



KDA Annual Report 2005/6

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CHAPTER 1

INTRODUCTION AND OVERVIEW

CHAIRPERSON'S FOREWORD

Executive Summary

Since the inaugural launch of the Kouga Development Agency (KDA) by MEC G. Nkwinti & MEC A. de Wet, on the 18th August 2005 to the end of the financial year, the agency focused on putting in place the necessary structures, policies and building capacity to deliver on the mandate as set out by its principals. This annual report therefore captures some of the initiatives undertaken by the board prior to the appointment of the CEO and the progress made henceforth.

The Agency is primarily financed by the IDC and therefore its work plan is structured according to IDC's

In line with IDC guidelines a phased approach will be implemented as business model for the agency as follows:

Establishment Phase July 2006 - Mar 2007	Operational April 2007 - Mar2008	Operational Phase April 2008 - Mar 2009	Operational Phase April 2009 - Mar 2010
Establish the office Brand development & positioning Implement management systems Detailed master planning Detailed feasibility studies & business plans Secure resources Land acquisition	Investment promotion and marketing Award development Bulk infrastructure installation Land use approvals Implement environmental & conservation management plan Enterprise development Capacity building Develop and scope new projects	Manage and monitor implementation of projects Environmental & conservation management Enterprise support Capacity building Implement new projects	Manage and monitor implementation of projects Conservation environmental & management Enterprise support Conclude implementation and evaluate all projects

Board Meetings & Governance

Since the inception of the KDA, four (4) Board Meetings were held to deal with the immediate issues regarding the operationalisation of the agency. In the area of governance the board ratified the following items:

- The formation of Finance & Audit Committee – who presided over all financial matters of the agency on expenditure, opening of bank account, procurement process and diligence on ensuring financial health of the agency. The members of this committee are Mr. Mxolisi Sibam (Committee Head), Mr. Brian Reeves & Mr. Randall Arnolds.
- The formation of the HR, Procurement & BEE Committee – who put a process in place for the CEO appointment & compensation, HR policies & procedures, ensure BEE procurement in tandem with Finance Committee. Members of this committee are Mr. Nceba Moss (Committee Head), Ms. Sharon Kraak & Ms. Nandipha Mshumi.
- The KDA Bank Account was opened by the Finance & Audit Committee and all agency funds were transferred to the account.
- The Board ratified appointment of Ms. Julienne Prinsloo as Deputy Chairperson

CEO Appointment

The HR Committee designed a process by which a CEO was appointed for the agency as follows:-

- The Board agreed to advertise the position to main newspapers i.e. Eastern Province Herald, Business Day and Cape Times for 2 weeks to get the best candidate.
- The board agreed that the interview process would be a combination of interview & presentation by the candidates.
- That the HR Committee shortlists the candidates for Board ratification. After interviewing the first 10 candidates without any success, the board resolved to headhunt with the help of the IDC. After the first round of interviews, the board agreed to headhunt and have the full Board interview the 2 candidates from the IDC and ECDC.
- A point scoring system was put in place with all the interviewees scoring Ms. Zola Tshefu high on points. She was subsequently appointed by the Board as the successful candidate with effect from 01 February 2006. She has BCom and MBA degrees, and formerly employee at IBM, Regional Manager for ECDC and responsible for the Automotive Cluster.

Financial Update

The agency had received R796, 000.00 grant from IDC to cover the Pre-establishment Phase. The Department of Housing, Local Government and Traditional Affairs had also made available R255, 000.00 to carry out the necessary studies and establish a development agency.

The Board resolved to appoint an accounting firm to produce financials for years 2004, 2005 and 2006, thereby covering the period when the first transfer of funds was received from the Province. These statements were subsequently audited by the Auditor General and the copy of the report is accompanying this report.

The Agency was also audited by the IDC for the purposes of accessing the application for Establishment Phase Grant, a copy of the audit report is also accompanying this report.

The board also resolved to utilize CDM to perform the financial administration of the Agency until a full financial administration system had been established.

Additional funding was also sought from the Parent Municipality to augment the operational budget.

Business Plan & Budget

A Strategy Workshop was held on the 25/25 Feb 2006 where the mission, vision and generic strategy for the agency was outlined and adopted by the board and parent municipality representatives.

This was then used as a basis for developing a business plan for the Establishment Phase. A Marketing & Communications Plan was also incorporated as part of the broader business plan document.

The budgets for Establishment phase and for the year were presented and adopted by the board. These were then forwarded to the Parent Municipality as per MFMA guidelines.

Conclusion

The first few months subsequent to the inauguration of the board we focused on the appointment of a suitably qualified CEO and also in ensuring that the corporate governance foundation was put in place. Upon the appointment of the CEO, she was then tasked with establishing the offices, necessary administration system, develop a profile for the agency, build capacity in preparation for delivery, secure funding, develop and implement a business plan and secure land agreements from Provincial Government.

ROLE OF THE KDA

The Kouga Development Agency has been established as a Multi-Jurisdiction Service Utility established in terms of Section 87 of the Local Government: Municipal Systems, 200 (Act 32 of 2000) in partnership between the Cacadu District Municipality and Kouga Local Municipality.

The District and Local Municipalities constitute the Parent Municipalities to the Agency.

Mandate of the Agency

The agency derives its mandate from the agreement entered into between Cacadu District Municipality and Kouga Local Municipality in establishing the Kouga Development Agency.

The agreement states the main object of the Agency as follows:

The main object of the Agency is the development of the project area and/or areas to be designated as development areas by the Parties with the following specific aims and intentions:-

- 1) The rejuvenation of economic activity within all areas of the Kouga Municipality;
- 2) The leveraging of public and private assets within the demarcated areas to maximize economic potential;
- 3) Assisting with the provision and management of services, amenities and security within areas designated for development;
- 4) The development of an integrated master plan in line with the Parties' Integrated Development Plan or plans and strategies.
- 5) The integration of various developmental sites, central business districts and beach areas into a single economic unit;
- 6) Ensuring optimum use of land and infrastructure within the area or areas designated for development;
- 7) To ensure that development within the areas designated for development is driven by the Agency in accordance with the terms and conditions as may be stipulated by the Parties from time to time; provided that they comply with all relevant legislation.

The Mandate Area

The agency's mandate area falls into the Western Region of the Province of the Eastern Cape. It is located approximately 70kilometres along the N2, south-west of the largest

and only Metropolitan size, local authority in the Eastern Cape Province, the Nelson Mandela Metropolitan Municipality (NMMM).

It is situated 3 kilometers outside Jeffreys Bay, along the R102. It is situated along the coast, between the Kabeljous and Gamtoos Rivers and the R102.

Administratively the mandate area falls into the Kouga Local Municipality in the Cacadu District Municipal Area. The Kouga Municipality comprises Jeffreys Bay, Humansdorp, Hankey, Patensie, Loerie, Thornhill and St Francis Bay. Jeffreys Bay is the economic capital of the Kouga Municipality and is well known internationally as a surfing "Mecca" and is synonymous with the "Billabong" trademark in South Africa.

The Agency will assume responsibility of 683 Hectares of State owned land, including 153 Hectares of an un-proclaimed Local Nature Reserve, currently being administered by the Provincial Department of Economic Affairs, Environment and Tourism (DEAET). The State owned land will be managed and used as leverage for private sector funding.

The core mandate area is located within the Kouga Municipality and the development of the area is subject to long term plans of the Municipality.

The site is located along the Coast and contains valuable, attractive but ecologically sensitive vegetation, comprising dune field, Kabeljous and Gamtoos Estuaries, an extensive and established wetland system and significant expanses of valuable indigenous vegetation.

The Functions of the Agency Are

- 1) To act as an Agent for and on behalf of the Parties for the purposes of implementing economic, social and environmental policies and projects in areas within the municipal boundaries as identified by and agreed with the Parties.
- 2) To co-ordinate the implementation of a sustainable, long and short-term development programme in all of its facets in respect of the areas identified for development projects;
- 3) To acquire, own and manage land and buildings, and/or rights to land and buildings, to be used:-
 - a) for economic and social development purposes;
 - b) for public service, public infrastructure, educational, health and cultural purposes and to prepare and equip such property as needed to fulfill the development needs of the public infrastructure;
 - c) For cultural, nature or wildlife conservation purposes.
 - d) To negotiate, enter into and administer contracts on its own behalf and on behalf of and as an agent of the Parties

- e) To launch, manage and monitor any study that may be necessary to further its objectives.
- f) To collect income, raise, receive and hold funds, or receive guarantees, from any lawful source, for the purposes of the Agency and to manage, administer, and disburse those funds in pursuance of the objects of the Agency and for administrative purposes in accordance with terms and conditions determined by the Agency and approved by the Parties.
- g) To act as receiver, manager and/or coordinator of technical assistance or development funding programmes provided by non-governmental or governmental institutions.
- h) To conduct and operate any financial assistance, subsidy or incentive program.
- i) To exercise legal rights delegated by the Parties, including:-
 - i) Collection of income and imposition of penalties;
 - ii) Right of first refusal;
 - iii) Right of litigation
 - iv) Ensuring compliance with municipal definition of zoning areas, building and site management rules and urban architectural codes.
- j) To assist with the provision of services on behalf of, and/or jointly with any or all spheres of government; provided the parent municipalities shall have consented thereto.

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EXECUTIVE SUMMARY

The MFMA requires that a municipal entity must within six months after the end of a financial year submit the entity's annual report for that financial year to the municipal manager of the parent municipality.

The Annual Report has been compiled as far as is practically possible in accordance with the National Treasury guidelines and is covering the period from July 2005 to June 2006.

The vision of the KDA is Kouga Development Agency is to be a catalyst for sustainable economic and tourism growth for the benefit of the Kouga community.

How the Agency aims to achieve this vision is captured in our mission which states that "Kouga Development Agency initiates, promotes and manages sustainable private and public economic developments thus transforming the Kouga area into a growth point that benefits its communities."

The broad strategy for the agency is to develop the mandate area into economically viable eco-tourism projects that contribute to the development of the broader Kouga Municipality whilst ensuring effective environment management.

Financial Performance

The annual financial statements have been prepared in accordance with the South African Standard of Generally Recognised Accounting Practice (GRAP), and the Generally Accepted Municipal Accounting Practice (GAMAP).

The balance sheet as at 30 June 2006 reflects that the Agency is not in a favourable financial position. The net assets decreased from R115, 675 in 2005 to -R21,023. This is mainly due to the loan from Cacadu District Municipality that came about from a request by the Agency for CDM to provide bridging finance until the Agency had received the Establishment Grant from IDC.

The phasing of IDC funding does not follow the financial year period of the Agency and as such a surplus or deficit is expected depending at what stage the agency is in relation to the particular phase.

The Agency however did not experience any cash flow problems as the cash balance at year end was R567, 772.

Socio-Economic Impact Expected from the core development

The core mandate area is currently undeveloped and has no public facilities other than the hiking trail within the Nature Reserve. It therefore currently offers no economic benefit and very limited recreation benefit to the community.

The development proposed by the Agency will not only create direct jobs but will also generate revenue for the Kouga Council and local businesses. With a strong BEE imperative on development projects the qualifying local businesses also has opportunity to participate directly and indirectly on the projects.

The estimated job creation potential during construction phase is 500 jobs and in turn creating 295 permanent jobs during full operation. The development is estimated to attract investment of R210 million this in the backdrop of currently no investment in the proposed area.

The new projects will also contribute to growing the tourism industry in the region. According to the Tourism Master Plan the target is to grow domestic tourism by 4,5% per annum for the next five years and grow foreign tourism by 10% per annum over the next five years.

CHAPTER 2

PERFORMANCE HIGHLIGHTS

MILESTONES ACHIEVED

The milestones achieved up to 30th June 2006 are shown on the accompanying table:

Milestone	Status	Time Frames
Payment to relevant institution into separate Bank or escrow account <ul style="list-style-type: none"> ▪ Le Roux Incorporate were appointed to administer the Escrow account ▪ ABSA Bank Account No 40-6381-0133 was opened ▪ The funds were thereafter transferred from Escrow account to the Bank account on the 6th Jan 2006 ▪ National Treasury has been notified about the Bank account through Cacadu District Municipal Manager 	Done	May 2004 Dec 2005 Jan 2006 March 2006
Appointment of fulltime driver <ul style="list-style-type: none"> ▪ A tender process was initiated by CDM wherein Metroplan/Abahlali Consortium was appointed as drivers. 	Done	March 2004
Drafting of final mandate, aims and objectives, scope of activities, geographic area of operation, targets etc. <ul style="list-style-type: none"> ▪ These are contained in the Memorandum of Agreement signed between Cacadu District and Kouga Local Municipalities. These are the parent municipalities for the established Kouga Development Agency. 	Done	June 2005
Determination of management tools and delegation of authority <ul style="list-style-type: none"> ▪ A Service Level Agreement was signed between the parent municipalities and the KDA through the Chairman of the Board. The agreement outlines the reporting lines and delegation of powers. 	Done	Sept 2005
Formulate job descriptions for CEO and support staff drafted and finalised detailing key deliverables, responsibilities and time frames <ul style="list-style-type: none"> ▪ CEO's job description was formulated by the BoD. The CEO has drafted all the job descriptions for supporting staff. However some of the positions will not be filled immediately. 	Done	April/May 2006

<p>Public/private financial and other resources/contributions addressed and formalised</p> <ul style="list-style-type: none"> ▪ Land – an in principle commitment was made by the respective departments for the land to made available to the KDA for development. This is captured in the concept document that was developed by the DHLG&TA and through the PTT meetings. ▪ An administrative process has been initiated with DHLG&TA and DEAET for the transfer of the land to the Agency. The indication so far is that a 99 year lease will be given, however a formal process must be concluded. ▪ Bulk Infrastructure – a formal request has been made to Kouga Municipality to provide budget for installation of the bulk infrastructure. This however has not been provided for in 2007 budget and we have been requested to resubmit a request for 2008 budget. ▪ Both CDM and KLM were approached to provide supplementary operational funding for the financial year 2006/7. CDM has provided for R500,000 in their budget however this must be approved by Council. KLM have provided for R400,000 towards funding the operational budget and VAT shortfall for the Agency. 	Done - Ongoing	<p>August 2002 May, July 2005</p> <p>March 2006</p> <p>March 2006</p> <p>May/June 2006</p>
Formulate set of operational policies and procedures for development agency	Done	April 2006
Prepare interim communication plan and implement	Implementation Done	April 2006
Draft staff contracts based on job description and key performance areas	Done, CEO's	April 2006
Facilitate purchase of operational assets	Done	April/May 2006
Identify public resources and assets that may be transferred to agency to be managed/used for leverage etc.	Done	August 2002
<p>Co-ordinate and integrate work already conducted by the municipality and other structures into single framework document (consolidation of intelligence information)</p> <ul style="list-style-type: none"> ▪ All work already done has been consolidated into the Proposed Development Framework Plan 	Done	April 2006
Conduct pre-feasibility study for entire operation (macro level analysis)	Done	May 2006
Facilitate formation of legal entity and appointment of appropriate management structure (Board), implementation of activities outlined in the concept document	Done	May, July 2005

<ul style="list-style-type: none"> ▪ The entity has been established as a Multi Jurisdiction Service Utility ▪ Board of Directors have been appointed and a Service Level Agreement has been signed between the BoD and the Parent Municipalities. 		June 2005 Sept 2005
Preparation of establishment business plan and budget (noting key milestones, deliverables, and timeframes)	Done	March 2006
Submit establishment phase business plan, budget and pre-feasibility to Governing Authority for endorsement	Done	April 2006
Submit business plan, budget and pre-feasibility study to ADS for consideration once endorsed by Governing Authority (funding to be capped at R2.5 million)	Done	April 2006
Interim business plan and other documents evaluated by IDC ADS	Done	May 2006
If in order, submitted to IDC Evaluation Committee	Done	June 2006
Extended Internal Committee either accepts or rejects funding request	Done	June 2006
If approved - Preparation of legal agreement if approved	Done	July 2006
Signing of agreement on receipt of Establishment grant.	Done	August 2006
Development of institutional arrangements (institutional capacity, staffing, policies and procedures) in the concept document	Done	April
Determination of reporting responsibilities of agency/accountability framework	Done	Sept 2005
Facilitate the procurement of a reliable and adequate reporting system - including financial management <ul style="list-style-type: none"> ▪ Paste accounting has been ordered, however it must be configured for the Agency's purpose. 	Done	May 2006
Facilitate recruitment of CEO	Done	Feb 2006

CHAPTER 3

HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

The human resources required to deliver on the mandate of the agency are represented in the form of an organizational chart below.

Only two positions have been filled, the CEO and Administration Assistant. The positions of Executive Assistant and the Planning and Development Manager will be filled during the establishment phase, commencing July 2006.

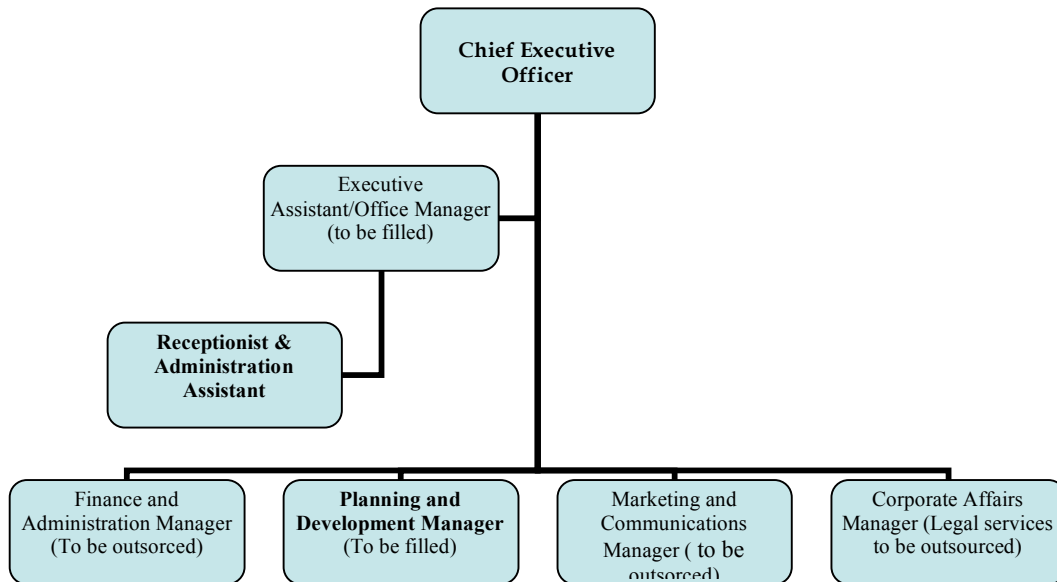
It is envisaged that the Agency should operate with lean, but yet effective management team. The team will comprise of a minimum of 4 fulltime positions. To minimise fixed costs whilst ensuring quality delivery on the mandate initially there will be two senior management positions, being the CEO and Land Management & Planning. The role of financial administration, marketing and communications will be outsourced to external consultants as well the corporate and legal services which will be outsourced to a legal firm.

The budget of the agency and the volume and complexity of the financial transactions during the Pre-Establishment and Establishment Phases is very limited. In this light we plan to install and set up Pastel Accounting including Payroll. This would then be administered internally by the Executive Assistant. We will contract out the services of monthly review of system, evaluation of statutory compliance and overseeing the production of management accounts to an external Accounting firm. This firm would then also be responsible for providing internal auditing services for the agency. By doing this we are reducing our salary bill whilst maximising output from core staff.

This arrangement will be reviewed at the end of Establishment Phase whereby a decision will be taken as to whether we continue with current system or employ a Financial Manager.

The role of Executive Assistant to the CEO has been structured to include operations coordination and administration. The receptionist also covers general administration assistant role. We endeavour to appoint the best available skilled people to fill these positions whilst taking into consideration equity requirements.

Organisation Structure



HR Policies

The following HR policies are under review:

- Performance Management Systems
- Subsistence and Traveling Allowance
- Attendance and Punctuality
- Recruitment and selection
- Private work
- Leave
- Induction
- Cellular Phone

Employer/Employee Relations

The KDA and its staff generally continued with their spirit of mutual respect and co-operation during the period under review.

Employment Equity

The two employed staff members of the KDA are black women. A key driver behind further staff appointment process is ensuring that the staff composition will ultimately reflect the demographics of the area within which the agency operates.

CHAPTER 4

AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

AUDITED FINANCIAL STATEMENTS

REPORT BY ADITOR-GENERAL

CHAPTER 5

FUNCTIONAL AREA REPORTS

EXECUTIVE AND BOARD

Board of Directors

A Board of Directors was inaugurated in August 2005 to provide a high level of Corporate Governance, to oversee the main aims and objectives of the Agency in terms of the establishment memorandum of agreement entered into between the parent municipalities.

The Board comprises of eight independent members and four council elected observers and is constituted as follows:

Board Members

- a) Mr. Mcedisi Mayekiso - Chairperson
- b) Ms Julienne Prinsloo - Deputy Chairperson
- c) Ms. Nandipha Mshumi
- d) Ms. Cheron Kraak
- e) Mr. Mxolisi Sibam
- f) Mr. Nceba Moss
- g) Mr Randal Arnolds

Observers

- h) Clr. Iomo - Portfolio Councillor, Kouga Local Municipality
- i) Clr. Wogane - Portfolio Councillor, Cacadu District Municipality
- j) Mr. Ted Pillay - Municipal Manager, Cacadu District Municipality
- k) Mr. Leon Gouws - Acting Municipal Manager, Kouga Local Municipality (was initially represented by Mr. Dannie de Lange, Ex-Acting Municipal Manager)

Board Committees

The Board has in-turn established two committees to give strategic direction, ensure proper policies and procedures are in place, review performance of the agency and its staff and maintain financial integrity of the KDA:

Finance & Audit Committee

The main function of this committee is to monitor that the agency's strategy and operations contributes to the overall mission and vision of the KDA. The committee also ensures compliance with all internal/external controls and all other regulations governing such entities. The members of this committee are Mr. Mxolisi Sibam (Committee Head), Mr. Brian Reeves & Mr. Randall Arnolds

HR, Procurement & BEE Committee

The role of this committee is to oversee the recruitment of CEO and senior management of the agency; monitor remuneration and reward to agency staff; development of HR policies & procedures, ensure BEE procurement in tandem with Finance Committee. Members of this committee are Mr. Nceba Moss (Committee Head), Ms. Cheron Kraak & Ms. Nandipha Mshumi.

Board Charter

A Board charter was developed and adopted by the Board of Directors. The Board Charter defines the governance parameters within which the Board exists, sets out specific responsibilities to be discharged by the Board and directors collectively. It also defines roles and responsibilities incumbent upon directors as individuals.

Operation Procedures and Delegation of Powers

The Service Level Agreement entered into between the parent municipalities and the KDA stipulates operating procedures and delegations to the Board of Directors as follows:

- That the Board manages the business of the KDA in terms of the requirements of the Local Government: Municipal Systems Act 32 of 2000 and any subsequent changes thereto as may be enacted from time to time.
- That the Board manages the business of the KDA in terms of the requirements of the Local Government: Municipal Systems Act 32 of 2000 and any subsequent changes thereto as may be enacted from time to time.
- That the Board manages the finances of the KDA in terms of the requirements of Parts 2 to 6 of chapter 10 of the Local Government Municipal Management Act 56 of 2003 and any subsequent changes thereto as may be enacted from time to time.
- That the Board meets no less than six (6) times per financial year to consider and recommend direction to the KDA management, CACADU and KOUGA Municipalities.
- That the Board, by general consensus, appoints representatives, from existing Board members, to serve on identified sub committees, as may be deemed necessary from time to time.

FINANCE AND ADMINISTRATION

Information Management System

Preparations to procure a suitable IT system have been undertaken and qualified supplier approached to give quotations. The office will be equipped with a state of art system connected to a central server that will be linked to all workstations and laptops via a wireless network. A high level security system will be installed to protect KDA

information and ensure data integrity at all times. The system will be equipped with automatic backups via daily tapes with offsite storage of monthly backup tape. The server will provide for email and internet access to all staff and will also serve as storage for information storage and internal sharing. A dedicated website for the agency is being developed to profile the agency and provide information to interested parties. This will be linked to relevant sites and updated regularly.

Financial Management System

Cacadu has been tasked with administering the agency's financial management. This arrangement is planned to run until the end of the current financial year, viz. 30 June 2006, upon when a Financial Accountant will take over the administration and management of the agency's finances. The agency therefore follows Cacadu's financial management procedures as pertaining procurement of goods & services, payroll administration and disbursement of payments to creditors.

From the 1st of July Pastel Accounting software will be sourced and utilised to administer accounting and financial management. The Pastel Payroll software will be used to administer the agency's payroll. The CEO together with Financial Manager and appointed internal auditors will develop procedures and processes to implement the agency's financial and supply chain management policies will be developed and implemented.

HR Management & Administration System

To implement HR policies a manual of processes and procedures will be developed by the CEO together with the financial accountant. The management of such a system will rest with the finance and administration department. All employee records and documents will be stored on the system with proper regular backups. Recruitment files will be stored for a period of at least six months after the appointment date.

Operating policies and procedures

- Supply chain management policy

A supply chain management policy has been developed in line with parent municipalities' policies and has been approved by the board.

- HR Management Policies and Contracts

Human resource management policies dealing with recruitment, relocation of staff, attendance, leave, travel and subsistence will be developed during establishment phase.

- Financial management procedures

The agency is currently following Cacadu's financial management procedures. With the installation of own financial management system a procedure manual will be developed.

All payments made via the Agency's bank account require at least two signatories.

PLANNING AND DEVELOPMENT

A number of studies aimed at establishing the suitability of the mandate area for development, including a Strategic Environmental Assessment, Engineering Feasibility Study and Socio-Economic Feasibility Study have been undertaken. The results of the said studies all concur to the viability of the proposed developments and therefore the viability of the KDA as the driver. A Proposed Framework Plan has also been developed to provide a clear vision on how the area can be developed for both the KDA and other potential investors. The summary of the studies is outlined below.

Strategic Environment Assessment

The KDA mandate area is situated along the coastline, incorporates a local Nature Reserve (although not proclaimed), and is characterised by sensitive coastal and sub-tropical thicket vegetation and has rich cultural and valuable historical heritage. It became necessary to prepare a strategic Environmental Assessment (SEA) prior to developing any development proposals.

The SEA was prepared by Coastal and Environmental Services and covered the following areas:

- Ecological Sensitivity Analysis
- Visual Sensitivity
- Step Network
- Identification of opportunities and constraints
- Identification of projects and alternatives development
- Project alternatives
- Survey of results
- Conclusions and Recommendations

The SEA concentrated on ecological and bio-physical factors that will influence development in the area but did not extend to the social and economic factors and impacts.

A number of development scenarios were investigated including Conservation and Ecotourism type development, Formal Residential, Social Housing, Golf Estate Development and Timeshare Chalets. These types of developments were found to be having moderate to low environmental impact except social housing. The SEA and proposed framework plan was circulated for comment, and two focus groups meetings were held with environmental groups in the surrounding areas.

As anticipated the proposed development elicited strong views from the participants, in particular against certain developments being considered. At the meeting on 5 April

2005, an agreement was reached on what would constitute acceptable and unacceptable development in the area, namely:

- Not Acceptable developments
 - Social Housing
 - Residential Township
 - Extension of Urban Development
 - Golf Course/Estate
 - Large Footprint
 - Extensive Infrastructure
 - High coverage

- Acceptable developments
 - Eco-Friendly/Tourist node
 - Hiking Trails
 - Outdoor Educational Facility
 - Arrivals Centre
 - Minimal Infrastructure
 - Small Development footprint

Feasibility Report

Coastal & Environmental Services were contracted to complete a macro level feasibility study for the entire development. The study investigated the market, capital requirements, staffing requirements and financial viability.

The study singled out eco-tourism as one of the fastest growing forms of tourism internationally with an anticipated growth in South Africa in future years.

The table below provides an estimate of the total capital costs requirements for the elements of the proposed development.

Capital Investment Table			
		R	R
Services		7,450,000	7,450,000
5 Star Hotel (250 bed)		115,461,875	115,461,875
3-4 Star Hotel (100 bed)		39,398,601	
3-4 Star Hotel (160 bed)			44,663,171
CCRE Center		38,730,131	38,730,131
Ancillary		4,050,000	4,050,000
Total		205,090,607	210,355,177

Financial Viability

The 5 Star Hotel with 250 beds was found to be viable, while the proposed 3-4 Star Hotel with 100 beds would not be feasible but viability improved with increasing bed numbers.

The CCRE and other ancillary activities were found to not to be self sustaining, and would perhaps be down-scaled until funds become available either through financing from the hotel complexes or through some other source of grant funding.

It is CRITICAL to remember that the viability of any of the proposed projects hinges on successful marketing and resultant occupancy rates, and the general sentiment concerning tourism in South Africa overall.

Proposed Development Framework Plan

The Kouga Development Agency has been established to co-ordinate the development of 680 Hectares of State land that is located along one of the most attractive coastal belts in South Africa, approximately 3kms to the North of Jeffreys Bay. The property is undeveloped, comprises a pristine Nature Reserve and is traversed by an extensive wetland system and coastal dune system, and contains well recognized and valuable areas of indigenous vegetation. The area also has a rich cultural heritage. All these contribute to make this a unique and special asset for the development of eco-tourism attractions.

The development framework plan for the mandate area was prepared to maximize on the intrinsic beauty of the area and set out how to facilitate orderly and sensitive development that would have positive impacts on the economy of the sub-region. The Development Framework Plan provides a clear vision on how the area can be developed, both to the KDA and other potential investors.

It sets out the vision, principles and parameters for the proposed development. The plan also interprets the policies and legislative requirements that impact on the development of coastal, sensitive and ecologically fragile ecosystems and ensures that the constraints and mitigation measures identified in the SEA and the public participation processes, as well as other specialist inputs are taken into account of when developing and managing the area.

The Framework Plan document provides a historical perspective on the project, provides a basis for future land use decisions, indicates the various phases of the development, provides guidance in respect of conservation statements for the area and sets out the framework for the land release.

This plan has been noted by the board, however the development proposal would require improvement when developing a master plan for the mandate area.

Engineering Feasibility Study

Kwezi V3 Engineers were requested by Metroplan Town and Regional Planners to prepare a bulk services feasibility report for the proposed developments.

The terms of reference for the investigation covered the following:

- Information regarding existing bulk services in the vicinity of the area to be developed.

- Closing plans for the existing Papiesfontein Waste Disposal Site.
- Proposed Bulk Services for the Development.
- Effect on the existing Kouga Municipality Bulk Services.
- Identify approvals required.
- Order of magnitude costs for the provision of Bulk Services.
- Estimated costs for further detailed infra-structural studies.

To provide water to the mandate area an application for a water connection would have to be lodged with the NMMM to connect to the Churchill water supply main. The other possible source of supply is the Jeffreys Bay Bulk Water supply system. A special supply main would have to be provided from the Wavecrest reservoirs.

With the absence of an existing sanitation on the site various sanitation methods could be implemented. On-site sanitation systems would however not be recommended due to the porous material on site which may result in effluent contaminating the wetlands area or the underground aquifer. Sewage would therefore have to be transported off site either by road or via a piped system.

The area of the proposed Kabeljous Development Site falls within the existing Eskom Supply Area. Although there is no electrical supply available on the site a supply of 500 kVA up to a maximum of 1 MVA could be taken from the existing Medium Voltage supply point. If the proposed development requires a larger capacity electrical supply, substantial expenditure would be required to establish a take-off point from the High Voltage line presently feeding Jeffreys Bay and Humansdorp.

The study investigated water provision, sanitation, access, storm water drainage, solid waste disposal and electricity. The conclusion was therefore that the proposed development can be provided with bulk services. The estimated costs would be reasonably high due to the remoteness of the proposed development, at R20, 150,000 however the actual sizes of the bulk services would have to be determined through a final design process after the relevant detail are available.

Costs can be summarised as follows:

Bulk Water Supply	R6 000 000
Bulk Sanitation	R13 000 000
Access Roads	R500 000
Stormwater Drainage	R100 000
Bulk Electricity Supply	<u>R550 000</u>
Total Estimated Cost	<u><u>R20 150 000</u></u>

Note: The above costs exclude VAT

Marketing and Communications

During the Establishment Phase the Agency proposes to utilise mainly public relations to ensure that expectations are managed whilst keeping the public informed about developments within the agency. The agency was profiled on the April issue of the

Eastern Cape Economic Update and an agreement has been reached with the publishers to profile the agency's master plan and projects on the October issue.

Various communication methods have been used for the Agency's key stakeholders as follows:

- Board of Directors

The Board of Directors met four times during the past year and the meetings were used to report on operations of the agency.

- IDC

Monthly operation reports, as per IDC guidelines, were submitted. These reports give an executive summary that outlines progress on key strategic programmes and summary of operations during the reporting month. It also covers progress made on the milestones for that particular phase as per IDC agency guidelines. A financial report is also included with a reconciliation of actual expenditure against budget.

- Parent Municipalities

A report was submitted to each Parent Municipality as per Section 87 of the MFMA which stipulates that the agency will by no later than seven working days after the end of each month submit to the municipal managers of parent municipalities a statement in the prescribed format on the state of the agency's budget reflecting actual expenditure against budget and an explanation of material variances.

- Staff

Weekly diary meetings and monthly operations report meetings are held with all agency personnel. The diary meetings are a platform to inform the all staff of each individual plans for the commencing week and the monthly operations meetings are used to track progress on work plans and KPIs for each individual. Both meetings also act as information and communication sessions for all staff.