

## **Budgetary Review and Recommendation Report of the Portfolio Committee on Trade, Industry and Competition, dated 16 November 2022**

The Portfolio Committee on Trade, Industry and Competition, having assessed the service delivery performance of the Department of Trade, Industry and Competition (DTIC), against its mandate and allocated resources, namely the financial and non-financial resources for the period 1 April 2021 to 30 September 2022, reports as follows:

### **1. INTRODUCTION**

The financial period under review had been focused on implementing the Economic Reconstruction and Recovery Plan (ERRP) to address the socio-economic impact of the COVID-19 pandemic, exacerbated by the unrest in Gauteng and KwaZulu-Natal in July 2021, and the floods in the Eastern Cape and KwaZulu-Natal in April 2022. The ERRP emphasised the creation of a conducive environment for the continued development of the productive sectors of the economy. The DTIC's contribution to the implementation of the ERRP includes the leveraging the sectoral master plans, localisation and beneficiation policies, regional and global trade, and its regulatory frameworks.

In the 2022 State of the Nation Address, the President also emphasised the need to improve the business environment for all companies by reducing red-tape across all spheres of government. In response to this, the DTIC had introduced a programme to reduce red-tape across its programmes and entities.

The DTIC's allocated budget remained under pressure due to fiscal constraints and the slow economic recovery. The DTIC's allocated budget for the 2021/22 financial year had been adjusted upward from R9,73 billion to R11,8 billion in support of the manufacturing industry that had been impacted by the unrest.

The Committee has for the first time in its Budgetary Review and Recommendation (BRR) reporting process covered the full 18-month period in accordance with the Money Bills Amendment Procedure and Related Matters Act (Act No. 9 of 2009).

#### **1.1. Mandate of the Committee**

Section 5 of the Money Bills Amendment Procedure and Related Matters Act requires the National Assembly, through its committees, to annually assess the performance of each national department over an 18-month period. A committee must submit a report of this assessment known as a BRR Report. The overarching purpose of the BRR Report is for the committee to make recommendations on the forward use of resources to address the implementation of policy priorities and services, as the relevant department may require additional, reduced or re-configured resources to achieve these priorities and services. This Act gives effect to Parliament's constitutional power to amend the budget in line with the fiscal framework. The BRR Report process enables the Committee to exercise its legislative responsibility to ensure that the DTIC, as well as its entities, are adequately funded to fulfil their respective mandates.

#### **1.2. Purpose of the BRR Report**

The purpose of this report is to analyse the annual financial and non-financial performance of the DTIC for the 2021/22 financial year, and for the first and second quarters of the 2022/23 financial year for the DTIC, against predetermined objectives to inform recommendations for its forward-looking budget. This report, therefore, assesses performance for the 2021/22 financial year, as well as the first six months of the 2022/23 financial year, namely from 1 April 2021 to 30 September 2022, within the context of the three-year Medium-Term Expenditure Framework.

#### **1.3. Method**

The Committee met with the Office of the Auditor-General (AG) on 11 October 2022 to discuss the audit outcomes for the 2021/22 financial year. This was followed by a briefing from the DTIC on its 2021/22 annual report. The DTIC then briefed the Committee on its financial and non-financial performance for the first half of the 2022/23 financial year on 1 November 2022.

#### **1.4. Outline of the contents of the report**

This BRR Report consists of the introduction (Section 1) and eight sections. Section 1 briefly provides an overview of the mandate of the Committee, the purpose of this report and the method followed in preparing this report.

Section 2 provides a summary of the key financial and non-financial performance recommendations of the Committee as captured in its previous BRR Report. Section 3 sets out the key policy focus areas for the DTIC. This includes an overview of its strategic objectives and mandate. Section 4 provides an assessment of the DTIC's financial and non-financial performance against its budget allocation from 1 April 2021 to 31 March 2022, as well as its audit findings and human resource management, for the period ending 31 March 2022.

Section 5 considers the financial and non-financial performance of the DTIC for the period ending 30 September 2022. Then, section 6 outlines key issues raised by the Committee during its deliberations with the Department.

Section 7 provides the Committee's concluding remarks followed by a note of appreciation in Section 8. Section 9 then concludes with the Committee's recommendations for the National Assembly's consideration and approval.

## 2. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

### 2.1. 2021 BRR Report recommendation

"Informed by its deliberations, the Committee recommends that the House requests that the Minister of Trade, Industry and Competition should consider reviewing the Broad-Based Black Economic Empowerment Act (Act No. 46 of 2013) with the intention of establishing a Broad-Based Black Economic Empowerment Tribunal with powers to rule on and sanction prohibited conduct under the legislation."<sup>1</sup>

## 3. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

### 3.1. Strategic objectives

The DTIC's mission is to:

- "Promote structural transformation, towards a dynamic industrial and globally competitive economy;
- Provide a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development;
- Broaden participation in the economy to strengthen economic development;
- Continually improve the skills and capabilities of the DTIC to effectively deliver on its mandate and respond to the needs of South Africa's economic citizens;
- Co-ordinate the contributions of government departments, state entities and civil society to effect economic development; and
- Improve alignment between economic policies, plans of the state, its agencies, government's political and economic objectives and mandate."<sup>2</sup>

**Figure 1: List of entities reporting to the DTIC**

Development Finance Institutions	Regulatory Entities	Technical Infrastructure Institutions
<ul style="list-style-type: none"> <li>• Export Credit Insurance Corporation of South Africa</li> <li>• National Empowerment Fund</li> <li>• Industrial Development Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Company and Intellectual Property Commission</li> <li>• Companies Tribunal</li> <li>• Competition Commission</li> <li>• Competition Tribunal</li> <li>• International Trade Administration Commission of South Africa</li> <li>• National Consumer Commission</li> <li>• National Credit Regulator</li> <li>• National Consumer Tribunal</li> <li>• National Gambling Board of</li> </ul>	<ul style="list-style-type: none"> <li>• National Metrology Institute of South Africa</li> <li>• National Regulator for Compulsory Specifications</li> <li>• South African Bureau of Standards</li> <li>• South African National Accreditation</li> </ul>

<sup>1</sup> Portfolio Committee on Trade and Industry (2021: 37)

<sup>2</sup> DTIC (2021: 16)

	South Africa • National Lotteries Commission	System
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The DTIC is responsible for administering 55 pieces of legislation; and overseeing 17 entities (excluding the Broad-Based Black Economic Empowerment (B-BBEE) Commission, which is a trading entity within the administration of the DTIC) that contribute towards fulfilling its mandate (see Figure 1 above). In addition to overseeing the DTIC, the Committee oversees these entities, as a number of its strategic objectives are implemented by them.

#### 4. OVERVIEW AND ASSESSMENT OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE FOR THE PERIOD 1 APRIL 2021 TO 31 MARCH 2022

This section provides a comparison between what the DTIC targeted in its Annual Performance Plan (APP) against its performance set out in the Annual Report for the 2021/22 financial year. It then provides an overview of the AG's audit outcomes and human resources as at 31 March 2022.

##### 4.1. Non-financial performance<sup>3</sup>

The section below detailed the DTIC's performance by programme for the 2021/22 financial year against its targets as set out in the APP for the 2021/22 financial year. For the financial year, the DTIC had a total of 73 Key Performance Indicators (KPIs)/Performance Targets<sup>4</sup>. In the previous financial year, it had 35 KPIs. Therefore, most of the performance targets for the 2021/22 financial were new.

**Table 1: Summary of 2021/22 Performance Indicators per Programme**

Programme		Performance targets	Achieved
1	Administration	6	4
2	Trade Policy, Negotiations, and Cooperation	7	7
3	Spatial Industrial Development and Economic Transformation	8	8
4	Industrial Competitiveness and Growth	10	8
5	Consumer and Corporate Regulation	5	5
6	Industrial Financing	9	8
7	Export Development, Promotion and Outward Investments	7	7
8	Inward Investment Attraction, Facilitation, and Aftercare	6	5
9	Competition Policy and Economic Planning	7	7
10	Economic Research and Coordination	8	7
	<b>Total</b>	<b>73</b>	<b>66</b>

Source: DTIC (2022a)

Of the 73 targets, 66 had been achieved, meaning that the DTIC had achieved 90,4 per cent of its targets compared to 94 per cent in the previous financial year.

##### Programme 1: Administration<sup>5</sup>

The Administration Programme is responsible for providing strategic support and management to the DTIC and its entities. Under this Programme, six performance targets had been set, which would aid mainly the implementation of transformation through Employment Equity and Black Economic Empowerment. Of the six performance targets, two had not been achieved. Targets that had been achieved were:

- Ensuring 3,5 per cent representation of people with disabilities had been exceeded, as the DTIC had achieved 3,9 per cent representation of people with disabilities;
- Ensuring 50 per cent representation of women in senior management had also been exceeded, as 54 per cent senior management were comprised of women;
- Paying all creditors within 30 days; and

<sup>3</sup> DTIC (2021 and 2022a)

<sup>4</sup> DTIC (2021)

<sup>5</sup> DTIC (2022a: 55-59)

- Developing two status reports on the implementation of the shared services framework. The purpose of the shared services framework is to ensure the efficient use of resources in the DTIC and its entities. The three status reports had been on the (i) approved cybersecurity and Information and Communication Technology (ICT) service continuity policy framework; (ii) the shared entity document libraries; and (iii) the capacitation of the forensic audit unit.

Targets that had not been achieved during the financial year included:

- The implementation of 50 per cent of the Capacity Building Plan to ensure that the DTIC's substructure is fit for purpose and that there is culture change as well as upskilling and reskilling. For the financial year, the implementation of the Capacity Building Plan had reached 21,2 per cent. The process to appoint a service provider had been delayed by National Treasury's decision to halt the process; and
- The Review of the entities' Governance Framework and implementation thereof had not been completed by the end of the financial year as planned.

### **Programme 2: Trade Policy, Negotiations, and Cooperation<sup>6</sup>**

The purpose of the Programme is to facilitate the building of an equitable global trading system by strengthening trading and investment relations with key markets globally. Furthermore, in line with the New Partnership for Africa's Development, the Programme is responsible to promote the development of the African continent through regional and continental integration.

Under this Programme, there had been seven targets, which had been achieved. The targets related to the production of reports in terms of the African and international work of the Programme. These reports included:

- Bi-annual reports on the readiness of African Union members and customs unions to implement tariff preferences;
- Bi-annual reports on progress made in meetings of the Southern African Customs Unions (SACU) on matters of the African Continental Free Trade Agreement (AfCFTA);
- Progress on trade in services negotiations under the AfCTFA; and
- Border interceptions and other measures to reduce illegal imports in collaboration with the South African Revenue Service (SARS) and the International Trade Administration Commission of South Africa (ITAC); and
- Bi-annual reports on progress on AfCFTA protocols on investment, competition, intellectual property rights and e-commerce.

The Programme had also produced annual reports on:

- Initiatives to facilitate access to foreign markets particularly the United States, the European Union, and China; and
- South Africa's negotiating position in meetings of Brazil, Russia, India, and China; G20; and the World Trade Organisation (WTO).

### **Programme 3: Spatial Industrial Development and Economic Transformation<sup>7</sup>**

The purpose of the Programme is to promote inclusive economic transformation and to industrialise the economy through developing and funding Special Economic Zones (SEZs), and Black Industrialists. There had been eight targets planned under this Programme and all targets had been achieved. These were:

- The establishment of the national support unit for SEZs at the Industrial Development Corporation (IDC) to improve the performance of SEZs;
- The production of an application for an SEZ designation for the Minister's consideration;
- The production of two reports on integrated SEZs, Industrial Parks, and District Development Model;
- The development of an annual and three quarterly reports on the progress of SEZs;
- The implementation of nine annual targets for the revitalisation of Industrial Parks. (Five parks had been in construction, one had been in close-out, three have been completed, and two had been in the design phase);
- The production of an annual and three quarterly progress reports on Industrial Parks and Digital Hubs;

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<sup>6</sup> DTIC (2022a: 65-66)

<sup>7</sup> DTIC (2022a: 71-72)

- The development of B-BBEE regulations; and
- The production of an annual report on the worker, community, historically disadvantaged individual ownership of the economy.

#### **Programme 4: Industrial Competitiveness and Growth<sup>8</sup>**

The Industrial Development Programme is the DTIC's second largest programme in terms of budget allocation. It is responsible for the design and implementation of policies, strategies and programmes to develop the manufacturing and related sectors of the economy to contribute to the creation of decent jobs, adding value to manufactured products and enhancing competitiveness in the domestic and export markets.

The Programme had ten targets, of which it had achieved eight. The following targets had been achieved:

- Progress reports on the implementation of five Master Plans namely: the Automotive Sector; Poultry; Sugar Value Chain; Steel and Metal Fabrication; and Clothing, Textiles, Footwear, and Leather Master Plans, had been produced;
- An effective localisation monitoring system in collaboration with National Treasury had been developed;
- Semi-annual reports on compliance with designations had been produced; and
- An annual report on inputs and stakeholder consultation into the Procurement Bill had been developed as planned.

The following targets had not been achieved:

- The development of two Master Plans had not been achieved. One Master Plan on Global Business Services had been developed and launched. However, the Master Plan on Plastics could not be completed because the consultation process had taken longer than planned; and
- The development, in collaboration with National Treasury, of two reports on designated products and proposals for designations had not been achieved. One report on designation had been produced. The other designation had been delayed because the consultation process had been broadened to minimise challenges that had previously been experienced in the designation of products for local procurement.

#### **Programme 5: Consumer and Corporate Regulation<sup>9</sup>**

The Consumer and Corporate Regulation Programme is aimed at developing and implementing coherent, predictable and transparent regulatory solutions that facilitate easy access to redress and efficient regulation for economic citizens. Under this Programme, the DTIC had achieved its five targets, namely the production of the following reports:

- One report on the worker participation model in corporate governance;
- Two progress reports on the development of the Companies Amendment Bill;
- Two progress reports on the review of the Liquor Amendment Bill;
- Two reports on the finalisation of the implementation plan of the National Credit Amendment Act; and
- A report on the development of the SEZs legislative changes.

#### **Programme 6: Industrial Financing<sup>10</sup>**

The Industrial Financing Programme is responsible for improving the administration of the DTIC's incentive programmes through designing and implementing incentives and programmes that support investment, competitiveness, employment creation, and equity. Under Programme 6, all nine targets had been achieved, namely:

- A targeted investment value of R23 billion leveraged from approved projects and enterprises had been exceeded and approximately R34,2 billion worth of investments had been leveraged as a result of high value projected investments;
- A report had been produced on access to affordable financing for Small, Micro and Medium Enterprises, and on appropriate annual targets for the IDC and the National Empowerment Fund (NEF) for Black Industrialists, women, and youth-owned enterprises;
- An Integrated Industrial Financing web portal for sectors had been developed and piloted;

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<sup>8</sup> DTIC (2022a: 76-80)

<sup>9</sup> DTIC (2022a: 84-85)

<sup>10</sup> DTIC (2022a: 88-91)

- Three incentive programmes, namely the Automotive Incentive Scheme, the Critical Infrastructure Programme (CIP), the Export Marketing and Investment Assistance (EMIA), and the Sector-Specific Assistance Scheme, had been amended to extract greater development impact;
- A call for investment in local film productions of South African stories had been made;
- A monitoring report on the implementation of the Economic Recovery Programme had been developed;
- A report on the implementation of the economic distress facility programme had been developed;
- Action reports on partnerships and activities necessary to increase access to funding for enterprises had been produced; and
- A report on co-funding support for infrastructure development had been produced.

#### **Programme 7: Export Development, Promotion and Outward Investments<sup>11</sup>**

The Export Development, Promotion, and Outward Investments Programme is aimed at promoting South African exports in high growth markets; identifying new markets for South African manufactured products; and enhancing the ongoing promotion of exports. Furthermore, the Programme supports the building of trade and investment relationships with other African countries

Under this Programme, there had been seven targets, all of which were achieved. These were:

- An impact assessment report on export promotion and development initiatives had been developed and produced in partnership with the Economic Research and Coordination Programme;
- Sixty-nine companies participated in export promotion initiatives for the first time against a target of 50 companies;
- Five hundred and ninety-one individuals had participated in export training and capacity building initiatives and a mentorship programme, which included Women, Youth, and People with Disabilities, against a target of 300 individuals;
- Sixty-one barriers had been resolved by the Export Barriers Monitoring Mechanism against a target of 60;
- A women's incubation programme had been developed to support gender equality to leverage opportunities in Africa;
- The development of a District AfCFTA Strategy Helper as part of the Export Data Assistant platform had been developed as planned; and
- An AfCFTA export plan by product, sector, and country had been developed to set out opportunities for the country.

#### **Programme 8: Inward Investment Attraction, Facilitation, and Aftercare<sup>12</sup>**

The purpose of the Programme is to support foreign direct investment flows and domestic investment by providing a one-stop-shop for investment promotion, investor facilitation and aftercare support for investors. Five targets had been planned and achieved, namely:

- Approximately R180 billion worth of investment projects was in the pipeline, against a target of R50 billion;
- A total of 33 investor issues had been unblocked and fast-tracked against a target of 24;
- The development of four statistical reports on company registration had been planned, however, only one report had been developed. According to the DTIC, this target had not been achieved because "one statistical report that was provided by CIPC did have information on company registration within one day";
- The development and upkeep of the Ease of Doing Business website; and
- Fifty-five inter-governmental and stakeholder meetings had been held against a target of 30.

A new target that had not originally been in the APP was to "Provide support for South African Investment Conference (SAIC) (including raising sponsorships, publicity and follow-up on matters raised at the conference) and report on the implementation of pledges made by investors"<sup>13</sup> had also been achieved.

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<sup>11</sup> DTIC (2022a: 96-97)

<sup>12</sup> DTIC (2022a: 102-104)

<sup>13</sup> DTIC (2022a: 102)

### **Programme 9: Competition Policy and Economic Planning<sup>14</sup>**

The Programme focuses on developing and implementing policy interventions that promote competition. Key areas addressed under this Programme are market inquiries, mergers and acquisitions, and investigations regarding the prohibition of abuse of dominance in cases that are of public interest. Furthermore, the implementation of recommendations of market inquiries, mergers and acquisitions, and investigations regarding the prohibition of abuse of dominance to maximise redress on the affected parties.

The Programme had nine performance targets for the financial year that had been achieved or exceeded, namely:

- The development of ten reports on implementation of changes to competition legislation and oversight activities against a target of four reports;
- The development of five action minutes on the monitoring of mergers to ensure that competition authorities took into account public interest;
- The development of five reports on the impact of public interest interventions;
- The development of a portfolio report on the possible market inquiries;
- The development of an Action Minute on the initiation of one new competition market inquiry;
- The development of a report on enabling and implementing recommendations of one market inquiry; and
- The development of an Action Minute on the implementation of the Social and Solidarity Economic Policy Framework.

### **Programme 10: Economic Research and Coordination<sup>15</sup>**

The purpose of the programme is to develop and roll out legislative processes to facilitate an inclusive economy through interventions to increase competitiveness in the economy.

For the financial year, the programme had eight targets. Of these, seven targets had been achieved. Performance had been as follows:

- A National Economic Development and Labour Council impact report had been produced;
- One Economic Cluster Impact Report on economic sector, investment, and employment had been produced;
- Six Policy and Research Briefs had been published against a target of four. The Policy and Research Briefs were on: (i) Selected administered and manufacturing input prices; (ii) the Plastic products manufacturing industry; (iii) Industrial infrastructure and socioeconomic development; (iv) a Just transition to a greener economy in South Africa; (v) the Mobile applications development industry; and (vi) Internalising the commercial forestry industry's externalities in South Africa;
- Four factsheets had been produced and published, namely on: (i) Expanding local production of nutraceuticals in South Africa, (ii) the Localisation of medical devices in South Africa: Syringes manufacturing, (iii) the Localisation of soy beans, and (iv) the Localisation potential in the tyre industry;
- The development of two District Economy briefs for OR Tambo and EThekweni had been produced jointly with the Export Development, Promotion, and Outward Investments Programme;
- An assessment report on fiscal policy options to promote economic growth, employment and industrialisation had been produced; and
- Two reports analysing the impact of the DTIC and entity programmes on employment, economic growth, trade, and investment had been produced. The reports included a report on the Impact of the DTIC interventions in terms of the Coega SEZ and the EMIA for the period 2015-2021.

The target that had not been achieved was the production of two research studies to identify areas of future growth. Only one report had been produced on electric vehicle industry. The second report had not been produced due to non-compliance by the service provider.

## **4.2. Financial performance**

### **4.2.1 Allocated Budget for the 2021/22 Financial Year**

In February 2021, during the Minister of Finance's Budget Speech, the DTIC had been allocated a budget of R9,73 billion for the 2021/22 financial year. This budget had been R46 million more than

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<sup>14</sup> DTIC (2022a: 108-110)

<sup>15</sup> DTIC (2022a: 114-116)

the previous financial year's (2020/21) budget of R9,2 billion.<sup>16</sup> During the adjustments period, the DTIC's budget had been adjusted up to R11,8 billion. In the Adjusted Estimates of National Expenditure Report, the National Treasury reported that adjustment to amount to an additional R2,07 billion as follows: a special appropriation of R1,3 billion had been allocated to "cover costs related to the support of businesses that were affected by COVID-19 lockdown restrictions and by the public unrest in July 2021"<sup>17</sup>. This special appropriation and a further increase of R829,9 million had increased Transfers and subsidies from R7,8 billion to R9,95 billion and a decrease of R54,5 million in Current payments (compensation of employees, and goods and services) from R1,87 billion to R1,82 billion.<sup>18</sup>

In terms of programmes, the adjustments had affected all programmes. The following programmes' budgets had been adjusted downwards: Administration (-R2,0 million); Trade Policy, Negotiations and Cooperation (-R6,3 million); Spatial Industrial Development and Economic Transformation (-R15,0 million); Consumer and Corporate Regulation (-R1,6 million); Export Development, Promotion and Outward Investments (-R0,8 million); Inward Investment Attraction, Facilitation and After Care (-R1,2 million); and Economic Research and Coordination (-R8,4 million). While the Industrial Financing, Competition Policy and Economic Planning, and Industrial Competitiveness and Growth programmes had been adjusted upwards by R1,4 billion; R748,5 million; and R3,6 million respectively.

Furthermore, during the financial year there had been virements within the programmes. These further affected the various programme allocations. The virements had amounted to R265,4 million being moved from nine programmes to the Industrial Financing Programme. The reason for these virements to the Industrial Financing Programme had been the "Increased uptake of the services investment and automotive incentive programmes by companies across the critical sectors of the economy, as well as top structure under the Special Economic Zones programme"<sup>19</sup>. The reasons for virements from most of the programmes had been that there were unused funds due to limited travel as most meeting and engagements had taken place virtually. The virement from the Spatial Industrial Development and Economic Transformation programme of R124,2 million had been as a result of the "Slow uptake of the New Clothing Textile Footwear Leather Growth Programme"<sup>20</sup>.

The virements within programmes are shown in Figure 2 below:

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<sup>16</sup> National Treasury (2021a)

<sup>17</sup> National Treasury (2021b)

<sup>18</sup> National Treasury (2021b)

<sup>19</sup> Department of Trade, Industry and Competition (2022a:20)

<sup>20</sup> Ibid

**Figure 2: DTIC Virements: 2021/22 Financial Year**  
**Source:** DTIC (2022a), illustration from Madalane (2022)



The combined effect of the adjustments and virements is evident in the Financial Appropriation per programme. This is shown in Table 2 below.

#### 4.2.2 Financial Performance by Programme

For the 2021/22 financial year, the DTIC had spent R11,61 billion of the allocated R11,81 billion. This equated to overall expenditure of 98,3 per cent of the budget. Underspending had been minimal at R197,9 million (or 1,7 per cent). Expenditure in seven of the ten programmes had been over 90 per cent. On the other three programmes, expenditure had been 81,8 per cent, 77 per cent and 58,4 per cent. Expenditure in the key programmes, namely: Industrial Competitiveness and Growth, Industrial Financing, and Competition Policy and Economic Planning, had been between 99,5 per cent and 100 per cent.

In terms of under-expenditure by value, the key contributors had been the Administration Programme (R66,0 million); the Spatial Industrial Development and Economic Transformation Programme (R36,6 million); the Industrial Financing Programme (R29,0 million); and the Economic Research and Coordination Programme (R27,0 million). In terms of value, the Industrial Financing Programme was one of the main contributors to underspending; however, its underspending relative to its allocated budget was only 0,4 per cent.

Detailed expenditure against the budget (appropriation) for each of the programmes is shown in Table 2 below.

**Table 2: Expenditure by Programme**

Programme (R million)	Final Appropriation	Actual Expenditure	% Actual Expenditure	% Variance
1. Administration	787,3	721,3	91,6%	8,4%
2. Trade Policy, Negotiations and Cooperation	218,8	217,8	99,5%	0,5%
3. Spatial Industrial Development and Economic Transformation	159,0	122,4	77,0%	23,0%
4. Industrial Competitiveness and Growth	1 638,4	1 638,1	100,0%	0,0%
5. Consumer and Corporate Regulation	324,6	323,4	99,6%	0,4%
6. Industrial Financing	6 495,0	6 465,9	99,6%	0,4%
7. Export Development, Promotion and Outward Investments	415,2	399,0	96,1%	3,9%
8. Inward Investment Attraction, Facilitation and After Care	65,7	53,7	81,8%	18,2%
9. Competition Policy and Economic Planning	1 643,1	1 634,5	99,5%	0,5%
10. Economic Research and Coordination	65,0	38,0	58,4%	41,6%
<b>Total</b>	<b>11 812,0</b>	<b>11 614,1</b>	<b>98,3%</b>	<b>1,7%</b>

Source: DTIC (2022a: 18), calculations from Madalane (2022)

#### **Programme 1: Administration**

The Programme expenditure had been R721,3 million against a budget of R787,3 million. This reflected under-expenditure of R66,0 million (or 8,4 per cent of the Programme's budget). The DTIC reported that the underspending in this programme was a result of lower than expected spending on goods and services due to meetings and engagements being on virtual platforms as well as lower payments for capital assets.

#### **Programme 2: Trade Policy, Negotiations, and Cooperation**

The Programme's expenditure had been 99,5 per cent of the allocated budget. Expenditure amounted to R217,8 million, R1,0 million less than the allocated budget of R218,8 million.

#### **Programme 3: Spatial Industrial Development and Economic Transformation**

This Programme had the second largest underspending by both value and percentage with underspending of R36,6 million, which translated to 23 per cent of the Programme's budget. Actual spending had been R122,4 million against a budget of R159,0 million. Underspending resulted from lower than expected spending on goods and services because of meetings being held on virtual platforms.

#### **Programme 4: Industrial Competitiveness and Growth**

This Programme's entire budget of R1,6 billion had been spent for the financial year.

#### **Programme 5: Consumer and Corporate Regulation**

Approximately 99,6 per cent of the Programme's budget had been spent. Expenditure had been R323,4 million against a budget of R324,6 million in the 2021/22 financial year.

#### **Programme 6: Industrial Financing**

This Programme captures the core mandate of the DTIC, it is the largest programme accounting for approximately 55 per cent of the total budget. The Industrial Financing Programme had spent 99,6 per cent of the allocated budget of R6,49 billion. Actual expenditure amounted to R6,47 billion in the current financial year.

#### **Programme 7: Export Development, Promotion and Outward Investments**

The Programme's expenditure had been R399 million against a budget R415,2 million. This translated to 96,1 per cent of the allocated budget being spent. Lower than expected compensation of employees, and postponed recruitment and deployment of foreign economic representatives to the foreign trade and investment offices resulted in underspending in this Programme.

#### **Programme 8: Inward Investment Attraction, Facilitation, and Aftercare**

Under the Programme, R53,7 million had been spent against a budget of R65,7 million. Therefore, 81,8 per cent of the budget had been spent. Underspending resulted from lower than expected

spending on goods and services because meetings had been held on virtual platforms, as well as on delays in transfers due to certain provincial One-Stop Shop set-up related processes still being finalised.

#### **Programme 9: Competition Policy and Economic Planning**

This Programme had the second largest budget after the Industrial Financing Programme. The Programme's budget for the financial year had been R1,64 billion. Of that budget, R1,63 billion (99,5 per cent of the total budget) had been spent.

#### **Programme 10: Economic Research and Coordination**

The Programme's expenditure had been 58,4 per cent of the budget of R65,0 million for the 2021/22 financial year. A total of R38,0 million had been spent. Underspensing resulted from lower than expected spending on goods and services because meetings had been held on virtual platforms, and some commissioned studies still being finalised.

#### **4.2.3 Expenditure by economic classification<sup>21</sup>**

A large sum of the DTIC's R11,8 billion budget, approximately R10,1 billion (85 per cent of the total budget) had been allocated to transfers and subsidies to departmental entities and private enterprises, among others, approximately R1,65 billion (14 per cent of the total budget) had been for the DTIC's operations, and R20,3 million (0,2 per cent of the total budget allocation) had been allocated to payments for capital assets. A large proportion of the DTIC's R1,65 million operational budget (current payments) had been for compensation of employees (R1,06 billion or 65 per cent of the operational budget or 9 per cent of the DTIC's total budget).

Actual expenditure of the operational budget had been 91,7 per cent. An amount of R1,51 million had been spent against the budget. Within this budget, the compensation of employees, which is the largest cost item had been R46 million less than budgeted, translating to 95,7 per cent of the compensation budget being spent. Expenditure of goods and services had been R494,8 million, approximately 84,5 per cent of the goods and services allocation.

Detailed in Table 3 below is the DTIC expenditure by economic classification.

**Table 3: Expenditure by economic classification**

<b>(R million)</b>	<b>Final Appropriation</b>	<b>Actual Expenditure</b>	<b>% Actual Expenditure</b>	<b>%Variance</b>
<b>Current Payment</b>	<b>1 650,2</b>	<b>1 513,3</b>	<b>91,7%</b>	<b>8,3%</b>
Compensation of Employees	1 064,6	1 018,5	95,7%	4,3%
Goods and services	585,6	494,8	84,5%	15,5%
<b>Transfers and subsidies</b>	<b>10 140,4</b>	<b>10 096,8</b>	<b>99,6%</b>	<b>0,4%</b>
Departmental agencies and accounts	1 294,7	1 294,7	100,0%	0,0%
Foreign governments and international organisations	30,7	30,3	98,9%	1,1%
Public corporations and private enterprises	8 654,6	8 611,4	99,5%	0,5%
Non-profit institutions	153,3	153,3	100,0%	0,0%
Households	7,1	7,0	99,8%	0,2%
<b>Payments for capital assets</b>	<b>20,3</b>	<b>2,8</b>	<b>13,7%</b>	<b>86,3%</b>
Machinery and equipment	17,1	2,5	14,4%	85,6%
Software and other intangible assets	3,3	0,3	10,3%	89,7%
<b>Payments for Financial assets</b>	<b>1,1</b>	<b>1,1</b>	<b>99,9%</b>	<b>0,1%</b>
<b>Total</b>	<b>11 812,0</b>	<b>11 614,1</b>	<b>98,3%</b>	<b>1,7%</b>

Source: DTIC (2022a: 118), calculations from Madalane (2022)

#### **4.2.4 Transfers to Entities**

The DTIC has 17 entities as shown in table 4 below. Four of the entities are self-funded, namely the Company and Intellectual Property Commission, the IDC, the NEF, and the National Lotteries Commission (NLC).

<sup>21</sup> DTIC (2022a: 118)

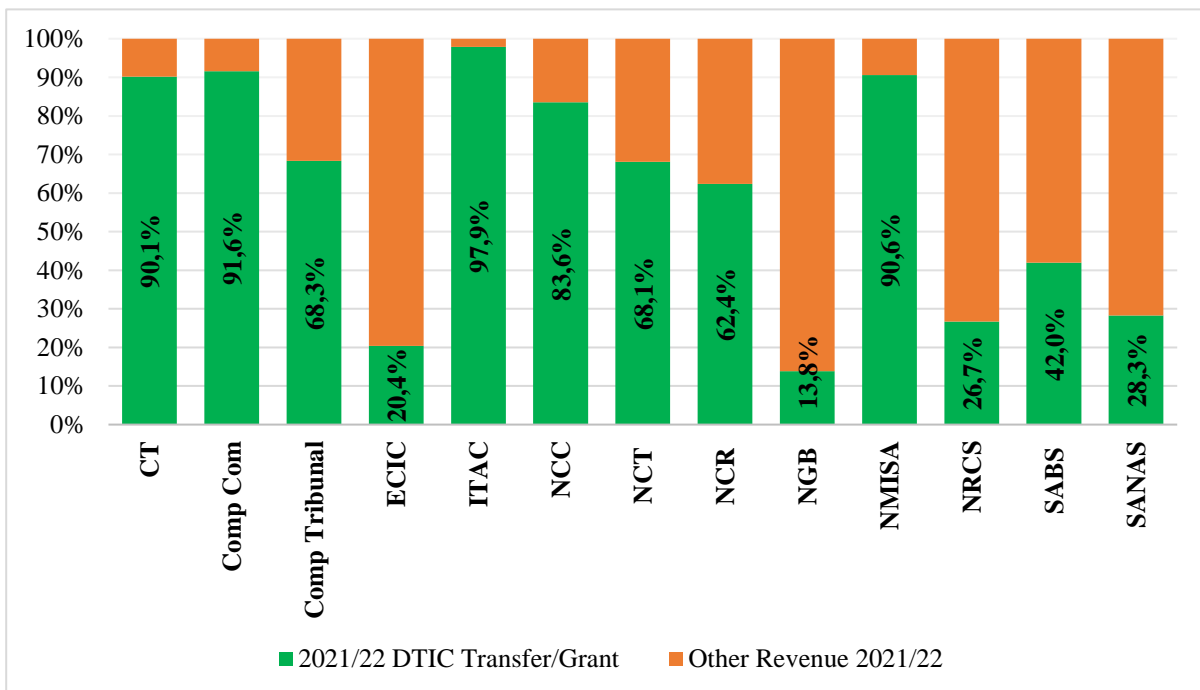
**Table 4: Transfers to entities and Transfers as a share of each entity's Income**

Entity (R'000s)	2020/21 Transfers	2021/22 Transfers	Change: 2020/21 - 2021/22	Total Budget 2021/22	Share of Budgeted Income
Companies Tribunal	20 752	20 313	-2,1%	22 534	90,14%
Company and Intellectual Property Commission	<b>Self-Funded</b>				
Competition Commission	302 586	439 550	45,3%	479 838	91,60%
Competition Tribunal	32 342	36 970	14,3%	54 121	68,31%
Export Credit Insurance Corporation of South Africa	162 712	208 078	27,9%	1 019 109	20,42%
Industrial Development Corporation	<b>Self-Funded</b>				
International Trade and Administration Commission	95 998	112 478	17,2%	114 862	97,92%
National Consumer Commission	51 530	58 505	13,5%	70 006	83,57%
National Consumer Tribunal	47 492	53 515	12,7%	78 609	68,08%
National Credit Regulator	71 272	82 632	15,9%	132 519	62,35%
National Empowerment Fund	<b>Self-Funded</b>				
National Gambling Board	31 027	35 928	15,8%	259 898	13,82%
National Lotteries Commission	<b>Self-Funded</b>				
National Metrology Institute of South Africa: - Operations (R121,1 million) - Infrastructure (R140,7 million)	223 291	261 716	17,2%	288 956	90,57%
National Regulator for Compulsory Standards	126 126	144 099	14,3%	540 289	26,67%
South African Bureau of Standards	270 421	328 819	21,6%	783 189	41,98%
South African National Accreditation System	28 748	32 967	14,7%	116 572	28,28%

Source: DTIC (2022a: 244), calculations from Madalane (2022)

As is evident from the figure below, most of the entities rely heavily on the transfers from the DTIC, in particular the ITAC, the National Consumer Commission, the National Metrology Institute of South Africa (NMISA), the Companies Tribunal, the Competition Commission (CompCom), the National Consumer Tribunal, the Competition Tribunal, and the National Credit Regulator whose transfers from the DTIC range between 50 and 98 per cent of their budgets.

**Figure 3: Transfers as a share of each entity's Income**



Source: Madalane (2022)

NMISA has been receiving additional funding for infrastructure upgrades from the DTIC for a number of years. In the fifth Parliament, during an oversight to its entities, the Committee had been briefed on and saw the status of NMISA's infrastructure. The Committee, thereafter, in its BRR Report, had recommended that NMISA be allocated additional funding for infrastructure upgrades. This resulted in the additional funding of R140,7 million in the current financial year. In the previous financial year, NMISA had received R119,7 million.

Other technical infrastructure institutions, namely the South African Bureau of Standards (SABS) and the National Regulator for Compulsory Specifications (NRCS), are also undertaking infrastructure upgrades, which have not received funding for these purposes through recent transfers from the DTIC. However, these institutions may require additional funding in this regard in future.

While the IDC is a self-funded entity, it receives funding from the DTIC for programmes and incentives which it administers on behalf of the DTIC. For the 2021/22 financial year, it had received transfers from the DTIC of approximately R3,4 billion. This was for the following incentive programmes:

- Clothing and Textile Production Incentive which fund companies in the clothing and textiles industry to develop world class manufacturing capabilities – R477,4 million had been allocated (R624,0 million in the 2020/21 financial year);
- Customised Sector Programme – R10 million had been allocated (R12,9 million in the 2020/21 financial year);
- Tirisano Construction Fund which provides funding support for the construction industry – R46,2 million had been allocated (R93,7 million in the 2020/21 financial year);
- Steel Development Fund which provides funding to the steel industry at concessional rates, and addresses weak balance sheets<sup>22</sup> – R37,7 million had been allocated (R29,4 million in the 2020/21 financial year);
- Small Enterprise Finance Agency – R251,7 million had been allocated (R196,7 million in the 2020/21 financial year);
- Industrial Financing – R1,9 billion had been allocated (R892 million in the 2020/21 financial year); and
- Social Employment Fund which supports the creation of employment through community-based economic activities – R 800 000 had been allocated.

Other Transfers that had been made during the 2021/22 financial year were to:

- **Public corporations and private enterprises:** Research, Industrial Parks Programme, SEZs Programme, and for the establishment of One-Stop-Shop (R1,9 billion)<sup>23</sup>
- **Private Enterprises:**
  - **Transfers to various institutions:** EMIA, Support Programme for Industrial Innovation, and CIP (R184,2 million)
  - **Subsidies:** Automotive Production and Development Programme: Production Allowance, Supplier Cluster Development, National Research Foundation: Technology and Human Resources for Industrial Programme, Business Process Service Incentive Enterprise Investment Programme, Film and Television Production Incentive Manufacturing Competitiveness Enhancement Programme (R2,4 billion)
- **Foreign governments and international organisations:** WTO, Organisation for the Prohibition of Chemical Weapons, United Nations: Treaty on the Prohibition of Nuclear Weapons, United Nations Industrial Development Organisation, World Intellectual Property Organisation, and Treaty Organisation for Metrology (R30,6 million)
- **Non-profit institutions:** Proudly South African Campaign, Intsimbi Future Production Technologies Initiatives, Centurion Aerospace Village, Trade and Industrial Policy Strategies, Automotive Supply Chain Competitiveness Initiative, and Black Business Council (R153,3 million)
- **Households** (R7,0 million)

#### 4.3. Audit outcomes

The AG annually conducts an audit assessment on the reporting of the DTIC's financial statements and its non-financial performance reporting. In terms of its annual performance report, Programme 6, Industrial Financing, had been assessed to determine whether the reported performance

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<sup>22</sup> DTIC (2020b)

<sup>23</sup> Excludes transfers to DTIC entities

information was useful and reliable. The outcome of this assessment had been that the AG “did not identify any material findings on the usefulness and reliability of the reported performance information for this programme”<sup>24</sup>.

In terms of the DTIC’s financial statements, it had received a clean audit opinion for the 2021/22 financial year. For this sixth administration, the DTIC has had clean audits (2019/20, 2020/21, 2021/22). No irregular expenditure or fruitless and wasteful expenditure had been incurred for the financial year.

#### 4.4. Human resources

The DTIC’s permanent employee headcount at 31 March 2022 had been 1 176, against a structure of 1 350 approved positions. A total of nine employees had joined the Department, while 78 employees had left the employ of the DTIC during the financial year. This means that 174 positions had been vacant. Of the 78 employees that had left the DTIC, 41 had resigned, seven had been due to death, 12 contracts had expired, eight had retired, eight had been transferred to other public service department, and one employee had been dismissed due to misconduct.

The vacancy rate, therefore, had been 13 per cent, which was higher than the previous year’s vacancy rate of 9 per cent. Government’s efforts to reduce the wage bill have also contributed to the higher vacancy rate at the DTIC, with the DTIC only filling critical positions.

Furthermore, 54 interns had been appointed for the 2020/22 cycle, however, by the end of the 2021/22 financial year, 41 interns had been in the employ of the Department.

The table below shows employees of the DTIC by skills levels against the approved structure as well as the vacancy rate at each level.

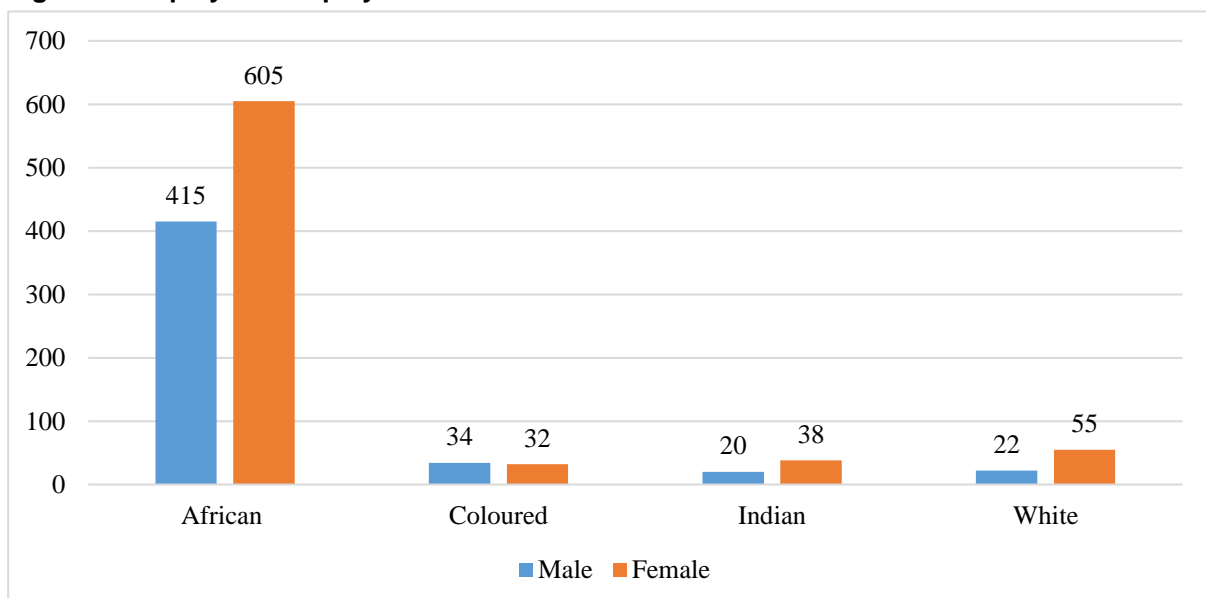
**Table 5: Posts, Filled Posts and Vacancy Rate**

	Number approved posts	Number of posts filled	Vacancy rate
Lower skilled (levels 1-2)	1	1	0%
Skilled (levels 3-5)	73	63	14%
Highly skilled production	398	357	10%
Highly skilled supervision	609	531	13%
Senior management (levels 13-16)	269	224	17%
<b>Total</b>	<b>1 350</b>	<b>1 176</b>	<b>13%</b>

**Source:** DTIC (2022)

The employee race profile had been 83,5 per cent black, 5,4 per cent coloured, 4,8 per cent Indian, and 6,3 per cent white. Female representation had been at 59,8 per cent. Female representation at top management had been 54 percent, also 54 per cent in senior management, 51,6 per cent at the professional and specialists level, and 72,6 per cent skilled and technical levels. Representation of people with disabilities had been 3,9 per cent of total employees of the DTIC.

**Figure 4: Employment Equity Profile**



Source: Madalane (2022)

Personnel costs for the year had amounted to R1,01 billion (8,8 per cent of the budget) and R26 million had been spent on professional and special services. An amount of R1,6 million had been spent on training staff.

## 5. OVERVIEW AND ASSESSMENT OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE FOR THE PERIOD 1 APRIL TO 30 SEPTEMBER 2022

This section provides a comparison between what the DTIC targeted in its APP against its performance set out in its first and second quarter reports for the 2022/23 financial year.

### 5.1. Non-financial performance<sup>25</sup>

In the first quarter, 94 per cent (51) targets had been achieved while 6 per cent (3) targets had not been achieved. Targets that had not been achieved were under Programme 1: Administration; Programme 2: Trade Policy, Negotiations and Cooperation; and Programme 8: Inward Investment Attraction, Facilitation and After Care. In the second quarter, 95 per cent (72) targets had been achieved while 5 per cent (4) of the targets had not been achieved. Under the Administration Programme, two targets had not been achieved, a further two targets had not been achieved under Programme 2: Trade Policy, Negotiations and Cooperation.

The targets that had not been achieved in the first quarter were as follows:

- **Administration Programme:** the target for producing a Factsheet on the DTIC's services had not been achieved.
- **Trade Policy, Negotiations and Cooperation Programme:** the target that had not been achieved was engaging the ITAC on the list of actions to reduce red-tape. This target, according to the DTIC, had not been achieved because the consultation processes within ITAC took longer than anticipated.
- **Inward Investment Attraction, Facilitation and After Care Programme:** the DTIC had facilitated or coordinated R1,1 billion in investment pledges for the quarter against a target of R10 billion for the quarter. This target, according to the DTIC, had been impacted by the COVID-19 restrictions preventing project consultations with foreign investors and participation in the key investment promotion events.

Table 6: Summary of First and Second Quarter Performance by Programme.

Programme	First Quarter		Second Quarter	
	Targets	Achieved	Targets	Achieved
1. Administration	9	8	14	12
2. Trade Policy, Negotiations and Cooperation	4	3	11	9
3. Spatial Industrial Development and Economic Transformation	7	7	11	11
4. Industrial Competitiveness and Growth	8	8	11	11
5. Consumer and Corporate Regulation	2	2	4	4
6. Industrial Financing	3	3	5	5
7. Export Development, Promotion and Outward Investments	8	8	6	6
8. Inward Investment Attraction, Facilitation and After Care	5	4	4	4
9. Competition Policy and Economic Planning	4	4	3	3
10. Economic Research and Coordination	4	4	7	7
<b>Total</b>	<b>54</b>	<b>51</b>	<b>76</b>	<b>72</b>

Source: DTIC (2022c)

In the second quarter, targets that had not been achieved were:

- **Administration Programme:** The first target that had not been achieved was in relation to the Proposal for the operation and staffing of an Entity Oversight Unit and implementation of improved oversight. The target had been the commissioning of a study by the Economic

<sup>25</sup> DTIC (2022b, and 2022c)

Research and Coordination Programme; however, by the end of the quarter, the study had not been commissioned. The DTIC had been doing further consultation on the Terms of Reference with the various branches/units.

- **Administration Programme:** The second target that had not been achieved was in relation to the Proposal for the rationalisation of entities. In particular, the target had been for the commissioning of a study in this regard; however, this target had also not been achieved for the same reason the previous study had not been commissioned.
- **Trade Policy, Negotiations and Cooperation Programme:** The first target that had not been achieved was the submission of the Draft Amended Anti-dumping Regulations to the Executive Authority. The reason for not achieving this target had been delays by the ITAC due to internal consultation.
- **Trade Policy, Negotiations and Cooperation Programme:** The second target that had not been achieved was the production of the Report on progress on the SACU tariff offer because there had been no consensus by SACU on the tariff offer.

## 5.2. Financial performance<sup>26</sup>

The DTIC had been allocated a budget of R10,85 billion for the 2022/23 financial year. This budget had been adjusted during the second quarter of the financial year to R10,87 billion. The adjustment had been an increase of approximately R19,8 million. By the end of the second quarter, the DTIC had projected that R5,8 billion would be spent; however, approximately R5,6 billion had been spent, accounting for 52 per cent of the annual budget. Given this expenditure, the available budget remaining had been R5,27 billion.

The section below shows expenditure by programme and by economic classification as at 30 September 2022.

### 5.2.1 Financial Performance by Programme

The DTIC had projected to spend R5,8 billion by the end of the second quarter. Of this, R5,6 billion had been spent. This resulted in under-expenditure of R235,5 million (4 per cent of the year-to-date (YTD) expenditure). The main contributors to underspending had been the Industrial Financing Programme with R249,3 million, the Administration Programme with R42,5 million, and the Consumer and Corporate Regulation Programme with R36,9 million. However, over-expenditure had been incurred in the Trade and Investment South Africa Programme of 126,6 per cent (actual expenditure had been more than double the projected budget for the first and second quarter).

**Table 7: Expenditure by Programme as at 30 September 2022**

Programme (R'000)	Adjusted Budget 2022/23	Projected YTD Expenditure	Actual YTD Expenditure	% YTD Variance	Available Budget
1. Administration	853 461	399 635	357 140	-10,6%	496 321
2. Trade Policy	234 733	164 227	153 668	-6,4%	81 065
3. Spatial Industrial Development	163 910	79 575	68 947	-13,4%	94 963
4. Industrial Policy	1 746 639	1 195 525	1 177 558	-1,5%	569 081
5. Consumer and Corporate Regulation	342 878	223 683	186 760	-16,5%	156 118
6. Industrial Financing	5 312 890	2 497 664	2 248 341	-10,0%	3 064 549
7. Trade and Investment South Africa	355 325	111 559	252 746	126,6%	102 579
8. Invest South Africa	74 288	25 762	24 039	-6,7%	50 249
9. Competition Policy	1 744 608	1 115 894	1 113 007	-0,3%	631 601
10. Economic Research	50 442	25 703	21 530	-16,2%	28 912
<b>Total</b>	<b>10 879 174</b>	<b>5 839 227</b>	<b>5 603 737</b>	<b>-4,0%</b>	<b>5 275 437</b>

Source: DTIC (2022c), calculations from Madalane (2022)

<sup>26</sup> Ibid

### 5.2.2 Financial Performance by Economic Classification

In terms of the economic classification, the main share of expenditure had been for incentives (R2,16 billion), disbursement to the DTIC's entities (R1,67 million), disbursements to external programmes at the IDC and Council for Scientific and Industrial Research (R864,7 million), and operational costs (R773,3 million). Of the operational costs, the largest share had been for the compensation of employees which had been approximately, R501 million (65 per cent of the actual operational expenditure). (See Table 8 below.)

**Table 8: Expenditure by Economic Classification as at 30 September 2022**

Programme	Adjusted Budget 2022/23	Projected YTD Expenditure	Actual YTD Expenditure	% YTD Variance	Available Budget
<b>Current Payment</b>	<b>1 735 391</b>	<b>867 940</b>	<b>773 313</b>	<b>10,9%</b>	<b>962 078</b>
Compensation of Employees	1 047 287	522 974	501 082	4,2%	546 205
Goods and services	688 104	344 966	272 231	21,1%	415 873
<b>Transfers and subsidies</b>	<b>9 130 708</b>	<b>4 967 065</b>	<b>4 829 527</b>	<b>2,8%</b>	<b>4 301 181</b>
Incentive Payments	5 159 161	2 417 732	2 167 928	10,3%	2 991 233
Departmental Entities	2 005 744	1 561 154	1 677 858	-7,5%	327 886
External Programmes	1 753 516	872 543	864 774	0,9%	888 742
Non-profit organisations	165 437	113 020	113 119	-0,1%	52 318
Membership fees (International organisations)	44 073	2 219	1 935	12,8%	42 138
Households	2 777	397	3 913	-885,6%	-1 136
<b>Payments for capital assets</b>	<b>13 074</b>	<b>4 222</b>	<b>897</b>	<b>78,8%</b>	<b>12 177</b>
<b>Payments for Financial assets</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0,0%</b>	<b>0</b>
<b>Total</b>	<b>10 879 174</b>	<b>5 839 227</b>	<b>5 603 737</b>	<b>4,0%</b>	<b>5 275 437</b>

Source: DTIC (2022c), calculations from Madalane (2022)

## 6. ISSUES RAISED DURING THE DELIBERATIONS

The following concerns were raised in relation to the performance of the DTIC during the Committee's deliberations:

**6.1 Impact of investment pledges on the broader economy:** In 2018, President M Ramaphosa committed to raise over R1,2 trillion worth of investment over a five-year period. For the period under review, the DTIC had hosted the 2021 SAIC on behalf of the Presidency, which resulted in government securing an additional R366 billion worth of new investment pledges. The Committee enquired what proportion of pledges had been materialised and the number of jobs created as a result of the process. The Minister informed the Committee that the investment pledges received to date amounted to R1,1 trillion. The investment drive is to expand the overall output of the South African economy thereby creating job opportunities and economic growth. An example of a completed project was the investment by Mercedes-Benz in 2018 in the automotive manufacturing industry. The process took over five years as it required the reorganisation of the shop floor, purchasing of new machinery and changing the infrastructure to produce the new model. Another example was a Sappi pulping facility in Umkomaas, KwaZulu-Natal. The project was first announced at the 2018 SAIC. This project was recently opened by the President and was a mill expansion and upgrade project worth R7,7 billion.

With respect to Brownfield versus Greenfield investments, the Minister was of the view that there was not necessarily an artificial distinction between brownfield and greenfield investments, as long as the investment led to an increased productive capacity. The objective with the investment drive is to strengthen the investment commitments by firms to increase the aggregate output in the economy whether through expansion of existing or through new capacity. It was also equally important to look for new economic opportunities in areas South Africa had not explored yet, especially in relation to the green economy, such as the production of components for the green energy sector, and digital technologies. Furthermore, he noted that a different set of criteria would apply depending on whether a company already

planned to investment and may do so despite a weak investment environment. However, if the investment environment is weak a company may pause its investment, hence the drive by Invest South Africa to improve the investment environment to provide companies with the confidence to publicly indicate that they plan to invest in South Africa. The Minister further indicated that a number of investment projects were new and when a new factory, production line or facility was opened, the DTIC would indicate if there is a link to SAIC pledges.

**6.2 *Entities' expansion as part of the investment drive:*** The Committee enquired whether the expansion of government's investment in Transnet should be reflected as part of the investment drive. With regard to public and private investment, the Minister was of the view that both sectors should drive investment. He explained that most economists argued that the significant decline in public investment had contributed to slow economic growth. Therefore, Transnet increasing its investment since the 2015/16 financial year was part of the effort to increase public investment in public infrastructure. He further stated that developed economies such as the United States, China and the European Union view levels of public investment as an important part of investment that is complementary to private investment. Furthermore, the challenges faced by Eskom was due to declining investment over many years resulting in it not performing the required maintenance and the necessary upgrades at its plants. Public investment is, therefore, complementary investment that ensures that the country can achieve its economic objectives.

**6.3 *Perceived failure of investment pledges to reduce unemployment:*** While investment pledges across a number of projects could promote industrial development and job creation, the impact on labour absorption appeared to have been insignificant given continued rising levels of unemployment. Furthermore, a view was expressed that despite the DTIC claiming that all things were functioning optimally, the macro-economic data with respect to economic growth and job creation did not reflect this. The Committee enquired whether the DTIC was considering a policy change to more capital-intensive or labour-intensive initiatives to reduce unemployment. The Minister was of the view that it was not that the DTIC policies were failing, but that the scale of the economic challenge facing South Africa requires more investment. He argued that a modern economy is complex and is affected by a number of external and domestic factors beyond the DTIC's control, such as the impact of the war in Ukraine, the EU implementing trade restrictions on citrus black spot, the effect of oil price increases on inputs within South Africa or the domestic energy supply crisis. All of these factors could influence South Africa's investments, exports and manufacturing sector. He informed the Committee that, through Invest South Africa, the DTIC wants to unblock administrative decisions or red-tape that delay investment, thereby delaying growth and job creation. Through collaboration between the private and public sector, the DTIC identifies projects that would either create jobs or retain existing jobs, but acknowledged that the DTIC cannot control most external and internal factors that compromise growth and job creation. The objective was to ensure that the factors that the DTIC can directly control is done more effectively and efficiently by eliminating corruption, and maladministration of projects, among others.

With regard to whether government should shift towards capital-intensive initiatives, the Minister was of the view that a combination of capital- and labour-intensive projects was needed. With regard to the Master Plans, a combination of sectors, such as the steel sector (capital-intensive) and the clothing and furniture sectors (labour-intensive) had been selected. Within a sector like the automotive sector, the majority of coordination was with the large auto assemblers. However, the DTIC's focus is increasingly on ensuring that the downstream component makers are established as this has massive job creation potential.

**6.4 *Revitalisation of Industrial Parks:*** A key tenant of the Revitalisation of Industrial Parks Programme is to ensure economic development at a local level, thereby ensuring the socio-economic upliftment of the surrounding communities, local economic development and job creation. Furthermore, the Programme intends to promote industrialisation, attract investment, and increase the parks' occupancy rate, among others. The first phase of the Programme focused on security infrastructure upgrades, bulk infrastructure and critical electricity to curtail deterioration of the parks. However, the question of ownership regarding industrial parks remains a concern as the DTIC has limited authority and this is predominately the domain of the provincial government. Notwithstanding the question of ownership, the Committee enquired what additional measures were being considered by the DTIC to improve the efficiency and growth of industrial parks as it is a critical tool for job creation and driving industrial competitiveness at a regional level. The Minister noted that most industrial

parks visited have not been well maintained to attract investors. He indicated that the DTIC was developing a new spatial development programme to address the challenges of the management and operation of industrial parks. He acknowledged that national government had limited powers in relation to industrial parks. However, there was a need to link support from national government to the right of national government to help improve governance at a provincial and/or local level; thereby ensuring that appropriate people are appointed to head these parks. This should be accompanied by a coordinated drive to increase investment in these parks. The DTIC was also currently reviewing the possible role of the private sector in the ownership, management and operation of industrial parks, as an appropriate partnership between the public and private sector in this regard could ensure that these parks operated more efficiently and effectively. However, the support of the provinces, and in some cases local authorities, was critical for such a partnership to be effective. The DTIC was therefore still in discussion with the relevant stakeholders. The review process was expected to culminate in a policy position for Cabinet's consideration.

**6.5 Localisation:** Building local industrial capacity for the domestic and export market has been a key policy objective of government. Through localisation, government seeks to address high levels of unemployment and poverty as well as strengthening industrial development. The Committee enquired about the broader impact of localisation as a percentage to Gross Domestic Product (GDP) growth, as well as its impact on inflation. The Minister acknowledged that more work should be done to achieve a greater impact of localisation on the economy. Going forward, the DTIC would be looking at a monetary metric to determine the impact of localisation on the economy. In respect of the impact of localisation on inflation, the Minister was of the view that localisation has its advantages and disadvantages. The CompCom is actively monitoring food prices and government is taking the necessary steps to mitigate its impact. However, it should be noted that when a country is dependent on imports the impact of global markets on the consumer is immediate. According to the Minister, government is looking at insulating the economy from the external economic shocks by building an economy that creates industrial capacity and jobs.

**6.6 Localisation and the impact of the pandemic and international conflicts:** The recent COVID-19 pandemic and the conflict between Russia and Ukraine have demonstrated that it is necessary for South Africa to build some internal resilience and self-sufficiency to mitigate the impact of such unforeseen events, and reduce its dependence on imports. The Committee enquired what direct benefits that had been derived from the localisation policy. The Minister informed the Committee that there are a number of benefits associated with localisation citing the clothing industry as an example. He argued that through successful localisation a greater share of clothing was manufactured domestically, and the benefits derived were reflected in the increased number of jobs created, especially among the youth. Furthermore, South Africa also increased its GDP output resulting in increased benefits to the fiscus through a higher tax intake. This would allow government to increase spending on public infrastructure, such as water supply and energy infrastructure thereby enhancing greater GDP output.

Additional benefits of localisation are that it creates economic opportunities for Small and Medium Enterprises (SMEs), encourages new entrants into the market, and provides greater resilience for the South African economy against international economic disruptions. A further benefit of localisation, as expressed by Toyota South Africa, is the guaranteed local supply chain during economic uncertainties and/or a disruption in the international supply chain.

**6.7 Impact of global growth rate projections on developing economies:** Global economic activity has slowed down significantly influenced by higher than expected inflation; a significant slowdown in China, as a result of Covid-19 responses; and the war in Ukraine, which impacted negatively on the global food and energy markets. The South African economy is not isolated from these global developments. In light of this, and given that China is one of South Africa's largest trading partner, the Committee enquired whether the DTIC was considering measures to mitigate against the impact of the global economic slowdown on the South African economy. The Minister acknowledged that the negative global economic outlook is of great concern as the majority of South Africa's mineral resources and other exports were dependent on the export market. The majority of the vehicles produced in South Africa were exported to the European Union. If the EU entered an economic recession, the consumption of cars would decline, and this would have a negative impact on the local automotive industry. In addition, iron ore and other primary minerals were exported to China, and if its growth rate declined significantly, the demand for South African minerals would

drop. So therefore, according to the Minister, South Africa must find a way to mitigate against these external threats. However, it was difficult to do so without the necessary fiscal tools available.

- 6.8 ***Load-shedding and its impact on economic growth:*** The ongoing load-shedding has a negative impact on economic growth and the ability of government to successfully implement its Reimagined Industrial Strategy. It could be estimated that South Africa has lost approximately 100-days of electricity due to load-shedding in 2022 alone, which has had a significant economic cost to the country. Failure to address the electricity challenge could undo the gains made in this regard, and compromise government's quest for economic growth and job creation. The Committee enquired what measures are being considered by government and the DTIC to address the supply of electricity. The Minister acknowledged that Eskom and the energy crisis is at the center of the challenge faced by the South African economy, and this had been deeply damaging to government's industrialization efforts. The DTIC supports all initiatives from Cabinet in addressing the energy-related issues. It has done significant work on the manufacturing of components of the energy value chain, and to have localisation requirements crafted in a manner that prioritise energy generation. He informed the Committee that what is required is new renewable energy development and the necessary funding to support such initiatives. The IDC is funding a black-owned company, Pele Green Energy, which would improve security of energy supply in the country. Furthermore, the Minister informed the Committee that coinciding with the recent State visit to Saudi Arabia, ACWA Power and the IDC signed a Memorandum of Understanding to explore a partnership in the development of green hydrogen and its derivatives in the South Africa. The Minister also indicated that more work had been done with regard to energy-saving technologies. A few case studies around energy-saving technologies has shown that if there is the ability to increase supply of electricity in an energy-efficient way, South Africa would be in a position to build sufficient reserves so that load-shedding would not affect the economy.
- 6.9 ***The impact of the Steel Master Plan on the manufacturing industry:*** The *South African Steel and Metal Fabrication Master Plan 1.0* is aimed at revitalising the downstream steel industry emphasising the local industry as a key driver for job creation and supporting government's objective to reindustrialise and becoming once again a global competitor. The Committee enquired to what extent the Master Plan has supported new entrants and how it has contributed to the viability of SMEs in the steel value chain. The Minister informed the Committee that the Master Plan seeks to support downstream activities. Locally produced steel is used in the production of wheel barrows and within the downstream automotive component sector, as well as in the toolmaking industry.
- 6.10 ***Support for the local automotive industry:*** Given the current economic realities facing South Africa, public procurement has the potential of being a critical lever in achieving important socio-economic objectives. In light of this, the Committee enquired how government was supporting the procurement of locally produced vehicles to promote and ensure the sustainability of the automotive industry. The Minister informed the Committee that the DTIC's main form of support to the automotive industry was for the domestic production of vehicles through the Automotive Production and Development Programme. However, state procurement of vehicles must comply with National Treasury prescripts, and no inherent designation was available for this.
- 6.11 ***Status of the Auto Green Paper:*** In May 2021, the DTIC had published the *Auto Green Paper on the Advancement of New Energy Vehicles in South Africa* for public comments. The Green Paper seeks to establish a clear policy foundation that would enable the country to coordinate a long-term strategy that will position it at the forefront of advanced vehicle and vehicle component manufacturing. The Committee enquired what the status of the Green Paper was and whether Cabinet had adopted it. The Minister informed the Committee that the Auto Green Paper had solicited a significant number of public comments, but after evaluating the comments, followed by a cost-analysis based on the expectation of the industry, the DTIC had determined that it would not be affordable to implement the policy in its current form. Subsequently, the DTIC has been engaging with the auto industry to consider alternative options that would make the shift to electric vehicles more affordable. According to the Minister, many of the issues had been resolved; however, the key issue remains the budget. The DTIC was currently in discussion with National Treasury to enable it to find a roadmap for the production of electric vehicles. In sourcing alternative revenue streams in support of the policy, the DTIC has been engaging partner countries such as the

United States, France, Germany and the United Kingdom to invest. Although some investment had been committed, the terms and conditions of these investments is not favourable towards South Africa, and hence the negotiations were ongoing. Recently, the inter-ministerial committee met to evaluate the progress regarding negotiations to transition to a green economy. According to the Minister, all the necessary work has been completed, with the exception of sourcing the budget to implement the policy given the current financial constraints facing South Africa.

- 6.12 Processing of funding applications:** The Committee has received a number of requests from the public either to intervene or assist them with matters relating to unsuccessful funding applications. These also included complaints regarding the manner in which officials of these public entities reporting to the DTIC are threatening the public when they enquire about the status of an application or to the reasons on why the application have not been successful. The Committee enquired whether the DTIC had considered establishing an independent assessor to deal with these queries of failed funding applications. The Minister informed the Committee that he welcomed and encouraged Members to submit any complaints around corruption and abuse of authority by officials. He further stated that the DTIC was considering whether an independent assessor or an ombudsman or a panel that would assess and consider complaints from the public regarding development finance institutions. However, he cautioned that it would not be good governance if Ministers became involved in the process of adjudication as this may lead to corruption or could lead to an enormous misallocation of resources. Therefore, boards should have the freedom to follow the necessary guidelines that would govern such an adjudication process. Furthermore, he indicated that not all applications are good, therefore, not all applications would be successful.
- 6.13 Theft of public infrastructure:** The impact of the theft of public infrastructure for scrap metal on the broader economy should not be underestimated, particularly in relation to rail transport and electricity infrastructure on the manufacturing sector. The Committee enquired whether the DTIC ever considered commissioning research to determine an alternative source to copper for the transmission of electricity. The Minister informed the Committee that Telkom and other companies had already moved away from copper, with optic fibre as its replacement. Eskom has also been using aluminium cable as a source for transmission of electricity, but this is not as an efficient conductor of electricity as copper. However, it appears that aluminium is better for long distance transmission. It should also be noted that replacing all the existing copper cables immediately would be costly given the vast networks of cabling, and this could only be done gradually.
- 6.14 Decision regarding the Draft Scrap Metal Policy:** Recently government had published the *Draft Policy Proposals on Measures to Restrict and Regulate Trade in Ferrous and Non-Ferrous Metals Waste, Scrap and Semi-Finished Ferrous and Non-Ferrous Metal Products to Limit Damage to Infrastructure and the Economy* calling for public comments. The Committee enquired when the government would finalise the process as a delay creates uncertainty and difficulty for investors to invest given the uncertain environment. The Minister informed the Committee that the DTIC was in a rigorous process of considering all comments received and were awaiting comments from the security cluster before submitting it to the Cabinet for its consideration.
- 6.15 Concentration of economic activity:** The CompCom's *Report on Measuring Concentration and Participation in the South African Economy: Levels and Trends* confirmed the high levels of economic concentration in the South African economy. The report also highlighted the high levels of exits of SMEs from the economy. This would undermine the goal of building an inclusive economy to contribute towards the structural transformation of the economy. The Committee enquired what measures were being considered by the DTIC to address the high levels of economic concentration, as well as to support SMEs to enable them to contribute to improved economic participation and transformation. In his response the Minister informed the Committee that the Commission had a number of tools to address concentration in the economy. These included market inquiries, approval of mergers, and mechanisms to combat anti-competitive behaviour. In terms of market inquiries, the Commission has to determine whether there was merit to initiate an investigation into the state and nature of competition in a market. The Commission would initiate an investigation only if grounds exist for such an inquiry. According to the Minister, the Commission was currently busy with market inquiries on Online Intermediation Platforms and on Fresh Produce. With regard to mergers, the Commission must determine whether such a merger would lead to greater concentration

when considering it. If it increased concentration, the Commission is compelled to determine whether there were any public interest grounds to warrant the merger, as part of its consideration. In respect of addressing anti-competitive behaviour, the Commission focuses on identifying cartels, particularly in highly competitive markets, it also monitors abuse of dominance activities to ensure that large firms do not use their market power to keep smaller players from entering the market, or raising prices on goods, which negatively affects consumers.

- 6.16 High concentration of ownership within the real estate sector:** The CompCom's *Report on Measuring Concentration and Participation in the South African Economy: Levels and Trends* confirmed the high level of economic concentration in the South African market. It further highlighted the high concentration of ownership within the real estate sector, which impedes the transformation of the sector. The Committee enquired whether the Commission had considered conducting a market inquiry into the real estate sector, and whether there was any restriction of competition within the real estate sector. The Minister informed the Committee that the property sector is quite a significant sector. However, the Commission would follow their criteria to determine whether it should initiate a market inquiry into the real estate sector. He indicated that the Commission had some capacity challenges but the recently appointed Commissioner was looking at measures to expand the capacity in the conduct of market inquiries.
- 6.17 Illicit trade from China and its impact on reindustrialisation efforts:** Illicit trade contributes to the erosion of the productive capacity in a country as goods are imported cheaply or in large volumes without complying with the necessary national trade regulations displacing local production on an unfair basis. This displacement can have a negative impact on the economy, as it can erode employment opportunities and hamper socio-economic improvement among the most vulnerable. Government has established a Quick Response Team comprising officials from the Chinese Embassy, the DTIC, SARS and ITAC to address illegal imports from China given their impact on the industrialisation drive. The Committee enquired what measures were being considered to mitigate the impact of illegal imports from China on local industries. The Minister acknowledged that illegal imports can have a negative impact on the country's industrialisation drive and has raised his concerns with the Chinese authorities' in this regard. He further informed the Committee that through collaboration with the Chinese authorities the government has been able to take illegal importers to court as they misrepresented the value of the products being imported. Another achievement by the Team has been the re-opening of the Chinese market to South African oysters after a year. This had been achieved through discussions with relevant Chinese authorities, and has saved a number of jobs in the domestic oyster industry.
- 6.18 Extension of African Growth and Opportunity Act (AGOA):** The AGOA significantly contributed to increasing export-led job creation in many sectors, including the automotive and agricultural sectors in South Africa. However, the terms of AGOA would be expiring in 2025. The Committee enquired what the Minister's position was regarding AGOA and whether he supported an extension, or a trade agreement between South Africa and the USA. The Minister informed the Committee that the government was having further discussions with the US Administration in December 2022. Government has met with the African Trade Ministers and the view on the African continent would be to seek an extension of AGOA. This would be discussed further at the AGOA Forum in 2023, which South Africa would be hosting. The view of South Africa is that the partnership should be extended, as it has been mutually beneficial for all parties.
- 6.19 Review of the Southern African Development Community-European Union Economic Partnership Agreement (SADC-EU EPA):** The five-year review of the EPA between the EU and the SADC EPA Group started in November 2021. The Committee enquired to the status of the review of the Agreement.
- 6.20 Trade leads:** The DTIC reported that it had accessed 2 565 trade leads during the Intra-African Trade Fair held in KwaZulu-Natal during the 2021/22 financial year. The Committee requested the DTIC to clarify what the purpose of trade leads were and how they were accessed. The Minister responded that the intention of trade leads was to identify export opportunities for South African manufacturers. Trade leads were generated from various sources such as at exhibitions, from private sector including manufacturers, retailers and global traders, South African embassies abroad, and international Presidential visits with the

business sector. The Presidential visits are often focused on South African produced goods to global markets. There had been such a recent visit to West Africa and the Presidency was planning additional visits to Saudi Arabia and Kenya in this regard.

- 6.21 **Empowerment:** B-BBEE policy is a critical tool used by government to redress the challenges of the past through the promotion of active economic participation by black South Africans, which would also contribute to socio-economic transformation of the economy. Most recently a view was expressed that “empowerment rules” curtail Eskom’s performance and hence it should be revisited. In light of the above, the Committee enquired whether merit should play a more prominent role in empowerment deals. In his response, the Minister stated that government should find policy initiatives that could lead to job creation thereby increasing growth and the job creation impact of empowerment initiatives. He acknowledged, that during the initial phases of the empowerment process, lessons were learnt, therefore, a greater focus would be on empowering workers and industrialists. It should be noted that the worker empowerment objective is to provide equity to workers irrespective of their race. Secondly, a sharper focus should be on industrialists ensuring a greater percentage stake in ownership of companies. Furthermore, the Minister informed the Committee that many white South Africans are being supported by the IDC and the DTIC, but one should acknowledge that participation of blacks in the economy is proportionally lower despite the fact that there are capable black South Africans that could contribute in growing the economy, through vehicles such as the Black Industrialist Programme.
- 6.22 **Appointment of Senior Management:** There had been a number of vacancies at senior management level within the DTIC for a prolonged period of time, which compromises its ability to effectively implement its mandate. The Committee enquired what steps the Minister has taken to ensure the appointment of a Director-General for the DTIC and a Commissioner for the ITAC. The Minister informed the Committee that regarding the process of appointing a Director-General, the inter-ministerial committee was seized with the matter and that he would inform the Committee on the appointment when it was confirmed. Similarly, with regard to the appointment of the Commissioner of the ITAC, the Minister informed the Committee that interviews had been concluded, with a shortlist of candidates identified for consideration.
- 6.23 **Prevention of irregular expenditure at the NLC:** Given the allegations of corruption and maladministration involving the NLC, the Minister had initiated a forensic investigation, which was being further supported by the President’s appointment of the Special Investigating Unit (SIU) to investigate the matter. Subsequently, the Minister had appointed the new Chairperson, Dr N Pityana, and a number of board members that have a strong governance reputation. The Board had thus begun implementing changes to address the uncovered maladministration within the NLC. As the NLC had previously failed to take appropriate steps to either prevent irregular expenditure or discipline officials incurring irregular expenditure, the Committee enquired what proactive measures were being considered to ensure consequence management to deter officials from incurring irregular expenditure experience within the NLC.
- 6.24 **Appointment of the Chief Executive Officer (CEO) and Board of the SABS:** The SABS has been under administration since July 2018. The administrators had been tasked with (i) undertaking a diagnostic analysis of the SABS, (ii) developing a ‘turn-around’ strategy for the institution, and (iii) implementing this strategy in consultation with the shareholder to stabilise the institution. Significant progress has been made in turning the SABS’ financial situation around; however, there was a need to re-establish its decision-making and governance structures to ensure that it can strategically position itself, and deliver on its mandate to develop standards in the industrial priority sectors and offer compliance assurance services. Therefore, the Committee enquired what were the timeframes for the appointment of a permanent Board and a CEO for the SABS. The Minister informed the Committee that the appointment process of the CEO and the Board had begun with the positions having been advertised. He emphasised that it was critical to appoint people with the requisite technical expertise. He further informed the Committee that it was his intention to have the Board and the CEO appointed before the end of the 2022/23 financial year, as it would improve governance at the SABS.
- 6.25 **Investment in local film industry promoting local content:** The DTIC had been offering financial incentives with a special focus on support to the local film industry to tell South African stories. However, during the Committee’s oversight of the DTIC over the financial

year, it had heard that there had been slow uptake of this offering in spite of a specific call in this regard. In light of this, the Committee enquired how South Africa ensured that stories or documentaries about its local heroes were captured on film. The Minister informed the Committee that the President was a proponent of promoting films capturing local content, telling stories about South Africa's heroes and its history. Furthermore, it would also be important for especially young film makers to tell stories about the South, about people on the African continent, but also stories about white South Africans.

**6.26 *KPIs measuring reduction in unemployment rate:*** The Committee enquired whether the Minister would consider measuring the achievement of the DTIC against the actual reduction in the unemployment rate. The Minister explained that the unemployment rate is driven by a number of factors. While the DTIC contributes to creating an enabling environment for job creation, it does not have the necessary tools or levers to fundamentally change the unemployment rate. He could, therefore, not commit the DTIC to such a target.

**6.27 *Red-tape reduction:*** The reduction in red-tape in an effort to improve business activity in support of job creation has been a key objective of government. However, the DTIC reported that the Report on red-tape reduction in the ITAC processes had not been finalised. The Committee requested the DTIC to provide clarity in this regard. The Minister acknowledged that this was an important focus, and that there was a need to find the right balance between having good rules to prevent corrupt activities while making it easier to do business. In terms of ITAC, the intention is to make it easier for business to apply for trade relief.

**6.28 *Job creation initiatives:*** The Committee enquired whether the DTIC has considered job creation schemes. The Minister informed the Committee that other than public works programmes, the other measures at government's disposal would be to invest in infrastructure, energy, transport, and logistics, as well as developing skills in young people. Currently, government is investing significantly in Higher Education, through the National Student Financial Aid Scheme. It is the hope that government receives an economic return with many of the recipients joining the labour market as entrepreneurs, the creator of jobs. Localisation as a policy measure can also contribute towards significant job creation. Although localisation as a policy measure had been criticised in the media, the trend towards localisation in the developed world has gained traction. The Minister informed the Committee that in his recent engagements with officials from the United States of America, they expressed their support for using public resources to rebuild the American manufacturing capabilities. China and India are other examples of countries finding ways through localisation to create jobs for young people.

## **7. CONCLUSIONS**

Based on its deliberations, the Committee drew the following conclusions:

- 7.1 The Committee welcomed the positive impact of the investment pledges made since 2018 as a result of the investment drive initiated by President Ramaphosa, with the completion of a number of projects, such as the investment by Mercedes Benz and Sappi. It would appear that the initial goal to raise R1,2 trillion investment over the five years would most likely be exceeded, with R1,1 trillion investment pledged to date. The commitment by the DTIC to link investment pledges to actual investment projects is appreciated. However, it is critical that the pledges translate into actual investment and jobs created.
- 7.2 The Committee is of the view that both public and private sector investment is critical to drive the development of a country's economy and contributes to economic growth. Furthermore, investment by the public sector is essential as it promotes and facilitates economic growth through the creation, expansion, and upgrading of public infrastructure. Therefore, the Committee welcomes investment by government through its public sector entities that would contribute to the expansion and growth of the economy thereby creating significant job opportunities.
- 7.3 Notwithstanding the cost of the pandemic and the Russian-Ukraine War, among other recent global phenomena, the South African economy has been buffered by the pockets of industrial resilience that emerged during this time. The Committee was of the view that the localisation policy assisted in companies being able to expand their operations in this regard. The Committee welcomed the fact that since 2019 localisation focused on strategic

industries, defined by their capacity to be labour-absorbing, providers of critical goods, or significant export earners. This demonstrated the need to intensify localisation to circumvent the over-reliance on imports, and to create additional economic opportunities for SMEs.

- 7.4 The Committee was concerned about the impact of the localisation policy on the broader economy, particularly price inflation for consumers, as this may not be factored in during the review of the policy. Therefore, the DTIC should provide it with regular reports on the socio-economic impact of the localisation policy, such as the contribution towards the economy, impact on prices and jobs created as a result of this policy choice.
- 7.5 The Committee remained concerned of the economic impact of ongoing load-shedding on the manufacturing sector. It welcomed the DTIC's support to contribute to government's initiatives to address the energy crisis, in particular the recent financial support to companies manufacturing components for renewable energy supply.
- 7.6 The revitalisation of Industrial Parks is of vital importance to the Committee as it views the development of industrial parks as a key vehicle to promote and develop local and rural economies. However, there is a need to effectively maintain their infrastructure and allocate appropriate human and sufficient financial resources to ensure that they are able to attract and retain investment, including financial incentives for SMEs investing in these parks. This requires a coordinated drive among national, provincial and local governments, with a particular focus on under-developed rural provinces.
- 7.7 Furthermore, the Committee also welcomed the policy review underway on the role of the private sector in the ownership, management and operation of industrial parks as this may improve the effectiveness of the industrial parks.
- 7.8 The Committee acknowledged the importance of Special Economic Zones created in order to facilitate economic growth in certain geographic regions by leveraging tax and business incentives to attract foreign direct investment and technological advancement. Their job creation potential should not be underestimated, hence the Committee is of the view that national government should actively intervene in ensuring that they operate optimally and are sufficiently resourced.
- 7.9 The Committee welcomed the progress made with regard to the Auto Green Paper and acknowledged the need to source funding for the implementation of this proposed policy. The completion of the process, in the view of the Committee, is critical to position South Africa's automotive manufacturing sector to remain sustainable given the transition into electro-mobility solutions and technologies.
- 7.10 The Committee encouraged the DTIC to finalise the *Draft Policy Proposals on Measures to Restrict and Regulate Trade in Ferrous and Non-Ferrous Metals Waste, Scrap and Semi-Finished Ferrous and Non-Ferrous Metal Products to Limit Damage to Infrastructure and the Economy* to ensure certainty for the upstream and downstream industries.
- 7.11 The Committee welcomed the establishment of the Quick Response Team comprising officials from the Chinese Embassy, the DTIC, the South African Revenue Service and the International Trade Administration Commission of South Africa to address illegal imports from China, as this eroded domestic economic opportunities and the reindustrialisation efforts, as well as slowing down socio-economic improvements among the poor. Furthermore, the Committee applauded the efforts by the DTIC that secured the re-opening of the Chinese market to South African oysters.
- 7.12 The Committee supported the position that African Growth and Opportunity Act should be extended beyond 2025, and encouraged the Minister to secure South Africa's inclusion in any extension of African Growth and Opportunity Act.
- 7.13 The European Union is one of South Africa's most significant trading partners in terms of the value of exports. Therefore, the Committee was concerned that it had not received a status update in terms of the progress of the review of the Southern African Development Community-European Union Economic Partnership Agreement.

- 7.14 The Committee was concerned about the high levels of economic concentration in the economy, which is an impediment to structural transformation. In particular, it had been concerned about economic concentration in the real estate sector and encouraged the Competition Commission to consider whether there is a need to initiate a market inquiry in this regard.
- 7.15 The Committee welcomed the proposed shift in broad-based black economic empowerment to focus on the empowerment of all workers and on black industrialists. It also recognised the need to place a greater emphasis on merit for strategic positions, while growing the requisite technical skills and capabilities of all South Africans.
- 7.16 Furthermore, the Committee is encouraged by the DTIC's efforts to reduce red-tape and eliminate corruption and the maladministration of projects, as this will improve the ease of doing business and ensure resource allocation efficiency to facilitate new entrants into the market and to promote economic growth and job creation.
- 7.17 The Committee urged the Minister to expedite the appointment processes for the Director-General of the DTIC and the Commissioner of International Trade Administration Commission of South Africa.
- 7.18 The Committee was of the view that the absence of a permanent Chief Executive Officer and a board contributed to the ongoing challenges facing the South African Bureau of Standards, including its ability to address its infrastructure challenges. It was concerned that this may contribute to it not being able to strategically deliver on its mandate to develop standards in the industrial priority sectors and offer compliance assurance services. Therefore, the Committee urged the Ministry to urgently address the appointment of members of the Board, and to ensure that the Chief Executive Officer is subsequently appointed, as well as to ensure that it has sufficient financial resources to address its aging infrastructure challenge.
- 7.19 The Committee welcomed the improvement in the National Regulator for Compulsory Specifications' audit outcome in the 2021/22 financial year to an unqualified audit with findings. This represented significant progress in addressing the challenges around estimating its levy revenue, which had resulted in qualified audit outcomes over the previous financial years.
- 7.20 The Committee was encouraged by the financial support provided by the National Empowerment Fund and the Industrial Development Corporation in promoting entrepreneurial development by supporting Small and Medium Enterprises. However, it would further encourage that these development finance institutions continue assisting applicants through the application process and to ensure that they speedily resolve funding-related enquiries.
- 7.21 The Committee welcomed the progress made in the forensic investigations initiated by the Minister and the Special Investigating Unit into allegations of corruption and maladministration involving the National Lotteries Commission. It also welcomed the preservation orders obtained by the SIU in an attempt to recover the stolen funds that had been meant for the upliftment of the poor. However, it would implore the Special Investigating Unit to complete its investigation into the allegations of corruption and maladministration at the National Lotteries Commission. Furthermore, the Committee was encouraged by the significant changes underway at the National Lotteries Commission and welcomed the appointment of the new Chairperson, Prof N Pityana, and other board members who have a strong governance record.
- 7.22 The Committee was concerned about the DTIC's general oversight of its entities in relation to governance. It would, therefore, encourage the urgent completion of the review process of the entities' Governance Framework to identify the challenges in this area that should be addressed.

## **8. APPRECIATION**

The Committee would like to thank the Minister of Trade, Industry and Competition, Mr E Patel, and the acting Director-General, Mr S Khan, for their cooperation and transparency during this process.

The Committee also wished to thank its support staff, in particular the Committee Secretary, Mr A Hermans, the Content Advisor, Ms M Sheldon, and the Researcher, Ms Z Madalane, for their professional support and assistance in drafting this report. In addition, the Committee thanked the Committee Assistant, Ms Y Manakaza, for assisting it during this process. The Chairperson wished to thank all Members of the Committee for their active participation during the process of engagement and deliberations and their constructive recommendations reflected in this report.

## 9. RECOMMENDATIONS

Informed by its deliberations, the Committee recommends that the House requests that the Minister of Trade, Industry and Competition should consider:

- 9.1 Developing a strategy and implementation plan to effectively utilise the current tariff concessions as contained in the African Growth and Opportunity Act as it relates the automotive sector, as well as agricultural and agro-processed goods; and submitting a progress report to the National Assembly within six months after the adoption of the report.
- 9.2 Finalising the review of the entities' Governance Framework; and reporting to the National Assembly on the status of the Review within six months of the adoption of the report.

Report to be considered.

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