

Report of the Portfolio Committee on Economic Development on Budget Vote 25 and Annual Performance Plans of the Economic Development Department and its entities for the 2015-16/2019-20 Medium Term Expenditure Framework period, dated 12 April 2016

The Portfolio Committee on Economic Development, having considered Budget Vote 25, the Strategic Plans (2014-19) and the Annual Performance Plans (2015-16/19-20) of the Economic Development Department and its entities, reports as follows:

1. INTRODUCTION

The Portfolio Committee on Economic Development (the Committee) analysed the Strategic Plans, Annual Performance Plans (APPs) and the budgets of the Department and its four (4) entities. Government has the responsibility to ensure responsible spending, given the limited nature of public funds.

It is important for budget plans to be linked to strategic plans so as to ensure that key objectives and priorities are budgeted for and achieved. Thus, the purpose of the engagements was to assess and analyse the Strategic Plans, APPs and budgets of the Department with a view of ensuring that there is alignment of reporting between the Strategic Plans, APPs and budgets.

These important annual engagements take place during a difficult economic period the world over. The global community continues to strive for improved economic conditions to benefit the majority of the globe, both in developed and developing economies. Our country's efforts to conquer the challenges of poverty, inequality and unemployment have been somewhat derailed as a result. The sustained implementation of sound economic policies will be very central then, going forward, in ensuring the resuscitation of economies all over the world. The Committee exercises its oversight role with this context in mind.

Our nation has over time developed tools and instruments to tackle the changes faced. These include the National Development Plan (NDP), the New Growth Path (NGP) (led by the Economic Development Department), the National Industrial Policy Framework and many others linked to them all with a view of securing a better future for our land. These must be pursued by all so as to achieve a common goal of bettering the lives of our people, and more so the conveyance of a better South Africa for inheritance to future generations. The long term vision must always guide us in our individual and collective efforts for improved conditions.

The Economic Development Department has a crucial role to play in the economic activities of the country, especially the interpretation and implementation of the objectives of the instruments mentioned above. It has the responsibility to coordinate the formulation of cross sector policy programmes that will seek to improve the social capital of marginalised groups. It oversees the public financing institutions that fully participate in the new growth path and development. The policies led by the Department must also play a role in the creation of employment as per the call of the NDP, ensure a higher rate of investment, and the coordination of a more efficient and competitive infrastructure, amongst the many responsibilities. Similarly, together with partners in government and the private sector, it must ensure the development of a prosperous and balanced regional economy in Southern Africa and the continent, based on the principles of equity and mutual benefit.

The Committee will play its role of ensuring vigorous oversight, and will give legislative support to the Department where necessary. This report outlines the nature of the engagements that took place on 05-06 April 2016, on the diverse issues affecting our economy, and the possible solutions that will be explored by the Department for the remainder of the Medium Term Expenditure Framework (MTEF).

The following entities report to the EDD:

- Development Finance Institution – Industrial Development Corporation (IDC)
- Economic Regulatory Bodies – Competition Commission, Competition Tribunal; and International Trade Administration Commission of South Africa (ITAC).

THE ECONOMIC DEVELOPMENT DEPARTMENT

2. BACKGROUND

The mandate of the Department is to support job creation, inclusive growth, industrialisation and social inclusion through policy work, planning and coordination, use of social dialogue, as well as integration and coordination between departments, spheres of government and public agencies.

The Department is responsible for monitoring and implementation of the action plans on the various job drivers in the NGP. It is a key department for Outcome 4: Decent Employment through Inclusive Growth. The Department is a core department in the economic and infrastructure cluster of departments and in Outcome 6: An efficient, competitive and responsive economic infrastructure network. It provides technical support to the Presidential Infrastructure Coordinating Commission (PICC), whose Secretariat is chaired by the Minister of Economic Development.

The Department's core mandates are to:

- Identify priorities for job creation, inclusive growth and industrialisation;
- Support the alignment of the government departments around implementation;
- Oversee and provide strategic direction to development finance institutions and;
- Provide strategic direction on competition policy and trade administration matters through oversight of regulatory bodies.

The Department also provides support to the Presidential Infrastructure Coordinating Committee (PICC), through active and constructive monitoring of the level of infrastructure construction completion, preparing the Quarterly Construction Update, as well as providing oversight of Strategic Integrated Projects (SIP) Intergovernmental Forums and Coordinating Agencies.

The following entities report to the EDD:

- Development Finance Institution – Industrial Development Corporation (IDC)
- Economic Regulatory Bodies – Competition Commission, Competition Tribunal; and International Trade Administration Commission of South Africa (ITAC).

The Department administers the following legislation:

- Industrial Development Corporation Act (Act No. 22 of 1940);
- Competition Act (Act No. 89 of 1998);
- Competition Amendment Act S16 (2008) s16 promulgated 1 April 2013;
- International Trade Administration Act (Act No 71 of 2002); and
- Infrastructure Development Act (Act No. 23 of 2014).

The following policy frameworks, programmes and policy pronouncements guide the Annual Performance Plan (APP) of the Department:

- State of the Nation Address (SONA) annually;
- National Development Plan;
- New Growth Path;
- National Infrastructure Plan;
- Industrial Policy Action Plan;
- Delivery Agreement on Outcome 4: Decent Employment through inclusive economic growth;
- Delivery Agreement on Outcome 5: Skilled and capable workforce to support inclusive growth;
- Delivery Agreement on Outcome 6: Efficient, competitive and responsive infrastructure;
- Delivery Agreement on Outcome 7: Vibrant, equitable, sustainable rural communities;
- Framework for South Africa's response to the international economic crisis.
- Finance and fiscal policy framework;
- Public Finance Management Act No. 1 of 1999;
- Municipal Finance Management Act No. 56 of 2003 and related bi-laws.

The Department facilitated the signing of and monitors the implementation of the following Social Accords:

- Basic Education Accord;
- National Skills Accord;
- Local Procurement Accord;
- Green Economy Accord
- Youth Employment Accord and;
- October 2012 Social Accord.

3. 2014 – 2019 Strategic Plan of the Economic Development Department

The Strategic Plan sets out the objectives of the Department for the duration of the current administration.

The Department has identified six strategic objectives which have been integrated into three programmes, namely Administration; Growth Path and Social Dialogue; and Infrastructure Development, Investment, Competition and Trade. The Department's Strategic Objectives are the following;

- **Strategic Objective 1:** Provide strategic guidance to the Department; and technical and administrative support to the Ministry to achieve the rest of the Department's strategic objectives.
- **Strategic Objective 2:** Co-ordinate jobs drivers and the implementation of the National Growth Path economic strategy in support of the National Development Plan.
- **Strategic Objective 3:** Facilitate Social Dialogue and implementation of Social Accords.
- **Strategic Objective 4:** Coordinate infrastructure Development and strengthen its positive impact on the economy and citizens.
- **Strategic Objective 5:** Promote Investment, industrial financing and entrepreneurship for jobs and inclusive growth.
- **Strategic Objective 6:** Promote competition, trade and economic regulation in support of job creation and social inclusion.

4. ANNUAL PERFORMANCE PLAN AND THE BUDGET OF THE DEPARTMENT

In the current financial year, the Department's strategic objectives and the number of KPIs have remained the same but the number of products/ outputs have increased from 164 to 170. This thus translates to:

- 23 KPIs to give effect to the strategic objectives and;
- 164 products/ outputs from the KPIs.

According to the Medium Term Expenditure Estimates last year, the Department was allocated R885.8 million for 2015/6, R685.7 for the current year and R727.9 million for the outer year. The amount allocated to the Department this year has been reduced from the planned R685.7 million to R674.7 million. In terms of economic classification, 79 per cent or R528.7 the largest portion goes to transfers and subsidies.

About R146 million or 21 per cent of the total budget is for departmental operations. Of that amount 60 per cent or R87.8 million is for the compensation of employees which makes up the second largest portion of the total budget. The Department has budgeted for 140 funded posts in the current financial year.

The department's goods and services budget has also been reduced, by R1.2 million for 2016/17, R1.2 million for 2017/18 and R1.4 million for 2018/19, particularly in travel and subsistence. The department plans to mitigate the impact of the reductions by shifting expenditure from non-performing areas.

4.1 Allocations per programme

- Programme 1: Administration – R 79.2 million
- Programme 2: Growth path and social dialogue - R 36 million
- Programme 3: Investment competition and trade – R 559.4 million

Table: Departmental Budget Summary

R million	2016/17				2017/18	2018/19
	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	79.2	77.0	–	2.2	80.7	79.4
Growth Path and Social Dialogue	36.0	35.5	–	0.5	35.6	39.6
Investment, Competition and Trade	559.4	30.5	528.8	0.2	598.0	632.0
Total expenditure estimates	674.7	143.0	528.8	2.9	714.3	751.0

Source: National Treasury

Table: Vote Expenditure estimates by programme and economic classification

Programme	Revised estimate	Average growth rate (%)	Expenditure/ Total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expenditure / Total: Average (%)
				2015/16	2012/13 - 2015/16			
R million				2016/17	2017/18	2018/19		
Programme 1	83.2	16.7%	10.5%	79.2	80.7	79.4	-1.6%	10.7%
Programme 2	27.9	-3.7%	3.5%	36.0	35.6	39.6	12.4%	4.6%
Programme 3	774.7	8.1%	86.0%	559.4	598.0	632.0	-6.6%	84.7%
Total	885.8	8.3%	100.0%	674.7	714.3	751.0	-5.4%	100.0%
Change to 2015	–			(11.0)	(13.6)	(19.1)		

4. OBSERVATIONS AND RECOMMENDATIONS

4.1 OBSERVATIONS

The observations made by the Committee are clustered per programme here below;

Programme 1: Administration

The following were concerns raised by the Committee:

1. The Department's ability to source the requisite skills to fulfil its mandate;
2. Delays in the finalisation of the organogram in which PICC needs will be reflected;
3. Challenges relating to the filling of vacancies and staff retention are legacy issues that are still prevailing in the Department;
4. Recurrent issues relating to availability and cost of office space in the entities, particularly the Competition Commission, Competition Tribunal and ITAC;

Programme 2: Growth path and social dialogue

The following were concerns raised by the Committee, the need:

5. The need to put greater emphasis on skills development that would empower youth, women and people living with disabilities;
6. The need to improve the frequency with which the Department reports on the implementation and the impact of the social accords;
7. Difficulties in measuring the impact of government projects and programmes on job creation.

Programme 3: Investment competition and trade

The following were concerns raised by the Committee:

8. The restrictive nature of the competition legislation on investigations relating to abuse of dominance;
9. Difficulties in accessing information on funding is one of the major challenges in the development of the township economy, Black Industrialists, Small, medium and micro enterprises (SMMEs) and cooperatives

4.2 RECOMMENDATIONS

In light of the concerns raised above, the Portfolio Committee on Economic Development recommends that the Executive Authority and Accounting Officer:

1. Report to the Committee, as a matter of considerable urgency, on the finalisation of the (human resource) organogram that will speak to the personnel and specific capacity needs of the Department;
2. Address the challenges relating to the filling of vacancies, including those that currently have people in acting positions and provide quarterly progress reports in this regard;
3. Ensure the creation of a conducive working environment that will see personnel at all levels being productive and thus improve staff retention in the Department;
4. Work on ensuring that (for future reporting) the Department's Key Performance Indicators (KPIs) and targets are clear, verifiable and measurable;
5. Focus on skills development for the empowerment of the youth, women and people living with disabilities;

6. Address issues relating to space constraints in the Competition Commission, Competition Tribunal and ITAC and provide a final progress update in its 2016/17 First Quarter Report in the third (parliamentary) term;
7. Ensure the enhancement of oversight and coordination on the implementation of the NGP objectives across all spheres of government and provide quarterly progress reports in this regard;
8. Provide the Committee with quarterly reports on the impact of government programmes and projects on job creation;
9. Report, within the next six months, on the impact of the efforts to ensure alignment and integration of economic priorities at all spheres of government, particularly the municipal level;
10. Introduce legislation to strengthen the investigative powers of the Competition Commission when investigating companies concerning abuse of market dominance before the end of the current financial year.
11. Fast-track the work on the expansion of industrial funding to support the development of entrepreneurship, township and rural economy, SMMEs, Cooperatives and black industrialists. It is important that the impact of the funding strategies is felt especially in these sectors.

The Committee noted that the Department is engaged in various consultation stages with stakeholders on competition legislation and will await further reports in this regard.

PART B: THE ENTITIES

5. INDUSTRIAL DEVELOPMENT CORPORATION (IDC)

Established in 1940, the IDC has been instrumental in implementing the country's industrial policy, establishing some of the industries that are today cornerstones of South Africa's manufacturing sector. Over its 75 years of existence, the IDC has driven growth by building partnerships, providing funding and other forms of support to companies and ensuring their long-term sustainability.

The Corporation reports that its priorities are aligned with government's priorities of job creation, reducing inequalities and contributing to economic transformation. For the 2016/17 financial year, the IDC began the implementation of an internal restructuring initiative called Project Evolve. The IDC reports that the restructuring process, under new business heads, has grouped industries into related sectors. The aim is to ensure that the IDC is more effective in funding those sectors that will have the most beneficial effects on the economy.

In terms of Project Evolve priority industries have been classified into the following;

- Value Chains – Metals, Chemicals and pharmaceuticals, Agro-processing and Agriculture
- New Industries – Forward looking and innovation sectors,
- Special high Impact sectors – Entertainment and clothing and textiles
- High Impact Sectors – sectors which contribute to development goals
- Industrial Infrastructure – utilities sector i.e. electricity, water and telecommunications and logistics

6.1 IDC 2016/7-2020/21 CORPORATE PLAN

The IDC has 5 key focus areas, namely;

- Value chain strategies – Chemicals and Pharmaceuticals,
- Industrial Infrastructure – Energy, Logistics, Water and Telecoms.
- New Industries
- Operational Efficiencies and effectiveness
- Response to economic conditions

The IDC's main target is to approve R100 billion over the next five years. For the current financial year, the IDC aims to;

- Approve – R15.1 billion
- Invest 12 per cent in the rest of the continent

Expected impact

- Disburse R14.4 billion
- Facilitate the creation and or saving of 20 000 jobs
- Approve R3.2 billion for black industrialists
- Approve R0.8 for youth and women empowered businesses.
- Set aside R3.6 billion for localisation initiatives

During 2015, the IDC's loan disbursements fell to R10.9-billion from R11.2-billion in 2014, while its new approvals declined from R13.8-billion to R11.5-billion. For the current financial year, the IDC is targeting R15.1 billion approvals. The target for impairments is 14.5 per cent in the current financial year falling to 13.7 per cent by 2020. The baseline for impairments and bad debt write-offs is R19.6 billion for the current financial year. While provision for bad debts and impairments is R13.8 billion.

Table: IDC Strategy Pillars

Increasing Industrial Development Impact	Ensuring Long-Term Sustainability	
	Financial Capital	Human, Social, Natural and Manufactured Capital
<ul style="list-style-type: none"> • Strengthen sector development objectives and strategies • Align IDC with the sector objectives of NGP and IPAP • Increased project development and implementation • Provide industrial finance to further achievement of sector development objectives • Increase regional industrial integration through the development of value chains • Ensure effective and efficiently operating subsidiaries 	<ul style="list-style-type: none"> • Plan investment return and risk profile to ensure sufficient growth to replace existing cash generators • Structure investments to increase direct equity returns • Manage risks through appropriate investments, pricing and management of the portfolio 	<p>Human resources</p> <ul style="list-style-type: none"> • Ensure appropriately skilled and capacitated human resources <p>Stakeholders</p> <ul style="list-style-type: none"> • Improve customer service • Build partnerships with other financiers to leverage off different strengths and mandates Increase engagements with sector players to identify opportunities • Develop black industrialists • Strengthen IDC expertise to shape and influence policy • Build strong communities around projects that IDC fund <p>Natural environment</p> <ul style="list-style-type: none"> • Reduce IDC's negative environmental impact • Reduce industry's negative environmental impact <p>Utilisation of resources</p> <ul style="list-style-type: none"> • Improve efficiencies through improved systems and processes

Source: IDC Corporate Plan

6.2 BLACK INDUSTRIALISTS

The IDC describes a Black Industrialist as a black entrepreneur who creates and owns industrial capacity and provides long-term strategic and operational leadership to the business and is by definition not a portfolio or purely financial investor. The following are characteristics of a black industrialist:

- Provides strategic and operational leadership to the business;
- Has a high level of ownership (>50%) and/or exercises control over the business;
- Identifies opportunities and develops business to take advantage of these opportunities (entrepreneurial);
- Takes personal risks in the business;
- Does business in manufacturing and related sectors, with particular reference to IPAP and IDC focus areas;
- Makes a long-term commitment to the business and is not a short- to medium-term investor. While there would be a desire to develop black industrialists that own 100% of the business, it is accepted that this is not necessarily possible since there may be a need to include other shareholders to attract relevant skills and finance.

For 2016/17, R3.2 billion worth of funding is targeted for Black Industrialist, increasing up to R11.4 billion by 2018/19. The IDC has adjusted the way that Black Industrialist benefit from its pricing model to make it easier for them to get a higher pricing benefit. In addition, The IDC also provide business support and has several initiatives in place to identify and develop industrialist more proactively. A policy on the programme was recently adopted by Cabinet.

6.3 SIGNIFICANT SUBSIDIARIES

- The IDC is planning to transfer about R710 million to the Small Enterprise Finance Agency. The number of SMMEs funded by sefa increased by 48 per cent and disbursement increased by 58 per cent to R1.3 billion.
- The IDC acquired 74 per cent of Scaw in 2012. Scaw is now making losses due to weakening steel prices, competition from cheaper Chinese imports and slow growth in construction and mining.
- Foskor was established by the IDC in 1951 to produce phosphates for the country's agricultural sector. IDC owns 59 per cent of Foskor.

6.4 KEY FINANCIAL IMPLICATIONS

CASH FLOW PROJECTION PERIOD ENDED R'Million	ACTUAL 2015 MARCH	BUDGET 2016 MARCH	ESTIMATE 2016 MARCH	BUDGET 2017 MARCH	FORECAST ACTIVITIES			
					2018 MARCH	2019 MARCH	2020 MARCH	2021 MARCH
Total Financing Advances	10 901	13 899	12 619	13 328	15 480	16 814	17 541	18 308
Borrowings repaid	3 164	6 913	5 197	7 237	7 688	7 217	13 609	10 615
Dividend paid	50	50	50	-	-	-	-	-
Other assets/liabilities	405	355	113	545	3 030	4 446	1 487	966
OUTFLOW	14 520	21 467	17 979	21 110	26 228	28 827	32 887	29 969
Repayments received	3 119	5 133	2 633	2 177	1 850	2 160	3 373	5 894
Net income before tax	4 442	2 550	1 279	4 220	2 925	3 881	5 762	5 191
INTERNAL FUNDS GENERATED	7 561	7 683	3 912	6 397	4 775	6 041	9 135	11 085
External funds raised	7 392	12 658	16 417	14 474	22 274	21 882	23 830	18 761
INFLOW	14 953	20 341	20 329	20 871	27 049	27 923	32 965	29 846
NET (OUTFLOW)/INFLOW	433	(1 126)	2 350	(239)	821	(904)	78	(123)
Cash per Balance Sheet	7 725	7 287	10 075	9 836	10 657	9 753	9 831	9 708

Source: IDC

7. COMMITTEE OBSERVATIONS

The following were observations and/or concerns made by the Committee:

1. The lack of progress made on issues of localisation – including the the lack of requisite skills, willingness and preparedness of industries;
2. The Black industrialist programme and the selection process, and the need for wider inclusiveness;
3. The need for further investments in renewable energy programmes;
4. Ensuring sustainable job creation in negotiated deals with foreign investors;
5. The provision of equitable funding and support to all provinces.

7.1 RECOMMENDATIONS

Following the deliberations, Portfolio Committee on Economic Development recommends that the Executive Authority and Accounting Officer (s) ensure that:

1. There is improvement of localisation and beneficiation of products.
2. The Corporation's investment strategy puts more emphasis on local procurement of renewable energy and automotive materials, among others, so that the MTSF target of 75 per cent local procurement be reached by 2019.
3. A monitoring strategy is developed to ensure that the Black Industrialists Programme is inclusive enough to reduce income inequalities in the country
4. Ongoing investment in renewable energy programmes to help alleviate the electricity supply burden on Eskom;

5. The agreement between the IDC and the Chinese company Baic puts emphasis on the creation of jobs for local people.
6. Measures are in place so that there is no fronting and that the Black Industrialists programme is inclusive i.e. does not benefit a few;
7. The IDC's debt to equity ratio is narrowed down over a reasonable period;
8. The Corporation transforms its inequitable presence and funding support in the various provinces, as well strengthen its business support unit to cover these areas;
9. The IDC works together with local funding offices with a wider presence in the said areas, e.g. the Small Enterprise Development Agency

8. THE COMPETITION COMMISSION

The Competition Commission was established in terms of the Competition Act No. 89 of 1998, as an investigative and enforcement agency. It is vested with powers to investigate and control restrictive business practices, abuse of dominance and mergers in order to achieve equity and efficiency in the South African Economy.

The Competition Commission consists of the Commissioner and one or more Deputy Commissioners, appointed by the Minister of Economic Development. The Commissioner, is the Chief Executive Officer of the Competition Commission and is responsible for the general administration of the Commission and for carrying out any function assigned to it in terms of the Act. The Commissioner is appointed for a five-year term and is accountable to the Minister of Economic Development and Parliament. The Deputy Commissioner, assists the Commissioner in carrying out the functions of the Commission. The Commission is made up of seven divisions, namely:

- Enforcement & Exemptions
- Mergers & Acquisitions
- Advocacy and Stakeholder Relations
- Legal Services
- Policy & Research
- Corporate Services
- Cartels

8.1. STRATEGIC GOALS

The Commission has three strategic goals for the 2015-2020 period. These are;

- **Effective enforcement and merger control**
 - Efficient and effective merger regulation.
 - Competitive markets through action against cartels and abuse of dominance.
 - Improved public interest outcomes in markets (relating to jobs, industrialisation, exports, development of black-owned businesses and SMMEs.
 - Increased competition compliance.
 - Improved understanding of market dynamics in priority sectors.
- **Strategic Collaboration and Advocacy**
 - Improved co-ordination on the application of economic policy and competition policy.
 - Recognition of developmental perspectives in domestic and international competition law discourse.
 - Improved compliance and awareness.

- **High-performance Agency**
- Improved organisational efficiency.
- Accountably managed resources.
- Highly motivated and productive people.

For the current financial year, the Commission will prioritise the following area;

- Food and Agro-processing
- Intermediate Industrial input products
- Construction and infrastructure
- Healthcare
- Energy
- Banking and financial services

8.2 Alignment to Government Outcomes

The Commission's strategic response to Government's policies and planning outcomes during the period 2015-2020 includes the following:

- Considering socio-economic outcomes in case analysis, particularly in cases which have a large impact on the price of goods, public access to resources and market entry for small firms and historically disadvantaged individuals;
- Designing conditions and remedies which address employment, market concentration and other socio-economic challenges, and monitoring compliance thereof;
- Expanding the opportunities for South African participation in world markets, in line with the promotion of economic growth through the use of enforcement, exemptions and merger instruments;
- Continued advocacy and enforcement in regulated sectors to drive competitive conduct;
- The Commission's selection of its priority sectors to include those with high-growth and jobs potential;
- Considering the linkages between trade policy and competition policy in its work. This includes ensuring alignment of the Commission's priority sectors to IPAP-designated sectors and pursuing Market Inquires in economically-strategic sectors;
- Collaborations and partnerships to be pursued with other state actors on economic policy;
- Continued advocacy and training work with municipalities, trade unions and the general public, particularly on bid-rigging and competition awareness.

8.3 ANNUAL PLANS FOR 2016/17

Areas of focus for the Commission for the period will include reinforcing the following areas:

- Mergers and Acquisitions Divisions;
- Cartels Division;
- Enforcement and Exemptions Division;
- Legal Services Division;
- Policy and Research Division;
- Office of the Commissioner and;
- Performance Management.

8.4 BUDGET

The Mergers & Acquisitions, Enforcement & Exemptions, Cartels, Legal Services and Policy & Research are the core programmes directly involved with the implementation of the Competition Act. Nonetheless, support activities such as Administration spend more than 80% of their resources

offering support to the core activities. The following table summarises the projected expenditure per division:

Table: Expenditure Estimates by Programme

Expenditure per division	2015/16	2016/17	2017/18
R'000	Forecast	Forecast	Forecast
Administration	132,837	105,362	109,741
Mergers and acquisitions	24,548	21,289	24,303
Enforcements and exemptions	29,323	28,722	30,902
Cartel	26,601	25,682	26,965
Policy and research	48,944	37,554	39,431
Legal services	58,611	50,067	52,570
Private healthcare market Inquiry	46,580	–	–
Total Expenses	367,444	268,675	283,912

Source: Competition Commission Annual Performance Plan

The financial resources have been allocated to ensure that the Commission could focus on the identified strategic areas. As is customary, financial revisions are done during the financial year, and any adjustments are effected accordingly.

9. COMMITTEE OBSERVATIONS

The following were observations and/or concerns made by the Committee:

1. The organisational structure of the Commission;
2. The filling of key posts, especially that of Deputy Commissioner;
3. Ensuring transformation in the field of competition law;
4. The challenges of office space that have beset the organisation for some time;
5. Sustainability of the costly nature of market inquiries

10. RECOMMENDATIONS

Following the deliberations, the Portfolio Committee on Economic Development recommends that the Executive Authority and Accounting Officer (s) ensure that:

1. The review of the organisational structure at the Commission is supported and prioritised as the work of the organisation increases;
2. The Commission considers securing personnel secondments from other departments and public sector institutions so as to equip itself with the necessary expertise, especially for purposes of market inquiries;
3. The Commission includes in its outreach plans, visits to schools at secondary level to encourage to inform learners of career opportunities, specifically in economics and competition law;

4. Bursaries and scholarships are made available to deserving students, especially in the previously disadvantaged institutions of higher learning, with the intention to recruit them on successful completion of their studies;
5. The post of Deputy Commissioner is filled without further delay and the Department reports to the Committee on progress in the third (parliamentary) term;
6. The Department finalises the acquisition of office space for the Commission, a matter the Committee treats as long overdue. A report in this regard will be required in the third (parliamentary) term;
7. Cost containment measures are in place when undertaking market inquiries so that they remain sustainable and beneficial to the South African economy.

The Committee noted that processes are underway to consult stakeholders on the amendments of the Competition Act. The amendments will be crucial in supporting the challenging work of the Commission, especially in such areas as the abuse of dominance. The Committee will await a timely report from the Minister in this regard.

11. COMPETITION TRIBUNAL

The Competition Tribunal adjudicates competition matters, in accordance with the act and has jurisdiction throughout South Africa. It is independent and subject to the constitution and the law. It must be impartial and perform its functions without fear, favour or prejudice. When a matter is referred to it in terms of the act the tribunal must:

- Adjudicate complaints of prohibited conduct (Restrictive practice, Abuse of dominance)
- Impose a remedy
- Award costs
- Grant an order for interim relief
- Authorize or prohibit a large merger
- Adjudicate appeals from Commission's decisions on:
 1. Intermediate mergers
 2. Exemptions

11.1 STRATEGIC FOCUS

The Competition Tribunal has three broad strategic objectives, namely;

- Ensuring effective and efficient adjudication;
- Building and developing effective stakeholder relationships and;
- Adherence to good corporate governance and sound business practice.

The Competition Tribunal reported that it would benefit for the amendments to the Competition Act, 1998 (Act No. 89 of 1998) and the Competition Amendment Act, 2009 (Act No. 1 of 2009), whose review process have been put in place by the Executive Authority.

11.2 CHALLENGES

The Competition Tribunal reported the following challenges to the Committee:

- The post of Deputy Chairperson remains vacant;
- There are two vacant part-time Tribunal member positions;
- There is a need for a senior economist, and the budget provides for such an appointment only from 1st March 2017.

11.3 FINANCIAL OVERVIEW

The table below presents the Competition Tribunal's financial overview for the Medium Term Strategic Framework period:

Year	Total budget requirement	Expected MTEF allocation	Expected filing fees from Commission	Other income	Use of accumulated surplus	Additional funding requirements
	(in R'm)	(in R'm)	(in R'm)	(in R'm)	(in R'm)	(in R'm)
2015/2016	38.15	19.10	10.67	2.03	6.35	0
2016/2017	42.77	21.06	11.53	0.78	9.40	0
2017/2018	46.40	30.04	12.45	0.60	3.31	0
2018/2019	49.38	35.09	13.69	0.60	0	0
2019/2020	52.90		15.06	0.00	0	37.84

Source: Competition Tribunal

11.4 COMMITTEE OBSERVATIONS

The following were observations and/or concerns made by the Committee:

1. The long overdue appointments of part-time tribunal members;
2. The filling of key vacancies;
3. Ensuring transformation in the field of competition law;
4. The improved communication strategy of the organisation.

11.5 RECOMMENDATIONS

Following the deliberations, Portfolio Committee on Economic Development recommends that the Executive Authority and Accounting Officer (s) ensure that:

1. The recommendations for the appointment of the Competition Tribunal members by the Minister, scheduled for the end of May, are finalised;
2. Key vacancies are filled within six months, and a report submitted to the Committee on progress in this regard;
3. The Competition Tribunal considers securing personnel secondments from other departments and sectors so as to equip itself with the necessary expertise;
4. The Competition Tribunal includes in its outreach plans, visits to schools at secondary level to encourage and inform learners of career opportunities.
5. The Competition Tribunal includes in its outreach plans, visits to schools at secondary level to encourage to inform learners of career opportunities, specifically in economics and competition law;
6. Bursaries and scholarships are made available to deserving students, especially in the previously disadvantaged institutions of higher learning, with the intention to recruit them on successful completion of their studies;

12. THE INTERNATIONAL TRADE ADMINISTRATION COMMISSION (ITAC)

The International Trade Administration Commission (ITAC) is a schedule 3A Public Entity. It was established in terms of the International Trade Administration (ITA) Act, No 71 of 2002, and came into force on 1 June 2003. ITAC replaced its predecessor, the Board of Tariffs and Trade (BTT) which was established in 1986. The predecessor of the BTT is the Board on Trade and Industries (BTI) which dated back to 1924. The aim of ITAC, as stated in the Act, is to;

- Foster economic growth and development in order to raise incomes;
- Promote investment and employment in South Africa; and
- Promote investment and employment within the Common Customs Union Area by establishing an efficient and effective system for the administration of international trade subject to this Act and the Southern African Customs Union (SACU) Agreement.

The core functions of ITAC are:

- Customs tariff investigations;
- Trade remedies; and
- Import and export control.

ITAC used to fall within the purview of the Department of Trade and Industry which is for trade and industrial policy. The administration of the ITA Act was transferred to the Minister of Economic Development (Policy and Oversight) in 2009, except for decision making powers on individual tariff and trade remedy investigations that have been retained by the Minister of Trade and Industry. ITAC now accounts to EDD on policy matters but the DTI considers recommendations on tariff applications.

The Commission is constituted of 2 Full- time Commissioners (Chief Commissioner and Deputy Chief Commissioner – the latter remains vacant). The Chief Commissioner is supported by ten part-time Commissioners. There are four Senior Managers (Technical Advisory Services, Legal Services, Internal Audit and Policy and Research) one Chief Economist (Trade and Economic Analysis) and one General Manager (Corporate Services) who report directly to the Chief Commissioner.

There are various units within ITAC; the Tariff Investigations Unit, (tariff investigations are divided into two groups: agro-processing, chemicals, textiles, clothing and footwear), and motors, metals and machinery, Trade Remedies Unit and; Import and Export Control Unit.

These three units have managers, senior investigators, investigators, administrators and secretaries. At the end of March 2015 ITAC had a staff compliment: 125 - Core business: 70; Support services: 55 and 11 contract employees. The approved staff compliment for the current financial year is 131.

12.1 STRATEGIC OBJECTIVES AND BUDGET

CORE FUNCTIONS	STRATEGIC OBJECTIVE	Revised Budget 2015/16	Budget 2016/17	Budget 2017/18
ADMINISTRATION	ALL	35.4m	35.4m	44.8m
TARIFF INVESTIGATIONS	Contribution to employment creating growth and development through effective delivery of international trade instruments	23.6m	24.8m	26.2m
TRADE REMEDIES	To ensure strategic alignment with and continued relevance to the Economic Development Department and national agenda, particularly in the New Growth Path.	15.6m	16.7m	17.5m
IMPORT AND EXPORT CONTROLS	To ensure organisational efficiency and effectiveness of ITAC.	11.5m	11.9m	12.5m
	TOTAL	86.3m	88.7m	100.8m

Source: Parliamentary Research Unit

The Commission further reports that R74.7 million or 75 per cent of the budget is for employee costs and the rest, for goods and services. Compared to last year, the proportion of the budget allocated to the compensation of employees has decreased from 77 per cent in the last financial year to 75 per cent in the current financial year but will increase again to about 78 per cent or R78.6 million in the 2017/18 financial year.

12.2 COMMITTEE OBSERVATIONS

1. The filling of key posts, especially that of Deputy Chief Commissioner, and the further acquisition of the necessary expertise;
2. The organisational structure that awaits approval by the Minister;
3. The previous report by the Auditor-General on the financial misstatement;
4. The need for further and wider engagement on the Price Preference System (PPS).

12.3 RECOMMENDATIONS

Following the deliberations, Portfolio Committee on Economic Development recommends that the Executive Authority and Accounting Officer (s) ensure that:

1. A briefing to Parliament on the PPS and challenges confronting the scrap metal sector takes place before the end of the first quarter of 2016/17.
2. The post of Deputy Chief Commissioner is filled without further delay and the Department reports to the Committee on progress in the third (parliamentary) term;
3. Reasonable progress is made with regards to the review of the organisation's human resource structure, so as to cater for the increasing demands of the organisation's work. The Committee will expect a report from the Department in the third (parliamentary) term;
4. An audit action plan is put in place to address the concerns raised by the Auditor-General in the previous financial reports, especially on misstatements;

13. CONCLUSION

The Portfolio Committee would like to thank Minister Patel and Deputy Minister Masuku; former Director-General Ms Jenny Schreiner; the late Acting Director-General Mr Kumaran Naidoo (may his soul rest in peace), the entire collective of the Department; the collective leadership of the entities in particular the board and Chief Executive officer of the IDC for their sterling work, and the Chairpersons and Commissioners of the competition authorities and ITAC, for their efforts in accelerating economic transformation for the betterment of the lives of our people.

During the Budget Vote process the Committee learnt with great shock and sadness, of the passing on of the Department's Acting Director-General Mr Kumaran Naidoo, following a brief period of hospitalization. The Portfolio Committee wishes to salute Mr Naidoo for his valuable contribution to the liberation of his people and the development of our nation through his public service. We wish his family, the leadership and staff at the departments of Economic Development and Trade and Industry, strength and comfort. We wish Mr Malcolm Simpson well in his new responsibility as the Acting Director-General

The Committee thus recommends, that the National Assembly approves the following:

1. The implementation of the Strategic Plan and APP (2016/17 – 2019/20) of both the Economic Development Department and the entities
2. The budget as allocated and;
3. The observations and recommendations of the Committee.

Report to be considered.