

## 2014/15 Budget Analysis

### Chief Directorate: Environmental Affairs

#### Eastern Cape Department of Economic Development, Environmental Affairs & Tourism (DEDEAT)

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July 2014

Monitoring and Advocacy Programme, Public Service Accountability Monitor

#### **Key Findings and Recommendations**

##### ***Finding 1***

In keeping with its complexion for the 2012/13 and 2013/14 financial years, the 2014/15 budgetary allocation to the Chief Directorate: Environmental Affairs comprises a mere 0,49% of the province's total fiscal envelope. This reaffirms perceptions that the Eastern Cape Provincial Government does not have appropriate regard for the scope and implications of the global environmental crisis, from which the Eastern Cape is not excepted.

##### ***Recommendation***

The Provincial Government needs to take stock of the mismatch between its approach to environmental protection, as reflected in its budgetary allocation to the function, and the compelling need to arrest the decline in environmental integrity at both a global and provincial level.

##### ***Finding 2***

Given the limitations of its budgetary dispensation, one cannot envisage Environmental Affairs imposing itself within the Provincial Government on a scale which is commensurate with the significance of its function as custodian of the Province's environment, more so in circumstances where that Government is deeply preoccupied with economic growth, and appears to lack appreciation for the environmental realities which accompany it.

##### ***Recommendation***

Environmental Affairs should be afforded a budgetary dispensation which demonstrates that it is recognised as a crucial player in Eastern Cape governance, and which

empowers it to impose itself in accordance with the gravity of the environmental challenges facing the Province.

### ***Finding 3***

Despite the fact that provincial nature reserves comprise only 2% of the Province's land surface area and already enjoy enhanced levels of protection, 68% of the Environmental Affairs budget is channelled to the Eastern Cape Parks & Tourism Agency for nature reserve-related utilization. Effectively therefore only 0,16% of the provincial fiscal envelope and 32% of Environmental Affairs' budget respectively are available for the Chief Directorate to deliver its core services, which revolve around the administration of a host of statutory provisions, and the fulfillment of numerous functions which are ancillary to and support such administration, across the length and breadth of the Province.

### ***Recommendation***

The Eastern Cape Government's approach to environmental governance budgeting needs to be extensively overhauled with a view to the achievement of more realistic correlation between expenditure and the substantive and spatial extent of Environmental Affairs' mandate.

### ***Finding 4***

In circumstances where environmental governance outside of nature reserves constitutes less than 7% of DEDEAT's budget, it is difficult to imagine that protecting the integrity of the Province's environment as a whole enjoys the priority it deserves within Environmental Affairs' own parent department, more so given the inherent potential for economic development and environmental protection imperatives to clash, and the fact that DEDEAT is simultaneously charged with promoting economic growth on behalf of the Provincial Government.

### ***Recommendation***

Environmental Affairs needs to be rehoused institutionally so that it can pursue the protection of the Province's environment as a fundamental governance priority in its own right, rather than as an adjunct to DEDEAT's economic development agenda.

### ***Finding 5***

The paltry budget for environmental governance outside of nature reserves means that none of the Environmental Affairs sub-programs attract more than five one-hundredths of a percent of the provincial fiscal envelope for fulfilling their respective responsibilities within this domain. With the sub-programs embracing functions such as environmental impact assessment, law enforcement, coastal management, biodiversity management and environmental education, these allocations place spiraling environmental attrition in the Province in stark perspective.

### ***Recommendation***

The Provincial Government needs to obtain insight to the environmental maladies which wrack the Province, and adjust its budgeting paradigm such that governance activities which are designed to address them can deliver incisive results.

### ***Finding 6***

Budget has again been assigned for climate change impact mitigation and adaptation, which is regarded as a contradiction in terms in the absence of sound environmental governance at a more foundational level.

### ***Recommendation***

Focus at this time should be centered on excellence in baseline environmental governance, the attainment of which will justify the assignment of funds to higher-level issues such as climate change.

### ***Finding 7***

The practice of coalescing budget information pertaining to transfers to the Eastern Cape Parks and Tourism Agency and environmental management outside of nature reserves obscures insight to Environmental Affairs' budgetary realities, particularly in relation to the latter dominant responsibility.

### ***Recommendation***

Environmental Affairs' financial reporting format should be adjusted such that demarcation between fund transfers to the Agency and funding for environmental management outside of protected areas is explicit.

### ***Finding 8***

Recurring substantial in-year sub-program budget adjustments, which are not clearly accounted for in either the Estimates or Adjusted Estimates of Provincial Revenue and Expenditure, raise vexing questions about Environmental Affairs' overall planning, budgeting and management processes.

### ***Recommendation***

Chief Directorate planning, budgeting and management processes should be conducted in a manner such that the need for adjustments of this nature are eliminated or at least reduced, and where they are unavoidable, clear accounts should be provided of their basis.

### ***Finding 9***

Aspects of Environmental Affairs' narrative report in the Estimates of Provincial Revenue and Expenditure are incompatible with budgetary facts they purport to explain, and constitute unacceptable accounting for expenditure of public funds.

## **Recommendation**

The Department should institute appropriate remedial action with a view to addressing unacceptable financial reporting, and ensuring that it does not recur.

## **2012/13 and 2013/14 Budget Analyses as benchmarks**

Primary outcomes of PSAM's analyses<sup>1,2</sup> of the Chief Directorate's 2012/13 and 2013/14 budgets were as follows:

- The Environmental Affairs budgets comprised a paltry 0,47% and 0,49% respectively of the Province's total fiscal envelopes for these financial years.
- Of these amounts, 70% and 66% respectively were earmarked for direct channeling to the Eastern Cape Parks & Tourism Agency (ECPTA) for provincial nature reserve-related utilization, even though such reserves comprise only 2% of the Province's land surface area, and already enjoy enhanced protection.
- In fact therefore only 0,14% and 0,17% respectively of the total Eastern Cape Provincial Government's budgets for these financial years were allocated to the task of fulfilling its environmental governance mandate across the overwhelming bulk of the Province.

These outcomes have been used as a benchmark for the 2014/15 analysis, the key question being whether or not the 2014/15 budget is of the same overall complexion as those of the 2012/13 and 2013/14 budgets.

The 2012/13 and 2013/14 analyses examined, from an environmental governance perspective, the State of the Province Addresses, the provincial Budget Speeches and the Policy Statements issued by the MEC for Economic Development, Environmental Affairs & Tourism for the relevant financial years. The 2014/15 Policy Statement has not been taken into account in this analysis since it is yet to be presented following the national elections in April 2014, and the commencement of a new term of government office. Regard has however been had for the 2014/15 State of the Province Address and Budget Speech, as well as for DEDEAT policy and strategic imperatives reflected in the 2014/15 Estimates of Provincial Revenue and Expenditure.

## **2014/15 budget allocations**

In view of PSAM's primary findings in relation to the 2012/13 and 2013/14 budgets, the pertinent facts of the 2014/15 budget are as follows:

- The total provincial fiscal envelope is R62 140 853 000.<sup>3</sup>

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<sup>1</sup> <http://www.psam.org.za/outputs/Budget%20Analysis%201%209%202012-13.pdf>

<sup>2</sup> <http://www.psam.org.za/outputs/Budget%20Analysis%201%209%202013-14.pdf>

<sup>3</sup> *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, Table 5.1, p. 30.

- Out of this DEDEAT has been allocated an amount of R1 444 359 000.<sup>4</sup>
- DEDEAT's Program 3, which embraces the activities of the Chief Directorate: Environmental Affairs, receives R304 899 000.<sup>5</sup> As in 2013/14, this again constitutes 0,49% of the total provincial fiscal envelope.
- 68% of the Program 3 budget, amounting to R207 282 000, is earmarked for transfer to the ECPTA.<sup>6</sup>
- The Eastern Cape Provincial Government's 2014/15 budgetary allocation for all environmental governance functions other than nature reserve management is effectively therefore R97 617 000, which amounts to 0,157% of the total provincial fiscal envelope.

The relationships between key budget allocations and the total provincial budget are summarised in Table 1 below.<sup>7</sup>

**Table 1: DEDEAT & Environmental Affairs budgets as percentages of the total provincial fiscal envelope**

Entity	Allocation (R)	% of fiscal envelope
EC Provincial Government	62 140 853 000	100
DEDEAT	1 444 359 000	2,32
Environmental Affairs	304 899 000	0,491
Environmental Affairs excluding transfer to ECPTA	97 617 000	0,157

On the basis of the figures outlined here it is evident that the overall complexion of the 2014/15 Environmental Affairs budget is more or less identical to those of its 2012/13 and 2013/14 budgets. The Eastern Cape Government has again issued a resounding statement of the premium it attaches to the environment, by making available less than a half of a percent of its total budget package for the discharging of its environmental mandate, and, by the same token, allocating less than a fifth of a percent of it to Environmental Affairs in order for it to deliver its core services across the vast length and breadth of the Province which is not comprised of provincial nature reserves. These services revolve around the administration of a host of statutory provisions, and the fulfillment of numerous functions which are ancillary to and support its core functions.

In its 2012/13 analysis PSAM noted that that year's budgetary dispensation, which was announced in the aftermath of South Africa's hosting of the 17<sup>th</sup> Conference of the Parties (COP 17) to the United Nations Framework Convention on Climate Change, did not point towards the provincial government having appropriate regard for the fundamental life-supporting role of the province's environment, despite DEDEAT policy pronouncements relating to the global environmental crisis. Likewise it was pointed out

<sup>4</sup> *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, Table 5.1, p. 30.

<sup>5</sup> *Ibid*, Table 5, p. 476.

<sup>6</sup> *Ibid*, Table 10, p. 479.

<sup>7</sup> Table 11 indicates Program 3's budgetary dispensation across the medium-term expenditure framework from an economic classification perspective

that in the circumstances one could *not envisage Environmental Affairs imposing itself within provincial government on a scale commensurate with the significance of its function as custodian of the province's environment.*<sup>8</sup> Clearly these observations are equally pertinent to the 2013/14 and 2014/15 budgets.

PSAM correspondingly recommended that the Provincial Government *take stock of the mismatch between its approach to environmental protection, as reflected in its budgetary allocation to the function, and the global decline in environmental integrity, from which the Eastern Cape is not excepted.*<sup>9</sup> Indeed, the province is wracked with a host of environmental maladies which are inextricably linked with deep environmental governance inadequacies.<sup>10,11</sup> DEDEAT has itself signaled in recent times that under-resourcing limits the extent to which it can fulfill its environmental protection mandate,<sup>12,13</sup> but since its communication in this regard has obviously not elicited any meaningful response from its parent structures to date, our 2012/13 recommendation remains valid, and, as in our 2013/14 analysis, has to again be reiterated here.

### **State of the Province Address**

The 2012/13 and 2013/14 State of the Province Addresses provided insight into those financial years' Environmental Affairs budgets. PSAM's 2012/13 budget analysis noted that *a pessimistic reading* of the 2012 Address suggested that the Provincial Government sought to *place the environment firmly in its place as a "nice to have" when not inconvenient to (its) stated priorities.*<sup>14</sup> The environment was clearly not one of these priorities, receiving as it did but one solitary mention, which was nested within an account of progress in implementation of the goal of *building social and economic infrastructure.*<sup>15</sup> The stance of the 2013 Address was little different, the only direct reference to environmental management having again been *couched in terms which reflect the environment as a factor to be taken into consideration within the context of economic and infrastructural aspirations, rather than one which commands attention in its own right, much less one which is overridingly fundamental to the very existence of all life in the Province.*<sup>16</sup>

But even the lip service paid to the environment in these speeches stands out when viewed against the 2014 Address, which is totally silent in relation to environmental protection. On the contrary, the Address refers to the environmentally contentious Thyspunt nuclear power station and the beneficiation of shale gas as *exciting economic opportunities,*<sup>17</sup> and indicates that the Provincial Government will continue to *champion* the also controversial Wild Coast N2 construction project.<sup>18</sup> While the green energy

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<sup>8</sup> DEDEAT *Budget Analysis 2012/2013*, Public Service Accountability Monitor, pp. 1-2.

<sup>9</sup> *Ibid*, p. 1.

<sup>10</sup> DEDEAT *Strategic Plan Evaluation 2012/13*, Public Service Accountability Monitor p. 17.

<sup>11</sup> DEDEAT *Budget Analysis 2012/2013*, Public Service Accountability Monitor, pp. 14-16.

<sup>12</sup> DEDEAT *Strategic Plan for the Fiscal Years 2010/11-2014/15*, p. 20.

<sup>13</sup> DEDEAT *Annual Performance Plan 2012/13-2013/14*, p. 12.

<sup>14</sup> DEDEAT *Budget Analysis 2012/2013*, Public Service Accountability Monitor, p. 5.

<sup>15</sup> Eastern Cape *State of the Province Address 2012*, Premier Noxolo Kieviet, p. 11.

<sup>16</sup> DEDEAT *Budget Analysis 2013/2014*, Public Service Accountability Monitor, p. 6.

<sup>17</sup> Eastern Cape *State of the Province Address 2014*, Premier Noxolo Kieviet, p. 9.

<sup>18</sup> *Ibid*, p. 12.

sector and biofuel and aquaculture initiatives receive mention in the speech,<sup>19</sup> these too are environmentally questionable, and their coverage in any case again occurs strictly within an economic development sense. And although reference is made to climate change and global warming,<sup>20</sup> it is from the perspectives of the government's disaster management strategy and interaction with research institutions with a view to finding appropriate solutions and innovations, rather than interrogating human behavior and paradigms in the Province which directly underpin these phenomena, and, ironically, span activities espoused in the Address.

At best therefore the 2014 Address reinforces the *perception that the Provincial Government views the protection of environmental integrity as a relatively unimportant addendum to more pressing governance imperatives, rather than as a fundamental priority in line with the status afforded to it in the country's Constitution.*<sup>21,22</sup> At the same time it is uncertain whether the omission of any reference to the environment in the Address is simply unintentional and inevitable in view of perceived other more important priorities, or, more ominously, whether it signals Provincial Government regression from the stances reflected in the 2012 and 2013 Addresses, guarded as these may have been, and, along with this, intent to actively convey that environmental governance is indeed held in low esteem. Given the peculiar context in which climate change is articulated in the Address, in combination with the Provincial Government's ongoing zealous embracement of the green economy and renewable energy initiatives, speculation that it has expressly elected to sideline basal environmental protection functions in favor of climate change mitigation and adaptation activities is unavoidable.

### **Budget Speech**

Whereas environmental protection did not receive mention in the 2012/13 budget speech, reference was made to the green economy, which was identified as one of six focal points for job creation. And in the 2013/14 budget speech the environment received specific attention, it having been noted that it was *important to mainstream the objective of environmental sustainability, and in particular, the implications of climate change in all our public policies and across all sectors of our economy.*<sup>23</sup> It was moreover recognized that *the Eastern Cape has a significant comparative advantage given our vast and unique endowment of nature.*<sup>24</sup> But on the other hand, the exclusively economic basis put forward for DEDEAT's budgetary allocation appeared to belie that when the rhetoric was said and done, the value attached to the environment was essentially an economic utilitarian one, rather than an intrinsic one, again as provided for in the Constitution.<sup>25</sup>

These reservations are compounded by the 2014 Budget Speech, with none of the seven *national and provincial policy objectives* outlined in the speech<sup>26</sup> having overt environmental components, while the budget allocation to DEDEAT is described as

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<sup>19</sup> Eastern Cape *State of the Province Address 2014*, Premier Noxolo Kieviet, p. 10.

<sup>20</sup> *Ibid*, pp. 25-26.

<sup>21</sup> DEDEAT *Budget Analysis 2013/2014*, Public Service Accountability Monitor, p. 6.

<sup>22</sup> *Constitution of the Republic of South Africa, 1996*, Section 24.

<sup>23</sup> *2013 Eastern Cape Budget Speech*, MEC Phumulo Masualle, p.4.

<sup>24</sup> *Ibid*, p. 2.

<sup>25</sup> DEDEAT *Budget Analysis 2013/2014*, Public Service Accountability Monitor, p. 7.

<sup>26</sup> *2014 Eastern Cape Budget Speech*, MEC Phumulo Masualle, p.8.

being for the implementation of social and economic infrastructure by ECDC (the Eastern Cape Development Corporation) and Coega<sup>27</sup> (the Coega Development Corporation). In fact, mirroring the environmental profile of the 2014 State of the Province Address, the 2014 Budget Speech is devoid of any direct references to environmental governance, thereby giving credence to misgivings about the environment being deliberately downplayed by the Provincial Government in 2014.

The closest the speech comes to paying homage to environmental considerations is in its indications that the Province had *created more than 400 green jobs*,<sup>28</sup> and that the *cleaning and beautification* of towns and cities which are *dirty* and a *hazard* would be intensified.<sup>29</sup> Once again one is left uncertain as to whether these references should be taken to convey wilful trivialisation of environmental concerns, relative oblivion to them, or, perhaps most plausibly in the circumstances depicted in this analysis, the intentional positing of a very particular but at the same time severely constrained view of how the environment features in the Provincial Government's outlook.

### **Environmental Affairs allocation within the context of DEDEAT budget**

Table 2 indicates how DEDEAT's budget is distributed across its three programs.

**Table 2: Distribution of DEDEAT budget across Departmental programs<sup>30</sup>**

<b>Program</b>	<b>Name</b>	<b>Allocation (R'000)</b>	<b>% of Department budget</b>
1	Administration	203 425	14,1
2	Economic Development & Tourism	936 035	64,8
3	Environmental Affairs	304 899	21,1
<b>Total</b>		<b>1 444 359</b>	<b>100</b>

From this depiction it can be seen that in 2014/15 Environmental Affairs receives less than a quarter of DEDEAT's budget. However, as sobering as this proportion may be, the Chief Directorate's budgetary reality is brought into even starker relief when account is taken of the fact that 68% of Program 3's budget is channeled directly to the ECPTA for provincial nature reserve-related utilization. In these circumstances a more realistic tabulation, from an environmental governance perspective, is as follows in Table 3.

<sup>27</sup> 2014 Eastern Cape Budget Speech, MEC Phumulo Masualle, p. 24.

<sup>28</sup> *Ibid*, p.14.

<sup>29</sup> *Ibid*, p. 20.

<sup>30</sup> Derived from Table 5: Summary of payments and estimates by programme in *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, p. 476.

**Table 3: Distribution of DEDEAT budget across Departmental focal areas**

<b>Focal area</b>	<b>Allocation (R'000)</b>	<b>% of Department budget</b>
Administration	203 425	14,1
Economic Development & Tourism	936 035	64,8
<b>Environmental governance outside of nature reserves</b>	<b>97 617</b>	<b>6,8</b>
Nature reserve management	207 282	14,3
<b>Total</b>	<b>1 444 359</b>	<b>100</b>

In line with similar PSAM findings for the 2013/14 financial year, the allocation of less than 7% of DEDEAT's budget to dealing with the myriad environmental challenges which play out continually across the overwhelming bulk of the Province which is not comprised of provincial nature reserves should dispel any doubts about the challenge faced by Program 3 in maintaining this responsibility *on or near the top of (the Department's) agenda, never mind that of the Eastern Cape Government as a whole.* Quite aside from being completely overshadowed financially by the economic development portfolio, as discussed below, *the essential task of fending off spiraling environmental attrition in the Province attracts less than half the budget allocated to the department's administrative division, in what has to constitute a classic case of the tail wagging the dog.*<sup>31</sup>

### **Environmental Affairs and Economic Development budgetary allocations**

PSAM has postulated that institutionally Environmental Affairs is challenged on three levels. Firstly, *it is a component of a Provincial Government which is deeply preoccupied with economic growth, and seemingly has little appreciation of environmental realities.* Secondly, *the Chief Directorate is based within the Department that is charged with promoting economic growth on behalf of that Government.* In principle, this institutional arrangement hardly appears conducive to Environmental Affairs asserting itself *both in specific situations where economic and environmental considerations collide, as well as in the general economic growth-dominated milieu propagated by the Provincial Government.* And lastly, Environmental Affairs' budgetary dispensation relative to that of DEDEAT's Economic Development and Tourism function banishes any possible notions of the Chief Directorate *punching above its weight and making its presence felt despite these two over-riding layers of institutional marginalization.*<sup>32</sup>

In the latter regard, Table 2 indicates that for the 2014/15 financial year Environmental Affairs receives less than a third of the apportionment to the Economic Development and Tourism Program, while in Table 3 it can be seen that environmental management outside of protected areas attracts just slightly over 10% of that Program's budget. Table 4 on the other hand demonstrates that not only has a departmental budget structure of this nature been in place since at least 2012/13, but in 2014/15 disparity between the allocations for the functions of economic development and tourism and environmental management outside of protected areas has in fact increased significantly.

<sup>31</sup> DEDEAT *Budget Analysis 2013/2014*, Public Service Accountability Monitor, pp. 8-9.

<sup>32</sup> *Ibid*, pp. 7-8.

**Table 4: Relative Environmental Affairs and Economic Development and Tourism allocations for 2012/13 – 2014/15 financial years**

	2012/13	2013/14	2014/15
<b>Environmental Affairs allocation as % of DEDEAT budget</b>	<b>23,8</b>	<b>27,2</b>	<b>21,1</b>
<b>Economic Development &amp; Tourism allocation as % of DEDEAT budget</b>	<b>53,4</b>	<b>53,6</b>	<b>64,8</b>
<b>Environmental Affairs allocation as % of Economic Development &amp; Tourism budget</b>	<b>52,9</b>	<b>50,7</b>	<b>32,6</b>
<b>Allocation for environmental management outside of protected areas as % of Economic Development &amp; Tourism budget</b>	<b>16,1</b>	<b>17,4</b>	<b>10,4</b>

In the prevailing situation PSAM can but again contend that *there surely have to be some profound misconceptions in (DEDEAT's) senior echelons about the nature of the global environmental crisis, how it is manifesting in the Province, and what is required to address it.*<sup>33</sup> Within this context, it has been noted that while Departmental policy pronouncements regarding the environment may appear laudable, they detract from the enormity of the challenges faced by the Chief Directorate in meeting even its most elementary responsibilities, and lack regard for its failings in this respect. This disjuncture has been characterized as being *inevitable in an institutional structure where top leadership is simultaneously concerned with growing the economy.*<sup>34</sup>

**Weighting of allocation for environmental governance outside of nature reserves relative to DEDEAT transfers to public entities**

At this point in both this budget analysis and the series it comprises in conjunction with PSAM's 2012/13 and 2013/14 analyses, Environmental Affairs' budgetary marginalization within DEDEAT, and key implications of it, have been outlined in some detail. Nevertheless for the record Table 5 shows, in relation to the budgetary dispensation for environmental governance outside of protected areas, the 2014/15 transfers effected from the Department's budget to the various public entities which fall under its auspices.

These transfers provide insight to where the Department's priorities lie, as well as to the interests against which environmental governance outside of protected areas needs to compete within its parent structure. The entities are the ECPTA, as already discussed, and the Eastern Cape Development Corporation (ECDC), the East London Industrial Development Zone (ELIDZ), the Coega Development Corporation (CDC), the Eastern Cape Gambling and Betting Board (ECGBB) and the Eastern Cape Liquor Board (ECLB). With the exception of the ECPTA, which falls under the auspices of Program 3, the entities reside under DEDEAT's Program 2, viz. Economic Development & Tourism.

<sup>33</sup> DEDEAT *Budget Analysis 2013/2014*, Public Service Accountability Monitor, p. 9.

<sup>34</sup> DEDEAT *Budget Analysis 2012/2013*, Public Service Accountability Monitor, p.16.

**Table 5: DEDEAT transfers to public entities relative to allocation for environmental governance outside of provincial nature reserves<sup>35</sup>**

Transfer to	Amount (R'000)	% of DEDEAT Budget
ECDC	366 535	25,4
CDC	250 000	17,3
ELIDZ	113 792	7,9
Combined transfer to ECGBB & ECLB	85 484	5,9
<b>Sub-total: Program 2 transfers</b>	<b>815 811</b>	<b>56,5</b>
ECPTA	207 282	14,3
<b>Total DEDEAT transfers</b>	<b>1 023 093</b>	<b>70,8</b>
<b>Allocation for environmental governance outside of nature reserves</b>	<b>97 617</b>	<b>6,8</b>

The table reveals that transfers to entities which fall under the auspices of Program 2 comprise 56,5% of DEDEAT's budget, compared with the 6,8% which is available for environmental governance outside of protected areas. ECDC's allocation is close to four-fold that provided for Environmental Affairs to fulfill its mandate across the bulk of the Province, the sum of transfers to the CDC and ELIDZ is of around the same order as the apportionment to ECDC, and, as in 201/14, the combined allocations for activities associated with liquor and gambling-related activities ironically constitute an amount which is not significantly less than that provided for the stated core Program 3 function.

As observed in PSAM's 2013/14 analysis, *these figures resonate with the unequivocal picture which has already emerged in this analysis of the lowly importance attached to environmental governance by both the Provincial Government as a whole, and DEDEAT.*<sup>36</sup> And consequently PSAM again urges, as it did in that analysis and the one which preceded it, that *Environmental Affairs be afforded a budgetary and structural dispensation which demonstrates that it is recognised as a crucial player in Eastern Cape governance, and which empowers it to impose itself in accordance with the gravity of the environmental challenge at both global and provincial levels.*<sup>37</sup>

### **2013/14 DEDEAT Policy Statement**

As already indicated, the presentation of DEDEAT's 2014/15 Policy Statement has been delayed in association with the commencement of a new term of government office following the national elections in May 2014. In the interim it is logical to presume that the Department continues to be guided by the provisions of the Policy Statement issued by the MEC for Economic Development, Environmental Affairs & Tourism in March 2013.<sup>38</sup> On the basis of *inter alia* the following, PSAM found that *the marginalisation of environmental governance within DEDEAT (was) reflected in the Statement:*

<sup>35</sup> Transfer amounts obtained from Table 10: Summary of transfers to public entities by entity in *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, p. 479.

<sup>36</sup> DEDEAT *Budget Analysis 2013/2014*, Public Service Accountability Monitor, p. 10.

<sup>37</sup> DEDEAT *Budget Analysis 2012/2013*, Public Service Accountability Monitor, p. 1.

<sup>38</sup> DEDEAT *2013-14 Policy Statement*, MEC Mcebisi Jonas, 19 March 2013.

<http://www.dedea.gov.za/Speeches/Policy%20Speech%202013%20-%20MEC%20Jonas.pdf>

- Ten out of eleven achievements highlighted since the presiding provincial cabinet was installed in 2009 pertained to economic development, while only one related to the environment.
- In keeping with the overwhelming bias towards protected area management in Environmental Affairs' budget, the single highlighted environmental achievement was that the Department had *increased the amount of land and ocean under protection, securing the existence of ecosystems and species for future generations*.
- Whereas the achievement list invariably also included the statement that DEDEAT had *entrenched the concept of the Green Economy as a sustainable alternative to highly consumptive, resource-depleting practices*, this is in the first instance an economic development initiative and not an environmental protection one.
- Only one of the Department's five policy dimensions for 2013/14, viz. *sustaining the environment*, was primarily environmental in its complexion.
- Of the other four, only *building a greener economy* incorporated an environmental dimension, although as already noted this is in essence an economic venture.
- While the Statement's *provincial economy* progress report enjoyed no less than 142 lines of reportage,<sup>39</sup> its *environmental sustainability* equivalent received a mere 30.
- This relationship was more or less duplicated in the Statement's indication of future plans, with economic development activities occupying 125 lines of coverage, as opposed to the 36 garnered for environmental intentions.
- The environmental sustainability progress report was confined to functions falling within the biodiversity management, law enforcement and climate change impact mitigation domains, with biodiversity-related coverage pertaining largely to ECPTA activities, environmental crime coverage being restricted to a narrow range of wildlife-related transgressions, and climate-related pronouncements lacking credibility in the face of environmental governance failures at a foundational level.
- Environmental sustainability plans were also confined to the same three functional areas, in addition to which they contained anomalies and were generally somewhat nebulous.
- Both the environmental sustainability progress and planning reports were silent in relation to other aspects of environmental management which are arguably as crucial, if not more so, than at least some of the functions on which the reports were centered, for example the disciplines of environmental impact assessment and coastal management.

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<sup>39</sup> DEDEAT 2013-14 Policy Statement, MEC Mcebisi Jonas, 19 March 2013, pp. 7-12.

- Notwithstanding the environmental sensitivities inherently associated with hydraulic fracturing and nuclear energy, the Statement disturbingly included a reference to engagement with the desirability of emerging opportunities they ostensibly present.

PSAM further found that the Policy Statement was *an indictment of DEDEAT from an environmental governance perspective, with its protected area and climate change preponderances in particular prompting a re-questioning of the Department's political and top executive leadership's grasp of fundamental environmental realities which prevail in the Province*, and concluded that *regrettably, alignment between the paltry budget allocation afforded to environmental governance outside of protected areas, and its unimpressive coverage in the policy statement, appears all too clear.*<sup>40</sup>

### **Policy and budget imperatives in 2014/15 Estimates of Provincial Revenue and Expenditure (EPRE)**

In keeping with the slant of the 2013/14 Policy Statement only two of twelve *budget decisions* listed under the Economic Development, Environmental Affairs and Tourism vote in the EPRE talk explicitly to Environmental Affairs, with six falling wholly in the scope of Economic Development and Tourism. In addition to these six, *guiding the development of strategies and plans to propel the notion of a green economy and renewable energy to the forefront of industrial and rural development strategies*, which clearly reflects one the Statement's five policy dimensions, is primarily an economic undertaking, as previously pointed out.

Two of the remaining decisions are relevant to both Program 2 and Program 3. One of these is the rather obvious functional area termed *implementation of regulatory frameworks*, presumably including those administered by Environmental Affairs, while the other is *supporting municipalities with LED (local economic development) planning and environmental management*. The exclusively environmental decisions are *enhancing environmental and conservation awareness throughout the province*, and, once again accentuating DEDEAT's preoccupation with nature reserves, the *proclamation of 4 new conservation areas in the province.*<sup>41</sup>

For the rest, the policy direction underpinning the vote essentially emulates that articulated in the Policy Statement, and does not supplement it in any significant manner. The Department purports to have *realigned its priorities to ensure focused efforts on creating and supporting an enabling environment for economic growth,*<sup>42</sup> and at the same time to *remain committed to the management and protection of the natural environment*, and be *striving to reach a sustainable balance between economic growth and responsible use of land and natural resources by way of allocating resources to research and projects relating to the "Green Economy" and renewable energy sources.*<sup>43</sup>

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<sup>40</sup> DEDEAT *Budget Analysis 2013/2014*, Public Service Accountability Monitor, pp. 10-12.

<sup>41</sup> *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, p. 471.

<sup>42</sup> *Ibid.*

<sup>43</sup> *Ibid.*, p. 472.

In presenting eleven *key achievements* in 2013/14, the only accomplishment of a strictly environmental character, other than the persistently unconvincing *climate change, mitigation and adaptation projects* (sic), again pertains to the wildlife domain, with renewable energy investments and green job creation inevitably featuring in the assemblage, which also alludes to activities associated with shale gas exploration.<sup>44</sup> The absence of resources for *enhancing and expanding the protected area network*, the latter being weakly portrayed as *an effective strategy for reducing threats to biodiversity and assisting the adaptation of the province's endemic biodiversity to climate change*, is the sole environmental challenge articulated in review of the financial year,<sup>45</sup> while, in line with the Policy Statement, the 2014/15 outlook includes vague references to environmental crime (again emphasising wildlife trade, with specific reference to rhino poaching), climate change mitigation and adaptation and protected area expansion<sup>46</sup> (notwithstanding the stated unavailability of requisite resources for such expansion).

### **Environmental Affairs sub-program budgets**

Program 3 consists of five sub-programs, which are described as follows in the 2014/15 EPRE:<sup>47</sup>

- Sub-program 1, Environmental Policy, Planning and Coordination *ensures the integration of environmental objectives in national, provincial and local government planning; (including provincial growth and development strategies), local economic development plans and integrated development plans. This programme includes cross-cutting functions such as research, departmental strategy and information management.*
- Sub-program 2, Compliance and enforcement, *ensures that environmental compliance monitoring systems are established and implemented as well as the enforcement of legislation and environmental authorisations. It also builds compliance monitoring and enforcement capacity through the establishment and training of environmental management inspectorates. Acting on complaints and notifications of environmental infringements; monitoring these complaints and enforce environmental compliance where required.*
- Sub-program 3, Environmental quality management, *establishes legislation, policies, norms, standards and guidelines for environmental impact management, pollution air quality and waste management at provincial and local spheres of government.*
- Sub-program 4, Biodiversity Management, *promotes equitable and sustainable use of ecosystem goods and services to contribute to economic development by managing biodiversity and its components, processes, habitats and functions.*

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<sup>44</sup> *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, p. 472.

<sup>45</sup> *Ibid*, p. 473.

<sup>46</sup> *Ibid*.

<sup>47</sup> *Ibid*, p. 484.

- Sub-program 5, Environmental Empowerment Services, *implements and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing environmental and social economic programmes* (sic).

Table 12 indicates Program 3's budgetary dispensation across the medium-term expenditure framework from a Sub-program perspective,<sup>48</sup> while Table 6 below utilizes data from Table 12 to solely reflect 2014/15 Sub-program allocations.

**Table 6: Distribution of Environmental Affairs budget across Sub-programs**

Sub-program	Name	Allocation (R'000)	% of Chief Directorate budget
1	Environmental Policy, Planning and Coordination	22 508	7,4
2	Compliance and enforcement	21 294	7,0
3	Environmental quality management	16 334	5,3
4	Biodiversity Management	233 867	76,7
5	Environmental Empowerment Services	10 896	3,6
<b>TOTAL</b>		<b>304 899</b>	<b>100</b>

Sub-program 4, viz Biodiversity Management, stands out clearly in the table by virtue of it receiving some 77% of the Chief Directorate's budget. The reason for this inordinate allocation is that DEDEAT's funding of the ECPTA is channeled through this Sub-program. The transfer constitutes no less than 88,6% of Sub-program 4's budget, and 68% of the entire Program 3 budget, as previously indicated.

#### **Budget for environmental governance outside of nature reserves**

As already alluded to in some detail, Program 3's budget takes on an entirely different complexion when it is viewed in isolation of the ECPTA allocation, as it must be in order to appreciate the actual amount available for Environmental Affairs to fulfill its functions across the geographical bulk of the Province which is not comprised of provincial nature reserves. From this perspective a more realistic tabulation of the distribution of Environmental Affairs' budget appears in the table which follows, and reveals that after the ECPTA transfer has been effected, Sub-program 4's allocation is reduced to an amount which is more or less of the same order as those of the other Sub-programs.

<sup>48</sup> Derived from Table 18: Summary of departmental payments and estimates by programme: P3 - Environmental Affairs in *Eastern Cape Estimates of Provincial Revenue and Expenditure 2013/14*, Eastern Cape Provincial Planning and Treasury, p. 592.

**Table 7: Program 3 budget for environmental management outside of provincial nature reserves**

Sub-program	Name	Allocation (R'000)	% of total Chief Directorate budget
1	Environmental Policy, Planning and Coordination	22 508	7,4
2	Compliance and enforcement	21 294	7,0
3	Environmental quality management	16 334	5,3
4	Biodiversity Management	26 585	8,7
5	Environmental Empowerment Services	10 896	3,6
<b>TOTAL</b>		<b>97 617</b>	<b>32,0</b>

**Weighting of Sub-program allocations for environmental governance outside of nature reserves**

The allocations with which the Sub-programs are expected to fulfill their responsibilities outside of nature reserves are placed in appropriate perspective when they are evaluated relative to DEDEAT's budget and the provincial fiscal envelope in Table 8.

**Table 8: Allocations for environmental governance outside of nature reserves relative to DEDEAT budget & total provincial fiscal envelope.**

Sub-program	Name	Allocation (R'000)	% of DEDEAT budget	% of provincial fiscal envelope
1	Environmental Policy, Planning and Coordination	22 508	1,6	0,036
2	Compliance and enforcement	21 294	1,5	0,034
3	Environmental quality management	16 334	1,1	0,026
4	Biodiversity Management	26 585	1,8	0,043
5	Environmental Empowerment Services	10 896	0,7	0,017
<b>Total Program 3 allocation for functions outside of provincial parks</b>		<b>97 617</b>	<b>6,8</b>	<b>0,157</b>

The percentages in the highlighted columns are chilling, and speak for themselves. All that remains is to point to the severe lack of correlation between the Sub-program allocations and the onslaught against the Province's environment. As pointed out in PSAM's 2013/14 budget analysis, *if the Eastern Cape Government is at ease with these*

allocations then presumably it can only be either grossly ignorant of the environmental state of play in the Province, or unconcerned about it.<sup>49</sup>

### **Variances in Program and Sub-program allocations between 2013/14 and 2014/15**

Table 9 shows 2014/15 allocations in relation to 2013/14 main and adjusted appropriations. Percentage changes reflect the *changes between the 2013/14 adjusted appropriations and 2014/15 main appropriations*. Nominal percentage changes have been converted to real percentage changes by taking account of inflation. Distinction is drawn in the table between biodiversity management inside and outside of nature reserves.

**Table 9: 2014/15 versus 2013/14 Environmental Affairs allocations<sup>50</sup>**

Sub-progr	Name	2013/14 Main appropriation (R'000)	2013/14 Adjusted appropriation (R'000)	2014/15 Main appropriation (R'000)	Nominal change %	Real change %
1	Environmental Policy, Planning and Coord'n	18 874	23 725	22 508	-5,13	-10,66
2	Compliance and Enforcement	21 930	42 328	21 294	-49,69	-52,63
3	Environmental Quality Management	21 904	19 590 <sup>51</sup>	16 334	-16,62	-21,48
4	Biodiversity Management outside of nature reserves	26 873	3 782 <sup>52</sup>	26 585 <sup>53</sup>	602,93	561,96
5	Environmental Empowerment Services	10 145	11 145	10 896	-2,23	-7,93
<b>Sub-total: Env. management outside of nature reserves</b>		99 726	96 091	97 617	0,92	-4,33
	Transfer to ECPTA	191 543	197 022	207 282	5,21	-0,92
<b>Total</b>		291 269	293 113	304 899	4,02	-2,42

The table shows striking similarities to an equivalent table contained in PSAM's 2013/14 Budget Analysis.<sup>54</sup> Again there are notable variances between main appropriations for the ensuing financial year and adjusted appropriations for the preceding one; again there is evidence of significant variance between the preceding year's main and adjusted appropriations, and again these variances are most accentuated in relation to Biodiversity Management outside of nature reserves. However, while the 2013/14 main

<sup>49</sup> DEDEAT *Budget Analysis 2013/2014*, Public Service Accountability Monitor, p. 14.

<sup>50</sup> Data drawn from Tables 11 and 12 of this Budget Analysis, plus deduced from *Eastern Cape Adjusted Estimates of Provincial Revenue and Expenditure 2013/14* as indicated.

<sup>51</sup> Includes R4,479 million transferred to ECPTA for unknown purposes.

<sup>52</sup> Deduced from *Eastern Cape Adjusted Estimates of Provincial Revenue and Expenditure 2013/14*, Eastern Cape Provincial Planning and Treasury, pp. 144 & 146-148.

<sup>53</sup> Presumes that the full 2014/15 ECPTA transfer of R207,282 million is to be funded by Sub-program 4.

<sup>54</sup> DEDEAT *Budget Analysis 2013/2014*, Public Service Accountability Monitor, pp. 15.

appropriation for the latter function amounted to an eye-opening 346% of the 2012/13 adjusted appropriation (324% in real terms), the 2014/15 main appropriation represents a staggering 602% increase (or 562% in real terms) relative to the 2013/14 adjusted appropriation. And whereas in 2012/13 the function's adjusted appropriation constituted just 26,5% of its original main allocation, in 2013/14 it comprised a mere 14,1%.

At the same time, while variances in *Compliance and Enforcement* appropriations are less extreme than those associated with Biodiversity Management outside of nature reserves, they are also substantial, and exhibit the same trend as was noted in the 2013/14 Budget Analysis. Hence the 2014/15 main appropriation for the Sub-Program constitutes a 49,7% decrease (52,6% in real terms) relative to its 2013/14 adjusted appropriation, but the latter in turn represented a 93,0% increase relative to its 2013/14 main appropriation, while in the preceding budget cycle the corresponding proportions were 41,8% (44, 7% in real terms) and 148% respectively.

As in 2013/14, the 2014/15 EPRE unacceptably contains no account for these significant in-year adjustments, and it is necessary to have regard for the 2013/14 *Adjusted Estimates of Provincial Revenue and Expenditure* (AEPRE) in order to obtain some background to them. However even this does not facilitate a comprehensive understanding, since over and above the fact that the information provided in the AEPRE is skeletal, and deduction is unavoidable in attempting to track adjustment processes, scrutiny of the EPRE relative to the AEPRE reveals that further in-year adjustments occurred subsequent to publication of the AEPRE.

In any event, indications are that Sub-Programs 3 and 4 together surrendered R24,0 million for the purpose of covering *cost pressures* within the *compensation of employees* economic sub-classes of Sub-Programs 1 and 2's budgets, to the extent of R3,0 million and R21,0 million respectively.<sup>55</sup> The bulk of the surrender appears to have been borne by Sub-Program 4. No further detail is provided regarding the cost pressures, but there appears to have been a direct analogy in the 2012/13 financial year, when R22,533 million was injected into the same sub-class of Sub-Program 2's budget.<sup>56</sup> Although the virements which were effected in order to address the deficit in the Sub-Program's 2012/13 and 2013/14 budgets account for the notable discrepancies between its main and adjusted appropriations for these financial years, it is perplexing that a deficit of the same scale recurred in successive budget years.

As an aside, the AEPRE indicates that during the 2013/14 financial year R3,0 million was shifted from Program 3 to the Chief Directorate: Economic Development and Tourism. The *motivation* provided for the shift is as follows: *Funds allocated to Sub-programme 2.1: Integrated Economic Development Services to be transferred to NMMU for the Shale Gas project as a top up to the additional funding received.*<sup>57</sup> This is of considerable interest in view of PSAM's assertions elsewhere in this analysis around both the challenges stemming from Environmental Affairs' institutional housing, and the environmental sensitivities associated with hydraulic fracking. If the funds were for the

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<sup>55</sup> *Eastern Cape Adjusted Estimates of Provincial Revenue and Expenditure 2013/14*, Eastern Cape Provincial Planning and Treasury, p. 147.

<sup>56</sup> *Eastern Cape Adjusted Estimates of Provincial Revenue and Expenditure 2012/13*, Eastern Cape Provincial Planning and Treasury, p. 130.

<sup>57</sup> *Eastern Cape Adjusted Estimates of Provincial Revenue and Expenditure 2013/14*, Eastern Cape Provincial Planning and Treasury, p. 147.

purpose of “project” work which entails scrutiny of these sensitivities then the transfer is conceivably justifiable, but given the initiative’s grounding within the Economic Development Services unit, at face value there have to be realistic doubts that the work is of this nature, and if these doubts prove to be well-founded, the shift reflects succinctly the inherent conflict of interest within DEDEAT. It is common cause that the environmental profile of fracking is a deeply tarnished one, and in principle any Environmental Affairs resources expended in relation to the practice should be aligned with environmental investigations, rather than with purported economic development opportunities. But given the domination of the economic development agenda in the Department, reservation has to be expressed about whether the Chief Directorate has the discretion to stand by principle in situations like this. Either way, the fact that the transfer occurred is disconcerting.

Returning to Sub-program budget adjustments, in its 2013/14 budget analysis, PSAM noted that regardless of the exact rationale for those which occurred during the 2012/13 financial year, they raised *vexing questions about Environmental Affairs’ overall planning, budgeting and management in relation to the Sub-program functions*. Clearly these questions are also applicable to the 2013/14 adjustments. The analysis pointed out that in particular, it should have been clarified *how the function of biodiversity management outside of nature reserves could be carried out effectively in the 2012/13 financial year with a little over a quarter of its original allocated budget*. In view of the enhanced reduction of the Sub-Program’s budget during the 2013/14 financial year the need for this clarity is all the more pressing. Additionally as per 2012/13, *light should be shed on.....the reason for Sub-Program 2’s (2013/14) over-expenditure*.

It has to be reiterated that the outstanding information *is indispensable to a proper appraisal* of Sub-program allocations for the ensuing budget year.<sup>58</sup> The ongoing practice of coalescing budget information pertaining to transfers to the ECPTA and biodiversity management outside of nature reserves also continues to cloud insight to Sub-Program 4 budget realities, and Environmental Affairs’ budget and financial reporting format should be adjusted such that demarcation between fund transfers to the ECPTA and funding for environmental management outside of protected areas becomes explicit.

These over-riding observations aside, it is noted that while Sub-Programs 1 and 5 have attracted higher main appropriations in 2014/15 than they did in 2013/14, in the case of Sub-Programs 2 and 3, as well as Sub-Program 4 in so far as biodiversity management outside of nature reserves is concerned, the 2014/15 appropriations are lower. The net effect of this is that the Chief Directorate’s total main appropriation for environmental management outside of protected areas is also marginally lower than it was for 2013/14. However the fact that the main 2014/15 ECPTA appropriation is higher than it was in 2013/14, and the margin of the excess involved, causes the overall Program 3 main appropriation for 2014/15 to be higher than it was in the preceding financial year (although in real terms, with adjustment effected for inflation, it is effectively also lower, to the extent of 1,4%), thereby further obfuscating the Environmental Affairs’ budgetary complexion, and reinforcing the imperative for clear separation of ECPTA-related budget detail, which should be instituted at both Program and Sub-program level.

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<sup>58</sup> DEDEAT *Budget Analysis 2013/2014*, Public Service Accountability Monitor, pp. 16.

Further in relation to the overall Program 3 main appropriation, the EPRE asserts that in 2014/15 it *increased by 4.4% due to increased funding for inflationary rate*.<sup>59</sup> In keeping with the EPRE's standard approach, this variance has been assessed relative to the 2013/14 *revised estimate*, rather than the main or adjusted appropriation for that financial year. On the other hand, as pointed out in relation to Table 9, PSAM assesses variances relative to the previous financial year's *adjusted appropriations*, and expresses them in real terms, with corrections having been effected for inflation. On this basis the overall Program 3 main appropriation for 2014/15 in fact represents a decrease of 2,4%, and since the difference between the 2013/14 revised estimate and adjusted appropriation was not significant (R292,096 million vs R293,113 million), once the variance relative to the 2013/14 revised estimate is corrected for inflation, it too constitutes a decrease (of 1,7%). Hence notwithstanding the EPRE's assertion, in real terms Program 3's total 2014/15 budget constitutes a marginal decrease relative to the preceding financial year, irrespective of which benchmark is utilized for assessing it.

Since Environmental Affairs' budget structure does not expressly distinguish between environmental management outside and inside of nature reserves, revised estimates are not provided for the former, and are accordingly irrelevant here. But as is apparent from Table 9 and discussion above, whether viewed in relation to the preceding year's main or adjusted appropriation, in real terms the 2014/15 main appropriation for this core Program 3 function is also lower than it was in 2013/14. This is cause for alarm, as is the absence of Sub-Program budget growth in response to the burgeoning environmental pressures being exerted on the Province. Within this context, Table 10 indicates the relative weightings of main appropriations over the 2013/14 and 2014/15 financial years.

**Table 10: 2013/14 and 2014/15 budgets relative to total provincial fiscal envelope**

Sub-progr.	Name	2013/14 Main appropriation (R'000)	% of fiscal envelope	2014/15 Main appropriation (R'000)	% of fiscal envelope
1	Environmental Policy, Planning and Coordination	18 874	0,032	22 508	0,036
2	Compliance and enforcement	21 930	0,037	21 294	0,034
3	Environmental quality management	21 904	0,037	16 334	0,026
4	Biodiversity Management outside of nature reserves	26 873	0,045	26 585	0,043
5	Environmental Empowerment Services	10 145	0,017	10 896	0,017
<b>Sub-total: Environmental management outside of nature reserves</b>		99 726	<b>0,168</b>	97 617	<b>0,157</b>
	Transfer to ECPTA	191 543	0,323	207 282	0,334
<b>Total</b>		291 269	0,492	304 899	0,491

<sup>59</sup> *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, p. 485.

From the perspective of environmental management outside of protected areas, only Sub-Program 1's 2014/15 main appropriation constitutes a higher proportion of the provincial fiscal envelope than it did in 2013/14, with Sub-Program 5's being on a par (at the scale of assessment) with that of the preceding budget year, and those of Sub-Programs 2, 3 and 4 being lower, as is the sum of the five respective Sub-Program appropriations. On the other hand the allocation to the ECPTA constitutes a greater relative percentage of the envelope than it did in 2013/14, which appears to reflect misguided Provincial Government prioritization of nature reserves at the expense of the environmental integrity of the Province as a whole. But even though the quantum of the ECPTA allocation increase in 2014/15 outweighs that of the budget decrease for environmental management outside of nature reserves, the total 2014/15 Environmental Affairs budget nevertheless comprises a smaller percentage of the envelope, albeit minimally so, than it did in 2013/14, which indicates that growth in the Provincial Government's funding of its environmental governance mandate is lagging behind that of its budget as a whole.

These 2014/15 trends generally represent a reversal relative to those which prevailed in 2013/14, when the allocations for all Sub-Programs constituted greater proportions of the total provincial budget than they had in 2012/13, as did both the amount available for environmental management outside of protected areas and the total Chief Directorate budget. It is tempting to speculate on possible linkages between the shrinking of 2014/15 allocations relative to the provincial fiscal envelope and the absence of references to environmental management in the State of the Province Address and Budget Speech, the latter as previously commented on in this analysis.

### **Variations in appropriations by economic classification**

As was the case in the 2013/14 financial year, over and above failing to account for variations in Environmental Affairs Sub-Program budgets, the 2014/15 EPRE provides little by way of insight to the factors underpinning variations in amounts allocated to the expenditure classes and sub-classes which comprise the Chief Directorate's *summary of departmental payments and estimates by economic classification*.<sup>60</sup> On the contrary, in instances as detailed below, narrative accounts which purport to explain budget variations actually bear no relationship to the facts involved.

In this respect, it is indicated that for 2014/15 the budget provision for compensation of Environmental Affairs employees *grows by 0.6 per cent due to carry-through cost plans to continue strengthening capacity in the programme, and the filling of critical vacant posts within law enforcement and other environmental officers* (sic).<sup>61</sup> But when viewed against the 2013/14 revised estimate, which the EPRE utilizes as the baseline for determining variance, as already noted, the variance actually constitutes a decrease, not an increase, of 0,6%. And even if it did constitute an increase to the stated extent, the amount this would entail (less than R0,5 million) would clearly not contribute significantly to strengthening capacity and filling critical vacant posts. Viewing the budget change relative to the 2013/14 adjusted appropriation also does not alter this outcome, since although the 2014/15 allocation is nominally larger, in real terms the resultant variance

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<sup>60</sup> *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, Table 20, p. 485.

<sup>61</sup> *Ibid.*

also amounts to a decrease (of 3,2%). Part of the account provided for the variance within this economic sub-class is a verbatim repetition from the 2013/14 EPRE, in which a real budget increase (relative to both the 2012/13 revised estimate and adjusted appropriation) was said to have been *due to carry-through cost plans to continue strengthening capacity* in Program 3.<sup>62</sup> It would appear that this explanation has simply been replicated in 2014/15 without due regard for the reality of the situation.

The narrative also does not offer any clarity in relation to the under-budgeting for compensation of Sub-Program 2 employees, as noted in discussion of Sub-Program allocation variances above. Neither does it provide any information regarding the filling of vacant Environmental Affairs posts. The most recent publicly available figures on vacancies within the Program are contained in DEDEAT's 2012/13 Annual Report. According to this account there were 212 posts attached to the Program, of which 175 were filled, resulting in a vacancy rate of 17,5%.<sup>63</sup> The basis for a substantial decrease in the number of posts attached to the Program during that financial year is unclear, the 2011/12 Annual Report having indicated a vacancy rate of 45,7%, arising from 184 out of 339 posts being occupied as at 31 March 2012.<sup>64</sup>

As far as the budget for *goods and services* is concerned, the 2014/15 EPRE is even more anomalous than it is in relation to *compensation of employees*. The 2013/14 EPRE indicated that a substantial increase in the budget for this item was *due to the department's plan to intensify management and the protection of the natural environment by the enactment of the Eastern Cape Environmental Act and the implementation of the Provincial Climate Change Mitigation and Adaptation Strategy*, as well as *support (for) the establishment of municipal waste infrastructure*.<sup>65</sup> In 2014/15 the intensification of management is delinked from the other elements of this explanation, which is otherwise effectively repeated. Hence the variance is said to be *due to the department's plan to intensify management; the protection of the natural environment by the enactment of the Eastern Cape Environmental Act; and the implementation of the Provincial Climate Change Mitigation and Adaptation Strategy*, and, again, also supporting *municipal waste infrastructure*, the provision for which is repeated verbatim from 2013/14.<sup>66</sup>

The meaning, in this context, of intensifying management, and the manner in which it effects budget variance, are unknown, whilst it is also unclear why, as observed by PSAM in its 2013/14 budget analysis, the enactment of the provincial statute and the implementation of the climate change strategy (neither of which appear to have occurred in 2013/14 as anticipated, although this is not accounted for) would give rise to variances.<sup>67</sup> But these concerns are rendered irrelevant when it is noted that while this explanation was put forward in 2013/14 to account for a major increase in the *goods and services* budget, in 2014/15 it is presented as the reason for a not insubstantial decrease

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<sup>62</sup> *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, Table 20, p. 485.

<sup>63</sup> *DEDEAT 2012/13 Annual Report*, Table 3.2.1, p. 62.

<sup>64</sup> *DEDEAT 2011/12 Annual Report*, Table 3.1, p. 150.

<sup>65</sup> *Eastern Cape Estimates of Provincial Revenue and Expenditure 2013/14*, Eastern Cape Provincial Planning and Treasury, p. 592.

<sup>66</sup> *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, p. 485.

<sup>67</sup> *DEDEAT Budget Analysis 2013/2014*, Public Service Accountability Monitor, p. 18.

(18,7% relative to the revised 2013/14 estimate, and 27,2% in real terms, relative to the adjusted appropriation) for the same cost item. Again the facts of the budget appear not to have played a role in the compilation of the EPRE narrative. This level of incompetence in accounting for public funds is unacceptable, and appropriate remedial action should be instituted by the Department with a view to addressing it.

The narrative for *departmental agencies and accounts* is also not unflawed. It states that the 2014/15 budget for this expenditure sub-class *increases by 8.1 per cent (sic)*<sup>68</sup> when it is in fact the allocation for the *transfers and subsidies* class which increases by this proportion, again, relative to the 2013/14 revised estimate. Reference to Table 20 of the EPRE indicates that the increase for *departmental agencies and accounts* is a more modest 4,9%,<sup>69</sup> while when viewed against the 2013/14 adjusted appropriation, with inflation taken into account, the variance amounts to a 0,9% decrease. Either way, the scale of the change in this sub-class's allocation is of the same order as it was in 2013/14, and is said to be *due to the programme spreading the funding of infrastructure projects in ECPTA*.<sup>70</sup> Precisely what this terminology is intended to infer is unknown, but in continuing, the narrative invokes some of the same activities it did in explaining the variance in 2013/14, viz. *destination marketing and events management, the national Tourism Expo, and environmental awareness and job creation.....through the support of the EPWP initiatives that create jobs through environmental management programmes (sic)*.<sup>71,72</sup>

In its 2013/14 budget analysis PSAM took issue with the EPRE being *awash with references to the ECPTA and the distribution of funds outside of the Chief Directorate*, while virtually nothing was said about *how the budget relates to internal operations and functions*. The highlighting of activities which pertain to the tourism industry moreover created the impression that Program 3 was more akin to a tourism agency *than an arm of government which is charged with upholding a suite of national environmental policies and laws*. To its credit, the 2014/15 narrative is not as heavily weighted in this direction as it was in 2013/14, but since DEDEAT's tourism function vests with Program 2 and not Program 3, it has to be noted that the inclusion of tourism-related budget provisions and detail within Program 3's budget framework further obscures already clouded budget detail pertaining to the essential and over-riding Chief Directorate responsibility of environmental governance outside the borders of the 2% of the Province's surface area which comprises provincial nature reserves. And reservations persist about the EPRE's failure to draw direct linkages to *the host of regulatory functions* which the Chief Directorate needs to perform in accordance with its mandate, and which are cardinal to *the integrity of the Province's environment*.<sup>73</sup> As was the case with the 2013/14 EPRE, the narrative does nothing to offset the reservations which are consistently articulated in this analysis about the Chief Directorate's budget, and the backdrop to it.

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<sup>68</sup> *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, p. 485.

<sup>69</sup> *Ibid.*

<sup>70</sup> *Ibid.*

<sup>71</sup> *Ibid.*

<sup>72</sup> *Eastern Cape Estimates of Provincial Revenue and Expenditure 2013/14*, Eastern Cape Provincial Planning and Treasury, p. 593.

<sup>73</sup> *DEDEAT Budget Analysis 2013/2014*, Public Service Accountability Monitor, p. 19.

**Table 11: Environmental Affairs budget by economic classification<sup>74</sup>**

(R' 000)	Outcome			Main Budget 2013/14	Adjusted budget 2013/14	Revised estimate 2013/14	Medium-term estimate			Real Change between 2013/14 and 2014/15	Real Average Growth over MTEF	
	2010/11	2011/12	2012/13				2014/15	% change from Adjusted Appropriation 2013/14	2015/16			2016/17
<b>Current payments</b>	<b>64,962</b>	<b>70,325</b>	<b>70,686</b>	<b>90,653</b>	<b>85,003</b>	<b>86,281</b>	<b>82,412</b>	<b>-3,05</b>	<b>88,893</b>	<b>92,624</b>	<b>-8,70</b>	<b>0,22</b>
Compensation of employees	49,844	55,148	59,525	67,588	65,588	67,842	67,412	2,78	74,723	77,702	-3,21	1,07
Goods and Services	15,118	15,177	11,161	23,065	19,415	18,439	15,000	-22,74	14,171	14,922	-27,24	-3,78
<b>Transfers and Subsidies to</b>	<b>157,634</b>	<b>148,130</b>	<b>195,946</b>	<b>200,616</b>	<b>208,110</b>	<b>205,815</b>	<b>222,487</b>	<b>6,91</b>	<b>213,781</b>	<b>223,656</b>	<b>0,68</b>	<b>-3,44</b>
Provinces and municipalities	9,164	3,952	1,998	8,073	9,573	8,073	13,385	39,82	23,359	24,350	31,67	17,67
Departmental agencies & accounts	148,470	143,857	190,426	191,543	197,022	197,537	207,282	5,21	189,422	198,006	-0,92	-5,07
Public corporations and private enterprises			2,235		515		520	0,97			-4,91	-100,00
Non-profit institutions			1,144	1,000	1,000	205	1,300	30,00	1,000	1,300	22,42	-3,61
Households		321	143									
<b>Payments for capital assets</b>	<b>1,050</b>											
Machinery and equipment	1,040											
Software and other intangible assets	10											
<b>Total economic classification</b>	<b>223,646</b>	<b>218,455</b>	<b>266,632</b>	<b>291,269</b>	<b>293,113</b>	<b>292,096</b>	<b>304,899</b>	<b>4.02</b>	<b>302,675</b>	<b>316,279</b>	<b>-2,04</b>	<b>-2,42</b>

<sup>74</sup> Derived from Table 20: Summary of departmental payments and estimates by economic classification: P3 - Environmental Affairs in *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, p. 485.

**Table 12: Environmental Affairs budget by Sub-program<sup>75</sup>**

(R' 000)	Audited			Main Budget 2013/14	Adjusted budget 2013/14	Revised estimate 2013/14	Medium-term estimate			Real Change between 2013/14 and 2014/15	Real Average Growth over MTEF	
	2010/11	2011/12	2012/13				2014/15	% change from Adjusted Appropriation 2013/14	2015/16			2016/17
Env. Policy, Planning & Coord'n	56,844	31,260	15,826	18,874	23,725	22,850	22,508	-5,13	38,844	40,902	-10,66	17,63
Compliance & Enforcement	8,496	27,262	37,156	21,930	42,328	42,049	21,294	-49,69	18,337	18,726	-52,63	-7,65
Environmental Quality Mgmt	5,482	8,866	11,672	21,904	19,590	19,088	16,334	-16,62	19,370	19,998	-21,48	3,12
Biodiversity Mgmt	152,325	147,140	195,239	218,416	196,325	197,108	233,867	19,12	218,055	228,156	12,18	-4,40
Env. Empowerment Services	499	3,927	6,739	10,145	11,145	11,001	10,896	-2,23	8,069	8,497	-7,93	-11,28
<b>Total economic classification</b>	<b>223,646</b>	<b>218,455</b>	<b>266,632</b>	<b>291,269</b>	<b>293,113</b>	<b>292,096</b>	<b>304,899</b>	<b>4,02</b>	<b>302,675</b>	<b>316,279</b>	<b>-2,04</b>	<b>-2,42</b>

<sup>75</sup> Derived from Table 19: Summary of departmental payments and estimates by programme: P3 - Environmental Affairs in *Eastern Cape Estimates of Provincial Revenue and Expenditure 2014/15*, Eastern Cape Provincial Planning and Treasury, p. 484.

