

**KWAZULU-NATAL PROVINCE**

ECONOMIC DEVELOPMENT, TOURISM  
AND ENVIRONMENTAL AFFAIRS  
REPUBLIC OF SOUTH AFRICA

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| To      | Ms Carol Coetzee<br>Head of Department (HOD): Provincial Treasury                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Cc      | Mr Nhlakanipho Nkontwana<br>Head of Department (HOD)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Cc      | Mr Khaya Mthethwa<br>Chief Financial Officer (CFO)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Cc      | Mr Cosmas Hamadziripi<br>Chief Director: Economic Planning                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Cc      | Ms Thembelihle Ndlovu<br>Acting Director: Policy & Planning                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| From    | Mr Meshack Zwane<br>Deputy Director: Policy & Planning                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Subject | <ol style="list-style-type: none"><li>1. To request the provincial treasury to approve a virement transfer of 750 000 from the KZN social accounting matrix and CGE project to development of eDumbe innovation hub and digital centre project under policy and planning.</li><li>2. To request the provincial treasury to cancel the transfer of one million rand (R1 000 000.00) to eDumbe local municipality and reclassify the budget as goods and services for the development of eDumbe innovation hub and digital centre at a budget of R1 750 000 under policy and planning.</li><li>3. To request approval from the provincial treasury to deviate from normal supply chain management processes in line with treasury regulation 16a 6.4 and scm instruction note 3 of 2021/2022- enhancing compliance, transparency and accountability in supply chain management to approve the appointment of innovate Durban being a single sourced service provider for an amount of (R1 750 000) for the development of eDumbe innovation hub and digital centre for a period of five (5) months effective 1 November 2023 to 31 March 2024)</li></ol> |
| Date    | 22 September 2023.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

1. PURPOSE

1.1 The purpose of this memorandum is in three-fold as follows:

- i. To request the Head of Department to approve a virement transfer of R750 000 from the kzn social accounting matrix and cge project to development of eDumbe innovation hub and digital centre project under policy and planning.
- ii. To request the provincial treasury to cancel the transfer of one million rand (R1 000 000.00) to eDumbe local municipality and reclassify the budget as goods and services for the development of eDumbe innovation hub and digital centre at a budget of R1 750 000 under policy and planning.
- iii. To request approval from the head of department to deviate from normal supply chain management processes in line with treasury regulation 16a 6.4 and scm instruction note 3 of 2021/2022- enhancing compliance, transparency and accountability in supply chain management to approve the appointment of innovate Durban being a single sourced service provider for an amount of (r1 750 000) for the development of eDumbe innovation hub and digital centre for a period of five (5) months effective 1 November 2023 to 31 March 2024).

## **2. DISCUSSION AND BACKGROUND**

- 2.1 EDTEA funded the recently approved Long-term Integrated Spatial Economic Development Strategy for eDumbe Local Municipality in 2022/23 financial year for a value of R1 000 000.00 (One Million Rand). EDTEA in the 2023/24 financial year has budgeted R1 000 000.00 (One Million Rand) for a catalytic/legacy project implementation. The strategy has been completed and the development of an Innovation Hub and Digital Centre has been identified as a legacy project for implementation.

eDumbe Local Municipality and EDTEA have selected Innovation Hub and a Digital Centre to benefit youth and small businesses across the municipality. The centre will fourth industrial revolution technologies such as 3D printers, drones, a computer room and facilities to benefit youth and small businesses in eDumbe. The centre will also include a meeting room and a cafeteria (Kiosk). The center will provide young people and small businesses access to new technologies such as 3-D printers, internet, laser cutters and other technologies.

The set-up of an Innovation Hub aims to provide access to innovation-related tools, information, and resources, and is designed to empower people to become more innovative in problem-solving, create opportunities for new businesses, create jobs, and tackle social issues in their community. The initiative is primarily focused on

developing knowledge and the upskilling of black, marginalized communities, especially among women, youth and people with disabilities.

EDTEA and eDumbe municipality have agreed that the Innovation Hub and a Digital Centre will be housed at one of municipal unused building at eDumbe (Paulpietersburg Town).

Given the nature of the Innovation hub and Digital centre, EDTEA does not think the Municipality has the expertise to implement the project. Furthermore, the only institution that has successfully developed similar innovation hubs in the province is Innovate Durban and hence the Department would like to contract Innovate Durban directly as an implementer of the project. It is against this backdrop that EDTEA would like to cancel the transfer to eDumbe Local Municipality and reclassify the budget under goods and services and to use single source to appoint Innovate Durban to implement the Innovation hub and Digital centre at eDumbe town.

## **2.2 Operationalization of the eDumbe Innovation Hub and Digital Centre**

Once completed, EDTEA will transfer the eDumbe Innovation hub and digital centre to the Local Municipality for operationalization. EDTEA will work with Innovate Durban to train SMME to use the Innovation hub and digital centre. eDumbe Municipality will provide security, maintenance and two personnel to operate the centre. The Municipality will also recruit a Cooperative to operate the Cafeteria.

## **2.3 Why Innovate Durban as a Single Source**

EDTEA has identified Innovate Durban a none Governmental Organization created by eThekweni Local Municipality to drive innovation and business development in eThekweni. Innovate Durban is an autonomous registered non-profit company set up as a special purpose vehicle to support innovators, innovation and the innovation ecosystem through programmes, research, capacity building, and skills development. Innovate Durban was set up by the eThekweni Municipality in 2013 in an effort to create a conducive environment for innovation.

This Innovation Hub and Digital Centre legacy project will be implemented by Innovate Durban due to their vast knowledge and familiarity on the Innovation Hub concept. Innovate Durban is a nonprofit organization aimed at supporting innovators and innovation in the KwaZulu Natal (KZN) Region.



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Innovate Durban have successfully implemented various innovation hub across KZN, one of which includes Cato Manor and the newly-upgraded Richmond-Indaleni Skills Innovation Hub. The innovative facilities pioneered by Innovative Durban include Innovate Durban Head office, in Durban CBD and Innovation Co-Lab, launched in 2021 and situated in the township community of Cato Manor and the newly-upgraded Richmond-Indaleni Skills Innovation Hub. Hence due to their undisputed reputation, they are the preferred service provider to implement the eDumbe legacy project (Innovation Hub and Digital Centre).

It is for that reason KZN EDTEA identified Innovate Durban as an implementor of the eDumbe Innovation Hub & Digital Centre guided by Memorandum of Agreement (MOA).

There are few Innovation Hubs and Digital Centres across the province, and not many Local Municipalities are familiar with this kind of development, including eDumbe Local Municipality. Given that Innovate Durban is the only agency that have successfully developed a functional innovation hub in the province, the department would like to work with the agency to develop the eDumbe Innovation hub and digital centre.

The proposed project will be R1 750 000.00 (One Million Seven Hundred and Fifty thousand Rand only). The budget will be spent as follows:

- Renovation of the existing building which needs repairing of the walls, windows, roof and floors;
- Electrifying the building including connecting mains;
- Solar panels;
- Prefabricated/ containerized Cafeteria (Kiosk); and
- Acquisition of equipment and furniture.

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## **2.4 Virements from the Social Accounting Matrix and CGE**

In the financial year 2023/24, the KZN Department of Economic Development, Tourism and Environmental Affairs (EDTEA) has allocated R1 million for the provision of technical capacity in the development of Computable General Equilibrium (CGE) Model for KwaZulu-Natal province for a period of 18 months. The R1 million was allocated under vote 4 budget for the 2023/24 financial year under Programme 5 (Economic Planning, Knowledge Management Unit). The closing date of the bid is scheduled on the 26th of September 2023. However, due to delayed SCM processes, it is likely that the allocated R1 Million will not be spent in this financial year. It is for this reason that EDTEA is requesting virement of R750 000 Rands from the KZN CGE project under Knowledge Management to Policy and Planning (Goods and Services) and that the R750 000 be used to complement the R1 million earmarked for eDumbe Innovation Hub legacy project.

## **3. INDEPENDENT CONSULTANT AGREEMENT**

The Department will enter into a Six (6) months Service Level Agreement with Innovate Durban at a value of R1 750 000 to develop the eDumbe Innovation hub and digital centre.

## **4. ORGANISATIONAL AND PERSONNEL IMPLICATIONS**

The proposed project/ Innovation Hub and Digital Centre implementation will be implemented by Innovate Durban and managed by KZN EDTEA Policy and Planning Unit. EDTEA will provide a budget of R1 750 000 whilst the Municipality will provide a disused building which will be reconditioned to house the Innovation Hub and Digital Centre.

## **5. LEGAL IMPLICATIONS/ COMPLIANCE**

EDTEA will enter into a tripartite Memorandum of Agreement with eDumbe Local Municipality and Innovate Durban to implement the Innovation Hub and Digital Centre at eDumbe Local Municipality, at Paulpietersburg Town.

## **6. FINANCIAL IMPLICATIONS**

The total Budget for eDumbe Innovation hub and Digital centre is R1 750 000. The budget will be spent as follows:

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- Renovation of the existing building which needs repairing of the walls, windows, roof and floors;
- Electrifying the building including connecting mains;
- Solar panels;
- Prefabricated/ containerized Cafeteria (Kiosk); and
- Acquisition of equipment and furniture.

In the year 2023/24 EDTEA has budgeted R1 000 000.00 (One Million Rand) transfer payments for eDumbe Local Municipality Economic Development Plan. The funds are budgeted for implementing a legacy/ catalytic project for the recently developed Long-term Integrated Spatial Economic Development Strategy.

EDTEA has also budgeted R1 000 000 for KZN Social Accounting Matrix and CGE. The virement transfer of R750 000 Rands from the KZN CGE project under Knowledge Management to Policy and Planning (Goods and Services) will complement the R1 million Rand earmarked for eDumbe Legacy Project-eDumbe Innovation Hub and Digital Centre.

## **7. OTHER DEPARTMENTS/ BODIES CONSULTED**

- eDumbe Local Municipality
- MKI
- Innovate Durban

## **8. ATTACHMENTS**

- EDTEA HOD Approval for 2023/24 municipal transfers
- Letter of funding confirmation to eDumbe Local Municipality
- Budget confirmation

## **9. RECOMMENDATIONS**

### **9.1 It is recommended that:**

- Provincial Treasury to approves a virement transfer of R750 000 from the KZN Social Accounting Matrix and CGE project to development of eDumbe Innovation hub and digital centre project under policy and planning;

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- ii. Provincial Treasury to cancel the transfer of one million rand (R1 000 000.00) to eDumbe local municipality and reclassify the budget as goods and services for the development of eDumbe Innovation hub and digital centre at a budget of R1 750 000 under policy and planning; and
- iii. Provincial Treasury approves the deviation from normal Supply Chain Management processes in line with Treasury Regulation 16A 6.4 and SCM Instruction Note 3 of 2021/2022- Enhancing compliance, transparency and accountability in supply chain management and appoint of Innovate Durban being a single sourced service provider for an amount of (R1 750 000) for the development of eDumbe Innovation hub and Digital centre for a period of five (5) months effective 1 November 2023 to 31 March 2024).

Submitted by:

  
 MR MESHACK ZWANE  
 DEPUTY DIRECTOR: POLICY AND PLANNING

26/09/2023  
 DATE

SUPPORT / NOT SUPPORTED

  
 MS THEMBELIHLE NDLOVU  
 ACTING DIRECTOR: POLICY & PLANNING

26/09/2023  
 DATE

SUPPORT / NOT SUPPORTED

Supported

Signed by: Cosmas Hamadziripi  
 Signed at: 2023-09-26 13:25:05 +02:00  
 Reason: I approve this document

  
 MR COSMAS HAMADZIRIPI  
 CHIEF DIRECTOR: ECONOMIC PLANNING

26/09/23

DATE

COMMENTS:

The submission is supported against the background of challenges faced by Municipalities in expeditiously implementing projects. There is a risk that the Department may not get value for money if the project is implemented by the Municipality. The decision to solely use Innovate Durban was made noting the role the entity has made in the innovation space in the province. Recently, Innovate Durban was appointed by National Department of Higher education to develop an Innovation Hub at Richmond TVET and also at Greater Kokstad municipality. It is against this backdrop that we support the cancellation of the transfer to eDumbe local municipality and appoint Innovate Durban to implement the project.

RECOMMENDED / NOT RECOMMENDED

Recommended

Signed by: Khayelihle Njabulo Mthethwa  
 Signed at: 2023-09-27 13:23:49 +02:00  
 Reason: I approve this document

  
 MR KHAYA MTHETHWA  
 CHIEF FINANCIAL OFFICER (CFO)

27/09/23

DATE

COMMENTS:

## 9. RECOMMENDATIONS

- i. Provincial Treasury to approves a virement transfer of R750 000 from the KZN Social Accounting Matrix and CGE project to development of eDumbe Innovation hub and digital centre project under policy and planning;
- ii. Provincial Treasury to cancels the transfer of one million rand (R1 000 000.00) to eDumbe local municipality and reclassify the budget as goods and services for the development of eDumbe Innovation hub and digital centre at a budget of R1 750 000 under policy and planning; and
- iii. Provincial Treasury approves the deviation from normal Supply Chain Management processes in line with Treasury Regulation 16A 6.4 and SCM Instruction Note 3 of 2021/2022- Enhancing compliance, transparency and accountability in supply chain management and appoint of Innovate Durban being a single sourced service provider for an amount of (R1 750 000) for the development of eDumbe Innovation hub and Digital centre for a period of five (5) months effective 1 November 2023 to 31 March 2024).

APPROVED/ NOT APPROVED Approved

Signed by: Brightboy Nhlakanipho Nkont  
Signed at: 2023-09-28 22:31:45 +02:00  
Reason: I approve this document



28/09/23

.....  
**MR NHLAKANIPHO NKONTWANA**  
**HEAD OF DEPARTMENT (HOD)**

.....  
**DATE**

COMMENTS:

APPROVED / NOT APPROVED

.....  
**MS CAROL COETZEE**  
**HEAD OF DEPARTMENT (HOD): PROVINCIAL TREASURY**

.....  
**DATE**

COMMENTS:

BK

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