



# EDD Presentation on the 1<sup>st</sup> Quarter 2019/2019

Presentation to the Portfolio Committee  
Economic Development

## 8 October 2019

The report covers the period from 1 April 2019 to 30 June 2019 unless otherwise stated. Quarter 1 refers to the same period



economic  
development

Economic Development Department  
REPUBLIC OF SOUTH AFRICA



- A. Economic Overview: Q1
- B. Highlights from the Department's report for the quarter:
  1. Institutional Requirements for the Competition Amendments Act, 2018
  2. Edcon financial difficulties: Prevention of job losses
  3. Tourism Fund
  4. Steel Industry: Sale of AMSA/Highveld Steel Mill
  5. Poultry Industry: Lekwa investment unblocking
  6. Nine Months PPS Extension
  7. Provisional Market Inquiries Reports – Data and Grocery Retail Market Inquiries
- C. Report on KPIs
- D. Report on Human Resources
- E. Report on Finances

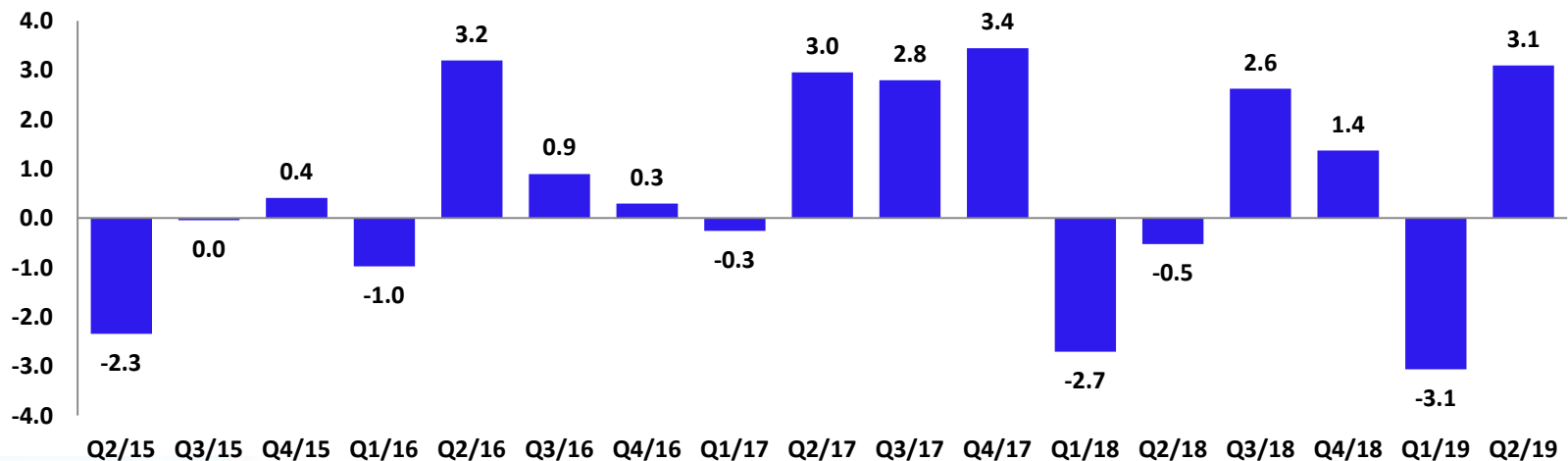
# A. ECONOMIC AND EMPLOYMENT OVERVIEW

- Economic context
- Employment review

# Economic Context: GDP for Q1 2019/20

- Real GDP increased by 3.1% in the first quarter of 2019/20, recovering from the 3.2% contraction in the previous quarter
- Sectors that gained the most are mining (14.4%), business services (4.1%) and trade (3.9%)
- The main contractors were agriculture (-4.2), construction (-1.6) and transport (-0.3)

## Real GDP % change since 2015



# Economic context: GDP by Industry

	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
<b>Agriculture</b>	-42.3	13.7	7.9	-16.8	<b>-4.2</b>
<b>Mining</b>	8.1	-8.9	-3.8	-10.8	<b>14.4</b>
<b>Manufacturing</b>	1.4	7.5	4.5	-8.8	2.1
<b>Utilities</b>	0.7	0.8	0.2	-7.4	3.2
<b>Construction</b>	1.5	-1.7	-0.7	-2.0	<b>-1.6</b>
<b>Trade</b>	-1.2	3.4	-0.7	-3.6	<b>3.9</b>
<b>Transport</b>	-3.8	6.8	7.7	-4.4	<b>-0.3</b>
<b>Business Services</b>	1.7	2.1	2.7	1.1	<b>4.1</b>
<b>Government</b>	0.2	1.9	-0.6	2.4	3.4
<b>Personal services</b>	0.8	0.6	1.7	1.1	0.8

# Economic context: GDP Expenditure Side

- Capital spending ('gross fixed capital formation') increased by 6.1%, following a contraction of 4.1% in the first quarter of 2019
- Exports of goods and services experienced a decline of 0.7%.
- Imports of goods and services expanded from a contraction of 5.1% in Q1 2019 to a 18.8% increase in Q2 2019.

	2018 - Q2	2018 - Q3	2018 - Q4	2019 - Q1	2019 - Q2
<b>Households final expenditure</b>	0.1	0.6	3.2	-0.6	2.8
<b>General government</b>	2.1	0.4	0.6	2.0	2.8
<b>Gross fixed capital formation</b>	-3.8	-0.7	-2.5	-4.1	6.1
<b>Exports of goods and services</b>	4.0	26.0	11.1	-27.0	-0.7
<b>Imports of goods and services</b>	0.9	22.3	-16.0	-5.1	18.8
<b>Expenditure on GDP</b>	-0.5	2.1	1.6	-3.4	3.0

# Employment Review: Quarter 1 2019/20

- The unemployment rate for Q2 2019 was 29.0%, 1.4 percentage points higher than Q1 2019
- Although 21 000 jobs were created, the labour force increased by 476 000
- There were 455 000 more unemployed; 268 000 more women and 187 000 more men
- By industry, trade gained 84 000 jobs, government 48 000, and construction 24 000
- Strong job losses in private households (49 000), transport (42 000 ), mining (36 000) and business services (21 000)

# Jobs by Industry

- Over the past year, trade has seen the largest number of jobs created (210 000), followed by business services (96 000) and manufacturing (45 000).
- The largest job losses occurred in mining (54 000), government (70 000) and construction (113 000).

## Jobs by Industry for the Year, 2018:Q2 – 2019:Q2

Industry	Year-on-year change
Trade	210 000
Business Services	96 000
Manufacturing	45 000
Agriculture	- 1 000
Utilities	- 9 000
Transport	- 32 000
Private households	- 45 000
Mining	- 54 000
Government	- 70 000
Construction	- 113 000



# Jobs by Province over the year to June 2019

- The main job creators over the 12 months ending June 2019 were Mpumalanga (31 000), Limpopo (20 000) and Free State (20 000)
- Of the three provinces lost jobs, North West the hardest hit

Province	Jobs
Mpumalanga	31 000
Limpopo	20 000
Free State	20 000
Western Cape	18 000
KZN	15 000
Gauteng	11 000
Eastern Cape	-15 000
Northern Cape	-16 000
North West	-59 000

# B. HIGHLIGHTS FROM DEPARTMENT'S REPORT

1. Institutional Requirements for the Competition Amendments Act, 2018
2. Edcon financial difficulties: Prevention of job losses
3. Tourism Fund
4. Steel Industry: Sale of AMSA/Highveld Steel Mill
5. Poultry Industry: Lekwa investment unblocking
6. Nine Months PPS Extension
7. Provisional Market Inquiries Reports – Data and Grocery Retail Market Inquiries

The Minister established an Expert Panel to advise him on the Institutional Requirements associated with the Amendment of the Act; report submitted May 2019:

### **Resource and System Requirements**

- The panel considered the current organisational structure of the Commission and various iterations to address the changes flowing from the Amendment Act.
- They proposed the removal of the inefficiencies in the current structure

### **Caseload Bottlenecks**

- The caseload management system be revised to optimise functioning.

### **Funding Model**

- The panel analysed the model and made up of three revenue streams, government grant as a primary source of funding; merger filing fees; and interest earned on penalties levied.

### New Holdco/Edgars Consolidated Stores Limited Merger

- Merger approved 9 May 2019, with Public Interest Conditions relating to:
  - Increase in local procurement through continuation of the Import Replacement Programme, engage various stakeholders and suppliers to build capacity as well as help improve standards
  - BEE participation through a scheme to replace the devalued Edcon Staff Empowerment Trust
  - No job losses as a result of the merger by, among other initiatives, avoiding involuntary retrenchments, particularly among non-management related store staff

**Industrial Development Corporation (IDC), Incopho Wild Coast Development Projects (Pty) Ltd (“Incopho”) and National Department of Tourism collaborating to develop a tourism resort:**

- EDD facilitate interaction between National Department of Tourism and Industrial Development Corporation (IDC),
- Industrial Development Corporation (IDC), Incopho Wild Coast Development Projects (Pty) Ltd (“Incopho”) and National Department of Tourism collaborated to support development of the Hole-in-the-wall, tourism resort.
- Planned Resort Details:
  - Lease 4.22 hectare site
  - Area: Hole-in-the-Wall, near Coffee Bay, in King Sabata Dalindyebo Municipality, EC. 94 Kilometres from Mthatha – 288 kilometres from East London
  - Estimated Development Cost: approximately R200million
  - Proposed scope of development:
    - 22 en-suite 5-star hotel (44 pax)
    - 30 units 2 bedroom chalets (160 pax)
    - 30 units 1 bedroom chalets (60 pax)
    - Conference facilities (500pax)
    - Restaurant, lounge & sundowner terrace
    - Pool, health spa & fitness centre

President Ramaphosa visited OR Tambo District Municipality during Q2 – 17 September 2019

- Status Update as at 3 September 2019
  - Expression of Interest (“EOI”) issued – 24 potential operators responded, site visit held 3 April 2019
  - IDC and National Department of Tourism implementing a Tourism Equity Fund (TEF) – initially capitalized at R120million
    - Once launched, Hole-in-the-Wall will be first project funded
    - Successful bids will contribute reasonable percentage of total project cost, IDC will provide debt funding to be determined through the TEF
    - The Fund will be launched in October 2019.
  - Funding engagement terms finalized by IDC and National Department of Tourism – to assist qualifying project with equity funding

President Ramaphosa visited OR Tambo  
District Municipality during Q2 – 17  
September 2019

### Unblocking sale of Highveld Structural Steel Mill

- Parties could not agree during negotiations, threatening the extended bloom supply agreement as well – 220 jobs at risk and resumption of imports of structural steel.
- Minister successfully acted as Arbitrator during April 2019 between parties involved in sale of Highveld Structural Steel Mill – leading to deal and saving the 220 jobs.

## The Department unlocked the water supply challenges for Goldi Chickens in Lekwa Municipality

- EDD received a complaint from Goldi that water supply to their chicken processing plant was discontinued by the Lekwa Municipality which will result in serious environmental, financial and labour problems.
- After EDD held a meetings with stakeholders, and arranged the following:-
  - Municipality agreed to provide some of the required water
  - Water Affairs agreed that Goldi could extract water directly from the Vaal River, until such time that the municipal infrastructure is fully operational
  - MISA, COGTA and PICC are in discussion with the municipality to refurbishment of the water treatment plant
- EDD's intervention resulted in production resuming at the chicken processing plant and around 3 200 workers taken out of short-time.





## PPS Extension

- PPS introduced in 2013 to ensure that waste and scrap metal should not be exported unless first offered to domestic users at a discount price.
- During the quarter work was done to extend the PPS for the second time so that it was extended from 1 July to 31 March 2020.
- A technical team is undertaking work on the introduction of an export duty on scrap metal to replace the PPS.

26 July 2019: Minister of Communications issued Policy on high demand spectrum and policy direction on the Licensing of a wireless open access network

## Data Market Inquiry

- The provisional **Data Market Inquiry** was released on the **24<sup>th</sup> April 2019**: The inquiry was set up as a result of persistent concerns expressed by the public about the high level of data prices and the importance of data affordability for the South African economy and consumers.
- The purpose of the Inquiry is to understand what drives the cost of data.
- The EDD collaborated with DTPS in terms of providing funding for the inquiry as well as discussing the implications of the provisional recommendations.

## Grocery Retail Market

- The Provisional report was released on the **29<sup>th</sup> May 2019**: the purpose is to remove hindrances to SMEs and historically disadvantaged firms participation. The Inquiry also determine the impact of the expansion, diversification and consolidation of national supermarket chains on small and independent retailers in townships, peri-urban areas and rural areas and the informal economy.
- The EDD held a discussion of the draft recommendations with National Treasury in terms of their Townships and Villages programme in the Eastern Cape.

30 September 2019: Healthcare Market Inquiry Final Report issued

# B. REPORT ON KPIS

# Programme 2: Growth Path and Social Dialogue

**Strategic Objective 2: Coordinate jobs drivers and implementation of the New Growth Path economic strategy in support of the National Development Plan**

## **Key Performance Indicators**

- KPI 2: Analytical and public policy advocacy
- KPI 3: NGP jobs drivers and coordination structures
- KPI 6: Support to provinces

- 1 product targeted for KPI 2 commenced in Q1 to be reported in Q2**

Analytical and public policy advocacy

### **Social Economy Policy Update**

11 June 2019: Interaction in a Technical MINMEC with Provinces on Social Economy Policy Framework as part of their Socio-Economic Development Programme and collaboration with National Government on policy related matters:

- Update on Draft Green Paper
- Joint Planning for Social Economy Provincial Consultations sessions
  - Provincial Consultations currently under way. All provinces are being visited and discussions held with community organisations on the content of the Draft Social Economy Green Paper.
  - Provinces already visited are as at 3 October 2019: North West (17 to 18 September), Limpopo (11 to 12 September), Eastern Cape (19 to 23 August), Northern Cape (1 and 3 October), Free State (26 to 27 September).
  - Still to be visited during Oct and Nov 2019: KZN (9 to 10 October), Gauteng (16 to 17 October), 29 to 30 October), Mpumalanga (4 to 5 November),

# Programme 2: Growth Path and Social Dialogue

**Strategic Objective 3: : Facilitate social dialogue and implementation of social accords**

## **Key Performance Indicators**

KPI 4: Implementation of the green economy accord

KPI 5: Employment and entrepreneurship for black women and youth

KPI 7: Social dialogue interventions to save and create jobs & reports on implementation of Social Accords

- **No products were expected for Q1**

# Programme 3: Investment, Competition & Trade

**Strategic Objective 4: Coordinate infrastructure development and strengthen its positive impact on the economy and citizens**

## Key Performance Indicator

KPI 8: Quarterly Cabinet-level progress reports of infrastructure SIPs

KPI 9: Cabinet and PICC infrastructure decisions implemented

KPI 10: PICC meetings held and facilitated

KPI 11: Coordination actions to drive implementation of SIP 5 of the National Infrastructure Plan

KPI 12: Initiatives to increase localisation in the infrastructure and industrialisation programmes

KPI 13: Investment and Infrastructure projects evaluated, unblocked, fast tracked or facilitated

Progress reports to Cabinet on the 18 Strategic Integrated projects (SIPs)

### Work Completed: Cabinet Level Reports

- **18 Construction Update Reports** were prepared for Cabinet which provided information on financial, employment, localisation and construction activities; and identified progress and actions that Cabinet needed to consider to ensure the infrastructure build programme was implemented and able to boost jobs and growth.

**Note:** Implementation of the projects and **operational responsibility, funding and reporting** remains with the **relevant line Departments**.



Number of PICC meetings held and facilitated

### Work completed: PICC meetings held and facilitated

- During the quarter, EDD provided technical, secretariat and coordinating support for the hosting of PICC structures through the PICC Unit
- These structures prepared and finalised the submissions discussed in the meetings held
- PICC held four meetings supported by the EDD
  - SIP Coordinators Forum- 3<sup>rd</sup> May 2019
  - SIP Coordinators Forum- 31<sup>st</sup> May 2019
  - SIP Coordinators Forum- 28<sup>th</sup> June 2019
  - Tirisano Construction Fund Board of Trustees Meeting- 17<sup>th</sup> May 2019

#### Work completed: Action minute on OTMS

- Strategic Integrated Projects 5 (SIP 5) consists of work along the Saldanha-Northern Cape Development Corridor including projects on roads, energy and industrial infrastructure, falling within the legal mandate of the Ministers of Transport, Water and Sanitation, Energy, Public Enterprises and Trade and Industry respectively.
- The Minister of Economic Development chairs SIP 5
  - Processes to update SIP Chairs is currently underway, through the Minister now responsible for the PICC – Minister of Public Works and Infrastructure
- The coordination work undertaken for this purpose includes site visits and site reports; Ministerial Imbizos; press briefings; technical investigations; and preparation of meeting agendas, reports and minutes.
- This work is done to support line Ministers to implement SIP projects according to project time frames and budget

### Coordination of actions to drive implementation of SIP 5 of the National Infrastructure Plan

This quarter EDD produced an **action minute** focused on lessons learned on the impact of disruption on construction sites.

- Oiltanking MOGS Saldanha (RF) (Pty) Ltd (OTMS) project is establishing an open access commercial crude oil blending and storage terminal.
- Strike action occurred on the project during March 2019, with work commencing 25 March 2019.
  - Over R100 million direct and indirect cost impact of the disruption.
- Lessons learned:
  - Clarify what “Local” means – considering legislation; with a transparent employment regime
  - Identify, and link with, key community stakeholders and community leaders
  - Involve community during planning stage, explaining project timelines clearly
  - Develop a well consulted Social and Labour Agreement during planning, working with Unions
  - Involve Public Order Police during planning of large projects
- PICC working on Social Facilitation Plan drawing on lessons from this and other similar events

Initiatives to increase localisation in the infrastructure and industrialisation programmes

## Unblocking sale of Highveld Structural Steel Mill

Minister Patel facilitated the sale of Highveld Structural Steel Mill leading to the continued operation of a unique Steel Mill in Africa and saving 220 jobs

### Background

- EDD has a long background in supporting the metals industry – with support for Highveld Steel as one example
- In April 2015 Highveld Steel had filed for voluntary business rescue

**See Highlights Focus Area 4: Sale of Highveld Steel Mill**

Initiatives to increase localisation in the infrastructure and industrialisation programmes

- EDD brought AMSA (ArcelorMittal) and Highveld Steel together in 2016/17 to re-establish the Highveld Structural Steel Mill that had previously closed.
- During April 2017, the steel-mill started production and Highveld Steel began to turn the old complex into a multi-purpose industrial hub.
- EDD also assisted with unblocking a tariff investigation that would support the production of steel, and following an independent investigation, ITAC recommended duties to be approved – this recommendation was later accepted. It also helped to fast-track the implementation of the duty by National Treasury.

**See Highlights Focus Area 4: Sale of Highveld Steel Mill**

Initiatives to increase localisation in the infrastructure and industrialisation programmes

- In January 2019 EDD was informed that AMSA was terminating its contract with Highveld Steel to supply blooms. EDD's engagement and facilitation resulted in a supply agreement being extended – so that Highveld would be able to continue production using blooms from AMSA
- In this quarter – EDD facilitated discussions between parties that resulted in the sale of Highveld Steel to AMSA
- Highveld Steel continues to be the only structural steel mill of its kind in Africa with the ability to produce steel for construction and railway lines.

**See Highlights Focus Area 4: Sale of Highveld Steel Mill**



# Arial view of Highveld Industrial Park



Investment and Infrastructure projects evaluated, unblocked, fast tracked or facilitated

### During the quarter EDD undertook 5 unblockings/ facilitations:

1. Dube Trade Port application granted for use of agricultural land for development purposes.
2. Facilitated an agreement with Ekurhuleni Municipality that helped prevent the eviction of 3 SMMEs owned by Ortive/Kusile Brands Company from the KwaThema Business Park, with a payment arrangement to settle rent payment arrears.
3. Unlocking water supply to Lekwa/Goldi Chickens – **see Highlights Focus 5.**
4. Facilitation of access to market for Watertainer (a local company) water tanks (modular 1500 litre water collection storage system) into the Massmart (Builders Warehouse) value chain.
5. Facilitation of a request from dti to SARS/National Treasury for extension of existing safeguard duty on certain Flat Hot Rolled Steel products to include products from Chinese Taipei Taiwan.



Investment and infrastructure projects evaluated, unblocked, fast tracked or facilitated

### **Unblocking of Dube Trade Port application for Subdivision of Agricultural Land Act 70 of 1970 at the Department of Agriculture, Forestry and Fisheries**

- PICC successfully helped unlock and fast track an application to develop land for the Dube TradePort, which facilitates economic development in the region and for South Africa.
- Dube TradePort (DTP), north of Durban, is intended to serve as an airfreight orientated logistics hub for SA and KwaZulu-Natal.
- It comprises the King Shaka International Airport together with supporting commercial, industrial and agricultural precincts.
- The Dube TradePort Company (DTPC) is responsible for the development of the TradeZone, and AgriZone.
- The land on which the Tradezones are to be developed on is former agricultural land.
- The Agricultural Land Act requires approval from the Minister of Agriculture for a change in the use for agricultural land. However, Section 3 exempts statutory bodies from the Act, of which DTP one.

Infrastructure projects evaluated, unblocked, fast tracked or facilitated

### Unblocking of Dube Trade Port application for Subdivision of Agricultural Land Act 70 of 1970 at the Department of Agriculture, Forestry and Fisheries (cont.)

- DTP requested the PICC to help unblock the approval of the application.
- PICC engaged with DAFF and the application was unblocked and fast-tracked.

Impact expected:

- Increase in investment in the Dube Trade Port: Tradezone 2, through the erection of factories and warehouses, as is currently the case of Tradezone 1
- Increase in the number of jobs created by the factories and warehouses
- Increased taxes for the fiscus from company and personal taxes

Investment and infrastructure projects evaluated, unblocked, fast tracked or facilitated

### Unblocking of a request by SMME's to the Ekurhuleni Municipality, for eviction from the KwaThema Business Park.

- EDD's intervention with a Municipality over 3 SMMEs being in arrears on rents has resulted in creating a supportive environment for SMMEs – enabling them to survive and retain jobs, while also helping secure an agreement on payment to the Municipality.
- EDD received a request to intervene on the eviction of a tenants (an SMME) from the KwaThema Business Park in Ekurhuleni Municipality premises as a result of falling into arrears with rent for several months.
- EDD met with key stakeholders including the Municipality to help facilitate a solution to the problem.
- The outcome was that the Municipality agreed to suspend the eviction of these SMMEs from its Business Park while the SMMEs have been provided with an opportunity to make arrangements for payment and still operate.

Investment and infrastructure projects evaluated, unblocked, fast tracked or facilitated

## Access to market for Watertainer water tanks

- EDD received request for assistance from Watertainer – a local South African company to access markets for their 1500 litre water tanks
- EDD developed a product profile and presented it to Massmart's Builders Warehouse
- Product placed on Builders Warehouse shelves on a trial basis, with demand then reported to have increased.

Investment and infrastructure projects evaluated, unblocked, fast tracked or facilitated

## Extension of existing safeguard duty on certain Flat Hot Rolled Steel products

- Dti requested SARS/National Treasury to extend existing safeguard duties on certain Flat Hot Rolled Steel products, to include imports from Chinese Taipei Taiwan.
- EDD engaged SARS and National Treasury to finalise.
- Amendment granted, providing better support to steel industry.

# Programme 3: Investment, Competition & Trade

**Strategic Objective 5: Promote productive investment, industrial financing and entrepreneurship for jobs and inclusive growth**

## Key Performance Indicators

KPI 14: Level and impact of industrial finance by DFIs and departments including on township enterprises

KPI 15: Ministerial or departmental oversight engagements with the IDC

Report on the level and impact of industrial finance by DFIs and departments including on township enterprises

### Report of IDC funding for Q1

- **R394.5** million approvals for Q1 after cancellations of previously approved funding
  - This include **R955.0** million of new approvals and **R560.2** million of cancellations
  - Highest levels of new approvals in:
    - ✓ Industrial Infrastructure (**R319.1** million)
    - ✓ Machinery and Equipment (**R235.4** million)
    - ✓ Light Manufacturing and Tourism (**R100.0** million)
  - Significant cancellations included:
    - ✓ Cancellation of funding for a grape and citrus project (**R316** million) after the promoters changed the scope of the project resulting in a smaller funding requirement
    - ✓ Cancellation of funding for a black-owned business to purchase an IT company after another purchaser emerged as a preferred buyer
- **R2.43** billion disbursements
  - Highest disbursements in:
    - ✓ Basic and Speciality Chemicals received the largest share (**33.9%**)
    - ✓ Basic Metals and Mining (**19.7%**)
    - ✓ Clothing and Textiles (**11.3%**).
- IDC expects 975 jobs to be created/saved through new approvals.
  - Cancellations of previously approved funding resulted in 1 175 jobs being cancelled and a net negative number of -200 for the quarter.

Ministerial or departmental oversight engagements with the IDC held

**During the quarter the Minister engaged the IDC on a strategic level through:**

IDC Quarter 4 Report

- PFMA compliance quarterly report for period ending March 2019

IDC Oversight Meeting 7 May 2019

- Quarterly oversight meeting



# Programme 3: Investment, Competition & Trade

**Strategic Objective 6: Promote competition, trade and economic regulation in support of job creation, industrialisation and economic inclusion**

## Key Performance Indicators

KPI 16: Work of the economic regulators

## Meetings and Reports

- Quarter 4 Reports of the Competition Commission, Competition Tribunal and ITAC
- Quarterly entities meeting on 11 June 2019
- Approval and tabling of Annual Performance Plans 2019/20 for the Competition Commission, Competition Tribunal and ITAC – tabled 28 June 2019

### Initiatives on market inquiries or abuse of dominance

- The Competition Commission informed the Minister about the proposed merger between New Holdco (NewCo), as the primary acquiring firm, and Edgars Consolidated Stores Limited, as primary target firm.
- The following shareholders would hold the issued share capital in NewCo:
  - OpCo Facility Lenders;
  - OpCo Cash Landlors
  - BEE Trust;
  - Existing Investors; and
  - Public Investment Corporation
- The proposed transaction will require the restructuring of the debt and equity structure of the OpCo with a view of to providing the Edcon group with a platform to maximise its prospects of avoiding being forced into the business rescue or insolvency proceedings
- EDD filed a Notice of Intention to Participate on 18 March 2019 and stressed the importance of putting measures in place to avoid any retrenchments.
- Following engagements between EDD and the merging parties, EDD took note of the undertakings made by Edcon to address employment and local procurement concerns.

**See Highlights Focus Area 2: Edcon**

### Initiatives on market inquiries or abuse of dominance

The Competition Commission expedited the assessment of the proposed merger due to the financial position of the Edcon Group and recommended to the Competition Tribunal on the 30<sup>th</sup> April 2019 subject to the conditions agreed to between EDD and the merging parties

- The CT approved the merger on **9 May 2019** subject to the following conditions:
  1. Commitment to fostering and developing a more competitive production environment in South Africa Edgars Consolidated Stores Limited and Edcon Limited through –
    - Continuation of the Import Replacement Programme which entails expanding OpCo's procurement from South African suppliers (including small, medium and large enterprises);
    - Building relationships with South African suppliers of products for re-sale in OpCo's stores to inter alia mitigate the risk of exchange rate fluctuation, secure faster supply chain turnaround and cater for local consumer preferences; and
    - Participation in initiatives by inter alia Government, IDC and NGOs aimed at improving capacity and competitiveness and to create jobs in the textile and apparel industry value chains in South Africa.
  2. Quality assurance information sessions by OpCo with South African producers to assist them in manufacturing world class products at competitive local prices; and Orientation sessions with Small Enterprises in South Africa to assist them in doing business with OpCo.

**See Highlights Focus Area 2: Edcon**

### Initiatives on market inquiries or abuse of dominance

3. Exploration of opportunities with South African suppliers and manufacturers relevant to the Edcon Group's operations in South Africa –
  - To expand production for the domestic market; **See Highlights Focus Area 2: Edcon**
  - To accelerate OpCo's local procurement; and
  - For partnerships, initiatives and programs to build the capacity, technological capabilities (including equipment and intellectual property requirements) and competitiveness of those local suppliers and manufacturers, including, where appropriate, working with Government, IDC and/or NGOs.
4. Commitment to a bi-annual meeting with representatives of EDD and other public entities that may be invited by EDD from time to time over a five year period to help identify local sourcing opportunities and measures that can improve the competitiveness of local suppliers and manufacturers.

### **Broad-Based Black Economic Empowerment**

- Introduction of replacement scheme for Edcon Staff Empowerment Trust to safeguard the rights and interests of the beneficiaries of the previous scheme whose value has been wholly eroded by Edcon financial challenges.

### **Employment**

- The Edcon Group will use its best endeavours to implement measures aimed at avoiding involuntary retrenchments, particularly amongst non-management related store staff, including offering employees of stores that are closed down equivalent positions in alternate

## Gazetting activities

Extension of Price Preference System policy directive on ferrous and non-ferrous waste and scrap metal (PPS)

- PPS introduced in 2013 to ensure that waste and scrap metal should not be exported unless first offered to domestic users at a discount price.
- The PPS has been extended twice – after receiving comments that strongly supported its extension and the positive impact it is having on the industry and employment.
- During the quarter work was done to extend the PPS for the second time so that it was extended from 1 July to 31 March 2020.
- A technical team is undertaking work on the introduction of an export duty on scrap metal to replace the PPS.

**See Highlights Focus Area 6: PPS**

# C. REPORT ON HUMAN RESOURCES

# 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 51,5% women in Senior Management positions as at 30 June 2019.



# EDD Personnel Expenditure by Programme for Q1

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services expenditure (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
Administration	21 115	10 482	0	2 620	49.6%	178
Growth Path and Social Dialogue	8 157	7 691	-	48	94.3%	334
Investment, Competition & Trade	2 918	2 822	-	0	96.7%	157
<b>Total</b>	<b>32 190</b>	<b>20 995</b>		<b>2 668</b>	<b>65.2%</b>	<b>210</b>

*Political Office Bearers are excluded*

# EDD Personnel Costs by Salary Bands

Salary band	Personnel expenditure (R'000)	As % of total personnel costs	Number of employees	Average personnel cost per employee (R'000)
Levels 3-5	570	2.7%	9	63
Levels 6-8	2 825	13.5%	27	105
Levels 9-12	6 192	29.5%	33	188
Levels 13-16	11 408	54.3%	33	346
<b>Total</b>	<b>20 995</b>	<b>100%</b>	<b>100</b>	<b>206</b>

*Political Office Bearers are excluded*

The Department has exceeded the target of 50% in the filled and funded posts overall.

<b>SMS</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Headcount	16	17	33
Percentage	48,5%	51,5%	100%

<b>Non-SMS</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Headcount	22	47	69
Percentage	32%	68%	100%

<b>EDD</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Headcount	38	64	102
Percentage	37%	63%	100%

*Political Office Bearers are excluded*

# People with Disabilities

- The Department has achieved the national target for people with disabilities of 2%

	Male	Female	Total
Staff with disabilities	1	2	3
Total staff	38	64	102
	<u>2.6%</u>	<u>3%</u>	<u>2.9%</u>

# D. REPORT ON FINANCIALS

# Summary of expenditure for Q1

- As at 30 June 2019 the department spent **R282.7 million** out of an adjusted allocation of **R1.1 billion** i.e. **27%** of the total allocated budget.
- As at 30 June 2019 expenditure excluding transfers amounts to **R32.2 million (Core R11.1 million, Support R21.1 million)** out of an allocated budget of **R147.4 million** i.e. **22%** of the baseline allocation.
- For Q1 ending 30 June 2019 the Department spent **R282.7 million** made up of transfers of **R250.5 million** to entities and **R32.2 million** spent directly by the Department.
- The department achieved a total expenditure of **100% (R282.7 million)** of the Q1 targeted spent of **R282.2 million**.
- The following tables reflect the expenditure against the budget per programme and per economic classification.

# Cumulative Financial Performance per Programme - 30 June 2019

Programmes	2019/20 Budget	YTD actual Expenditure	Variance	Spent
	R'000	R'000	R'000	%
Administration	90 334	21 115	69 219	23
Growth Path and Social Dialogue	37 009	8 157	28 852	22
Investment, Competition and Trade	20 059	2 918	17 141	15
Transfers and Subsidies	918 050	250 523	667 527	27
<b>Total including Transfers</b>	<b>1 045 393</b>	<b>282 713</b>	<b>762 680</b>	<b>27</b>
<b>Total excluding Transfers</b>	<b>147 402</b>	<b>32 190</b>	<b>115 212</b>	<b>22</b>

# Cumulative Financial Performance per Programme - 30 June 2019

Expenditure per Economic Classification	2018/19 Budget	YTD actual Expenditure	Variance	Spent
	R'000	R'000	R'000	%
Compensation of Employees	97 693	22 073	75 620	23
Goods and Services	44 971	9 944	35 027	22
Transfers to Entities	897 991	250 511	647 480	28
Households	-	12	-12	0
Payment of Capital Assets	4 738	173	4 565	4
<b>Total including Transfers</b>	<b>1 045 393</b>	<b>282 713</b>	<b>762 680</b>	<b>27</b>
<b>Total excluding transfers to entities</b>	<b>147 402</b>	<b>32 190</b>	<b>115 212</b>	<b>22</b>



# Quarter 1: Analysis of spending by Programme

Programme 1	Q1 Projected Spend	Q1 actual Expenditure	Variance	Spent
	R'000	R'000	R'000	%
Compensation of Employees	11 402	11 561	-159	101
Goods and Services	7 617	9 381	-1 764	123
Payments for Capital Assets	187	173	14	93
<b>Total</b>	<b>19 206</b>	<b>21 115</b>	<b>-1 909</b>	<b>110</b>

## The main cost drivers in non-core functions are:

- Office accommodation costs in Corporate services
- Legal fees in Corporate services
- Travel and subsistence
- Audit costs in Financial management for Auditor General

# Quarter 1: Analysis of spending by Programme

Programme 2 and Programme 3	Q1 Projected Spend	Q1 actual Expenditure	Variance	Spent
	R'000	R'000	R'000	%
Salary: Compensation of Employees	11 771	10 513	1 258	89
Non Salary: Goods and Services	751	564	187	75
Payments for Capital Assets	0	0	0	0
<b>Total</b>	<b>12 522</b>	<b>11 077</b>	<b>1 445</b>	<b>88</b>

# Quarter 1: Transfers to Entities

ENTITIES	Q1 Amount Budgeted	Q1 Amount Transferred to Entities	Variance	Spent
	R'000	R'000	R'000	%
Competition Commission	73 859	73 859	-	100
Competition Tribunal	12 057	12 057	-	100
ITAC	26 732	26 732	-	100
IDC:				
- Sefa	60 363	60 363	-	100
- PICC	60 000	60 000	-	100
- Steel Development Fund	17 500	17 500	-	100
- Tirisano Construction Fund	-	-	-	-
<b>Total</b>	<b>250 511</b>	<b>250 511</b>	<b>-</b>	<b>100</b>

# Q1 Financial Performance: Reasons for Variances

- **Compensation of employees:** Spending less than projected due to some resignations
- **Goods and services:** Increase in spending due to accruals
- **Transfers and Subsidies:** Spending according to projections
- **Capital assets:** Spending according to projections



# SIYABONGA



*Economic Development Department*