



Economic Development Department 2018/19 Annual Report

Presentation to the Portfolio Committee on
Economic Development

08 October 2019



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA



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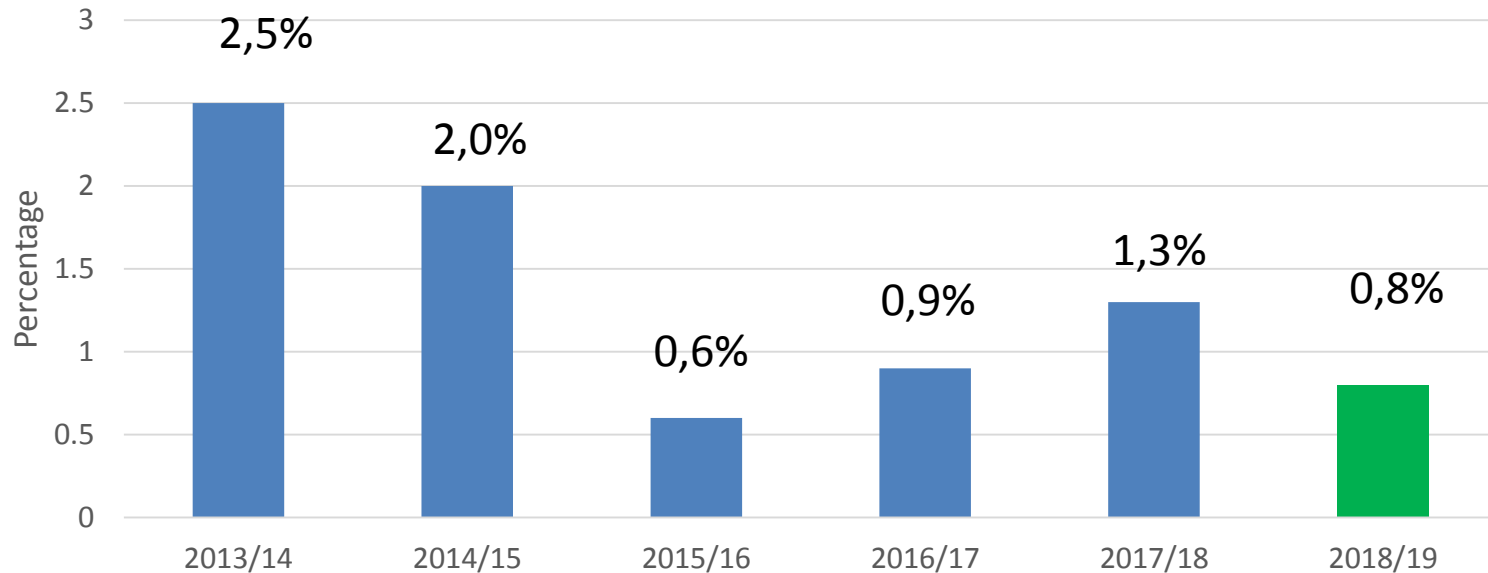
A. Introduction

- The Annual Report period is 1 April 2018 to 31 March 2019
- The Annual Report details the activities undertaken and the performance of the Department against the Annual Performance Plan

This presentation highlights work on key areas covered in the Annual Report and is not a detailed account of activities.

B. South African Economy – GDP

Real GDP Percentage Growth in Fiscal Years*



1.8% in Finance
1.3% in Transport
1.3% in Government



- 6.9% in Agriculture
- 2.6% in Mining
- 1.4% in Construction

*With Q2 revisions in data

B1. South African Economy – Selected indicators

2018/19

2017/18

R4,9 trillion

R4,7 trillion

Size of SA economy

16 291 000

16 378 000

Total employment, March 2019

R255.1 billion

R236.2 billion

Total Infrastructure Spending

R70.6 billion

R26.8 billion

Inward FDI

B2: Economic Highlights - Fifth Administration

Economic Highlights (1 April 2014 – 31 March 2019)

Annualised Real GDP Growth	1.1%
Total employment (net change)	1 237 000 more jobs
Inward FDI	R219.1 billion
Total infrastructure spending	R1.3 trillion

C. EDD Strategic Objectives

Supporting job creation, industrialisation & social inclusion

1

- To ensure good governance in the administration of the Department

2

- Coordinate jobs drivers and implementation of the New Growth Path economic strategy in support of the National Development Plan

3

- Facilitate social dialogue and implementation of social accords

4

- Coordinate infrastructure development and strengthen its positive impact on the economy and citizens

5

- Promote productive investment, industrial financing and entrepreneurship for jobs and inclusive growth

6

- Promote competition, trade and economic regulation in support of job creation, industrialisation and economic inclusion

C1. EDD Strategic Objectives (Cont.)

**EDD has 6
Strategic
Objectives**



23 KPIs



182 products planned



199 products
achieved



97% of allocated
budget spent (refer to slide 37)

D. EDD Highlights

1. Competition Highlights
2. Infrastructure coordination
3. Industrial financing
4. Investment support
5. Provincial support
6. Trade policy facilitation
7. Clean audit

D1. Competition Highlights – Fifth Administration

✓ Penalties imposed by competition authorities

R2.8 billion

✓ Economic value facilitated to historically disadvantaged persons through competition settlement agreements

R20 billion

✓ Net jobs protected through public interest conditions in mergers

141 568

D1. Competition Highlights – Public interest

Number of mergers with employment and public interest conditions approved by Competition Commission (2018/19)

✓ **27** mergers

✓ **R334m** penalties imposed

Development impact as a result of Merger Conditions:

✓ **6 080** jobs retained

✓ **13 436** jobs lost as a direct result of mergers approved

Chevron – Major transaction commitments:

- Company's head office remain in South Africa
- No retrenchments related to the merger and aggregate levels of employment will be maintained for five years
- R6 billion to be invested over five years at the refinery
- R220 million supplier development fund to be established
- Level of BBBEE ownership to be increased to at least 35%
- At least 73% of the service station network to be locally owned

D1. Competition Highlights – Signing of the Act

- Major work was undertaken to propose amendments to the Competition Act
- The President signed the Competition Amendment Bill into law on 13 February 2019
- Main focus of the Act is economic transformation and addresses two key structural challenges in the South African economy that limit the rate of growth and the level of economic inclusion:
 - ✓ High level of concentration where a small number of large dominant firms account for the bulk of sales in a given market
 - ✓ Racially skewed pattern of ownership in the economy

D1. Competition Highlights - Market Inquiries

Market inquiries have been undertaken in the following key sectors:

1. Health Market
2. Data Market
3. Public Passenger Transport Market
4. Grocery Retail Market

All on track and expected to be finalised in 2019/20 financial year

D2. Infrastructure Coordination – PICC

162 958 jobs in PICC monitored projects

323 PICC monitored infrastructure projects

30 PICC Councils, Management Committee & Secretariat meetings, Cabinet- Lekgotla and SIP forums

71 SIP reports

8 Unblocked infrastructure projects

5 Cabinet decisions implemented

A total spending on infrastructure amounted to **R255 billion**

D2. Infrastructure coordination – Tirisano

Tirisano Construction Fund

Operational Guidelines were finalised, allowing the Fund to call for and consider applications.

R74.1 million was approved by the National Treasury in the 2018/19 comprising:

1. **R60 million** towards the upgrade of ablution facilities at the Department of Basic Education schools under the Social Infrastructure Build Programme of the Fund.
2. **R13,1 million** for Basic Education Programme (Maths and Science support for Grade 10 to 12 learners)
3. **R1 million** for engineering bursaries awarded to five 3rd year students to pay their outstanding study costs for 2018 and fund completion of their studies in 2019.

D3. Industrial Financing – Fifth Administration

- ✓ IDC funding approvals (net)
- ✓ IDC funding disbursements
- ✓ IDC funding approvals to black industrialists
- ✓ Jobs supported through IDC funding (net created or retained)

R71.1 billion

R60.4 billion

R26.0 billion

105 000

D3. Industrial financing – IDC in 2018/19

R13.1 bn	Funding approvals
R11.8 bn	Disbursed
R6 bn	Black Industrialists
R 3 bn	Women-empowered companies
R823 m	Youth empowered enterprises
19 178	Net jobs created and retained

D4. Investment support – Investment Conference

- In October 2018, South Africa hosted the inaugural Investment Conference led by President Ramaphosa
- The conference was coordinated by EDD and was held at the Sandton Convention Centre
- The conference was part of the President's drive to raise R1,2 trillion in new investments over a five-year period.
- Over 1 500 delegates attended the conference from 35 countries
- There were 50 panelists as well as 23 ministers and envoys who spoke at the conference.
- The total amount of investment pledges received were R290 billion

D4. Investment support – unblocking work

EDD facilitated, fast-tracked or unblocked 8 investment initiatives, some examples:

- Establishment of a **training centre** at Highveld Steel, at which Afgri trains micro farmers. In 2018/19, 53 micro farmers were trained.
- Strengthening of a **chalk product** in order to allow the continued operations of a local company – Ceetar Automations Pty Ltd.
- Increased **grain storage for small-scale or subsistence farmers** by Afgri..
- Inclusion of Pavati Packaging (**pallet wraps**) and Advance Brushware (producer of **cleaning equipment**) on the Massmart supplier chain at Fruitspot Stores and Builders Warehouse, respectively.
- Reduction of duty to 0% on Linear Low Density Polyethylene (LLDPE), allowing a **reduction in input costs** in the production of various types of plastic for South African plastic producers

D5. Provincial support – Forums and roadshows

Small businesses supported with access to financial and non-financial support by bringing government institutions closer

Province	Activity	Small entities engaged
Eastern Cape	LED Forum and Small business engagement	57
Free State	Informal business forum.	149
Gauteng	Cyber-security business awareness and informal businesses workshop.	181
KwaZulu-Natal	Youth and business chamber engagements	86
Limpopo	Youth SMME engagement	56
Mpumalanga	Youth In Business engagement	125
Northern Cape	Youth enterprise funding indaba	186
North West	SMMEs engagement	231
Western Cape	Small businesses roadshow	252

1323

D5. Provincial support – townships and social economy

Township Enterprise Support

- Hosted a number of small business imbizos including Sutherland, Khayelitsha and Ottery.
- Imbizos provided an opportunity for small business owners to engage government agencies, including the Companies and Intellectual Property Commission (CIPC), SARS, the IDC, Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA) and the National Empowerment Fund (NEF).
- For example, at the Khayelitsha imbizo, 48 small business entrepreneurs attended, 10 of which were issued business registration certificates by CIPC and 7 issued tax clearance certificates by SARS.

Social Economy

- EDD hosted a consultative social economy round table, created a consultative framework and hosted a policy conference to introduce the social economy green paper
- Approximately 250 social economy participants were consulted at both events and the provincial consultative process is now underway

D6. Trade policy facilitation – Steel industry

- EDD worked closely with the dti in 2018/19 to support the local steel industry.
- Measures included extending the supply contract between Highveld Steel – where the only railway lines in Africa are produced – and ArcelorMittal South Africa, saving local jobs.
- Preferential Price System (PPS) was extended and the ground for introducing an export tax on scrap metal was laid.
- These measures ensure that local steel beneficiation is supported as a crucial component of growing a range of industrial value chains.
- EDD received 15 written comments and 8 letters regarding the extension of the PPS, with vast majority supporting the renewal of the policy directive.

D6. Trade policy facilitation – sugar industry

- To address challenges faced by sugar farmers, EDD in conjunction with the dti coordinated an engagement between government and stakeholders across the sugar value chain in May 2018 to determine solutions.
- Following this meeting, ITAC recommended a 20% increase in the import tariff which was implemented in July 2018.
- Increase in the tariff resulted in an almost immediate reduction in imported sugar from non-SACU countries, providing some relief to the industry.
- In addition, the industry has made a commitment to invest substantially to effect transformation.
- The Department furthermore coordinated the introduction of a dollar-based reference pricing for sugar imports to support the industry.

Audit Outcome

- The department obtained a **CLEAN AUDIT** opinion
i.e., Unqualified audit opinion with no material financial misstatements, no material performance findings and no material findings on non-compliance.
- There was an overall **Improvement in the control environment** as evidenced by significantly less findings compared to previous financial years.

E. Annual Performance Plan

- The Annual Performance Plan (APP) provides the basis for the annual audit against pre-determined objectives
- The tables in the published Annual Report provide an overview of the number of achievements and reasons for variation

E1. Annual Performance Plan: Overview

Overall Performance Level

Budget Programmes	Total Key Performance Indicators (KPIs)	KPIs with achieved targets	KPIs with exceeded targets	KPIs not achieved against targets
Administration	2	2	0	-
Growth Path and Social Dialogue	6	6	3	-
Investment, Competition and Trade	15	15	14	-
Total	23	23	17	-

- EDD had 182 targeted products for its frontline work, and achieved 199 deliverables (17 exceeded products)

Details of actual work are contained in the Annual Report with clear explanations for deviations

E2. Annual Performance Plan: KPIs

Examples*

117 Reports

- On jobs drivers, NGP review, IDC Funding
- Including 2 on conferences (Draft Social Economy Green Paper and SA readiness for 4IR)

37 Action minutes

- Infrastructure unblockings and enhancing performance and outcomes of the economic regulators

43 Records of engagements, meetings and coordination

- PICC meetings, coordination actions of SIP 5, Ministerial and department oversight engagements with IDC, trade and competition regulators

2 Products for Finance and HR

- Preparation for unqualified audits and G&A MPAT level

*Some products belonged to more than one of the broad categories above, but each product was reported only once in the APP.

F. Governance and Accountability

Improved Governance and Accountability (G&A) Management Performance Assessment Tool (MPAT) level obtained

Rating Levels 1 to 4

- **Level 1:** Non-compliant with legal/regulatory requirement.
- **Level 2:** Partially compliant with legal/regulatory requirements.
- **Level 2+:** Compliant with basic legal/regulatory requirements but are non-compliant with one or more level 3 requirements
- **Level 3:** Department is in compliance
- **Level 4:** Department is doing things in a SMART fashion

G&A Standards

- Functioning of Management Structures,
- Audit Committee, Internal Audit,
- Ethics and Fraud, Risk Management,
- Corporate Governance of ICT,
- Service Delivery Improvement,
- Promotion of Access to Information and Promotion of Administrative Justice

Rating Achieved

3

Achievement against the level 3 rating targeted in 2018/19



F1. Governance and Accountability (Cont.)

G&A Standards compliant with legal/regulatory prescripts or SMART (Scored 3 or 4)

G&A Standards on target or require management intervention (Scored 1 or 2)

1. Management Structures (3)
2. Accountability (4)
3. Ethics: Assessment of Financial Disclosures (3)
4. Internal Audit Arrangements (4)
5. Risk Management (3)
6. Corporate Governance of ICT (3)
7. Promotion of Access to Information (PAIA) (3)
8. Promotion of Administrative Justice (PAJA) (4)

1. Service Delivery Improvement (2.5)
2. Professional Ethics (2)
3. Anti-Corruption and Ethics Management (2)

G. Human Resource Management

- The Department employs staff on a permanent basis, as well as through fixed-term contracts for specific projects and secondments to access specific scarce skills and knowledge for its programmes, including the PICC Technical Unit.
- The EDD had a ratio of 48,4% women in Senior Management positions as at 31 March 2019.
- 15 HR policies were reviewed/ developed and are in the process of consultation.

G1. Human Resource Management (cont.)

Personnel expenditure

Programme	Total Expenditure R'000	Personnel Expenditure R'000	Training Expenditure R'000	Personnel Expenditure as % of Total Expenditure	Average Personnel Costs per Employee R'000
Administration	86 619	43 800	155	50.6%	730
Growth Path & Social Dialogue	30 158	28 569	0	94.7%	1 190
Investment, Competition and Trade	927 233	14 334	0	1.5%	683
Total	1 044 010	86 703	155	8.3%	2 603

G2. Human Resource Management (cont.)

Personnel expenditure by salary bands

Salary band	Personnel expenditure (R'000)	As % of total personnel costs	Number of employees	Average personnel cost per employee (R'000)
Skilled (Levels 3-5)	2 096	2.4%	9	233
Highly skilled production (Levels 6-8)	11 339	13.1%	30	378
Highly skilled supervision (Levels 9-12)	25 963	29.9%	31	838
Senior management (Levels 13-16)	47 305	54.6%	35	1 352
Total	86 703	100%	105*	826

*Includes political office bearers

H. Financial Performance: Overview

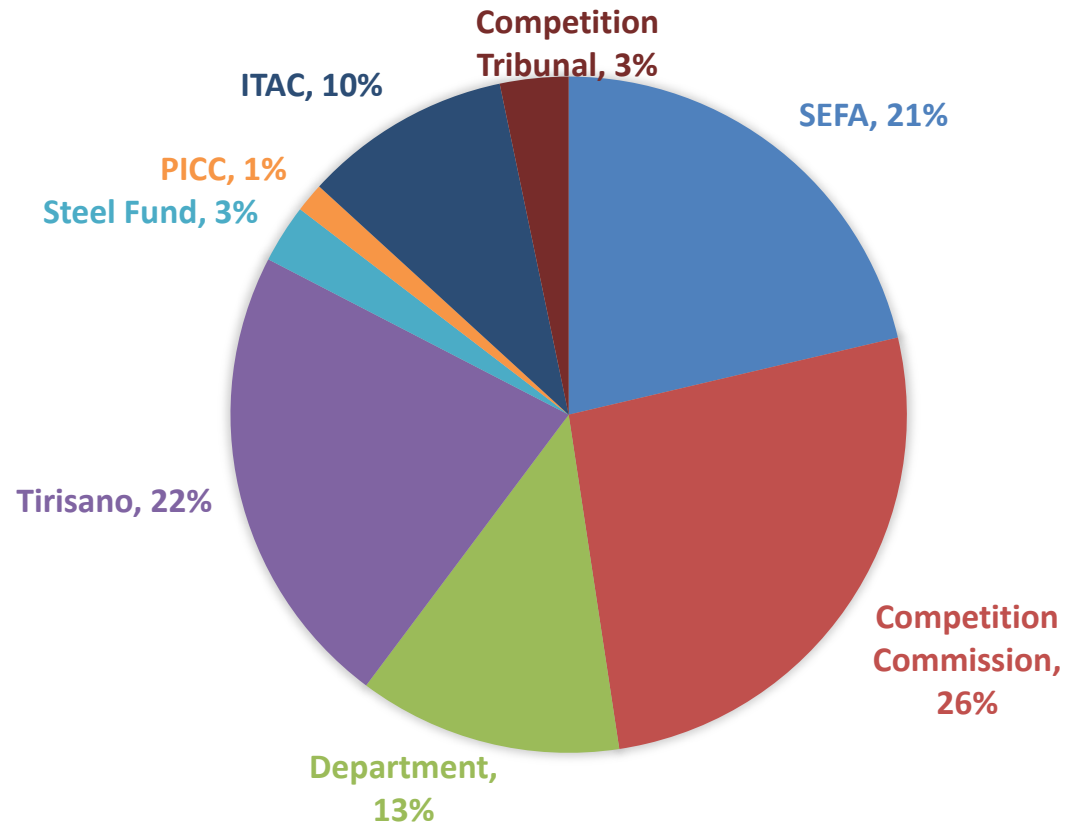
For the year under review the department spent 97.3% (i.e. under spending of 2.7%. Refer to slide 37)

H1. Financial Performance: Appropriation

Application of appropriated funds 2018/19

	Rm
Appropriated Funds	1 072
Competition Commission	282
SEFA	228
IDC:	285
Tirisano Fund	240
Steel Fund	30
PICC	15
Department	135
ITAC	107
Competition Tribunal	35

Figures rounded.



H2. Financial Performance per Programme

Programmes	2018/19				2017/18			
	Annual Budget	Expenditure	Variance		Annual Budget	Expenditure	Variance	
	R'000	R'000	R'000	% spend	R'000	R'000	R'000	% spend
Administration	87 759	86 619	1140	98.7	85 117	83 666	1451	98.3
Growth Path and Social Dialogue	30 502	30 158	344	98.9	31 736	31 125	610	98
Investment, Competition and Trade	954 336	927 233	27 103	97.2	797 384	797 259	126	99.9
Total	1 072 597	1 044 010	28 587	97.3	914 237	912 050	2187	99.8

H3. Financial Performance per Economic Classification

Programmes	2018/19				2017/18			
	Annual Budget	Expenditure	Variance		Annual Budget	Expenditure	Variance	
	R'000	R'000	R'000	% spend	R'000	R'000	R'000	% spend
Compensation of employees	92 273	91 082	1,191	98.7	89 953	88 523	1 430	98.4
Goods & services	41,833	40,908	925	97.8	44 217	44 109	109	99.8
Transfers to Entities	937,295	910 942	26,353	97.2	778 240	778 240	0	0.00
Households	220	255	-35	115.9	119	130	-11	-109
Payments for capital assets	976	823	153	84.3	1 707	1 048	659	61.3
Totals	1 072 597	1 044 010	28 587	97.3	914 237	912 050	2 187	99.8

H4. Transfer to Entities

Description	2018/19	2017/18
	R'000	R'000
Competition Commission	281 788	263 354
Competition Tribunal	35 086	30 041
International Trade Administration Commission	106 584	99 065
Sefa	228 837	223 780
IDC *	258 647	162 000
Total	910 942	778 240

	2018/19	2017/18
*Tirisano Fund	R213 647	R117 000
Steel Fund	R30 000	R 30 000
PICC R15 000	R 15 000	0
Total IDC Transfer	R258 647	R 162 000

The underspending was mainly due to the transfers to the Tirisano Fund. The budgeted amount was R240million however due to companies being under business rescue, payments were not made as such transfers could not be made to the Tirisano Fund administrator. This is condition imposed by National Treasury.

37

For the financial year under review 87% of the budget was transferred to the department's entities.

H5. Financial performance: Revenue

Description	2018/19	2017/18
	R'000	R'000
Sales of goods and services other than capital assets	32	31
Fines, penalties and forfeits (Construction Cartel Settlement Agreement)	96 247	117 400
Interest, dividends and rent on land	50 462	50 123
Transactions in financial assets and liabilities	14	6
Total	146 755	167 560

H6. Cash received for the revenue fund

Name of entity	Amount received R'000	Amount paid to Revenue Fund R'000	Balance R'000
Competition Commission	905 760	847 070	58 690
Total	905 760	847 070	58 690

EDD no longer reports on penalties collected by the Competition Commission in line with reporting requirements reflected in the Accounting Manual issued by OAG.

1. In 2018/19 R906 million was received from Competition Commission for fines and penalties imposed by the Competition Tribunal in March. R847 million of the received funds were paid over to the National Revenue Fund and the balance was paid in April.
2. In 2017/18 R524 million was received and paid over to National Revenue Fund.

THANK YOU



SIYABONGA

Economic Development Department