PART B: PERFORMANCE INFORMATION

1. AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs certain audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 127 to 132 of the Report of the Auditor General, published as Part E: Financial Information.

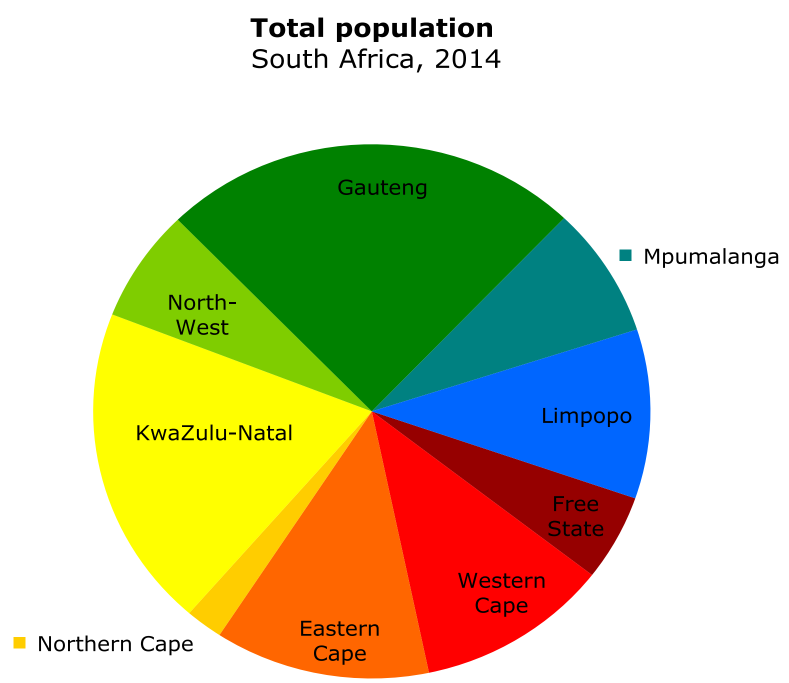
2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.1. Service Delivery Environment

Population statistics is important when analysing an economy, as population growth impacts directly and indirectly on employment and unemployment, as well as on other economic indicators such as economic growth and per capita income.

Statistics SA, according to the *Mid-year population estimates, 2015* indicates that the Free State Province has an estimated population of 2 817 900, which is the second smallest share (5.1%) of the South African population. Females represent the majority of the population with a total of 1 447 582 (51.4%) followed by males with a total of 1 370 360 (48.6%). The chart below, according to Global Insight, compares Free State's population with that of other provinces in South Africa.

Figure: *Total Population – Free State and the rest of National Total, 2014 (percentage)*



Source: IHS Global Inside Regional eXplorer version 832

When compared to other regions, Free State Province accounts for a total population of 2.8 million. The ranking in terms of the size of Free State compared to the other regions remains the same between 2004 and 2014. In terms of its share, the Free State Province was slightly smaller in 2014 (5.2%) compared to what it was in 2004 (5.8%). When looking at the average annual population growth rate, it is noted that the Free State ranked lowest (relative to its peers in terms of growth) with an average annual growth rate of 0.3% between 2004 and 2014.

Most of the Free State's population, in 2014, resides, as per table below, in Mangaung Metro (786 000), followed by Thabo Mofutsanyane (738 000) and Lejweleputswa (631 000). Xhariep recorded the lowest population of 146 000.

Table: *Total population – Metropolitan and non-metropolitan municipalities of Free State Province, 2004, 2009 and 2014 [numbers & percentage]*

	2004	2009	2014	Average Annual growth
Mangaung	680,000	730,000	786,000	***1.46***%
Xhariep	163,000	151,000	146,000	***-1.12***%
Lejweleputswa	641,000	633,000	631,000	***-0.17***%
Thabo Mofutsanyane	780,000	747,000	738,000	***-0.56***%
FezileDabi	470,000	483,000	504,000	***0.71***%
Free State	2,734,946	2,744,224	2,804,961	***0.25***%

Source: IHS Global Insight Regional eXplorer version 832

The Mangaung Metropolitan Municipality increased the most, in terms of population, with an average annual growth rate of 1.5%. The Fezile Dabi District Municipality (DM) had the second highest growth in terms of its population, with an average annual growth rate of 0.7%. The Xhariep DM had the lowest average annual growth rate of -1.12% relative to the other municipalities within Free State Province.

Population Projections

Based on the present age-gender structure and the present fertility, mortality and migration rates, Free State's population is projected to grow at an average annual rate of 0.4% from 2.8 million in 2014 to 2.85 million in 2019.

Table: *Population projections - Free State and National Total, 2014-2019*

	Free State	National Total	Free State as % of national
2014	2,800,000	53,800,000	*5.2%*
2015	2,820,000	54,500,000	*5.2%*
2016	2,830,000	55,300,000	*5.1%*
2017	2,840,000	56,000,000	*5.1%*
2018	2,850,000	56,700,000	*5.0%*
2019	2,850,000	57,400,000	*5.0%*
Average Annual growth			
2014-2019	***0.35***%	***1.31***%	

Source: IHS Global Insight Regional eXplorer version 832

The average annual growth rate in the population over the forecast period for South Africa is 1.3%. South Africa as a whole is estimated to have an average annual growth rate of 1.3% which is higher than that of Free State's growth rate.

Economic Analysis

Facts on the Provincial Economy: 2014

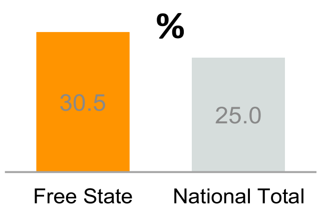
- Gross Domestic Product - R190 billion (Current prices), 5.0% of national GDP

- Economic growth – annual % change:

	2013-2014	10 year avg.
Free State	0.9%	2.2%
National Total	1.5%	2.9%

- Employment – 727 000 (number of jobs), 5.0% of national employment

- Unemployment:



- Productivity growth annual % change

	2014	10 year avg.
Free State	-0.6%	0.9%
National Total	0.5%	2.3%

- Human Development Index (HDI)

	2004	2014	Change
Free State	0.52	0.60	0.08
National Total	0.55	0.63	0.072

- People below upper poverty line

Free State 48.5%	South Africa 46.5%

- Total Population

2.8 million people	5.2% of national population

- Growth in population annual % change

	2014	10 year avg.
Free State	0.4%	0.3%
National Total	1.4%	1.3%

- Household backlog

	2004	2014
Sanitation	35.2%	17.9%
Water	8.5%	6.3%
Electricity	17.2%	8.1%
Refuse	33.1%	24.1%

Gross Domestic Product (GDP) by Region

The Gross Domestic Product (GDP), an important indicator of economic performance, is used to compare economies and economic states.

Gross Domestic Product by Region (GDP-R) represents the value of all goods and services produced within a region, over a period of one year, plus taxes and minus subsidies.

GDP-R can be measured using either current or constant prices, where the current prices measure the economy in actual Rand, and constant prices measure the economy by removing the effect of inflation, and therefore captures the real growth in volumes, as if prices were fixed in a given base year.

With a GDP of R 190 billion in 2014 (up from R 78.6 billion in 2004) as indicated in Table 3 below, the Free State Province contributed 4.99% to the South Africa GDP of R 3.8 trillion in 2014 increasing in the share of the National Total from 5.32% in 2004. Its contribution to the national economy stayed similar in importance from 2004 when it contributed 5.32% to South Africa, but it is lower than the peak of 5.50% in 2006.

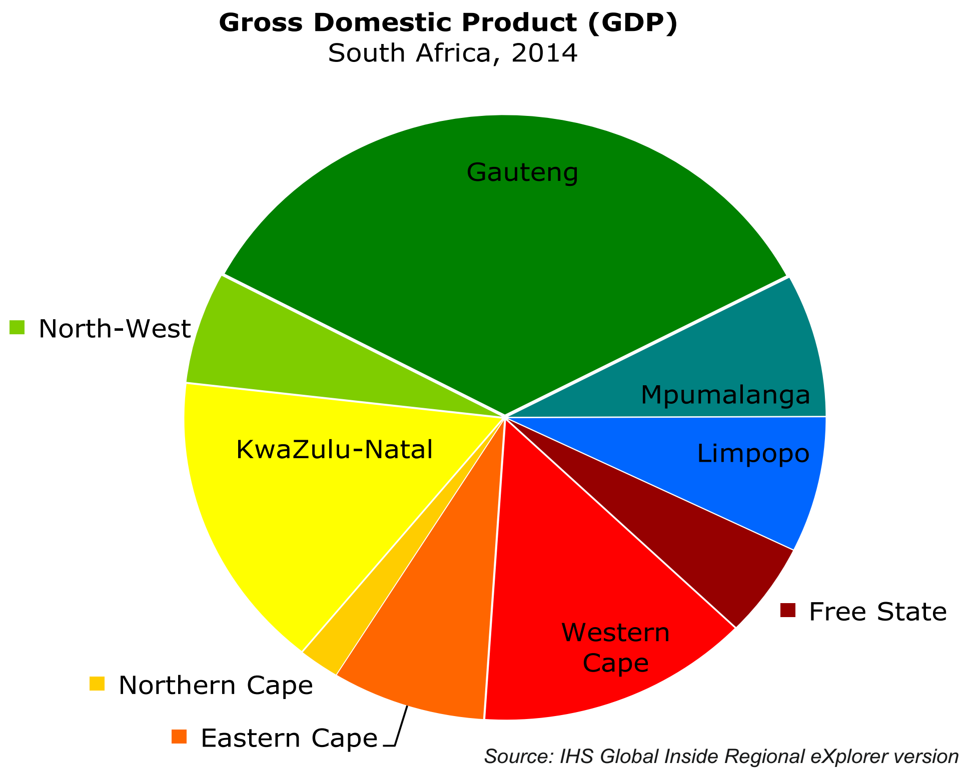
***Table:** GDP - Free State and National Total, 2004-2014 [R Billions, Current Prices]*

	Free State	National Total	Free State as % of national
2004	78.6	1,476.6	*5.3%*
2005	85.5	1,639.3	*5.2%*
2006	101.2	1,839.4	*5.5%*
2007	114.0	2,109.5	*5.4%*
2008	129.7	2,369.1	*5.5%*
2009	135.9	2,507.7	*5.4%*
2010	147.2	2,748.0	*5.4%*
2011	157.8	3,025.0	*5.2%*
2012	164.8	3,262.5	*5.1%*
2013	179.8	3,534.3	*5.1%*
2014	189.5	3,796.5	*5.0%*

Source: IHS Global Insight Regional eXplorer version 832

The Free State Province had a total GDP of R 190 billion (as indicated in the table above) and in terms of total contribution towards South Africa, the Free State Province ranked eighth relative to all the regional economies to National Total GDP. This ranking, as indicated in figure below, in terms of size compared to other regions of Free State remained the same since 2004.

Figure: *GDP - Free State Province and the rest of national total, 2014 [Percentage]*



Source: IHS Global Inside Regional eXplorer version 832

In terms of its share, it was in 2014 (5.0%) slightly smaller compared to what it was in 2004 (5.3%). For the period 2004 to 2014, the average annual growth rate of 2.2% of Free State was the eighth relative to its peers in terms of growth in constant 2010 prices.

Table: *GDP – Metropolitan Municipalities of Free State, 2004 to 2014, Share and growth*

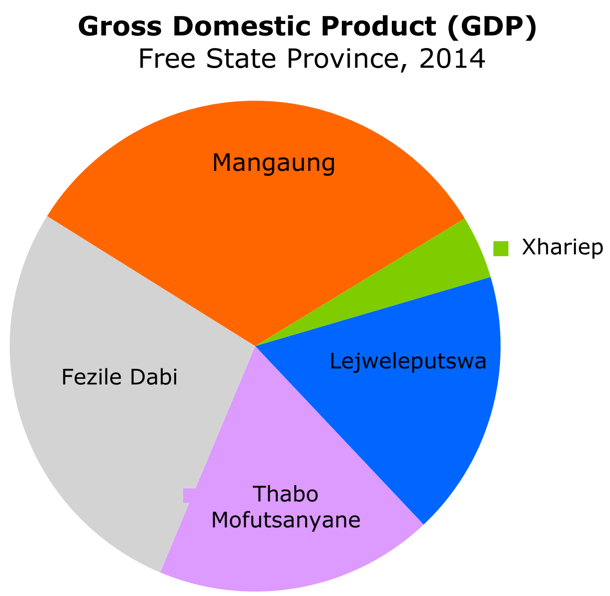
	2014 (Current prices)	Share of province	2004 (Constant prices)	2014 (Constant prices)	Average Annual growth
Mangaung	61.41	*32.40%*	37.11	50.93	***3.22***%
Xhariep	7.90	*4.17%*	4.99	6.66	***2.92***%
Lejweleputswa	33.18	*17.50%*	33.84	28.74	***-1.62***%
Thabo Mofutsanyane	34.82	*18.37%*	21.85	28.59	***2.73***%
Fezile Dabi	52.23	*27.56%*	30.24	43.59	***3.72***%
Free State	189.53		128.03	158.52	

Source: IHS Global Insight Regional eXplorer version 832

Fezile Dabi, as indicated in the table above, had the highest average annual economic growth, averaging 3.72% between 2004 and 2014, when compared to the rest of the regions within the Free State Province. The

Mangaung Metropolitan Municipality had the second highest average annual growth rate of 3.22%. Lejweleputswa DM had the lowest average annual growth rate of -1.62% between 2004 and 2014.

Figure: *GDP contribution - Metropolitan and non-metro municipalities of FS Province, 2014 [Current prices, Percentage]*



Source: IHS Global Inside Regional eXplorer version 832

The greatest contributor to the Free State's economy, is Mangaung Metro with a share of 32.40% or R 61.4 billion, increasing from R 24.4 billion in 2004. The economy with the lowest contribution is the Xhariep District Municipality with R 7.9 billion growing from R 3.2 billion in 2004.

Gross Value Added by Region (GVA-R)

The Free State Province's economy is made up of various industries. The GVA-R variable provides a sector breakdown, where each sector is measured in terms of its *value added* in the local economy.

Gross Value Added (GVA) is a measure of output (total production) of a region in terms of the value that was created within that region. GVA can be broken down into various production sectors.

The summary table below puts the Gross Value Added (GVA) of all the regions in perspective to that of the Free State Province.

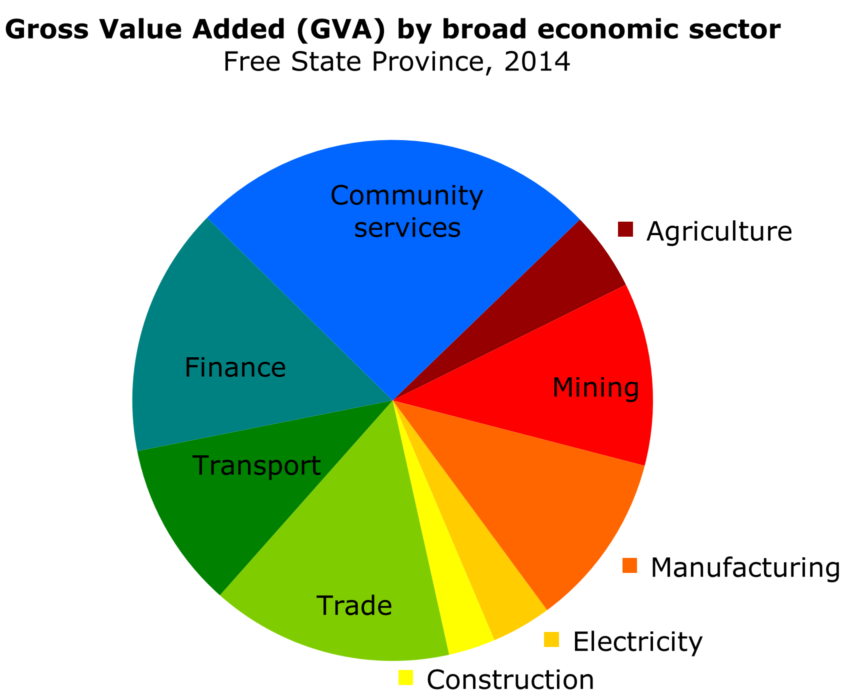
Table: *Gross Value Added (GVA) by broad economic sector - Free State Province, 2014 [R Billions, Current Prices]*

	Free State	National Total	Free State as % of national
Agriculture	8.3	84.7	*9.8%*
Mining	19.2	286.6	*6.7%*
Manufacturing	18.4	452.3	*4.1%*
Electricity	6.3	125.4	*5.0%*
Construction	4.9	138.9	*3.6%*
Trade	25.4	504.9	*5.0%*
Transport	17.5	339.9	*5.1%*
Finance	26.2	699.5	*3.7%*
Community services	43.0	772.3	*5.6%*
Total Industries	169.1	3,404.5	*5.0%*

Source: IHS Global Insight Regional eXplorer version 832

In 2014, the community services sector is the largest within Free State Province accounting for R 43 billion or 25.4% of the total GVA in the province's economy. The sector that contributes the second most to the GVA of the Free State Province is the finance sector at 15.5%, followed by the trade sector with 15.0%. The sector that contributes the least to the economy of Free State Province is the construction sector with a contribution of R 4.93 billion or 2.92% of the total GVA.

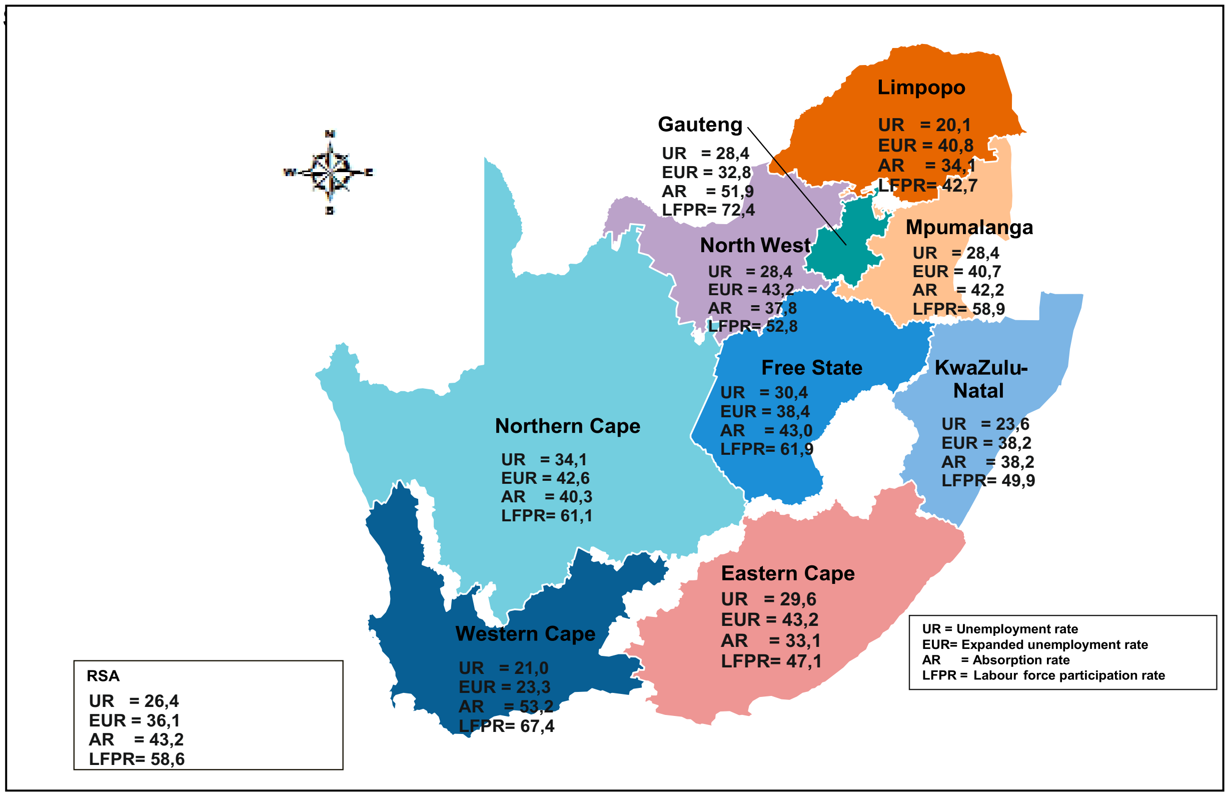
Figure: *Gross Value Added (GVA) by broad economic sector - Free State Province, 2014 [Percentage Composition]*



Source: IHS Global Inside Regional eXplorer version 832

The community sector, which includes the government services, is generally a large contributor towards GVA in smaller and more rural local municipalities. When looking at the regions within Free State Province it is clear that community services sector within Mangaung Metro contributed 45.42% towards its own GVA. Mangaung Metro contributed R 56.2 billion or 33.21% to the GVA of Free State Province, making it the largest municipality in terms of its contribution to the overall GVA of Free State Province.

Free State Labour Market



Employment

For the year ended March 2015, employment gains were recorded in eight of the nine provinces. The largest year-on-year employment gains were observed in Gauteng (117 000), followed by Free State (79 000) and Limpopo (72 000). Northern Cape was the only province where employment remained virtually unchanged.

Table 6: *Employment by Province*

	Jan – Mar 2014	Oct-Dec 2014	Jan-Mar 2015	Qtr-to-Qtr Change	Year-on-year Change	Qtr-to-Qtr Change	Year-on-year Change
	Thousand					Percentage points	
South Africa	15 055	15 320	15 459	140	405	0,9	2.7
Western Cape	2 237	2 170	2 261	91	24	4,2	1,1
Eastern Cape	1 332	1 336	1 358	22	26	1,6	1,9
Northern Cape	308	320	307	-13	-1	-4,0	-0,3
Free State	724	772	802	30	79	3,9	10,9
KwaZulu-Natal	2 527	2 520	2 546	26	19	1,0	0,7
North West	870	948	912	-36	42	-3,8	4,9
Gauteng	4 794	4 881	4 911	31	117	0,6	2,4

Mpumalanga	1 127	1 138	1 154	16	27	1,4	2,4
Limpopo	1 136	1 235	1208	-27	72	-2,2	6,3

Source: Stats SA, QLFS, Q1 2015
*Note: Q1:2015 estimates (column Jan-Mar 2015) are from the 2013 Master Sample.
Due to rounding, numbers do not necessarily add up to totals.

An increase, quarter-to-quarter, of 30 000 jobs was recorded in the Free State province (from 772 000 to 802 000).

Table: *Employment by province and metropolitan municipality, Q1: 2015*

	Municipality	**Employment Thousand**
RSA	**Total employment**	**15 459**
	Metro	7 659
	Non-metro	7 801
Free State	**Total**	**802**
	Mangaung	232
	Non-metro	570

Source: Stats SA, QLFS, Q1 2015

The table above shows that at the national level, non-metropolitan municipalities accounted for more jobs compared to metropolitan municipalities. Three of the five provinces with large municipalities recorded more jobs in non-metropolitan municipalities (KwaZulu-Natal, Eastern Cape and Free State). Non-metro municipalities in the Free State recorded 570 000 jobs compared to the Mangaung Metro with 232 000 jobs.

Unemployment

The official unemployment rate, between Q1: 2014 and Q1: 2015, in the Free State Province decreased by 4, 3 percentage points. This decrease represents the largest annual decrease in the official unemployment rate amongst the nine provinces.   Increases in the unemployment rate were observed in seven of the nine provinces. Mpumalanga was the only other province that recorded a decrease of 2, 0 percentage points in the official unemployment rate year-on-year.

Table: *Unemployment rate by province*

	Official unemployment rate					**Expanded unemployment rate**		
	Jan – Mar 2014	**Oct-Dec 2014**	***Jan-Mar 2015**	**Qtr-to-Qtr Change**	**Year-on-year Change**	**Jan – Mar 2014**	***Jan-Mar 2015**	**Year-on-year change**
	Per cent			Percentage points		Per cent		%
South Africa	25,2	24,3	26,4	2,1	1,2	35,1	36,1	1,0
Western Cape	20,9	22,9	21,0	-1,9	0,1	22,6	23,3	0,7
Eastern Cape	29,4	29,1	29,6	0,5	0,2	44,2	43,2	-1,0
Northern Cape	29,0	28,7	34,1	5,4	5,1	39,8	42,6	2,8
Free State	34,7	32,2	30,4	-1,8	-4,3	41,5	38,4	-3,1
KwaZulu-Natal	20,7	20,8	23,6	2,8	2,9	37,4	38,2	0,8
North West	27,7	25,2	28,4	3,2	0,7	42,6	43,2	0,6
Gauteng	25,8	24,6	28,4	3,8	2,6	29,8	32,8	3,0
Mpumalanga	30,4	26,6	28,4	1,8	-2,0	41,9	40,7	-1,2
Limpopo	18,4	15,9	20,1	4,2	1,7	39,2	40,8	1,6

Source: Stats SA, QLFS, Q1 2015
*Note: Q1:2015 estimates (column Jan-Mar 2015) are from the 2013 Master Sample.
Due to rounding, numbers do not necessarily add up total

NB. According to the strict definition only those people who take active steps to find employment, but fail to do so, are regarded as unemployed. The expanded definition, on the other hand, includes everyone who desires employment, irrespective of whether or not they actively tried to obtain a job.

Compared to Q1: 2014, the expanded unemployment rate in Free State decreased by 3, 1 percentage points to 38, 4% in Q1: 2015. During this period, six of the nine provinces recorded increases in the expanded unemployment rate. The largest increase was recorded in Gauteng (3, 0 percentage points), Northern Cape (2, 8 percentage points) and Limpopo (1, 6 percentage points).

Table: *Unemployment rate by province and metropolitan municipality, Q1: 2015*

		Official unemployment rate	Expanded unemployment rate
		%	
RSA	Both metro and non-metro	26,4	36,1
Free State	Mangaung	26,9	35,8
	Non-metro	31,7	39,4

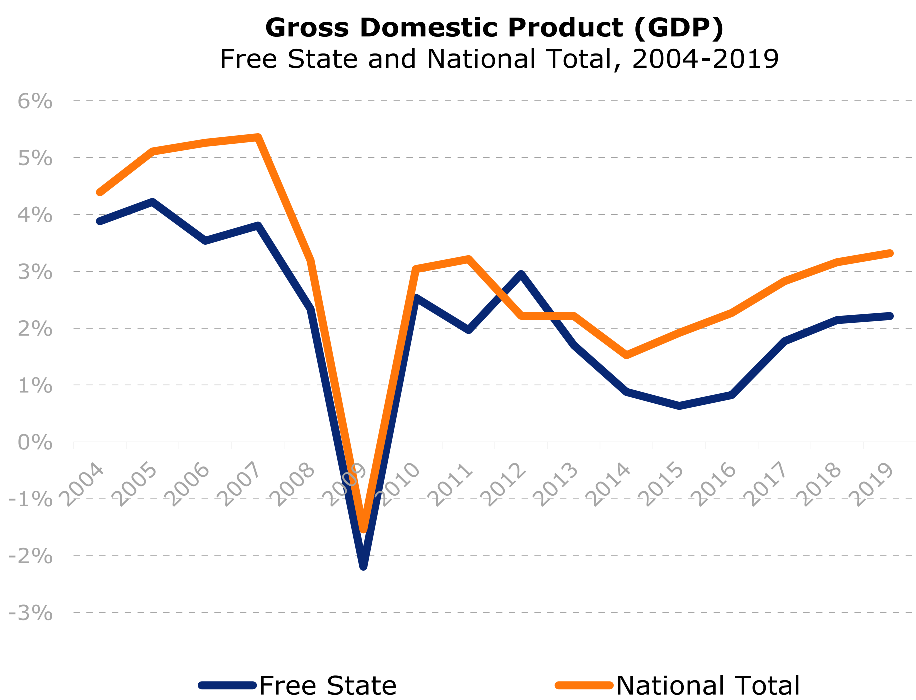
Source: Stats SA, QLFS, Q1 2015

The non-metropolitan municipalities in Free State recorded higher unemployment rates (both official and expanded) compared to Mangaung Metro. Both the metro and non-metropolitan municipalities in the province recorded large differences between official and expanded unemployment rates of 8, 9 and 7, 7 percentage points.

Economic Growth Forecast

It is expected, according to IHS Global Insight, that Free State Province's GDP will grow at an average annual rate of 1.51% from 2014 to 2019. South Africa as a whole is forecast to grow at an average annual growth rate of 2.70%, which is higher than that of the Free State Province.

Figure: *Gross Domestic Product (GDP) - Free State and national total, 2004-2019 [average annual growth rate, constant 2010 prices]*



Source: IHS Global Insight Regional eXplorer version 832

In 2019, Free State's forecasted GDP will be an estimated R 171 billion (constant 2010 prices) or 5.0% of the total GDP of National Total. The ranking in terms of size of the Free State Province will remain the same between 2014 and 2019, with a contribution to the South Africa GDP of 5.0% in 2019 compared to the 5.3% in 2014. At a 1.51% average annual GDP growth rate between 2014 and 2019, the Free State ranks the lowest compared to the other regional economies.

***Table:** GDP - Metropolitan and non-municipalities of FS, 2014 to 2019, share and growth*

	2019 (Current prices)	Share of province	2014 (Constant prices)	2019 (Constant prices)	Average Annual growth
Mangaung	90.56	*34.05%*	50.93	57.01	***2.28***%
Xhariep	11.61	*4.36%*	6.66	7.56	***2.57***%
Lejweleputswa	38.41	*14.44%*	28.74	26.78	***-1.41***%
Thabo Mofutsanyane	50.40	*18.95%*	28.59	31.55	***1.99***%
FezileDabi	75.00	*28.20%*	43.59	47.99	***1.94***%
Free State	265.98		158.52	170.90	

Source: IHS Global Insight Regional eXplorer version 832

When looking at the regions within the Free State Province, it is expected that from 2014 to 2019 the Xhariep DM will achieve the highest average annual growth rate of 2.57%. The region that is expected to achieve the second highest average annual growth rate is that of Mangaung Metro, averaging 2.28% between 2014 and 2019. On the other hand the region that will perform the poorest relative to the other regions within Free State Province will be Lejweleputswa DM with an average annual growth rate of -1.41%.

Tourism

The province experienced a continuous increase of international tourists during the period 2002 to 2011 with the exception of 2009 due to the global recession.
An overall analysis of Figure 4 concludes that the Free State has experienced an increase of international tourists from 15.6% in 2002 to 26% in 2011, an increase of 10.4%. A decrease in international tourists occurred in 2009 (from 23.1% in 2008 to 21.6%). An increase of 1.5% however was recorded in 2010 (to 23.1%) and the number further rose to 26% in 2011.
The above trends are however different in relation to the domestic tourists. Figure 4 clearly indicates the overall decline from 84.4% in 2002 to 74% in 2011 (a decline of 10.4% over a ten year period). This trend indicates the declining significance of the Free State province as a tourism hotspot for South African tourists. Effort should be made to market the province's tourist hotspots and create an awareness of the province's tourism potential.

Today, tourism is estimated to contribute approximately 10% to the global Gross Domestic Product (GDP), considering its direct, indirect and induced impacts. According to UNWTO, in 2014, there were 1.1 billion international tourist arrivals, up from a mere 25 million in 1950. These tourists generated US$ 1.5 trillion in exports to the visited economies or 6% of the world's total exports. It is estimated that one out of every eleven jobs worldwide is directly or indirectly linked to tourism. Source: UNWTO, 2015.

In South Africa, tourist arrivals continue to grow every year. The direct and indirect contribution of tourism to the country's GDP is currently R323 billion which is about 9.5% of total GDP. The tourism sector supports over 1.4 million jobs, representing about 10% of total employment in the country.

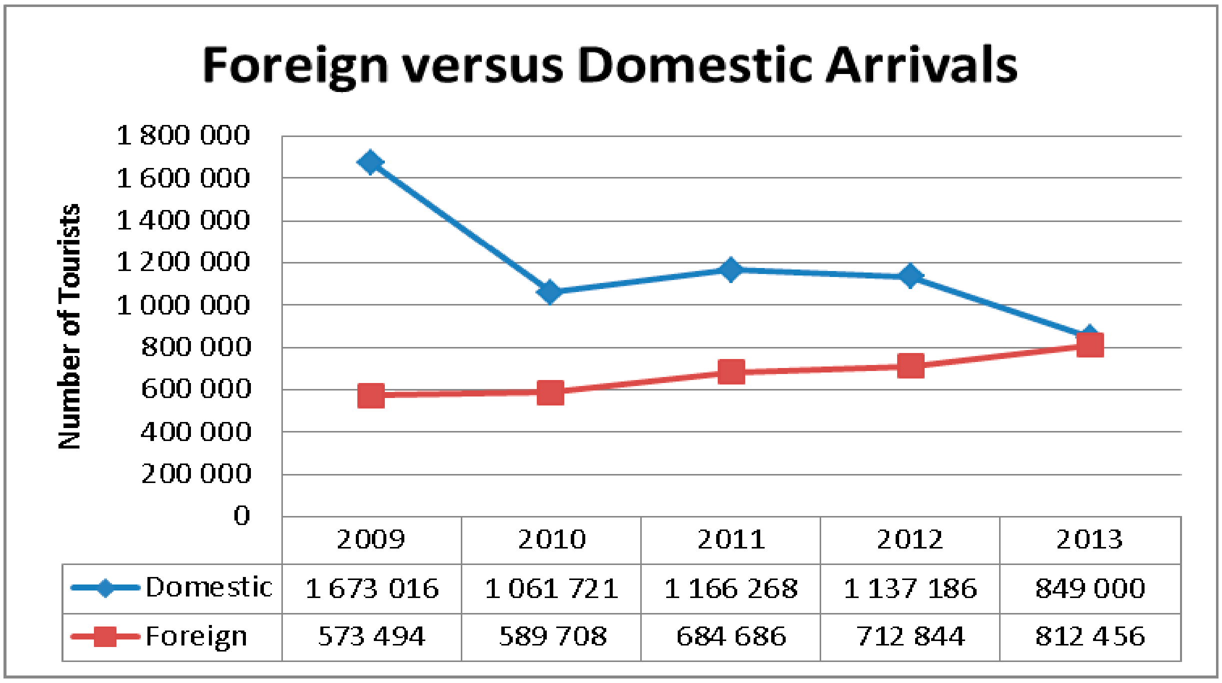
In the Free State Province, it is important that on the demand side the province intensifies its efforts to ensure effective marketing of the province in order to attract domestic tourists as well as international tourists. On the supply side, the province must continue to enhance tourism infrastructure, up skill the sector, inculcate the culture of service excellence and enhance the provision of world class visitor experiences.

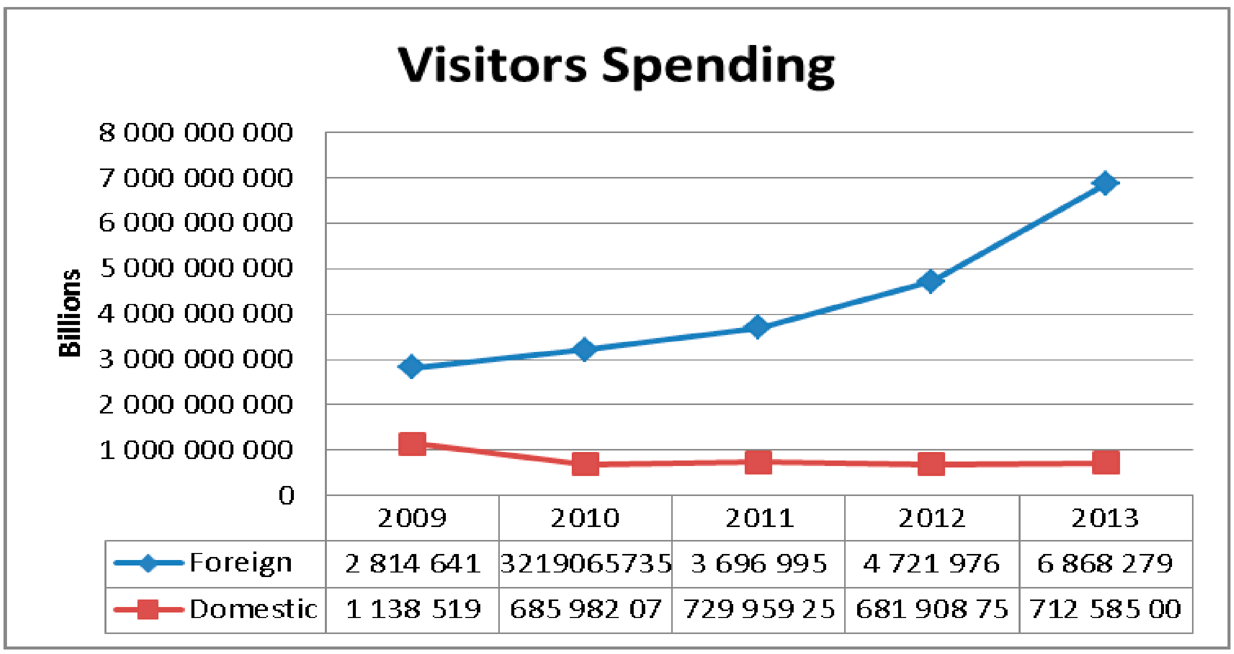
Free State Tourism Provincial Indicators.

	2009	2010	2011	2012	2013
Tourist Arrivals	Foreign - 573 494 8.2% Domestic - 1 673 016 5.4% Same day- 7 438 887 3.5 %	Foreign - 589 708 7.3% Domestic - 1 061 721 3.6% Same day- 8 129 744 3.6 %	Foreign - 684 686 8.2% Domestic - 1 166 268 4.4% Same day- 5 290 073 1.9 %	Foreign - 712 844 7.8% Domestic - 1 137 186 4.5% Same day- 6 683 330 2.1 %	Foreign - 812 456 8.4 % Domestic - 849 000 3.4% Same day- 4 354 000 1.7%
Spend	Foreign - R2 814 641 626 Domestic - R1 138 519 322	Foreign - R3 219 065 735 Domestic - R685 982 076	Foreign - R3 696 995 848 Domestic -R729 959 256	Foreign - R4 721 976 986 Domestic - R681 908 759	Foreign - R 6 868 279 255 Domestic – R 712 585 000
Length of Stay	Foreign tourists - 4.8nights Domestic tourists- 3.8 nights	Foreign tourists - 5.2 nights Domestic tourists- 4.0 nights	Foreign tourists - 5.3 nights Domestic tourists- 3.6 nights	Foreign tourists - 6.1 nights Domestic tourists- 3.5 nights	Foreign tourists - 10.0 nights Domestic tourists- 4.2 nights
Purpose of visit	Foreign Domestic Holiday 6.1% 13.4% Business 4.1% 7.2 % VFR 54.5% 77.8% Medical 9.0% 0.78% Religious N/A % 0.9% Other 1.6% N/A	Foreign Domestic Holiday 10.7% 4.6% Business 4.7% 7.4% VFR 51.8% 73.5% Medical 7.9% 4.7% Religious N/A % 10.31% Other 3.1% N/A	Foreign Domestic Holiday 3.6% 15.6% Business 4.6% 2.7% VFR 53.8% 70.5% Medical 9.1 % 5.5% Religious N/A% 5.7% Other 3.1% N/A	Foreign Domestic Holiday 3.7 % 7.0% Business 4.2 % 16.0% VFR 64.9% 66.3% Medical 6.2% N/A% Religious N/A% 8.5 % Other 2.9% N/A	Foreign Domestic Holiday 3.1% 11.1% Business N/A 10.0% VFR 72.6% 78.0% Medical 7.2% N/A Religious 0.2% 0.7% Other 5.5% N/A
Bed nights	Foreign: 2 651 085 4.8% Domestic: 6 387 851 5.1% **2009**	Foreign: 2 963 599 4.4% Domestic: 4 228 482 3.3% **2010**	Foreign: 3 445 399 5.2% Domestic: 4 151 492 3.6% **2011**	Foreign: 4 170 467 6.2% Domestic: 3 797 063 3.1% **2012**	Foreign: 7 809 640 9.8 % Domestic: 3 725 000 3.2 % **2013**
Intra vs. Inter Provincial Trips	Intra: 46% Inter: 54%	Intra: 42% Inter: 58%	Intra: 28% Inter: 72%	Intra: 28% Inter: 72%	Intra: 35% Inter: 65%

Source: 2013 Annual Tourism Performance

Arrivals: TFDS versus TDDS





- The provincial percentage share of foreign tourists shows fluctuation in the percentage share of foreign tourists visiting the province over the past five years; the above figure however reflects a steady increase in the number of foreign tourists arriving in the Free State province. The increase experienced over the years in the Free State can be a result of the large number of tourists visiting from Lesotho and travelling into the province to buy goods and services in towns such as Ladybrand and Ficksburg. The increase could also be attributed to the international events such as Macufe, Tour de Free State which occurred during 2012 and 2013, as well as the newly lobbied F2 powerboat championships, which started in the province in 2013.

- The provincial percentage share of domestic arrivals indicates improvement when compared to previous years, the above figure nevertheless interprets a different outcome; the total number of domestic trips shows a decline in arrivals, the reason for this decline can be as a result of a lack of sufficient tourist amenities in the province for them to stay and enjoy as compared to leading destinations such as Western Cape and Kwa-Zulu Natal.
- The figure above illustrates an increase in the number of foreign visitors into the province as opposed to the domestic visitors. Foreign visitors statistics have grown from 573 000 visitors in 2009 to 812 456 visitors in 2013. On the national barometer, the Free State has seen an increase of 8.4% in 2013 compared to 7.8% of 2012. The domestic visitors declined from 1 600 000 million visitors in 2009 to 849 000 visitors in 2013, which is a 3.4% share of national arrivals compared to that of 4.5% in 2012.
- The above figure provides an indication that, in support of the increasing number of foreign visitors, their spending patterns have increased as their numbers into the province increased. When there are not enough tourists visiting a destination, not enough revenue will be created from their visits; the decrease in spending of domestic tourists is due to low numbers of arrivals in the province which could be due to reason provided earlier.

Environment

Game and Nature Reserves in the Free State Province include:
1. Caledon Nature Reserve
2. Erfenis Dam Nature Reserve
3. Gariep Dam Nature Reserve
4. Kalkfontein Dam Nature Reserve
5. Mount Everest Game Reserve
6. Sandveld Nature Reserve
7. Seekoeivlei Nature Reserve
8. Soetdoring Dam Reserve
9. Sterkfontein Dam Reserve
10. Tussen die Riviere Reserve
11. Willem Pretorius Game Reserve
12. Karee Nature Reserve
13. Wuras Dam Nature Reserve
14. Ficksburg Nature Reserve
15. Koppies Dam Nature Reserve
16. Rustfontein Dam Nature Reserve

Various factors have influenced land use patterns in the Free State Province, the most important of which are soil type, rainfall distribution, mineral deposits, transport routes and political background. Of the total FS surface area, agriculture accounts for 90% of land use, 7% is used for settlements, 1.6%is set aside for formal conservation, while mining activity occupies approximately 0.4% of the Province. Biodiversity is defined in the Biodiversity Act (Act No. 10 of 2004) as “the variability among living organisms from all sources, including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part and also includes diversity within species, between species and of ecosystems”. Only about 3.4% of the land surface of the FS was formally conserved. The Vredefort Dome and Maluti-Drakensberg Trans Frontier Conservation Area are World Heritage sites, A wide range of wetland types occur in the Free State, which contribute towards the overall biological diversity of the Province with Seekoeivlei Nature Reserve a RAMSAR site of international importance.. Climate change is expected to bring considerable warming and drying to much of this already semi-arid region, with greater frequency and intensity of extreme weather events such as heat waves, flooding and drought. Three biomes occur within the Free State, namely the Grassland (72% of the Province), Nama Karoo (22%), and Savannah (6%). The three key, inter-related threats to biodiversity and ecosystem health are habitat destruction, invasive alien species and climate change. About 34% of the grassland biome in the Free State has been irreversibly transformed through development, such as urban settlements, mining, agriculture and industrial facilities.

The average rainfall in South Africa is about 450 mm per annum, which is well below the world average of 860 mm per annum. In terms of the United Nations definition, South Africa is a water stressed country, bordering on water scarce. As a result, sound management of this valuable resource is essential to ensure optimum social and economic benefit to further the aims and aspirations of all the people.

The Free State Province is bordered in the north and northwest by the Vaal River, in the south by the Orange/Gariep River and in the east by the Caledon/Mohokare River. Numerous major tributaries, the Wilge, Liebenbergsvlei, Renoster, Vals, Sand, Vet, Modder and Riet Rivers divide the Province into eleven secondary drainage regions. Two primary catchment areas (an area of land from which any rainfall will drain into the water course) are located in the Free State, namely the Vaal River catchment and the Orange River catchment. Surface water resources are well developed through the construction of several large dams. The water supply is augmented by various transfer schemes that import water from other water management areas (WMA), as well as from the Kingdom of Lesotho. Future water supply will depend on increased water transfers. Groundwater is currently used for rural domestic supplies, stock watering and water supply to several towns, where surface water supply is inadequate or bulk water supply is not financially feasible. Groundwater is well utilised for water supply in the Middle Vaal, Lower Vaal and Upper Orange WMAs and is the only water resource available in many areas.

Deteriorating water quality is impacting on the quantity of water available for the different uses. Key issues of concern include the poor quality effluent discharged from municipal sewage treatment works due to overloading and/or poor operations and maintenance, polluted storm water run-off, high salinity pollution due to mining activities, as well as elevated salinity and nutrient pollution from poor farming practices. As a consequence of increased pollution levels, river health has deteriorated, resulting in loss of river functions and services, as well as the sustainability of the river ecosystem. Many wetlands of the Free State have also been directly and/or indirectly impacted upon by a variety of different land uses and from chemical and biological pollutants.

Ambient air quality is impacted by human activities. Coal and wood are still often used as a fuel for cooking and heating in lower income communities, which generate emissions that are harmful to health and quality of life. Parameters are monitored continuously and reported to the national DEA and DESTEA on a monthly basis. Methane, a greenhouse gas, is emitted from mining ventilation shafts. Waste incinerators have been identified as the principle source of dioxins and furans (Persistent Organic Pollutants (POPs). Other sources of POPs include obsolete pesticides, which have not been quantified in the Free State.

Policy Environment

The mandate of the Department emanates from national and provincial policies as well as legislative frameworks, as described in our 2015 – 2020 Strategic Plan. In addition to the policies and legislation mentioned in the Strategic Plan of the Department, the Presidency has developed a National Development Plan (NDP) Vision 2030. This plan, which maps out the direction South Africa should take to achieve Vision 2030, has been considered when developing the 2013/14 Annual Performance Plan. The main themes emphasised by the NDP include:

- Economy and employment
- Economic infrastructure
- Transitioning to a low carbon economy
- Inclusive rural economy
- Positioning South Africa in the world
- Human settlement
- Promoting health and
- Social protection

The Medium Term Strategic Framework (MTSF), the Nine Point Plan of Government, the Provincial Growth and Development Strategy and the Provincial Programme of Action have also been encapsulated in the content of this plan.

Demand for services

The demand for environmental services is largely driven by the legislative mandate of the department to protect and sustain the natural resources of the province. The services provided by the department in this regard therefore focus in the main on the enforcement of environmental legislation, the management of bio-diversity and climate change, as well as environmental awareness and education.

The demand for economic related services is attributable to both push and pull factors. The macro-economic policies of government have resulted in the rendering of certain services in order to achieve the various policy objectives, such as tourism and industrial development. On the other hand, the current low GDP and GVA levels in the province, coupled with significantly high levels of unemployment have necessitated the delivery of certain services, such as SMME support, mining town support and township revitalization.

2.2. Service Delivery Improvement Plan

The department has identified two services to be improved in 2015/16, which are outlined in the Service Delivery Improvement Plan (SDIP). The tables below highlight the service delivery plan and the achievements made in the implementation plan.

Main Services and standards

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
Number of existing SMME's supported.	Formal and non-formal businesses in the province.	97	45	77
Number of existing Co-operatives supported.	Cooperatives in the province.	204	250	260

Batho Pele arrangements with beneficiaries

Current/actual arrangements	Desired arrangements	Actual achievements
Consultation: Visit Cooperatives.	Visit Cooperatives Create awareness about Service Centres and services that can be acquired by cooperatives through them.	109 information sessions were held with cooperatives at the four service centres and the head office.
Access: Service Centres established in all districts except Xhariep. Centres struggling with resources like phones and vehicles to reach clients.	Centres to be provided with cars and necessary office equipment to enhance communication.	All centres have been provided with cars plus 3G modems.
Information: No brochures/pamphlets on cooperatives Information Sessions held with cooperatives.	Printed brochures/ pamphlets to be availed for cooperatives/ Information Sessions.	Brochures developed and information also distributed through emails.
Openness and Transparency: Information captured on Quarterly and	Quarterly and Annual	Reports are capture quarterly and photos of beneficiaries are

Annual Reports	Reports. Coverage of delivery of goods. Place list and pictures of beneficiaries on Notice Boards of Service Centres.	displayed at entrance points (foyers).
Courtesy: No feedback session made with recipients (customer satisfaction survey) No complaints desk.	Conduct satisfaction survey. Develop the implementation of complaints and compliments system.	Satisfaction surveys conducted at Service Centres.
Redress: No clear guidelines / mechanisms to ensure redress.	Pamphlets on the MESP to include mechanisms for redress. Complaints and compliments procedure to be displayed in a published charter and on the departmental website and must be displayed on notices.	Complaints and compliments charts are displayed, to assist public in lodging complaints.
Value for Money: No aftercare Reports Developed to determine changes that occurred as a result of the assistance received.	Monitoring Reports on Beneficiaries. Sustainability of businesses and increased production and new job opportunities.	Aftercare document developed.

Service delivery information tool

Current/actual information tools	Desired information tools	Actual achievements
Training sessions.	Train 250 cooperatives	260 cooperatives supported.
Information Sessions	Develop brochures and pamphlets.	109 information sessions were held with cooperatives. Brochures have been printed.

Complaints mechanism

Current/actual complaints mechanism	Desired complaints mechanism	Actual achievements
Service Charter Provision	Service Charter Provision Complaints and Compliments Box at all service points Complaints Mechanism for each service point	Service Charter Provision

2.3. Organisational environment

Programme structure

There were no changes in the programme structure of the Department, which is illustrated in the table below:

Programme	Sub programme
1. Administration	1.1 Office of the MEC 1.2 Management Services 1.3 Financial Management 1.4 Corporate Services
2. Environmental Affairs	2.1 Environmental Policy, Planning and Coordination 2.2 Compliance and Enforcement 2.3 Environmental Quality Management 2.4 Biodiversity Management 2.5 Environmental Empowerment Services
3. Economic and Small Business Development	3.1 Integrated Economic Development 3.2 Economic Research and Planning 3.3 Small Business Development
4. Tourism	4.1 Tourism Planning 4.2 Tourism Growth and Development 4.3 Tourism Sector Transformation

Personnel

The department has an approved organisational structure of 1627 posts of which 809 are funded. Eight hundred and eighteen unfunded posts have been abolished on PERSAL. Six hundred and seventy seven (677) posts were filled as at 31 March 2016 (this is inclusive of 638 Permanent employees and 39 contract workers. Currently, the department has 10 Interns appointed for a period of 13 months and the contract of these Interns will be ending on 30 April 2016 and 30 November 2016 respectively. The vacancy rate is standing at 16.32% and although the department could not reduce the vacancy rate to below 10% as planned, the commitment of staff and their willingness to work overtime enabled the department to achieve most of its objectives.

During 2015/16 financial year, 144 posts were advertised and of the advertised posts, 8 were on Senior Management Level (levels 13-15). The department managed to fill 67 of these advertised posts. Three (3) SMS members assumed duties between December 2015 and March 2016 and other 2 will be assuming duties on 01 April 2016. The recruitment of the other posts will continue during the 2016/17 financial year. There were also 16 employees who were transferred into the department. Currently, the department has 39 employees appointed on contract in different components and the majority of these employees are within the Environment and Conservation Branch. Majority of the posts filled on contract have been advertised so that they can be filled permanently. During the 2015/16 financial year, the department lost 67 employees due to various reasons but the majority of the exits were due to retirements (27%).

There were no significant developments in the department, during the period under review, which had a major impact on personnel matters, and subsequently service delivery.

2.4. Key policy developments and legislative changes

There were no major changes to policies and legislation, during the period under review, which had a major impact on operations.

The Department continued with implementation of the following:

1. All environmental policies and legislation.
2. Trade related policies.
3. Economic development policies, including SMMEs and cooperatives development. Consumer protection and business regulations policies and legislation.
4. Tourism related policies.

The Small Business Development Unit of the department was established during 2014/15, in response to the establishment of the SBD National Ministry, and relevant pronouncements made by the Executive of the Province.

The table below explains the various areas contained in the NDP, MTSF and FSGDS to which the Department contributed during the past year:

NDP	MTSF	FSGDS
Chapter 3: Economy and employment	Outcome 4: Decent employment through inclusive growth	Driver 3: Expand and diversify manufacturing opportunities
Chapter 5: Environmental sustainability	Outcome 6: An efficient, competitive and responsive infrastructure network (SIP's and SEZ's)	Driver 5: Harness and increase tourism potential and opportunities
Chapter 13: Building a capable and developmental state	Outcome 10: Protect and enhance our environmental assets and national resources	Driver 12: Integrate environmental concerns into growth and development planning
Chapter 14: Fighting Corruption	Outcome 12: An efficient, effective and developmental orientated public service	Driver 15: Foster good governance to create a conducive climate for growth and development

3. STRATEGIC OUTCOME ORIENTATED GOALS

The following are the DESTEA goals set out in the 2015 - 2020 Strategic Plan:

Strategic Goal		Goal Statement
1.	Integrated and sustainable Economic Development.	To stimulate integrated, regulated, informed and sustainable economic development through trade & investment facilitation, sector development and industrialisation, by providing services to the stakeholders which

		we service.
2.	Environmental assets conserved, valued, sustainably used, protected and continually enhanced to benefit the present and future generations.	To manage the environment in order to lead sustainable development of the environment for a better life for all in the province.
3.	Radical efficacy in business processes.	To ensure rapid and efficient business processes within the Department: - Doing business unusual (fast and efficient). - Enabling line function to achieve their mandates.
4.	To create a conducive environment for sustainable tourism growth and development in the Province.	A tourism industry that is supported by sound policies that seeks to transform the tourism industry through robust product development to effectively promote and market the Province as a tourist destination of choice.

Progress made towards the achievement of these goals is explained elsewhere in Part B of this report.

The Department contributed significantly to the following Outcomes, as highlighted in the table below:

NDP	MTSF	Highlights *
Chapter 3: Economy and employment	Outcome 4: Decent employment through inclusive growth	• Rollout of the Micro Enterprise Support Programme • Continues support to new and existing SMME's • Continues support to existing and new cooperatives • Trade and investment promotion via Free State Development Corporation • Education and support to client on Consumer Rights • Continues tourism promotion and marketing • Free State Small business database developed. • Provincial Economic Development forum launched. • Free State Provincial Economic Development Strategy Framework developed
Chapter 5: Environmental sustainability	Outcome 10: Protect and enhance our environmental assets and national resources	• Expansion of land under conservation • Wetland conservation • Upgrade of certain resorts and reserves • Continues enforcement of environmental legislation • Wildlife Auction Conducted • Promotion of waste recycling • Host COP 21 stakeholders' workshop on Climate Change.

**Details of achievements are explained elsewhere in Part B of this report.*

4. PERFORMANCE INFORMATION BY PROGRAMME

4.1. Programme 1: Administration

To provide leadership and strategic management in accordance with Policy and Legislation and to provide appropriate support service to other programmes.

Sub-Programmes:

Programme	Sub Programme
Administration	1. Office of the MEC 2. Management Services 3. Financial Management 4. Corporate Services

This programme contributed to the following priorities:

- **NDP:**
  - Chapter 13: Building a capable and developmental state
  - Chapter 14: Fighting Corruption
- **MTSF:**
  - Outcome 12: An efficient, effective and developmental orientated public service
- **FSGDS:**
  - Driver 15: Foster good governance to create a conducive climate for growth and development

4.1.1. Office of the MEC

Strategic Objectives						
Sub-Programme Office of MEC						
	Strategic objectives	**Actual Achievement 2014/2015**	**Planned Target 2015/2016**	**Actual Achievement 2015/2016**	**Deviation from planned target to Actual Achievement for 2015/2016**	**Comment on deviations**
1	Mainstreaming of targeted and vulnerable groups	5	Mainstreaming of targeted vulnerable groups, being women, youth and persons with disabilities through 5 campaigns in the province. *(Total Target = 5)*	5	0	-

Performance Indicator						
Sub-programme Office of the MEC						
	Performance Indicator	**Actual Achievement 2014/2015**	**Planned Target 2015/2016**	**Actual Achievement 2015/2016**	**Deviation from planned target to Actual Achievement for 2015/2016**	**Comment on deviations**
1.1	Number of departmental campaigns and campaigns organised in	5	5 Campaigns	5	0	-