the dtic

Third Quarter Performance Report – 2022/23

Presentation to the Portfolio Committee on Trade, Industry & Competition

the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

OUTLINE

This report covers **1 October to 31 December 2022** (Quarter 3 of the financial year):

It is organised into **15 sections**, covering

- The global and domestic economic context
- Nine dtic responses to the energy crisis
- Manufacturing performance, investment, incentives and exports
- Jobs, ownership and transformation work
- Governance
- Eleven international trade and investor engagements
- Seven Masterplans
- Two policy interventions
- Competition and trade measures
- Spatial measures, focusing on Tshwane SEZ and Highveld Industrial Park
- Three major projects of the Social Employment Fund as well as progress with Film production
- A Concluding section; and
- A Financial Report.

The Report covers work done by the dtic-group.

It contains **50 case studies**.

PART 1: INTRODUCTION AND CONTEXT

INTRODUCTION

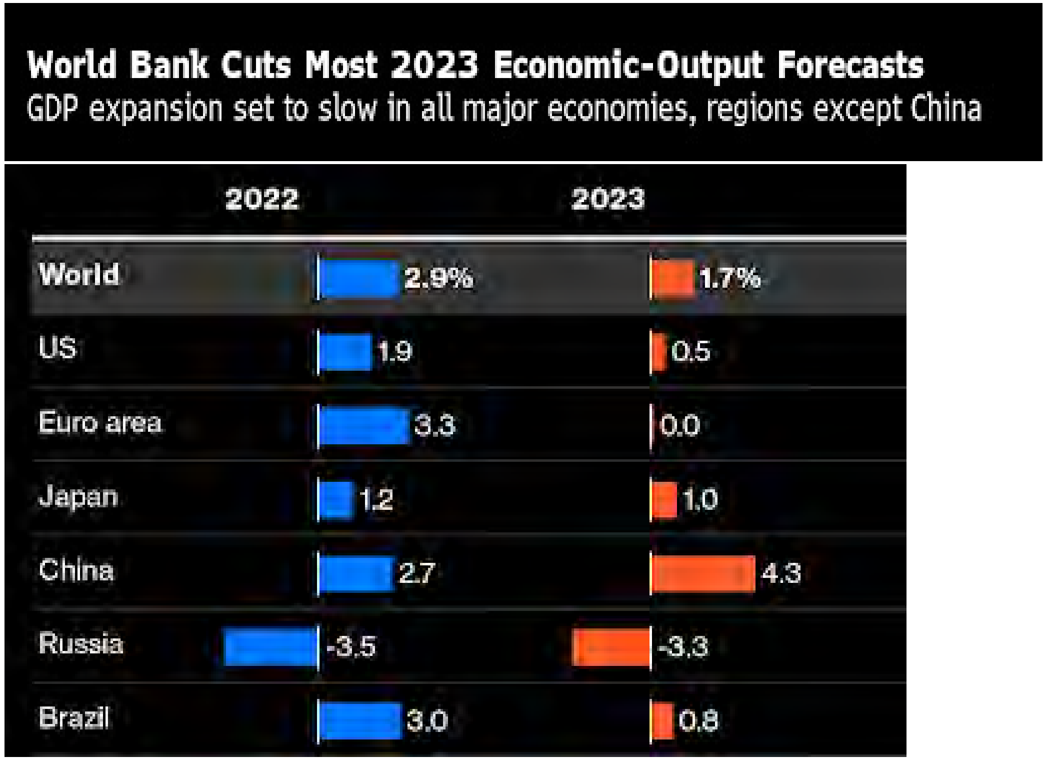
The Q3 report provides information on the impact of the work performed by **the dtic** in the period under review, including the impact on the lives of South Africans.

The report fits within the dtic's strategic priorities:

- **Industrialisation** by drawing the link between interventions and patterns of production, investment, export and job creation
- **Transformation** by connecting interventions to empowering black South Africans, women- and workers
- **Capable state** by reporting on improved performance and deeper partnerships.

GLOBAL GROWTH CONTEXT

Figure 1: Growth Outlook for 2023 has deteriorated substantially.

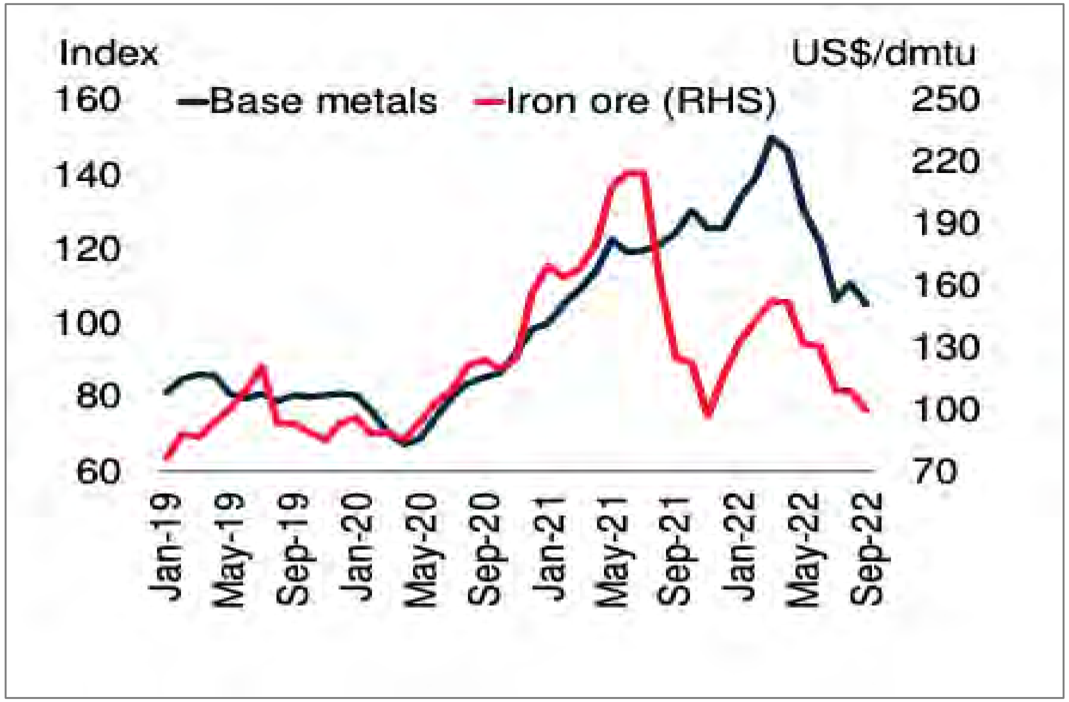


Source. World Bank, January 2023: Global Economic Prospects.

1. The World Bank (January 2023) has revised down its global growth forecasts: 1.7% for 2023 (from 3% forecast in June 2022).
2. For South Africa, the World Bank forecasts growth in 2023 of 1.4% (from 1.5% forecast in June 2022).

Globally, inflation has risen sharply during 2022, with higher interest rates by many central banks.

Figure 2: Base Metals Price Index and Iron Ore Prices.



Source. World Bank, October 2022: Commodity Markets Outlook.

1. Decline in the price of base metal & Iron Ore (lowest in Sept 2022).
2. Metal commodity prices have fallen given weakening global and China growth.
3. Global trade in manufacturing products has been largely flat for past decade, compared to before.
4. Negative impact on SA economy as SA is an exporter of the metal.

GLOBAL INVESTMENT DEVELOPMENTS

FDI Trends # of projects	Greenfields Projects (2022:Q1-Q3)	International Project Finance deals (2022:Q1-Q3)
World	630 (-4%)	868 (-9%)
Developed Economies	449 (-7%)	592 (-9%)
Developing Economies	181 (4%)	276 (-10%)

Source: UNCTAD, January 2023, Investment Trends Monitor.

1. Global FDI momentum weakened in 2022 with downward pressure on projects after Q1. Decline expected for 2023.
2. The negative trend reflects a shift in investor sentiment due to the food, fuel and finance crises around the world.

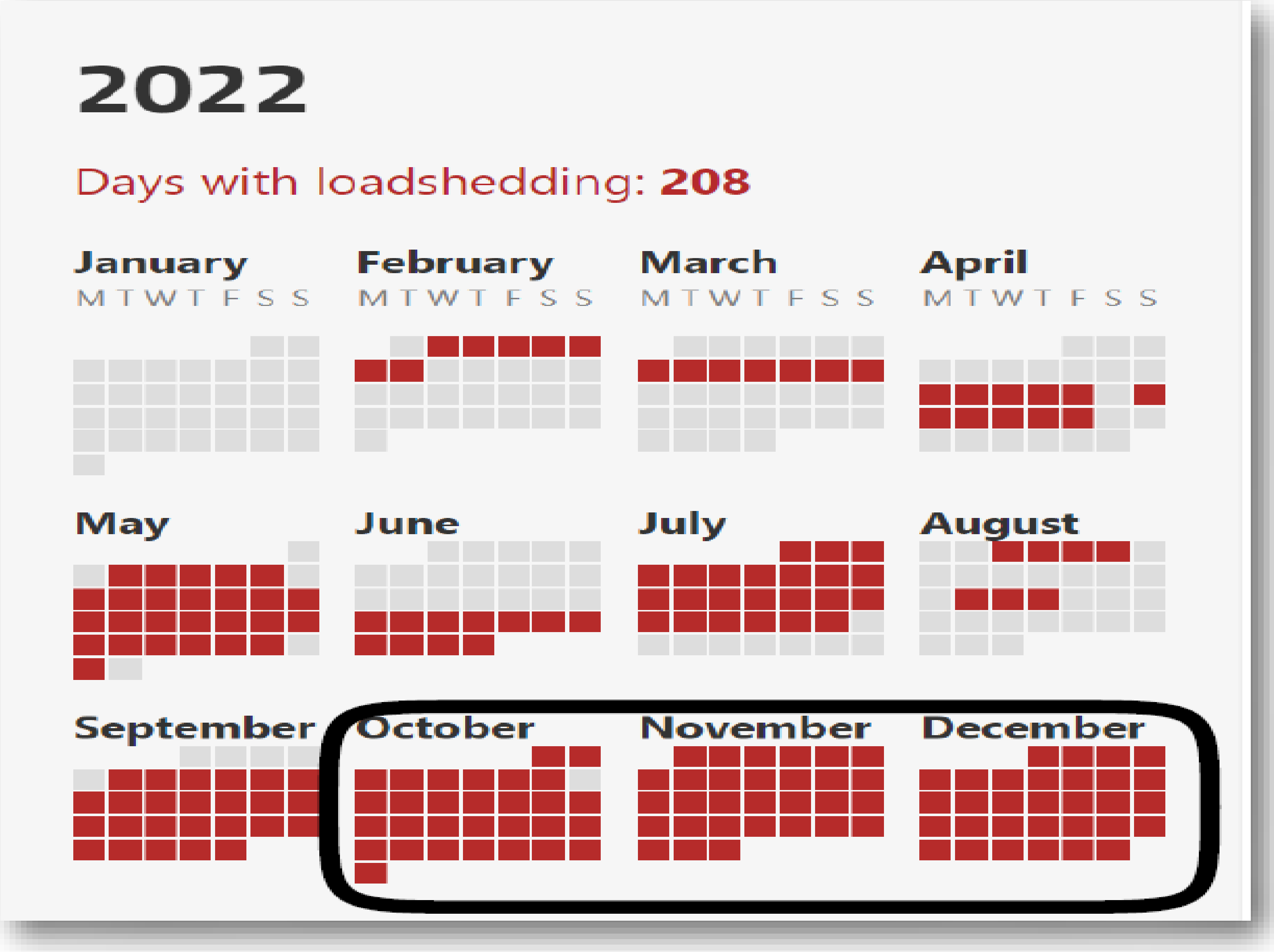
DOMESTIC ECONOMIC CONTEXT

The third quarter (October –December 2023) was marked by significant and continued loadshedding.

This in turn is impacting very seriously on the economy and on economic output in Q3 and will continue to impact on Q4 and beyond.

The following slides show the energy impact, inflation and economic performance.

ENERGY CHALLENGES

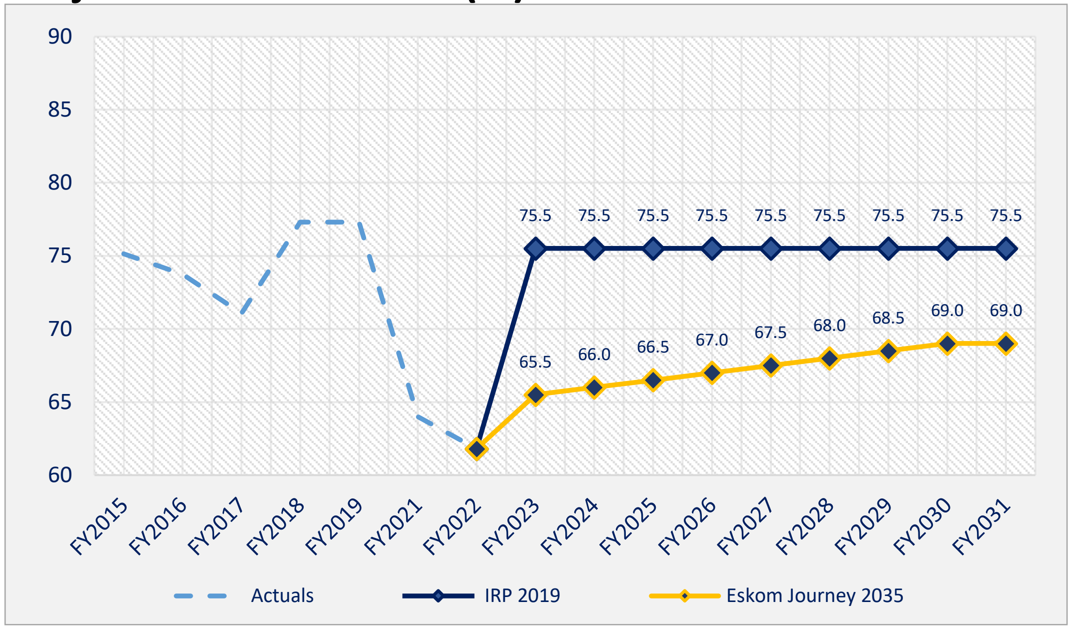


ENERGY CHALLENGES

Electricity Supply Interruptions

- Eskom plant performance has continued to deteriorate resulting in increased frequency and duration of load shedding.
- The underlying causes of this include lack of effective maintenance of power stations, lengthy procurement processes to procure spares, sabotage, theft and vandalism of energy infrastructure, and under-performance of Medupi and Kusile.

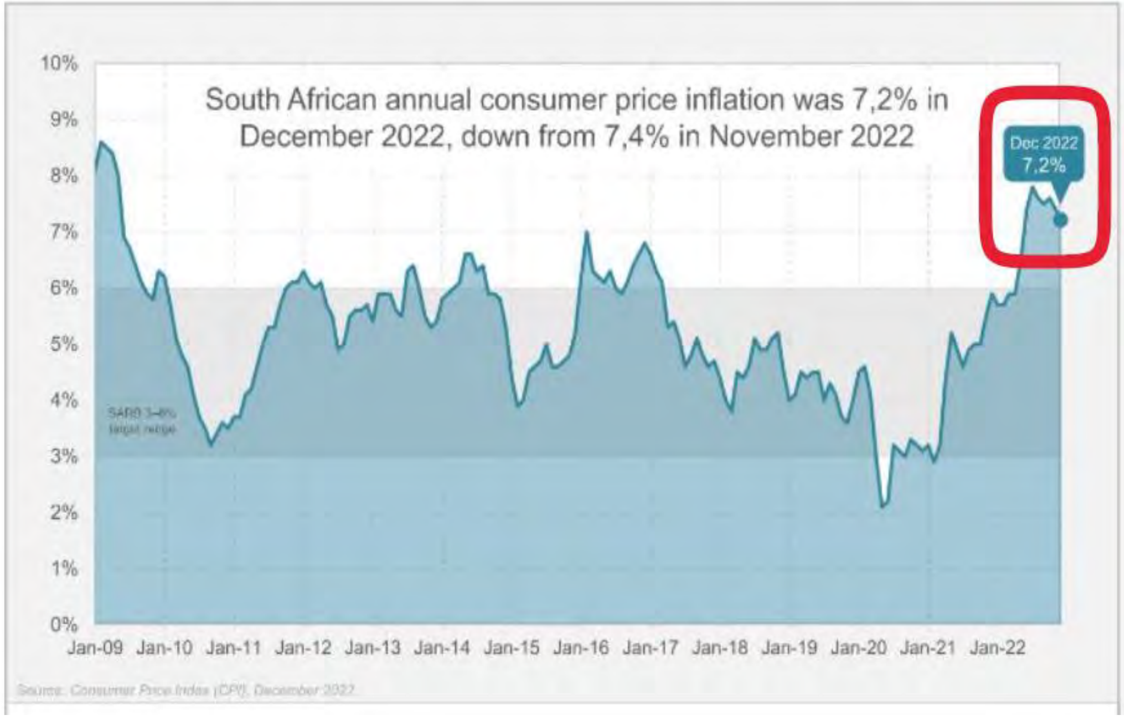
Energy Availability Factor (power plant performance) Projection and Actuals (%)



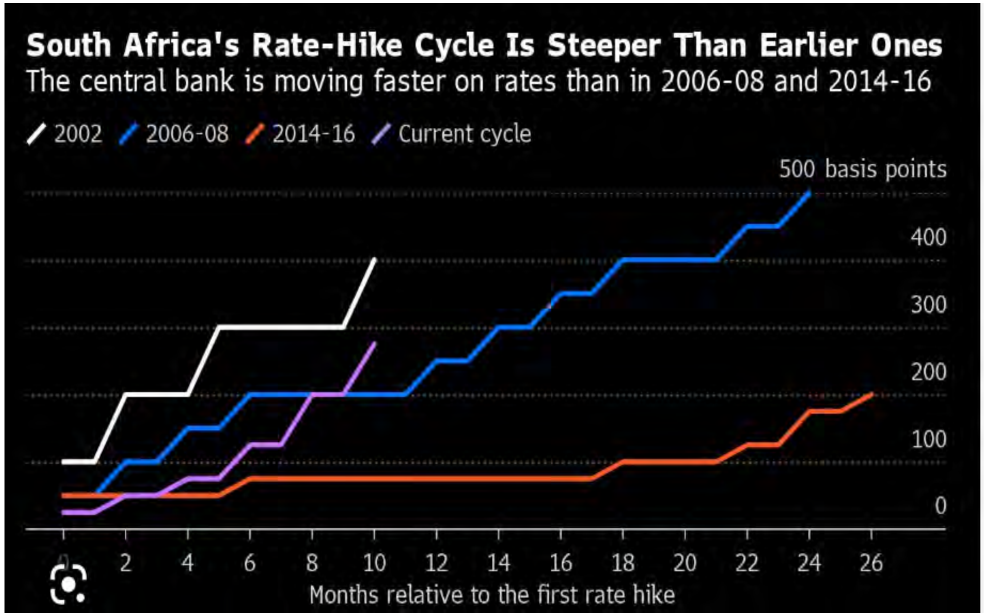
Impact of load shedding

- Manufacturing, Agriculture, SMMEs and poor households are particularly severely impacted by the electricity crisis.
- This is because parts of manufacturing operate continuous production processes where even a short interruption can cause significant damage to equipment or may lead to an entire batch of production being discarded.
- For SMMEs and poor households, the ability to mitigate load shedding through battery backups or generators is difficult as these interventions often require unaffordable capital investments.

INFLATION AND INTEREST RATES



Source: StatsSA, Dec 2022: Consumer Price Index, December 2022.



Source. SARB, 2022.

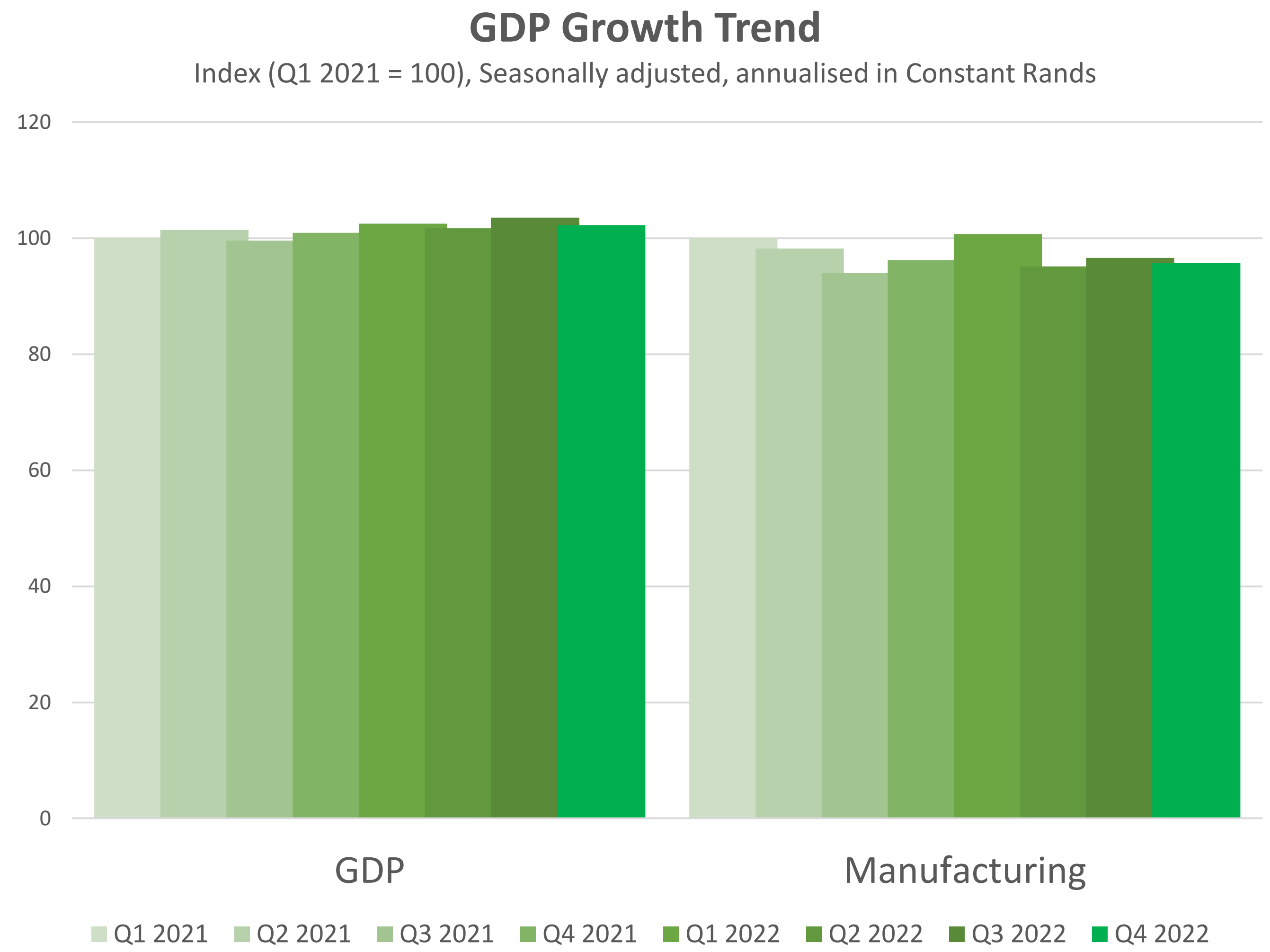
- Domestic inflationary pressures have begun to dissipate although food inflation remains a serious concern.
- The combination of electricity challenges and inflationary pressures coupled with robust interest rate responses have impacted on the economy.

ECONOMIC PERFORMANCE

Source: StatsSA

GDP declined in Q3

- GDP for the quarter declined by 1.3% following an increase of 1,8% in the previous quarter.
- GDP in the current quarter is 1.3% higher than the same period in 2021.
- GDP in the previous quarter was at the highest level ever
- Seven industries recorded declines in output between the third and fourth calendar quarters of 2022.



-2.3%
Finance & Business Services

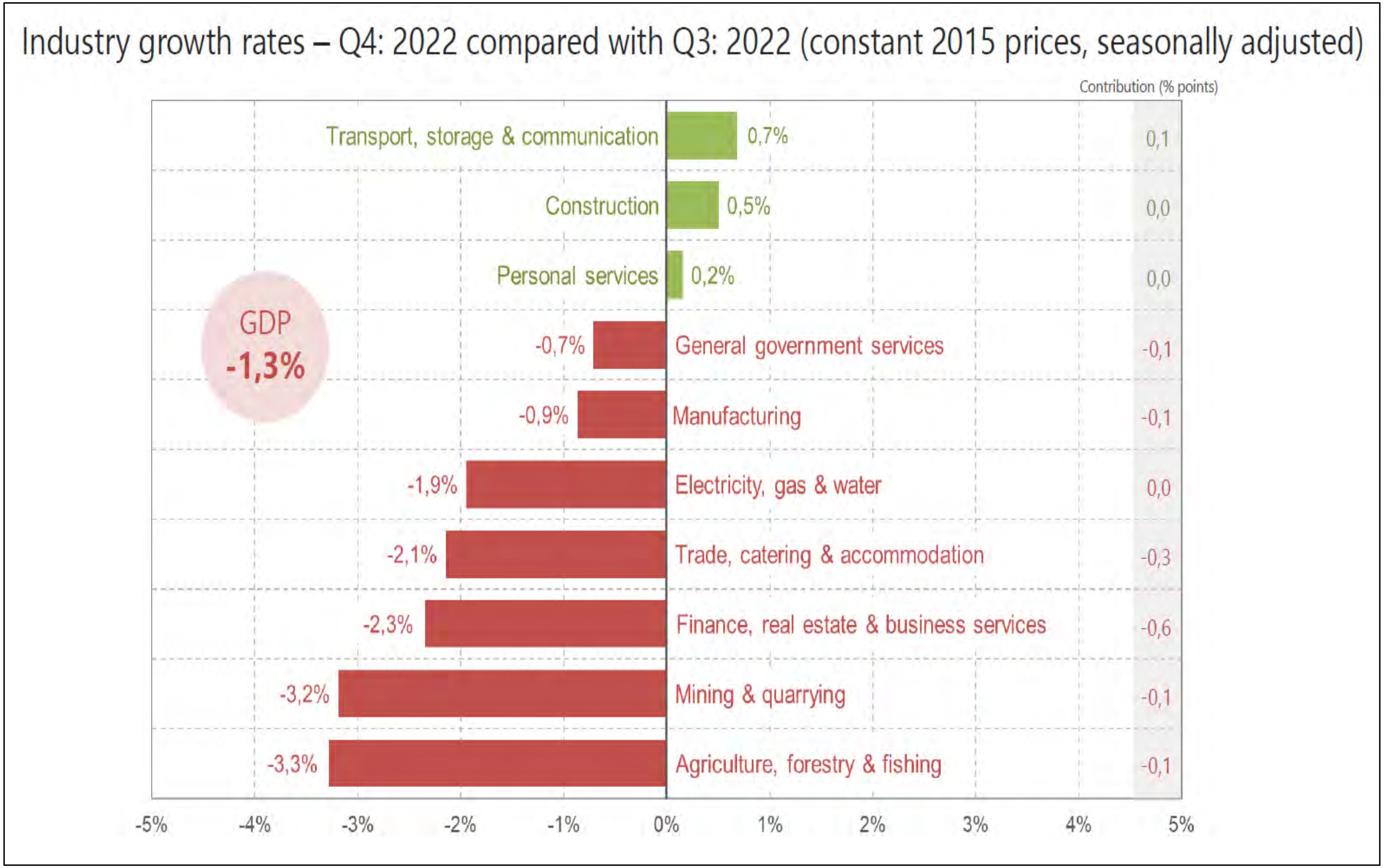
-2.1%
Trade, Catering & Accommodation

-3.2%
Mining

-3.3%
Agriculture

-0.9%
Manufacturing

DOMESTIC ECONOMIC CONTEXT



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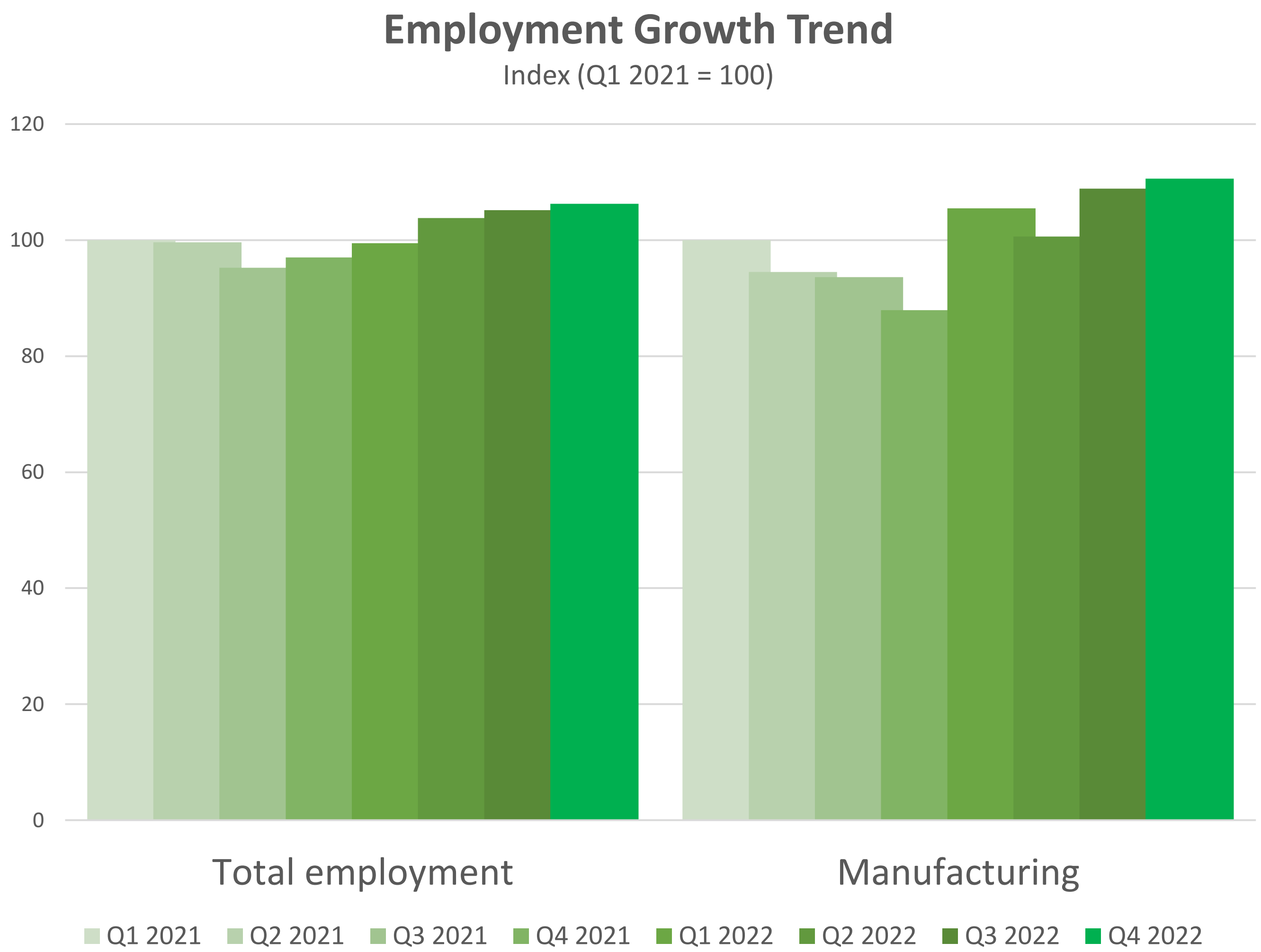
JOB CREATION

Source: StatsSA



Employment grew in Q3

- Employment for the quarter grew by 1.1%, on the back of growth in the previous quarter of 1.3%
- Employment in the current quarter is 9.6% higher than the same period in 2021.
- Employment grew in every quarter of the 2022 calendar year, extending an employment growth streak to six quarters

+4.3%	+1.6%	+7.3%	-1.4%	+1.6%
Finance & Business Services	Trade, Catering & Accommodation	Mining	Agriculture	Manufacturing

SA: OPPORTUNITIES

Opportunities

- Trading under the AfCFTA is expected to commence in 2023 and the SA manufacturing sector is well-positioned to benefit. SA exports of manufactured goods has provided a strong foothold that can be leveraged to increase volumes as the relative tariff preferences improve in the next few years.
- Agriculture has grown over the past three years and this provides opportunities for food security and greater exports
- Construction growth can pick up as infrastructure spending expands, after a number of years of negative growth.
- Electricity sector interventions in the private-sector could accelerate investment levels across the economy; and investment in the transition to green energy can boost investment spending. Green industrial products offer an opportunity for additional positive impact of this spending.

PART 2: OVERVIEW ON ENERGY RESPONSES – Q3 and Q4 to date

SPECIAL FOCUS ENERGY CHALLENGES

The Electricity Action Plan was developed to resolve the electricity supply challenges and is being implemented:

- Fix Eskom's coal-fired power stations (including design defects) and improve the availability of existing supply;
- Enable and accelerate private investment in generation capacity;
- Accelerate procurement of new capacity from renewables, gas, and battery storage;
- Unleash businesses and households to invest in rooftop solar;
- Fundamentally transform the electricity sector to achieve long-term energy security; and
- Declaration of State of Disaster to enable a single point of command and coordinated interventions to rapidly address the cause **and** impact of the electricity crisis on the economy and citizens.

President Cyril Ramaphosa, SoNA, 9 February 2023, Cape Town City Hall.

"We cannot undo the mistakes that were made in the past, the capacity that was not built, the damage that was done to our power plants due to a lack of maintenance, or the effects of state capture on our institutions. What we can do is to fix the problem today, to keep the lights on tomorrow and for generations to come."

Kusile Desulphurisation Chimney Collapses, Removing 2,100 MW from grid

ENERGY ACTION PLAN - DTIC INTERVENTIONS

The dtic-group supports the wider effort to address the energy challenges and in addition, did work on the following fronts, in Q3 and part of Q4:

1. Support for **new energy generation** through measures such as unblocking and promoting investment and addressing regulatory challenges
2. Assisting **firms with adaptation strategies**, such as the energy resilience scheme
3. Promoting **longer-term energy-efficiency** in the economy through technical standards work
4. Promoting industrialisation to ensure that SA can develop security of supply of components and create jobs in the process.

The 8 actions set out in the following slides provide details of the work done by the Department, IDC, SABS and the Competition Commission.

1

ENERGY ACTION PLAN - DTIC INTERVENTION 1

Speeding up processes to accelerate Private-sector Investment in Electricity Generation

- Establish Energy One-Stop-Shop (EOSS) managed by InvestSA.
- The One-stop Shop will assist power-generating companies to navigate the different processes that apply in law and and increase turnaround times by assisting investors to submit applications through a single window process to obtain all necessary Government approvals.
- ‘Unblocking’ teams are being established to assist investors.

Case Study #1

ENERGY ACTION PLAN - DTIC INTERVENTION 1

Unblocking Initiative - Energy Facilitation – an example of work done.

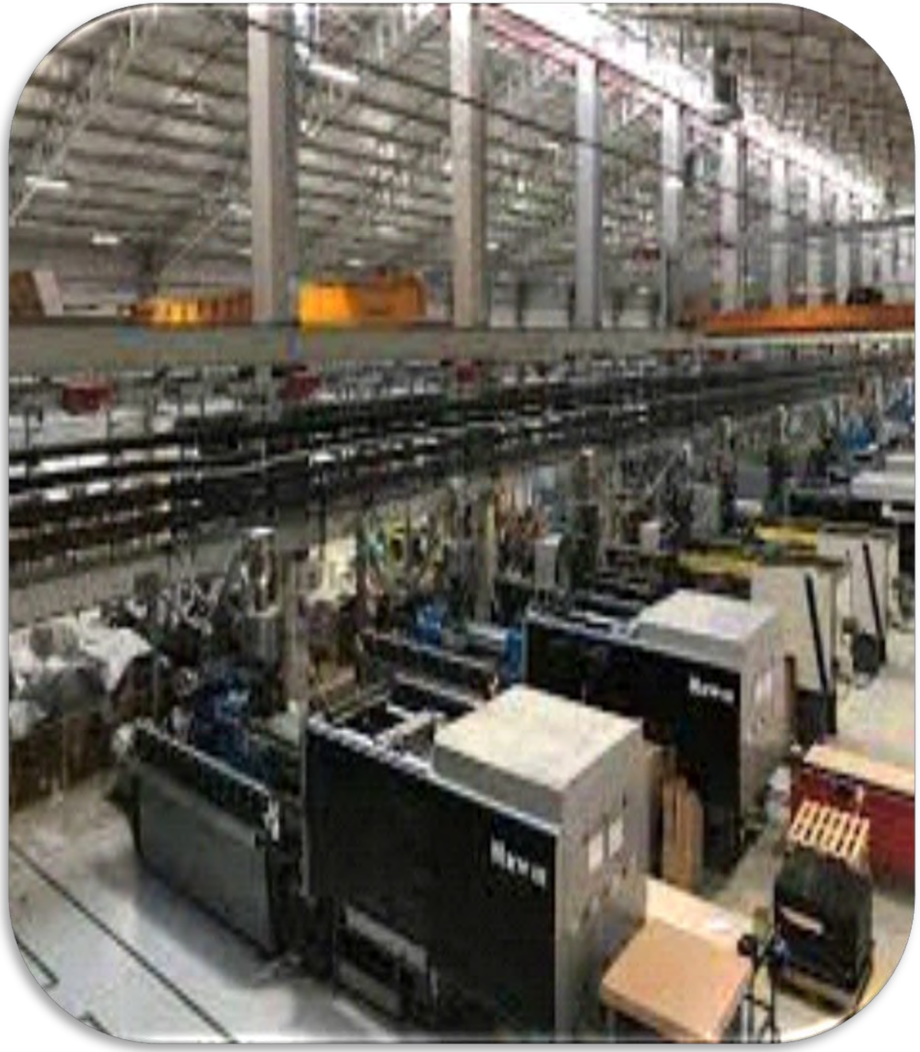
- Hesto Harnesses is a major supplier of wiring harnesses to the automotive industry.

- The generator that supplies the Hesto Plant in KwaDukuza, KZN with power during the load shedding period, broke down.

- The impact of production stoppages would have put the auto industry in jeopardy as well as employment at the Hesto Plant.

- InvestSA, Trade & Investment KZN, and the KZN Provincial Government facilitated meetings with Eskom and the KwaDukuza Municipality.

- A temporary relief of 2 weeks was provided to Hesto Harnesses to be exempted from load shedding, allowing Hesto Harnesses time to get the replacement generators.



Hesto Plant in KwaDukuza

2 ENERGY ACTION PLAN - DTIC INTERVENTION 2

Increase Private-sector Investment in Electricity Generation

SA Investment Conference has unlocked significant investment in energy sector.

IDC investment has supported the development of solar and wind projects

ACWA Power Redstone Solar Thermal Power Plant, North Cape

Case Study #2

Redstone Solar Thermal Power Plant

The Redstone Solar Thermal Power Plant represents an R 11.5 billion investment making it the largest single renewable energy investment in South Africa to date. This also includes a foreign direct investment of R 7 billion to fund and support the strategic energy transition goals of the country.

- The Project entails **100 MW Tower Concentrated Solar Power (CSP)** in the province of Northern Cape South Africa and includes **12 hours of thermal storage** system which will allow the project to deliver and dispatch reliable electricity even when the sun is not shining.
- ACWA Power is the lead shareholder in the Project Company with other partners including Central Energy Fund, Pele Green Energy (local Black equity partner), and Community Trust (owned by the community around the Project company).
- The Project is currently 50% through construction and aiming to be **fully operational early in 2024**

Project announced at SA Investment Conference

51.1% completion (expected to achieve COD early 2024)

42% (of total procurement spend to date October 2022)

Job creation: Construction

- **1327 total jobs created to date with 1500 expected at Peak**
- **1183 South African citizen jobs**
- **1048 Black South African jobs**
- **462 Local Host Community jobs**
- **462 Local Host Community jobs**
- **38,3%** Black Top Management
- **133 Female jobs - 10% to date**
- **499 Youth jobs - 38% to date**

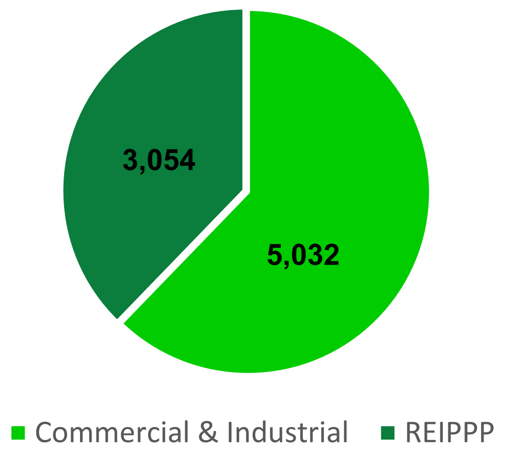
Redstone Solar Thermal Power Plant

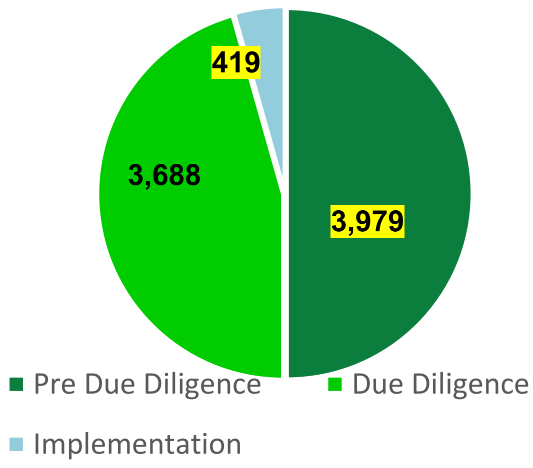
The project, despite being a renewable technology plant, can provide various offerings which are atypical of a renewable energy plant

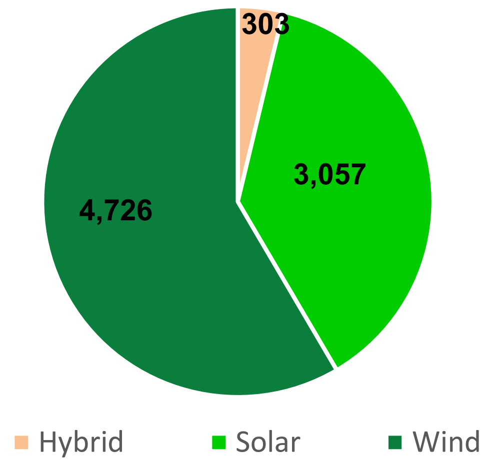
- **Baseload power from Renewable technology plant:** The plant will provide stable dispatchable baseload power with its 12 hours of molten salt thermal storage capacity. This also the largest single-site storage on the continent of 1200MWh
- **Grid Stability**: In addition to the project's ability to provide electricity at peak hours, the project will also provide value-adding ancillary services required by the system operator, which marks a first for a renewable energy plant in the country. Generally, these grids stabilizing ancillary services have only been available from large-scale CCGT or coal power plants.

IDC ENERGY PORTFOLIO

THE IDC pipeline has the potential to contribute an additional 8,086MW to generation capacity capacity - Current portfolio consists of 953MW across 24 projects in 4 provinces

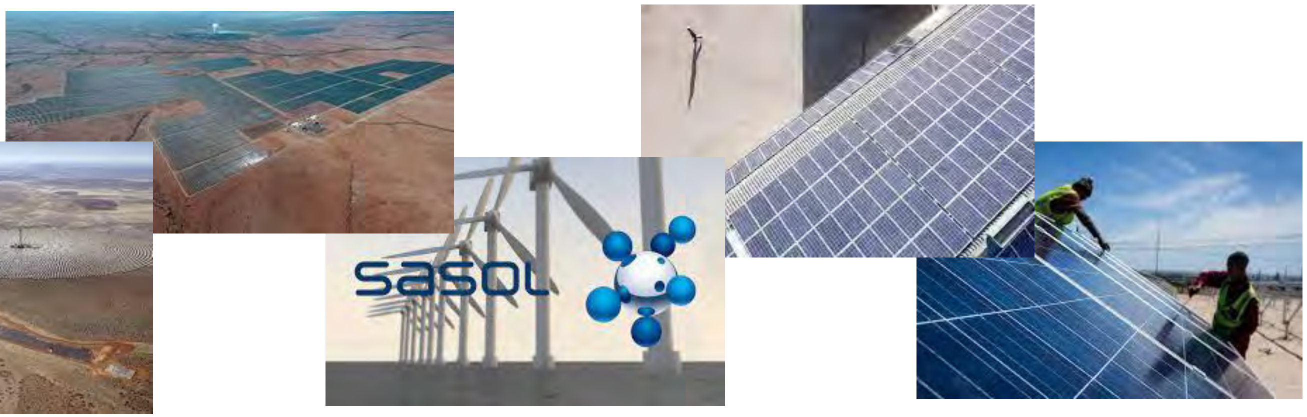






Projects in Implementation

- Redstone CSP (100MW)
- Scatec Kenhardt –RMIPPPP (225MW)
- Sasol- Msenge Wind – Achieved Financial Close (69MW)
- Decentral Energy – Rooftop solar*
- Emergent Energy – Rooftop solar*



* Consist of multiple small, roof-top PV installations

3 ENERGY ACTION PLAN - DTIC INTERVENTION 3

Address regulatory flexibility on transformation

Independent Power Producers (IPPs) have additional flexibility in relation to how to implement South Africa's BEE requirements.

- In order to accelerate the regulatory process, the dtic, IPP Office and DMRE have established close working relations to address regulatory needs as they arise.
- This includes consideration of a customised BEE scorecard which takes account of the unique characteristics of electricity projects.

The DPWI has a customized scorecard to enable faster uptake on rooftop solar on public buildings.

The dtic will pursue the transformation imperative – necessary for inclusive growth – while improving regulatory flexibility.

4

ENERGY ACTION PLAN - DTIC INTERVENTION 4

Address regulatory flexibility on competition laws

- The Competition Commission and Ministry developed draft regulations to assist companies in developing a collaborative approach to meeting the energy challenges.
- On 8 March 2023, two block exemptions were published for public comment.
- The regulations on the block exemptions for energy supplier’s aim to promote collaboration to increase or optimise the supply of energy in the market; or reduce the cost of energy.
- The regulations unblock exemptions for energy uses aim to promote collaboration to secure backup alternative energy supply; or reduced energy costs; or promote the optimisation and efficient use of energy supply.

competition commission south africa

R1,3 billion
Energy Resilience Scheme

the dtic, IDC and NEF established a blended funding facility to support companies affected by load shedding, which will commence from 1 April 2023.

- ✓ Working Capital to assist companies with alternative energy solution including solar PVs, inverters etc which may include other energy efficient interventions.
- ✓ Support provided to local component manufacturers of rooftop solar panels, battery storage, cabling and transformers.
- ✓ The facility is priced at concessional rates for the period of the loan facility
- ✓ Through the IDC, a grant fund has been established to support township and rural businesses for capital equipment, technical support and non-financial assistance.

The IDC has approved four targeted energy resilience interventions to support firms on both the demand side and supply side of the energy crisis

Demand Side

1 **Energy Resilience Transition Scheme:** long-term technology solutions to assist companies to become energy resilient (generation and efficiency measures)
Fund target – R2Bn

2 **Localisation of Key Components:** financing local manufacturers of lithium-ion batteries, rooftop solar panels, inverters, transformers and cabling
Fund target – R500m

Supply Side

3 **Energy Transition Financing Scheme:** short-term working capital solutions to deal with the impact of loadshedding
Fund target – R200m

4 **Township and Rural Energy Resilience Scheme:** grant funding for township and rural businesses for energy back-up equipment and working capital
Fund target – R200m

Implementation Timeline

March | April | May

1 Energy Resilience Transition Scheme

- March-April: open call to ESCOs
- April-May: ESCO adjudication and appointment
- May-June: Open scheme for applications

2 Localisation of Key Components

- March-April: IDC Machinery, Equipment and Electronics SBU commence due diligence on equipment and component suppliers

3 Energy Transition Financing Scheme

- March-May: process applications that have gone through technical assessments
- May onwards: process applications received from ESCOs

4 Township & Rural Energy Resilience Scheme

- March-April: Open call to SIPs
- April-May: SIPs adjudication
- May-June: Open scheme for applications

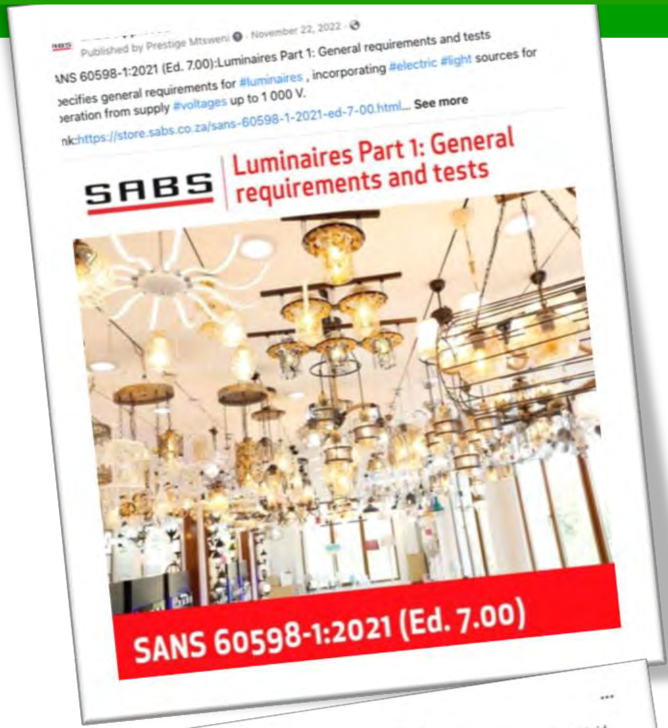
ENERGY ACTION PLAN - DTIC INTERVENTION 6

Energy Efficiency Interventions

SABS Development and Publication of National Standards (SANS)

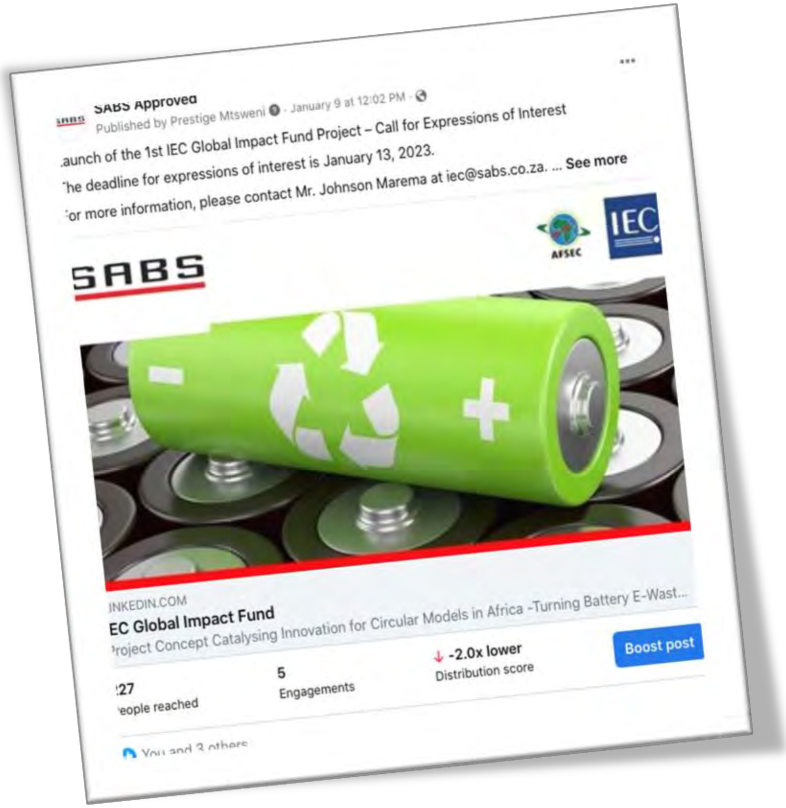
The role of the SABS is to develop and publish standards that provide solutions to economic challenges in the country. In quarter 3, the SABS published 13 standards that are aligned to the scope of alternate/renewable energy generation as well as assist with energy efficiency measures. Industry and other stakeholders (including regulators) are now empowered to mitigate the national energy challenge.

An example will be that the National Regulator for Compulsory Specifications has submitted a new proposed regulation for general service lamps (light bulbs) that will encourage the use of LED lamps because of their energy saving potential. The proposal is under consideration by the department.



Energy Efficiency Interventions

SABS Development and Publication of National Standards (SANS)



The NRCS takes some of the SABS standards and uses them as the basis for mandatory regulations. NRCS has been working during Q3 on a range of energy efficiency regulations that set minimum energy performance requirements (MEPS). These include:

- Appliances
- General Service Lamps
- Hot water storage (Geysers)
- Electric Motors

These MEPS will be concluded late in Q4 or early Q1 of the 2023/24 financial year.

ENERGY ACTION PLAN - DTIC INTERVENTION 7

7

Protect Consumers and energy-users

To prepare for potential 'price gouging', the dtic has requested its regulatory bodies such as the Competition and Consumer Commissions and the NRCS to:

- Monitor for potential price gouging and price-fixing in alternative electricity supply markets such as for solar panels, inverters, and batteries;
- Monitor complaints from especially SMMEs where access to both grid and alternative sources of electricity such as generators may discriminate against SMMEs;
- Monitor the compliance of users to mandatory standards and safety requirements for energy-efficient, renewable, backup products.

Consideration is being given to publishing guidelines and expedited processes of adjudication.

8

ENERGY ACTION PLAN - DTIC INTERVENTION 8

Address industrialisation of components

In order to build SA production capacity and help to insulate supply-chain shocks, the dtic encourages the development of local production capacity:

1. Attracting investment in component manufacturing; and
2. Providing support through the dtic and its development finance institutions

Case Study #3

Black Industrialist Manufacturing Solar Panels

ARTsolar (Pty) Ltd is operating in the renewable energy sector. The company was approved for the Black Industrialists Scheme in Q3 to expand its operations through the assembling of a new production facility and procuring new machinery and equipment that will produce photovoltaic solar modules. ARTsolar aims to increase the local capacity to meet the increasing demand for solar panels.

Transformation: Black Industrialist

Green Industrialisation Commitment in Budget Vote

Local Production and Potential for Export

The company is currently retaining 60 baseline jobs. During and post the commissioning the project created 80 new jobs. Artsolar indicated that during the manufacturing process, the total jobs will increase to 220.

ARTsolar TEAM

Black Industrialist manufacturing solar panels

MR NKANYISO MHIZE
(ARTsolar WAREHOUSE MANAGER

Front: Nathi Gwacela At Auto Bussing Station

From Left To Right: Ayanda Magcaba And Sboniso Cele At Framing And Potting Station

Nkanyiso Mkhize has come a long way from being a cleaner to being appointed as the Warehouse Manager at ARTsolar. He started as a general worker in the ARTsolar factory and today manages the staff of the factory. During his employment at the company, he attended training courses and improved his communication skills. His appointment as a Warehouse Manager enabled him to fulfill a dream of buying a home for his mum and buying his first car.

From Left To Right: Thobeka Ngidi And Andile Shwala At Poe Placement Station Working On The New Production Line

Black Industrialist manufacturing solar panels

MS NOLWAZI ZULU
(ARTsolar TEAM LEADER: TECHNICAL SALES)

Ms Zulu started as a trainee at ARTsolar and thereafter was offered an entry level position at the company. She gained technical experience and today, Ms Zulu is a solar engineer, capable of designing solar solutions aimed at meeting the requirements for both residential and commercial scale projects.

She holds a leadership role of Team Leader: Technical Sales (the first women in the company to being employed in this role). Her new role requires her to represent the company at solar shows and exhibitions, media engagements and training of unemployed youth. She serves as a mentor to other university student on behalf of ARTsolar.

"I want to open an ARTsolar branch in Ulundi and bring solar to my village. It is cheaper , and better than how we are living through load-shedding and will change so many lives".

ENERGY ACTION PLAN - CONCLUSION

Risk assessment and mitigation

The 8 actions outlined constitute a major new focus for the dtic-group. It requires a ‘retooling’ of the Department and entities, with shifts of staff and resources from originally-budgeted areas to the expanding work in managing the energy challenges. In particular, the capacity in the One-Stop Shop needs additional skilled staff. Redeployments will be considered in the new financial year. Stronger coordination within the Department will be necessary.

While the dtic-group can contribute to the resolution of the energy crisis, it will take time to see a material change in energy-supply as new power plants will need to be built. The work of other parts of government will be critical to achieve success.

PART 3: THREE MONTH IMPACT OVERVIEW ON INDUSTRIALISATION

- MANUFACTURING PERFORMANCE
- INVESTMENT
- INCENTIVES
- PRODUCTION & LOCALISATION
- EXPORTS

OVERVIEW ON LOCAL PRODUCTION, EXPORTS AND SUPPORT

The dtic mobilises incentives through the fiscus and partnerships with the private sector, to enable structural transformation and support to firms to enhance their competitiveness. In addition, it has a range of non-financial support schemes, ranging from rebates on duties, to trade tariff support and actions by the competition authorities and development finance institutions.

While the incentive programme requires administrative efficiency, the real test of the impact is on increased local production for the domestic market and for exports.

The following slides provide details of the work done and the impact in the following areas:

1. Manufacturing output estimates, StatsSA
2. Incentives mobilised
3. Production and localisation
4. Export performance

MANUFACTURING PERFORMANCE

Source: StatsSA

Manufacturing sales faced significant headwinds

- Manufacturing sales declined by 0.4% during the quarter, but grew 5.2% relative to the same period in 2021
- Most of the decline in manufacturing sales and GDP were attributable to declines in food and metals
- Automotives performed extremely well in the quarter, posting the best month for sales ever in December 2022
- Furniture declined, **while clothing/textiles and petrochemicals grew** in the quarter
- While sales improved on a year-on-year basis, average production was lower during the quarter than at the same time last year

Q3 – Q4 2022	Q4 2021 – Q4 2022	
-6.2%	-6.4%	**Metals**
-2.8%	+1.6%	**Food & Beverages**
+3.4%	+3.4%	**Electrical machinery**
+7.3%	+43%	**Automotives & transport equip.**

Manufacturing sales data is seasonally adjusted and deflated by CPI

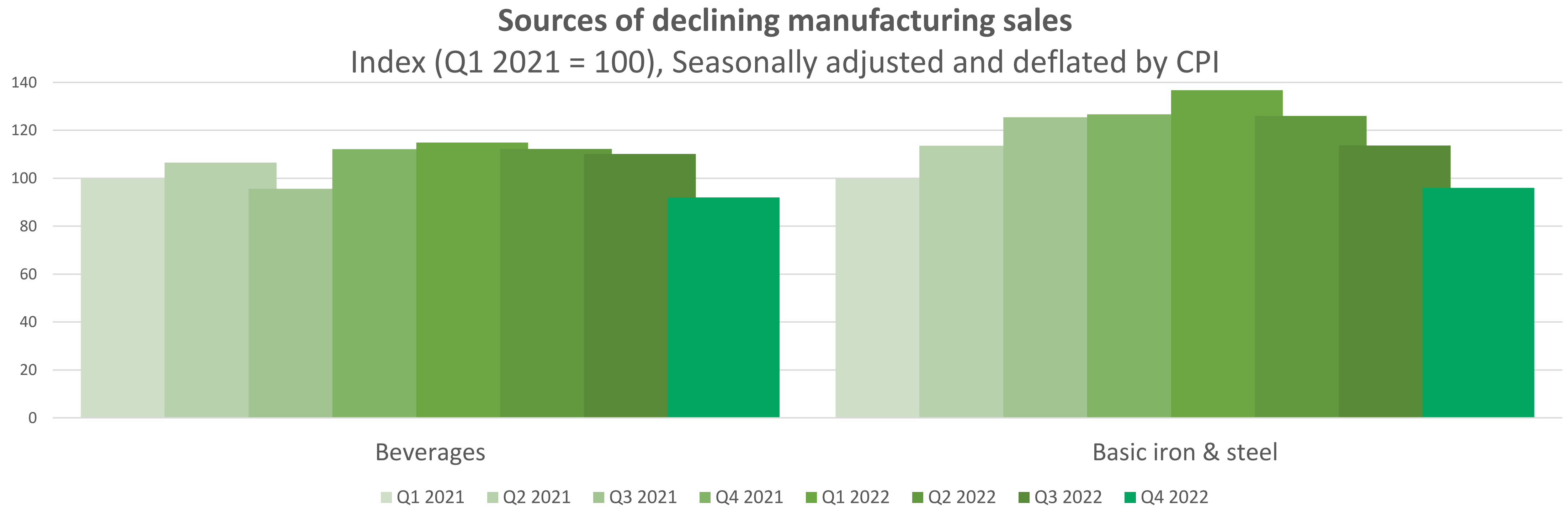
MANUFACTURING GROWTH DOWN FOR QUARTER

Beverages

- Beverages drove declines in food sales, falling 16% in the quarter
- However, most major beverage producers surveyed by the dtic report growth in the quarter, and it is unclear what is causing the apparent declines in the sales and production data

Basic iron & steel

- Basic iron and steel drove declines in metals sales, falling 15% in the quarter
- Steel manufacturers surveyed by the dtic confirmed these challenges, and reported that declines resulted from slow global growth, rising global interest rates, loadshedding and weak construction demand



PRODUCTION IN THE AUTOMOTIVE SECTOR

Production in the auto industry is enabled by the Auto Masterplan.

143 630 cars - **Q3** Number of vehicles (cars, bakkies and taxis) produced during Quarter 3 2022. This is an increase of **26%** compared to Q3 of the previous year.

408 135 cars - **Q1-Q3** Number of vehicles (cars, bakkies and taxis) produced from 1 April-31 December 2022. This is an increase of **15%** compared to the first three quarters of the previous year.

Exports:

Q3 SA exported 88 393 vehicles, a rise of 31% compared to the same quarter of the previous year.

Q1-3 SA exported 263 422 vehicles, a rise of 26% compared to the same period of the previous year.

PRODUCTION

2

Production milestones in Q3

10 000	**FAW** – Celebrated a milestone with the **production of their 10 000th truck** assembled in SA, it rolled off the production line on 10 November 2022
R500 million	**AMRAS** – Opening of the only **mainline rail-line manufacturing facility** on the African continent, producing high-grade rail-lines that can be used on the main railway lines of countries. Annual production is projected at R500m.

INCENTIVES: STRENGTHENING FIRMS

R 26.3 billion - Incentives enabled by **the dtic-group** in Q1 - Q3. For **Q3: R 9.8 billion**

R 21.8 billion - Incentives disbursed in Q1 - Q3. **For Q3: R6 billion** . Annual target exceeded due to partner funds mobilised.

The above covers: the IDC and NEF; **the dtic** Industrial Financing; Sectors; Equity Equivalent Investment Programme i.e. JP Morgan Abadali Fund; the Automotive Industry Transformation Fund; Export Marketing and Investment Assistance (EMIA); Competition Managed Funds. **It excludes trade measures and trade rebates.**

Of the R26,3 billion disbursement, R19,3 billion was via dtic-group (Department, IDC and NEF) financial transfers

Projects are located **in 49 of the 52 municipalities. 41** of these are from largely rural districts and includes support to: Pixley Ka Seme District Municipality; Namakwa District Municipality; Uthungulu District Municipality; Zululand District Municipality; Dr Kenneth Kaunda District Municipality; Vhembe District Municipality; Waterberg District Municipality; Gert Sibande District Municipality; Fezile Dabi District Municipality; Thabo Mofutsanyana District Municipality; Amathole District Municipality; Sarah Baartman District Municipality; West Coast District Municipality.

OVERVIEW ON INVESTMENTS

The dtic supports increased investment in the economy through a number of ways, including:

1. IDC and NEF funding both from their balance-sheets and through dtic incentives they administer
2. DTIC direct incentives provided, through industrial funding, SEZ support and other administered measures
3. Trade and competition commitments made by private firms
4. Unblocking efforts undertaken by the dtic, mainly through InvestSA
5. Work done to secure, monitor and unblock investment pledges made at the Investment Conferences convened by the President

The following slides provide details of the impact of the work done.

INVESTMENTS – A DRIVER OF JOB CREATION

R 63.3 billion - Quarterly: Investments attracted or facilitated in Q3 (gross)*

R129.5 billion - 9 Months: Investments attracted or facilitated (gross)*

*R12,9bn of this is subject to regulatory developments

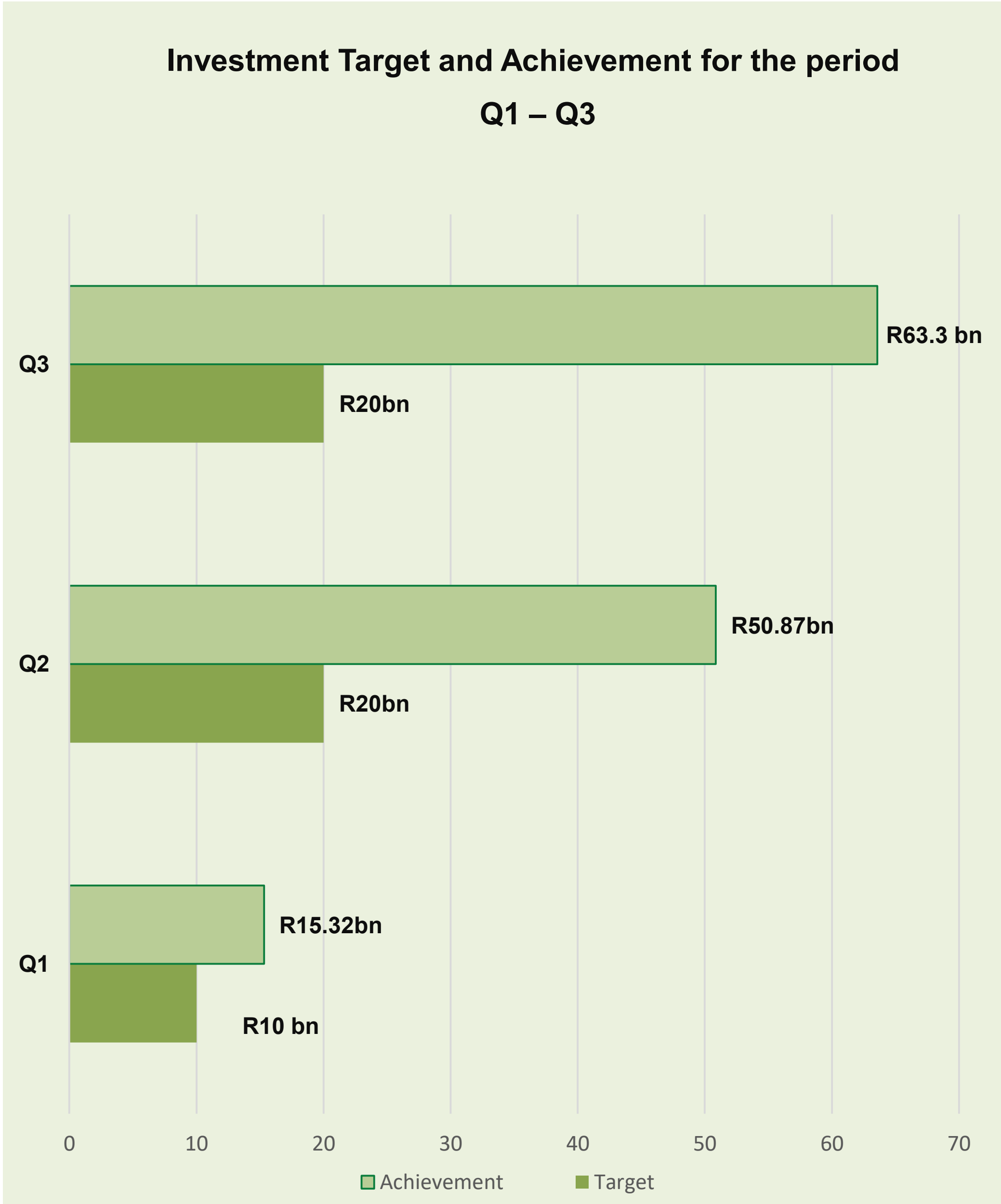
Annual Investment Goal - Increase the level of investment in the economy, by securing pledges for fresh investment in South Africa of at least **R120 billion** largely from the private sector during the 12 months and work with private firms to enable pledged investment to be realised. **R12,9 billion** of this is subject to regulatory developments

Period covered: nine months since 1 April 2022.

INVESTMENTS – A DRIVER OF JOB CREATION

YTD % Progress against Annual Target

The annual investment target was reached in the implementation of commitments made at previous Investment Conferences and facilitation of new investments across **the dtic**, **IDC,** and **NEF**. **R 63.3 billion** was achieved in Q3 against the **R20 billion** total investments targeted in the same quarter. Total investments for the period Q1 – Q3 amounted to **R129.5 billion.**



INVESTMENTS

3

Investments publicly launched in Q3 valued at **R16.9 billion**

R16 billion	**Ford** – Production of the new-generation bakkie follows a R16-billion investment in the US car maker's local operations and at its suppliers. Ford now produces the new Ranger at the Silverton plant as from 15 November 2022. Its production capacity increased from 164 000 to 200 000 units. Construction to be completed by end 2023. See case studies.
R108 million	**ART SOLAR** – Local production of solar PV panels in KZN with an initial capacity of 325MW, increasing to 500MW. Launched 28 October 2022.
R851 million	**ALPLA** – The firm previously invested around US$100 million (2014 – 2019). The new plant is an additional investment US$50 million providing 350 job opportunities (2020 – 2022).

Case Study #4

Primary Steel Investment: New Steel Plant

Construction of a steel plant (narrow hot strip mill) in Wadeville, Gauteng.

- Scaw Metals commenced construction of a new flat steel plant set for completion in 2023.
- In Q3, the total investment for the plant was confirmed at R3.3 billion, of which R500 million is funded by the IDC.
- The commercial plant will produce 500 000 tons/annum capacity of flat steel production capacity.
- About 250 permanent jobs will be created when the plant is operational adding to 5000 employees already employed by Scaw and Barnes group.
- The plant is an expansion of Barnes Group into the flat steel market where Arcelor Mittal is a monopoly, bringing competition to flat steel production in South Africa.
- The plant will used a mix of green and traditional energy.

INVESTMENT CONFERENCE COMMITMENT R3.3 billion Investment for production of hot rolled coil- narrow strip mill

Project funded by private capital, the Barnes group & IDC

50 jobs saved and 200 additional new jobs to be created

Case Study #5

Teraco Data Environments Pty Ltd

Teraco Data Environments announced at the South African Investment Conference 2022 new Greenfield project for data centers and solar power generation in Ekurhuleni, Gauteng

- The aim of the project is to enable cloud computing
- **The investment value of the project amounts to R1,1 billion**
- The first phase consists of 30 000 square meters of the building structure, 8000 square meters of data hall space, and 19 MW of critical power load narrative.
- The second phase of the project will consist an additional 30 000 square meters of building structure and 31 MW of critical power load

Investment Conference commitment – opened by President

dtic Budget Vote: announced by Minister in May 2022

Supports: industrialisation and transformation

Jobs: 96 Direct Terraco employees, 30 subcontract employees and 1050 construction jobs

- Teraco announced in November that the first phase of the Ekurhuleni project was completed

PROJECTS ON LOCALISATION

The next set of slides show several projects that are increasing industrial capacity or output. As the energy challenge gets resolved, these projects will be able to add significant additional local value-add to the economy.

LOCALISATION OUTPUT FROM SECTORS

R 1.4 billion - Value of Localisation (Output/Sales) achieved in three sectors in Q3

Metals – 6 projects supported. 4 projects in downstream steel, Franke (Pty) Ltd, Grinding Media South Africa, SA Steelpack, CBC Fasteners. The other 2 were capital and rail equipment projects, Revive Electrical Transformers and Lucchini.
Aerospace and Defence - three projects, supported. Technology Enhancement, Industry Development and Tech Support and A&D Standards and accreditations
Marine – two projects supported, the Standards and Accreditations and the Marine Technology enhancement (Support for introduction of new and development of existing technology and any support for innovation in the marine industry)

Case Study #6

Localisation: Introductions to Shoprite (Import replacement) Lesco Manufacturing

LESCO Manufacturing (Pty) Ltd

Lesco manufactures electrical adaptors and 40% of their workers are disabled individuals. **the dtic** Introduced Lesco to Shoprite which is importing the product range produced at Lesco. Initial orders have been placed and depending on product performance there are likely to be monthly recurring orders





Mr Kyle Turner

Mr Thato Mbhele

Mr Kyle Turner has a cognitive impairment and has found it hard to be recognised socially. Mr Thato Mbhele is hearing impaired. Securing employment has been difficult.

Kyle and Thato are employed at Lesco in an environment which enable them to connect with colleagues with a common economic purpose. They both work on the assembly line at the factory.

Through employment, they have become more financially independent.

Case Study #7

Localisation Massmart Supplier Development Fund

MASSMART PRODUCTS LOCALISED

1. Castaway – Bathroom Accessories
2. Compopak – Round wire nails
3. Emerald Furniture – Flat pack furniture
4. ITC – Aluminium Ladders
5. Liquified – Cooking and Chafing dish heating Gel
6. Reapso – Chef wear and textiles
7. Urban Pools – Pool Accessories
8. Active Factory – Wood composite Toilet Seats *
9. Etvaal – Flat pack furniture
10. Marcorp – Christmas crackers
11. The Noodle Factory – Instant noodles
12. African Cookware – Frying Pan

ANNUAL IMPORT REPLACEMENT

R205 MILLION

Active Factory was burnt to the ground during the July 2021 unrest, they have since bought injection moulds to do manufacturing of main components, other components are imported and assembled in SA until they are able to re-establish the factory

Case Study #8 Localisation Riegut Marketing and Home Italia (Import Replacement Of Furniture)

Mr Rasheed Gutta was a trader and importer of Italian furniture, with the weakening of the ZAR, Mr Gutta moved his procurement from Italy to China where Italian designed furniture was manufactured to Mr Gutta's design requirement.

Over the years, Mr Gutta noticed that Chinese production cost was steadily increasing and the rand was further weakening, which squeezed his profit margins.

Mr Gutta then decided to manufacture in South Africa and established production facilities in Gauteng, he is now vertically integrated and supply to his own stores, he also sells to a leading furniture chain store in South Africa.

The dtic is assisting Mr Gutta to localise some of his imported raw material.

Case Study #9

Plastics

- Over the end of September and early October 2022, Mpact Plastic Containers invested R500 million for an expansion project in their production facility in Brits.
- The investment was enabled by the designation of wheelie bin's in 2019, which requires that public entities such as municipalities are obliged to purchase locally manufactured wheelie bins. This has served as an anchor to the company's sustainability.
- The Mpact Plastic Containers investment is in Casteleview, Ekhuruleni Metro, Johannesburg. It is a new moulding site producing moulded bins, a variety of open mouth containers, and crates for Agro sector.
- The investment created 62 new jobs, which included 3 women and 3 youth.

Investment of R500 million was invested in property and machinery

Transformation: BBBEE Level 1

62 new jobs created

INDUSTRIAL FINANCING CATALYSING FURTHER ECONOMIC ACTIVITY

Locally produced machinery and equipment, inputs, locally sourced raw materials and services purchased by a sample of industrial financing beneficiaries from local manufacturers and suppliers during **Q1-Q3:**

R5.3 billion

- Includes manufacturers during Q1 to Q3 procuring locally produced inputs and raw materials comprises of scrap metals, steel, leather, paint, harnesses, sensors, glass, seat structures, electronics, plastic packaging, aluminium alloys, pharmaceutical bottles, saw dust, magnesium ore, pallets, polyethylene and PVC resin polymer.
- Services sector comprises of Film and TV productions during Q1 to Q3 procurement of local services which include location facilities, hotel and transport, casting, and art department crew and consumables for the set design.

EXPORTS

The following slides provide information on SA’s manufacturing export performance, drawing on data from SARS and case studies of work completed.

While the external environment has continued to be challenging, with rises in costs die to the war in Ukraine, and lower global growth rates that previously projected, SA’s manufacturing export performance have done very well. Part of the reason may be the running down of inventory, which accumulated during prior periods. Nonetheless, in a number of product lines, there has been encouraging growth in exports.

EXPORTS – TO DRIVE GROWTH AND JOBS

ANNUAL TARGET

2022/23 Target

Maintain
R600 billion
In Manufactured Exports

PROGRESS

Year to Date (YTD)
April to Dec 2022

R590 billion*
Manufactured Exports

**** SARS provisional data subject to updates. Data used is for the HSG category.***

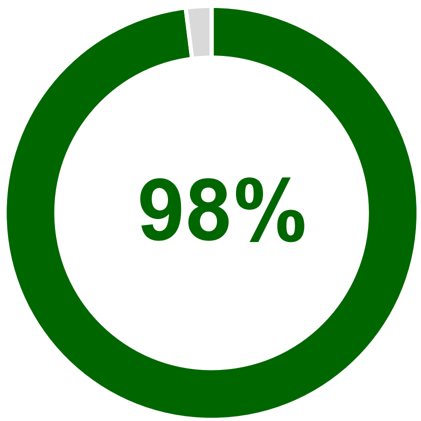
EXPORTS

QUARTERLY PROGRESS

R188 billion

Q3 Manufactured Exports*

YTD % Progress against Annual Target



*** SARS provisional data subject to updates***

EXPORTS

ZAR
771
billion

Manufacturing exports hit an **all-time high** in 2022; as sectors like agro-processing, metals and pulp & paper surpassed pre-COVID levels

R3,8 billion

Exports of cosmetics reached-an all time high, as a recovery in the African consumer market drove record regional exports of soap, toothpaste, and make-up

Key figures for Q3 2022:

R2,3 billion

Exports of **freight trucks and trailers** reached an all-time high in Q3, as record exports to Africa powered the industry to annual exports of ZAR 7,8 billion.

R5,4 billion

Exports of **paper pulp** were at their second highest level ever, only slightly behind Q2 performance, as rapid growth in exports to India meant annual exports exceeded ZAR 20 billion for the first time

R2,5 billion

Exports of **mining machinery,** used in activities like sorting or crushing minerals, exceeded ZAR 2 billion for the second quarter in a row, with a record ZAR 8,1 billion in exports in 2022

R 243 billion

Manufacturing inventories at the start of 2022 were exceptionally high, due to COVID backlogs. Selling these stockpiles may explain why exports consistently outperformed production in 2022

EXPORTS (Q3)

Examples of exports linked to support and facilitation provided by **dtic** programmes /entities

R 14.9 billion Exports supported through administration of rebate and drawback provisions by ITAC**.** These exports relate to actual clearances made during Q3 for rebate item 470.03 and drawback item 521.00. Does not cover auto exports under APDP

R1.6 billion **E**xports supported through the financing of Global Business Services (GBS) projects including call centres for customers in the EU, UK, US, Australia and New Zealand.

R 246 million Exports supported through the provision of industrial financing for selected industrial projects, including manufacturers that exported their products.

The numbers includes industrial financing, issuing of import permits, facilitation of investment challenges

EXPORTS (Q3)

Measures taken to support exports by (a) non-metro districts; and (b) metros excluding Johannesburg, Cape Town, Tshwane and eThekwini:

17 Companies from 7 Non-Metro Districts participated in Missions and Exhibitions during Q3

13 Companies from 3 Other Metros** participated in Missions and Exhibitions during Q3

Non-Metro Districts	Other Metros
Q3	Q3
(1) Gert Sibande	(2) Buffalo City
(3) Garden Route	(9) Ekurhuleni
(4) uThukela	(2) Nelson Mandela Bay
(1) uMgungundlovu	
(2) West Coast	
(1) West Rand	
(5) Cape Winelands	

EXPORTS

R 338.8 million - South African goods & services procured R 338.8 million in Q3

Local procurement linked to **5** insurance cover projects in **Q3**. The ECIC has minimum local content requirements for goods and services that applicants must meet to receive insurance coverage. **Examples of South African products procured include:** Electrical Equipment, Plumbing Materials, Mining Equipment, Mineral Processing Equipment, Cleaning Material, Consumables, Covers & Frames, Jointing Materials, Parts and Accessories for Capital Equipment.

***** Amounts reported to ECIC by companies approved for risk cover.***

R 130 million - Approved insurance cover in Q3

ECIC **approved insurance cover** worth **R 130 million** in **Q3**. The insurance covers political and commercial risks for exporters and investors who supply South African goods and services to international markets.

Case Study #10

Aerospace and Defence

Local Design and Manufacture of Hyperspectral Imagers for Export at Simera Sense

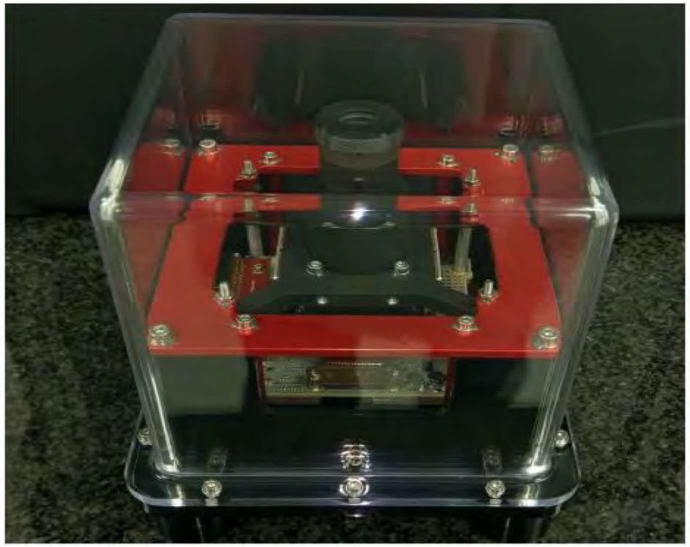
In the 2020/21 Financial year, the Aerospace Industry Support Initiative (AISI) supported Simera Sense an SMME based in Somerset West, Cape Town. The project involved the design, development, and manufacture of a hyperspectral imager (camera) called the Xcape50 for low earth observation. The project was successfully completed in 2021/22 Year. The AISI investment was R750 000 over 12 months.

In Q3, the firm received orders for the hyperscale50 and the multiscape50 imagers from the US and UAE. It has further teamed up with an international player, Exobotics (UK), to offer the hyperscape imager and further penetrate the international markets. Three highly skilled jobs were created of which one is a black intern. The intervention has also allowed Simera Sense to mature three other products that are also being exported now.

Technology localised and export capability created

Direct and indirect contracts amounting to R37 million attained
3 youth jobs created

Export revenue earned.
Matured other products based on same technology
3 SMMEs were also supported during the project



Case Study #11

Industrial Policy Oceans Economy

Standards and Accreditation Unlock Market Opportunities for Marine Solutions

Marine Solutions is based in Cape Town and was founded in 1999 to support the subsea industry in Southern Africa. The company is a level 2 B-BBEE contributor and specialises in marine manufacturing, with a focus in subsea products such as underwater LED lights and cameras. The company currently employs 22 people with an estimated annual revenue of R30-million.

The Aerospace Industry Support Initiative (AISI) provided R122,000 in support to Marine Solutions to implement ISO45001 standards in 2021 for an environmental quality management system. In Q3 2022, Marine Solutions secured various international contracts worth about R7 million to provide undersea products. As a result of this intervention and support the company managed to create 2 jobs and retained an additional 4 jobs. The company provides in-service training for National Diploma Students.

The picture shows two young trainees: Nwabisa Bavuma and Garrison Cotzee. Whilst Nwabisa left to finish her studies, Garrison started as a trainee remotely operated vehicles (ROV) Pilot and technician, and is about start his first project as a ROV Supervisor.

Standards and accreditation support (Marine remotely operated vehicles)

International Contract worth about R7 million

Nwabisa Bavuma and Garrison Cotzee

Case Study #12

DRC Mining Week

- 20 SA Companies profiled mining products and services at DRC Mining Week held in Lubumbashi in Democratic Republic of Congo (DRC), 1 – 3 June 2022
- Trade leads secured at DRC Mining Week, delivered export orders for companies in Q3.

** Value of tracked export orders linked to funded exhibitions and missions*

dtic Q3 support for Missions and Exhibitions:

- **Export promotion events deliver trade leads, from which companies secure export orders over time.**
- **Funded 103 companies in Q3 to participate in 7 international events.**
- **R12.5 million* in orders secured in Q3 from previous held exhibitions:**
  - **West African Mining and Power Expo (WAMPEX),**
  - **Africa Big 7**
  - **DRC Mining**
- **Export Orders in Q3:**
  - **Fire Suppression Systems**
  - **Tea**
  - **Gin**
  - **Hydrology Consulting Services**

The value of orders secured will be monitored to improve the Branch performance.

DRC Mining Week (Cont.)

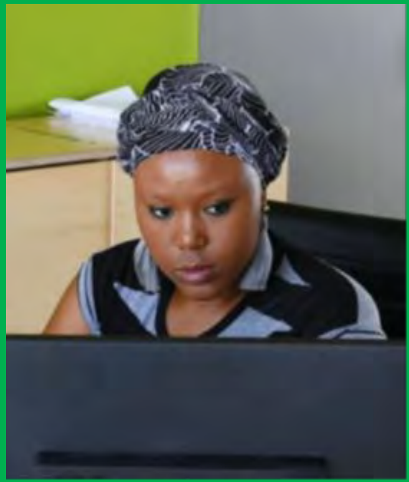
I-CAT International Consulting and Trading (Pty) Ltd

- I-CAT established in 2009, designs, builds, installs, and manages dust and fire suppression systems.
- I-CAT owns and operates two dust suppression product manufacturing facilities: Rayton (Pretoria) and Postmasburg (Northern Cape)

- I-CAT's participation in the 2022 DRC Mining Week yielded several opportunities for the company:
  - Currently supplying Fire Suppression products to DRC client worth several million Rands, with repeat orders expected.
  - Purchase Orders secured already from two other clients for medium to long term supply contracts.
  - Currently supplying Dust Suppression products to an Arcellor Mittal Mine in Liberia. This lead was also acquired from the DRC Mining week.

James J van Reenen
Co-Founder and
Managing Director

Winston D Warries,
Co-Founder and
Commercial Director



MONICA MHLANGA

- **Monica was originally appointed as a cleaning and tea lady,**
- **Following her interest in the company and desire to learn, Monica was promoted several times and enrolled in courses to develop her financial administration skills.**
- **Monica's current position is Senior Creditors Administrator in I-CAT's Finance Department**

DRIVING INDUSTRIALISATION - CONCLUSION

Assessment and mitigation

While considerable progress has been made in a number of areas of the industrialisation agenda, it has also exposed internal weaknesses in parts of the dtic-group, including a pattern and history of focusing on *process* instead of impact and outcome; challenges with collecting data on impact; technical and managerial gaps; and a tendency to work in silos and ‘separate empires’. That said, many parts of the dtic-group has been able in the course of the financial year to significantly shift their reporting and ways of working, driving new output and jobs, securing new investment and supporting companies to navigate the domestic regulatory terrain. This was done in spite of significant headwinds: in energy-supply and the impact of the war in Ukraine. While the scale of work has not sufficiently compensated for loadshedding and slower global growth, these efforts are helping producers to adapt to new realities and promoting innovation and competitiveness in existing firms.

To consolidate the progress made, the new Annual Performance Plan for 2023/24 will incorporate learnings from the current implementation.

PART 5: Jobs, ownership and transformation

OVERVIEW ON JOBS, TRANSFORMATION AND OWNERSHIP

The impact of support measures to drive industrialisation for communities is felt through transformation that provides opportunities for jobs and small businesses; and promote broader ownership in the economy.

During Q3, employment in manufacturing grew by 26 000 jobs, according to StatsSA. For the calendar year 2022 as a whole, 340 000 new jobs were created, bringing **total employment in manufacturing to 1 656 000 persons.**

The following slides provide details on

1. Jobs and employment
2. Worker ownership
3. Competition and public interest conditions
4. Transformation

JOBS IMPACT OF WORK: COVERAGE OF MASTER PLANS

652 000 workers covered by the seven masterplans coordinated by the dtic.

Workers covered by Poultry and Sugar Master Plans	148 000
Workers covered by GBS Master Plan support	52 000
Workers covered by Auto Master Plan support	113 000
Workers covered by CTFL & Furniture Master Plans	114 000
Workers covered by Steel Master Plan	225 000

*** Based on data from industry associations and official data where available. Data will be updated as more recent information becomes available.**

Examples of jobs impacts on projects

44 300	Workers covered by Social Employment Fund
42 295	**Jobs covered by competition settlement guarantees that are still valid:**
2 000	New jobs (760) and retained jobs (1 320) by Black Industrialists projects
800	New jobs created by investors that received support for Industrial Infrastructure
800	New jobs (388) and retained jobs (484) by Agro-processing and Aquaculture Projects
400	New full –time equivalent jobs created by Film Productions

JOBS IMPACT OF WORK – SELECTED INDICATORS

Workers at factory manufacturing unframed mirrors, supported by the anti-dumping duties

WORKER OWNERSHIP IN MERGERS APPROVED

5

Mergers approved in Q3 where Minister's intervention advanced worker ownership (ESOPs)

98 165 workers

102 700 **Total number of workers covered by ownership measures through actions by the Ministry and Competition Commission/Tribunal**

The Competition Commission and Tribunal approved 7 mergers in Q3, with conditions on worker ownership, covering 102 700 workers related to **Shoprite-Checkers, Implats, BKB Beleggins–GWK, Commercial Coal Holdings and Transport Cooling Africa, Rockwood Private Equity and Super Group Holdings.**

One employee representative will sit on the board of Shoprite-Checkers (Pty) Ltd

MERGERS: PROTECTING PUBLIC INTEREST

14

Mergers participated in based on **public interest** considerations

14

Large and intermediate mergers decided on by Competition Authorities which Ministry participated in during Q3 (13 approved and 1 approval not granted)

The Minister's participation in mergers is aimed at ensuring that public interest issues in terms of Section 12(A)(3) of the Competition Act are considered and addressed in the approval of mergers. There were **73** merger notifications received in the quarter. The Shoprite/Massmart merger as well as the Impala Platinum/Royal Bafokeng Platinum mergers, both large mergers approved by the Competition Tribunal in Quarter 3 are set out in the case studies.

Case Study #13 Metals Fabrication: Commercial Production of the Conductors used in Transformers

In October 2022, Wilec Pty Ltd – a Black Industrialist located in Olifansfontein, Ekurhuleni – conducted their first commercial run of the Continuous Transposed Conductor (CTC). CTC is a key component used in bigger sizes of transformers.

The production of the CTC is as a result of the designation/ localisation requirements under the PPPFA and the R40 million investment made in November 2021. The project was co-funded with Black Industrialist Scheme to the tune of R23 million (approval granted in 2019). This is the first ever CTC plant on the African Continent.

At least 20 new jobs have been created, all black youth (70% males and 30% females) and 5% of this is made up of persons with disabilities. Total staff complement across the business is 344.

CTC is a new product added to the existing Wilec product range, which is mainly specialised conductors used in the manufacture and repairs of motors, generators, and transformers for application in electricity; railways; automotives; mining, and petrochemical industries.

R40 million Investment made to set-up state-of-the-art Continuous Transposed Conductor Plant

Project funded by the Black Industrialist Porgramme, BBBEE 2 company

20 additional youth jobs created

Case Study #14

Black Industrialists practicing green manufacturing

WasteWant Waste Management (Pty) Ltd is a black and youth-owned company that manufactures plastic pellets from recyclable plastics scraps. The Black Industrialist company, which was approved for the Black Industrialists Scheme in Q3, is working with the City of Cape Town to reduce plastic waste dumped at landfills sites.

The expansion project is currently retaining its 482 baseline jobs.

Support from **the dtic** includes energy efficient building installations and green machinery and equipment that will enable the produced plastic pellets to contain 100% recycled material. Furthermore, water used in the production process will be recycled and filtered for reuse. The operation will be powered by Photovoltaic solar energy.

Transformation: Black Industrialist

Kraaifontein & Philippi Township

Green Industrialisation Commitment in Budget Vote

FROM LEFT TO RIGHT: OLWETHU MSINGIZANE AND VUYOLWETHU KROTI AT THE PRODUCTION FACILITY IN KRAAIFONTEN

Case Study #15

Water Purification Research

NM Envirotech Solutions (Pty) Ltd is a women-owned company that provides technology development and advisory services in innovation, science and environmental fields.

The company, in partnership with the historically disadvantaged Vaal University of Technology, is supported through **the dtic**'s THRIP incentive to research the development of low cost graphene coated nano-fibrous membranes and nano-filters for drinking water purification.

Transformation: Black Women Ownership

Green Industrialisation Commitment in Budget Vote

4IR: Nanotechnology

Graphene is a derivative of graphite, which is a South African mineral that can be beneficiated and it is emerging to be highly valuable due to its superior physical-chemical properties, its relative low cost, and its wide range of applications. The innovation lies in the use of graphene in the fabrication of filtration membranes.

The project supports 4 students that are all black and includes 3 female students.

MS MBILENI-MOREMA (PROJECT LEADER)

DR MABOYA (SUPPORTING RESEARCHER)

PROF MODISE (LEAD RESEARCHER)

MS CHAUKE (POST GRADUATE)

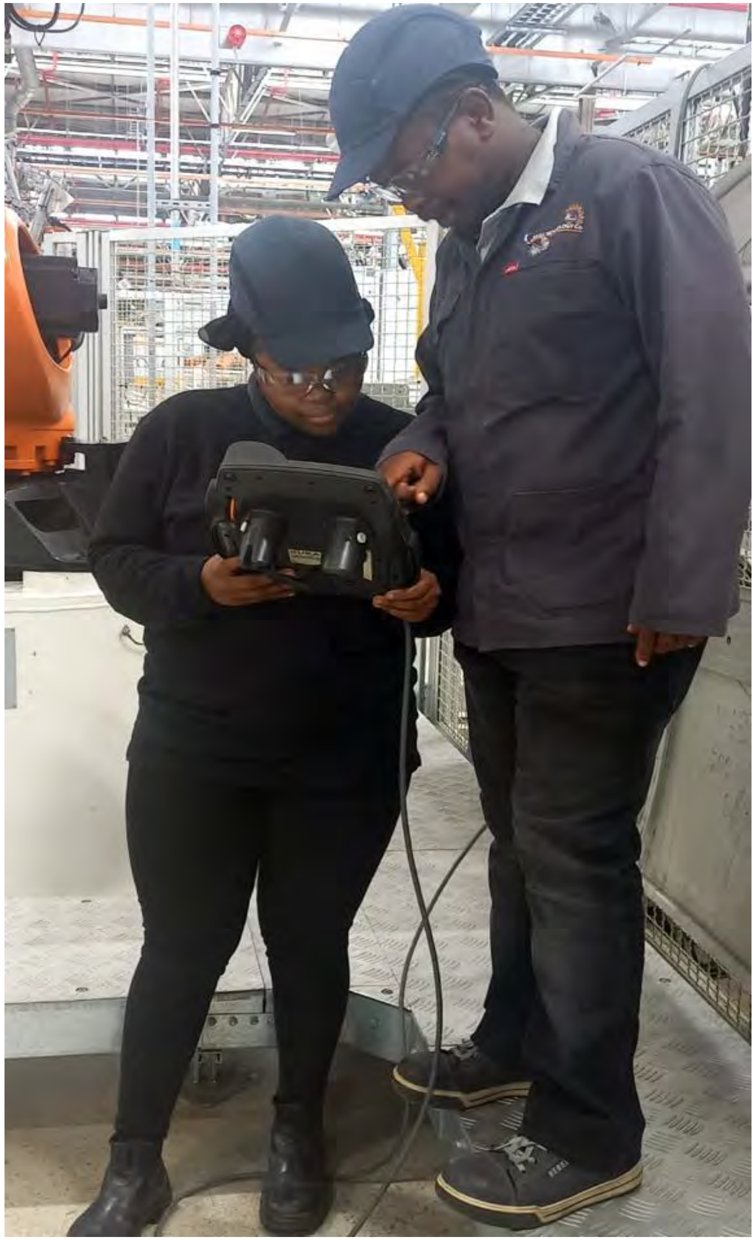
MS KHUMALO (MASTERS)

MS MTHETHWA (POST GRADUATE)

MR MOTLOKOA (PHD)

Transformation: Automotive Fund

- The Automotive Industry Transformation Fund (AITF) has been established as an industry Equity Equivalent Investment Programme (EEIP).
- EEIP is a dtic programme to facilitate transformation and enhance the localisation of the automotive components supply value chain.
- 4 Automotive Industry EEIP transactions were approved in Q3 – 1 upstream and 3 at side stream
- The total value of Q3 approvals is R25.3 million whilst the disbursement value is R14.5 million
- The number of Q3 Automotive Industry jobs created and retained is 141
- The next slides contain two case studies of the four AITF approved companies - Milisa Technology and Africa Auto Group



Case Study #16

Automotive Fund Beneficiary

Milisa Technology Company

Milisa technology is a 100% black-owned and 30% black women owned company that was established in June 2021

- The company is owned and managed by Ncedo Kumbuleni, who has 70% shareholding in the business.
- Milisa offers the following services:
  - o Bodyshop technology support including asset care management and plant optimisation.
  - o Maintenance Technology Support.
- The company is based in East London and one of its key clients is Mercedes Benz
- An amount of R1.5 million was approved by the Auto Industry Transformation Fund during Q3 to support Milisa Technology
- The expected number of jobs to be created is 36.

In the picture are Odwa Mbobi a Welding Technician, and Tando Ntsikwe a Programme Logic Controller (PLC) Technician.

Auto Fund Beneficiary – Africa Auto Group

Africa Auto Group (Pty) Ltd

- Africa Auto Group (Pty) Ltd ("AAG") is 100% black owned established in 2017 by Mr. Lionel Arnolds and Mr. Mandla Madwara
- The company supply e-coating to a wide spectrum of component manufacturers and assemblers in several sectors, including Automotive, Consumer Electronics, Renewable Energy, and others
- The company received support from AITF to acquire 100% shareholding in a company called Electrocoat.
- The acquisition is to ensure continuity of supply in the automotive component manufacturing
- R5.5 million was approved by AITF during Q3 to support the company with the acquisition.
- The expected number of new jobs to be created is 4, while 18 will be retained.
- The main client for the company is Isuzu Motors SA.

The picture shows Aubrey Jantjies, a Production Line Worker involved in the production of oil pans.

DRIVING TRANSFORMATION - CONCLUSION

Assessment and mitigation

Transformation efforts have been focussed in two areas:

- Over the past year, significant progress was made with the empowerment of workers at firms where they are employed, in some cases accompanied by worker nominees on the Boards of the firms; and
- There has been greater emphasis on and support for the growth of black industrialists in productive sectors of the economy, including on enabling diversification of those firms' markets, with exposure to export markets.

Increasing the level of employment is critical – while the dtic will need to scale up efforts, loadshedding and slower global growth impact significantly on the economy and has left a number of firms vulnerable. Addressing the energy challenges will therefore be critical to a jobs-rich industrial strategy.

PART 5: OVERVIEW ON GOVERNANCE

OVERVIEW ON GOVERNANCE

Governance is critical to building an effective and capable state. In the period under review, work was completed on a number of appointments; in addition to work in progress on the reorganization of the department to be more effective.

The following slides provide details of the work done and the impact in the following areas:

1. Governance and appointments
2. Departmental reorganisation
3. Social compacting
4. Court judgements.

ENTITY GOVERNANCE

27

Appointments made

3 Executive Positions (Commissioners & Chief Executive Officer)

8 Board members

16 Tribunal members

- Competition Tribunal: 5 Tribunal Members appointed – 3 are preeminent Senior Counsel. They will join the Tribunal in January and February 2023, and in April 2023.
- Companies Tribunal: 11 Tribunal Members appointed for a 5-year term with effect from 01 December 2022
- South Africa Bureau of Standards (SABS) : 11 Board Members appointed for a 5-year term with effect from 01 December 2022

ENTITY GOVERNANCE

3

Executive Appointments

1. Mr Mandisa Nkuhlu was appointed as CEO of the Export Credit Insurance Corporation (ECIC)

2. Ms Jodi-Lynne Scholtz appointed as Commissioner of the National Lotteries Commission (NLC)

3. Mr Ayabonga Cawe appointed as Chief Commissioner of the International Trade Administration Commissioner (ITAC)

Competition Tribunal

Tribunal Members:

Two members were appointed as Acting Part-Time Tribunal members and three were re-appointed as Acting Part-Time members, as follows:

1. Ms Sha'ista Goga
2. Adv. Geoff Budlender
3. Adv. Tembeka Ngcukaitobi
4. Prof Liberty Mncube
5. Prof Imraan Valodia

SABS

Board members:

1. Dr Sandile Bethuel Malinga (Chairperson);
2. Mr Tumisang Tsehlo;
3. Dr Rudzani Nemutudi;
4. Ms Deidré Penfold;
5. Dr Nandipha Madiba;
6. Ms Gloria Mnguni;
7. Dr Ron Josias; and
8. Dr Mukondeleli Grace Kanakana-Katumba.

ENTITY GOVERNANCE – SABS BOARD

1. **Dr Sandile Bethuel Malinga,** is the new Chairperson of the board, with PhD in Physics; previously worked as CEO at the South African National Space Agency (SANSA) and has 18 years working experience in aviation and aerospace.
2. **Dr Rudzani Nemutudi** has a PhD in Semiconductor Physics, experienced in nano-technology and analytical techniques. Previously a board member of the National Metrology Institute of South Africa (NMISA) and Board Member of the International Council of Scientific Unions.
3. **Dr Mukondeleli Grace Kanakana-Katumba** holds a DPhil in Engineering Management and is Executive Dean of Engineering and the Built Environment at the Tshwane University of Technology and is an industrial engineer.
4. **Ms Nandipha Madiba** has extensive experience in corporate governance, human resource management, strategic business management, risk management, policy monitoring and evaluation.
5. **Mr Tumisang Tsehlo** has an MSc in Engineering, (Electromech, Industrial) with extensive experience in technical infrastructure, accreditation and technical infrastructure governance.
6. **Ms Deidre Penfold** has a BCom (Hons) in Economics and currently works as an Executive Director at the Chemical and Allied Industries Association.
7. **Ms Gloria Mnguni** is a Chartered Accountant with extensive Committee experience, lectured at the University of Johannesburg and worked for a period in the Parliamentary Budget Office.
8. **Dr Ron Josias,** has a PhD in Public Administration, previously served as CEO of the SA National Accreditation System (SANAS). Also has extensive experience in technical infrastructure, accreditation and technical infrastructure governance.

Companies Tribunal

Tribunal members

1. Judge Dennis Davis (Chairperson);
2. Ms Minah Tong-Mongalo (Deputy Chairperson);
3. Ms Diane Terblanche;
4. Ms Hlaleleni Kathleen Dlepu;
5. Prof. Clement Marumoagae;
6. Mr Joshua Sesha Kadish;
7. Mr Richard Bradstreet;
8. Mr Fulufhedzani Shane Mudzunga;
9. Ms Nomagcisa Cawe;
10. Mr Brian Jennings; and
11. Dr Alli Chicktay

ENTITY GOVERNANCE – COMPANIES TRIBUNAL

1. **Judge Dennis Davis** is Chairperson of the Tribunal. He was Judge President of the Competition Appeal Court and the Tax Appeal Court.
2. **Ms Minah Tong-Mongalo** is Deputy Chairperson. She is a Commercial Law specialist, specializing in contract law, corporate commercial law, and corporate governance.
3. **Ms Hlaleleni Kathleen Dlepu** is an attorney, conveyancer, and notary public. She was the first chairperson of the Legal Practice Council in 2018.
4. **Ms Diane Terblanche** has expertise in law and consumer advocacy and is managing attorney. She served previously as chair of the Consumer Tribunal.
5. **Professor Clement Marumoagae** is an Associate Professor at the Wits University He is also a practising attorney specialising in pension law and family law.
6. **Mr Joshua Sasha Kadish** is an attorney with expertise in corporate law and finance. He is a published author in various renowned legal journals.
7. **Mr Richard Bradstreet** is a Legal academic and Advocate. He is a senior lecturer in the Department of Commercial Law at UCT, and a member of the Cape Bar.
8. **Mr Fulufhedzani Shane Mudzunga** is a director of a law firm. He has focused on commercial contracts, mediation, and negotiation.
9. **Ms Nomagcisa Cawe** lectured in law at the Universities of Transkei and North-West and has experience in dispute resolution, acted as a Labour Court Judge and is Chairperson of the Special Pensions Appeals Board.
10. **Mr Brian Jennings** is a director of a well-known law firm and has extensive practical experience in mergers and acquisitions and private equity transactions.
11. **Dr Alli Chicktay** is a Senior Lecturer, School of Law, Wits University, and was the previous Chair of the Companies Tribunal.

Structure: Fit for Purpose

The department has embarked on the fit for purpose project with a view to redesign the organisational structure of **the dtic**. It is the holistic integration of organisational structure, business processes, and people to support the implementation of strategy and ensure employees follow the functions.

The process is expected to have a number of outcomes, including:

- An enabling, cost-effective and sustainable organisational structure that will address **the dtic** mandate. Improved efficiency and service delivery.
- Improved skills and capabilities that will respond to economic demands.
- A productive and cohesive workforce, as this process intends to create and promote opportunities for exceptional efforts of people, in an environment where colleagues will be motivated by the economic impact of their efforts.
- Potential for career exploration, ongoing learning and development, while contributing to the evolving mandate of **the dtic**.

The first step in consolidating the dtic has been taken with the merger of two programmes: investment promotion and spatial development, effective from the new financial year.

Promoting a Transformed Workplace: Youth Empowerment

Young dtic interns

PARLIAMENTARY COMMITTEES Q3

The Department and its entities briefed the Portfolio and Select Committees at **17** meetings during the period under review, which focused on, amongst others, the following:

- **the dtic** Annual Report 2021/22 and Q1 & Q2 2022/2023 Performance;
- Industrial Parks and Special Economic Zones;
- Entities' Reporting on 2021/2022 Annual Reports and on 2022/2023 Q1 Performance;
- WTO engagements & outcomes of the Black Industrialists and Exporters Conference;
- SA Poultry Sector Master Plan;
- Report on South Africa's Trade Portfolio; and
- Copyright & Performers Protection Amendment Bills.

NEDLAC

NEDLAC Trade & Industry Chamber Strategic Session, 06 October 2022

- The strategic session's purpose is for the Trade and Industry Chamber (TIC) to provide a high-level report on its work and, to obtain a strategic perspective from the Minister on the year ahead.

- The following key themes were discussed:
  i. Network Industries
  ii. Localisation
  iii. Policy certainty / Change
  iv. Companies Amendment Bill
  v. Competition Policy
  vi. Masterplans
  vii. Trade issues
  viii. Equity & Ownership.

Outcomes:

- **Localisation** – Business reaffirmed its desire to work with Government on areas of Localisation and support Localisation through public statements that build confidence.
- **Policy Certainty** – Business and Labour agreed to highlight specific issues in relation to policy, convene a working session at TIC, and forward agreed outcomes to **the dtic**.
- **Trade Policy** – Business and Labour agreed to work closely with Government to prepare for the AGOA Summit in 2023 to develop SA's position and highlight SPS challenges.

COURT JUDGEMENTS

- One judgment affecting the dtic was delivered in Q3.
- The constitutional validity of chapter 6 of the Companies Act, 2008, was challenged. The gist of the Applicants case was that the Companies Act fails to protect financially distressed individuals from legal proceedings instituted against them whereas financially distressed companies that are under business rescue proceedings are protected from legal proceedings. The court ruled that the unfair discrimination alleged by the Applicants lacked merit on the basis that natural persons and trusts do enjoy adequate protection in terms of other legislation (e.g the National Credit Act) when they experience financial difficulties.
- The matter was resolved in favour of the Department and a subsequent appeal by the applicant to the SCA was dismissed with costs.

PART 6:
11 INTERNATIONAL TRADE AND INVESTOR ENGAGEMENTS

OVERVIEW ON INTERNATIONAL ENGAGEMENTS

The President took part in four State Visits during Q3, three of which were outgoing with business forums in each case convened by the dtic.

State Visits with accompanying economic diplomacy and investor engagements:

1. Saudi Arabian State Visit and investor engagement - **outgoing**
2. Spanish State Visit and business forum - **incoming**
3. Kenyan State Visit and business forum - **outgoing**
4. UK State Visit and business forum – **outgoing**

The following high-level engagements took place, outside of formal state visits

1. Saudi Arabian Joint Economic Commission - **incoming**
2. Korea Economic Working Group - **outgoing**
3. Japan Joint Trade Committee - **outgoing**
4. Vietnam Joint Trade Committee – **incoming**

Three multilateral engagements took place, involving the AfCFTA and AGOA (US/Africa)

1 Saudi Arabia State Visit (15-16 October 2022)

President Ramaphosa undertook a State Visit to Saudi Arabia during 15-16 October 2022, with the objective of advancing previous discussions on investment and collaboration.

The State visit consisted of:

1. Formal talks at Head of State level
2. Signing of MoUs
3. Investment Forum
4. Business Roundtable
5. Discussions on market access
6. Engagement with retailer on SA products

- **10 Business-to-Business (B2B) MOUs worth in excess of US$15.0 billion**
- **15 Government-to-Government (G2G MOUs)**
- **Top 30 CEOs Roundtable Meeting with President Ramaphosa**
- **Launch of the Lulu South Africa Food Festival**
- **104 South African Business Delegates**
- **161 Saudi Arabian Business Delegates**
- **Over 250 participants at Investment Forum in Riyadh**

MOUs SIGNED BY DTIC

Saudi Arabia and South Africa signed agreements and memorandums of understanding:

- Cooperation in the field of Promotion of Direct Investment
- Establishment of a Saudi-South Africa Joint Investment Fund
- Cooperation in the field of Standards
- MOU between IDC and ACWA for the development of Green Hydrogen value chain
- Establishment of Joint Business Council
- Cooperation between Saudi Export-Import Bank and Export Credit Insurance Corporation of South Africa (ECIC)
- Cooperation between the Economic Cities and Special Zones Authority of Saudi Arabia and **the dtic**

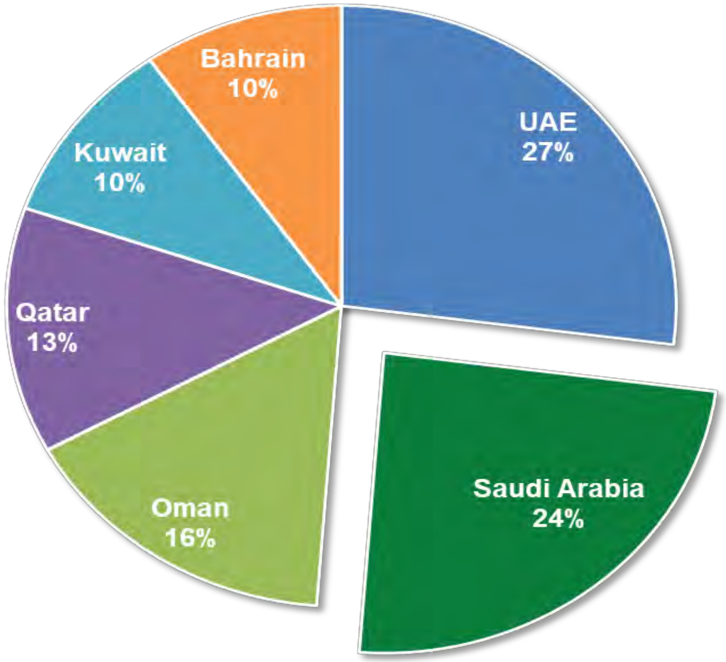
Saudi Arabia State Visit (15-16 October 2022)

Case Study –Lulu Hypermarkets Retail Export Programme

Lulu Hypermarkets hosted a “Proudly South African,” festival highlighting products imported from South Africa.

The seven-day festival, was inaugurated by President Ramaphosa, during the Saudi Arabia State Visit at one of its largest hypermarkets in Jeddah.

Total Exports 2022
(Distribution by Destination Market)



This is part of Retail Export Programme agreed with Lulu Hypermarkets.

Lulu Hypermarkets has recorded R340 million worth of exports during 2022, a growth of 26% from 2021. The target for 2023 is R400 million.

Lulu’s Retail Export Programme Outcomes 2021 / 2022 – Millions of Rands

Category	2021	2022	Growth
Fruit and Vegetables	160,90	220,00	27%
FMCG	58,03	70,00	17%
Meat	26,49	40,00	34%
Other (incl. Charcoal)	5,60	10,00	44%
Total	**251,02**	**340,00**	**26%**

Source: Lulus / Emmay Commodities (27/01/2023) Currency: ZAR Millions

Saudi Arabia State Visit (15-16 October 2022)

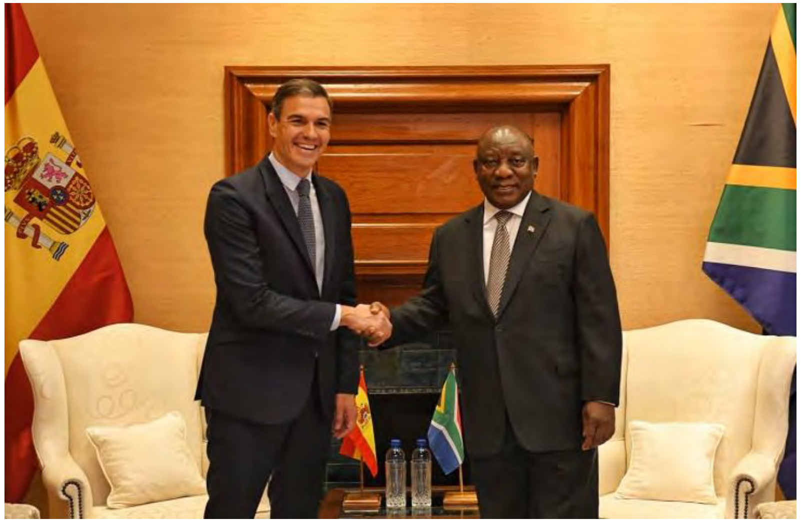
Key Outcomes –Lulu Hypermarkets Retail Export Programme

2 South Africa Spain Business Forum (27 October 2022)

President Ramaphosa hosted President Pedro Sánchez Pérez-Castejón of the Government of Spain during a State Visit to South Africa on 27 October 2022. The Spanish President, led a delegation of government officials and business representatives for a State Visit.

A business forum was hosted on the side lines of the State Visit. The objective of the forum was to provide South African and Spanish companies with a strategic platform to engage on bilateral trade and investment opportunities in both markets.

- **79 South African Business Delegates**
- **71 Spanish Business Delegates**
- **Company dialogue between 12 Spanish and 12 South African companies to discuss areas of mutual interest**



COFIDES AND IDC SIGN MOU TO ESTABLISH US$1.0 BN FUND TO COLLABORATE ON PRIVATE SECTOR INVESTMENT PROJECTS

- **South Africa is currently the 12th highest destination for Spanish exports, and Spain is the 20th highest destination for South African exports.**
- **Spain is a tourism market for South Africa.**
- **In 2019, approximately 42,000 tourists from Spain visited South Africa.**

Spain State Visit

- South Africa and Spain have extensive trade and investment relations. However, SA expressed its concerns at unfair trading practices orchestrated by Spain against SA citrus products in the EU.
- Spain has had easy access to the SA energy market, with large and profitable Spanish investment in renewable energy, particularly in solar.
- SA exports to Spain include Mining and Mineral Resources, Automotive and Agricultural Products.
- An MoU on Cooperation in the field of Industry 4.0. Cooperation was signed. This cooperation includes knowledge exchange, research, sharing policies and technologies for digital solutions, and identifying sectors for new diversification into smart manufacturing.

Imports from Spain:

- Original Equipment Components
- Motor Vehicles
- Medicaments
- Auto Components
- Meat & Edible Offal
- New Pneumatic Tyres
- Insecticides

Exports to Spain:

- Niobium Vanadium
- Petroleum Oils
- Motor Vehicles
- Centrifuges
- Fish
- Fruit Juice
- Unwrought Nickel

Case Study #18

Citrus exports to the European Union (EU)

South Africa is a significant and growing producer and exporter of citrus fruit. The citrus industry employs 128 000 which account for around 15% of the total employment in the agricultural sector.

In July 2022 the European Union imposed new restrictions on SA citrus exports in the middle of the South African export season. The new phytosanitary requirements were meant to address False Codling Moth, a citrus pest that is native to some countries in Africa including SA, as well as Israel.

Government negotiate with the EU to clear floating containers of around R650 million in citrus blocked at EU ports after these new measures were introduced.

The EU first declared the False Codling Moth a quarantine pest in 2018. This meant that SA had to put new measures in place on its citrus exports from 2018. The EU required that non-EU countries use cold treatment or another effective treatment to ensure the products are free from the pest. South Africa developed a False Coddling Moth Management System as an alternative to the cold treatment requirement and this systems approach was accepted by the EU. A systems approach is a pest risk management option that integrates different measures, at least two of which act independently, with cumulative effect. The system approach has been used since 2018 by South Africa for citrus exports to the EU. This system's approach has been continuously improved over the years to address concerns raised by the EU and has led to a significant reduction in interceptions since 2018.

SA is the world's second largest exporter of citrus after Spain. The EU accounted for 41% of Southern African citrus exports by value in 2021. In SA, in 2021 citrus accounted for 25% of SA's total agricultural exports.

Citrus exports to the European Union (EU)

South African farmers have calculated that the cost of compliance with phase 1 measures introduced in 2022 was about R238 million. Further tightening in the measures came into effect on 1 January 2023. It has been estimated that the cost of compliance with these measures would be about R1,13 billion per annum. Aside from this direct cost associated with the management of False Coddling Moth at the farm and pack house level, there are also costs and income associated with the implementation of the new measures

President Ramaphosa raised the citrus matter with President Michel in July 2023, who committed to a senior-level engagement on the matter. When progress stalled, SA had no alternative than to request formal consultations on the EU measures under the WTO Dispute Settlement System. Consultations were held in the WTO in September 2022. Minster Patel met with the EU Trade Commissioner in September 2022 and January 2023, who committed to urgent engagements between officials to find a mutually agreed solution. SA-EU Senior Officials had physical and virtual meetings on 25 October and 9 November to consider ways to resolve the dispute. The dispute has not been settled.

The SA Government have raised serious concerns with the new measures introduced by the EU, including that:

- The EU has acted unilaterally by imposing restrictions based on sanitary and phyto-sanitary justifications and requires that imports of citrus fruit must undergo specified mandatory cold treatment processes.
- It has done so without due notice and open-minded discussions to find a mutually-acceptable solution.
- It has not been open to a postponement of the measures.
- The EU was not available at senior level for virtual meetings from October to December last year.
- It has restricted access for SA citrus fruit and requires expensive, intrusive and unwarranted measures that had not been required in the past in the export of fruit from SA.

3 Kenya - South Africa State Visit (9 November 2022)

- Kenya - South Africa State Visit held on the 9 November 2022 in Nairobi, Kenya. **South African exports to Kenya in 2021 totalled R5.9 billion, with imports reaching R532.6 million.***

- Focus was on promoting and facilitating economic exchanges in the following important sectors:
    - Agriculture, agro-processing and forestry products
    - Automotive value chain
    - Strategic infrastructure to enhance intra-Africa trade within the AfCFTA framework
    - Financial services to support trade and investment.

- A Manufacturing and Commerce Exhibition was held on the margins of the Business Forum at the Kenyatta International Convention Centre.

- **69 South African companies** participated in the Business Forum, with **14 South African companies** based in Kenya showcasing their offerings at the Exhibition.

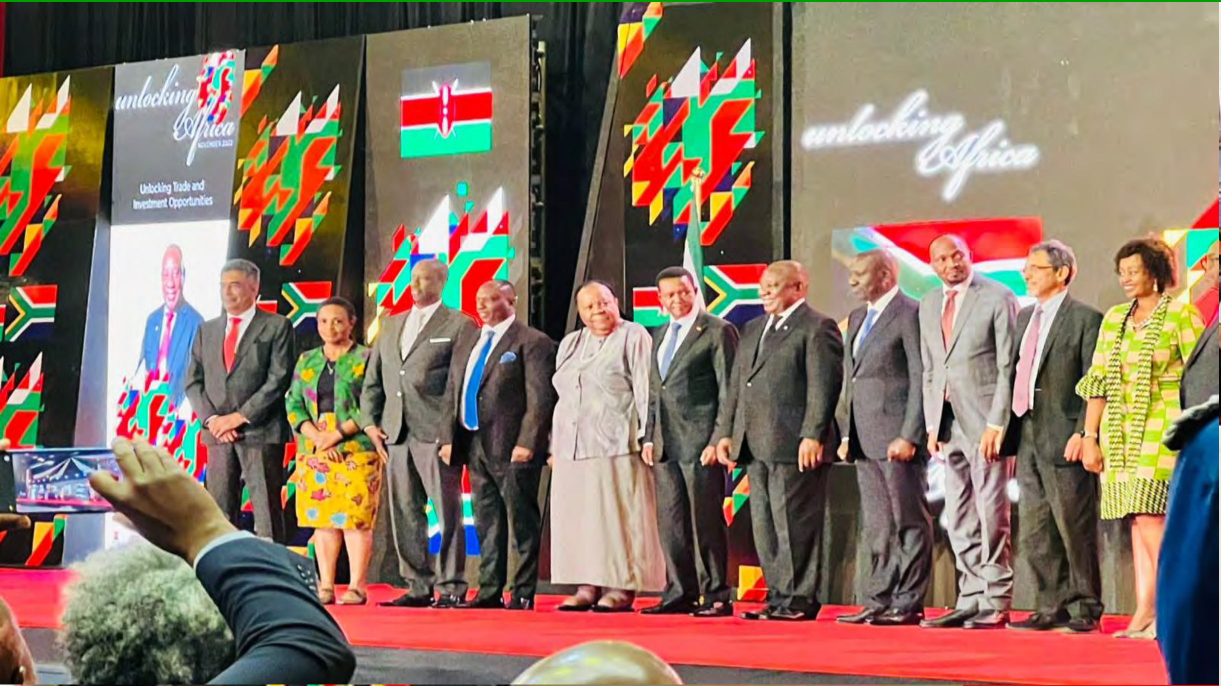
- High-level outcomes of the Kenya-SA Business Forum included business supporting:
    - Both governments to work closely for the **improvement** of the business environment, **with a visa waiver agreed for visits up to 90 days.**
    - Joint efforts to improve volumes of trade and investment by women, youth, and black-owned SMEs.
    - Identification of challenges inhibiting the full exploitation of business opportunities, such as regulatory frameworks on standards, including sanitary and phyto-sanitary measures.
    - Acknowledgement of the role of ICT and IT enabled services as enablers of infra-Africa trade.

SA Imports from Kenya*:
- **Gold**
- **Fresh Cut Roses**
- **Inorganic Chemicals**
- **Medical Equipment**
- **Petroleum Oils**
- **Fertilisers**
- **Black Tea**
- **Medicines**
- **Articles of Human Hair**
- **Vehicles**

SA Exports to Kenya*:
- **Vehicles**
- **Coal**
- **Semi-finished Iron and Steel Products**
- **Fresh Apples**
- **Bars and Rods**
- **Wines**
- **Electrical Equipment**
- **Medicines**
- **Food Preparations**

** Trademap data using partner country, COMTRADE data.*

Kenya – South Africa State Visit (9 November 2022)



4 UK – SA State Visit (22-23 November 2022)

The UK - South Africa State Visit was held on the 22nd - 23rd November 2022 in London.

- o Bilateral Trade increased post-Brexit owing to the Economic Partnership Agreement between the Southern African Customs Union, Mozambique, and the UK. **SA exported $10.5 billion to the UK in 2021, and imported $2 billion from the UK.**
- o Focused on deepening trade, addressing trade and investment barriers, and identifying economic opportunities, including in education and skills; health; science; innovation and climate.

The business engagements included:

- o Business to Business Engagement Sessions: **15 SA companies** in agro-processing; clothing and textiles; auto components; electro-technical and pharmaceuticals met major UK retailers.
- o Presidential Business Roundtable: Focus on UK industry support in developing partnerships in infrastructure; health and education; economic reform and growth.
- o SA Exhibition: **9 SA companies** exhibited products across various sectors, including: clothing and textiles; renewable energy; electric vehicles; medical devices and food.

High-level outcomes and Way Forward:

- o Both sides agreed to fast track process to resolve issues affecting trade in agriculture
- o Bilateral engagements also discussed increasing Tariff Rate Quotas (TRQs) for wine, sugar and canned fruit. TRQs allow lower tariff rates on imports of a product within set quantities.
- o South African Business delegates to be connected with decision-makers in key UK retailers and the UK life science sector by the UK Department of International Trade.

SA Imports from UK:

- Original Equipment Components
- Postage and Revenue Stamps
- Petroleum Oils
- Ethyl Alcohol
- Medicaments
- Data Processing Machines
- Tractors
- Printed Books
- Diesel and Semi-Diesel Engines

SA Exports to UK:

- Platinum
- Vehicles
- Precious Metal Ores
- Centrifuge
- Wine
- Fresh grapes
- Apples, Pears and Quinces
- Strawberries
- Raspberries

United Kingdom – South Africa State Visit (22-23 November 2022)

Profile of State Visit Markets

ZAR 139 billion

Exports to State Visit markets

60 241

Estimated direct jobs created by exports to State Visit markets

ZAR 56 billion

Manufacturing exports to State Visit markets

39 142

Estimated direct manufacturing jobs created by exports to State Visit markets

The IDC estimates that 176 025 jobs are sustained by our economic relationship with the UK, Spain, Kenya and Saudi Arabia; incl. indirect employment effects

5 SA-Saudi Arabia Joint Economic Commission (3-4 October 2022)

The **9th Joint Economic Commission** (JEC) was held from 3-4 October 2022. JEC is a platform to unlock investments through establishing networks with key Saudi Arabian officials and private sector leaders, and importantly to attract investment.

The **relaunch of the SA – Saudi Business Council** was a significant achievement as it's been inactive for a number of years. The Business Council comprises key SA and Saudi business figures representing sectors (energy, agriculture, pharmaceuticals, logistics, mining, chemicals) of trade and investment interest for SA. The objective of the Business Council is to unlock trade and investment opportunities between SA and Saudi Arabia

Preliminary agreement on a $ 2 billion SA – Saudi Joint Investment Fund was reached. The fund aims to invest in priority sectors of respective countries.

Total bilateral trade between South Africa and Saudi Arabia stood at R66.15 billion in 2021 with South African exports at R5.54 billion and imports from Saudi Arabia amounting to R60.61 billion.

South Africa's main exports to Saudi are concentrated in agriculture, and agro-processing; mineral resources, chemicals, automotive parts and components, and metals.

- **66 South African Business Delegates**
- **57 South African Government Delegates**
- **53 Saudi Arabian Business Delegates**
- **40 Saudi Arabian Government Delegates**
- **Joint Business Council reconvened**
- **Over 150 participants at Trade and Investment Forum in Pretoria**
- **Joint Communique for 9th Session of the Joint Commission signed**

6 SA-South Korea Economic Working Group (11 October 2022) in Seoul, South Korea

The SA-Republic of Korea Economic Working Group of the inaugural Joint Cooperation Commission was held on 11 October 2022 in Seoul, South Korea.

The Economic Working Group discussed issues to promote cooperation in trade and investment, including the need to increase exchanges between trade and investment agencies, visa issues, an update on and opportunities under the AfCFTA, to exchange information on the operation of Special Economic Zones and a proposal to establish a Joint Trade Committee.

Both sides agreed to explore ways to promote further cooperation in natural resources and the energy value chain development.

Currently, 32 Korean companies are investing in South Africa, recording a total capital investment of R31.34 billion by January 2022 (FDI Markets). Some prominent companies in South Africa include Hyundai Motors, Samsung, LG Electronics, and Korea Electric Power (KEPCO).

Key achievements:

- Agreement to establish a Joint Trade Committee to create a direct link between the dtic and the Ministry of Trade, Industry and Energy.
- Created awareness of the opportunities under the AfCFTA.
- A commitment to work together to resolve visa issues affecting South Korean Business people.

7 5th SA-Japan Joint Trade Committee (13 October 2022) in Tokyo, Japan

The 5th SA-Japan Joint Trade Committee and the 13th SA-Japan Partnership Forum was held on 13 October 2022 in Tokyo, Japan.

The focus of the discussions was to advance the nine work streams identified during the inaugural SA-Japan Business Forum held in June 2022. The efforts to improve the business environment included business visas issuance, Special Economic Zones, automotive skills program and mineral beneficiation.

Meetings were also held with prominent Japanese companies like Mitsubishi Cooperation RtM Japan and Tanaka Precious Metals. Both companies are leading buyers of SA Platinum Group Metals. Therefore, the meetings aimed to seek collaborative activities and request the two companies to invest in SA.

These were initial meetings, it was agreed that both sides should keep each other informed of activities of mutual interest. In this regard, a follow-up meeting was held with Mitsubishi Corporation RtM Japan Ltd (Sandton Office) on 7 December 2022.

Key achievements:

- Provided a platform for SA to outline mineral beneficiation projects that SA is keen on collaborating with Japan on. Discussions has been ongoing for close to 10 years without progress.
- The department of Home Affairs had an opportunity to highlight challenges they encountered when processing visa application by Japanese businesses. Both sides agreed on the work plan to resolve the outstanding applications.

8 5th SA-Vietnam Joint Trade Committee (24 November 2022), South Africa

DM Gina and (L) and Vietnamese Deputy Minister of Industry and Trade Mr.Tran Quoc Khanh (R)

On 24 November 2022, Deputy Minister Gina co-chaired the 5th South Africa-Vietnam Joint Trade Committee with her counterpart from the Vietnamese Ministry of Industry and Trade, Vice Minister Tran Quoc Khanh.

Among the topics discussed were trade promotion and facilitation, investment, market access for agricultural products, and cooperation in the automotive and furniture sectors.

Vietnam is SA's 9th trading partner in the Asian continent, whereas South Africa is Vietnam's largest trading partner in Africa.

Two-way trade between Vietnam and South Africa hit a record of nearly US$1.4 billion in 2020. Despite being affected by the COVID-19 pandemic, the figure reached nearly US$1.3 billion in 2021 and US$1.1 billion in the first 10 months of 2022.

Opportunities: Vietnam is the World's 2nd largest furniture exporter. Both sides agreed to develop areas of cooperation that are in line with the SA Furniture Master Plan.

Profile of Bilateral Engagement Markets

ZAR 196 billion

Exports to Other bilateral engagement markets, 2022

80 485

Estimated direct jobs created by exports to Other bilateral engagement markets, 2022

ZAR 36 billion

Manufacturing exports to Other bilateral engagement markets, 2022

17 907

Estimated direct manufacturing jobs created by exports to Other bilateral engagement markets, 2022

The IDC estimates that **250 467 jobs** are sustained by our relationship with the Japan, South Korea, Tanzania and Vietnam; incl. indirect employment effects

OVERVIEW ON MULTILATERAL ENGAGEMENTS

During the quarter, the dtic participated actively in the AfCFTA Council of Minister in Ghana, the Extraordinary Summit on Industrialisation in Niger and the US-Africa Leadership Summit in respect of trade relations and African access to the US market via AGOA.

The following slides provide details of the work done in these areas.

9 AfCFTA Council of Ministers

10th AfCFTA Council of Minister's meeting was held from 7-8 October 2022 in Accra, Ghana and the Extra-ordinary Session of AfCFTA Council of Ministers held on 27-28 October 2022 in Libreville, Gabon

Key Decisions of the Council of Ministers:

Trade in Goods:

- Recommended AfCFTA Guided Trade Initiative for adoption by Heads of State and Government - Preferential trade has commenced between Ghana, Kenya, Mauritius, Egypt, and Rwanda.
- 38 tariff offers on 90% coverage of tariff book (Category A) adopted for provisional implementation.

Trade in Services:

- Adoption of CEMAC draft schedule of specific commitments on trade in services in 5 priority sectors. In total, 21 draft schedules have been adopted.
- SA draft schedule is expected to be presented to Cabinet in 2023.

Phase II Protocols:

- **Consideration of draft Protocols on Investment, Intellectual Property Rights and Competition Policy.**
- **Inaugural meeting of Committee on Digital Trade, December 2022**

10 Extra-Ordinary Summit on AfCFTA (25 November 2022), Niamey, Niger

African Union Heads of State and Government agreed to:

- Adopt additional measures to support trade, including the AfCFTA E-Tariff Book, Rules of Origin Manual and Guided Trade Initiative, These are meant to assist traders with user friendly information on trade opportunities and requirements.
- Adopt the tariff offers (Trade in Goods) and schedules of specific commitments on the 5 priority sectors on Trade in Services (financial, communications, transport, tourism and professional services) for provisional implementation.
- Undertake further consultations on the outstanding issue regarding Egypt's services commitments in the telecommunication sector.
- Recommended the Phase II Protocols on Investment, Intellectual Property Rights, and Competition Policy to be legally verified by AU Specialised Committee in January 2023 for consideration by AU Summit in February 2023. These Protocols promote cooperation and a legal framework for the promotion of investment, protection of intellectual property and Competition Policy.
- Conclude the negotiations on the Protocols on Digital Trade and Women and Youth in Trade by July 2023.

11 US, SUB-SAHARA AFRICA AND AGOA

President Joe Biden invited African countries to attend a US-Africa Leaders Summit. During the Summit, the following meetings were held:

1. **US-Africa Leaders Summit** in December 2022. The US-Africa Leaders Summit comprised: AGOA Ministerial, US-Africa Business Forum, and US-Africa Leaders Summit. Several bilateral engagements took place on the margins of the Summit.
2. **Africa AGOA Coordination Meeting**
   - Ministers agreed to engage Congress to extend AGOA.
3. **AGOA Ministerial**
   - Representatives of US Administration and Members of US Congress, with **27** African Trade Ministers
   - SA on behalf of participating Ministers, set out the common African position on AGOA at the meeting
   - SA presented an initial framework for the hosting of AGOA Forum in 2023

A number of bilateral meetings were held, including:

1. United States Trade Representative, Ambassador Katherine Tai
2. Secretary of Agriculture, Tom Vilsack
3. State Under Secretary for Economic Growth, Jose Fernandez
4. Commerce Under Secretary for International Trade Administration, Marisa Lago
5. Director, US Federal Trade Commission, Maria Coppola (International Affairs)

PART 7: MASTER PLANS (7)

OVERVIEW ON MASTERPLANS

Social pacting is promoted through sector masterplans, in seven industries. These master plans provide for reciprocal commitments from stakeholders. For example, while government make commitments on trade measures or industrial support, firms commit to greater investment and job creation, and labour commit to adaptable work practices.

The following slides provide details of the work done and the impact in the following areas:

1. Clothing, textiles, footwear and retail
2. Sugar farming and downstream industries
3. Poultry production
4. Automobiles and component manufacturing
5. Steel and engineering
6. Global business services, and
7. Furniture manufacturing and retail

MASTER PLAN 1: CLOTHING TEXTILE FOOTWEAR & LEATHER

The new support Fund for the CTFL industry was introduced in the current financial year, to boost competitiveness of the sector and support entry into the industry. The IDC administers the Fund on behalf of the Department. The IDC has provided the following data on the ‘additionality’ impact of the CTFLGP in Q3 2022-23

R 247 million	Investment pleged and approved from the dtic Clothing Textile Footwear Leather Growth Programme (CTFLGP) in Q3.
R 124 million	Investment value from the dtic CTFLGP in Q3.
588	Jobs created through the dtic CTFLGP in Q3.
2388	Jobs saved through the dtic CTFLGP in Q3.
2976	Total jobs through the dtic CTFLGP in Q3.
R 267 million	Investment disbursed from the dtic CTFLGP in Q3.
Transformation	Investment approved from the dtic CTFLGP in Q3: **5 early stage start-ups with R 22,87 million (9.23%),** **5 women owned buisnesses with R 21,87 million (8.85%) and** **6 black-owned businesses with R 82,82 million (33.53%).**

CLOTHING TEXTILE FOOTWEAR & LEATHER

R687,6 million	Value of applications approved in Q 1 – Q3 through **the dtic** Clothing Textile Footwear Leather Growth Programme (CTFLGP)
48	Applications approved for 48 entities with R 687,6 million from 1st April 2022 till 23rd December 2022 with following geographic spread and against confirmed retail off-take commitments; KwaZulu-Natal (20 entities), Gauteng (12 entities), Western Cape (14 entities), Eastern Cape (2 entities)
10505	10505 jobs sustained by 48 entities supported
1402	1402 new jobs created by 48 entities supported

Source: Additionality & impact estimations by the dtic CTFL Desk based on CTFLGP approval till 30th December 2022.

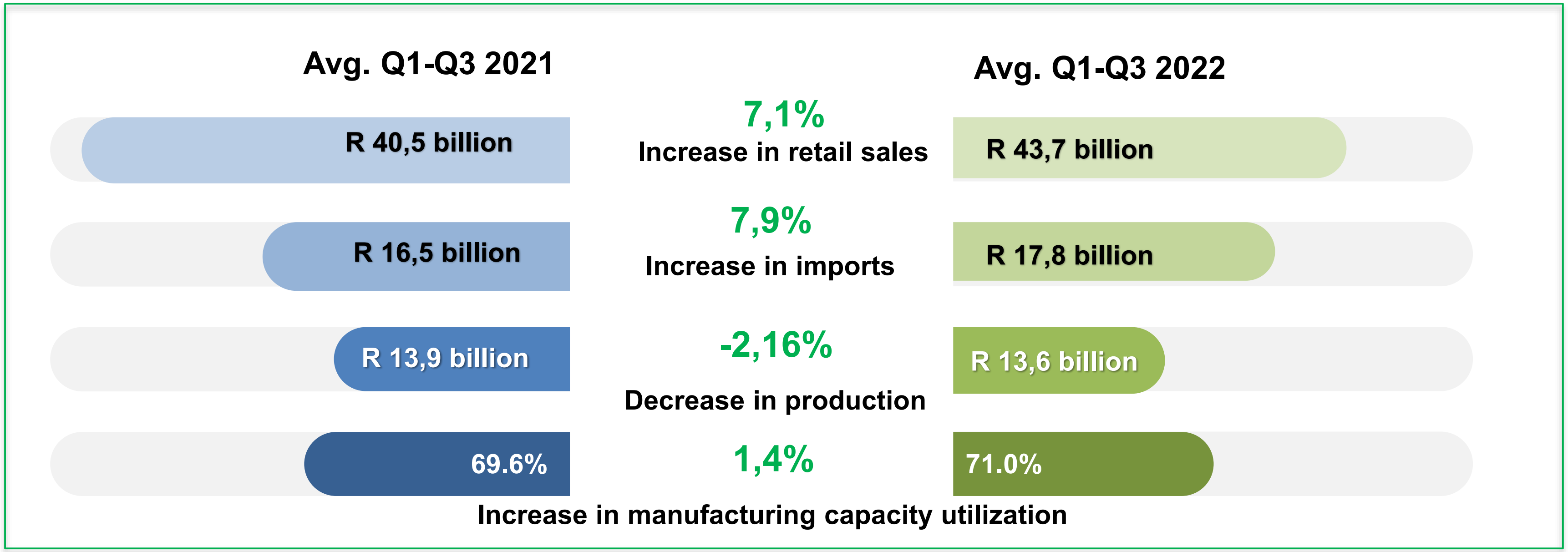
CLOTHING TEXTILE FOOTWEAR & LEATHER

R 3,02 billion	Additional CTFL physical output worth R 3,02 billion committed by 48 entities in 18 months to boost local manufacturing to meet domestic demand
3040	3040 new jobs committed by 48 entities in18 months
39	39 Black Owned entities approved with R 310,9 million (45%) & 12 Women Owned entities approved with R 101,6 million (15%) in a response by **the dtic**
127 Rebate Permits	ITAC issued 127 Customs Duty Rebate Permits on import of 4,06 million kg of Woven Fabrics in Q1-Q3 2022 with a value of R578,5 million estmated to produce 15,1 million garments with a value of R 1,94 billion
Cost reduction	The estimated reduction in the cost of R8,33 per garment is expecetd due to the duty rebate in Q1-Q3 2022 as compared to R 7,4 per garment due to the duty rebate estimated in 2021

* IDC committed up to R 1 billion investment in 2022-23 through the IDC balance sheet

CLOTHING TEXTILE FOOTWEAR & LEATHER

2114 - Recorded increase 2114 in CTFL "formal jobs" by 3,01% from 70160 jobs in Q1/Q3 2021 to 72274 jobs in Q1/Q3 2022.



The reported QES increase in "formal jobs" of 2114 in Q1/Q3 2022 is expecetd to increase QLFS "formal & informal" jobs from 84383 in 2021 to 86497 by Q3 2022.

Reported by Quantec "Quarterly Employment Statistics" (QES). QES increases does not account for jobs in the informal sectors

Source: Quantec (2021-2022)

LEATHER & FOOTWEAR

THE NATIONAL BARGAINING COUNCIL OF THE LEATHER INDUSTRY RECORDED SIGNIFICANT GROWTH IN JOBS BETWEEN OCTOBER AND DECEMBER 2022 (Q3)

1. The National Bargaining Council of the Leather Industry recorded an increase of 532 new jobs in the Footwear and Leather industry between October and December 2022.
2. The National Bargaining Council of the Leather Industry recorded that ten new manufacturers registered with the council were established between October and December 2022. These new companies added an additional 158 new jobs.
3. Therefore the National Bargaining Council of the Leather Industry recorded a total increase of 690 jobs between October and December 2022.

MASTER PLAN 2: SUGAR INDUSTRY

- **The Sugar Industry Transformation Fund** spent R200 million in 2019/2020, R214 million in 2020/21, R225 million allocated in 2021/22, and R200million was allocated in 2022/23. 20 711 small-scale growers, 1 126 large-scale growers retained in the Sugar industry. Black small-scale farmers represent about 90% of the sugar industry (Source: SASA Report)
- Small Scale Growers are located in KZN and Mpumalanga and largely in rural districts

- **Tongaat Hullett** filed for business rescue during the reporting period, following a decision by banks not to provide new funding. The Ministry worked with banks and the IDC to avoid an immediate closure of its operations. IDC provided post commencement funding to keep the business operating enabling the business rescue practitioners to find a long-term sustainable solution

- **Downstream Diversification** projects are under consideration for sustainable aviation fuels, polyethylene and glutamic acid. SASA and IDC approved a budget to co-fund these studies.
- Notional price increases have been kept at or below the CPI and as per the Master Plan have not occurred more than twice a year and at predictable and evenly spaced intervals.
- A total of R639,19 million has been spent so far from the industry R1 billion sugar industry transformation fund.

MASTER PLAN 3: POULTRY INDUSTRY

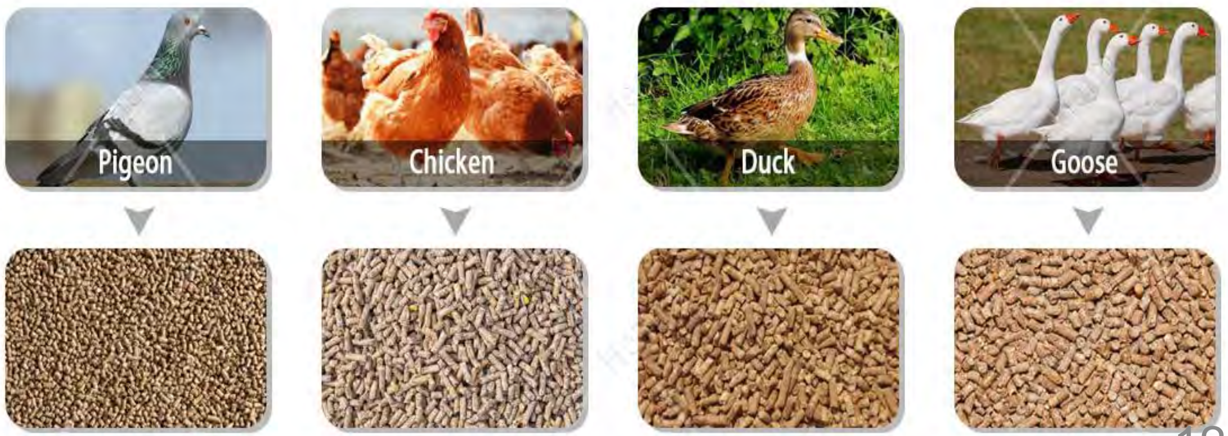
R 525 million - As at December 2022, the R 1 billion Agri-Industrial Fund supported 10 poultry projects valued at R525 million

223 Jobs created

(Hatcheries, meat processing, feed plants, poultry production, etc.) Source: IDC Report

The fund supports emerging agricultural producers, including poultry farmers. Additional protection was provided to the sector through tariffs, the Minister approved anti-dumping duties on poultry from Brazil, Denmark, Ireland, Poland, and Spain. However, due to the current spike in international food prices, the Minister has postponed the implementation of these duties, to mitigate the negative impact on the poor.

In terms of localization, Shoprite / Checkers has committed to procure 100% locally produced chicken and labeling their house brands with a Proudly South Africa logo.Cheap Meat Packs are now being sold in all local retailers



Poultry Industry: PMM Agri (Woman-Owned)

PMM Agri is a broiler contract-growing business that started operating in December 2021 that had 3 chicken houses with a capacity of 50 000 birds each. The IDC approved a facility of R43 726 000 in June 2022 for the development of three new chicken houses (50 000 birds capacity) which will ensure a total of 300 000 birds per cycle once completed. The entity is 100% woman owned and the support will create 40 new jobs by end of December 2023.

Situated in the Tzaneen Local Municipality, the project has signed a contract grower agreement with Bushvalley Chicken - a mid-tier partially integrated processor and marketer of poultry sourcing broiler chickens in the Tzaneen catchment area. The IDC support assists in the scaling-up and commercialization of black contract broiler farmers and increase annual poultry meat production by 2160 tons which displace imported meat.

MASTER PLAN 4: AUTOMOTIVE INDUSTRY

Details of work done on the Auto Masterplan are contained in

- Section 3, highlighting auto production data
- Section 5, on case studies of black industrialists in the auto sector
- Section 9, on competition and trade measures; and
- Section 10, focusing on the Tshwane Auto SEZ.

MASTER PLAN 5: STEEL INDUSTRY

The **Steel Masterplan Executive Oversight Council (EOC)** was held on 3rd November 2022, at the Actom factory in Germiston.

Key issues that emerged:

- Notable implementation progress is made amidst significant challenges related to energy, and transportation (ports and transport infrastructure in particular).
- It was estimated that approximately a 1.3million tonnes of primary steel were imported into SA from January to November 2022. There is a global oversupply of steel which is impacting SA producers on the domestic market, and international firms exporting to markets with lower protection levels. Customs data also shows that 469 349 tonnes of primary steel products and 141 903 tonnes of value-added steel products were imported into SA during Quarter 3 (October-December 2022).

STEEL INDUSTRY

- New measures on scrap metals published by Government to curb the damage on the infrastructure were welcome, social partners called for the speedy finalisation of process and committed to assist the State in driving the implementation.
- Demand, infrastructure rollout programmes and scoping of real project opportunities on the African Continent are key to driving the reviving and growth of the value chain.
- Both Labour and Business raised concerns from the proposed changes to the Preferential Public Procurement Framework Act (PPPFA) Regulations.

SARS and Illicit Trade:

- With steel as one of the priority sectors, the work of SARS Interagency working group to be strengthened to enforce existing measures and stem the flow of low-priced (and unfair) imports across the value chain.
- SARS now has a new Command Centre at Head Office as part of modernisation, which enables virtual inspections.
- SA Chairmanship of the BRICS presents an opportunity to use the platform to tackle illegal imports issues and enable rapid data exchange (which played a major role in the Dragon Freight case).
- Work of the SA foreign Embassies can be enhanced to conduct Joint audits with counterparts.

Case Study #20

Visit at Actom Factory

Site visit to ACTOM factory, 3 November 2022:

- One of SA leading manufacturer, solution provider, repairer, maintainer and distributor of electro-mechanical equipment in Africa, with 33 outlets throughout Sub-Saharan Africa. Also sources input materials from steel; copper and aluminium local suppliers.
- Products range include distribution and power transformers; switchgears; motors; rail signalling components; etc.
- The company manufacturers components used in SA's renewable energy programme
- Employs over 5 500 employees across the group
- 59.65% Black Ownership and 35.63% Black Women Ownership
- Exports accounted for about 14% of their total orders in 2022 FYs

Case Study #21

Steel: Role of Procurement

- On 16 Nov 2022, **Cabinet approved the final set of scrap metal measures** to contribute to efforts to curb theft and damages to the infrastructure. Phase 1 of the measures came into effect on 30 November 2022 (further details in the policy intervention section)
- **Programme Management Office** to effectively drive the masterplan implementation, has been established at TIPS (with seed funding from industry members and IDC). 5 dedicated resources have been appointed.

KEY LARGE INFRASTRUCTURE PROGRAMMES TO SUPPORT DEMAND

- In October 2022, **Transnet** Freight Rail (TFR) issued the **tender** (closed in November 2022) for the national supply of **Overhead Track Equipment** materials on an "as and when" required basis for a period of 5 years, the tender has an **estimated value of R500million.** TFR has called for bidders to comply with the 100% local production and content threshold as South Africa has the industrial capacity to produce this critical rail electrification equipment.
- In October 2022, **Eskom** (Koeberg Nuclear Power Station) issued a tender valued at **R350 million** (closed on 8th December 2022) for the manufacture, supply, delivery, and installation of hybrid, dry-type **Transformers** over 3 years. The tender called for the minimum local content threshold of 60%, following the engagements that **the dtic** had with Eskom and the transformer industry, advising Eskom to self-designate as SA has local manufacturing capacity and capability to manufacture.
- Both tenders are in evaluation stages and therefore the impact thereof on the local industry will be measured after the adjudication and award processes are complete
- **the dtic** worked with Eskom on their **Insulators and Transformers requirements** to enable Eskom speedy contracting and sourcing to address the generation and transmission capacity constraints

Steel: Role of Procurement

RESTORING COMMUTER RAIL SERVICES AND LOCALISATION:

- In October and November 2022, **PRASA reopened rail lines serving Pretoria and Soweto corridors** after months of not being operational due to *inter alia* destruction and vandalism on the infrastructure. The reopening of the lines included building a new rail-line system (which includes a brand new rail track, fixing of cables, rebuilding of sub-stations, signaling, and telecommunications systems). The Soweto line was reopened with brand new Electrical Multiple Unit (EMU) trains manufactured by Gibela in Nigel.
- As part of the **continuing 5 year rolling stock maintenance contracts** (for the old yellow and grey fleet) awarded by PRASA to various companies in March 2022, CTE in Pietermaritzburg was awarded an R200million contract to do maintenance on an as and when basis over the 5 years. In Q3, CTE was allocated 19 coaches (14 trailer and 5 motor coaches) for general overhauling and additional 8 coaches for technical maintenance services. The company currently has 84 employees.

Steel: Wilec and Pandrol

NEW CAPABILITIES TO SUPPORT FURTHER INDUSTRIALISATION

- In October 2022, **Wilec Pty Ltd** – a Black Industrialist located in Olifansfontein, Ekurhuleni – conducted their **first commercial production run of the Continuous Transposed Conductor (CTC)** that are used in the manufacture of power transformers (further details in the case studies section).

- **Pandrol SA**, a local rail fastening system manufacturer located in Isando Ekurhuleni, launched a **locally manufactured rail aluminothermic welding kit**. The project started in 2020 and these aluminothermic welding kits are to be used on mainline, high-speed, heavy haul, and private sidings. The welding kit has been approved by Transnet. The aluminothermic welding products' local content is above the minimum 70% threshold in line with the designation. The company has made a further R1.5million investment in a solar system to support its energy mix and its transition plan towards greening the plant

MASTER PLAN 6: GLOBAL BUSINESS SERVICES

Global Business Services Jobs from April to December 2022

- **24 000** Created and Retained jobs reported by GBS/BPS disbursed projects
- **88%** of jobs created are for youth
- **65%** of jobs supported are for women

Webhelp SA Outsourcing (Pty) Ltd

52 000 jobs in the sector, reported by the industry association

MASTER PLAN 7: FURNITURE INDUSTRY

R 400 million -

Furniture Challenge Fund

The Furniture Challenge fund opened for applications in September 2022 and to date, 40 applications have been received with a value of just over R500 million. Currently, 25 applications are in various stages of IDC review.

The IDC and Department have been advised that performance on this Fund is below par and should be accelerated; including building internal capacity support for SMMEs.

IMPLEMENTING MASTERPLANS - CONCLUSION

Assessment and mitigation

Implementation of masterplan commitments require a different way in how both government and the private sector works and relate to each other. Masterplans are based on reciprocal commitments. Many firms are more used to the old ways of lobbying government and advocacy of their interests.

The masterplans instead require jointly-defined actions by both parties to address the goals of growth, jobs and transformation. For public officials, it requires a shift from success being defined as attendance at meetings and writing reports, to resolving matters expeditiously and addressing challenges that often falls outside the Department (but require action in other parts of the state). It also needs greater agility, which requires a culture shift in the state where compliance has been given more prominence than impact.

The masterplans are therefore a useful means of shifting the state from solely acting as regulator and prescriber to being a stronger partner and enabler.

PART 8: TWO POLICY INTERVENTIONS

OVERVIEW ON POLICY INTERVENTIONS

The Department is working on a range of policy areas. During Q3, work in the following two areas resulted in gazetting of public measures or release of proposals:

1. Implementation of measures to address theft of metal and cable from public infrastructure. This follows the presentation made in 2022 to the Portfolio Committee.
2. Development of a draft commercialisation strategy for green hydrogen.

Case Study #25

POLICY 1: Measures to Combat Infrastructure Theft

On the 30th November 2022 **the dtic** gazetted a comprehensive package of measures to address damage to public infrastructure and the economy, by restricting trade of waste, scrap and semi-processed metals. The measures include a 3 phase implementation approach:

Phase 1: Four Key Interventions

- A 6-month temporary prohibition on the export of copper waste & scrap metal, ferrous waste and scrap metal, and the re-melting ingots of iron or steel, with exceptions for stainless steel ferrous waste and scrap generated in the ordinary course of business as a by product of a manufacturing process.
- Continued export controls on other forms of scrap metals (aluminium; steel; 'exotic metal' scrap), through ITAC permit system.
- Export controls implemented on semi-finished product exports: ITAC permit system.
- Import controls for furnaces and scrap transformation machinery: ITAC permit system.

Phase 2: Key Interventions

- Government will introduce a metal trading regime which will require buyers and sellers of scrap metal to show that they are tax compliant and have met all other regulatory requirements (e.g. environmental permits) before being issued with buyers or sellers licences. These companies will also have to show where the scrap metal originated from and to whom it was sold.
- Legislative amendments in respect to metal trade.
- Ports and land borders: Consideration is being given to limiting exports of waste, scrap and semi-finished metal products to designated ports and land borders.
- Policy Coordination with SADC and AU


BusinessDay

POLITICS COMPANIES ECONOMY BUSINESS

NATIONAL

Government confirms scrap metal export ban

Research commissioned by the government found that the most effective way to deal with infrastructure theft is to dampen demand for scrap metal

BL PREMIUM

30 NOVEMBER 2022 - 10:10 by BEKEZELA PHAKATHI

Listen to this article

0:00 / 2:40

Picture: WERNER HILLS

Measures to Combat Infrastructure Theft

Phase 3: Key Interventions

- Government will consider legislation to create a dedicated metal trading licensing regime. This may include prohibiting the use of cash in transactions involving waste, scrap and semi-finished metal products.
- Government will consider implementing a system in terms of which persons who are found to have committed an offence in relation to metal theft or to have contravened the metals trading regulatory regime will not be eligible for government contracts.

Angry Mdantsane residents confront alleged cable thieves

news24 Cebelihle Bhengu

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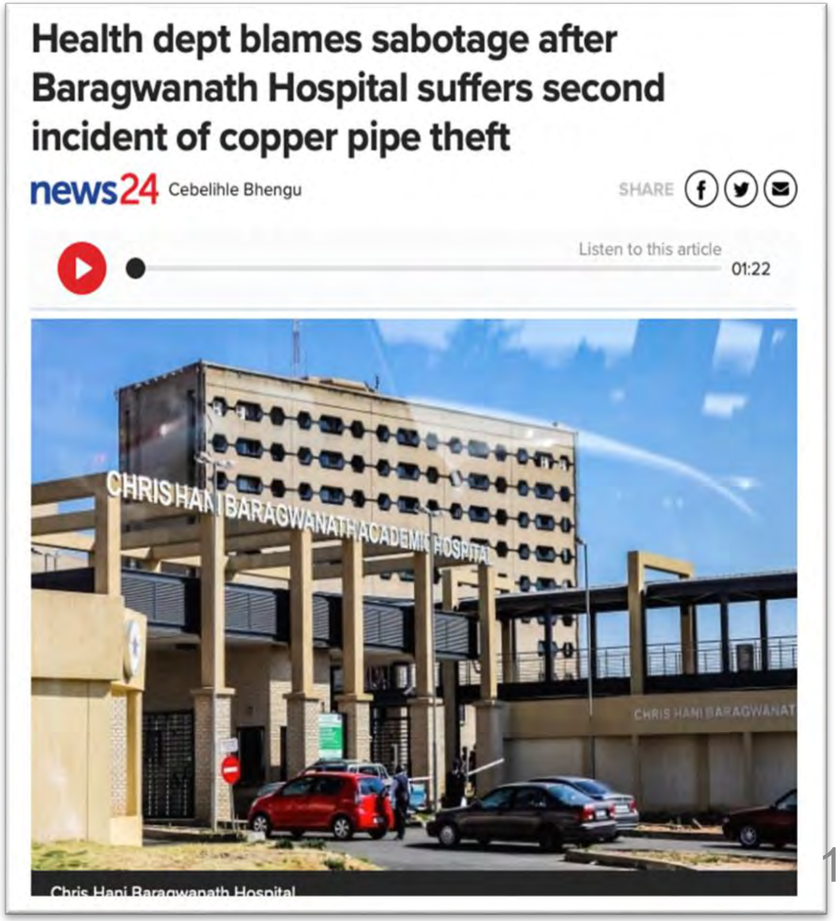
The community of Mdantsane in the Eastern Cape described the scourge of cable theft in the area as being as out of control.

Getty Images

- Mdantsane residents confronted alleged cable thieves earlier this week.
- Two residents told News24 the scourge of cable theft has crippled the community and public facilities



Health dept blames sabotage after Baragwanath Hospital suffers second incident of copper pipe theft

news24 Cebelihle Bhengu

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Chris Hani Baragwanath Hospital

Measures to Combat Infrastructure Theft

- Since the gazetting and entering into force of the measures on 30th November 2022, the Metal Trade Task Force has been activity monitoring and enforcing the Phase 1 and working on Phase 2 interventions for rollout.

- SARS continue to detained containers due to suspicious activities. Investigation are currently underway. SAPS have also arrested suspects for possession of stolen copper, coordinating with the NPA for further legal action. ITAC: application for copper granules declined referred to SAPS for further investigations.

- Phase 2 and 3 interventions are being designed and amendments to the Second-Hand Goods Act and Regulations are being considered by the SAPS.

- Coordination with SADC countries: e-Swatini has implemented a prohibition in copper metal trade in February 2023.

POLICY 2: Green Hydrogen

- In December 2022, the dtic published a green hydrogen commercialisation strategy for public comment.
- The strategy identifies Green Hydrogen as an opportunity both to establish a major new industry for export and to decarbonise domestic heavy industries.
- The strategy aims to export Green Hydrogen to major markets including: Europe, United Kingdom, Japan and South Korea
- Failure to decarbonise domestic heavy industries, will see exports of products like chemicals, steel and aluminium facing increasing tariff and non-tariff barriers in markets such as Europe.

STAATSKOERANT, 9 DESEMBER 2022 No. 47698 3

GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS

DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION

NO. R. 2854 **9 December 2022**

INVITATION FOR PUBLIC COMMENT: GREEN HYDROGEN COMMERCIALISATION STRATEGY

In September 2021, Cabinet approved a Hydrogen Society Roadmap for South Africa, developed by the Department of Science and Innovation. In February 2022, the President highlighted in the State of the Nation Address the strategic importance of positioning South Africa as a global leader in the Green Hydrogen market.

Cabinet requested **the dtic** to develop a draft commercialisation strategy on green hydrogen. I requested a Ministerial Panel on Green Hydrogen to produce such a draft strategy.

Cabinet has now approved that the draft Green Hydrogen Commercialisation Strategy (GHCS), be released for public comment.

Copies of the Green Hydrogen Commercialisation Strategy is accessible through the following hyperlinks:

http://idc.piidigital.co.za/key-policies OR http://www.thedtic.gov.za/green-hydrogen-commercialisation-strategy/

Members of the public and interested stakeholders are invited to submit their written representations and comments on or before 3 February 2023 for the attention of **Mr Kishan Pillay** to the following email address GreenEconomy@thedtic.gov.za or hydrogen@idc.co.za or and delivered to the dtic Campus, 77 Meintjies Street, Sunnyside, Pretoria, 0002.

EBRAHIM PATEL

MINISTER OF TRADE, INDUSTRY AND COMPETITION

POLICY 2: Green Hydrogen

- Initial estimates are that, over the next three to five years, South Africa could mobilise R211bn in Green Hydrogen investment which would produce 270 ktpa and eliminate 21 million tons of C02.
- A Green Hydrogen industry would create significant opportunities to localise inputs including fabricated metal products, electrolysers and fuel cells.
- The Industrial Development Corporation is mobilizing funding for Green Hydrogen and contributing to pre-feasibility and feasibility studies. This includes:
  - Developing South Africa's input to the Green Hydrogen chapter of the Just Energy Transition Investment Plan (JET-IP) approved by Cabinet in October 2022 and tabled at COP27.
  - Signing an MOU with the German development bank KfW to manage a hydrogen grant fund.
  - MOU signed with ACWA to jointly develop Green Hydrogen projects in October 2022.
  - Pre-feasibility study funding for the Prieska Green Ammonia Project was approved in July 2022 with significant progress during Q3,2023 with an aim to complete the pre-feasibility by Q2, 2024.
  - The Sasolburg Green Hydrogen project has reached bankable feasibility stage and is now in implementation phase.
  - Pre-feasibility and bankable feasibility studies for Project Phoenix, funded in March 2020, to manufacture fuel cell units have progressed well with work packages completed in Q3.

PART 9: COMPETITION AND TRADE

OVERVIEW ON TRADE AND COMPETITION

To boost job creation, support economic growth and inclusion and protect consumers, a number of trade and competition measures were utilized during Q3.

The following slides provide details of the work done and the impact in the following areas:

1. Large mergers involving firms such as Shoprite-Checkers and Implats
2. An investigation into the cost of school uniforms
3. Small business measures
4. Trade measures, including tariff adjustments and anti-dumping duties

Case Study #26

Merger Approval : Shoprite / Massmart

SHOPRITE'S ACQUISITION OF CERTAIN MASSMART OWNED STORES

Photo from Yes4youth site

The Minister and Department intervened in the large merger where Shoprite acquired certain Massmart-owned stores. An agreement with Shoprite was negotiated, and the Competition Tribunal made a condition of the merger. This has made major advances for public interest:

Employment protection:

- No retrenchment as a result of the merger
- Transfer of approximately 4 480 Massmart staff to Shoprite from the 94 stores acquired

Employment creation:

- Additional 18 500 jobs are to be created over 5 years, with 3 880 new jobs created in the past 6 months.

Large Merger Approval : Shoprite / Massmart

Transformation:

- Shoprite set up an ESOP (Employee Share Ownership Plan) for employees who have worked for at least 2 years for the company
- No cost to employees
- Will immediately benefit 85 000 Shoprite workers
- An employee representative will sit on the board of Shoprite (Pty) Ltd.
- Since inception, 2 dividend distributions were made in excess of R200 million

Localisation and Enterprise Development

- Shoprite will increase procurement of South African produced foods and promote procurement from SMMEs and Historically Disadvantaged persons
- Shoprite will invest in the development of independent retailers and spaza shops, Micro Caterers and SMME suppliers. This support amounts to R350 million over 3 years

R500 Million

Shoprite undertakes to localise and to spend an additional R500 million annually on the procurement by Shoprite of South African produced food which will be reached before 5 years from merger approval.

Case Study #27

Large Merge: Implats & Royal Bafokeng

IMPALA PLATINUM & ROYAL BAFOKENG PLATINUM

Photo from RBP Presentation

Impala Platinum Holdings applied to the Competition Authorities to approve its purchase of Royal Bafokeng Platinum. The Minister and the Department negotiated an agreement on public interest with Impala Platinum. This agreement was made a condition of the merger by the Competition Tribunal. This included:

Employment:

- No retrenchment as a result of the merger for 5 years of approval of the merger

Worker ownership:

- Implats will give workers an option to retain their current RBP ESOP or replace it with the Implats Employee Share Ownership Trust

Large Merger Approval : Implats & Royal Bafokeng

Support for SMME and HDP suppliers

- Implats will not terminate any contracts in place with SMME and HDP suppliers who are SMMEs
- Implats will maintain and increase its spending on this target group

Localisation:

- Implats will maintain and improve the level of localisation over a period of 5 years where local capital equipment is available at competitive pricing

Investment:

- Implats will maintain or increase its capital expenditure (using 2021 as a base)

Support for the green industry:

- Implats will co-fund projects with the IDC on hydrogen technology or its commercialisation in South Africa. The Implats investment commitment is based on it acquiring more than 50% equity in Royal Bafokeng, Noting that there is a counter bid for Royal Bafokeng and the second bidder also made public interest commitments and is subject to Competition approval and acquiring more than 50% equity in Royal Bafokeng.

Case Study #28

Tackling the Cost of School Uniforms

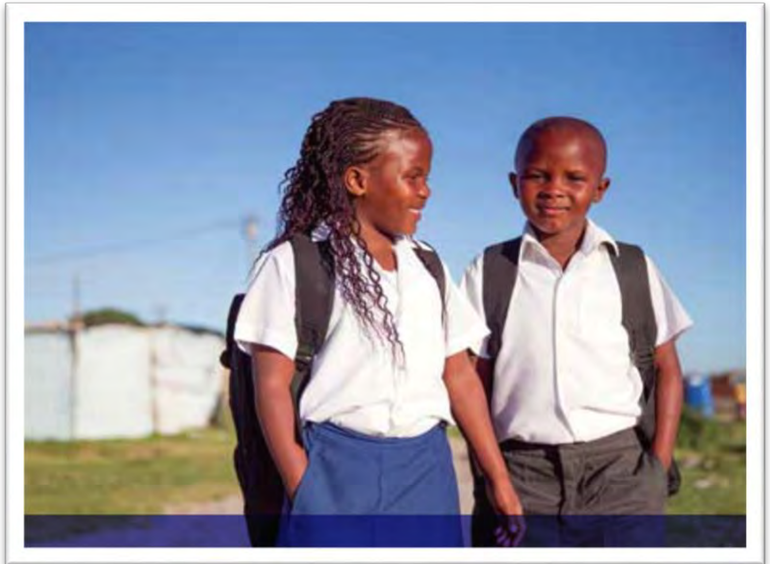
The start of a new school year means many parents purchase their children new school uniforms. **The dtic** and the Competition Commission have, over a number of years, worked to reduce these costs

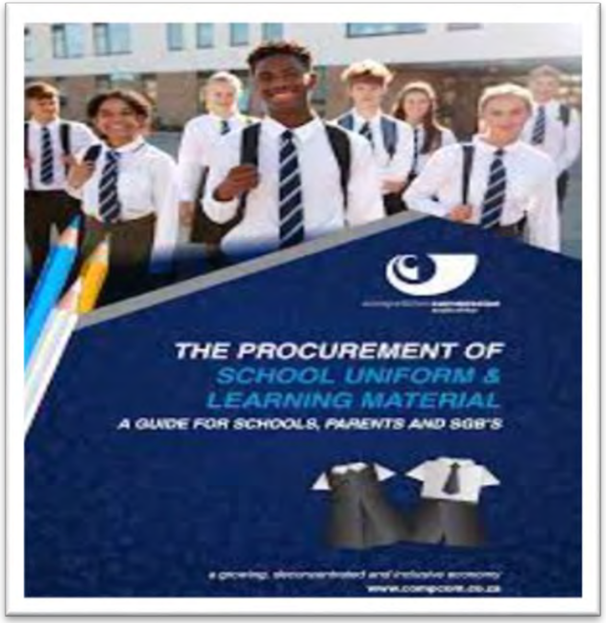
The Competition Commission investigated why school uniforms are so costly and found a number of factors that have contributed to school uniforms' high prices:

- Parents had been forced to buy school uniforms from exclusively selected suppliers;
- Schools had signed exclusive supply agreements – without transparent competitive bidding processes;
- These agreements were in place for long periods of time and made it difficult for new entrants to enter the market;
- The lack of competition limits choice and raises prices.

Increasing competition between manufacturers and/or suppliers of school uniforms has a number of benefits, including:

- Lowering of prices for consumers
- Providing consumers with more choice
- Encouraging firms to improve the quality of their goods and service
- Allowing new businesses to enter the market and enabling smaller firms to expand – thus contributing to growth and employment





Tackling the Cost of School Uniforms

- The Competition Commission worked with the Department of Basic Education to address the problem, and in May 2015 the Department of Basic Education issued a circular that dealt with the existence of exclusive agreements, which included:
  - School uniforms must be as generic as possible
  - Limit the number of compulsory unique school uniform items e.g. school blazer and tie
  - Unique school items should be made optional and people must be allowed to substitute with generic items
  - Schools must appoint more than 1 supplier.

- The Competition Commission concluded settlement agreements with a number of schools and has been engaging with the Federation of Governing Bodies of South African Schools (FEDSAS) and the Governing Body Foundation (GBF) on lowering the cost of school uniforms.

Tackling the Cost of School Uniforms

A recent study shows that the Competition Commission's work has begun bearing fruit and points to further challenges to be tackled.

Most schools are aware of the guidelines but face challenges in complying with them. Despite these challenges, some of the schools have found ways to enforce the guidelines such as adopting generic items, reducing the number of unique items, appointing more than 1 supplier and following a competitive bidding process.

The opening up of competition has also provided opportunities for seamstresses to manufacture tunics etc for pupils – and there are reports of seamstresses entering the market. Despite these advances, many parents continue to face high school uniform prices. Government's work has provided them with a way to reduce these prices.

The Commission's study shows that 74% of schools made decisions on school uniform items through consultation with the School Governing Body members; or a combination of consultations with parents and School Governing Body members.

This means School Governing Bodies and parents can take action to lower the cost of school uniforms. It also means that government must continue to do advocacy work on the guidelines.

Measures Against Anti-competitive Small Mergers

Guidelines on Small Merger Notification


competitioncommission south africa

GUIDELINES ON SMALL MERGER NOTIFICATION

REVISED SMALL MERGER GUIDELINE

1. The Competition Commission of South Africa has amended its Guideline on Small Merger Notification.
2. The Revised Small Merger Guideline is effective from 1 December 2022.

- The Competition Commission has taken steps to ensure that potentially anti-competitive small mergers are evaluated and have to be approved. Small mergers have not been subject to the same rules as large and intermediate mergers. This has meant that, as an example, potential anti-competitive acquisitions in digital or technology markets may escape regulatory scrutiny due to the acquisition taking place in the early life of the target firm – before it is generating sufficient turnover and accumulated sufficient assets that would trigger mandatory merger notification.
- Such acquisitions may substantially prevent future competition with incumbents or lessen competition through dominant companies' being strengthened.
- The Commission developed and issued guidelines that came into effect on 1 December 2002. They require that the Commission must be informed in writing before the implementation of small mergers based on a criteria

Examples of Tariff Measures Implemented in Q3

1. A rebate item, which provided for rebate of the full duty on demineralized whey powder used in the manufacture of prepared infants food was withdrawn since not used for past 5 years
2. Amendment of the APDP definition of “value for VAA purposes” clarifies how a car-maker will qualify for Volume Assembly Allowance Value-Added Tax and provides clarity to the domestic industry.
3. The duty on combined refrigerator-freezers, fitted with separate external doors was increased from 25% to 30% and the insertion of tariff subheading to exclude those with a total capacity not exceeding 400li
4. In October 2022, ITAC published guidelines to guide the process to use the temporary rebate facility created on flat steel products to support the entire downstream steel sector. The publication follows from the implementation of the broad rebate facility created in July 2022 to address shortages of certain flat steel products in the SACU region. The rebate is through a permit system administered by ITAC.
5. In November 2022, the recommendation for the creation of a temporary rebate on outer rings for journal bearing was referred back to ITAC for further review and align the proposed measure to the potential demand increase in the rail infrastructure and localisation opportunities
6. 23 December 2022: Amended of the anti-dumping duties on stainless steel sinks originating in or exported from China in order to give effect to name change of manufacturer/exporter from China excluded from payment of duties

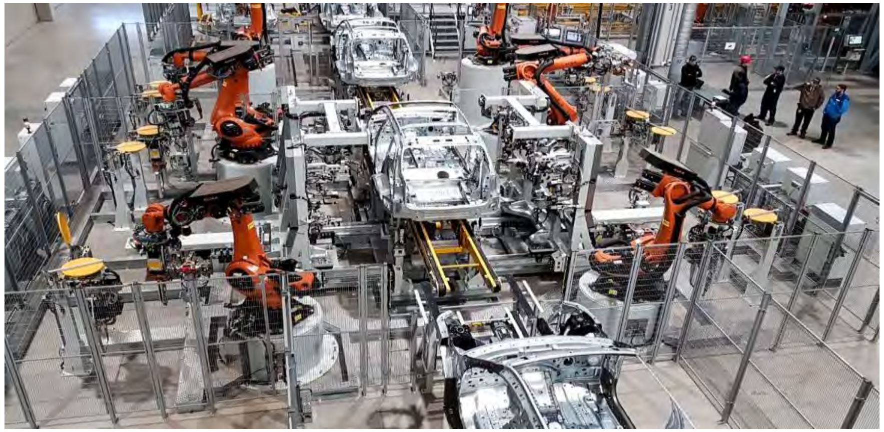
Case Study #29

Rebate Facility: Jendamark Automation

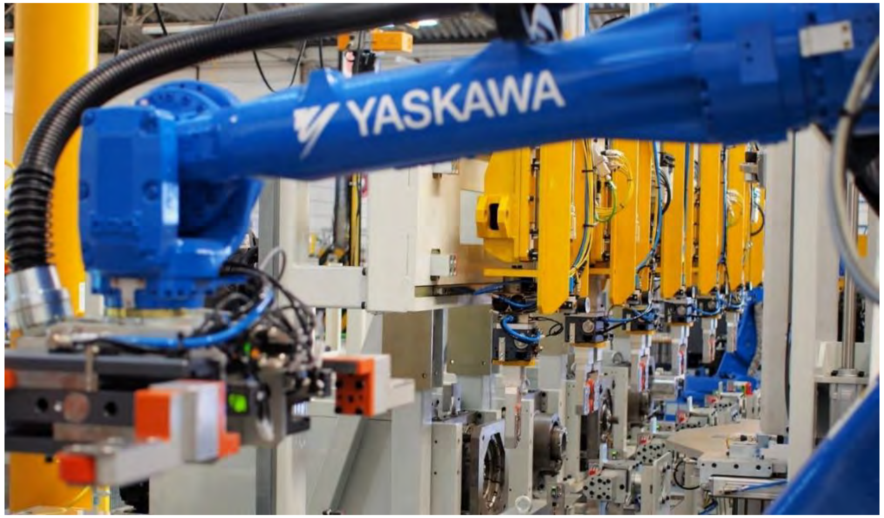
A key feature of our automotive industrial policy, is the use of rebate facilities (such as duty credits and production incentives) to incentivize greater local value addition under the APDP2

These facilities do not only assist final OEM manufacturers, but also enable automotive tooling in upstream component manufacturers producing eligible products. During Q3 we approved eligible production from eleven (11) final manufacturers, in automotive tool manufacturing and upstream automotive component production .

These included firms such as **Jendamark Automation** (based in Gqeberha supplying Audi A4 models in China and Mexico, the Ford Ranger, Jeep Cherokee and the Mercedes Benz C-Class) and **Des Group** (based in eThekwini) which provides tooling used in assembly lines by Ford and BMW South Africa.



Des Group, 2023



Jendamark, 2023

Case Study #30

Drawback Facility: Oriental Rubber

Our drawback permit regime, is designed to enable local manufacturers, packers or processors to import raw material and other inputs, used in products exclusively for export and get refunded for any tariff duties paid.

Oriental Rubber (drawback permit approved in Q3 2022/23) based in Boksburg, the drawback facility allowed them to import rubberized textile fabrics, compounded rubber, synthetics, chemicals (fluorine, chlorine etc.)

These inputs were then used in the manufacture of conveyor belts for export. Destination markets for these conveyor belts include the EU, South America, Africa and Asia.

Oriental Rubber, 2023

Tariff Measure: Fridges-freezers

Tariff measures enable increased investment, production and jobs in the consumer electronics sector.

Tariff amendments are a key industrial policy instruments which influence the environment wherein market decisions are made with implications for capital accumulation, technology acquisition, investment spending, productivity growth and employment.

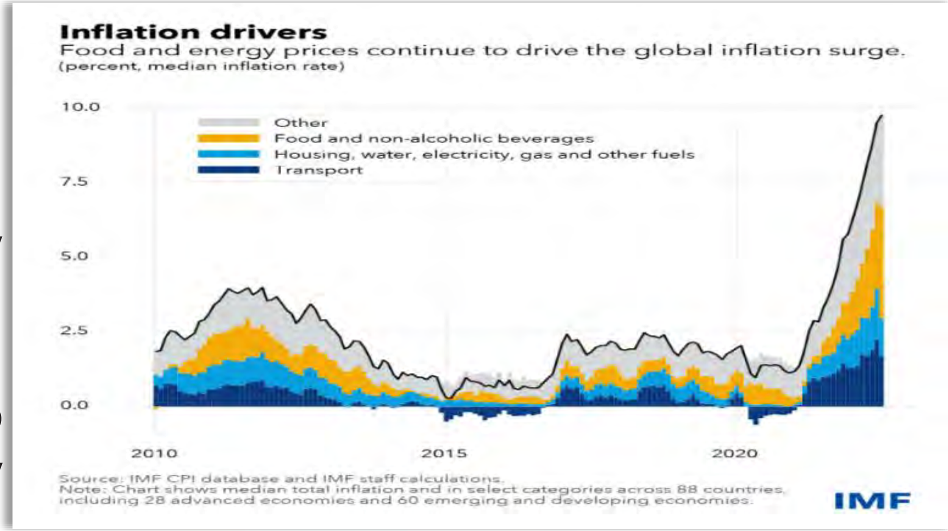
In December 2022, an application by Defy Appliances for an increase on the rate of customs duty on combined refrigerator-freezers ('side by side fridges') from 25% to 30% was implemented.

This tariff measure, will unlock the annual production of 20 603 more side by side freezers enabled by approximately R82 million in investments in plant and machinery, yielding 150 additional jobs over three years.

Case Study #32

Tariff Measures: Frozen Vegetables

In considering recommendations on tariff changes from ITAC, the Ministry seeks to balance a range of policy goals. The result of this approach is that not all recommendations from ITAC are approved.



Domestic producer applied for an increase in the import duty on frozen mixed vegetables from 10% to 37%.

MINISTER'S DECISION: Declined the recommendation to increase the import duty. Mindful that circumstances may change in future, if current geo-political pressure subside, food prices stabilize and global economy recovers from the impact of the pandemic, ITAC was directed to review the import duty on frozen mixed vegetables in 9 months and submit a report with recommendations to the Minister.

Main factors guiding the decision includes, inter alia, the following:

I. **Decline in level of imports** since 2020;
II. **Current context of high food prices** that affects both poor and middle-class consumers – Sharp rise in food inflation globally and locally;
III. **Negative impact on hard-pressed consumers in current context** – Possible increased selling prices of frozen vegetables should the request have been granted;

EEIP : JP Morgan Abadali Fund & Caterpillar programme

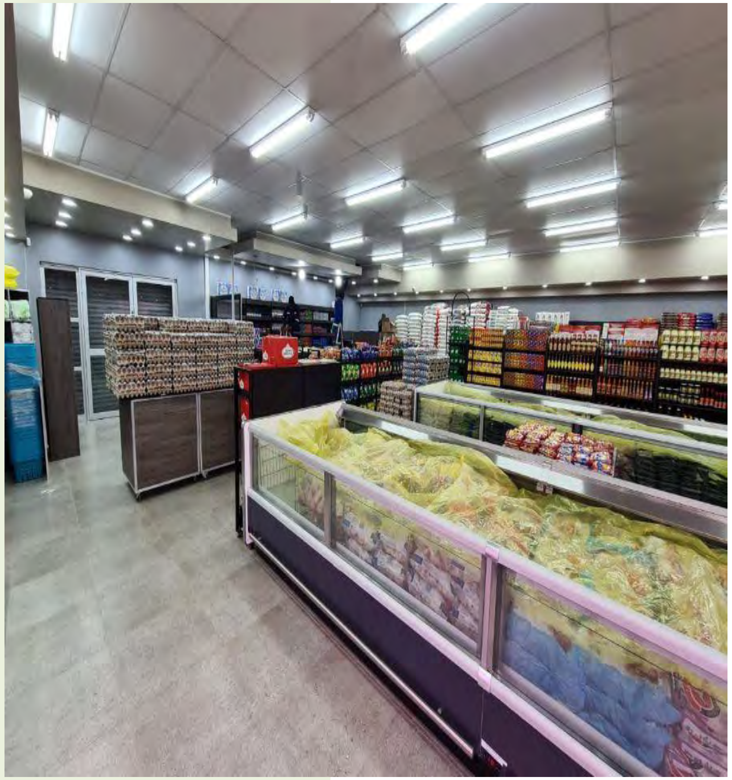
- B-BBEE ownership can be effected through direct or indirect interest in a measured entity of black individuals; black-owned companies; trusts; broad-based ownership schemes; employee share ownership schemes; or partnerships
- The Equity Equivalent Investment Programme (EEIP) affords an opportunity to multinational companies (who are not able to sell equity to black South Africans, in compliance with the B-BBEE policy) to contribute towards transformation, by setting a special target for them to do business *in lieu* of direct equity ownership
- To date a significant number of EEIPs have been established in sectors which include financial services, technology, consumer electronics, yellow metals, automotive, agriculture and pharma.
- The duration for EEIP can be up to 10 years based on the size of the investment.
- Equity Equivalent programmes must promote and advance the following critical areas:
  - Enterprise and Supplier Development;
  - Support for Black Industrialists;
  - Research and Development; and
  - Critical and Core Skills.

Case Study #33

JP Morgan Abadali Fund

JP Morgan Abadali Fund

- JP Morgan is a multinational company which participates in EEIP, through the establishment of the Abadali Fund to address the critical funding gap for majority black-owned and controlled enterprises since its launch in August 2021.
- The fund supports companies that come from various sectors, including financial services, computers, electronics, energy, construction and materials, health and pharmaceutical, biotech, retail, agriculture, telecommunications and business support services.
- 561 applications were received for the year for medium and long-term finance, within this number, 27 applications were received in Q3. The total number of new suppliers approved for the quarter is 14.
- A total of 33 jobs were created through the program in Q3
- R73.8 million value of approvals was accumulated for the period of September to November 2022, with a weighted average of R1.3 million



Case Study #34

Caterpillar EEIP

- The Caterpillar EEIP initiative was created in 2017 to promote localisation and industrialisation through the sourcing of components and related services in South Africa.
- Total commitment value to be spend through the initiative is approximately
- R1.3 billion over a 10 year period in support of local enterprise, supplier development and localisation of components that were imported previously
- R 92.7 million was spent during this quarter as follows:
  - Coolant Replacement Parts - R11.9 million.
  - Mining Buckets - R 26.5 million
  - Drill Components - R 6.3 million
  - Pantograph components - R 185 000
  - Gear components - R 17 million
  - Others (transportation and packaging) - R 47.5 million.
- 10 companies from various sectors including engineering, packaging, and transportation, in total have benefited.

Above: Aron Lerumo an intern getting experience from Andile Maqula, an Engineering Services Assembler for the pantograph component. They are employees from Pamodzi Unique Engineering who are beneficiaries in the EEIP, and who also managed to enter the export market.

PART 10: SPATIAL MEASURES – TSHWANE SEZ

Special Economic Zones (SEZ) - Key Highlights

The Tshwane Automotive SEZ was inaugurated in 2020, it is based in Tshwane and is a test case for the implementation of the new Cabinet-approved SEZ programme approach.

- It is a multi-billion project covering over 200 hectares and a collaborative programme between dtic, the Gauteng government and City of Tshwane,.
- Ford is the anchor company for suppliers in the SEZ and with plans to increase production capacity from 164 000 to 200 000 units for the production of the new Ford Ranger. It has a capital investment of US$ 1.05 billion (R15,8 billion).
- The SEZ has 10 component manufacturers with an investment of R4.5 billion and 2580 direct jobs created.
- It is also a test case for red tape reduction and acceleration of government approval processes. The following accelerated approvals were done on time – EIA (3 months), Township Establishment (3 months), Water Use Licence (6 months)
- Bulk infrastructure and factory structures for 12 factories were completed within 24 months;
- TASEZ is now in full operation and in the following slides have details on five of the suppliers.

the dtic
Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

CITY OF TSHWANE
IGNITING EXCELLENCE

GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

TSHWANE AUTOMOTIVE
SPECIAL ECONOMIC ZONE
AFRICA'S FIRST AUTOMOTIVE CITY

TASEZ Built Programme Developmental Trajectory

TASEZ Phase 1
August 2020
Site Clearance

TASEZ Phase 1
November 2020
Three months of
earthworks

TASEZ Phase 1
Nov 2021
3 Tenants already
producing Sample Parts

TASEZ Phase 1
Nov 2022
All Companies are
operational

Case Study #35

Ford Ranger Bakkie

R 15.8 billion

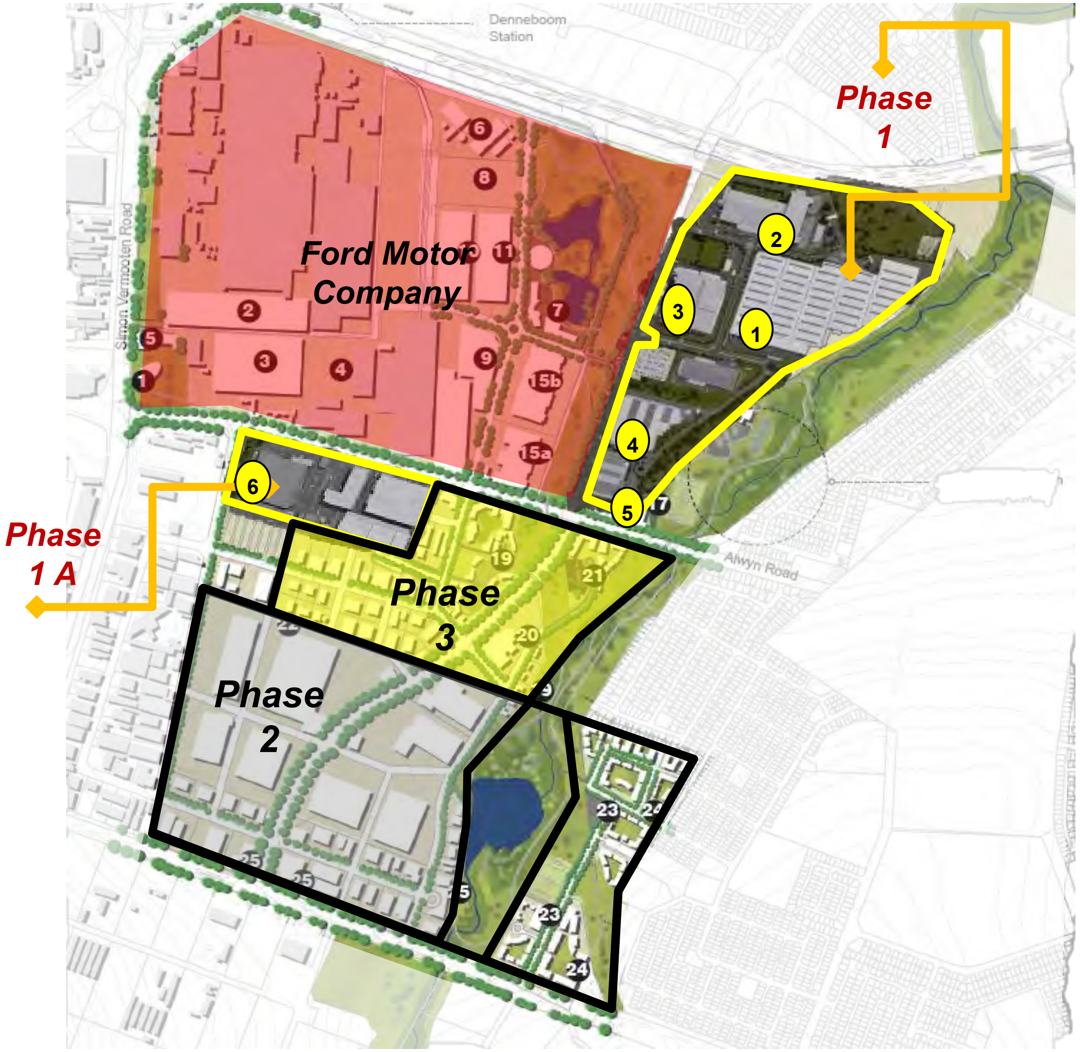
FORD PROJECT STARTS PRODUCTION IN TSHWANE

1 200 additional jobs have been created bringing its total workforce to 5 500.

10 suppliers within the Tshwane Automotive Special Economic Zone(TASEZ) is currently sitting at R3.62 billion against an overall projected investment of R4.2 billion creating a further 1 259 jobs (76 % youth and 32 % women).

Ford's Engine Plant complements this in Qgeberha, where another investment of R600 million will help Ford produce a new 3.0-litre V6 engine

Tshwane Automotive SEZ - Profile of 6 Operational Companies



The following companies are profiled in the next slides:

1. **Ford Frame**: making Chasis for both Ford Ranger and Volkswagen Amarok
2. **SODECIA** : Stamping components with various sub-components for Ford Ranger
3. **Thai Summit**: Stamping components for the frame (chassis)
4. **ATD Alliance**: does thermoforming, Blow Molding, and Assembly of automotive components, including Floor Mats, Side Beds, Rear Step Bump & Box Rials
5. **Automould**: manufactures, paints and assembles interior trim and exterior trim parts
6. **Feltex**: manufactures acoustically engineered carpets for floor carpet and overlay mats

TSHWANE AUTOMOTIVE SPECIAL ECONOMIC ZONE
AFRICA'S FIRST AUTOMOTIVE CITY

Case Study #36

Ford Frame

The most technologically advanced Ford Plant in the World

FORD Frame is a division of Ford Motor Company and is located within the TASEZ and is focussing on weld assembly of the Chassis for both the New Ford Ranger and Volkswagen Amarok. This plant is the most advanced manufacturing facility in the entire Ford Group Globally.

- **Production Capacity and Products /Services**: Ford Frame does the assembly of the chassis (Frame) for both Ford Ranger and Volkwagen Amarok and boasts more than 500 robots involved in the assembly of the advanced chassis for the double cab platform. This will support a production of 800 vehicles/day once full ramp-up is achieved.
- **Jobs Created**: Project to be more than 500 once full ramp-up is achieved
- **Capital Investment**: R2,2 billion
- **Size of the Plant:** 101 854 m²

Case Study #37

ATD Alliance

The first investor to locate in the SEZ

Production Capacity and Products /Services: ATD Alliance does

- thermoforming,
- Blow Molding, and
- Assembly of automotive components
- 4 out of the 6 components manufactured by ATD are new local content components (Floor Mats, Side Beds, Rear Step Bump & Box Rials)

- **Jobs Created**: 429 people are employed and 199 new jobs have been created through the joint venture
- **Capital Investment**: R176 million
- **Size of the Plant:** 17 000 m²
- ATD Alliance is a Joint venture company between Aeroklas Duys **(RSA**) and Thai Summit (**Thailand)**

ATD Alliance employees doing quality assurance on some of the products manufactured at the plant.

ATD Alliance - Worker Profile

Ms Agnes Khabonina Mogale

Agnes is 47 years old female employed by ATD Alliance, a components manufacturer. She's an operator in the thermoforming unit.

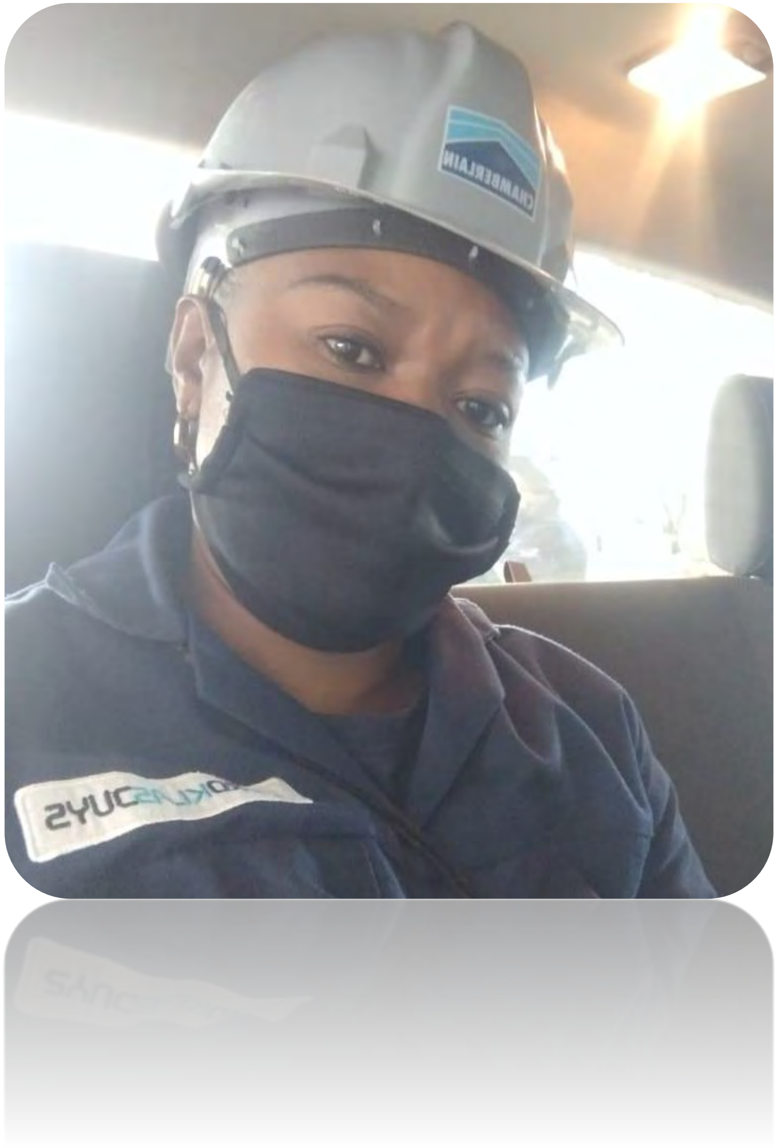
She's an assembler of tailgates for the Next Generation Ford Ranger. Agnes started as a cleaner and worked her way up to becoming an assembler (at ATD Alliance)

From being a cleaner to an operator changed her life as she is now able to provide for her family, especially her two teenage boys.

She reflected on a few years back, when she could not save money and was living from hand to mouth. She is grateful she is now able to provide for her family.

Right now, she is able to save to buy a stand so that she can build her own house.

"Always know what you want in life both for yourself and your family."



ATD Alliance - Worker Profile

Ms Noluthando Ntokozo Ngcobo

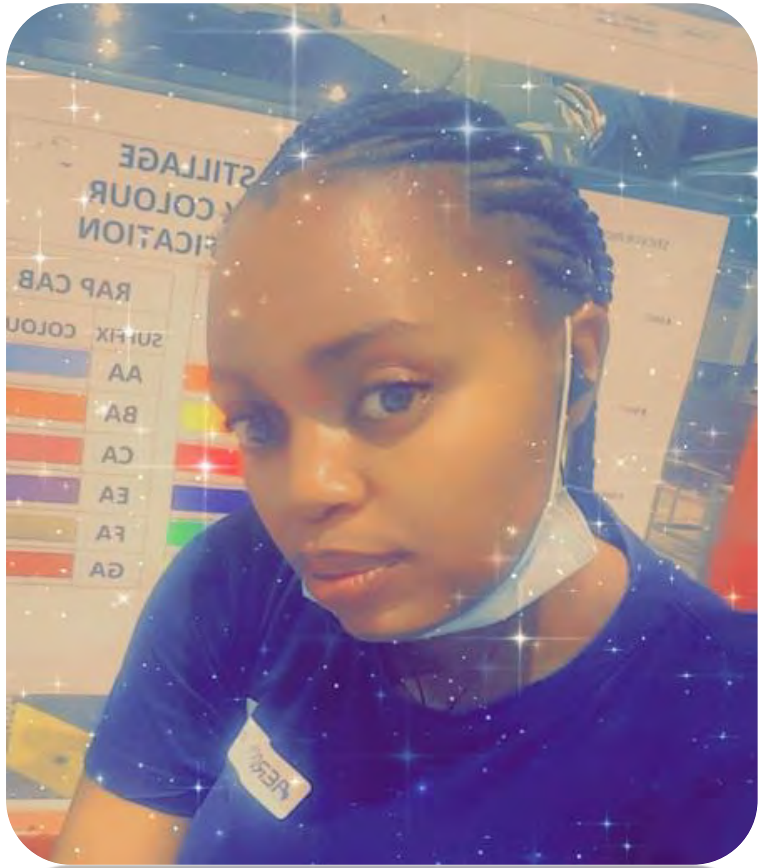
Noluthando is a 27 year old female, employed by ATD Alliance as a Quality Controller.

Her work entails ensuring a final quality check before the product is sent to Ford. Before joining ATD Alliance, Noluthando was a team leader at a logistics company.

She says the job has given her a new direction in terms of her career path and a set of critical skills in the automotive industry. She is a mother of two kids.

“This job opportunity has changed my life so much that I am now able to put more money in my pocket. I can also afford to take my kids to better schools”.

“The most important thing that I do when I’m not at work is to spend quality time with my kids”.



Case Study #38

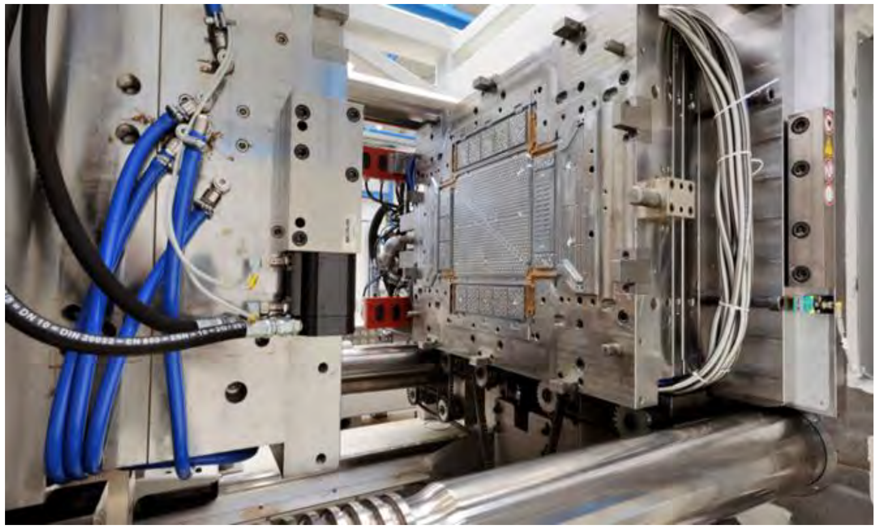
Automold (DDI)

Production is officially underway

Automould is a **South African Company** specialising in high quality plastic injection moulding automotive parts. It has expanded overall production capacity by 27% which includes a new automotive paint shop and injection moulding facility with a tool room, quality, and metrology laboratory.

- **Production Capacity and Products/Services**: manufactures, paints and assembles interior trim, exterior trim parts such as door handles, bumpers, and tailgates.
- **Jobs Created**: 229 new jobs have been created
- **Capital Investment**: R193.5 million
- **Size of the Plant**: 6 700 m²

Nonkuleko Mkhuna, a quality assurance officer at Automould.



Sodecia (FDI)

Approximately 17 000 Tons of Steel will be processed / Year from this Plant

SODECIA (Portugal) is a global full-service supplier for the automotive market, The company is now located in TASEZ with a brand-new world-class manufacturing plant (press shop and weld shop) supplying key weld assembly components to Ford Motor Company South Africa.

- **Production Capacity and Products /Services**: 7 x Stamping components with various sub-components for Ford Ranger. The company plant houses Stampings, Mig & Spot Welding, Tube Bending and Lazer Cutting operations.
- **Jobs Created**: 316 jobs have been created
- **Capital Investment**: R427 million
- **Turnover**: It is projected to be R1 billion
- **Size of the Plant**: 24, 000 m²

Case Study #40

Thai Summit (FDI)

Production officially underway

Thai Summit Group supplies automotive metal forming, interior and exterior finishes and components to Ford Motor Company..

- **Production Capacity and Products**: Thai Summit does Stamping components for the frame (chassis) of the new Generation Ford Ranger and Volkswagen Amarok. Main stamping components with various sub-components are produced from this facility
- **Jobs Created**: 176 new jobs have been created
- **Capital Investment**: R 750 million
- **Size of the Plant**: 17 500 m² metal pressing facility
- Ownership: the plant is owned by a Thailand-based company.

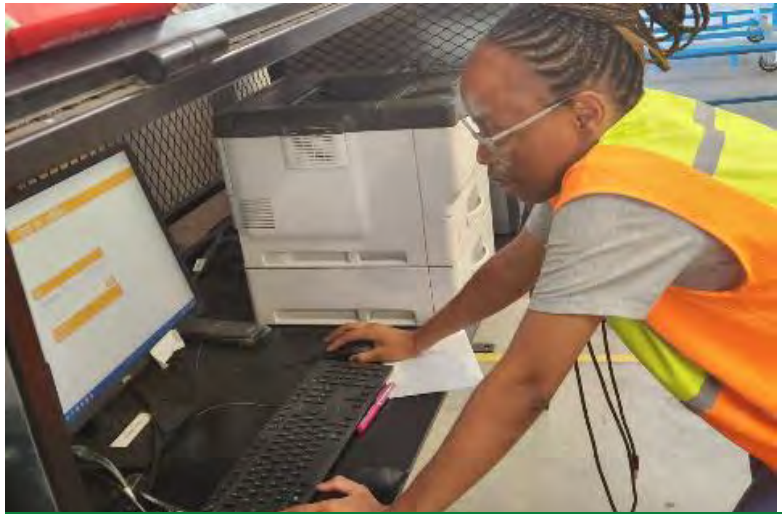
Case Study #41

Feltex Automotive

One of the first investors to locate in the SEZ

Feltex Automotive is **French Company** that has been in the country for many years, produces a range of body items for Original Equipment Manufacturers (OEMs), including seats, boot trims, parcel shelves,

- **Production Capacity and Products**: At the TASEZ plant Feltex manufactures acoustically engineered carpets for floor carpet and overlay mats for the New Generation Ford Ranger and Volkswagen Amarok.
- **Jobs Created**: 151 jobs TYD against a target of 280 jobs have been created and will increase during the ramp-up.
- **Capital Investment**: R 76 million against a target investment of R200million
- **Size of the Plant**: 15 800 m²



Tshegofasto Keleco is an IT technician from Mamelodi.

PART 11: HIGHVELD INDUSTRIAL PARK

Case Study #42

Highveld Industrial Park – Industrialisation and Localisation

- The dtic has worked with Highveld Steel over many years – to ensure its survival and support growth. It is a success story of companies partnering with the government to drive industrialisation. Some highlights include:
- On 1 August 2022, Highveld’s Structural Mill was sold to ArcelorMittal Rail and Structures (AMRAS), and Minister Patel formally opened the facility on 20 October 2022.
- Approximately 250 workers are employed at the AMRAS facility which has a production capacity of 15 000 tons a month.
- This facility has the ability to produce mainline rail - the only facility of its kind on the African continent.
- Annual Import replacement on structural steel amounts to R1 billion and mainline rail R500 million (import cost for the same quantity of mainline rail is R1 billion per year)
- Greenfield projects under construction:
- PPC project that will blend and bag 800 tons of cement per month
- A magnesite calcination project that will produce 1 000 tons of magnesium oxide per month

Case Study #43

Highveld Industrial Park - Products Produced

The products produced in the Highveld Industrial Park are used widely

The Structural Steel work for the Msikaba River Bridge on the N2 in the Eastern Cape is fabricated at the Highveld Industrial Park.

An estimated 40 Mt of slag from Evraz Highveld will be used as a feedstock for titanium beneficiation plants.

Titanium dioxide is a key component in many industrial applications and consumer goods such as paints, plastics, cosmetics, paper, rubber, ceramics, and textile. Once the Nyanza plant is commissioned in Richards Bay, it will create approximately 1200 jobs.

Case Study #44

Highveld Industrial Park - Commodities

- 250,000 tons of commodities move through Highveld Industrial Park monthly (400-500 trucks each day).
- Commodities include coal, lime, chrome, steel, vanadium slag, and bentonite.

- The site functions as a logistics hub for junior miners to export raw materials through Richards Bay, Maputo, and Durban. In the past, junior miners were reliant on the main mining houses for rail allocations. The Highveld Industrial Park siding allows them to export through these ports.

PART 12: SOCIAL EMPLOYMENT FUND

OVERVIEW:SOCIAL EMPLOYMENT FUND

The Social Employment Fund (SEF) forms part of the DTIC's work on the Social Economy. It is administered by the IDC and forms part of the Presidential Employment Stimulus launched in October 2020 as part of the Economic Reconstruction and Recovery Plan. The SEF is overseen by the dtic and the partners involved include the Presidency and the IDC

The aim of the SEF is to create work that serves the common good in communities, targeting 50 000 participants who will work for a year.

On 3 June 2022, the fund was officially launched the Minister Patel, with the announcement of 28 Strategic Implementing Partners who will create the employment opportunities. It will mobilise R2,4 billion over a three-year period.

By the end of Q3 54 000 participants were registered on the system and 44 300 jobs had been created.

3 case studies are presented on the work undertaken.

OVERVIEW:SOCIAL EMPLOYMENT FUND

“It provides public subsidies for a limited period to support work opportunities and income relief aimed at building strong bonds of solidarity in our communities through the creation and provision of public goods, that make these communities safer, vibrant and dynamic places to live and work…

“This Social Employment Fund will serve as a testing ground for how best to support the social economy, to showcase, support and where possible scale work programmes in the non-state sector that show the capability to absorb many work-seekers at scale. It is encouraging that the Fund is designed for ensure part-time work opportunities at scale. We are focusing also on spatial equity in funded programmes, prioritizing areas where the incidence of unemployment is higher and where industrial work opportunities are relatively fewer.”

- Remarks at launch of the Fund.

Case Study #45

Social Employment Fund (SEF): Seriti Institute

Funds committed by SEF: R44,5 million
Wage: R35,6 million
Non-wage: R8.9 million

SEF provided funding to the Seriti Institute – an agency that facilitates development. It operates in all the provinces in South Africa.

The impact of the project thus far is in agriculture and food security where 22 hectares are under production in 137 communal gardens, and R230 thousand worth of crops have been harvested and distributed

IMPACT

- + 22 Hectares under production in 137 communal gardens.
- 3 021 jobs created
- +415 000 Seedlings Planted
- R230 000 worth of crops harvested and distributed
- Youth 71% Women 65%

Social Employment Fund (SEF): Seriti Institute

Majority of jobs (78%) created in Limpopo, Northwest and Mpumalanga

Province	Jobs (n)	Jobs (%)
Limpopo	1084	36%
Northwest	786	26%
Mpumalanga	478	16%
KwaZulu-Natal	310	10%
Eastern Cape	212	7%
Western Cape	151	5%
TOTAL	3021	100%

Mahlatsi Glenrose Ngwenya

Mahlatsi Glenrose Ngwenya is a 19-year-old from Standerton in Mpumalanga, working with Seriti's 'Work.Learn.Grow' team as a SEF participant.

This is Mahlatsi's first job since finishing matric. With the SEF wage she says "I can buy food for the family in the house, buying some clothes and save a bit for emergencies in the house. I have learnt more skills from the project and the participants, leadership skills, and togetherness.

"Getting a salary at the end of the month and be able to assist vulnerable family with the crops harvested from the gardens."

"My plans are to continue working and assisting community members as I have seen how this garden is helping them and myself. I have seen that community members can do more if they work together and the love we get from the people, we give the vegetable to. It put a smile in my face every day and want to do more."

Social Employment Fund (SEF): Seriti Institute

Constance Mamoloko Kganyago

Constance Mamoloko Kganyago from Mmotong Ga-Ranoto (Limpopo), is widowed with 3 children who stay with her, in addition to her mother-in-law and 3 orphans.

Speaking about the programme's effects, she says: “The funds I got from this project is that it has made a great difference in my household as I am now able to manage everything that is needed at home. I enjoy working with others and enjoy ploughing crops and feeding our community with the things or vegetables from our own gardens. I have learned another skill that can help me in the future"

"My future plans are that, learning from this project I can start my own business by planting crops and selling to local markets and to the community members who can afford to buy and maybe donate to poor people."

Noxolo Ngcobo

Noxolo Ngcobo matriculated at Khunjuliwe Secondary school

The project has provided her with a job - "I can buy things for myself and the family in the house. Earning a salary, it’s a huge benefit and I enjoy learning every day about vegetables and what healthy food to eat.“

“It has taught me that we never stop learning and we grow from it. This brings good projects to our community and employing youth in the community and the elders as we learn more from them about gardening and respect."

Case Study #46

Social Employment Fund: Nal'ibali

SEF funded Nal'ibala - a national reading-for-enjoyment campaign. It seeks to promote a culture of reading across South Africa, so that reading, writing and sharing stories – in all South African languages – is part of everyday life. Children who read and hear engaging stories in languages they understand are well equipped and motivated to learn to read and write.

The project is currently active in 7 of the 9 provinces in South Africa.

The impact of the project to date has been the employment of 1 035 people as part of the SEF project. 81% of those employed are women. Jobs have been created in the Eastern Cape, Free State, Kwa-Zulu Natal, Limpopo, Gauteng, Northern Cape and Western Cape.

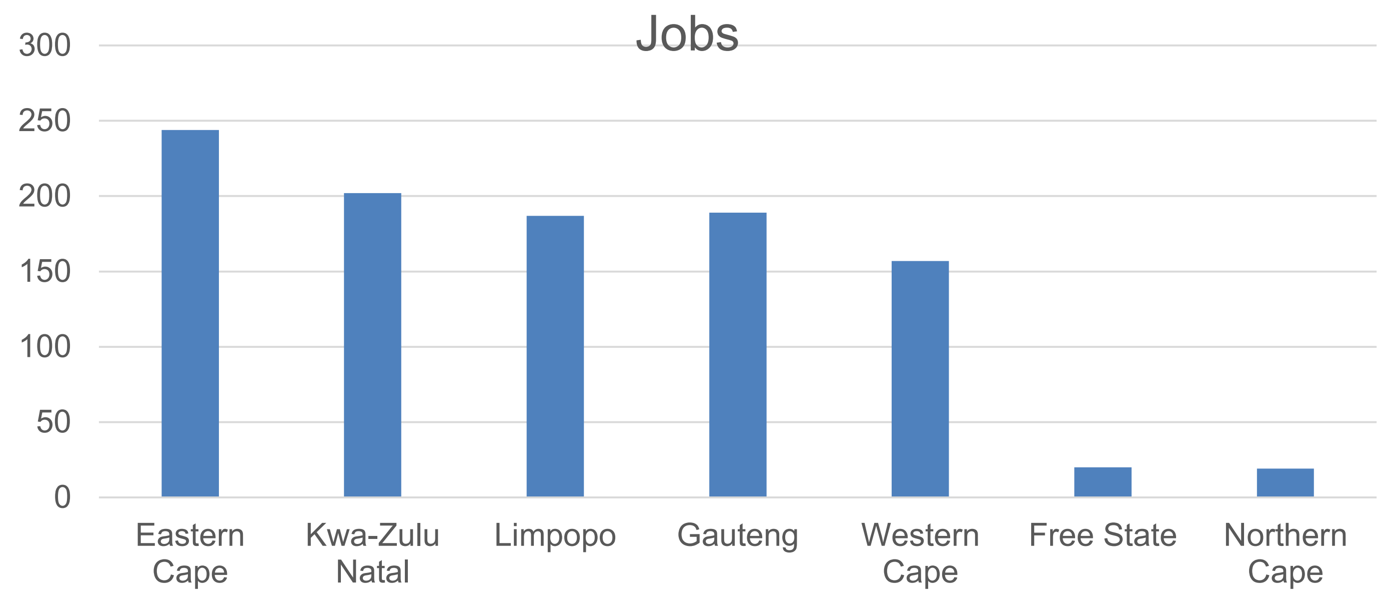
R17.8m SEF funds
Wages R14.2
Non-wages R3.6m

54192 children reached

63652 books distributed

1035 jobs created

81% female employed



Social Employment Fund: Nal’ibali

Babalwa Mbanyana

Babalwa Mbanyana is one of the participants employed in the SEF project with Nal’ibali. The project has helped her find employment and to pursue her interest in helping children and contributing to their education.

‘’We have many children in the area who are not in school for different reasons. They need to understand the importance of reading and not just being in the street’’.

She thinks that the initiative has value in that it helps prepare children for school and also helps the children’s parents who have not received this type of support before.

Her days are packed – with briefing meetings, ECD story time, home visits, team briefings, reading club preparations and facilitation. She enjoys seeing the positive response from children:

“The way the children are singing the Nal’ibali songs and interacting with each other even outside of the Nal’ibali programme. During their outside time, you hear them talk about reading and playing games they have learned.

Her experience has shaped her future plans – she now wants to work as a pre-school teacher. “I never thought that I would enjoy working with children, but Nal’ibali showed me the passion I have inside me.

Case Study #47

Social Employment Fund: Lima Rural Development Foundation

SEF funded the creation of 2 181 jobs by the Lima Rural Development Foundation - an NGO that promotes development. The Lima Rural Development works with projects in agriculture, food security, social development, learning support, engineering and housing, environment, land reform, community-based training, and public health.

The Lima-SEF implementation work is focused on maternal and child health care services and food security.

The project's impact includes:

- 2160 job opportunities to previously unemployed individuals that finished Grade 12
- Supporting community members who are eligible for grants by linking them with SASSA.
- Monitoring the growth of young children and referring malnourished infants to clinics
- Referring pregnant women to healthcare facilities for regular check-ups and tests
- Establishing support groups for caregivers (including pregnant mothers) to share maternal and child health care challenges/issues and providing advice through specialists
- Identifying and establishing suitable plots to establish community food gardens to support households that regularly experience hunger

R34m SEF funds (wages R27.8m and non-wages R7m)

2181 jobs created

73% female employed

Province	Jobs (n)	Jobs (%)
KZN	1096	50.25
Limpopo	815	37.37
EC	270	12.38
TOTAL	2181	100

Social Employment Fund: Lima Rural Development Foundation - Umhlathuze, KZN

Ziyanda Nxumalo

Ziyanda Nxumalo is 19 years old and matriculated from Dlamvuzo High School in 2021. and had no work experience.

She now works 3 days a week for 7 hours each day and finds working on the SEF programme enjoyable as she can work together with her community to support their health and nutrition.

“What I see as a benefit from this program is how it changes the way you think about yourself and other people around you. It makes you connect with the people in the community and become more aware of their problems and your moral responsibility to help them.”

Slindile Ndlela

Slindile Ndlela is a 35 year old social worker who had been working as a cashier at a retail shop. She now works 7 hours a day, 5 days a week as a supervisor (timekeeper) for the SEF funded Lima Rural Development Foundation’s projects.

Slindile can use her knowledge and skills from social work, and is getting work experience in the area in which she had trained. She thinks that her communication and interpersonal skills have improved through working on the project as she has had the opportunity to network and meet with stakeholders in her community including those from the government and the private sector.

“The project has given me an opportunity to express myself in my profession while learning new skills. I hope that the experience that I have received from this project will open more doors.”

Social Employment Fund: Lima Rural Development Foundation

Tebogo Moremi

Tebogo Moremi is 29 and chose agriculture as he believes community-based food production can help to eradicate poverty and hunger.

“The SEF Programme has completely changed my life for the better. Being part of this programme and receiving a monthly stipend has had a positive impact on my life. I can now provide basic needs for my family and myself. “

Makatekele Cloudia Mogale

Makatekele Cloudia Mogale is 29 and chose to work in the health component of the project because of her background in psychology and her current studies in education. She felt confident that her knowledge would be beneficial to the project, and she wanted to use her skills and her knowledge to impact the lives of the people in her community. She finds helping people motivates her and gives her life satisfaction.

“Working on this project has changed how I see things; it has given me a new perspective. I can get my work done even in the face of difficult obstacles.”

Maifala Francious Koko

Maifala Francious Koko is 29 and chose the agricultural component of the programme as he loves agriculture. He hopes to start an agricultural business and is therefore hoping to gain the necessary skills he needs through his participation.

“I am now my own man; I can buy things that I needed at the time I need them. I've gained respect at home and from the community as a whole.“

PART 13: FILM PRODUCTION

Case Study #48

Telling South African Stories

the dtic supported film, ***Wild is the Wind*** was released in October 2022, by Netflix and tells the story about a detective sergeant that discovers that he's wrongfully arrested a teenage black boy for murder.

The production, which was filmed in the Eastern Cape spent R11.5 million in the domestic economy. About R9.6 million of the spend was on goods and services procured from black suppliers and mainly consisted of spending on casting, location facilities, accommodation and local transport and flights.

Industrialisation and Productive Services Sector

Transformation: Emerging Black Film-Maker

CAST AND CREW

Case Study #49

Telling South African Stories

The Queenstown Kings is supported by **the dtic's** Emerging Black Film incentive. The film which was shot in the Eastern Cape and Gauteng was released in November 2022. The film is about a prodigious young soccer player from rural Queenstown and his turbulent relationship with his washed-up pro-footballer father and well as his decision to choice between his team's success and his own dreams.

Spending in the domestic economy amounted to R17.4 million of which R11 million was budgeted for procuring services from Black South African suppliers.

Industrialisation and Productive Services Sector

Transformation: Emerging Black Film-Maker

CAST

Case Study #50

Telling South African Stories

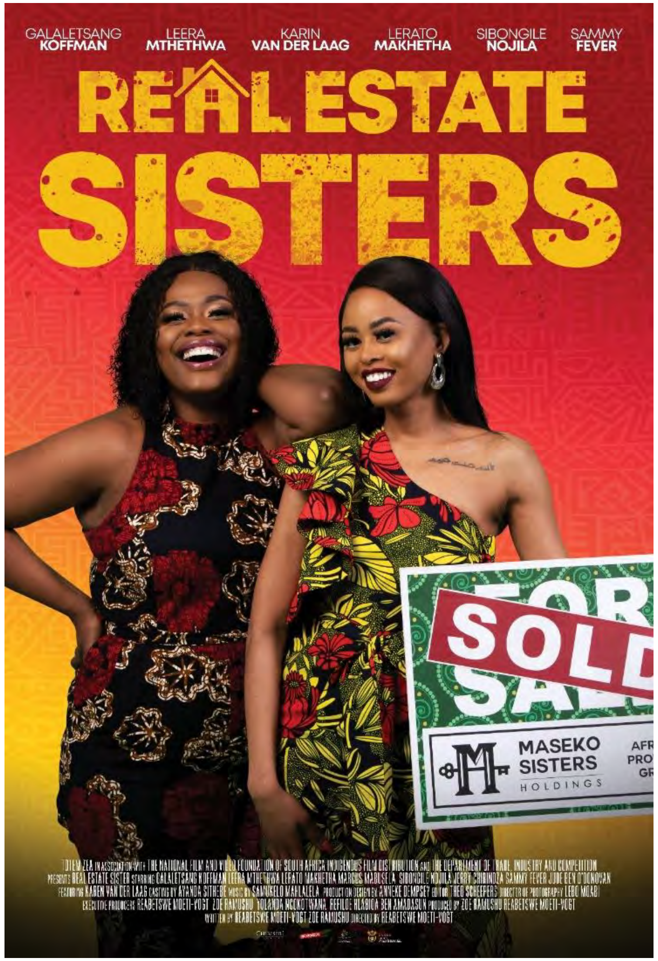
The Real Estate Sisters, supported through the Emerging Black Film-Maker incentive, is currently in post production. The series which is being filmed in Pretoria has a distribution agreement with Indigenous Film Distribution and tells the story about sisters, business partners and best friends trying to navigate their way to the top in the real estate business in Pretoria.

The production is creating 18 full-time equivalent jobs. Spending in domestic economy so far in making the production is R4 million and includes R1 million procured from black-owned suppliers. This was mainly spent on location facilities, casting and costumes.

Industrialisation and Productive Services Sector

Transformation: Emerging Black Film-Maker

CAST



PART 14: CONCLUDING COMMENTS

Overall assessment and mitigation

Prospects for industrial growth in the next quarter - Q4 - will be tempered by the challenges highlighted in this report: energy shortages and low global growth. There is evidence of the volume of production declining faster than the sales in the past year.

The focus on partnerships to bring the skills and enterprise of firms to address the energy challenge is vital. The dtic will need to refocus more of its own capacity to address energy-resilience, within the framework set out in Part 2 of this report.

New opportunities will arise in the new financial year from the implementation of the African Continental Free Trade Agreement and from additional infrastructure spending. Effective implementation, avoiding leakages (corruption, undue imports, over-pricing) and enhanced coordination within the public sector can mitigate the impact of load-shedding while efforts are made to bring more energy onto the grid.

PART 15: FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE FOR Q3

- By 31 December 2022 the department spent **R7.7 billion** out of an adjusted allocation of **R10.9 billion**, ie **71%** of the total allocated budget.
- For the nine months, expenditure excluding transfers amounts to **R5.8 billion** (**Core R5.3 billion, Support R0.5 billion**) out of an allocated budget of **R8.9 billion,** ie **65%** of the baseline allocation.
- The department spent **90%** (**R7.7 billion**) of the projected expenditure (**R8.6 billion**).
- The following slides reflect the financial performance by type of spending, per programme and per economic classification.

FINANCIAL PERFORMANCE OVERVIEW Q3

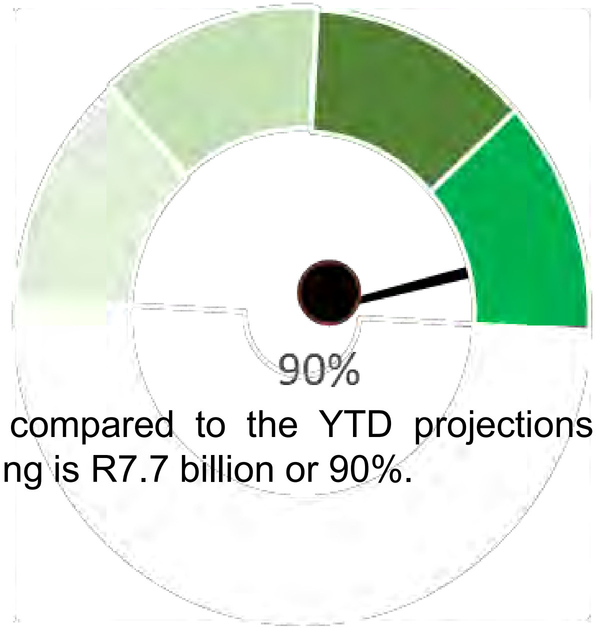
1 April 2022 to 31 December 2022

R10.9 billion Adjusted Budget

R 7.7 billion Spent as at 31 December 2022

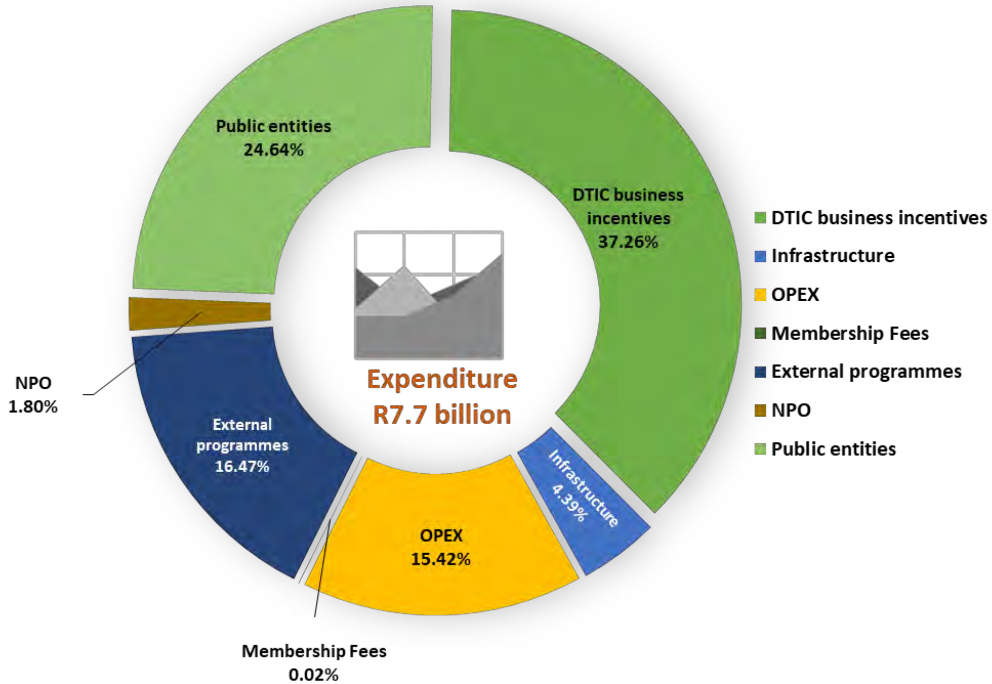
Spent YTD as % of budget = 71%

YTD expenditure as % of YTD projections



When compared to the YTD projections of R8.6 billion, spending is R7.7 billion or 90%.

% of expenditure by type of spending



The R7.7 billion spent year to date comprises of:

- R3.2 billion or 42% (i.e. business incentives and infrastructure) disbursed to the beneficiaries across the various incentive programmes, followed by R1.9 billion or 25% transferred to the public entities.
- R1.3 billion or 16% disbursed to the various external programmes at the IDC and CSIR; while non-profit and international organisations (which South Africa is a member) accounted for R141.5 million or 2%.
- Spending on operational costs was R1.2 billion or 15%.

FINANCIAL PERFORMANCE PER PROGRAMME AND ECONOMIC CLASSIFICATION

Description	Adjusted budget 2022/23 R'000	Actual expenditure R'000	Expenditure as % of budget	Available Budget R'000	% Budget Available
Programme 1: Administration	863 992	546 987	63,31%	317 005	36,69%
Programme 2: Trade Policy	235 815	178 071	75,51%	57 744	24,49%
Programme 3:Spatial Industrial Development	166 835	124 087	74,38%	42 748	25,62%
Programme 4: Industrial Policy	1 749 527	1 357 392	99.9%	392 135	22,41%
Programme 5: Consumer and Corporate Regulation	343 803	306 413	89,12%	37 390	10,88%
Programme 6: Industrial Financing	5 316 991	3 347 873	62,97%	1 969 118	37,03%
Programme 7: Trade and Investment South Africa	365 839	315 463	86,23%	50 376	13,77%
Programme 8: Invest South Africa	74 922	36 991	49,37%	37 931	50,63%
Programme 9: Competition Policy	1 745 301	1 499 667	85,93%	245 634	14,07%
Programme 10: Economic Research	50 528	31 345	62,03%	19 183	37,97%
Total	10 913 553	7 744 289	70,96%	3 169 264	29,04%
Economic classification					
Current payments	1 769 770	1 185 281	66,97%	584 489	31,23%
Compensation of employees	1 081 666	773 916	71,55%	307 750	28,45%
Goods and services	688 104	411 365	59,78%	276 739	40,22%
Transfers and subsidies	9 130 708	6 556 223	71,80%	2 574 485	28,20%
Incentive payments	5 159 161	3 225 839	62,53%	1 933 322	37,47%
Department entities	2 005 744	1 907 872	95,12%	97 872	4,88%
External Programmes	1 753 516	1 275 186	72,72%	478 330	27,28%
Non profit organisations (Partnerships with business associations, NEDLAC)	165 437	139 649	84,41%	25 788	15,59%
Membership fees (International organisations)	44 073	1 935	4,39%	42 138	95,61%
Households	2 777	5 742	206,75%	-2 965	-106,75%
Payments for capital assets	13 074	2 784	21,29%	10 290	78,71%
Payments for financial assets	1	1	0,00%	0	0,00%
Total	10 913 553	7 744 289	70,96%	3 169 264	29,04%

FINANCIAL PERFORMANCE

In the area of incentive programmes, while **R3.2 billion** in financial support was disbursed to date, slower incentive disbursements are being reported in certain incentive programmes as some of the companies were affected by the KZN floods, load shedding and low business confidence.

52 projects with the grant value of R2.2 billion were approved for the quarter – and this will leverage private sector investment of R26 billion.

The main disbursements were as follows:

- **R731.5m** - Services sector, which comprises of GBS (R452.7m) and Film and Television (R278.8m)
- **R2 billion** – Manufacturing incentives:

✓ **R1.6 billion** - Automotive Production and Development Programme

✓ **R299 million** – MCEP

✓ **R116 million** – Critical infrastructure support to companies

Forward looking

- **R1.6 billion** was reprioritised to 4 priority areas, being; (1) support package to respond to the energy crisis, (2) supporting investments made by the automotive companies, (3) global business services and (4) support to companies under the critical infrastructure programme. National Treasury approval was obtained in March 2023.

- The **R1.6 billion** is expected to be disbursed in March 2023, as follows:
  - **R240.2 million -** to support businesses affected by energy crisis through affordable loans administered by IDC and NEF.
  - **R1.2 billion** - to support investments under manufacturing incentives which include automotive, black industrialist and Agro processing.
  - **R120 million –** to support investments under services incentives which include Global Business Services and Film incentives
  - **R136.5 million -** to support infrastructure projects under critical infrastructure programme.

THANK YOU