

ECONOMIC DEVELOPMENT AND TOURISM (DEDT)

Introduction

The activities of the Department of Economic Development and Tourism (DEDT) are largely concerned with facilitating economic growth and development to benefit all. The Department is not a primary service provider such as Education or Health, but rather the leveller of the playing fields for economic participation of all our people and a creator of growth at the same time. One could say that it operates as a partner of the private sector in the stimulation and expansion of economic activity in the Province. In this partnership its strategic goals is:

- To facilitate the establishment and maintenance of a strong, dynamic and socially responsible economy for the benefit of all residents of the Western Cape by:
 - Broadening the ownership base of the economy;
 - Enhancing productivity, skills development, job and wealth creation;
 - Ensuring a fair, predictable and regulated business environment;
 - Enhancing effective coordination, communication, networking and partnerships between all stakeholders;
 - Ensuring the effective marketing of Tourism, Trade and investment opportunities globally and locally.

To play a leading role in the drive to get the Western Cape on line, so as to ensure that the Province, its citizens and its businesses derive maximum benefit from the knowledge economy.

This partnership role of the Department makes it difficult to measure its performance, given the number of externalities that would impact on the overall and equitable extension of economic activity in the Province – National Government policies and the international economic trends being among the more important externalities.

The national development strategy intends to reduce poverty and inequality via a surge in economic growth, which in turn would produce a big upswing in employment creation. The engine of economic growth would be a boom in private sector investment, not anything done directly by government itself beyond creating an enabling environment. Even though there has been a shift towards public sector provision of economic infrastructure in the last two national budgets, there is still a substantial emphasis of the role of the private sector in driving economic growth and reducing unemployment. The interventions undertaken by

this department should be linked to Vote 10: Transport and Public Works, to ensure that such interventions complement each other with a view to achieving optimal gains. In addition, the services provided by the DEDT are generally unlikely to bring immediate benefit to the poorest of the poor, but rather to people that already have access to some skills or resources.

Between 1999 and 2002 several structural changes have been made to align and cluster economic affairs in the Western Cape Government. Thus at one or other time, as a result of decisions at the political level, the cluster was responsible for Transport, Public Works, Agriculture, Economic Affairs and Tourism, housed in one or two separate Departments. Such changes affect the status of programmes and votes, some programmes becoming votes, for example the recent separation of Agriculture from Economic Development and Tourism to become a department.

Besides the possible negative impact on both the morale of staff in an environment of uncertainty and on performance, these changes are bound to affect accounting procedures and delay efforts to streamline functions and make efficiency gains.

- It is clear that the Provincial Government is committed to economic policies that will stimulate economic growth in the traditional and emerging sectors while protecting the integrity of environmental systems. Nonetheless, whilst the Provincial Cabinet's Strategic Framework should be viewed holistically, the specific policy issues impact directly on the performance of the DEDT.

The DEDT's Strategic Priorities

The DEDT's policy objectives are influenced by the following 10 critical challenges that have a bearing on the capacity of the Department to conduct its operation efficiently and effectively:¹

- Recruitment and retention of staff
- External and Internal communication
- Responsiveness to a changing environment
- Inter- and intra departmental synergy
- Funding
- Structural deficiencies in the organisation
- Cooperative governance
- International competitiveness
- Client orientation
- Narrowing the wealth gap.

The above challenges relate largely to developing the Department's internal human resource and communications capacity, internal organisational deficiencies and outward focus. The logic implicit in both the identification of the challenges and the responses proposed is that if these challenges are successfully addressed, the department will have made significant organisational, relational and operational improvements to enhance its service delivery capacity. These changes will put it in a better position to attend to its core objectives.

¹See DEDTA Strategic Plan 2002/03 to 2004/05, pp9 -11.

If the above objectives were reached, the Department would be close to 'doing things right'. While these sorts of efficiency gains would be welcomed, they are no guarantee in themselves of sufficient aggregate spending or properly targeted spending. In other words, they do not guarantee that the department will be doing the right things or that it has enough money to do enough of the right things. It would be more helpful if the practical steps the department plans to take in order to implement each of these proposed responses to meet the corresponding challenge, as well as the amount and cost of resources needed for this purpose could be seen. The closest one gets to such practical steps are the core objectives of each of the programmes in the DEDT:

CORE FOCUS AREA	OBJECTIVES
Administration	To conduct the overall management, administration and functional support of the Ministry and Branches within the department in accordance with applicable prescripts
Business Promotion and Tourism	To facilitate the establishment and maintenance of a strong, dynamic and socially responsible economy for the benefit of all residents of the Western Cape
Knowledge Economy and E - government	To play a leading role in the drive to get the Western Cape on line, to ensure that the Province, its citizens and its businesses (small, micro and medium in particular) derive maximum benefit from the knowledge.

Analysis of Expenditure in the DEDT

Total Expenditure for the DEDT: 1998/99 to 2004/05

The functions located in the DEDT have been moved so many times that any kind of time-series analysis becomes problematic. What is proposed below is discrete analyses of each of the key functions in this department, reflecting Business Promotion and Tourism separately.

The budget of this department grows by 67% in real terms (although 80% of the budget is for the Convention Centre) over the period between 1999/00 and 2004/05. The biggest winner from this upward movement is the Business Promotion and Tourism programme, which grows by 80%. This seems to be in keeping with the provincial strategic objective to focus on developing the economy through tourism and agriculture.

Table1: Expenditure1 999/00 –2004/05

PROGRAMME	Actual			Voted	Medium-term estimate	
	1999/00 R'000	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000
1. BusinessPromotion& Tourism	20343	27078	47906	121306	36821	47423
2. KnowledgeEconomy&E - government			1418	4353	5636	12057
Total	20343	27078	49324	125659	42457	59480

PercentageChange	From 1999/00 to 2000/01	From 2000/01 to 2001/02	From 2001/02 to 2002/03	From 2002/03 to 2003/04	From 2003/04 to 2004/05
1. BusinessPromotion&Touris m	33,11	82,61	145,32	-69,65	28,79
2. KnowledgeEconomy&E -government			-24,52	29,47	113,93
TotalforDepartment	33,11	103,91	127,58	-66,21	40,09

ProportionofProgrammetoBudget	Actual		Voted	Medium-term estimate	
PROGRAMME	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000
1. BusinessPromotion&Tourism	100 00	97 13	96 54	86 73	79 73
2. KnowledgeEconomy&E -government		2 87	3 46	13 27	20 27
Total	100	100	100	100	100

ExpenditureTrends

BusinessPromotionandTourism

Theaimofthisprogrammeistofacilitatetheestablishmentandmaintenanceofa strong,dynamicandbalancedprovincialeconomy.Thestepstoachievethisend are by way of four sub -programmes: industrial development and marketing, businessregulation,e conomicdevelopmentandcoordination,andtourism.

Asthisprogrammeisdirectedtotheheartofoneofthestrategicobjectivesofthe ProvincialGovernment,namelytogrowtheeconomyoftheWesternCape,itisto beexpectedthatitwillreceiveasig nificantshareoffunds.

Table 2 below shows that the great variance in the current year's programme budget is the result of the current fiscal year's allocation of R103 million to the Tourismsub -programme.Othersub -programmesallshowsteadygrowth.

**Table2: Expenditure and Budget for Business Promotion and Tourism
1999/00 –2004/05**

R'000Nominal	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	%Real Change	Average Real Change
Industrial Development & Marketing	5911	6426	9271	7216	7565	159 22	97%	19%
Business Regulation	2122	3906	4833	4781	5039	5162	78%	16%
Economic Development Coordination	3998	5046	5964	5942	6819	8880	63%	13%
Tourism	8312	11700	27838	103367	17398	17459	54%	11%
Total	20343	27078	47906	121306	36821	47423	71%	14%

Table3: Budget for Business Promotion and Tourism 1999/00 –2004/05 as share of total

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Industrial Development & Marketing	29,1%	23,7%	19,35%	5,9%	20,5%	33,6%
Business Regulation	10,4%	14,4%	10,08%	3,9%	13,7%	10,9%
Economic Development Coordination	19,7%	18,6%	12,45%	4,9%	18,5%	18,7%
Tourism	40,9%	43,2%	58,12%	85,2%	47,3%	36,8%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

The Tourism Budget

The allocation of R103 million (nominal) in 2002/03 constitutes a percentage change of 252,48% from 2001/02. R85 million of this is the Province's contribution to the construction of the Convention Centre². R20 million still needs to be taken up in the 2002/03 Adjustment Budget and R20 million in the 2003/04 budget. The total envisaged cost of the Convention Centre is R582 million. The Provincial Government will provide R142 million (R15 million – 2001/02; R105 million – 2002/03; R22 million – 2003/04) over three years. Given the role that convention centres elsewhere in the country are playing, the Provincial Government's investment in the Convention Centre will have positive and long term benefits to both the eunicity and the Province.

R6,3 million in transfer payments is earmarked to go to the Western Cape Tourism Board for the funding of operational costs and salaries to support the marketing and promotion of tourism in the Province and a further R4,9 million,

²Budget 2002/03, p432

also a transfer payment to the Western Cape Tourism Board, is set to be used for direct marketing of the Province as part of the Joint Marketing Initiative (JMI). This means that of the total tourism budget, R96 million in transfer payments go for the Convention Centre and the work of the Tourism Board, leaving R7,3 million of the Tourism budget for other initiatives.

The Province's objective of directing tourism towards the rural areas is catered for in the tourism budget through small transfers to eight rural municipalities for tourism development and capacity building (amounts of R200 000 each on average, totaling R1,37 million). This prompts the question whether the latter amounts are sufficient to provide the necessary boost needed to promote rural tourism in an aggressive and planned manner. The MTEF allocations for tourism for the two outer years do not indicate any growth either, raising doubts about a sustained prioritising of especially rural tourism expenditure in the Province.

The Business Promotion Budget

This sub-section looks at the three other components of this programme, namely Industrial Development and Marketing, Business Regulation and Economic Development Coordination.

Among the key achievements for the previous year³ in promoting business opportunities creating an enabling economic environment and attracting investment into the Province, the Department's annual report lists the following:

- Passing enabling policy documents and legislation, for example, a Green Paper on liquor policy, the Convention Centre Company Act, 2000 and a Draft Bill to expand the legislative framework for a consumer protection mechanism
- Establishing a Manufacturing Advisory Centre (MAC)
- Information and a development programme for emerging exporters
- The work of Wesgro to publicise and market the province, attract direct investment and create jobs
- More efficiently processing, regulating and supervising the sale of liquor
- Via the Economic Development Coordination sub-programme, launching Cape Gateway as a 'one-stop shop' for the public to access provincial services, and building interdepartmental synergies
- Creating a venture capital fund to provide small and medium businesses with start-up financing, efforts to draw the youth and disabled persons into business and spreading information to small businesses
- Implementing 11 local economic development projects, mainly in rural areas, and a job creation project to train young people from the Integrated Serviced Land Project in IT skills.

After Tourism, the Industrial Development and Marketing sub-programme receives the second largest allocation. The department also works to rid the Province of poverty by responsible alcohol education aimed at getting rid of Foetal Alcohol Syndrome (FAS), drunken driving and domestic violence. The department looks at cross-cutting issues, i.e. how the work it does influences

³See the Department's Annual Report: 2000/01, p21f.

skilled people staying in the Province and starting businesses which then employ other people who come in with no skills. It also looks into the question whether the effects in the rural areas are going to be meaningful enough to change economic empowerment patterns. If one takes LANOK and all the rural centres as a proxy of rural –urban benefit, one sees that the ‘rural’ share of Economic Development and Coordination transfers declines from almost 82% of total transfers in 2002/03 to just under 68% of transfers in 2004/05⁴. In the Tourism budget all of the other transfers decline in real terms. This is of most concern in rural areas where these transfers are small to begin with and lose value with inflation in current projections. However, transfers to “urban institutions” also impact positively on the rural areas.

Knowledge Economy and E –Government

The aim of this programme is to play a leading role in the drive to get the Western Cape on line and thereby bring the benefits of a knowledge economy to businesses, especially SMMEs. This will be done through two sub –programmes: Cape Gateway and Cape Online. The e –government programme was created in 2001 and its real value is set to increase steadily over the next few years.

The creation of this programme is laudable and in line with provincial priorities. However, the programme shows little evidence of targeting the broadening of access to these top –end information sources, although their phased approach may target these goals later on. This might thus also benefit from this programme in the long run.

Table 4: Budget for Knowledge Economy and E –Government

R’000 nominal	2001/02	2002/03	2003/04	2004/05	% Real Change	Average Real Change
Cape Gateway	857	3355	4658	8503	53%	18%
Cape Online	561	998	978	3554	190%	63%
Total	1418	4353	5636	12057	78%	26%

Quality of Reporting

The level of specificity can be seen in the 2000/01 annual report of the department. For programmes that are more qualitatively oriented in the nature of their interventions, providing numerical data may not be much more than reporting normal departmental activity, rather than giving insight into impact.

The laudable aspect of these performance –reporting efforts is that this department has attempted, and is attempting, to be accountable and transparent in the use of funds allocated to it.

⁴Cfp431 Western Cape Budget 2002

Some indication of need in the Province could serve as a pointer in designing output targets in the relevant departments. Tables 5 and 6 below reveal the following:

- There is greater unemployment in rural areas in the Western Cape
- More women are unemployed than men
- More people are unemployed in South Africa than in the Western Cape, creating a pull factor for migration
- The largest employers in the Province, namely Agriculture and Manufacturing, seem to be of the few that would accommodate the poor and unskilled
- Manufacturing is leveling out and slightly growing on jobs especially in the clothing sector and is growing productivity and earning forex. Tourism creates many more jobs, both in urban and rural areas.

Table 5: Percentage of Economically Active Population Unemployed

Percentages	Males		Females		Total	
	WC	RSA	WC	RSA	WC	RSA
Rural	14,1	18,4	16	25,7	14,9	21,7
Urban	3,2	22,7	6,5	32,2	4,6	27
Total	12,7	19,8	14,9	27,8	13,7	23,3

Table 6: Employment by Sector

Sector	No employed	% of Total
Agriculture, hunting, forestry and fishing	171144	12,5%
Manufacturing	234875	17,1%
Wholesale and retail trade	190723	13,9%
Community, social and personal services	242032	17,6%
Financial, insurance, real estate and business services	126734	9,2%
Construction	102375	7,4%
Other	306291	22,3%
Total	1374174	100,0%

Source: Census 1996

Conclusion

This is a new department in terms of the departmentalisation model established on 1 August 2002 and will consequently require some restructuring and consolidation.

Investment in tourism should be an obvious key consideration for resource allocation as it can make a substantial difference in the lives of the poor. However, the targeting of such an investment requires further information from the Department and a deeper understanding.

Further engagement between the department and the Treasury is necessary for the latter to gain a deeper understanding of the industry development and economic development coordination issues.

The department must undertake further work to reflect proper output-related benchmarks such as black economic empowerment and small, micro and medium enterprises, which it could be measured against over time.

The intervention embarked upon by this department should be linked to Vote 10: Transport and Public Works to ensure that such interventions complement each other with a view to achieving optimal gains.