options in this regard.

In developing the strategies, we took cognisance of the various factors affecting the different levels of consumers with whom we engage. What came to light were issues such as high degrees of illiteracy, low income and rural bias. We will consider all of these and develop appropriate interventions. We are tackling societal norms and personal inertia and therefore need to ensure we are always interesting/ and relevant in our approach and that we will take prompt action at all times. We believe that our success should be measured by the extent that our interventions are able to change behaviour.

Proactive information and education policy

Education and information activities carried out in previous year's show that the OCP's activity in this area brings positive results and is received with great interest by consumers and entrepreneurs. Consumer education is a long-term and continuous process, especially in a country with a rapidly-growing market that is adapting itself to the functioning of the free-market system. Even so, a strong need exists to expand information and education activity by covering new thematic areas and using new communication methods. With regard to the changing market situation, and in the light of increasingly widespread application of new communication techniques by businesses, it has become necessary to strengthen the activities of the OCP that are aimed at educating consumers about the traps and risks they face. The impact of new technology in the transactional process between consumer and business also dictates that new strategies must be developed and implemented in order to keep up with this new form of consumerism.

In coming years, the OCP will continue basing consumer protection policy on the latest (and always the most reliable) information about South African and, specifically, Western Cape consumers. It will also support consumer policy with data about the type and scale of problems faced by consumers on the market. The barriers preventing consumers from fully adapting to the modern market and the current level of consumer knowledge and awareness will enable the Office to seek and implement systemic solutions aimed at eliminating or limiting market changes that are unfavorable to consumers. The most important objective of the OCP's research activities is to obtain background information for designing its educational and information programmes. Moreover, the OCP will use the results of social research undertaken while communicating directly with consumers and entrepreneurs in the framework of information campaigns, PR activities and working meetings, to strengthen social dialogue. The data acquired through this research will constantly be used by the OCP in its communication with other government agencies, regulatory bodies, as well as NGOs, academic circles and the media. The OCP will be embarking on regular research initiatives to, among others, carry out the following:

- A survey of the level of consumer awareness, the ways of making purchase decisions and the barriers that make it impossible for consumers to participate in the market in a safe and satisfying way;
- Ascertain the patterns of household finance management and the use of credits and loans. Methods and techniques used to solve household financial problems (loans vs. searching for other sources of financing);
- Address consumers on the market of goods and services sold on the Internet; and
- Ascertain the extent of the knowledge of consumer

protection laws and capacity of State agencies to provide redress services to Western Cape entrepreneurs and consumers.

The OCP's consumer education activities

In the forthcoming five-year period, the OCP will continue to highlight its educational and information expertise, and will target various groups of consumers. The education programme will include the basic issues, the knowledge of which will facilitate its functioning on the market. The programme will also add redress options to its growing list of consumer competencies. It will, of course, always be ready to provide answers to the newest challenges occurring in the market.

The OCP's campaigns will also be run in cooperation with the National Consumer Commission (NCC) that will be established in terms of the Consumer Protection Act, 2008. The NCC will be a national public entity and will perform the functions that the Department of Trade and Industry's Consumer Protection Office currently performs. These campaigns will be provided with fresh impetus and aligned with other campaigns that provincial OCP and statutory regulatory bodies may choose to embark on. In the forthcoming period, the OCP plans to run education campaigns on the following consumer issues:

- Benefits and risks related to the use of the latest technologies: (examples would be concluding distance contracts, via the Internet, the telephone, or mail orders);
- Product safety. The objective of this campaign will be to draw the attention of consumers' and entrepreneurs' to factors that determine the safety and quality of products;
- Advertising. Campaigns concerning this issue will inform consumers about the specifics of the media (examples would be the marketing techniques used in advertising and misleading advertising);
- Consumer rights and obligations. The OCP's research shows that consumers still need to be educated in the scope of basic consumer information. That is why, in the coming years, the OCP will continue with information and education activities that revolve around specific consumer issues, such as: prohibited contractual clauses applied in particular market sectors, the rights of consumers as provided for in the Consumer Protection Act, the types and methods of concluding consumer credit agreements and consumer services aimed at children.

The educational and information campaigns will target various social groups – the youth, adults, elderly people and the business sector. The OCP will continue to collaborate with consumer organisations, regulatory bodies, ombuds and the mass media, through which it will try to reach communities. In this respect, the expert support of academic circles will be also very important.

To meet current needs, the OCP will use a varied set of communication tools in its campaigns. For example, the education and information campaigns will use the Office's information service, countrywide and local conferences, publications and training facilities. The workshops and information sessions, in particular, have been playing an important role in the system of information and education. In future, the OCP will continue to organise events promoting consumer knowledge. This will include workshops, information sessions, conferences attended by South African and foreign institutions responsible for consumer protection, representatives of academic circles and entrepreneurs. Foreign participation is becoming increasingly relevant especially since South Africa is rapidly moving towards alignment with international best practice as far as consumer protection is concerned. The events will offer opportunities to various entities involved in consumer protection policy (as well as consumers in general) to exchange views and experiences. Another, equally important, objectives will be to promote dialogue between consumers and entrepreneurs.

Events run by the OCP focus on issues that are important to the consumer (for example, issues revolving around particular market segments), as well as on new legislative initiatives that fall within the definition of consumer rights protection. The OCP will continue preparing and distributing the following categories of publications: brochures and leaflets highlighting practical consumer issues, publications for the youngest consumers, consumer handbooks, reports summarising investigations of particular market segments, reports carrying the results of social research, books summarising conferences organised or co-organised by the OCP, and reports on activities run by the OCP. The OCP's publications will be aimed at different consumer groups, and will vary with respect to their essential contents and layout. The offshoot of this will be a more effective message.

Moreover, due to the Internet becoming an increasingly popular and comprehensive source of consumer knowledge, the OCP will intensify its use of the Internet as a tool of communication with consumers and entrepreneurs. The priorities of the OCP's website will be easy access and usefulness. It is important for the website to be constantly updated and adapted to the needs of the Office and consumers.

The media is still an important channel of communication, especially with regard to spreading the message of consumer knowledge. The main objective of the OCP's cooperation with mass media is to reach the public with its message. Similarly, as in the previous years, the Office will continue to cooperate with the media on a daily basis (with examples being interviews with the OCP's management and employees, and the drawing up of press releases) and will continue to

organise conferences and press meetings with journalists.

Strategic Intervention: Financial Literacy Education

The advent of the global recession has increased the need for consumer protection agencies to focus on providing consumers with adequate and relevant information, which will enable them to meet the challenges posed by the recession.

In South Africa, the lack of financial literacy has long been recognised as a major problem in poor households and communities, not only because of the generally lower levels of access to, and inferior standards of, formal education, but also because of a lack of access to information. It is worth noting that it is not only low income communities that demonstrate low levels of financial literacy in South Africa. A 2008/09 study (the FinScope study) highlighted the fact that the lack of financial literacy continues to pose a major challenge in South Africa. The vast majority of respondents to the survey indicated a high level of confusion about financial matters. The study also provided an important insight into the financial literacy levels of the so-called “bankable sector”. In this regard, a substantial percentage of respondents was found to be confused about financial matters.

It shouldn't be a surprise though that the more vulnerable economic citizens, such as low-income households, farm workers and pensioners, continue to be the most vulnerable to exploitative schemes. Research on the personal savings habits of South Africans also confirmed that we are a country with low household savings rates. The research indicated that personal savings had dropped from 8 percent of personal income in the 1970s to around 2 percent by the early 1990s. Intensely worrying is the fact that indebtedness has increased among the most vulnerable, as well as among the most affluent income groups.

A major behavioural shift – away from a consumer and credit-oriented mindset towards one of financial prudence – will therefore be required. The need for saving is more important today than ever before, especially considering the HIV/Aids epidemic now ravaging the nation. The low level of financial literacy in South Africa has been recognised by various community-based organisations, the financial industry, the government and other organisations, many of which have launched financial education projects.

Financial literacy is also being incorporated into curricula developed by the Departments of Education and Labour. Therefore, the OCP, as a provincial government consumer protection agency, has a crucial role to play in promoting financial literacy among the most vulnerable communities. The education and awareness strategy will focus on this topic, and resources will be ploughed into addressing this need within

communities. For this strategy to be successful, our financial education programme will be geared towards breaking down barriers and mindsets (as far as financial literacy is concerned). Ultimately the objectives will have to be structured in such a way to enable *change in behaviour from consumers*. To achieve this, our interventions will seek to provide consumers with cross-cutting financial literacy information so as to enable them to make informed and structured decisions. Consumer confidence therefore becomes critical in this process as sound financial decisions are based on knowledge and subsequent confidence. It is acknowledged that the diversity of communities and consumers will dictate that different sets of interventions will be required to ensure that different consumers will acquire the necessary skill-set to make optimal decisions in their *specific environment*.

The objective of this cluster of strategies is to generate effective financial literacy. There is a shorter-term perspective (budgeting) and a longer-term perspective (planning), although both are dealt with in this strategy.

It is felt that before the skills and knowledge attached to budgeting or planning are transferred, the perceptions that “block” people from using or implementing these skills have to be tackled. The initial strategy therefore focuses on:

- Making “personal financial circumstances” a more open topic of thinking and conversation;
- Getting people to confront their current behaviour and acknowledge it is not ideal;
- Getting people to believe that they could make a significant difference to their financial circumstances through changed behaviour; and
- Providing people with an easily accessible starting action point.

The outcome of this strategy is:

1. Increased levels of awareness and participation by members of the public on consumer protection matters.
2. An increase in the number of community consumer protection organisations.
3. A reduction in the number of citizens that is over-indebted.

Strategy 3: Effective consumers redress service for Western Cape consumers

The **Office of the Consumer Protector** sub-programme will continue to focus on the workings of the Western Cape Consumer Affairs Tribunal. This is a matter of strategic importance, especially in light of the increased role that provincial consumer tribunals or consumer courts will play once the Consumer Protection Act, 2008, is implemented. The Consumer Protection Act envisages a scenario in which national and provincial consumer tribunals will be able to adjudicate consumer disputes referred to it by the

National Consumer Commission. It is therefore imperative that the Western Cape Consumer Affairs Tribunal becomes fully operational and functional. The Tribunal will act as a statutory body that has been empowered to adjudicate alleged unfair business practices which have had a negative effect on consumers in the province. To fulfil its mission, the Consumer Tribunal will:

- Ensure that decisions are of high quality, fair, consistent and provide appropriate redress;
- Be a knowledge-based organisation and a source of reference on consumer matters;
- Ensure that efficient and effective operational support systems are established; and
- Conduct its operations in a professional and accountable manner.

The Consumer Tribunal will therefore be a new intervention over the next 5 years and will provide effective, easy and competent assistance to consumers who may have been prejudiced by unfair business practices. The Tribunal will be an important element increasing the level of consumer protection as it will constitute a new legal institution that will improve the procedures for pursuing claims for damage by consumers and help overcome the difficulties they face when trying to access the effective administration of justice. It should be noted that even a high level of legislative protection is not always effective. Real procedural protection of consumers will occur only when it is possible to provide a high level of consumer protection standards, including methods and guarantees for obtaining redress. A significant obstacle in pursuing consumer damage claims is the costly, formal procedure and the lengthiness of the proceedings. The length of proceedings discourages consumers from going to court. All of these constraints serve to make businesses rather unwilling to amicably settle disputes with consumers, as the perspective of an unfavourable court order is postponed in time and does not constitute a real risk from their point of view. Consequently, consumers increasingly abandon claims, as the loss suffered by an individual consumer is too low for an action in court to be cost-efficient.

Due to the lack of legal instruments allowing for efficient pursuit of claims, it became necessary to search for new solutions to tackle the issue of consumer rights. The implementation of the Consumer Tribunal will be a significant improvement in this regard.

In addition to the Consumer Tribunal, the OCP will continue to enhance the Alternative Dispute Resolution (ADR) services it provides to consumers. In terms of the operational practice of the OCP, all consumer disputes must first be channeled via ADR in an attempt to amicably resolve matters between the two disputing parties. To continue providing a high quality service to the public, the OCP will enhance and

refine its ADR processes which will include the refinement of management processes, advanced training for staff and the extension of the scope of services rendered. The resolution of consumer complaints is aligned with the 5 year Strategic Plan – and the activities of the Tribunal will contribute towards the achievements of the objectives contained therein. Strengthened self-regulation mechanisms and increased awareness of consumer rights among businesses will also create favourable conditions for the promotion and development of mechanisms of amicable resolution of consumer disputes. The experience of the past years has proven that out-of-court alternative dispute resolution mechanisms are an effective and cheap method of obtaining consumer redress, particularly in smaller cases, when courts of law fail to deliver the desired outcomes due to lengthy proceedings, high costs, formal procedures and psychological barriers related to getting involved in a court action.

The development of the systems of amicable dispute resolution can, however, not take place without the cooperation and willingness to collaborate from the businesses. Consequently, the development of amicable dispute resolution systems must be included in the concept of developing Corporate Social Responsibility. It is impossible to ensure high level consumer protection without building appropriate standards common for all the bodies involved in out-of-court dispute resolution. Consumers must indeed have guarantees that, regardless of their choice of the method of dispute resolution, they will be provided with a minimum of standards. Because of the need to harmonise the level of protection of consumer rights across the country, the minimum standards for ADR systems is being discussed by the dti and all the provinces. The objective of this process is to harmonise the principles in force in this area in order to make it easier for consumers to access alternative methods of settling their disputes with businesses, as well as to set forth seven basic principles of an out-of-court resolution of consumer disputes: the principle of independence, transparency, respect of the rules of the opponent, effectiveness, legality, freedom and the right to representation.

The efficiencies in the OCP's business processes, which were honed over several years, as the leader in utilising outsourcing (a call-centre) and electronic complaints management systems will be further enhanced. This will include the refinement of the call-centre management process. The toll-free call -centre is managed by an external service provider on behalf of the provincial government. In line with the focus of the national and provincial government's focus on Batho Pele, the call-centres management processes including statistical data gathering, customer satisfaction reports and turn around times for complaint resolutions, will be enhanced so as to improve service delivery and enhance the monitoring and evaluation of

services to the public. The Office of the Consumer Protector also implemented several enhancements of the electronic case management system (CMaTS), with benefits including better management reporting, increased productivity of individual users of the system, better analysis of complaints and better and easier monitoring of turnaround times. All of these enhancements made the system an effective tool for service delivery improvement in the hands of both management and the users of the system, with positive feedback reported by consumers. Greater co-operation between the provincial consumer affairs offices and the Office of Consumer Protection of the Department of Trade and Industry (the dti) has resulted in the production of consolidated reports on the status of consumer protection (with an emphasis on complaints resolution and compliance and enforcement) in South Africa. From these reports it is evident that the Western Cape OCP is one of the busiest, if not the busiest, consumer protection office in the country. This is largely due to the use of both a call-centre and an electronic complaints management system for the lodgement and management of consumer complaints, systems not used in any of the other provinces. In addition, the cooperation has seen a significant increase in the number of joint national consumer awareness campaigns. This will be enhanced during the reporting period especially in light of the implementation of the Consumer Protection Act.

The OCP will also continue to refine the Consumer Advice Office project, which has been a focal area of enhanced service delivery over the past few years. As far as Advice offices are concerned, the strategy over the next five years will be to steadily reduce the number of offices that are funded and supported by the Department. This is in line with the initial strategy of ensuring that these community-based non-profit organisations eventually became self-supporting and effective structures within local communities. As the number of local advice offices funded by the department reduces, the larger the OCP footprint within specific regions is intended to increase. This development will be supported by the implementation of a Regional-based consumer protection service. This addition will see the extension of the OCP's "footprint" within the six regions of the province as each region will have a representative from the OCP that will manage and supervise consumer protection-related matters within that specific region. This development will, moreover, enhance the quality of consumer services provided by advice offices within regions and also assist with the monitoring and evaluation of such offices. Although not funded, the advice offices will in future be able to tap into the support and expertise of these regional coordinators so as to ensure that quality consumer services continue to be provided in the community.

New priority focus areas

Another important element of the strategy is the development

of closer cooperation with consumer organisations. This strategy will be in line with the provisions of the Consumer Protection Act, 2008, which acknowledges the important role and function of consumer organisations. The Act furthermore promotes the enhancement of linkages and the formal recognition of such organisations. Cooperation should take place at two levels: joint initiatives in the scope of providing consumer advice and inclusion of consumer organisations in the process of law or policy creation. What is, in fact, a significant challenge here is the strengthening of the position of consumer organisations as important market actors which safeguard respect for consumer rights. This objective cannot be achieved without direct support and long-term actions oriented at strengthening the structures and resources of consumer organisations.

In addition, the business sector will play an important role in implementing this strategy. The list of challenges of the consumer strategy, planned for the coming years, also includes strengthening the cooperation with business organisations in the scope of increasing their pro-consumer awareness and in order to create a situation where businesses compete, not only through prices, but also by guaranteeing certain general standards of consumer protection. Moreover, the experiences of past years have shown that the stimulation of self-regulation mechanisms, in particular, codes of conduct, brings positive effects. Self-regulation is in fact the most flexible method of achieving compliance. The development of consumer dialogue should not be limited to cooperation with businesses. It is also necessary to coordinate the cooperation between all the players in the consumer protection system. Such activities may contribute not only to a better formation of the self-regulation mechanisms, but also provide useful conclusions for consumer policy-makers.

To ensure effective implementation of this strategy, we will also be aiming to secure Cooperation with University Legal Aid/Advice Centres. As specific consumer problem keeps increasing, in the next few years, it will be necessary to expand consumers' access to professional legal aid. This will be done through initiating closer cooperation with Student Legal Aid/ Advice Centres at universities. Student law clinics provide free legal advice to consumers under the supervision of professional research tutors. This initiative aims to break away from the traditional theoretical approach to teaching law and reforming it towards a more "vocationally oriented" one. It should also be stressed that the cooperation with academic circles could also pave the way for formal academic courses on consumer protection been developed.

The outcome of this strategy is:

1. Enhanced knowledge among citizens of the Western Cape about consumer rights and consumer redress services;

2. Enhanced protection for Western Cape consumers, culminating in an increased Rand value return to consumers by virtue of the assistance provided by the OCP;
3. A coordinated regulatory environment within consumer protection, including the recognition of consumer not for profit organisations; and
4. Recognition by Tertiary Institutions of the importance of Consumer Protection and the subsequent provision of accredited tertiary courses on consumer protection.

Sub-programme 4.3: Liquor Regulation

Strategic Priority: Enabling Business Environment

The liquor regulation environment has seen profound change over the past two decades. The function was devolved from national to provincial government level in terms of the Constitution (where liquor licensing was listed as an area of exclusive provincial legislative competence in Part A of Schedule 5) in 1996. Provincial liquor boards attended to licensing of all liquor-related activity. In 2003, after a Constitutional challenge by the Western Cape Provincial Government, the (national) Liquor Act, 2003 (Act 59 of 2003), was passed. This Act disaggregated the liquor industry into three tiers of manufacturing, distribution and retail sale. It further created sub-categories of manufacturing and micro-manufacturing, and assigned responsibility for the manufacturing and distribution tiers to the National Liquor Authority, and that for micro-manufacturing and retail sale to provincial liquor authorities.

The Western Cape Liquor Act, 2008, seeks to incorporate most of the policy imperatives contained in the Liquor White Paper. The strategy for the achievement of the first of the White Paper objectives, namely an exemption for unlicensed traders that enabled them to enter the market with a lower level of compliance, was dropped in the final stages of public participation on the Bill before its approval in late 2008. Instead, the Act focuses on the reduction of the socio-economic harm from liquor by, among other things: a) reducing the possibility of liquor establishments (shebeens and taverns) in townships being licensed, and by making zoning a requirement for licensing; b) giving communities and municipalities a much enhanced role in commenting on and objecting to licence applications, and c) providing for the establishment for a dedicated fund to combat negative social effects of the liquor industry. In addition, the Department will seek to promote transformation of the industry by assisting the informal sector of the industry with regard to the quality of applications submitted by or on behalf of previously disadvantaged individuals, and by cooperating with the industry to organise individuals into structures, such as cooperatives that will enable them to derive benefits and gain competitive advantages from bulk-buying discounts, savings through bulk delivery, and more.

Liquor Regulation has identified the following strategies which it will implement towards the achievement of its strategic priorities over the next 5 years.

Sub-programme 4.3: Liquor Regulation

Strategic Priority: Enabling Business Environment

Strategic Objective	A regulatory environment that reflects high levels of participation by the public, a reduction in the negative effects of the industry and major transformation in terms of ownership, outlet density and the level of regulation.
Objective statement	To facilitate community participation in respect of all applications for liquor licences, and facilitate and or sustain at least 36 000 jobs through licensing of half the currently unlicensed but already operating outlets, as well as newly established outlets, and sustain at least 350 jobs through annual renewal of licences. Ensure that all licensed premises are inspected at least twice a year. Reduce the negative socio-economic impact of the industry by raising public awareness of liquor-related harms through initiatives that reach at least 70% people through mass media messages, and contribute to the transformation of the liquor industry by reducing the ratio of unlicensed to licensed premises from 3:1 to 2:1 and increasing PDI ownership from 10% to 20%. (7 200 current licenses)
Baseline	Public participation occurs in respect of only approximately 50% of applications for liquor licences. Between 600 and 800 new licences have been approved and issued annually over the past 3 years, facilitating job creation at an average rate of 5.2 jobs per outlet. Approximately 95% of existing licences are renewed every year, thereby sustaining jobs at the rate of approximately 5 jobs per outlet. High levels of liquor abuse and irresponsible and unlawful trading prevail and the industry remains largely untransformed in terms of ownership, the spread of outlets and the level of regulation. Only approximately 10% of licensed liquor outlets are owned by PDIs and only 1 third of all liquor outlets are licensed.
Justification	Liquor is a potentially harmful substance that is said to cost the Western Cape economy R2bn annually and brings to bear severe negative socio-economic effects on the population of the Province. It is therefore imperative that public participation in the regulation of the product is maximised to curtail these negative effects. Despite its negative consequences, the liquor industry, with its ramifications in the tourism and leisure industries, is a major contributor to the provincial economy, said to generate revenue in excess of R3bn per annum, creating and sustaining thousands of jobs annually. However, the industry remains largely untransformed in terms of ownership and the number of licences issued, and needs to become more inclusive in accordance with the PGWCs objective of inclusive economic development.
Links	Increased community participation and more public awareness of liquor harms will promote allocation of licences in accordance with community sentiment, reduce the above-mentioned negative socio-economic effects and contribute to the wealth and economic growth of the people and the Province as the economic burden of liquor abuse is reduced, while facilitation of entry into the industry for PDIs will make the industry more inclusive and contribute to the economic growth and prosperity of those entrants.

Strategy 1: Enhancing public participation in liquor regulation

This strategy is premised on the observation that the current legislation, the Liquor Act, 1989, provides for inadequate notification to members of the public and local government of an applicant's intention to apply for a liquor licence or changes in the ownership of, or financial interest in, a licence, or in the licence conditions pertaining to a licence. Accordingly, the Act expands public notification channels from two (publication in the Government Gazette and lodgement for public inspection at the relevant magistrate's court for a period of 28 days) to five (publication in the Provincial Gazette; lodgement at both the Liquor Board (or Liquor Authority as it will be called in terms of a proposed amendment to the Liquor Act) and the local police station; service of the application on the municipality; notification of the application to ward councillor by the municipality and notification of the community policing forum by the designated liquor officer).

Furthermore, the complaint by communities that lodgement of liquor licence applications over the prime holiday period (December-January) precludes them from commenting on such applications has been addressed by the provision in section 36(2) of the Act that no application for a licence may be advertised during the period of 1 December and 15 January of the following year. The Act also allows the liquor authority to condone non-material defects in or late submission of objections to applications and to take into account, within its discretion, any facts or circumstances in considering an application for or related to a liquor licence.

It is to be noted that the strategy goes beyond the promotion of participation in the liquor licence application process, but covers the broader aspects of liquor regulation, including enforcement, which is to say, the monitoring of the manner in which liquor licensed establishments conduct business, and awareness of, and education around, liquor-related harms and responsible trading and consumption. Accordingly, programmes will be launched to create broad, general awareness of aspects such as the prevalence of violent crime resulting from liquor abuse, domestic violence, liquor units, FAS and the like. Communities will, through mass-media awareness initiatives, be primed for participation in workshops and information sessions that will be rolled out continuously. The approach, as encapsulated in one of the unit's current campaigns, is, and will remain, that "liquor regulation is everybody's business" and that communities should "comment, monitor and report" on licence applications and liquor-selling establishments.

This strategy must, and will be, supported by an Inspectorate (Enforcement and Compliance Division) that is capacitated

to monitor business practices of licensed establishments and be more responsive to complaints by members of the public. (Current capacity constraints leave the Inspectorate in a position where it cannot do much beyond the inspection, upon instruction by the Board, of premises in respect of which applications are pending.) The campaign tagline of "Comment, monitor, report", referred to above, will be of little consequence if either of, or both, the police and the Inspectorate fail to respond to complaints and requests for intervention that are lodged with them go unattended. The Inspectorate will therefore be expanded from its current staff complement of 4 to at least 10.

The outcome of this strategy is:

1. Increased levels of participation by members of the public and local government in the liquor licence application process;
2. A reduction in complaints by communities and individuals that they were unaware that an application had been made (and granted, where that is the case);
3. Licensed establishments, and even unlicensed ones, being better monitored for breaches of law and/or licence conditions, by both individuals and community structures; and
4. Faster and better response by the Liquor Authority, and the SAPS, to complaints lodged in respect of establishments that micro-manufacture and/or sell liquor.

Strategy 2: Reducing liquor-related harms

There exists a vast body of evidence that indicates the massive negative impact of liquor on the Western Cape economy and population. While the liquor industry is a major contributor to the regional economy, especially the agricultural, hospitality and tourism sectors, much of this is offset by the toll liquor abuse continues to exact.

The unit's strategic interventions for addressing this problem, which costs the economy billions of rands in the areas where the costs are quantifiable, consists of the following:

Strategic Intervention 1: Raising general awareness through mass-media initiatives

This is aimed at creating extensive (broad) knowledge of aspects of alcohol-related harms. The aim is to make these issues part of the day-to-day discussion among members of the public (communities). This will be done through newspaper advertisements, commuter-targeted notices on trains and taxis and at terminals for these transport services (train stations and terminuses), fliers, pre-recorded radio inserts, and, if possible, TV public service announcements (PSAs).

This initiative aims to eradicate the low level of awareness of

liquor abuse and its effects, and prepare the recipients of the messages for the more intensive messaging of workshops, information sessions, radio talk programmes, newspapers and web articles that will follow.

Strategic Intervention 2: Creating deeper knowledge and inculcating behaviour-change

This component of the strategy will seek to deepen the knowledge of specifically targeted groups of individuals beyond the general awareness brought about by the first component. The recipient base (target market) will be substantially smaller, having to be engaged in face-to-face scenarios (workshops, information sessions, seminars and the like) or media that is more limited, or consumers in more limited numbers (newspaper articles, as opposed to advertisements, and web articles as opposed to a flashing billboard).

It is envisaged that these initiatives will result in debates on, rather than mere awareness of the issues concerned, and establish the building blocks for communities and individuals to change attitudes and behaviour in relation to liquor. Some of the groups to be targeted include:

- Primary school learners, especially with regard to FAS, since they are, from the experience gained in current initiatives, very keen to share this information with their parents;
- High school learners, many of whom have already commenced consuming alcohol and become sexually active, a combination which often results in risky sexual behaviour and teenage pregnancies. The older learners will also have started driving, which provides a further point for engagement.
- Students at tertiary institutions, for the same reasons as set out with regard to high school learners;
- Drivers, especially those visiting places that sell liquor for consumption on the licensed premises (bars, pubs, clubs); and
- Pregnant women.

Strategic Intervention 3: Reduce liquor availability

Reduction in availability of liquor to high-risk sectors of the population is an intervention proposed by health and statutory regulatory institutions in the liquor arena, but for obvious reasons are not supported by the industry. The strategy is supported by the PGWC and finds expression in the following:

1. Higher levels of public participation in the liquor licensing application process is likely to produce more objections and therefore a lower rate of approval of applications, and in the longer term, a lower rate of new applications, because of the risk of rejection. This, together with an increased rate of attrition due to high application fees, licence fees and annual renewal fees, is likely to contain the recent proliferation of liquor outlets seeking licences;

2. Shorter trading hours and a prohibition on liquor sales on Sundays and certain public holidays, which will be imposed by municipalities (who are, in terms of the new Act (2008) given the right to determine liquor trading hours), will reduce availability through licensed outlets;
3. Sustained monitoring, and where appropriate, closure of liquor establishments that breach the conditions of their licence, or that are unlicensed and therefore operate illegally.
4. Imposing, and more specifically, enforcing, limits imposed in respect of the maximum quantity of liquor that may be sold to a single person per day;
5. Devising a strategy around density, in terms of geographical spread, of licensed outlets. Currently, wide discrepancies in the density of liquor outlets in formerly white residential and mixed-land use areas, compared with traditionally coloured and African townships across the province. While this situation, an inheritance of apartheid land use planning, is often used by the industry to advocate a rapid and more lenient licensing regime in respect of the latter-mentioned areas, there is acknowledgement that the government would be ill-advised to allow wholesale licensing of the currently unlicensed outlets in townships as a quick and easy solution to the problem. Rather, research will be undertaken, including into international best practice in this regard, to ensure that a less unequal distribution of outlets is achieved in the longer term, while taking cognisance of all the competing interests, such as economic development, industry transformation, communities' right to a safe living environment and socio-economic harms generated by liquor abuse.

Strategic Intervention 4: Better law enforcement

Use of better available technology to fast-track testing for drunken driving (for example, the Dräger breath analyser) arrest and court proceedings; better coordination between the SAPS and courts with regard to cases involving liquor (for example, drunken driving, and alcohol-related domestic abuse and other violent crime) and the imposition of harsher sentences (already provided for in current legislation) are some of the avenues that will be explored.

In the short to medium term, the implementation of this strategy is expected to result in the following:

1. Raised levels of awareness;
2. A better, and in some instances, quite good knowledge and understanding of the problem of liquor abuse and negative effects thereof for the individual, organisations, communities and the Province as a whole;
3. Liquor being less readily available as a result of reduced trading hours "closed" days, and better monitoring of, and

- action against, the supply of liquor to underage persons; pregnant women or persons who are already intoxicated;
4. Irresponsible trading and consumption of liquor being discouraged through better monitoring and detection, quicker and more efficient prosecution and harsher punishment, for both traders (temporary closure, revocation of licence, revocation of licence, fines and even imprisonment) and consumers (much increased fines, suspension and revocation of drivers' licences, even for first offenders, and where appropriate, imprisonment); and
 5. The beginning of behaviour change by both traders and consumers, and a swing towards responsible trading in, and responsible consumption of, liquor.

Strategy 3: Driving transformation of the industry

Two areas of transformation need to be addressed: First, the fact that the industry remains largely white-owned and managed, and second, the fact that, in the Western Cape, only approximately 25 percent of outlets are licensed.

Research into the industry (The South African Liquor Industry – An Industry Study, 2005 (CCRD, the DTI) and a preliminary analysis of the Western Cape liquor licence database indicate that the industry remains largely untransformed, 15 years into the democratic dispensation and after several years of BBEEE initiatives. In addition, reports and complaints of recent months indicate that where black individuals and entities have managed to enter the industry, conduct by white-owned or managed entities, which could be construed as restrictive practices in terms of the Competitions Act, seems to be surfacing with increasing regularity.

The analysis conducted in respect of the liquor licence applications granted by the Western Cape Liquor Board since the mid-1990s indicate that the rate at which applications by non-white applicants have been approved, increased sharply since approximately three years ago. Despite this, the preliminary results of the analysis indicate that only 10 percent of liquor licences in the province are in the control of non-white individuals and entities.

Working from a base of approximately 7,000 licensed outlets as at October 2009 (when annual renewal notices have to be issued in terms of both the current (1989) and future (2008) Acts, and the database determined in preparation for that process) and 21,000 unlicensed outlets (arrived at through extrapolation of surveys conducted as part of the Rapid Assessment research project, see above), it is evident that not all unlicensed outlets will be able to be licensed. The Rapid Assessment report, in any event, categorises the unlicensed outlets into three levels, with level 3 entities (approximately 12,000) not capable or

desirous of being, or suitable to be, licensed in terms of the requirements of the Western Cape Liquor Act. The report suggests that the government should engage with the remaining 8,500 – 9,000 level 1 and 2 outlets with a view to making them legal (through licensing) and development (through provision of training, mentorship and, where need be, access to finance).

The strategy will be executed through the following means:

1. Assistance to PDI applicants with regard to applications

This will not be direct assistance, which would be improper, but rather through information and training sessions involving applicants and their representatives. This will seek to familiarise the applicants and representatives with the application procedures, as encapsulated in the Act and regulations issued in terms thereof; policies of the Authority; court judgments, if any, in respect of areas applicable to their applications, and more.

2. Continued/ongoing analysis of the granting of applications by PDI applicants, compared to non-PDI applicants

The results from the preliminary analysis will be used to interrogate further the state of the industry in the province, and to effect corrections and set targets.

3. Continued/ongoing analysis of the density of outlets across the province, with specific reference to the discrepancies referred to above.

This is the same as above, with the addition of GIS data.

4. The growth and development of targeted PDI outlets through provision of training and mentorship; facilitation of access to finance, and restructuring of operators into business entities such as close corporations, co-operatives and even companies, which will better place them to gain competitive advantages.

PDI liquor outlets in townships, even licensed ones, continue to suffer from lack of support at municipal government level (where they are generally not recognised, and not given the appropriate land use approvals they need). Assistance that they do (or did) receive from the mainstream sector of the liquor industry seems fragmented and uncoordinated, in that a specific manufacturer and distributor provided training in business management and responsible trading practices, then scaled down and eventually stopped the training initiative, and other industry players generally ignored, and continue to ignore, the need. Liquor Regulation will develop training interventions, or in conjunction with industry, revive earlier training interventions to improve the situation. It will also engage the mainstream industry with proposals to assist in the creation of the business entities aforementioned.

This will be aimed not only at gaining the competitive advantages mentioned above, but also have a rationalising effect on the township sector of the industry. This rationalisation is required; since it is clear that not even just the 8,500 – 9,000 level 1 and 2 outlets (out of an estimated 21,000 unlicensed ones) will all be licensed, in view of the government’s commitment to stop the proliferation of outlets within residential areas. If some of the existing 8,500 – 9,000 operators were to combine their businesses, they would therefore be in a better position to obtain a licence, while reducing the overall number of outlets competing for licensing.

5. Engagement with local governments and their representative body, the South African Local Government Association (SALGA), with a view to the creation of more trading areas in PDI areas,

It has been acknowledged, from the first stages of the public participation on the Liquor Bill in 2004, that the lack of trading areas in township would present an obstacle to the legitimisation of the township-based outlets. As a response to this, the so-called “shebeen clause” was inserted into the 2008 version of the Liquor Bill, but

subsequently removed as a result of public pressure. With this option for legitimisation no longer available, local governments need to be engaged to acknowledge that their pivotal role in ensuring that the inadequate provision of trading areas in coloured and African residential areas is addressed. The provincial government, through the Liquor Authority, will have to drive this engagement, as the local governments have, over the years since democratisation of the country, been, unyielding at worst and cautious at best, in regard to applications for rezoning and other land use authorisations to assist township-based liquor outlets.

The expected outcome of this strategy is:

1. More PDI operators to enter the industry, at a higher level.
2. The number of PDI licensees becoming less disproportionate to that of white or white-owned licensees.
3. The established, mainstream sector of the industry rendering the support and assistance required to grow and develop the PDI sector.
4. Existing and future PDI stakeholders in the industry migrating from lower, often subsistence, levels of operation to higher, sustainable and even corporate, levels of operation.

Resource considerations

The expenditure trends in respect of the programme’s structure and the expected growth over the five year period is set out in Table 1 below.

Table 1: Nominal Expenditure on Programme 4: Business Regulation and Governance

Programme 4 BRG	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%) ¹
Sub-Programme 4.1: Governance								
Sub-Programme 4.2: Regulation Services				120				(33.33)
Sub-Programme 4.3: Consumer Protection	5 507	5 649	7 803	11 392	11 872	12 631	13 286	5.54
Sub-Programme 4.4: Liquor Regulation	4 765	5 778	7 483	8 900	8 921	9 671	10 471	5.88
Total programme 4:	10 272	11 427	15 286	20 412	20 793	22 302	23 757	5.46

1. Projected average annual change between 2009/10 Adjusted Appropriation and 2012/13 Indicative Allocation.

Table 2 below shows a summary of the payments and estimated expenditure per economic classification over the past three years and the nominal average annual change over the MTEF period.

Table 2: Nominal Payments and Estimates per Economic Classification on Programme 4: Business Regulation and Governance								
Programme 4: BRG	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%) ¹
CURRENT PAYMENTS	8 143	9 427	12 280	18 281	19 943	21 432	22 887	8.40
TRANSFERS AND SUBSIDIES TO:								
PAYMENTS FOR CAPITAL ASSETS	226	1 000	457	287	100	120	120	(19.40)
TOTAL ECONOMIC CLASSIFICATION	10 272	11 427	15 286	20 412	20 793	22 302	23 757	5.46

1. Projected average annual change between Adjusted Appropriation 2009/10 and 2012/13.

Table 3 shows the staff establishment.

Table 3: Staff Establishment for Programme 4: Business Regulation and Governance					
Programme 4: BRG	Number of Posts on Establishment	Number of posts Filled	Number of Vacant Posts	Vacancy Rate (%)	Number of posts filled additional to the establishment
Total programme 4:	42	40	2	4.76	

The OCP budget has seen only incremental increases in recent years, and most of its operations are adequately funded. It is almost fully staffed, but envisaged staff increases relate to two areas of operation: The Consumer Tribunal, if operational requirements determined this and for the expansion of the network of regional OCP offices. The latter depends on the success of the initial implementation of these regional offices. It appears, however, that the Tribunal Support Unit's staff complement will have to be enhanced especially, since provincial legislation dictates that the Tribunal must have a secretary (provincial official) to perform certain functions. This support position will therefore need to be provided for.

The current budget and staff complement in Liquor Regulation are inadequate for the sub-programme to carry out its mandate. In particular, the section of the staff complement that processes new applications will have to be increased by at least three to be able to perform additional functions imposed by the new legislation (Western Cape Liquor Act, 2008). Furthermore, the ability to monitor existing and newly licensed premises is being undermined by a lack of inspectors. The Inspectorate currently consists of a manager and three inspectors. Ideally, an additional four inspectors will have to be appointed, so that each of the five rural regions of the Province has a dedicated inspector,

and the Cape Town metro is covered by two. Depending on the outcome of the public entity review process, the top management component, essentially the positions of, and in the office of, the CEO will also have to be filled.

The above-mentioned increases in the unit's staff complement will need to be funded. The other main funding constraint is in the area of public education and awareness, where the allocation has been reduced from that of previous years. Additional funding in this area would be particularly beneficial, as it can be leveraged to get the industry to supplement it.

In Consumer Protection, reduced funding will impact negatively on the core function of the unit, namely the handling and resolution of complaints, through both the main and regional offices, and the network of funded advice offices. The outsourced call centre service will suffer if the increase in complaints that are generated by high levels of consumer awareness and publicity around the new Consumer Protection Act cannot be handled by a reduced staff complement. In addition, reduced funding could have an implication on the effective functioning of the Consumer Tribunal, especially if there are insufficient staff resources to handle the functions of the Tribunal.

In Liquor Regulation, where reduced funding results in the administrative staff complement remaining at current levels, it will lead to slower processing of applications, which, in turn, will result in an increase in the time taken for new applications to be submitted for consideration to the Liquor Licensing Tribunal. The annual and quarterly targets for the processing of applications will therefore probably not be met. Ultimately, this will result in new jobs taking longer to be realised as the establishment's concerned wait to appoint staff who will be responsible for the sale and serving of liquor.

Success in the areas of education and awareness, in both sub-programmes depends on costly interventions such as media (electronic, print, commuter and consumer-targeted, and outdoor) as well as workshops and information sessions. These are vital in the fight against the scourges of consumer exploitation and liquor abuse, if behaviour change by both consumers in general, and of consumers of and traders in liquor, in particular, are to be achieved.

Expenditure trends in the programme's budget and how these can be expected to evolve over the five-year period (this analysis must also focus on trends in expenditure by economic classification), compensation of employees, goods and services, transfer payments and capital are other important considerations.

In Consumer Protection, compensation of employees will increase sharply over the next year since regional co-ordinator posts have been created to improve and enhance the provision of consumer protection services, particularly within regions. Goods and services will see an increase as well, particularly in the area of staff-related expenditure. This will be due to the increase in the staff numbers within the OCP. In Liquor Regulation, compensation of employees will increase sharply over the next year, if the public entity review determines that the Liquor Board should operate as an independent provincial public entity. Goods and services will remain relatively flat, except to the extent that staff-related expenditure will increase in accordance with the increase in the number of staff members. However, substantially large increases in the provision for project funding (including transfer payments) should be provided for if the Department (or, more correctly, the Liquor Board as a public entity) is to give effect to the imperatives of the new Western Cape Liquor Act, with its emphasis on harm reduction.

In the OCP, there will be an increase in key staff numbers, particularly since regional coordinators will be appointed to enhance service delivery. In Liquor Regulation, key staff numbers should rise substantially in year 1, as additional administrative staff will have to be appointed to handle the

additional functions brought about by the new legislation, and to provide for the top-level management positions – primarily the CEO and Board chair – and their support staff. After that, staff numbers should remain flat.

Risk management

Sub-programme 4.1: Regulation Services

Strategy 1: Enhancement of systems and procedures

Strategic risk:

- Provision of ineffective appeal recommendations

Strategic risk response:

- Effective appeal recommendations provided to the provincial Minister
- Regular review of the business regulatory framework

Sub-programme 4.2: Office of the Consumer Protector

Strategy 1: An effective consumer redress service for Western Cape consumers

Strategic risk:

- An unregulated business environment between consumers and businesses

Strategic risk response:

- Appointment of a project manager to coordinate the functions of the Consumer Tribunal
- Implementation of legislation and appointment of Consumer Tribunal

Sub-programme 4.3: Liquor Regulation

Strategy 1: Enhancing public participation in liquor regulation

Strategic risk:

- Uncoordinated public participation resulting in slow down in the processing of applications

Strategic risk response:

- Develop and implement systems to facilitate fast and efficient input by public and processing by Board

Strategy 2: Reducing alcohol-related harms

Strategic risk:

- Parts of the industry being driven underground through increased monitoring

Strategic risk response:

- Cooperation with law enforcement agencies to ensure closure of licensed outlets that breach the law

Strategy 3: Driving transformation of the industry

Strategic risk:

- Risk of over-supply of liquor in townships, where most PDI entrants are likely to operate

Strategic risk response:

- Develop and implement a density strategy to prevent over-supply through density



PART B : Strategic Objectives

PROGRAMME 5: ECONOMIC PLANNING

Purpose

To develop provincial economic policies and strategies to achieve and measure sustainable economic development.

The purpose of this Programme is to provide support to the leadership of the Department – the Minister, the Head of Department and the Departmental Top Management – in undertaking planning processes that provide a coherent vision and strategic outcomes around which policies and programmes are developed, enhanced or applied to attain their intended objectives. The strategy of Economic Planning focuses on a long-term perspective, the key parts of which are the determination and realisation of the Department's vision to inform shorter term plans, the allocation of resources, trade-offs and the sequencing of policies.

Programme structure:

- Sub-programme 1: Policy and Planning
- Sub-programme 2: Research and Development
- Sub-programme 3: Knowledge Management
- Sub-programme 4: Monitoring and Evaluation
- Sub-programme 5: Management Economic Planning

To give effect to the above, the main functions of this programme are:

- The coordination of the Micro Economic Development Strategy (MEDS), of which the key area is evidence-based economic planning;
- The conducting of research and development to gain sound economic intelligence in the Western Cape; and
- Monitoring and evaluation for continuous organisational learning and improvement.

Description of provincial and national economic planning landscape:

Before the introduction of the Green Paper on Strategic Planning, no overarching planning framework existed at national level to provide a coherent vision for guiding all sector policies, plans and strategies. At provincial level, a clearly articulated Provincial Growth and Development Strategy (PGDS) provided the vision and underpinning policies and strategies that guided implementation. The MEDS, a subset of the PGDS, deals with an economic planning framework (the identification of sectors and cross-cutting themes through research and analysis guided by the Western Cape's competitive advantage). This competitive advantage is informed by the nature and character of the Western Cape economy, which is a dual economy characterised by an advanced, technologically competitive market component, with a vibrant informal economy.

An important focus of the MEDS is to identify interventions that target both arms of the economy – the technologically intensive activities, as well as those designed to improve the lives of the millions of individuals who are attempting to come to grips with the economy by growing small enterprises.

The MEDS economic planning framework first identifies support – through appropriate policy action – for sectors and activities that have a high potential for growth. Supporting what has the potential to grow, and particularly to grow to scale in global markets is an important objective of the MEDS. Certainly, it is in accord with contemporary perspectives on industrial policy. The current decline in global trade is likely to be of short duration, and predictions are that it will soon outperform growth in domestic output – to much the same extent as in the past.

We are well aware that it takes a long time before government support gains credibility; the MEDS advocates the notion of “staying the distance.” Firms too need to be persuaded that governments are in “for the long haul.” The message here is simple: it would not be wise for government to change policy over a medium term.

It is important therefore for government to maintain activities and programmes that will allow firms to expand when the economic upturn comes. This is particularly important in respect of infrastructure (including training) and export products.

Finally, with profit levels of firms in decline, the onus is on government to provide effective and efficient services and to build a favourable climate for investment. Government policies can be immediately improved in a number of areas. Here again, as with industrial policy in general, dialogue between government and the business community is of considerable importance.

This approach was acknowledged by Premier Helen Zille in her 2009 State of the Province Address....

“We already know, from the research done for the Micro-economic Development Strategy, what some of the key strategic growth areas for the region are: services for the oil and gas industry, tourism, information communication technology (ICT), business process outsourcing (BPO), call centres, human resource development, and small business development”.

The key principle here is to make the biggest impact with the limited resources at government's disposal. Premier Zille also captured the core essence of the MEDS in her 2009 State of the Province Address....

"In Economic Development we will focus on assisting and facilitating enterprise in the region, and ensure, as far as possible, that government helps and does not hinder investment. We aim to improve the global competitiveness of the Western Cape region by identifying and tackling constraints to investment, marketing the destination, cutting red tape, encouraging a fair business environment, and promoting the participation of citizens in the economy, particularly small and emerging enterprises".

Opportunities in achieving coherent planning in government

The Green Paper on National Strategic Planning is designed along the same lines as the MEDS economic planning framework. It is aimed at crafting long-term sustainable goals through a sound intellectual framework guided by experts who will serve as National Planning Commissioners (the CE and the MEDS oversight committee) and the National Cabinet (Provincial Cabinet).

Dr Wilmut James (Member of Parliament and DA Shadow Minister of Higher Education and Training) endorsed the essence of planning, when he argued that "to be a country and people who excel, we need a system of incentives and disincentives that is based on national planning founded on evidence, and self-correction based on research and analysis, and which invites, rather than imposes on, our talents to attain higher levels than the current lowly ambition". He further stated that "part of planning is to find the right sequence of decisions and actions where national, provincial and local government meet developmentally" (Cape Times, Monday, October 12, 2009).

Planning must inform and be informed by sector plans and provincial and local plans. Fragmented policy-making can lead to duplication of effort and contradictory outcomes, and unnecessary expenditure. The National Planning Commission's sector-specific approach is complemented by the MEDS, which follows a similar path: both take a long-term and medium-term perspective, both have similar institutional arrangements (the MEDS Oversight Committee and the National Planning Commissioners), both take national and regional issues into account, and both focus on clear, coherent planning, and monitoring and evaluation.

Like the MEDS, the National Planning Commission is concerned with issues of spatial planning. National spatial guidelines are tools for bringing about coordinated government action and alignment. They include spatial development perspectives and guidelines for infrastructure investment and social spending. Spatial frameworks establish an overarching mechanism/framework to:

- Discuss the development of the national (provincial) space economy;
- Provide a principled approach to coordinate and guide the implementation of policy across government; and
- Provide a common reference point for interpreting spatial realities and the implications for government intervention and private sector activity

Provincial Economic Development Coordination Unit

The Provincial Economic Development Coordination (PEDC) unit focuses on the provincial development planning and coordination of all partners that have an interest in the economic development of the Western Cape. The proposed structure is of a public entity, with a board and a secretariat that will manage the administrative affairs of that board. The unit will focus primarily on big projects that have the capacity to change the economic trajectory of the Western Cape for the better over a 25-year period. It is extremely important for all partners to have a shared vision, mission and institutional structure that will help the province to deliver on its mandate. In practice, the unit will have working groups (consisting of experts in civil society and the public and private sectors) that will consider well-researched economic development policies/strategies and programmes before they are handed to the Council (political principals) for adoption. This initiative will be driven by the Minister of Economic Development and Tourism and championed by the Premier.

While the MEDS focuses on sectors and themes that can grow the economy, if adopted in its current format, the Provincial Economic Development Coordination (PEDC) unit's focus will be to achieve a shared vision by building partnerships on MEGA projects with other provincial departments. The MEDS, by contrast, has concentrated mainly on identifying constraints and opportunities in the provincial economy, but taking budget limitations into account. These constraints have resulted in relatively small-scale projects with minimum impact on the economy being undertaken.

The PEDC unit's focus is on MEGA projects that can be implemented by more than one provincial department, in partnership with the private sector. But success in this respect will be heavily dependent on a clear alignment between the PEDC unit and the MEDS. Poor alignment of economic policies and strategies will make coherent planning extremely difficult.

The Accelerated and Shared Growth Initiative for South Africa (ASGISA)

The Accelerated and Shared Growth Initiative for South Africa (ASGISA) was launched in February 2006. Its objectives were to introduce policies, programmes and interventions that

would enable the South African economy to grow enough to halve poverty and unemployment between 2004 and 2014. Of the six priority areas, the second economy and small, medium and micro-enterprise development were highlighted in the 2008 ASGISA Annual Report as a focus area for that year. As a further signal of intent, the Second-Economy Strategy Project was launched in 2008. Furthermore, ASGISA focused on a number of priority sectors, notably tourism, business process outsourcing (BPO) and bio fuels. Significant progress has been made with the launch of government's Industrial Policy Action Plan.

A key aim of the MEDS since its inception has been its drive to integrate the informal economy to the greatest extent possible with the industrial strategy. The 2006 MEDS recommended that a survey of the informal economy in the Western Cape be conducted. This has become more urgent in the current recession because the nature and role of the second economy has become increasingly important. A significant stratum of entrepreneurs, made up of people with reasonable earnings capacity and the ability to finance the expansion of their firms from internal resources, has emerged in the informal economy. It is important for the provincial government to target the owners of these firms because it will then become possible to maximise the potential impact of interventions since: (1) these entrepreneurs have the greatest capacity to increase productivity, and (2) they are also the most likely to create additional employment.

The MEDS has identified Tourism and BPO as two of its priority sectors. Certainly, both are capable of generating the highest level of employment and growth, and they fit in well with ASGISA's criteria of prioritising high-growth opportunities.

National Industrial Policy Framework

The MEDS was developed when there was no clearly defined national industrial policy. However, in August 2007 the national Cabinet approved the National Industrial Strategy, which was embodied in two documents – the National Industrial Policy Framework (NIPF) and an accompanying implementation plan, the Industrial Policy Action Plan (IPAP). These two documents provided a framework within which provincial policy could be located.

Since the publication of the documents, government has strongly promoted an active industrial policy, with the 2009 budget making a firm financial commitment to it.

The 2007/08 MEDS synthesis report noted that while some overlap existed between the selection of priority sectors by the national and provincial governments,

this overlap was limited. The Western Cape is not well “represented” in the current lead sectors identified in the national strategy. Moreover, while national government has prioritised a large number of sectors, the MEDS argues that only a few sectors and activities should be prioritised. Finally, in proposing policies and programmes for support, the MEDS sees a more limited role for government and correspondingly a more central role for business, notably through the special purpose vehicles (SPVs).

Differences of approach between national and provincial government with regard to industrial policy are a reflection, firstly of different economic structures and, secondly, of a different history with regard to industrial policy and, particularly, engagement with the business sector. Context and history does matter. Provincial policy should not be shoehorned to accord with national policy. Indeed, quite the reverse should happen. A sound national policy will recognise regional diversities and build on these different approaches. International experience provides strong evidence that successful industrial policies provide a central role for regional authorities and initiatives, and that these initiatives will differ significantly between regions and from national policies, both in content and process.

Regional Industrial Strategy

The Department of Trade and Industry's policy with regard to the regions sits in the Regional Industrial Strategy (RIDS), which recognises the importance of regions and argues for a focus on the best developed regions; “...the best policy is to encourage industrial development at a relatively limited number of locations that are able to develop a competitive edge in regional and industrial markets” (RIDS, 2006:12). However, the role played by provincial governments in drawing up industrial policy and the coordination of these policies (such as between the three tiers of government) is currently ill-defined. Provincial governments have played only a very limited role in the formulation and implementation of national policies. Indeed, even consultation is currently unsatisfactorily infrequent.

Government now realises that its goals, including the millennium development goals, will not be achieved within the set timeframes if its planning function is not significantly strengthened within its service delivery framework. Accordingly, every provincial government department with responsibility for economic development has been instructed to provide and manage a full-blown provincial economic planning programme.

The economic planning programme provides for the full



planning spectrum and it is designed to deal with each element and phase of the planning or management phase, from planning and policy formulation, to implementation and to evaluation. In the light of the above, the following are the key priorities of economic planning:

Subprogramme 5.1: Policy and Planning
Strategic Priority: Strengthening Institutional Governance for Improved Service Delivery

Government can and must provide the policy frameworks and socio-economic conditions to accelerate job creation in the economic recovery period.

Minister of Finance Pravin Gordhan
 Budget Speech 2010

Strategic Objective	Strengthening institutional governance for improved service delivery.
Objective Statement	To strengthen the institutional governance for improved service delivery through credible economic planning by means of developing and updating economic sector and theme strategies to inform Departmental programmes.
Baseline	MEDS 5 year Super Synthesis Report and Matrix Sectors and Cross-Cutting Themes of 2009.
Justification	To provide guidelines and to influence the economic agenda of the Province.
Links	Provincial Growth and Development Strategy and other economic policies and strategies developed and implemented to achieve sustainable economic development.

Strategy 1: Coordination of the MEDS Economic Planning Framework

In light of the above, the key strategic priority is the coordination of the economic planning of the MEDS. This should include the sectors that will make the biggest impact on delivery.

The coordination of the MEDS will impact strongly on coherent economic planning within the Department and the Province. The MEDS is an economic development planning framework that provides overall coherence to the work of the provincial government of the Western Cape and, more specifically, the Department of Economic Development and Tourism. It is informed by research and analysis, by global best practices in regional development and by how these might best be applied in the context of the Western Cape. The aim is to reduce the incidence of government failure, market failure and network failure in the province. In the process, it has to take into account environmental factors, such as national policies and strategies, the global economy, climate change, demographic trends and regional peace and stability. Long term cross-cutting issues such as food, energy and water security are factored in. The MEDS is the evidence-based and analysis-based planning framework that enables the provincial government to make policy choices.

How will the Coordination of Economic Planning through the MEDS Oversight Committee be achieved?

To coordinate the continuation of extensive research, the MEDS team has intensely scrutinised global best practice and the overall framework for the Department. A major task of the MEDS team has been the ongoing formulation and revision of the overall framework that guides the Department's policies. In addition, the MEDS team has examined and re-examined a

number of pertinent issues for policy, including:

- The competitive position of the Western Cape;
- The economic performance of the province;
- The changing national policy context; and
- The alignment of MEDS policy recommendations and Departmental programmes.

Strategy 2: Translation of National and Provincial policies and strategies into long-term departmental strategies.

Policy alignment with all other spheres of government will ensure proper overlap of the selection of priority sectors between national and provincial governments. In proposing policies and programmes for support, the Programme will market the MEDS' notion of a central role for business, notably through the SPVs.

International experience provides strong evidence that successful industrial policies provide a central role for regional authorities and initiatives, and that these initiatives will differ significantly between regions and from national policies, both in content and in process.

While the Department of Trade and Industry has developed a policy for the regions, the role of provincial governments in industrial policy and the coordination of industrial policies (such as between the three tiers of government) are currently very ill-defined.

There is a clear need for much more effective coordination between the different spheres of government, particularly with regard to national government. One important future role for the Department will be to engage far more effectively with national government. As a rapidly growing region with

well-established governmental capacities and well developed institutions of engagement with the business sector, the Department can make a strong case for participating in the formulation and implementation of national policies – and for securing more national funding and support for regionally based initiatives.

Strategy 3: Ensuring Coherent Vision for a Provincial Economic Development Strategy

The key thrust here is to translate the provincial Medium Term Spatial Framework (MTSF) into the Department policies and strategies that inform all our programmes and projects. This must be undertaken in conjunction with the MEDS. Upon completion of research, the CE and the MEDS oversight committee (OC) will synthesise the reports and provide independent policy recommendations based on global best practice, in lieu of national government policies and strategic frameworks. These policy recommendations will be presented to the Department for consideration, adoption and the allocation of resources. The chosen policy recommendations (by the Minister and the Cabinet), with regard to sectors, cross-cutting themes and the like, will inform the Provincial Economic Development Strategy.

An effective provincial economic development strategy and policy requires expenditure of resources to be coordinated across a number of departments. The Minister will champion the MEDS at Cabinet and Cluster level. The fundamental principle of the Department's economic development approach is centered on the competitive advantage of the province, and on evidence-based, prioritised policies for the province. The Department's primary role is to facilitate an environment (or to create a platform) for strategic discussion between government and the business community. The strategic discussions are aimed at prioritising the needs of firms as well as creating an enabling environment for the co-evolution of policy and instruments for support to deal with market failure/network failure and government failure. The key thrust of the MEDS implementation approach is underpinned by a public-private partnership approach in the form of Special Purpose Vehicles and the Western Cape Tourism Partnership Plan.

The development of a coherent vision for the provincial development strategy should be informed by the following:

- Increasing growth, facilitating employment, and enhancing equity;
- Basing strategies on the Provinces' current and emerging competitive strengths;
- Identifying knowledge intensity as a fundamental characteristic of the Western Cape;
- Requiring all policy proposals to be grounded in an

empirical analysis of the structure of a particular industry so as to avoid wish lists;

- Focusing strategic attention on priority sectors;
- Maintaining a realistic grasp of the limited capacity of provincial government; hence devising appropriate policy and strategy levers for implementing the MEDS; and
- Building strategic institutional relationships between government and industry.

All provincial departments, through already existing institutional arrangements (Cabinet and Cluster committees), should play a more active role in promoting the prioritised sectors and cross-cutting themes, to enable them to make an impact in the provincial economy. The Minister and the Head of Department, with the help of sector specialists within the Department, should clearly set out the roles other departments should play. Once all parties are in agreement, they will need to formalise agreements, commit to budgets and monitor implementation on a quarterly basis through the Cluster and Cabinet committees.

Strategy 4: Ensure that joint economic planning occurs across sectors and themes within the Department

Once the provincial economic development strategy has been clearly aligned to the Provincial Medium Term Strategic Framework, the Department will be expected to translate it into clear, measurable strategies, programmes and projects that are ready for implementation. Led by the Minister and the HOD, the Department will decide which policy recommendations to adopt. Once they have decided, the adopted recommendations will be instituted into programmes and projects with budget attached to them for implementation. This must be done in a manner that demonstrates integration, synergy and value for money. It will be critically important at this stage to avoid duplication of resources. The Department must embark on projects with clearly articulated outcomes (which is why it has developed a matrix strategy and a programme and project approach).

Strategy 5: Annual Matrix Strategy coordination

The Department will continue to coordinate joint planning through the matrix approach, where integrated sectors and cross-cutting themes and strategies are developed. Once integrated matrix strategies have been crafted through detailed interaction between all the role players, the strategies will be considered by the DTM. The programmes and projects that flow from matrix strategies will clearly indicate each unit's responsibility and the expected implementation approach and time lines. In this regard, the Department will also consider some of the recommendations made by the MEDS oversight committee (worth noting is the greater focus on large scale projects that involve



several programmes). Funding will be made available on a competitive-bid basis for projects that involve more than one unit, and frequent discussions will be held between programme and project managers to check for overlap, duplication and synergies during the implementation phase.

Stakeholders

The Department has the following stakeholders: the Presidency, the National and Provincial cabinets, the Economic Cluster, Economic Development Public Entities, Universities, the Department of the Premier, the Department of Trade and Industry, the National Department of Economic Development, the National and Provincial treasuries, other Provincial Economic Development and Tourism departments. The expected outcome of this strategy is:

1. A Western Cape Industrial Policy Framework:
A global best practice economic development framework that provides coherent, evidence-based programmes of the Department and the province.

Subprogramme 5.2: Research development Strategic Priority: Economic Intelligence

Mr President, you have said we must do things differently. We cannot do the same old things and expect different results.

Minister of Finance Pravin Gordhan
Budget Speech 2010

Strategic Objective	To establish the Department as the repository of provincial economic intelligence for all the citizens and the business community of the Western Cape.
Objective Statement	To provide a minimum of 50 credible provincial economic data for all citizens and business community of the Western Cape in the next 5 years.
Baseline	MEDS Research
Justification	To create a repository of provincial economic data for all citizens and the business community of the Western Cape
Links	Provincial Economic policies and strategies developed and implemented to achieve sustainable economic development

The first four phases of the MEDS centred on research. The goal of the MEDS was to identify sectors in which growth and equity objectives of the provincial government could be advanced through appropriate government assistance. The MEDS accordingly undertook in-depth research into a wide range of sectors and activities of the provincial economy. By the end of 2007, the MEDS had undertaken 30 research projects. This has contributed immensely to an evidence-based understanding of much of the provincial economy, such as where the potential for growth and equity rests and what policies could be undertaken by the provincial government to realise this potential.

The strategic thrust of research is based on the competitive advantage of the Western Cape economy, and not on the constant requests for information on generic economic indicators at any given time. Human resources were identified as a major competitive strength of the province. Of particular

importance in this respect is that a significant segment of the population exhibits a high proportion of knowledge-intensive skills and activities. Many of the inhabitants of the province have high disposable incomes and are attracted to living here for lifestyle reasons.

It is important to note that the MEDS aims to lay the foundation for long-term growth. To this end, the Department will undertake research based on the competitive advantage of the province (the knowledge economy and the informal sector), compared with the national and global economy. Like the national economy of South Africa, the Western Cape is a dual economy characterised by an advanced, technologically competitive component existing side-by-side with a vibrant informal economy. An important focus of the MEDS research has therefore been to identify interventions that target technologically intensive activities in the province, as well as developing an understanding of how to improve the lives of

the millions of individuals attempting to economically grow their small enterprises. This is high-level research and analysis, which requires a high degree of expertise and integrity – to ensure that the policy options that are generated are of impeccable quality.

This type of research will be formulated by the Department through the support of the MEDS oversight committee. Once the conceptualisation stage has been completed, independent high-level economic researchers will be hired to conduct the research under strict supervision of the MEDS oversight committee. Upon completion of the study, the oversight committee will synthesise all research conducted in the financial year and provide clear policy recommendations to the Department.

The Department has the advantage of having two world-class universities in the Western Cape (UCT and Stellenbosch), both of which house academically reputable economics departments. Both universities produce world-class publications. UCT and Stellenbosch are supported by the University of the Western Cape and the Cape Peninsula University of Technology, both of which also play a key role in the compilation of information in the province.

There are constraints; the biggest is the lack of capacity within the Department to undertake research. An over-reliance on external research is a concern; external researchers are not necessarily able to provide programme-specific research. On the positive side, the Department has built a credible economic research database, and has developed strong links with UCT, civil society and the business community. Once the challenges centred on research capacity have been addressed, it will be easy to both gather and disseminate data through these networks.

Strategy 1: Economic Intelligence

The main aim here is to ensure that the Department lives up to the expectation of being the repository of provincial economic intelligence for all the citizens and the business community of the Western Cape.

Approach: The strategic imperative that underpins research is the economic competitive advantage of the Western Cape as a region compared with the national and global economy. A key thrust revolves around economic data-gathering (whether commissioned or gathered by the Department), storage and dissemination of economic intelligence. This includes:

- Identifying interventions that target technological intensive activities in the province;
- Developing an understanding of how to improve the lives of millions of individuals who are attempting to

economically grow their small enterprises; and

- Using MEDS research to identify the opportunities and constraints faced by firms and market failures, government failures and network failures, in general.

The focus of the research will therefore be on the knowledge economy and the informal sector, as well as on general economic research, to improve understanding of economic development in general.

This unit will also focus on the role of the MEDS at a more aggregate level. In particular, given the importance of knowledge-intensive activities for economic development discussed at length in this report, it is instructive to assess change over time and relative to other countries.

The government should therefore monitor whether the province is successfully “tuned in” to the global knowledge economy. The composite knowledge achievement index lends itself to such an assessment, both relative to other countries and over time. A Human Sciences Research Council report carrying missing values under the “Innovation System” will soon be available. It is also possible to estimate Internet diffusion. Government should also assess if the province is “tuned on”, namely by determining how the Western Cape compares with other regions throughout the world, with regard to its achievements in the information economy.

Common to both the “tuned in” and “tuned on” composite indicators is the fact that provincial data to populate these indicators is either readily available or can be constructed relatively easily. In addition, two multilateral institutions with Internet-accessible databases, the World Bank and the United Nations Conference on Trade and Development (UNCTAD), collect this information for the large majority of countries, making it easy to compare information.

Moreover, these composite indices make it possible to access trends in the knowledge and information economies in a more disaggregate fashion. It is here that the direct contribution of sector support under the MEDS can be assessed. For example, the knowledge achievement index assesses scientific and technical journal articles per million of the population. If the MEDS, through the Cape Growth Coalition and attendant initiatives, is successful in fostering university-industry linkages, this indicator should rise, making it possible to gauge the contribution of the MEDS to these larger objectives of regional development policy.

For the Department to become a hub of economic intelligence over the next five years will require a dedicated and credible team of economic researchers to undertake

research in collaboration with other institutions of higher learning on all aspects of knowledge economy innovation and technology, knowledge intensification and skills, research and development, invention, design, global competitiveness, spatial and sectoral dynamics of innovative activities, as well as informal sector and climate change. This will need to be undertaken under the strict supervision of the Department CE and the MEDS oversight committee.

Strategic intervention 1: Annual Publications and Workshops/Conferences with Civil Society and the Business Community

Before publication, each round of research will be thoroughly interrogated through a process of public hearings/workshops and conferences. These initiatives will be brought to the attention of targeted groups, and will be extensively advertised in the media to enable all interested parties to attend. A report per workshop, conference will be written and made available on the Internet, together with all the relevant research.

Strategic intervention 2: Quarterly Economic Reports through partnership with the Provincial Treasury and the Bureau for Economic Research

The Department is required to monitor the performance of the provincial economy on a quarterly basis. This necessitates a continuous collection of data and analysis. Premier Helen Zille tasked the Department with this responsibility, saying: *"Some of our short-term initiatives to further assist investment will include introducing a quarterly Western Cape pulse-taking and forecasting bulletin for investors, and a user-friendly citizens' guide to economic opportunities in top industries in the region"*.

Strategic intervention 3: Five-Year Economic Research International Reviews

It is proposed that the Department conducts a five-year review of all economic research undertaken by the Department. The purpose is to benchmark the quality of the Department's research against global best practice. At the end of the five-year period, all research undertaken will be summarised and updated, and consolidated into a single report that will be reviewed by, among others, international economic experts, at an international conference hosted by the Western Cape government.

Strategy 2: Building Economic Research Capacity in the Department

As has been already noted, the Department is experiencing a capacity shortage that seriously impacts on its ability to conduct economic research. The Western Cape, though, is not the only province that is struggling: this type of capacity shortage is affecting the whole country. But all is not doom

and gloom: fresh talent is beginning to emerge in this area of research, mainly in the province's tertiary institutions. The ability to tap into this pool of talent will be vital in order to strengthen its capacity to conduct economic research. We regard a general knowledge economy as a priority for the province. In this regard, specific attention will be given to the following areas:

Strategic intervention 1: Sourcing Dedicated Funding for setting up an Economic Research Unit in the Department

The purpose of the unit will be to conduct research in support of all programmes in the Department. Since part of the objective is to facilitate a flow of information between government, civil society and the business community, it makes sense to have a dedicated team of researchers overseeing research within the Department. The unit would also be ideally placed to lead a process of commissioning outside organisations to carry out independent research.

Strategic intervention 2: Engaging with Tertiary Institutions to solicit relevant training for public officials in the area

UCT offers a new Master's degree that specialises in the area of behavioural economics, a substantial component of which is dedicated to offering training in conducting quantitative economic research. Graduates from this programme could be the first port of call for populating the new evaluation unit.

Strategic intervention 3: To provide scholarships for public officials who want to specialise in this field:

This will be an important intervention for building up a cadre of development economists with specialist skills in economic research. Talented students often face the tough choice of either specialising in a field that comes with money (many of the UCT, US and UWC specialist economics Master's degrees come with scholarships) or pursuing what truly interests them and thereby forgoing a lucrative scholarship. Partnering with tertiary institutions that can deliver students with much-needed skills will require the provincial government to make a funding commitment.

Capacitating the Sector/Theme desk on Data Gathering

The Department has successfully set up Special Purpose Vehicles (SPVs) in all the priority sectors and has facilitated strategic conversations that have given rise to programmes aimed at growing the sectors. But there have been challenges, with the biggest being the fact that sector/theme desks have not been capacitated to develop a sound, consistent mechanism for collecting data that can monitor the growth or decline of the broader industry. Under research and development, a plan will be designed with the help of the CE and the MEDS oversight committee to capacitate sector/theme desks in all the selected priority sectors on what and

how they should compile data to help the Department gather sound economic intelligence on all sectors/themes.

Monitoring of a sector/theme by gathering data will enable the Department to strategically drive the growth of the said sector/theme.

What follows is a rough guide. The oversight committee could work with each sector on the details. This proposal follows the compilation of the chapter for the 2009 PERO report. It is clear that most units within the Department do not have data relating to their field and do not collect data in a systematic way. We intend starting a discussion on this issue within the Department.

The above proposal applies to sectors. “Non-sector activities” such as Workforce Development require a different approach (which is still being developed).

Stakeholders

The Department has the following stakeholders: the HSRC, STATS SA, the City of Cape Town, the Provincial Treasury, the Department of the Premier, all universities in the Western Cape, the Department of Trade and Industry and the other 8 Department of Economic Development and Tourism provincial departments, the DTI – Research Forum and Provincial Economists’ Forum.

The expected outcome of this strategy is:

1. An information or economic intelligence hub of the Western Cape Province

Subprogramme 5.3: Knowledge Management

Strategic Priority: Strengthening institutional governance for improved service delivery

Our people want government, business, labour and social organizations to work together to create a better economic future.

Minister of Finance Pravin Gordhan
Budget Speech 2010

Strategic Objective	Strengthening institutional governance for improved service delivery.
Objective Statement	To strengthen the institutional governance for improved service delivery through development and maintenance of knowledge management systems to capture, store and disseminate information for organisational learning.
Baseline	Enterprise Content Management (Livelink)
Justification	Enabler for economic development.
Links	Provincial Economic policies and strategies developed and implemented to achieve sustainable economic development.

The primary focus of this unit is to enhance the Department's Knowledge Management processes and systems in a manner that will, over time, increase value and create sustainable innovation.

The Department of Public Service and Administration (DPSA)

is the custodian of the identification and promotion of Best Practice for service delivery in the public sector. The DPSA was instructed to strategically manage the knowledge in the areas of learning, innovation and adaptation to change. For this reason, it drafted a Knowledge Management Framework, built and anchored on the following legislation:



- National Archives of South Africa Act No. 43 of 1996, which promotes the accessibility of national public and non-public records, and their use by the South African public for the betterment of the country (restrictions and prescriptions under this Act do not apply in the area of knowledge management, as intended in the framework);
- Promotion of Access to Information Act No. 2 of 2002, as amended;
- Promotion of Administrative Justice Act No. 3 of 2000;
- White Paper on Transforming the Public Service; and
- White Paper on Human Resources Development in the Public Service.

The unit will focus on building and strengthening platforms and tools on which the knowledge developed and built up in the Department is captured and distributed internally and externally to stakeholders. It will also ensure that the Department becomes a learning organisation through effective and efficient knowledge management for organisational development. This objective will be achieved by developing knowledge management systems that will help in dealing with the knowledge revolution that is creating a constant state of restructuring at a global, country, sector and firm level.

It is, however, worth bearing this in mind: although all these developments create opportunities for growth and competitiveness in developing economies, they also carry risks for other economies, such as that of the Western Cape. The risks relate to the fact that the competitiveness of the Western Cape depends on its ability to access, adapt and utilise the development of knowledge. Knowledge management is linked to the Department's strategic objectives and is intended to achieve specific outcomes and to support information and knowledge management in a way that promotes the strategic objectives of the Department.

The purpose of this unit is to access, store, and disseminate information relating to the province's economy, as well as information that is required for the efficient and effective management of the Department. It is for this purpose that the unit houses the departmental Resource Centre, which (as part of this mandate), is responsible for the Department's database, shared drive and fledgling Geographic Information Systems (GIS). This unit will, among other matters, be responsible for the following:

- Initiation of an appropriate filing system to store departmental information in accordance with the National Archive Act;
- Sharing of information and distributing economic papers electronically (through the shared drive). The sharing of information will also be done through the Departmental Forum, made up of all senior managers; and
- Departmental knowledge sharing, where knowledgeable, /experienced staff use an informal approach to teach others

Stakeholders

The Department has the following stakeholders: the HSRC, STATS SA, the City of Cape Town, the Provincial Treasury, the Department of the Premier, all universities in the Western Cape, the Department of Trade and Industry and the other 8 Department of Economic Development and Tourism provincial departments, the DTI – Research Forum and Provincial Economists' Forum.

The expected outcome of this strategy is:

- Improved learning in the organisation, through information sharing

Subprogramme 5.4: Monitoring and Evaluation Strategic Priority: Strengthening institutional governance for improved service delivery

Strategic Objective	Strengthening institutional governance for improved service delivery.
Objective Statement	To strengthen institutional governance for improved service delivery through conducting 100 Monitoring and 20 evaluations across the Department programmes and projects, thereby facilitating organisational learning.
Baseline	5 evaluation reports and 20 monitoring reports.
Justification	To ensure implementation of policies and plans.
Links	Provincial Economic policies and strategies developed and implemented to achieve sustainable economic development.

Description of the national and provincial M&E landscape

Programme monitoring and evaluation are complementary activities, and are important for assessing whether policy and programme changes have achieved their intended aims. Monitoring occurs on a continuous basis via the collection and analysis of data on pre-specified and agreed-upon performance indicators, and by tracking actual performance against theoretical outcomes. The provision of regular information and feedback to programme managers and other stakeholders on the progress of an intervention, and the extent of that progress, will allow corrective action to be taken should the need arise.

By contrast, evaluation occurs periodically, and takes the form of an in-depth analysis of programme performance. Evaluation, which is usually undertaken by an external agency, may occur once a project has been completed, or may be conducted to improve the design and performance of an existing project. The purpose of an evaluation is to provide a systematic and objective assessment of the impact, relevance, efficiency, accountability, and sustainability of programme interventions, thereby generating a body of knowledge on good practice (or to put it simply: what works and what does not).

A monitoring exercise begins with a participatory process involving all stakeholders, whose main task is to define the goals and standards against which an intervention will be assessed (in other words, to determine the true outcomes of what have been up to then just hypotheses). This is followed by a collection of data on these outcomes, the analysis of the data and the synthesis and dissemination of key results back to the stakeholders and the broader public.

For an evaluation exercise to be successful, it is important that its purpose is clearly defined from the start. In other words, questions revolving around what the evaluation aims to address or who will be making use of the findings should be clearly articulated. Stakeholders should be involved from the start, to ensure that their concerns are addressed and that they will participate in defining the appropriate evaluation criteria, as this will promote confidence in the results once the evaluation has been completed. Potential outputs, targets or outcomes should be clearly defined and articulated from the start. Moreover, any external factors or risks that might affect the outcome of the project intervention should be identified and monitored. In setting these targets, attention will have to be given to baseline studies in the various industries or sectors, with special attention being paid to historical trends in outcomes. In addition, taking stakeholder expectations and previous research

findings in the target sectors into account, and considering success stories from similar sectors not earmarked for an intervention, may provide useful sources of information about the kinds of targets that can realistically be achieved.

Among other things, the Monitoring and Evaluation-Wide Policy Framework, which was introduced towards the end of 2007, seeks to make monitoring and evaluation part of provincial and national strategic plans and annual performance plans (APP). The 2006 MEDS Synthesis Report recommended that the Department undertake monitoring and evaluation. This MEDS recommendation was highly significant because it argued, with great eloquence, that a M&E framework had to be built within the implementation framework of an institution – in other words within the Department of Economic Development and Tourism.

There are, however, agreed basic steps – such as the identification of baseline data and the design of indicators to monitor progress – that must be taken to form a proper foundation. The provincial government of the Western Cape, through the provincial-wide Monitoring and Evaluation Network, developed the results-based Monitoring and Evaluation Framework; which later became part of the Provincial Growth and Development Strategy.

As part of this process, the Western Cape government developed the iKapa Outcome Indicators for the province and an assessment was undertaken throughout the government to determine institutional capacity and the skills required for the effective implementation of M&E. The results indicated a lack of or no institutional capacity for M&E; in most departments M&E was part of a Directorate rather than a fully-fledged unit. The findings on skills were as worrying: the results indicated that there was neither sufficient knowledge, nor skills to undertake this function.

At the end of April 2009, the national government put more emphasis on performance monitoring and evaluation, with the introduction of a Ministry for Performance Monitoring and Evaluation alongside the Ministry of National Planning in the Presidency. The Presidency recently published a Green Paper on Performance Monitoring and Evaluation (which is to say, a discussion document on government's approach to performance monitoring and evaluation). This was followed by the National and Provincial Treasuries introducing M&E, notably, the identification of outcomes as key aspects of five-year strategic planning and annual performance plans.

It is important to note that the Green Paper on government's approach to performance M&E clearly states that key strategic areas of evaluation will be guided by the national MTSF and Provincial MTSF, both of which clearly articulate government priority areas. Equally important to remember is that the Green Paper on government's approach to M&E cautions against monitoring and evaluating everything, arguing that costs would escalate and, most worryingly, the M&E process would become an end in itself (unnecessary and heavily bureaucratic). Instead, it proposes that once the MTSF and PMTSF have been completed (in other words, once its priorities have been clearly defined), departments must select critical outputs indicators and monitor progress towards outcomes. This will require open-mindedness and flexibility and, most importantly, institutional readiness. We must also caution against putting major bureaucratic compliance tasks to line function as this might have unintended consequences of compliance that will not necessarily have the desired outcomes.

Monitoring and Evaluation Landscape within the Department

M&E was recognised by the MEDS as one of the most important operations with respect to ongoing assessment of economic development in the province. There are different M&E needs at different levels or tiers within the Department: firstly, the Department has its own Annual Performance Plan that is linked to the Medium-Term Expenditure Framework; secondly, there are SPVs that act as key policy and programme implementation vehicles; and thirdly, there are other institutions that are largely funded by the Department (for example, the RED Initiative), but which have very specific programme evaluation needs. In this section, we review M&E for these three tiers of the Department.

Within M&E, the MEDS distinguished monitoring from evaluation, noting the different information requirements of each task. M&E must also identify different phases of policy and project implementation. The MEDS differentiated its recommendations according to (a) the pre-project phase; (b) the project implementation phase; and (c) the project evaluation phase. Key to this is compiling and generating data that helps identify the current status of any policy or project (called the baseline), implementing the policy or project, and then evaluating the outcomes (called the follow-up). It is through this process that any implementing agency can accurately identify the outcomes of its efforts and expenditures. Though the discussion below is more about broader principles than specific projects, it is useful to keep this differentiated approach in mind.

The Department, like other provincial departments, has not had an effective institutional capacity since M&E was

and still is part of a Directorate that deals with other issues. Furthermore, it was never capacitated. The Department, again like other departments, experiences severe skills shortages with regard to M&E. It is also important to note that even though the Department has struggled with capacity, it successfully implemented the DOPMS, where all projects were captured and regular meetings held to discuss progress on projects.

With limited capacity and resources, the Department's M&E unit developed the departmental results-based M&E Framework, aligning all its activities to the province-wide monitoring and evaluation system (PWM&ES) learning network. A significant number of line function middle management was trained by the University of Stellenbosch and workshops were held with senior management to discuss M&E processes.

The actual implementation of monitoring and evaluation has been neither systematic nor consistent. Some programmes have undertaken M&E exercises without the guidance of the M&E unit and it has therefore been difficult to oversee the quality of these projects. Worryingly, most managers see M&E as something "out there", which is not necessarily linked to their programme and project plans. Poor data collection prior to implementation makes it difficult to obtain baseline data. Hence, it becomes impossible to conduct good M&E of existing projects. The Department also experienced difficulty in designing indicators that best measure its contribution to the economy as it is not the only player in this space in the province.

Even though there is a need for reorientation of the Department's programme and project planning along M&E guidelines, it is currently carrying out five outcome evaluations and is performance monitoring two major programmes of the Department that deal with the public on a daily basis. This project has been implemented in partnership with the Cape Peninsula University of Technology. In addition to this, the Department developed draft outcome indicators during its preparation of the five-year strategic plan. This process was led by the Chief Financial Officer, using documents and templates provided by the Provincial Treasury. These outcome indicators are sound and will easily fit the strategic areas that will be identified in the Provincial MTSF.

Another critical policy directive has been the introduction of the Executive Dashboard by the Department of the Premier to monitor the implementation of departmental programmes and projects. The Executive Dashboard is an electronic system that can track the progress of all programmes and projects of the provincial government. Each department is expected to

update the progress of its projects and to make it available to the public to enhance accountability.

In the implementation phase, the programme's monitoring and evaluation sub-programme will collect, store and disseminate data, monitor and measure performance, and provide feedback. In addition to being used in the evaluation phase, the feedback will also enable managers to pinpoint where corrective action is required, to ensure service delivery targets are met and to indicate whether strategies, policies or plans need adjustment. In the evaluation phase, typically towards or at the end of implementation, it will be possible to use feedback for the next round of strategy planning or policy development.

Taking the above into consideration, the Department will adopt an approach to M&E based on:

- Performance Monitoring through the Performance Information System;
- Project Monitoring through the Executive Dashboard;
- Programme and Project Outcomes Evaluation;
- Impact Evaluation; and
- Capacity Building of M&E in the Department

Strategy 1: Performance-monitoring through a Performance Information System Indicator Development

As indicated above, the drafting of outcome indicators (using the Provincial Treasury documents and templates) has been completed for the Department in preparation for the five-year strategic plan. Even though there is consensus within the Department on the outcome indicators, they will only be finalised once the Provincial MTSF, which will set out the provincial government's key strategic priorities, is finalised. The challenge will be to capacitate the Department to gather credible baseline data. This will be achieved through the Research and Development unit. Indicators will be reviewed annually and, where necessary, improved. The indicators are also discussed throughout this document.

Performance monitoring is undertaken through carefully selected critical outputs that will be consistently assessed in all programmes, using the following criteria:

- **Reach:** is it accessible to all citizens of the Western Cape?
- **Effectiveness:** does it address the challenges of speed, quantity and scale in terms of targets?
- **Efficiency:** are interventions implemented in the most cost-effective way ("doing more with less") in the light of budget constraints? (value for money) Is money used in a way that exploits existing economies of scale? (for example, does it make use of industry training facilities)

- **Relevance:** does project targeting prioritise the correct beneficiary?
- **Sustainability:** is the project needed beyond its time frames?

Performance monitoring is conducted on a quarterly basis in all the major programmes of the Department. It is implemented through partnership with institutions of higher learning, as it affords young researchers or graduates with limited experience an opportunity to be trained as field workers and enable them to participate in survey work. Even though it is a quarterly exercise, it requires minimum involvement of the project manager; all that is required is the data of beneficiaries, an indication of the length of the interventions, of areas where they were implemented and of the budget that was spent. Where possible, the unit will try to avoid costly and administratively cumbersome exercises that distract line function implementation responsibility.

Performance Information System

The above will be achieved through a performance information system that will deal with the collection of statistical data highlighting the following:

- Beneficiary – race, gender, age, geographical area, education level (skills set), disability and the like;
- Credible, validated, timely information on outcomes and also inputs, budget, activities and outputs;
- For each indicator, the national target, the baseline, the data-set used, the data provider, frequency of reporting, data quality officer and minimum requirements for performance assessment;
- Accurate and trustworthy data, conforming to SASQA 8 dimensions (relevancy, accuracy, timeliness, accessibility, interpretability, coherence, methodological soundness and integrity).

The only challenge is that the Department of the Premier insists that the OPMIS system should be used for this purpose, and they are discouraging the Department from designing its own system. The difficulty is that even if the Department has its own system, once OPMIS is completed, the Department will be required to use it, as all departments will then be using the same system.

Strategy 2: Project Monitoring through the Executive Dashboard:

The Executive Projects Dashboard has been implemented by the Department of the Premier to closely monitor the progress of departmental projects. Programme managers are responsible for the loading and updating of their projects and budgets, and the system will enable the Head of Department, the Minister and the Premier to keep track of progress and be

alerted timeously to challenges and delays. The Dashboard will be updated regularly and will form the basis of progress discussions at DTM level. It will also provide quarterly reports for discussion with the Minister and the Premier. The system will effectively replace the DOPM system that the Department has been using for the past five years. The Executive Dashboard will be implemented through the following activities:

Strategy 3: Programme Outcome Evaluation

Due to the nature of its work, the Department currently implements most of its policies and strategies through programmes that make extensive use of implementing agencies. On the one hand, it is important to acknowledge that it is in the best interest of the Department to evaluate the outcomes of the programmes that it outsources to implementing agencies. On the other hand, probably once every three years, the Department should evaluate the effectiveness of all the implementing agencies that it uses – to ensure that they remain at the level required for implementation.

The focus here should be on the evaluation of programmes funded by the Department. It ought not to matter who the implementing agent is; our interest should be on whether what was implemented resulted in the desired outcome. All the programmes of the Department will be evaluated on an annual basis. Here, the focus will be much more on the evaluation of the programme.

Taking the RED Door, OCP, skills and Tourism programmes as examples, it is clear that they can be evaluated annually through surveys, using a systematic approach. The same method can be applied in specific industry development programmes.

For this reason, efforts should be made to generalise programme evaluation methods across all agencies, in much the same way as the RED Initiative – to make it easier for everyone to understand their purpose. This will provide managers with a framework to begin programme evaluation as soon as new programmes are implemented.

Strategy 4: Impact Evaluation Using Existing Data

Upon completion of a project, an impact evaluation is usually prepared by an outside organisation (defined as outside of government or the implementing agency). At the very least, the resulting study will present an analysis of the overall implementation of the project and will examine whether the pre-identified targets were met (within a reasonable margin of error). Typically, further ex-post evaluations of selected projects will then be commissioned at this stage to assess the broader impact on communities, households, clusters of firms and

other beneficiary groups that might not be easily delineated in any one of the above categories. More generally, however, the analysis coming out of the implementation phase will tend to raise further questions that will typically need answering before an overall assessment of the success or failure of the policy intervention can be made. From an evaluation perspective, the post-implementation phase is crucial as it is during this phase that a comprehensive evaluation will become possible for the first time since the inception of the project. This is true for both practical and scientific reasons.

Strategy 5: Building Monitoring and Evaluation Capacity in the Department

As has already been noted, extensive monitoring and evaluation exercises are being hampered by a capacity shortage. This is true not only for the Western Cape Province, but also for the country as a whole. However, there is emerging talent in this area of research, and much of the available capacity is currently located in the region's tertiary institutions. Tapping into this pool of talent will go a long way towards strengthening this capacity. Moreover, this is an area that the Department strongly supports as a general knowledge economy priority for the Province. Specific attention could be given to the following areas:

Strategic intervention 1: Sourcing dedicated funding for setting up an Evaluation Unit within the PGWC

This unit will involve management in day-to-day monitoring and evaluation up to the end of the implementation phase of projects. Since part of the objective is to facilitate a flow of information between implementing agencies, project directors and the provincial government, it makes sense to have a dedicated team overseeing these day-to-day activities within the government. The unit could also lead the process of commissioning outside organisations to do the independent impact evaluations in the post-implementation phase.

Strategic intervention 2: Engaging with tertiary institutions to solicit relevant training for public officials in the area

UCT offers a new Masters' degree that specialises in behavioural economics, a substantial component of which is dedicated to offering training in conducting quantitative project evaluations. Graduates from this programme could be the first port of call for populating the new evaluation unit.

Strategic intervention 3: Making available funds for scholarships for public officials wanting to specialise in this field

This will be an important intervention for building up a cadre of development economists with specialist skills in economic research. Talented students often face the tough choice of either specialising in a field that comes with money (many of the UCT, US and UWC specialist economics Master's



degrees come with scholarships) or pursuing what truly interests them and thereby forgoing a lucrative scholarship. Partnering with tertiary institutions that can deliver students with these much-needed skills will require the provincial government to make a funding commitment.

Stakeholders

The Department has the following stakeholders: the HSRC, STATS SA, the City of Cape Town, the Provincial Treasury, the Department of the Premier, all universities in the Western Cape, the dti and the other 8 Department of Economic Development and Tourism provincial departments, the DTI – Research Forum and Provincial Economists' Forum.

The expected outcome of this strategy is:

The Department to be a learning organisation: (continuous learning through implementation of corrective measures and replicating best practice).

Resource considerations

The expenditure trends in respect of the programme's structure and the expected growth over the five year period is set out in Table 1 below.

The work of Departments will be measured by outcomes, developed through our performance monitoring and evaluation system

State of the Nation Address 2010
His Excellency JG Zuma
President of the Republic of South Africa

Table 1: Nominal Expenditure on Programme 5: Economic Planning

Programme 5: EP	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%) ¹
Sub-Programme 5.1: Policy and Planning		1		598	717	953	1 233	35.40
Sub-Programme 5.2: Research and Development	2 110	2 570	3 584	5 796	3 514	3 751	3 947	(10.63)
Sub-Programme 5.3: Knowledge Management		1	637	1 093	270	330	360	(22.35)
Sub-Programme 5.4: Monitoring and Evaluation		340	850	1 537	1 859	2 099	2 346	17.55
Sub-Programme 5.5: Management EP		350	774	1 226	3 527	3 764	3 980	74.88
Total programme 5:	2 110	3 262	5 845	10 250	9 887	10 897	11 866	5.26

1. Projected average annual change between 2009/10 Adjusted Appropriation and 2012/13 Indicative Allocation.

Table 2 below shows a summary of the payments and estimated expenditure per economic classification over the past three years and the nominal average annual change over the MTEF period.

Table 2: Nominal Payments and Estimates per Economic Classification on Programme 5: Economic Planning								
Programme 5: EP	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%) ¹
CURRENT PAYMENTS	2 110	3 262	5 246	9 850	9 847	10 797	11 766	6.48
TRANSFERS AND SUBSIDIES TO:			500	300				(33.33)
PAYMENTS FOR CAPITAL ASSETS			99	100	40	100	100	0.00
TOTAL ECONOMIC CLASSIFICATION	2 110	3 262	5 845	10 250	9 887	10 897	11 866	(5.26)

1. Projected average annual change between Adjusted Appropriation 2009/10 and 2012/13

Table 3 shows the staff establishment

Table 3: Staff Establishment for Programme 5: Economic Planning					
Programme 5: EP	Number of Posts on Establishment	Number of posts Filled	Number of Vacant Posts	Vacancy Rate (%)	Number of posts filled additional to the establishment
Total programme 5:	17	19			2*

* the EDC unit is included in this Programme

The impact of reduced funding is being felt across the Department, but particularly in this Programme, part of which is relatively new (Economic Planning and Monitoring and Evaluation) and has been significantly understaffed and under-resourced since its inception. The implementation of considerable monitoring and evaluation of departmental programmes and projects started in 2009/10 and will continue in 2010/11. Economic Planning, as a strategic support unit, was established in 2009/10, and undertook its responsibilities without any changes to the resources of the Programme.

In an attempt to address the shortfall, the Department has changed its intervention strategy quite significantly. The approach followed for years was to outsource all research projects. But now the Department has undertaken a process of capacitating the research unit with a high calibre of economists to conduct research internally.

This new approach will ensure that research is prioritised and used during the implementation phase. With regard to skills development, the Department will form partnerships with universities to capacitate the current staff and shape the economic research currently being undertaken.

Risk management

Sub-programme 5.1: Policy & Planning

Strategy 1: Coordination of the MEDS Economic Planning Framework, including development of long-term strategies

Strategic risks:

- Failure to translate economic intelligence into the strategy;
- Lack of strategic partnership with other role players in the Province; and
- Lack of buy-in from stakeholders to develop the strategy;

Strategic risk response:

- The Department will develop strategies through the matrix approach;
- The chief economist will provide policy recommendations for the Department;
- Strategic partnerships will be built with institutions of

higher learning, Stats SA, the HSRC, the Department of Science and Technology, UCT's Graduate School of Business (to access information);

- The Department will engage with the private sector and civil society
- The Department will participate in the Provincial Planning Network coordinated by the Presidency;
- The MEDS will be thoroughly discussed at the Economic Cluster.

Sub-programme 5.2: Research and Development

Strategy 1: Enhance strategic economic intelligence (data gathering and analysis) through cutting edge research, publications, and learning events.

Strategic risks:

- Incomplete Sector (economic) Outcome Indicators by the Presidency, Department of the Premier and Economic Cluster (baseline data)

Strategic risk response:

- The Department to carry out research to identify baseline indicators for key sector within the Department's strategy;
- The Department will utilise the Office of the Presidency's Draft Sector Outcome Indicators
- The Department's Draft Outcome Indicator

Sub-programme 5.4: Monitoring & Evaluation

Strategy 1: Performance monitoring through a Performance Information System

Strategic risks:

- Lack of capacity of M&E within the Department to implement outcome performance management approach.

Strategic risk response:

- Develop partnerships with the HSRC, SAMEA and Provincial Learning Networks;
- Develop and implement a M&E information system;
- Implement a workshop strategy with DTM and Departmental Project Managers;
- Develop an M&E Strategy and Implementation Plan for the Department, in accordance with the GWMES



PART B : Strategic Objectives

PROGRAMME 6: TOURISM, ARTS AND ENTERTAINMENT

Purpose

To grow, promote and transform the tourism, arts and entertainment sectors in the Western Cape for the benefit of all citizens.

Programme structure

- Sub-programme 6.1: Management Tourism, Arts and Entertainment
- Sub-programme 6.2: Tourism Growth
- Sub-programme 6.3: Tourism Participation
- Sub-programme 6.4: Destination Marketing Organisation
- Sub-programme 6.5: Commercial Arts and Entertainment

Context

The UNWTO (United Nations World Tourism Organisation) recorded 880 million international arrivals in 2009, 4% less than the 920 million recorded in 2008. Full-year results show that growth was negative in all world regions except for Africa.

Africa receives just fewer than 5% of global tourist arrivals. South Africa on average, receives 33% of the total tourist arrivals to Sub-Saharan Africa. The UNWTO recorded 48.1 million international arrivals in 2009 to South Africa, which is a 5, 1% increase on the 45.7 million recorded in 2008.

South Africa received 9,591,828 international arrivals in 2008. This 5.5 % increase from 2007 exceeds the global growth rate of 1.3%. In 2008 South Africa's tourism industry contributed

R194.5 bn to the GDP. In 2008 a total of 438,500 direct employment was achieved and a total of 603,200 indirect employment was achieved.

The Western Cape is South Africa's most developed tourism destination. Tourism currently has a 10% share of employment, and at a time when jobs are being shed in many industries, new jobs are being created in this industry. Tourism has the potential to grow the Provinces' economy in a sustainable manner.

In 2008, the Province welcomed 1,630,611 visitors from overseas, down from the 1,763,631 arrivals in 2007. This constituted a 7.5% year-on-year decline. The drop in visitor numbers has been mostly in traditional core markets from the UK, Germany and the Netherlands. Significantly, the decline in volumes did not affect the overall yield in the industry as Foreign Direct Spend showed a year-on-year increase of 16.2%.

The tourism industry in the Western Cape contributed 14, 08% to the Gross Regional Product to the Province in 2005, with 150,000 direct jobs created and 209,763 indirect jobs. About 29 tourists are required to create one direct job in the industry while 20 tourists create one indirect job. The demand generated by tourism in other sectors in 2005 was valued at R2.5billion for Manufacturing; R2billion for Transport, Storage & Communication; and R1.5billion for Wholesale/Retail Trade and the Hotel & Restaurant sub-sector. The total impact of Travel and Tourism consumption (this means travel and tourism industry supply) on the Western Cape economy in 2005 was R25, 2billion.

Table 1: International and Domestic Arrivals to the Western Cape.

	2000	2004	2005	2006	2007	2007
International Arrivals	770,000	1,535,903	1,591,648	1,737,937	1,763,631	1,630,611
International Spend	-	R8.9bn	R14.9bn	R19.8bn	R17.7bn	R20.8bn
International Bednights	-	16,121,672	16,875,193	19,788,713	20,081,219	21,077,852
Domestic trips	-	-	3.0m	3.2m	4.5m	4.1m
Receipts from domestic trips	-	-	-	-	3.6bn	3.9bn

ASGISA (Accelerated Shared Growth Initiative of South Africa) and the WC Micro-economic Development Strategy (MEDS) have identified tourism as a key sector for accelerated growth and BBBEE. However, the Annual Development Indicators report of 2008 states that strong growth over the last decade “has had a significant impact on employment creation, but the sector still needs further transformation so that the benefits of growth are more equitably shared”.

The Strategy, adopted for the development of all dimensions of the Tourism Industry in South Africa in general and in the Western Cape in particular (as illustrated in the table), is one which is the tried and tested standard in major tourism countries and sub-national regions worldwide. The fundamental purpose of the strategy is to increase demand for tourism business (accommodation, land transport and the like). This results in more business for established firms, enough additional business for new firms to establish themselves and

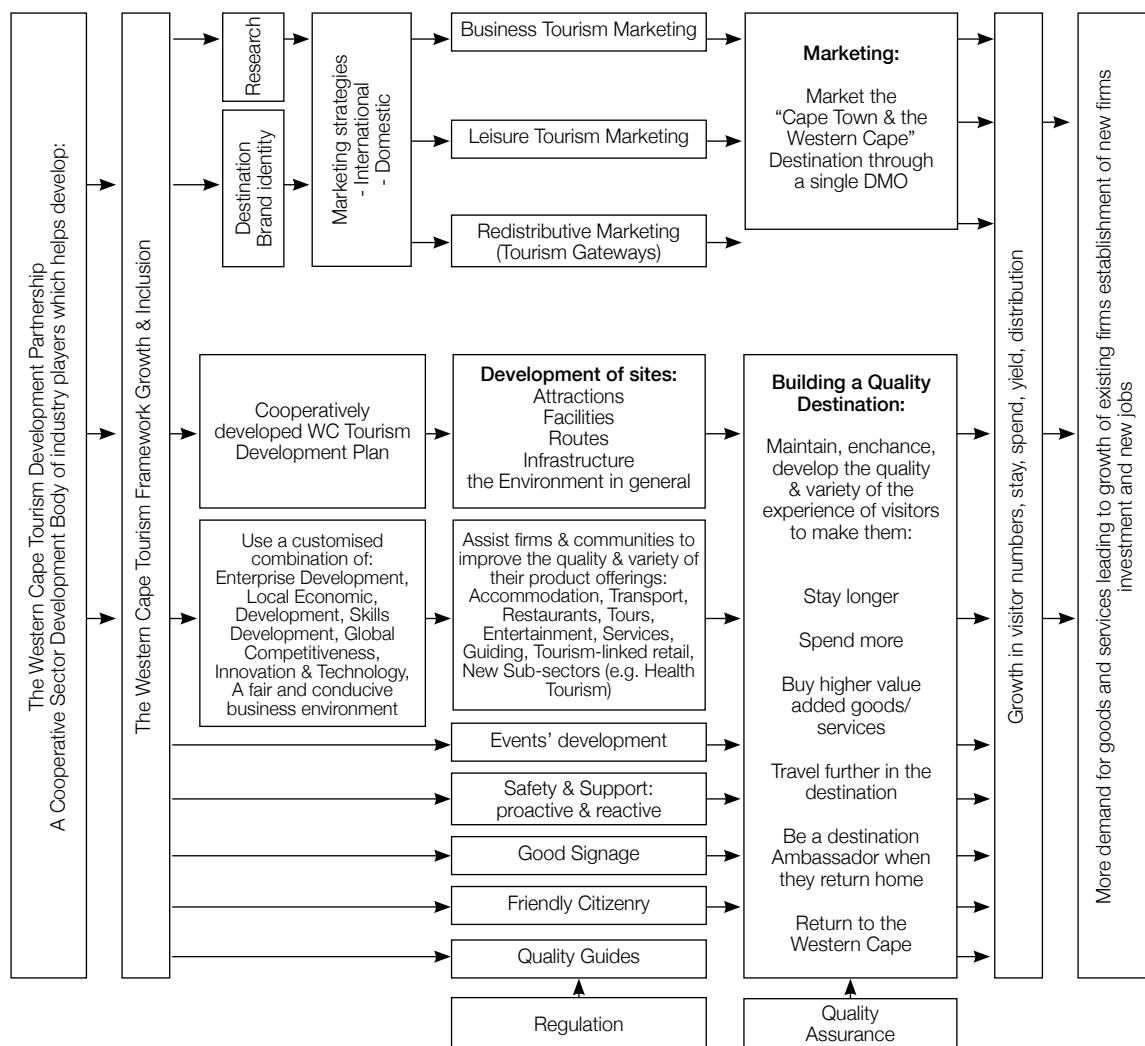


Figure 10: Strategic flowchart for Tourism

big opportunities for large foreign firms (Dubai World and the Taj Hotel) to establish themselves and thrive in the market. As Tourism is fundamentally a service business, new business translates into new jobs across the employment levels and in all the sub-sectors which make up the Tourism Industry.

Demand is increased in two ways. First, by more visitors coming to the destination and, second, as a result of the visitors spending more (by staying longer, travelling further away from the entry point into the Province, buying higher value goods and services etc). To attract a greater number of visitors, a destination has to maintain its past levels of marketing and constantly increase the quality and quantity of its marketing.

However, one cannot market a destination of no substance as, in the very competitive global tourism market; it will be exposed as such very soon. In this light, the destination has to be built up, first, to ensure that it offers the basic services which travellers expect anywhere in the world (Internet, spas, quality restaurants offering a wide variety of cuisines etc) and, second, to offer attractive, quality and unique products. The quality and variety of these products and services determine the quality of “the destination experience” in total which is the way in which visitors judge Cape Town & the Western Cape. Among the many elements making up a quality and varied destination are: whether there are unique products which appeal to the visitors, the frequency and quality of the events in its annual calendar, whether it is safe, whether it is easy to find one’s way around (roads and signage), whether there is good quality service and whether people, in general, are helpful.

In order to ensure that “the destination experience” is high quality, we need to help firms to become globally competitive, bring new goods and services to the market (innovation), ensure they have the right skills when they need them, and ensure a “service excellence” orientation. We also need to assist with the development of new sites, attractions, facilities, routes and infrastructure in the destination. In some cases, the market takes the initiative (Ratanga Junction). In others, Government and Business work cooperatively (Route 62). In other cases, Government takes the lead as the market will or cannot undertake certain developments on its own (for example Agulhas).

The case is the same with marketing. The core focus of marketing worldwide is Leisure Tourism. However, Business Tourism is an increasingly growing focus, supported by

facilities like the Cape Town International Convention Centre. In the Western Cape, because Cape Town is the main entry point and also the area of the greatest concentration of attractions in the Province, active marketing initiatives need to be undertaken to get visitors to travel beyond the Cape Town Functional Area. The Gateways Redistributive Marketing Initiative, especially the V&A Waterfront Gateway facility, is at the heart of initiatives to attract visitors to destinations beyond Cape Town, Stellenbosch, Paarl and Franschhoek.

In order to ensure that our marketing efforts are most impactful, there need to be clear domestic and international marketing strategies behind our efforts. These, in turn, are based on quality market research and a clearly defined Destination Brand Identity which distinguishes Cape Town & the Western Cape as a brand among so many other similar brands internationally (Malaysia, Bali, North Africa etc). Therefore behind marketing lies strategies, research and, inter alia, a carefully crafted brand identity. Similarly, behind the quality of the destination lie initiatives to help firms to be competitive, members of the workforce to be more skilled, initiatives to ensure the safety and security of visitors etc.

Put in simpler terms, all of the elements listed above are an inextricably interwoven set of initiatives which builds firms and employees and the physical environment into a quality and varied destination which can be marketed and which will attract visitors in the competitive global market place. Destinations are delicate eco-systems which require attention being paid to the full spectrum of elements which keep them in balance and growing. Take away even one element out of the whole package of initiatives (for example, safety initiatives) and the perception of the destination as a whole is harmed, fewer visitors arrive with obvious consequences for growth and jobs. All of the detailed interventions in our plan outlined are not randomly selected or based on whim. They are carefully developed by a Partnership of Business, Government, Labour and Civil Society who collectively developed the fine detail of this strategy, known as the Western Cape Tourism Development Framework.

Implementation at Provincial level has been refined to impactful interventions only. There is a need to deliver on mass-based programmes as tourism covers the whole province and has low barriers to entry in certain product and service categories. This makes it a must for growth and inclusion, especially as it is a growing industry.

Sub-programme 6.1: Tourism, Arts and Entertainment Management

Strategic Objective	To achieve global best practice in public sector organisation delivery.
Objective Statement	To provide effective, integrated and cooperative planning for the tourism, arts and entertainment sectors by maintaining the WC Tourism, Arts and Entertainment Partnership and by establishing 6 sector qualitative and quantitative profiles of the sectors to ensure improved interventions and to measure its impact upon the economy.
Baseline	No baseline
Justification	To provide a platform for the Department to shape and deliver the most cost effective and impactful interventions by providing strategic support for the Tourism, Arts and Entertainment sectors through policy & strategy development, research, legislation and monitoring and evaluation. Policy and strategy development, and research for the 6 sectors are critical for firms and citizens to be effective players in the global economy.
Links	Medium Term Strategic Framework, MEDS, Workforce Development Strategy, JIPSA, National Skills Development Framework, Small Business Act, Western Cape Tourism Development Framework.

Strategy 1: Single Tourism Destination Strategy

At national level the National Minister for Tourism is responsible for overall national tourism development, regulation and marketing. Tourism is now being established as a national Department on its own. National marketing of tourism is outsourced to the national public entity, namely South Africa Tourism. The national Department of Tourism is currently finalising a Tourism Sector Strategy, with a review process of all national tourism legislation.

All provinces:

1. Plan and initiate the development of all dimensions of the Industry.
2. Lobby for the provision of Tourism industry growth-unlocking infrastructure.
3. Regulate the industry.
4. Support the protection of the cultural & environmental heritage.
5. Market the destination and its product offerings.

At provincial level nine provinces have outsourced tourism marketing to public entities. Four provinces have also outsourced tourism development and tourism regulation to the public entities (that is Gauteng, KwaZulu/Natal, Eastern Cape and Mpumalanga). Five provinces have retained tourism development and tourism regulation within provincial Departments (that is Western Cape, Free State, Limpopo, North West and Northern Cape). In some provinces, tourism is combined with the Economic Development portfolio and in some provinces tourism is combined with the Environmental Affairs portfolio.

In the Western Cape, the Provincial Government is responsible for tourism development, regulation and marketing. Tourism development and tourism regulation is retained in the Department of Economic Development and Tourism. Tourism marketing is outsourced to a provincial public entity, Cape Town Routes Unlimited. Cape Town Routes Unlimited has the responsibility for marketing, promotion and market intelligence of the destination branded as Cape Town and the Western Cape.

In the Western Cape, tourism aims to ensure that:

- Tourism's growth trend continues to its full potential.
- We achieve long-term benefits on the marketing spend.
- We have a unified destination brand and consolidated marketing efforts in order to capitalise on all regional as well as sectoral messaging and marketing efforts.
- New business and tourism product is spread as widely as possible, both geographically and seasonally through (public and private sector) investment recruitment and enterprise support.
- We take into consideration the need to stream visitors from Cape Town to other Municipalities in the Western Cape.
- The visitor experience is a good one, as positive word of mouth advertising is critical, and ensures our global competitiveness as Destination Cape Town and the Western Cape.
- Growth is inclusive, this means that it impacts immediately, positively and meaningfully on all who live in the Western Cape.

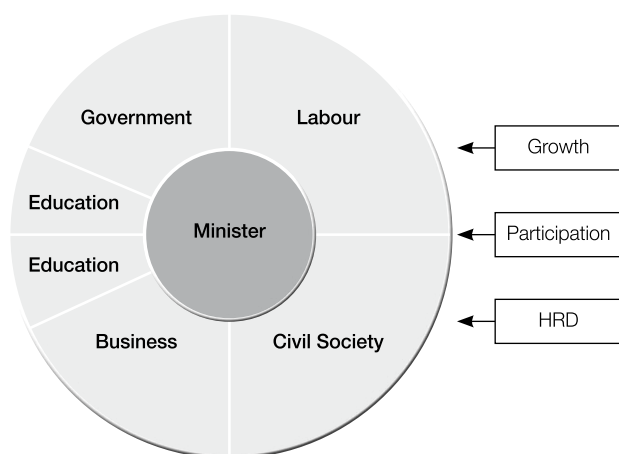
- We foster co-operative governance and funding initiatives to ensure cost and time efficient use of our collective efforts and resources.

At local government level in the Western Cape, District and B-Municipal Councils have the responsibility for local tourism in their respective regions. The City of Cape Town's Tourism Department is responsible for facilitating the development of tourism in the metropolitan area. The Regional Tourism Organisation (RTO) exists as a Section 21 company. In District Municipalities and B-Municipalities, tourism development is guided by the Provincial WC Tourism Development Plan. RTOs are housed in the five District Municipalities (West Coast, Overberg, Eden, Central Karoo and Cape Winelands) to market the regions and co-ordinate the Local Tourism Organisations. There are 41 Local Tourism Organisations.

Strategic Intervention 1: The Western Cape Tourism Development Framework and Partnership

All interventions in Tourism have been informed by the WC Tourism Development Framework which was developed jointly by the four social partners making up the WC Tourism Development Partnership (the industry's cooperative sector development body) and is the vision and strategy for tourism in the Western Cape.

Figure 11: Structure of the WC Tourism Development Partnership, developer of the WC Tourism Development Framework



The WC Tourism Development Framework is the sector strategy for the tourism industry that forms part of the WC Micro Economic Development Strategy. It has defined targets and outcomes that need to be achieved over a ten-year timeframe. It is a living and dynamic document, with research constantly being added to the evidence base and analysis

being adjusted as circumstances change. There are major reviews on a five-yearly basis.

The WC Tourism Development Partnership:

- Acts collectively to develop the detailed policies, strategies and interventions for tourism;
- Ensures that the partners act in an aligned manner to achieve cost-effective use of our collective resources;
- Meets on a quarterly basis (per each of the delegations being Government, Business, Labour, Civil Society; and Education) leading up to a quarterly plenary session of the whole Partnership (chaired by the MEC); and
- Has 3 sub-committees that are made up of nominated representatives from each of the social partners who meet at least twice within a quarter to deal with specific agenda items.

The Sub-committees are:

- Tourism Growth: Its mandate is to address all matters related to defining growth, investment recruitment, increasing employment, marketing the destination and its tourism products, co-operative marketing, developing new possible sub-sectors, niches and products, increasing the number of direct flights to the Province, reducing the impact of seasonality on both business and labour, co-operation with other sectors to enhance the tourism offering, the competitiveness of the destination, and the general enhancement of the image of the destination.
- Participation in Tourism: Its mandate is to address all matters related to the development of enterprises from the start-up phase to global competitiveness, economic empowerment, encouraging new players to establish tourism enterprises, local economic development, the geographic distribution of the benefits of tourism, tourism regulation, and the enhancement of a supportive and conducive tourism business environment.
- Tourism HRD: Its mandate is to address all matters related to HRD as outlined in the WC HRD Implementation Plan.

Strategic Intervention 2: Responding to a single tourism destination strategy

Tourism public sector institutional arrangements in the Western Cape are presently fragmented and unevenly resourced, both in terms of tourism development and tourism marketing. While the Constitution identifies local tourism as a local government functional area, what makes up local tourism is not defined and responses at local level vary in interpretation and realisation of the local tourism mandate.

Some municipalities have a bigger budget for tourism development and marketing than others. The municipalities

more favourably financially resourced, are able to participate in public sector responses to tourism development and marketing. This is most notably evident in the marketing of the local area in the international marketing arena. A similar scenario exists in tourism development.

Opportunity for development of new tourism product can be most effectively realised in packaging value for money tourism experiences, which draw on the destination as a whole. Municipalities would still be able to compete for market share. However, emphasis must be shifted from competition to “co-opetition” in order to maintain a healthy competition while still acknowledging the complementary nature of surrounding product innovative product packaging and route development. The need to take proactive steps to foster “co-opetition” at municipal level is a key strategic driver as alignment is needed to market “whole packages” across the Province and as part of a single menu. Also, establishing relevant private sector partnership opportunities are fundamental to building collective destination attractiveness.

Role delineation in terms of who does what between the three spheres of government needs to be clearly articulated and agreed to as far as possible, as greater rewards can be reaped if there is no duplication of effort. It is only with this understanding that local municipalities would be able to leverage better off the efforts of provincial and national government. Likewise, provincial government would be able to achieve better reach and return on investment if it were to leverage better off the efforts of national government and provide enablers for local government.

Co-operative stakeholder development and delivery against a single tourism destination strategy will give Cape Town and the Western Cape a globally competitive edge. It is on this basis, that a thorough investigation into the design of a revised set of institutional arrangements with particular emphasis on local and regional tourism will be undertaken. This will include

an analysis of global best practice models, an understanding of practices in other provinces as well as stakeholder consultation and participation. This will lead to an agreed upon model for local and regional tourism which will culminate in an Act for the tourism industry in the Western Cape. Through this, impactful delivery against a single tourism destination strategy will be realised.

Strategic Intervention 3: Effective and integrated tourism planning

To ensure effective and integrated planning for the tourism industry, the following will be in place:

- Understanding national, provincial (within the provinces and other provinces) and local mandates, policies, strategies, programmes and interventions as it relates to the tourism industry.
- Articulating what research needs to be done through the MEDS process and ensure alignment to and leverage from the national research processes.
- Scanning the global and domestic tourism environment for relevant developments in growth, key challenges, interventions and new innovations at improving the industry.
- Undertaking market research, including information gathering, data gathering and trends’ analysis.
- Co-ordinating qualitative and quantitative profiles of the industry to ensure improved interventions and to measure its impact.
- Analysing and interpret research information.
- Drafting and disseminate relevant research information through appropriate publications.
- Providing a tourist information research and writing capability to feed into updated information provided to tourists on a regular basis.
- Shaping appropriate strategy, policy and legislation.

Sub-programme 6.2: Tourism Growth Strategic Priority: Sector Development

Strategic Objective	The achievement of above average sustainable economic growth [measured by output and by value] which gives rise to significant numbers of new sustainable employment opportunities.
Objective Statement	To develop the destination to globally competitive standards by facilitating R50 m value of infrastructure invested, 100% establishments maintained to minimum standard.
Baseline	No baseline.
Justification	Development and enhancement of the destination is fundamentally linked to tourism destination marketing in terms of ensuring that the visitor experience is positive.
Links	Medium Term Strategic Framework, MEDS, Workforce Development Strategy, JIPSA, National Skills Development Framework, Small Business Act, Western Cape Tourism Development Framework.

Strategy 1: Tourism Development

The national Department of Tourism's Global Competitiveness Programme (GCP) strives to establish the global competitiveness of provinces. Its key areas of focus are diversifying product offering, attracting more tourists and encouraging repeat visitation. The GCP prioritises product innovation and diversification, new attractions and experiences, and improved sale-ability.

"Globalisation has focussed attention on competitiveness, as a destination countries fight for market share, while tourists have become more sophisticated in their destination choice and expectations of a more complex tourist product. The structure and operation of the global industry consists of tour operators, travel agents and transport services selling integrated packages to tourists, containing complex linkages to various tourist activities. The more diversified a destination's portfolio of tourism products, services and experiences, the greater the ability to attract different tourist segments."

It is for this reason that our strategy proposals for the Western Cape emphasise the importance of leveraging this sector's ability to create a holistic tourist 'experience.' The region has a unique ability in this respect if it facilitates the synergies between the tourist market and the complementary craft, film, heritage, cultural and creative sectors in the Province. The Department of Economic Development and Tourism can play a significant role in encouraging and facilitating this linkage." (Extracted from the WC Micro Economic Development Strategy Report, Version 1: July 2005)

The Department developed the Integrated Tourism Development Framework (ITDF) in 2002. The ITDF identified development in 12 Tourism Development Areas and was substantially reviewed in 2008. For the past five years, implementation in the Tourism Development Areas have been confined to small scale tourism-related infrastructure projects at various sites/attractions/facilities across the Province which were solely funded by the Department. Emanating from the ITDF, the Department's biggest investment was R1.1-m for development at one of the least developed of the Western Cape's tourism icons, the Southernmost Tip of Africa at Agulhas. This will lead into phase two which will be co-funded by SANParks and the national Department of Tourism.

The ITDF has been renamed the WC Tourism Development Plan. The Department will over the next five years only implement big scale projects and significantly focus on leveraging funds from other sources in order to substantially enhance tourism product offerings in the Province.

Strategic Intervention 1: Tourism Growth Sub-committee

The Tourism Growth Sub-committee in the WC Tourism

Development Partnership is a platform for tourism stakeholder engagement. There is participation by the social partners and representation from the national Tourism Department, Regional and Local Tourism Organisations, industry associations, and other relevant stakeholders. The most important deliverable of the Tourism Growth Sub-committee is the execution of the WC Tourism HRD Implementation Plan.

Strategic Intervention 2: The WC Tourism Development Plan

Growth in the Tourism sector is focused on playing an aggressive and proactive role in the development of tourism sites, attractions, facilities, routes, wealth unlocking infrastructure and the environment in general as well as expansion of the tourism product. This is formalised in the WC Tourism Development Plan. The WC Tourism Development Plan emphasises a wider distribution of tourists throughout the Province and the identification of economic opportunities especially with regard to local economic development. It is aligned to the national Global Competitiveness Programme.

The WC Tourism Development Plan focuses on:

- Improving sites, attractions and facilities to enhance the visitor experience.
- Developing key routes which must be jointly marketed at provincial level and local level.
- Developing wealth unlocking tourism related infrastructure as a response to mega projects.
- Researching international product offerings to ensure that provincial product offerings remain at the cutting edge and match constantly expanding demand.
- Auditing and further researching existing sub-sectors and niches, such as: green tourism, responsible tourism, events' tourism (including sport tourism), cultural/heritage tourism, creative tourism, agri-tourism, wine tourism, beach tourism, the youth travel market, the gambling industry and the hospitality industry.
- Ensuring that products and experiences based on culture, heritage and the natural environment are designed and established to match the demand for new and refined products in these areas.
- Maximising co-operative marketing opportunities with other sectors like: craft, film, cultural, creative, food, wine, jewellery, cabinet-making, fashion and design.
- Integrating Cape-made agricultural and manufactured products into all relevant aspects of the tourism product.
- Ensuring appropriate tourism road signage for sites, attractions, routes, icons and gateways.

The following is included as an example of integrated development planning in a Tourism Development Area. Among many possible additions and changes, the development

of a False Bay Route between Gordon's Bay and Cape Point which draws in all the coastal and near-coastal black communities (like Lwandle, Macassar, Khayelitsha, Mitchell's Plain, Strandfontein, Vrygrond, Steenberg, Retreat, Grassy Park, Ocean View and Masiphumelele) to participate in an exciting array of new tourism, retail, service and entertainment businesses. Inter alia, this will feature:

- Live music;
- Participation in trek fishing;
- Organised beach fund and sport equipment hire;
- Participation in ready-made angling opportunities;
- Pleasure cruises including a regular tourism-orientated Gordon's Bay to Simonstown Ferry;
- Shark-watching and whale-watching;
- Scuba-diving;
- Fresh fish and fish meal sales points;
- Art and high-craft studios-sales points with artists and skilled crafters in attendance and whom visitors can engage in conversation;
- Shops, services, restaurants, nightclubs, taverns;
- Transport in all forms and undertaking guided tours along the routes;
- A revitalised Muizenberg shopping and restaurant precinct;
- A revitalised Kalk Bay main road with new participants, especially from among the descendents of those who were expelled from the area under the Group Areas Act;
- A more tourist-friendly Fish Hoek with inputs from Ocean View and Masiphumelele residents;
- New participants in Simonstown, especially from the descendents of those African and Coloured residents who were expelled from the area under the Group Areas Act; and
- The South Peninsula Wine Route.

The WC Tourism Development Plan is cooperatively developed and updated with all relevant stakeholders, including the social partners and with particular emphasis on the private sector and local government. It prioritises and sequences implementation of the proposed developments, with approximate costs and recommendations of potential financing partners. Fundamentally, the WC Tourism Development Plan seeks to strengthen tourism development at local level.

The WC Tourism Development Plan also identifies tourism investment activities which are informed by supply and demand trends in tourism and which could be packaged into investment opportunities for the Western Cape. The WC Tourism Investment Portfolio containing only the most viable projects will be continuously updated and marketed to both national and international investors.

Strategy 2: Tourism Destination Global Competitiveness

Tourism destination global competitiveness promotes service excellence in the tourism industry. Supply side measures to enhance the quality of the visitor experience include quality assurance, road signage, safety and support as well as a welcoming and friendly citizenry.

Strategic Intervention 1: WC Tourism Quality Assurance Programme

The Tourism Grading Council of South Africa (TGCSA) provides a rigorous framework and process for the grading and implementation of its voluntary star grading system. From 2009 onwards, the TGCSA provides for one Master Assessor to be housed in each Province to assist establishments/businesses applying for start grading.

The Department, in partnership with CTRU and the TGCSA, developed a WC Tourism Quality Assurance Programme for tourism products throughout the Western Cape. This Programme specifies minimum requirements for the following categories of tourism products: accommodation; conference venues; tour operators; and restaurants. Minimum requirement inspections are conducted to qualify tourism products for membership of their specific local tourism organisation. The Programme is also a preparatory grading process of tourism products leading into the grading process of the TGCSA. The Programme has provincial tourism quality assurance assessors who validate the different assessment categories.

The WC Tourism Quality Assurance Programme is fundamental to building a quality destination. The Programme also includes:

- Managing general image and perception enhancement of the destination.
- Maintaining and enhancing the quality of the visitor experience.
- Quality assuring tourism iconic attractions.
- Ensuring beautification and cleanliness of frequently used routes, transport hubs and shopping and entertainment complexes and facilities.
- Examining the issue of administered prices in general, as recommended by the MEDS researcher, but with particular emphasis on social tourism.
- Ensuring universal access through increasing disabled-friendly requirements and improvements to facilities.

Strategic Intervention 2: WC Tourism Road Signage

Tourism Road Signage is a vital component of a tourist's access to information process. It is the final stage whereby travellers are able to find their way to a tourism product or service. Tourism road signs (brown) are supplementary and secondary to primary (blue and green signs). Tourism road

signs in South Africa are internationally recognised and accepted. Tourism road signage on all national, provincial and local road reserves is legislated and clearly defined in the South African Road & Traffic Signage Manuals (SARTSM) developed by the national Department of Transport in partnership with the national Department of Tourism.

The national Department of Tourism hosts the Tourism Road Signage Committee which oversees technical changes to tourism road signs and legislation. Provincial tourism representation is important especially with regard to rationalisation of tourism symbols, changes to warrants (criteria) and tourism route development.

In response to tourism road signage previously handled on an ad hoc basis which led to long delays and mushrooming of illegal signs, the Department developed the WC Tourism Road Signage Framework for the signing of individual facilities and the establishment and signing of tourism routes in 2002. It describes step-by-step procedures for tourism road signage applications. The Framework has been adopted as a benchmark for other provinces. The Department established Regional Tourism Liaison Committees (RTLCS) which are held in the Cape Metropole and the 5 District Municipalities to facilitate the processing of applications.

Key partners include the national Department of Transport, SANRAL (South African National Road Agency Limited), the national Department of Tourism, Western Cape Department of Transport and Public Works, provincial and local engineers, municipal officials and local tourism authorities.

Strategic Intervention 3: WC Tourism Safety and Support Programme

The safety and security of tourists is one of tourism's main priorities. While safety and security is not a core mandate of the tourism portfolio, maintaining a positive image of the destination and creating a safe visitor friendly environment is.

The WC Tourism Safety and Support Programme, in its sixth year of implementation, is based on Ireland's Victim Support model. It is aligned to the national Department of Tourism's Safety and Security Strategy for Tourists. The WC Tourism Safety and Support Programme is used as best practice by the national Department of Tourism and as a model for replication in other provinces. The national Department of Tourism hosts a quarterly Tourism Safety and Awareness Forum which incorporates provincial reporting.

The WC Tourism Safety and Support Programme aims to counter the negative perceptions of the safety of the destination and create a positive and caring atmosphere for tourists in distress. The Programme manages any unfortunate incident involving tourists, and has both pro-active and re-active components. The provincial MEC for Tourism is positioned as the spokesperson to the media in all incidents involving tourists in the Western Cape.

In particular, the following is provided:

- A Unit (report centre) that receives and processes all tourism related incidents throughout the Western Cape.
- Planned awareness campaigns building on sustainable partnerships with agencies and organisations that have safety and security issues as their core competency and business.
- An efficient response capability, with timeous response times and good media liaison. This includes facilitation of: medical/emotional trauma counselling, visiting hospitals and facilitating medical treatment; short-term, temporary accommodation; transport arrangements; contacting family or friends; consular/embassy involvement.

Key partners include the national Department of Tourism, the South African Police Service, the Department of Justice and Constitutional Development, the Department of Correctional Service, the WC Department of Community Safety, industry associations, consulates, embassies, regional and local tourism organisations and all other relevant stakeholders.

Strategic Intervention 4: Welcoming and friendly citizenry

A well-rounded tourism sector strategy necessitates inclusion of the host community at the destination to ensure a welcoming and friendly citizenry that will enhance the visitor experience.

Social Tourism aims to involve communities in tourism who do not usually take part in the tourism experience. Examples are senior citizens, persons with disabilities and children and young people. Interventions are focused on:

- Promoting awareness by citizens of their role in tourism.
- Providing access to the residents of the Western Cape to experience tourism.
- Promoting participation of the host communities in all aspects of tourism.

Key partners include the national Department of Tourism, SANParks, Cape Nature, WCED, industry associations, regional and local tourism organisations and all other relevant stakeholders.



Sub-programme 6.3: Tourism Participation
Strategic Priority: Sector Development

Strategic Objective	The achievement of a situation in which opportunity exists of participating in the economy, through employment and business ownership, for all who seek such opportunity.
Objective Statement	To facilitate economic empowerment of individuals/small businesses by facilitating/sustaining 8617 jobs, 1 666 businesses established and 2 573 businesses expanded To achieve a regulatory environment where 100% of all tourist guides are registered/regulated.
Baseline	Number of jobs facilitated/sustained = 0. Number of businesses established = 0. Number of businesses expanded = 0.
Justification	This strategic objective contributes to encouraging more individuals to start their own businesses or expand their own businesses. It also contributes to enabling individuals to either become employed or achieve improved employment.
Links	Medium Term Strategic Framework, MEDS, Workforce Development Strategy, JIPSA, National Skills Development Framework, Small Business Act, Western Cape Tourism Development Framework.

Strategy 1: Tourism Human Resources Development

The national Tourism HRD Strategy (2009 – 2013), driven by the national Tourism Department, highlights that competitiveness comes through people. People are part of the tourism product and “visitor value.” When the tourism industry lacks relevant skills or when people cannot acquire the appropriate skills then tourism will under-perform. The Sector Skills Plan is the responsibility of the national Tourism, Hospitality and Sport Education and Training Authority (THETA). It supports the National Skills Development Strategy (2005-2010).

The WC Micro Economic Development Strategy, Synthesis Report 2008, places great effort on the need for the Department to increase skills and employability in designated sectors, including a skills’ focus in the tourism industry. The WC Tourism HRD Implementation Plan is aligned to the national Tourism HRD Strategy. Its vision is to ensure that the Western Cape is a destination of choice and that it offers the highest standards of service and quality to all its visitors.

The WC Tourism HRD Implementation Plan has the following strategic focus:

- Provide Tourism HRD intelligence in the Western Cape.
- Promote Service Excellence.
- Increase the supply of appropriate skills to meet current and future skills’ demands.
- Facilitate quality training and career mobility.
- Facilitate workplace learning and employment opportunities.
- Understand and promote sound labour relations practice.
- Broker influence and ensure co-ordination between all education and training institutions.
- Strengthen private sector partnerships.

Strategic Intervention 1: The Tourism HRD Sub-committee

The Tourism HRD Sub-committee in the WC Tourism Development Partnership is an exemplary example of intense stakeholder engagements to tackle HRD development in tourism. There is participation by the social partners and representation from the national Tourism Department, THETA, the national Department of Labour, the Western Cape Education Department, Higher Education Training Institutions (HEIs), Further Education Training Institutions (FETs) and private training providers, Regional and Local Tourism Organisations as well as other relevant stakeholders. The most important deliverable of the Tourism HRD Sub-committee is the execution of the WC Tourism HRD Implementation Plan.

Strategic Intervention 2: Tourism HRD Intelligence

Providing Tourism HRD Intelligence is focused on current and on-going research and best practice studies. International, national and provincial research is conducted to ensure informed decision-making with regard to skills development and that it is relevant to supply and demand. In line with the national Tourism HRD baseline, establish a provincial Tourism HRD baseline of the current skills demands.

Responding to the gap between the school system and the workplace

Strategic Intervention 3: Tourism Job shadowing

The Tourism Job Shadowing, in partnership with the Western Cape Education Department and the private sector, aims to provide students studying tourism or hospitality subjects at secondary school level with an opportunity to gain workplace exposure. Placement is focused on emphasising the practical aspect of the work environment and to determine whether the learner wishes to pursue a future career in the tourism industry. The learner is encouraged to pursue tourism as “a career of choice.”



Strategic Intervention 4: Career Awareness Roadshows

The national Department of Tourism hosts an annual National Tourism Career Expo. In line with the Expo, the national Department of Tourism conducts Career Awareness Roadshows in partnership with the Department of Labour and Provinces. The Roadshows targets learners at secondary school level, students at HEIs and FETs and unemployed graduates.

Responding to the gap between the school system and HEIs and FETs

Strategic Intervention 5: Tourism Collective Bursary Programme

Previously the Department had bursary programmes with a limited number of training institutions. The Tourism HRD Sub-committee identified the Tourism Collective Bursary Programme as key to broaden access to more learners and a wider range of course offerings. The Programme provides bursaries to second and third year full-time students studying Events' Management, Tourism Management and Hospitality Management with accredited HEIs and FETs in the Western Cape. Bursaries (registration and tuition fees) are awarded for one year only, with students re-applying each year. The return on investment is that students have to work back each year that the bursary was provided for, either to the Department or an appropriately approved workplace. The Programme will seek co-funding towards the registration and tuition fees and other costs incurred by students during the academic year.

Responding to the gap between the HEIs and FETs and the workplace

Strategic Intervention 6: HEIs and FETs Internship Placement Programme

The Tourism HRD Sub-committee identified the HEIs and FETs Internship Placement Programme from the increasing need to provide youth with access and awareness to employment opportunities in the labour market or self-employment opportunities. Students exiting academic institutions require practical work experience in order to graduate and to possibly gain employment opportunities post their academic studies. The HEI and FET Internship Placement Programme ensures that students are provided with workplace experience to increase their chances of employability. The Department co-funds the monthly stipends for the student and graduate placements, and the private sector hosts and co-funds the monthly stipends. The project is implemented in partnership with HEIs, FETs, the Western Cape Education Department, the national Department of Tourism and private and public sector partners.

Strategic Intervention 7: International Internship Placement Programme

The International Internship Placement Programme is driven by the national Tourism Department in partnership with the Provinces. The Ritz-Carlton Programme places unemployed tourism graduates at top hotels in the United States of America. Graduates gain practical experience in the international hospitality work environment. All participants are required to return to South Africa and work in the tourism industry. The Department will co-fund the recruitment, selection and placements. The Hotel groups will host graduates and co-fund monthly stipends. The roll-out is over a 5-year period from 2009 to 2013. The project is implemented in partnership with HEIs, FETs, and the Western Cape Education Department, the national Department of Tourism and private and public sector partners.

Responding to the workplace

Strategic Intervention 8: National Tourism Service Excellence training

The national Tourism Department has developed a Tourism Service Excellence Strategy and Implementation Plan, in partnership with the Tourism Business Council of South Africa and the Provinces. The Tourism Service Excellence training will be based on the Disney model and will include frontline training at service touch points with public and private sector buy-in. The national Tourism Department will co-fund 50% of the project over a three-year period starting in 2010/2011, with proportional co-funding sourced from Provinces.

Strategy 2: Tourism Enterprise Development

The national Tourism Enterprise Partnership (TEP) is a joint public-private-sector partnership which facilitates growth, development and sustainability of tourism enterprises to become internationally competitive. It is jointly funded by the national Department of Tourism and the Tourism Business Council of South Africa. TEP facilitates financial and non-financial support to tourism enterprises in the following areas:

- Product Development, step-by-step model to analyse/review businesses to increase business activities.
- Skills Development for enterprises by providing tool kit training (intermediate level) and business skills training (advanced level).
- Market Access to tourism entrepreneurs.

The main objective of the national Tourism Empowerment Council of South Africa (TECSA) is to advance the objectives of the BBBEE Act of 2003; to constitute a framework and principles upon which BEE will be implemented in the tourism sector; and to provide a basis for the sector's engagement with all stakeholders and to set achievable targets. The Tourism



Sector Code was gazetted on 22 May 2009. The gazetting follows a year-long process of alignment between the Tourism BEE Charter and Government's Codes of Good Practice.

In the Western Cape, tourism enterprise development and BBBEE implementation is aligned to national initiatives focusing on initiatives to develop, grow and sustain tourism enterprises. The Western Cape Micro Economic Development Strategy identifies SMMEs as critical "creators" of economic opportunities for the previously disadvantaged and those excluded from the mainstream economy.

The Western Cape Tourism Enterprise Development Programme aims to create an enabling environment to nurture the development, growth and sustainability of tourism enterprises in the Western Cape.

Challenges affecting tourism SMMEs are:

- Shortage of skills mentors, trainers and consultants;
- Relevant global exposure to tourism markets;
- Poor linkages between emerging SMMEs and established tourism networks; and
- Longevity of small businesses over a period of time.

Strategic Intervention 1: Participation in Tourism Sub-committee

The Participation in Tourism Sub-committee in the WC Tourism Development Partnership is a platform for tourism stakeholder engagement. The Sub-committee provides strategic guidance on increased participation in the tourism industry, with special emphasis on enterprise development and BBBEE. There is participation by the social partners and representation from the national Tourism Department, Regional and Local Tourism Organisations, SANParks; SATSA; FEDHASA, IATA, the Cape Tourist Guides' Association and other relevant stakeholders.

Strategic Intervention 2: The Tourism Enterprise Development Programme

The Tourism Enterprise Development Programme is a tiered support strategy, which addresses the needs of the full spectrum of entrepreneurs in the industry from entry level and necessity entrepreneurs to established and employment creating enterprises. It is aligned to national tourism enterprise development and aims to intensify the depth and breadth of the participatory interventions in tourism enterprise development.

The Programme was restructured in 2008 to have fewer levels, increased throughput and to fully leverage off resources provided by TEP and the RED Door. The Programme starts with general tourism awareness with a target of about 5 000 people within a financial year. Successful beneficiaries move

through the various levels of training which culminates in the tourism mentorship component. Beneficiaries who have already started their businesses gain access at the level most suited to their development needs. It comprises of:

Tourism Awareness

Tourism Awareness focuses on providing tourism awareness sessions to all the citizens of the Western Cape. The awareness sessions are designed to create interest amongst the communities about tourism and how the communities can benefit from the industry. Tourism Awareness also focuses on ensuring that the informal sector becomes formal and more structured, such as homestays upgrading to B&B's and Guesthouses and taxi drivers who want to become registered tourist guides and tour operators. Municipalities, Community Development Workers, Local Tourism Organisations and the Tourism Helpdesk Agents work together to ensure that the communities are reached.

Enterprise Development 101

(generic implementation through the RED Door)

The main objective of Enterprise Development 101 is to assist entrepreneurs with basic knowledge that will ensure that the tourism product that the entrepreneur has conceptualised is in line with tourism demand and to give entrepreneurs tools to operate legally, develop a business plan and to understand financial planning.

Tourism Enterprise Development 201

(tourism specific, including work-place based training)

The Tourism Enterprise Development 201 (Intermediate) is a six-month business skills programme aimed at equipping entrepreneurs to manage and grow their businesses. The key aspect of Tourism Enterprise Development 201 is the involvement of a coach to assist with workplace-based training.

Tourism Enterprise Development 301

(tourism specific, including work-place based training)

The Tourism Enterprise Development 301 (Advanced) training is aimed at those who want to invest in a new product, grow/expand their business and/or wish to take on a business partner. TEP is a key partner in providing financial and non-financial support.

The Tourism Mentorship Programme

The Tourism Mentorship Programme is based on a linkage between selected participants on the Tourism Enterprise Development 301 and mentors from the leading tourism private sector bodies in the Province. Organisations such as The Southern African Tourism Services Association (SATSA), The Federated Hospitality Association of South Africa (FEDHASA), the South African Association for the Conferencing Industry (SAACI) as well as Cape Town Tourism

(CTT) provide mentors who are assigned mentees for the duration of the 6-8 month programme. This programme has gained national recognition and has been implemented in KwaZulu/Natal, the Northern Cape and Namibia. TEP is a key partner in providing financial and non-financial support.

The Tourism Helpdesk Agents (THDs)

THDs provide tourism entrepreneurs with business support. THDs play a vital role as tourism business advisors and training facilitators. They are housed in the RED Doors.

Competitiveness of enterprises

Interventions to further enhance the competitiveness of tourism enterprises are much needed. This must be a public-private sector initiative. Year one will scope interventions that will allow:

- Tourism enterprises to be exposed to cutting-edge production, service and work organisation systems, ICT and other appropriate technology; and
- Tourism enterprises to be exposed to cutting edge thinking in global tourism in an easily digestible form.

Strategic Intervention 3: Range of interventions to promote Tourism BBBEE

Our strategy as a provincial department is to ensure that the national Tourism Sector Code will be the major mechanism used to effect transformation of established tourism businesses. It will be important to communicate progress against the sector code at provincial level and to exploit all the opportunities arising from the national tourism sector code.

To this end, the following will be undertaken:

- A provincial baseline study.
- Driving public sector procurement in tourism.
- Influencing spend in corporate social investment (linked to the WC Tourism Development Plan).
- Facilitating Tourism BBBEE Workshops which provide guidance on implementation of the Tourism Sector Code and step-by-step assistance with the verification process, in partnership with TECSA and the national Department of Tourism.
- Facilitating Tourism Business Networking Sessions between established businesses and emerging businesses to increase business scope and joint ventures, in partnership with TEP, the national Department of Tourism, provincial tourism associations, municipalities and all relevant tourism stakeholders.

Strategic Intervention 4: Range of interventions to develop the informal sector

Pro-poor tourism is tourism that generates net benefits for the poor. It enhances the linkages between tourism businesses and poor people so that poverty is reduced and poor people

are able to participate more effectively in tourism development. The aims of pro-poor tourism range from increasing local employment to involving local people in the decision making process. As a strategy for promoting broad-based growth and alleviating poverty, pro-poor tourism has good potential. Benefits can be realised for the informal sector.

The national Global Competitiveness Programme identifies micro-enterprises, survivalist enterprises and informal tourism enterprises as one of the key priority areas for tourism development. In line with this, we will:

- Align our interventions to that of the national Tourism Department and economic development in the Department.
- Facilitate access to tourism channels for the informal sector and access to information.
- Facilitate access to funding, markets, training and business linkages.
- Facilitate capacity building for the informal sector so as to fully benefit from tourism' enterprise development and economic empowerment initiatives.

Strategy 3: Tourism Regulation

The Tourism Second Amendment Act 70 of 2000 provides for the training and registration of tourist guides as well as the appointment of the Provincial Registrar of Tourist Guides. The national Registrar of Tourist Guides co-ordinates tourist guide registration and regulation with the provincially appointed Registrars. The national Department of Tourism is finalising a strategy to professionalise Tourist Guiding.

Strategic Intervention 1: The Department and Provincial Tourist Guide Registrar regulate tourist guides:

At provincial level, the Department and the appointed Provincial Tourist Guide Registrar is responsible for:

- Providing tourist guiding registration and keeping a register of all tourist guides in the Province.
- Promoting and developing tourist guides.
- Publishing and disseminating information about registered tourist guides.
- Regulating the procedures for lodging complaints against tourist guides and provide for disciplinary measures, appeals and reviews.
- Criminalising certain conduct.
- Development of tourist guides is based on the ability to demonstrate that tourist guides are fundamentally part of information provisioning to visitors, by providing the relevant training to new and existing tourist guides. We will further explore the demand for tourist guides and how we can identify and take advantage of opportunities in the rural areas for take up of, for example, fynbos walks, rock art walks, etc.



Strategic Intervention 2: Ensure a fair and conducive tourism business environment:

- Providing protection to tourists as consumers through the services of the Office of the Consumer Protector in the Department.
- Promoting a fair, conducive and supportive business environment for tourism businesses and potential businesses to function in.

**Sub-programme 6.4: Destination Marketing Organisation
Strategic Priority: Marketing of the region**

We have done a lot of work to market the city and province as a value-for-money, exciting and reliable destination for tourism, trade and investment.

State of the Province Address 2010
Helen Zille, Premier of the Western Cape

Strategic Objective	The achievement of above average sustainable economic growth [measured by output and by value] which gives rise to significant numbers of new sustainable employment opportunities.
Objective Statement	To open new markets and generate demand from business and consumers by 459,764 international arrivals, R6bn Foreign Direct Spend and 2,216,273 domestic visitors attributed to CTRU's marketing efforts.
Baseline	2008/2009: Total international arrivals to the Western Cape was 1,630,611 of which 86,422 is attributed to the marketing efforts of CTRU. 86,422 translates into 3 000 direct jobs and 4 300 indirect jobs Total domestic visitors to the Western Cape was 4,100,000 of which 410,000 is attributed to the marketing efforts of CTRU. Foreign Direct Spend in 2008 was R20.8 bn of which R1.1 bn visitor spend is attributed to the marketing efforts of CTRU. [Note: the calculation of visitor arrivals and Foreign Direct Spend attributed to the marketing efforts of CTRU are conservative calculations in line with international standards for calculating the performance of destination marketing organisations.
Justification	Tourism is one of the most labour intensive economic sectors in the Province. Annually, international tourists generate R20.8 bn in foreign direct spend.
Links	Medium Term Strategic Framework, MEDS, Workforce Development Strategy, JIPSA, National Skills Development Framework, Small Business Act, Western Cape Tourism Development Framework.

Strategy 1: Tourism Marketing

Cape Town Routes Unlimited (CTRU) is the destination marketing organisation responsible for tourism marketing, promotion and market intelligence. From 2004, CTRU represented the destination at 48 international shows engaging some 8 500 tour operators directly. It supported 367 provincial events to make the destination attractive to visitors and to support local economic development. From 2006, the Conventions Bureau submitted 83 bids to host conferences in the Western Cape of which 48 bids were secured (mostly for the CTICC). Collectively, these bids had a combined impact of about R950-m on the Western Cape economy. Since 2007, CTRU secured 24 Joint Marketing Agreements to the value of R836-m.

Strategic Intervention 1: Maximise international leisure marketing opportunities

International leisure travel offers high return in terms of spend and length of stay. South African Tourism uses a combined geographic-psychographic approach in order to segment

international markets. South African Tourism's segmentation strategy is based on sound marketing intelligence and is recognised by the UNWTO as one of the best practice models in the world.

International leisure marketing interventions are:

- Leisure in-market activities will be deepened by leveraging more fully off the marketing efforts of South African Tourism, especially in the USA, UK, Germany and the Netherlands.
- Focused engagement and direct marketing through representation at international tourism trade shows (World Travel Market in the UK and Utrecht Vakantiebeurs in the Netherlands).
- Participation in targeted trade Roadshows (China 2 Cities) in various source markets facilitated by South African Tourism and private sector trade partners.
- Direct consumer advertising will be initiated via the development of CTRU's e-marketing capacity.
- Closer working relationships will be forged with South African embassies based overseas, the Dti, International

Marketing Council, industry associations and overseas based agencies.

- Targeted geographic-psychographic market segmentation will be enhanced through focused targeting of marketing and media channels.
- Marketing teams will be reorganised and capacitated to deal with the demands of a changing marketing environment.

Strategic Intervention 2: Deepen domestic leisure marketing opportunities

The Domestic Market is the bread and butter of the local tourism industry. It is also much more resilient during times of international economic, social and environmental turmoil. South African Tourism has domestic marketing campaigns such as the Sho't Left campaign.

Domestic leisure marketing interventions are:

- Inter-provincial cooperation is crucial to enhance the value of the tourism proposition of Cape Town and the Western Cape. For example, co-operation between Western Cape, Northern Cape and Namibia has seen the development of the Cape Namibia Route which will serve as a catalyst for the further development of the tourism economy in the Province, especially along the West Coast. Similar initiatives will be undertaken.
- Increased effort to promote greater intra-provincial co-operation between local and regional tourism organisations, industry members and communities.
- Increased marketing leverage off the activities of South African Tourism in the domestic market such as the Sho't Left Campaign.
- Boosting the quality of provincial domestic marketing effort through media campaigns and tourism activations. These are in partnership with all relevant stakeholders, especially the tourism industry and local tourism authorities.

Strategic Intervention 3: Maximise Business Tourism opportunities

It is important to recognise the opportunities for conversion from business to leisure tourism as a means to extend the stay at the destination and as a means to achieve repeat visits. Being able to host major international conferences in the country is critical in positioning the destination as one of the foremost incentive travel destinations in the World.

International Business Tourism interventions are:

- Increased bidding to secure international conferences, meetings and incentive business to the destination.
- Business in-market activities will be deepened by leveraging more fully off the marketing efforts of South African Tourism.
- Focused engagement and direct marketing at relevant Business Tourism trade shows to represent Cape Town

and the Western Cape (EITBM in Spain, IMEX in Germany, GITBM in the UAE, AIME in Australia and Meetings Africa in Johannesburg).

- Direct consumer advertising will be initiated via the development of CTRU's e-marketing capacity.
- Provisioning of effective media promotion, delegate boosting services and conference support services is provided.
- Closer working relationships will be forged with PCOs, International Destination Marketing Companies (DMCs) International Association and Academic Hosted Buyers, International Incentive Houses and International Corporate Buyers.
- Co-marketing agreements are in place with South African Tourism and the Cape Town International Convention Centre (CTICC).

Events originating at the destination

The destination hosts at least 350 significant events per annum. Five of the Western Cape's 350 annual events contribute an estimated R721.2 m to the tourism industry which in turn contributes R23 bn to the provincial economy.

Events support interventions are:

A refined approach to ensure enhanced facilitation of support to events originating at the destination by:

- Developing and meaningfully engaging in the planning of events.
- Growing and promoting a portfolio of events that support the Cape Town and Western Cape brand, values and needs, and enhances the destination image.
- Facilitating infrastructure development to support large events.
- Accessing funding to grow events.
- Streamlining stakeholder and community partner roles and responsibilities to better serve events.

Strategic Intervention 4: Implement provincial redistributive marketing interventions to spread the benefits of tourism throughout the Province

A key imperative of South African Tourism's strategy is to grow and redistribute the benefits emanating from the tourism industry. South African Tourism distributes promotional activities at key entrance and exit points such as airports, sea-ports and border posts to encourage visitor spread to the lesser known regions.

Provincial redistributive marketing interventions are:

Tourism Gateways

The WC Tourism Development Plan identified locations which are ideally located for the establishment and maintenance of tourism gateway centres. The full realisation of tourism potential in the Western Cape is dependent on building stronger linkages throughout the Province, and



especially between the five regions and the Cape Metropole. Tourism gateways serve as the redistributive marketing mechanism. Cape Town is seen as the “tourism hook” and together with the main entry points into the Province, tourism gateways aim to ensure the equitable spread of tourism and the benefits thereof.

E-business and E-marketing platform

Increasing emphasis will be placed on the Internet and e-marketing initiatives in promoting the destination both locally and internationally. To produce digital marketing collateral with limited production of printed marketing collateral needs to be in line with international trends and the need for responsible tourism practices.

Sub-programme 6.5: Commercial Arts and Entertainment Strategic Priority: Sector Development

We will intensify efforts to promote the interests of South Africa globally.

State of the Nation Address 2010
His Excellency JG Zuma
President of the Republic of South Africa

Strategic Objective	The achievement of above average sustainable economic growth [measured by output and by value] which gives rise to significant numbers of new sustainable employment opportunities.
Objective Statement	To develop and grow firms in prioritised sectors by facilitating/sustaining 2 665 jobs, 497 businesses established, 1 084 businesses expanded, R3, 114,100,000 of trade and investment and R12, 505,000 funds leveraged.
Baseline	Number of jobs facilitated/sustained = 0. Number of businesses established = 0. Number of businesses expanded = 0.
Justification	The range of interventions offered to firms have a common purpose, namely to increase the number of sustainable jobs, to increase the number of new firms within the sector and to increase the expansion of firms. The interventions will differ in intensity, priority and content depending on the unique needs of the sector, and will (1) help established firms to help new suppliers to come into existence and to help other suppliers to expand through procuring preferentially, (2) offer supply side assistance to increasing firms' capacity to take advantage of demand side measures; (3) offer benchmarking services; (4) offer innovation and technology services; (5) increase the skills of targeted firms' management and employees; (6) facilitate sector development through keeping firms well informed about developments in their sectors; (7) increase the skills and experience of members of the workforce to increase their capacity to fill “skills gap” vacancies; (8) increase the skills and experience of low-skilled individuals to assist them to compete for employment effectively; (9) offer advice and services in all localities; (10) offer advice and services in localities in which per capita GRP is low; and (10) implement transformation programmes.
Links	Medium Term Strategic Framework, MEDS, Workforce Development Strategy, JIPSA, National Skills Development Framework, Small Business Act, Western Cape Tourism Development Framework.

Context

In economic terms, the cultural and creative sector is globally one of the fastest growing. Estimates value the sector at 7% of the world's gross domestic product and forecast 10% growth per year.

In most developed market economies, the cultural and copyright industries account for 2 - 5 % of GDP and have generated consistent and stable growth above world average in the last decade, as exemplified in a rising share of employment and exports. Although there is no national legislative framework for the creative industries, the Department of Trade and Industry has selected the creative

industries as a priority programme. The Department of Arts and Culture also has adopted a policy position on the creative industries and supports programmes in this regard.

According to the policy recommendations of the Western Cape Micro Economic Development Strategy, the Commercial Arts and Entertainment sector “has the potential to be an important contributor to the provincial economy, displaying the following characteristics: thriving and fast-growing commercialised sub-sectors, particularly in craft, visual arts, film, music and performing arts; significant export earnings through Intellectual Property rights and travelling shows, exhibitions and films; large scale consumption of indigenous

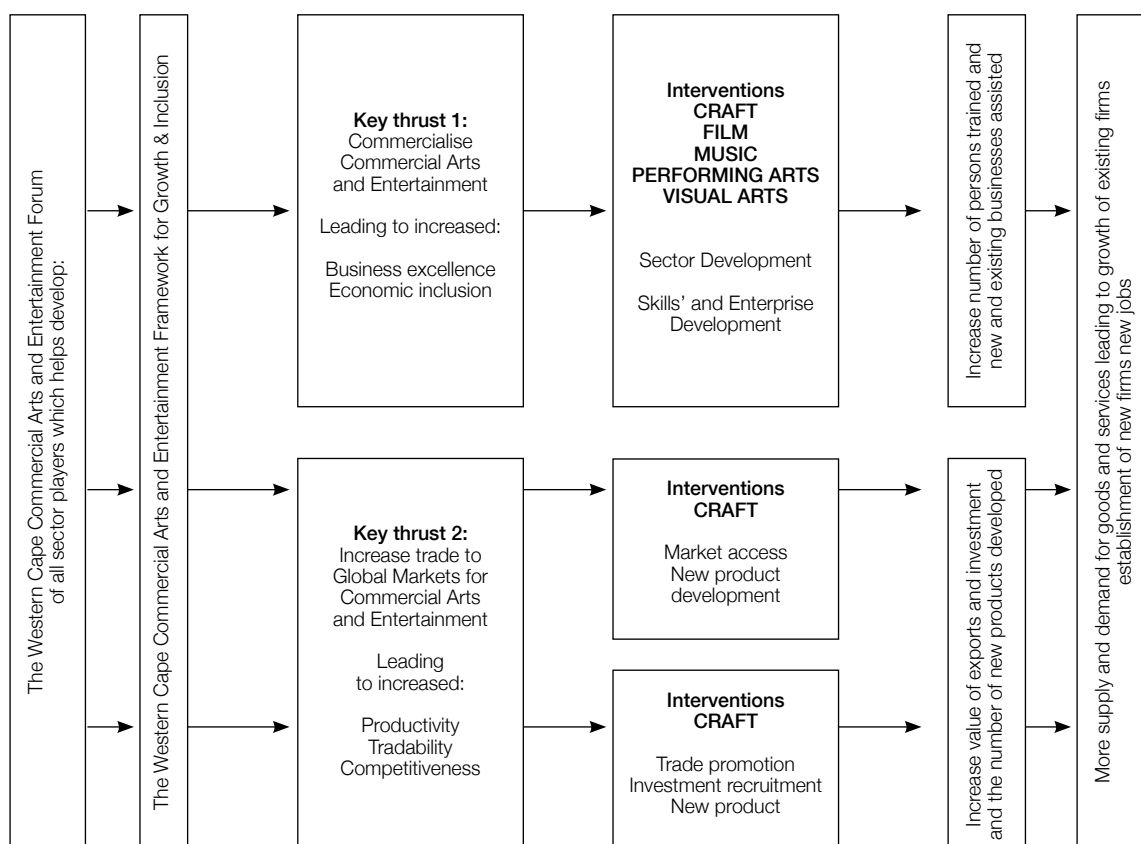


Figure 12: Strategic flowchart for Commercial Arts and Entertainment

commercial arts & entertainment product; a rich source of new tourism products and a major contributor to the attractiveness of the Western Cape as a tourism destination”.

These policy recommendations have been confirmed as accurate, as exemplified in the boom in private sector interest and investment in the creative industries sector in the Cape Town region recently. At least two private sector driven organisations, Accelerate Cape Town and the Cape Town Partnership have adopted the Creative Industries as one of their prime sectors to drive growth over the next 10 years. It is imperative that there is also public sector presence and intervention to harness these opportunities and ensure that wealth and value generated by this sector benefits the whole Province.

Strategic Focus

As per the Western Cape Micro Economic Development Strategy recommendation, we will limit our interventions to support the commercialisation and internationalisation of the Craft, Visual Arts, Film, Music and the Performing Arts. The Western Cape Department of Economic Development and Tourism has, for the past 8-10 years invested effort and

resources into the Craft and Film sectors. This has resulted in sector maturity and significant growth, cohesion and increased export earnings. Since further growth and positive economic potential for the Western Cape can be expected from these two sub sectors, our interventions and resource allocation will be sustained at its present level.

The Music, Performing Arts and Visual Arts sectors, although displaying significant potential are at this stage fractured and under-commercialised. Interventions and resource allocation to Music, Performing Arts and Visual Arts will be minimal and restricted to promoting only sub-sector commercialisation, and in so far as they are feeder sub-sectors that can drive further growth in Craft, Film and Tourism.

The flowchart illustrates all the high-level strategic elements required for focused and effective delivery in Commercial Arts and Entertainment. The Western Cape Commercial Arts and Entertainment Forum is the cooperative body of all sector players which will contribute to the Western Cape Commercial Arts and Entertainment Framework for Growth and Inclusion. Emanating from the WC Commercial Arts and Entertainment Framework, the key thrusts are:

1. Commercialisation of Arts and Entertainment.

Key interventions to assist artists in Craft, Film, Music, Performing Arts and Visual Arts are:

- Helpdesk programme to offer sub-sector advice, information and referrals to new entry and existing businesses.
- Sector Development programme to:
- Connect isolated entrepreneurs and so strengthen them within their sub-sectors and between sub-sectors where synergies and shared resources would heighten impact. For example, between Craft and the Visual Arts and between Film, Music and the Performing Arts.
- Facilitate strong partnerships with private sector players, donor community, government departments at national, provincial and local government levels and sector stakeholders to harness potential for growth.
- Establish joint shared space, programmatic interventions and resources for Music, Performing Arts and Visual Arts.
- Skills and enterprise training programmes in so far as they support increased commercialisation and business excellence as well as increased and improved production of goods and services.

2. Facilitate increased access and trade to global markets.

Key interventions to facilitate increased access and trade to global markets in Craft and Film are:

- Marketing and global trade promotion programme for Film goods and services and Craft products.
- Investment recruitment programme for Film.
- New product and innovation programme for Craft and Film.

Strategy 1: Craft Context

The craft sector is labour-intensive and is mostly made up of micro and small enterprises that offers strong opportunities for enterprise development. It provides significant opportunities to women and new entrants to the formal economy. New and emerging enterprises link into established local and global value chains, and therefore intermediaries play an important role. The global trade in craft is said to be worth approximately \$35bn with the largest consumer markets being the USA and the European Union.

Statistics provided by the Department of Trade and Industry as part of its Customised Sector Programme for Craft in 2002, provided comparative information on craft sectors in different provinces:

	Western Cape	Gauteng	KZN	Mpumalanga
Distribution of craft enterprises	1 200	1 200	1 500	500
Raw material suppliers	75	61	10	51
Galleries	53	45	19	19
Markets	230	11	100	99
Retailers	132	29	59	40

The key characteristics of the Western Cape craft sector are: a strong retail component, good commercial orientation, a diverse and sophisticated product range reflecting different cultural influences that target high end consumers, and fair proximity to export infrastructure.

Strategic Intervention 1: Commercialisation of Crafters

Commercialisation will assist crafters and craft business to:

- Convert skills and talent into tradable goods, products and services for consumption by domestic and global markets;
- Formalise their businesses and achieve business excellence as sole traders, micro, small or medium sized enterprises;
- Increase productivity and participation in the formal economy; and
- Utilise a sector development approach to connect these otherwise isolated entrepreneurs and so create value chain cohesion, networking and information support to enable them to successfully bring their goods to market.

Key interventions are:

1] Sector Development and Helpdesk programme

The key defining characteristics of the craft sector is that it is labour intensive and has the potential to absorb and sustain new entries as is shown in the consistent membership growth of the CCDI (Cape Craft and Design Institute).

The Cape Craft and Design Institute is a Section 21 not-for-profit organisation. It was established in 2001 as a joint initiative of the Provincial Government of the Western Cape and the Cape Peninsula University of Technology. The CCDI provides skills and enterprise training to crafters and assists with market access. In the 2008/2009 financial year, it provided 511 market access opportunities for businesses and generated R2, 4 million in direct sales.

2] Skills and enterprise development programmes

The CCDI has over the 10 years of its existence, developed a nuanced and refined strategy that offers a tiered support approach to skills and enterprise development from individuals and start-up enterprises to those that are capable of providing employment to five or more workers.

Commercialisation of craft businesses, employment and participation in the craft sector focus on:

- Providing skills and enterprise development to start-up, emerging and established craft businesses.
- Supporting commercialisation of craft businesses to improve business excellence and productivity.
- Increasing productivity with the emphasis on quality and higher value add products.

Strategic Intervention 2: Facilitate increased access and trade to global markets

Facilitate increased access and trade for crafters and craft businesses to global markets by:

- Accessing global markets.
- Increasing supply to meet global demand.
- Developing new and innovative products.
- Increasing productivity.
- Increasing global competitiveness.

Key interventions are:

1] Marketing and global trade promotion programme

The strategic focus to promote growth in the Craft sector in the Western Cape will be in response to the increased global consumer demand for gifts and decorative articles and more specifically the global demand for handcrafted, uniquely African inspired products. The focus will be on accessing growth opportunities in the demand for home-ware, corporate gifting and fashion accessories.

The most significant growth potential is the higher value-add, art-craft product which will be targeted for development. Markets for Western Cape craft include the European Union, the USA, Canada and Australia. Other potential markets are Japan, China and India. Interventions for growth are primarily focused on international trade and export promotion as a means of growing new markets, and providing opportunities and support to crafters which enable access to a variety of international trade opportunities.

2] New product and innovation programme

Present statistical information on the global demand, proves that South Africa generally and the Western Cape in particular

enjoys only a miniscule share of the global market for hand-made craft, gift and decorative products. The potential for competing in the global markets lies in the ability to produce a diverse and sophisticated hand-made craft product range that reflects different cultural and uniquely African influences which target high end consumers.

To increase the global competitiveness of the Western Cape craft sector, key focus areas are:

- Making the transition from being responsive to global demand to becoming more pro-active in seeking out demand, understanding demand and meeting demand.
- Facilitating product development clinics for Design, Innovation and Visual Literacy to ensure that local crafters are equipped with the skill to produce high-end value-add products.
- Developing export-ready and export-capable craft businesses that can sustain successful penetration of global markets. Workshops will focus on branding, brochures, cataloguing and packaging, export logistics and regulation, quality control, costing, pricing and stock control.

Strategy 2: Film

Context:

The film sector executes activities that include feature film, television productions and documentaries (long form), commercials, stills photography and also extends to contemporary new media platforms such as animation and gaming. A comparative study between the Western Cape and Gauteng Province conducted by the HSRC in 2004 indicates:

	Gauteng	Western Cape
Economic activity generated	R1,3bn	R2,56bn
Number of commercials	68	461
Number of films/series	20	24
Contribution to GDP	0.5%	0.9%

According to this study, the Western Cape leads in terms of the number of big budget, feature film and commercial production it attracts. This is despite the fact that Gauteng benefits from local broadcasters such as MNET, SABC and ETV being based there and the development of indigenous film production.

The following table provides a breakdown of the nature of the downstream activity generated by the film sector:

	Long Form	Commercials	Stills
Machinery and Equipment	R202.2	R139.4	R105.0
Catering and Accommodation	258.0	65.	111.2
Business Services	110.3	94.7	123.9
General Businesses	15.2	161.6	84.8
Transport and Storage	97.2	62.0	1.6
Other	432.7	349.5	233.4
Total	R1,156	R872	R659

In a more recent economic assessment study of the Western Cape film sector, conducted by the Cape Town Graduate School of Business in 2006, total turnover was at R2.56bn of which about 77% (R2.03) was generated in the Cape Metropole. Of this total, Long form productions generated R1.12bn, Commercials generated R0.87bn and Stills generated R0.66 bn.

The Waterfront Studios is the biggest one stop post-production facility in South Africa, equipped with the latest digital technology. Cape Town hosts the biggest visual effects studio in South Africa with state of the art capabilities that include visual effects, 2D and 3D animation, motion graphics, compositing and DVD authoring. The Cape Town Film Studio, currently under development, aims to attract "A grade" big budget movies that typically have budgets in excess of \$50m.

The present strengths of the local film sector in the Western Cape lies in its world-class skills-base in facilitating film productions, an unsurpassed variety and range, geographically accessible, eco-conscious locations and its ability to offer an efficient, professional and high quality service at competitive prices to international big-budget film makers.

A large percentage of employment in the film sector falls into the high and medium-skilled category, though its effect on the support industries such as services and hospitality also contributes to employment creation and growth in lower skill-sets. The Western Cape also boasts a wealth of public and private tertiary training institutions that specialise in film production, related media and ICT studies.

The knowledge intensive nature of this sector, its linkages to other sectors such as hospitality and tourism, the overwhelming dominance of the Western Cape nationally and the opportunities for empowerment and job creation make

this a sector worthy of government intervention to achieve sustainability and growth.

Strategic Intervention 1: Commercialisation of Film Businesses

Commercialisation will assist film businesses to:

- Convert skills and talent into tradable goods, products and services for consumption by domestic and global markets;
- Formalise their businesses and achieve business excellence as sole traders, micro, small or medium sized enterprises;
- Increase productivity and participation in the formal economy; and
- Utilise a sector development approach to connect these otherwise isolated entrepreneurs and so create value chain cohesion, networking and information support to enable them to successfully bring their goods to market.

Key interventions are:

1] Sector Development and Helpdesk programme

To increase new enterprises into the main stream. The Sector Development and Helpdesk programme will provide support to new and emerging artists, technicians and entrepreneurs to locate themselves within the sector.

The **Cape Film Commission (CFC)** is a Section 21 not-for-profit organisation. It was established in 2001 by the Provincial Government of the Western Cape and the City of Cape Town. The CFC facilitates over 600 commercials and 100 feature films within a year, including films from India and Nigeria. The Runway was established in 2008 and is a resource centre for film makers. The film industry reported R1, 556 bn investment recruited to the Province in 2008/2009.

2] Skills and enterprise development programmes

The Western Cape has a significant number of public and private sector training providers at tertiary level providing a steady inflow of students to the workplace. However, there needs to be constant dialogue between sector and training providers to ensure that there is not a skills mismatch. Skills and enterprise development will be provided in the following areas:

- New entrants, including work-placement opportunities and mentorship have to ensure that on-the-job experience complements theoretical training.
- Upskilling participants in the sector in order to deepen knowledge and experience and be upwardly mobile.
- Skills retention to ensure that existing skills capital is not lost in the Western Cape.

Access to finance remains one of the major challenges to local filmmakers to enable them to participate successfully in the

film sector. Co-production treaties are one methodology that is used to assist with access to finance and skills. To date South Africa has co-production treaties with Canada, Italy, Germany and the U.K and has signed a Memorandum of Understanding with India. This will include working with private sector companies and lobbying the dti, the IDC and the National Video Foundations to insist that local filmmakers benefit from national funding, incentive schemes and tax allowances.

Strategic Intervention 2: Facilitate access and increased trade to global markets

Facilitate increased access and trade to global markets in Film will:

- Access global markets.
- Efficiently increase supply to meet global demand.
- Stimulate global demand by developing new and innovative products.
- Increase productivity.
- Increase global competitiveness.

Key interventions are:

1] Marketing and global trade promotion programme for goods and services

To promote growth, consolidate and expand our markets, a focused trade promotion strategy will be implemented. Strong and established markets exist with Canada, France, U.K. Italy, the USA and Germany. New markets are Japan, Hong Kong and the Middle East.

An established annual calendar of international trade shows, sector events and film festivals provide the primary sites of opportunity for the film sector to recruit direct foreign investment and promote trade with the Western Cape. The first strength of the Western Cape is that it is able to offer a diverse and varied range of film locations that provide architectural and natural films landscapes which are accessible, enjoy long daylight hours and have the correct light quality. To harness these attributes as one of its globally competitive unique selling points, the film sector will:

- Improve and strengthen the capabilities of the film office to issue permits and facilitate the location needs of prospective clients (City of Cape Town mandate; all CFC board members contribute to the strategic direction of the film permit office).
- Assist clients in navigating the regulatory environment in order

to access film locations and sites in a time-efficient way.

- Utilise modern technology such as inter-active web-based systems to market and expose location potential to prospective clients.
- Provide knowledgeable and trained location managers and personnel at location sites.
- Effectively co-ordinate the services of municipal and provincial agencies such as traffic control, security and environmental services that affect location usage.

2] Investment recruitment programme

In partnership with WESGRO, an investment recruitment strategy will be implemented to further grow the sector in the areas of infrastructure, services and support. An urgent requirement to sustain growth, extend and improve products and services in the film sector and related media and communications industries is access to efficient, updated and cost effective telecommunications infrastructure. There will be strong lobbying to the relevant national departments and policy-makers to unblock constraints.

3] New product and innovation programme

New product and innovation will be explored in animation. As a keystone of the global entertainment industry, animation and new media products are experiencing rapid development and growth world-wide. Across all media, the global animation market was worth over \$60 bn USD in 2006 and is projected to become a nearly \$80 bn USD industry by 2010. 2008 saw approximately 100 animated feature films released worldwide. In a recent survey undertaken by Animation S.A. skills shortage were identified in the following areas of the animation production process: software developers, concept artist/illustrators, and storyboard, composers, and animators, technical directors, keying/rotoscoping/painting and texture/lighting/rendering.

In the context of the Western Cape, this new product offering has the potential to add another strong film industry product offering to our basket. Animation is a medium that will open up a unique and affordable opportunity through which to develop local Western Cape content. In this 5 year period, the Department undertakes to scope the viability of the establishment of a Film Development Fund in order to develop a mechanism to respond to new film products.

Resource considerations

The expenditure trends in respect of the programme's structure and the expected growth over the five year period is set out in Table 1 below.

Table 1: Nominal Expenditure on Programme 6: Tourism, Arts and Entertainment								
Programme 6: TAE	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%) ¹
Sub-Programme 6.1: Management Tourism	648	1 982	1 530	3 617	2 673	2 948	3 226	(3.60)
Sub-Programme 6.2: Tourism Growth	2 825	9 977	10 411	6 631	6 795	7 193	7 564	4.69
Sub-Programme 6.3: Tourism Participation	16 711	8 776	7 952	8 470	9 145	9 551	10 083	6.35
Sub-Programme 6.4: Destination Marketing Organisation	22 947	25 831	31 826	43 043	34 190	35 200	36 200	(5.30)
Sub-Programme 6.5: Commercial Arts and Entertainment	11 663	14 346	13 623	9 629	9 422	10 091	10 706	3.73
Total programme 6:	54 794	60 912	65 342	71 390	62 225	64 983	67 779	(1.69)

1. Projected average annual change between 2009/10 Adjusted Appropriation and 2012/13 Indicative Allocation.

Table 2 below shows a summary of the payments and estimated expenditure per economic classification over the past three years and the nominal average annual change over the MTEF period.

Table 2: Nominal Payments and Estimates per Economic Classification on Programme 6: Tourism, Arts and entertainment								
Programme 6: TAE	Audited 2006/07 R'000	Audited 2007/08 R'000	Audited 2008/09 R'000	2009/10 (adjusted appropriation) R'000	2010/11 (adjusted appropriation) R'000	2011/12 (indicative) R'000	2012/13 (indicative) R'000	Nominal average annual change (%) ¹
CURRENT PAYMENTS	15 225	18 915	20 144	10 648	12 122	12 698	13 696	9.54
TRANSFERS AND SUBSIDIES TO:	39 080	41 256	44 817	53 117	41 860	42 870	43 870	(5.80)
PAYMENTS FOR CAPITAL ASSETS	486	740	349	200	110	150	170	(5.00)
TOTAL ECONOMIC CLASSIFICATION	54 794	60 912	65 342	71 390	62 225	64 983	67 779	(1.69)

1. Projected average annual change between Adjusted Appropriation 2009/10 and 2012/13

Table 3 shows the staff establishment.

Table 3: Staff Establishment for Programme 6: Tourism, Arts and Entertainment

Programme 6: TAE	Number of Posts on Establishment	Number of posts Filled	Number of Vacant Posts	Vacancy Rate (%)	Number of posts filled additional to the establishment
Total programme 6:	40	36	4	10	

With Tourism having the potential to stimulate the economy and create jobs, the provincial government can play a much more substantial role in facilitating development, marketing and regulation of the destination. The Tourism Budget had decreased over the past three years by almost 20% for programmatic activity. This has an impact on delivery with reduced targets set. The most significant impact is in Tourism Marketing where the Destination Marketing Organisation has to redesign and restructure its functions and staffing capacity going into the 2010/2011 financial year. Tourism Human Resources Development and Tourism Enterprise Development have had budgets and beneficiary numbers reduced.

In Commercial Arts and Entertainment, Craft and Film have taken budget cuts in terms of delivery while the Music, Performing Arts and Visual Arts sectors will only receive grant funding. While this has been reviewed in terms of a refined strategy, these sectors do need government assistance for further development.

The three Director posts for Tourism Growth, Tourism Participation and Commercial Arts and Entertainment were vacant in the 2009/2010 financial year. Even though acting arrangements were in place for all three positions, the vacant posts have placed a substantial burden on the Programme. The filling of these posts will be fast tracked.

Risk management

Sub programme 6.2: Tourism Growth

Strategy 2: Tourism destination global competitiveness

Strategic risks:

- Failure to maintain quality service and standards, value for money and adequate access to information could result in a decline in tourism arrivals.

Strategic risk response:

- Run an effective quality assurance, safety and support and road signage programmes.
- Training of youth to be matched to the demand within industry.
- The Department Draft Outcome Indicator.

Sub-programme 6.3: Tourism Participation

Strategy 1: Tourism HRD Development

Strategic risks:

- Failure to align the skills supply and skills demand needs in the industry.

Strategic risk response:

- Increase stakeholder consultation to address skills demands.
- Training of youth to be matched to the demand within industry.
- The Department Draft Outcome Indicator.

Strategy 3: Tourism Regulation

Strategic risks:

- Inability to enforce penalties on illegal guiding.

Strategic risk response:

- Creating awareness around the illegal guiding.
- Random site inspections conducted regularly at tourist attractions and icons.

Sub-programme 6.4: Destination Marketing Organisation

Strategy 1: Tourism marketing

Strategic risks:

- Duplication of functions and responsibilities with potential fruitless and wasteful expenditure because of the duplicate mandate handed to Cape Town Tourism.

Strategic risk response:

- Re examining tourism model as a whole with a specific emphasis on Tourism marketing which will culminate in Tourism White Paper and Green Paper process and Act for Tourism industry.
- Minister and councillor to broker an agreement that will clearly define roles and responsibilities between CTRU and CTT that will lead to a lasting solution.
- Tourism marketing outsourced to CTRU.

Sub-programme 6.5: Commercial Arts and Entertainment

Strategy: Music, Performing and Visual Arts

Strategic risks:

- Fast developing technology that impacts on these sectors' ability to be remain productive and bring products to markets.

Strategic risk response:

- Special focus on intelligence gathering to ensure the full understanding of the development and advancement of new technological innovation.

PART C : Links to Other Plans

7. Links to other long-term infrastructure and other capital plans

Not applicable

8. Conditional grants

Not applicable

9. Public entities

Name of public entity	Mandate	Outputs	Current annual budget (R thousand)	Date of next evaluation
Western Cape Investment and Trade Promotion Agency (WESGRO)	1. Attract and facilitate foreign and domestic direct investment into the Western Cape; 2. Grow exports of products and services of the Western Cape through the development 3. of exporter capability, demand and market access; and 4. Market the Western Cape as a competitive business destination within the national and international arenas.	No of investments projects realised = 43 No of businesses assisted with exports = 450	R15.6 million	1 February 2010
Destination Marketing Organisation (DMO)	3.4.1 Marketing and Promoting Cape Town and the Western Cape 3.4.2 Managing, planning and directing of the marketing activities of all sectors of the Province's tourism industry.	Number and value of Conference Bids secured. Number and value of Joint Marketing Agreements secured.	R34,2 million	Quarterly Evaluations are conducted. Next evaluation of the full year is due at the beginning of April 2010.

10. Public private partnerships

Not applicable

**FIVE YEAR STRATEGIC PLAN:
ECONOMIC DEVELOPMENT AND TOURISM**

Western Cape Department of Economic Development and Tourism

PO Box 979, Cape Town, 8000
9th Floor, Waldorf Building, 80 St Georges Mall, Cape Town, 8000

Tel: (021) 483 9138
Fax: (021) 483 3010
E-mail: myabraha@pgwc.gov.za

This publication is also available online at www.capegateway.gov.za

PR: 28/2010

ISBN: 978-0-621-39124-4