

ROLE OF THE DTIC AND ITS ENTITIES IN STIMULATING ECONOMIC GROWTH IN SA

Presentation to The Standing
Committee on Appropriations
30 October 2020



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

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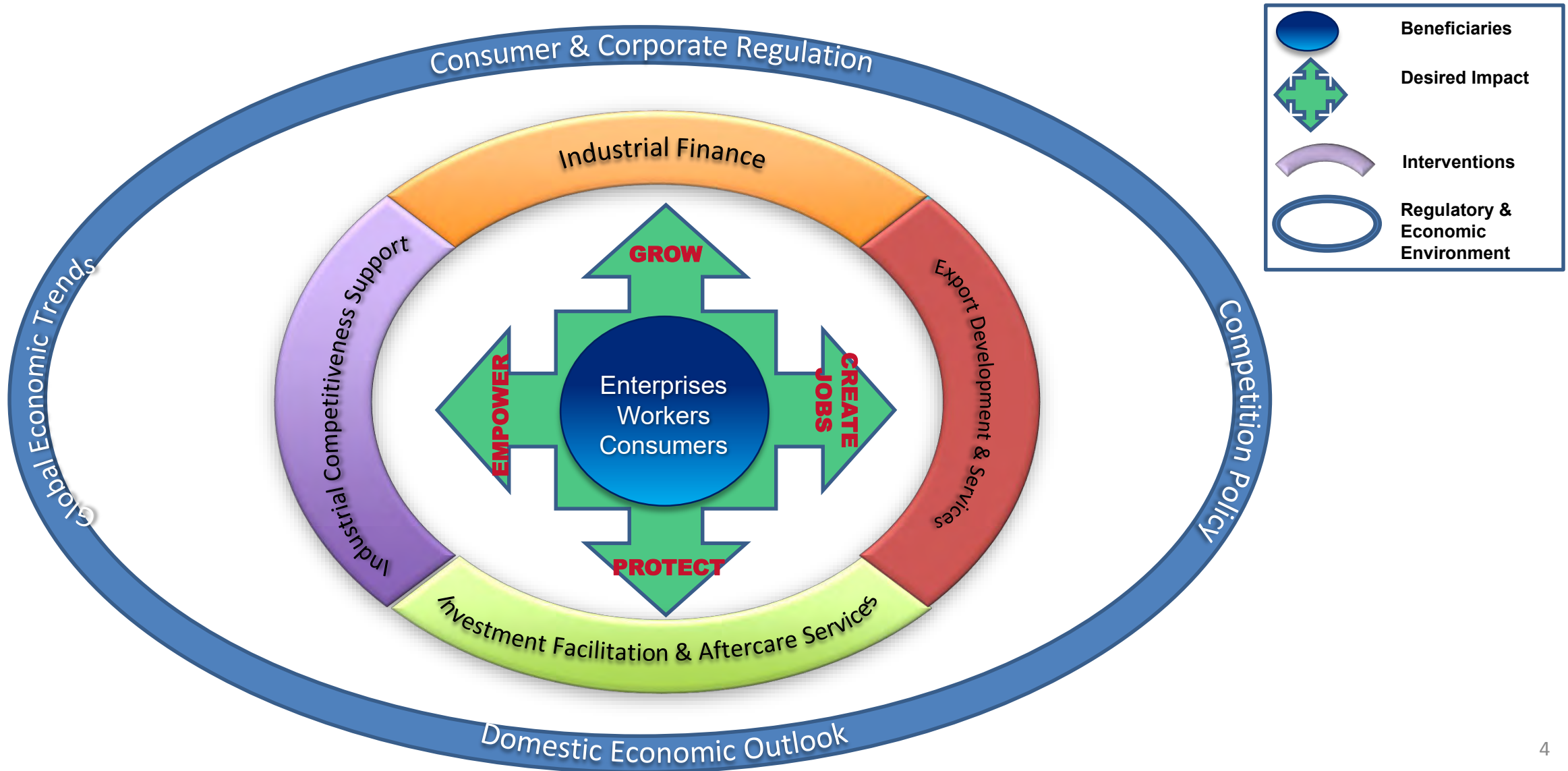
OUTLINE

- I. **DTIC** will provide the conceptual framework for the Department and its entities' contribution to the SA economy.
- II. **IDC** will present on its roles of investment, industrialisation and transformation.
- III. **NEF** will present on its roles of transformation and enterprise development.
- IV. **B-BBEE Commission** will present on its regulatory functions, including enforcement of B-BBEE legislation.
- V. **Competition Commission** will present its interventions to improve the level of competition in value-chains, sectors and product markets, thereby improving the investment climate.

CONCEPTUAL FRAMEWORK - 1

- ❑ **High-growth emerging economies share a number of common characteristics:**
 - Centrality of industrial policy within countries economic policy,
 - Strong partnerships between private-sector and government,
 - Use of the full array of policy tools to achieve inclusive growth and development, and
 - Responsiveness of Government policy and programmes to changing environments, and emerging risks and opportunities.

CONCEPTUAL FRAMEWORK - 2



KEY POLICY INTERVENTIONS - 1

❑ **Creating a conducive, enabling environment for inclusive growth:**

- Appropriate to undo the damage wrought by apartheid,
- Adapted to the structural characteristics, including constraints, of the SA economy, and
- Improving Ease of Doing Business to raise investment levels.

Including public Interest requirements and Protection of Investment Act.

❑ **Expanding and Deepening South Africa's industrial base:**

- Masterplans,
- Industrial Finance,
- Localisation,
- Trade measures for sectors impacted by illegal and unfair imports, and
- Export development through especially the SADC and AfCFTA trade agreements.

KEY POLICY INTERVENTIONS - 2

❑ Targeted Transformation Measures:

- B-BBEE: Sectoral Codes of Good Practice, Equity Equivalent Investment and Black Industrialists Programme.
- Under-developed regions including townships and rural areas: Special Economic Zones, and Revitalisation of Local Industrial Parks.
- Women and Youth Empowerment: Digital Hubs, Global Business Services, Emerging Black Filmmakers Incentive and proactive marketing of support to women-enterprises.

Underpinned by carefully calibrated industrial finance, designed to 'de-risk' investment projects, while limiting Government exposure and risk.

SG1: Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Agro-processing

- ❑ The Poultry Master Plan was launched at the Presidential Investment Conference in November 2019. Investment commitment by South African Poultry Association (SAPA) to the value of R1.7 billion has been secured to invest in poultry productive capacity.
- ❑ A 62% bone-in chicken portions and 42% boneless portions import tariff was gazetted in March 2020 to curb poultry imports as per Master Plan agreement.



INDUSTRIAL DEVELOPMENT

SG1: Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Automotives

- ❑ Ford Motor Company of Southern Africa (FMCSA) expanded its Struandale engine plant in Port Elizabeth, Eastern Cape, as part of a R3bn investment in SA.
- ❑ Mercedes Benz invested R10bn to expand its East London plant. The upgrade extended the production space of the existing plant by up to two-thirds to produce the next generation of the C-Class and the GLC SUV.



Ford Motor Company



INDUSTRIAL DEVELOPMENT

SG1: Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Pharmaceuticals

- ❑ Biovac (local manufacturer of vaccines) was awarded 85% of Expanded Programme on Immunisation, three-year tender, a transversal health contract of Department of Health.
- ❑ This sustained the 318 specialised jobs in the manufacturing facility in Cape Town, preserved the technology transfer received from pharmaceutical multinational companies (Sanofi Pasteur and Pfizer) and maintained local production of vaccine.



INDUSTRIAL DEVELOPMENT

SG1: Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Primary Minerals Processing

- ❑ The construction of the first fuel cell manufacturing facility in SA at Dube Trade Port presents opportunities for platinum beneficiation.
- ❑ Vodacom already deployed 300 of their fuel cells with the potential for additional R1 billion contracts within the telecoms sector.



INDUSTRIAL DEVELOPMENT

SG1: Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Primary Minerals Processing

- ❑ Komatsu SA invested R300 million in an engine remanufacturing plant in Rietondale. The plant is part of Komatsu's industrial campus in South Africa serving as the central hub for its operational footprint across Southern Africa through supply of mining and construction equipment.
- ❑ The industrial campus also consists of a technical centre providing training to over 2,300 people over the last three years .



INDUSTRIAL DEVELOPMENT

SG1: Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

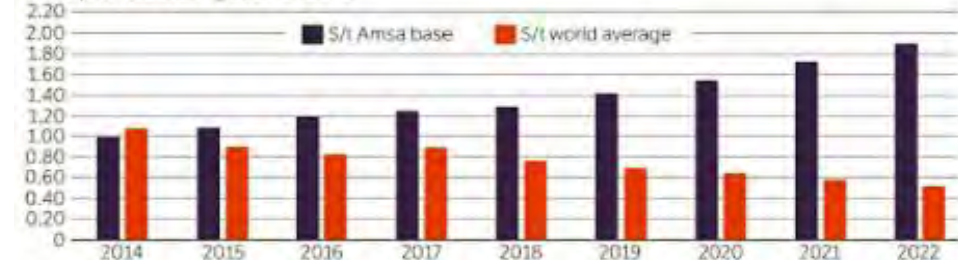
Metals Fabrication

- ❑ Additional trade support provided to the steel downstream industries: tariffs increased to max. bound rate, and rebates for products not manufactured in SA.
- ❑ SARS reference price system developed to address low-priced imports and inter-agency working group established to tackle illegal trade.
- ❑ The Steel Competitiveness Fund strengthened to improve accessibility especially for SMEs.

THE ESKOM FACTOR

Index of electricity tariffs for ArcelorMittal SA and the World Steel Association

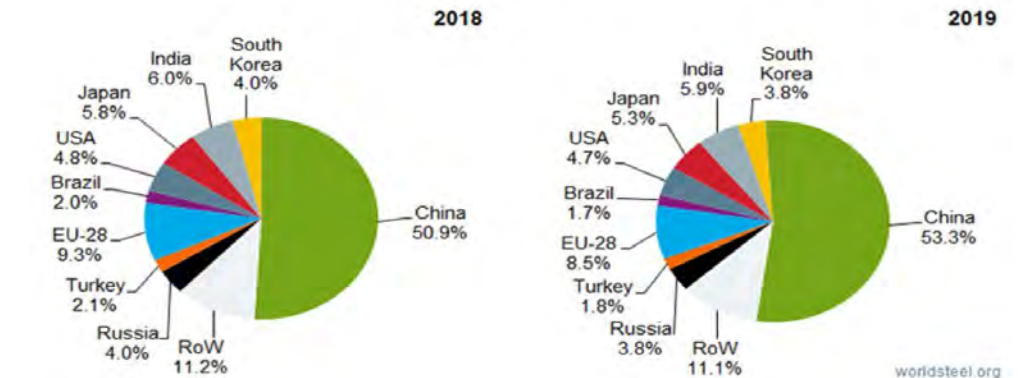
Index price trend using 2014 as a base



Note: The comparison is based on average \$/MWh, including all associated levies and taxes, but excluding VAT

Source: ArcelorMittal SA

Share of world crude steel production 2018 & 2019



worldsteel.org

INDUSTRIAL DEVELOPMENT

SG1: Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Industrial Procurement

- ❑ Four Circulars for new products, one amendment and guidelines for the use of 8.4 provisions (i.e. self designation) were signed-off by Minister of Finance.
- ❑ New: MV switchgears; plastic pipes and fittings, Lead Acid batteries and Bulk Material Handling equipment.
- ❑ At the end of 2019/20 financial year, accumulatively 27 products/sectors were designated under the Preferential Procurement Policy Framework (PPPFA).
- ❑ Private-sector procurement patterns remain largely unchallenged.
- ❑ Economic Reconstruction and Recovery Plan recognises this, Nedlac agreed on 8 value-chains to be prioritised.
- ❑ Nedlac agreed that the State and all firms should report on their local procurement and supplier development activities in Annual Reports.
- ❑ But public procurement is prone to corruption, often of imported goods and undermined by lack of visibility of tenders and awards in 3 spheres of govt.

INDUSTRIAL DEVELOPMENT

SG1:Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Electro-Technical

- ❑ Defy Top Loader washing machine investment of R100 million was launched in April 2019, creating 100 additional jobs.
- ❑ Expansion of Aberdare's Port Elizabeth Plant for High Voltage cables in July 2019. Phase one comprised of R30 million investment, phase two R100 million.
- ❑ Designation of electrical cables with 90% local content requirements has been anchor for this investment



INDUSTRIAL DEVELOPMENT

SG1: Facilitate the transformation of the economy to industrial development, investment, competitiveness and employment

Textiles, Clothing, Leather and Footwear

Made in SA, not China.' Why Foschini, Mr Price and Truworths now want local clothes

Oct 16, 2020 samanufacturing

The Foschini Group (TFG), one of South Africa's biggest dedicated clothing retailers, is leading the way with local manufacturing and has made it a strategic imperative to reduce its reliance on single source suppliers like China. TFG Africa now sources 35% of its clothing procurement from South Africa, whereas five years ago as much as 80% of its apparel items were imported from Asia.

"We can actually be more profitable as a retailer with locally manufactured goods than with imported goods," TFG's CEO Anthony Thunström told a media roundtable at the end of last month. "Local allows us to calibrate stock into our system with a much shorter lead time than we ever were able to in the past".

R-CTFL Master Plan was launched at the 2nd Investment Conference with commitments of about R7bn new investment.

INDUSTRIAL DEVELOPMENT

SG1:Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Textiles, Clothing, Leather and Footwear

Mr Price

Even Mr Price, which caters to more price sensitive, lower-income consumers than TFG and Truworths, is increasing its local content. Mr Price now sources 35% of total merchandise units from South Africa, which is worth about R9.2 billion in retail sales. That's up from about 31% in 2015, which at the time totalled R3 billion in retail sales.

While China still represents 48.5% of Mr Price's order book, the group is refocusing its energy on the South African market, which accounts for 92% of its revenue. It has exited Australia and Poland and is reducing its reliance on Chinese imports by exploring production in other African countries, which together with South Africa account for about 45.7% of its merchandise inputs.

Truworths

Truworths is another clothing retailer putting its faith in local manufacturing.

"We have always favoured local manufacture because it enables 'quick response' and 'fast fashion' – and Truworths is a fast fashion business," says Truworths CEO Michael Mark. "Our percentage of local textile to total textile purchases has now reached 45%. We anticipate this percentage will increase to around 50% over the next few years."

TRADE, INVESTMENT AND EXPORT

SG1: Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

AfCFTA

- ❑ The envisaged AfCFTA is expected to build an integrated market in Africa that will see a market of more than one (1) billion people and a Gross Domestic Product (GDP) of approximately US\$3.3 trillion;
- ❑ South Africa (SA) assumed the role of Chair of the African Union (AU) in February 2020, prioritising, amongst others, economic development and operationalization of the AfCFTA.



United Kingdom (UK) /BREXIT

- ❑ Following the conclusion of the negotiations on the UK-Southern African Customs Union (SACU) Mozambique Economic Partnership Agreement in September 2019 in Gaborone, the Agreement was signed by all parties in October 2019.

TRADE, INVESTMENT AND EXPORT

SG1: Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

- ❑ Hosted the 2nd South Africa Investment Conference in 2019 leading to the announcements of R363bn of investment.
- ❑ Launched Business Process Services and investor targeting meetings in US.
- ❑ Launched the Companies and Intellectual Property Commission (CIPC) BizPortal, enables business registration in 1 day.
- ❑ After the registration, one will receive a company registration number, UIF number, Compensation Fund number, company tax number, B-BBEE score and get to open a company bank account.

COMPANY REGISTRATION OPTIONS

GET YOUR COMPANY REGISTERED WITHOUT USING AN "AGENT" IN LESS THAN 24 HOURS FOR ONLY R175



SPECIAL ECONOMIC ZONES AND ECONOMIC TRANSFORMATION

SG2:Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth

Industrial Parks

- ❑ Ekandustria and Nkowankowa Industrial Park were launched in April 2019;
- ❑ Approval of R5m by SEDA for Establishment of Botshabelo Digital Hub;
- ❑ The first Digital Hub was launched in Isithebe in October 2019;
- ❑ Attained inclusion in the Global Eco-Industrial Park Programme (GEIPP), driven by UNIDO, resulting in international support and funding for Resource Efficiency and Cleaner Production for the industrial parks for the next 2 and a half years.
- ❑ Participated in 3rd Coca Cola Bottling SA Supplier Day at the Gallagher Estate in February 2020. The event was attended by Black Industrialists who exhibited their products.

SUMMARY

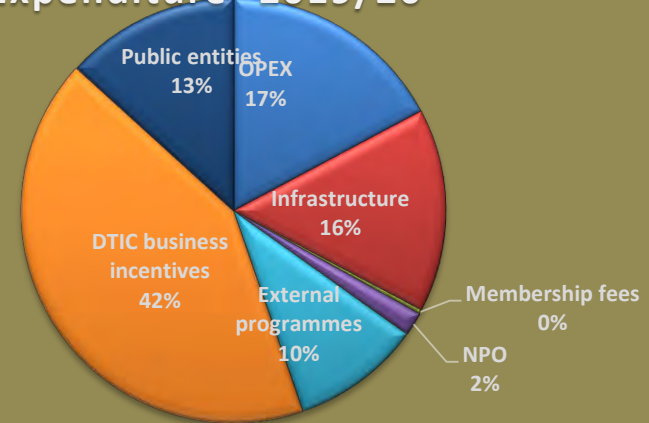
1 April 2019



31 March 2020

Total dti budget	R10 084 727
Expenditure	R9 969 606
% spend	98.86%
Variance	1.14% or R115 121

Expenditure- 2019/20



❑ Of the R9.97 billion spent by the department:

- *R5.7 billion* or 57.6% was disbursed to the beneficiaries across the various incentive programmes
- *R1.32 billion* or 13.3% was transferred to the public entities. Furthermore, *R982.4 million* or 9.9% was disbursed to the external programmes, whilst non profit organisations as well as international organizations, of which South Africa is a member, accounted for R208.5 million or 2.1%.
- Spending on operational costs was *R1.7 billion* or 17.2%.

INDUSTRIAL FINANCE

MANUFACTURING CLUSTER ➤

Provides incentives to promote additional investment in the manufacturing sector.

INNOVATION CLUSTER ➤

Promotes research-based technology and the testing of new prototypes with the aim of commercialisation.

SERVICES CLUSTER ➤

Provides incentive programmes that promote increased investment and job creation in the services sector.

INFRASTRUCTURE CLUSTER ➤

Provides grants for industrial infrastructure initiatives with the aim of enhancing infrastructure and industrial development.

EXPORT PROMOTION CLUSTER ➤

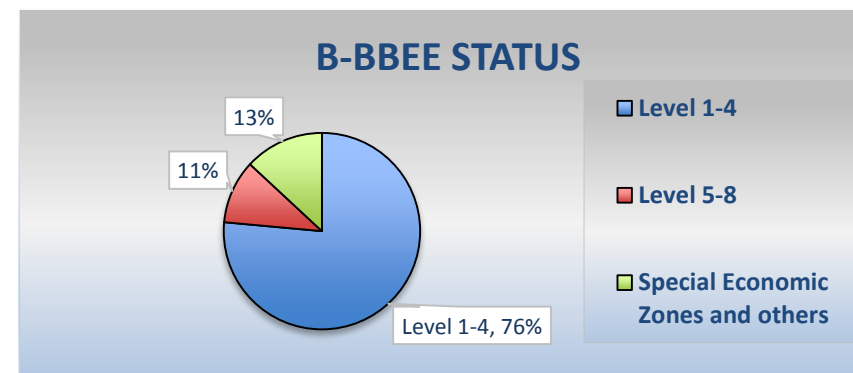
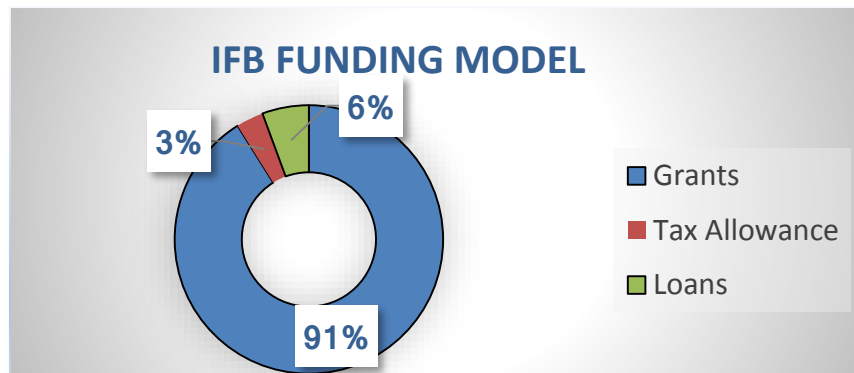
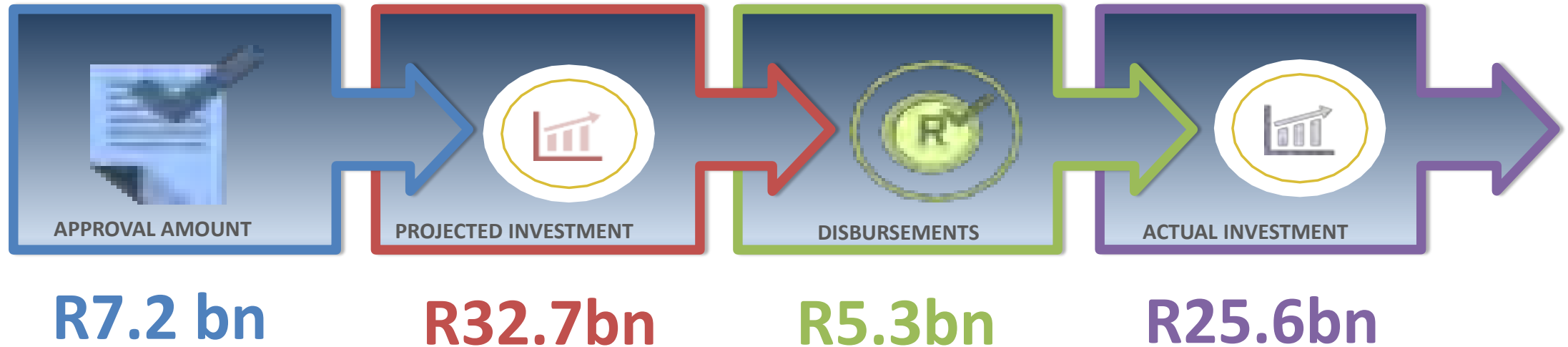
Promotes industrial competitiveness and the growth of South African goods and services in the global economy. .

Competitive Range Of Incentives – Appropriate To Industry Needs

Black Industrialists Scheme	Global Business Services
12I Tax Allowance	Film and TV Production Incentive
Automotive Incentive Scheme	Special Economic Zones
Agro-Processing Support Scheme	Critical Infrastructure Programme
Aquaculture Development Enhancement Programme	Cluster Development Programme
Manufacturing Competitiveness Enhancement Programme	Export Marketing and Investment Assistance Scheme
Technology and human Resource for Industry Programme	Sector-Specific Assistance Scheme
Support Programme for Industrial Innovation	Capital Projects Feasibility Study

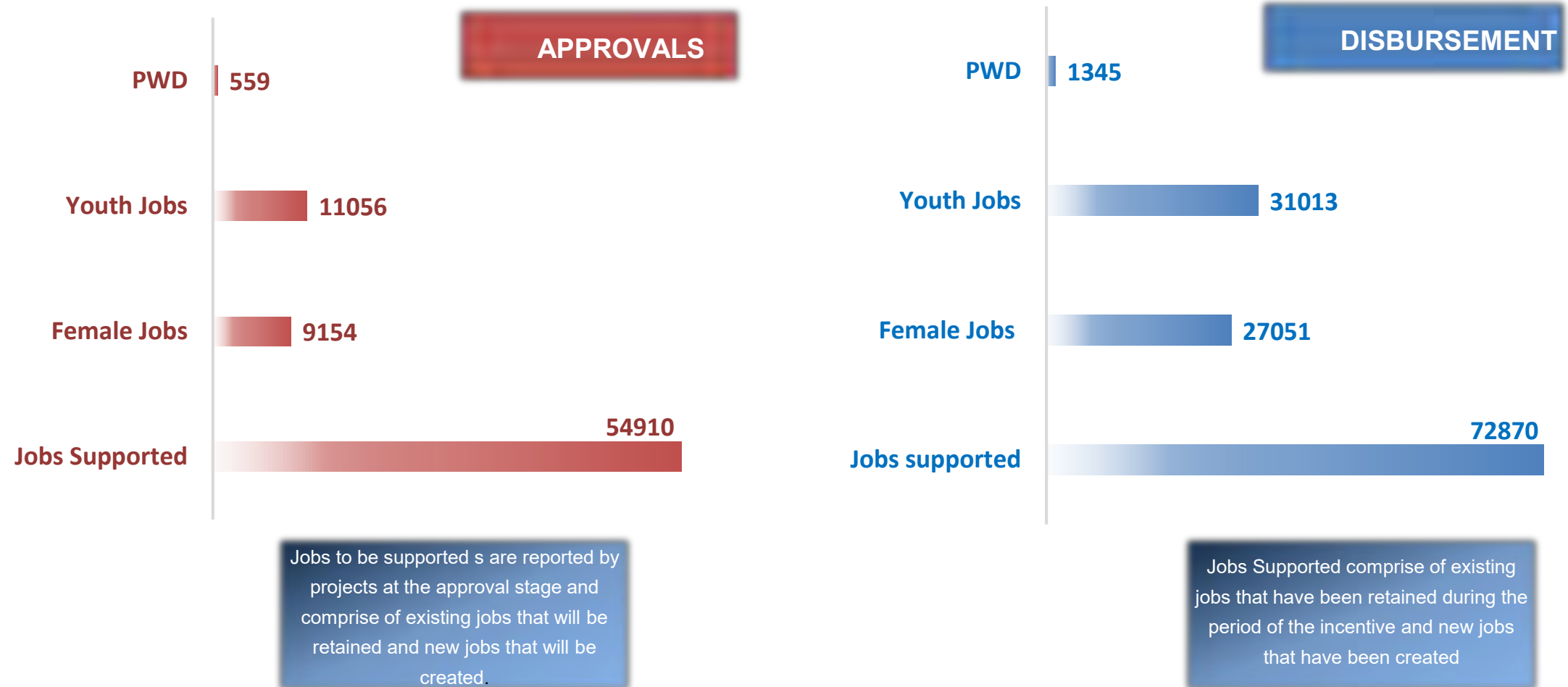
INDUSTRIAL FINANCE IMPACT - 1

BUILDING SIZE AND SCALE FOR IMPACT



INDUSTRIAL FINANCE IMPACT – 2

CONTRIBUTING TO JOB RETENTION AND JOB CREATION



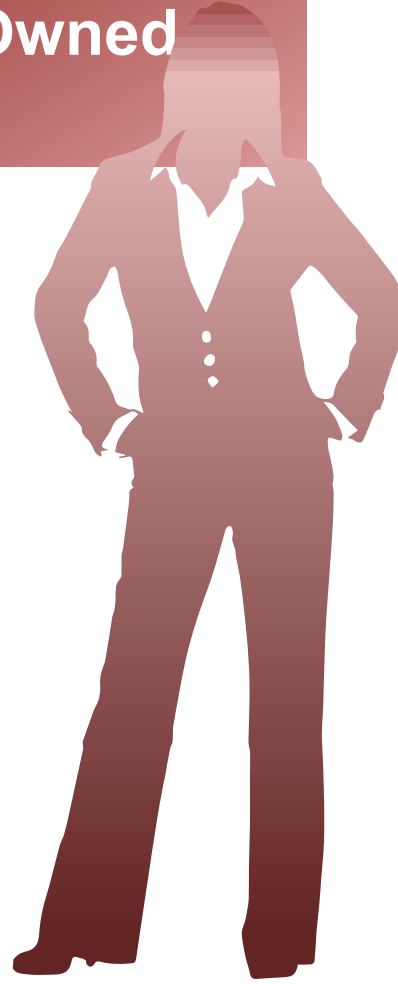
INDUSTRIAL FINANCE IMPACT – 3

INJECTING NEW ENTREPRENEURIAL DYNAMISM INTO SA's INDUSTRIAL BASE

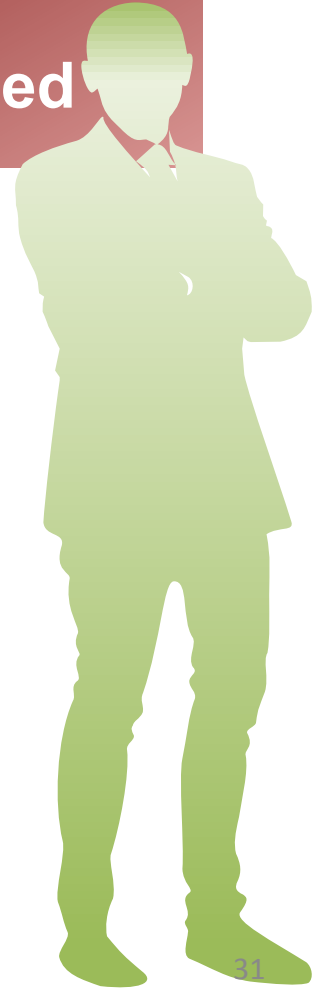
**45% Black
Owned**



**43% Women
Owned**



**8% Youth
Owned**



Individual
shareholders with
51% and greater
shareholding

INDUSTRIAL FINANCE IMPACT – 4

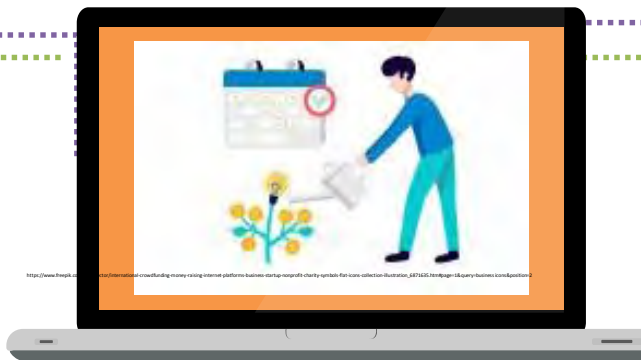
CONTRIBUTING TO STRUCTURAL REFORMS AND ECONOMIC RECONSTRUCTION

Encouraging entrepreneurial development by supporting **568 SMMEs** of which **337** are **emerging exporters**.

Inclusive industrialisation by reviving townships and rural economies through **Industrial parks** approved for R199 million, **empowering Black Industrialists** with grants amounting to R531 million and expanding economic opportunities for **34 black-emerging film makers**

The recently launched **Tshwane Automotive SEZ** that was approved for R1,1 billion will catalyse economic growth in the province and generate investment as well as create employment opportunities in the surrounding communities.

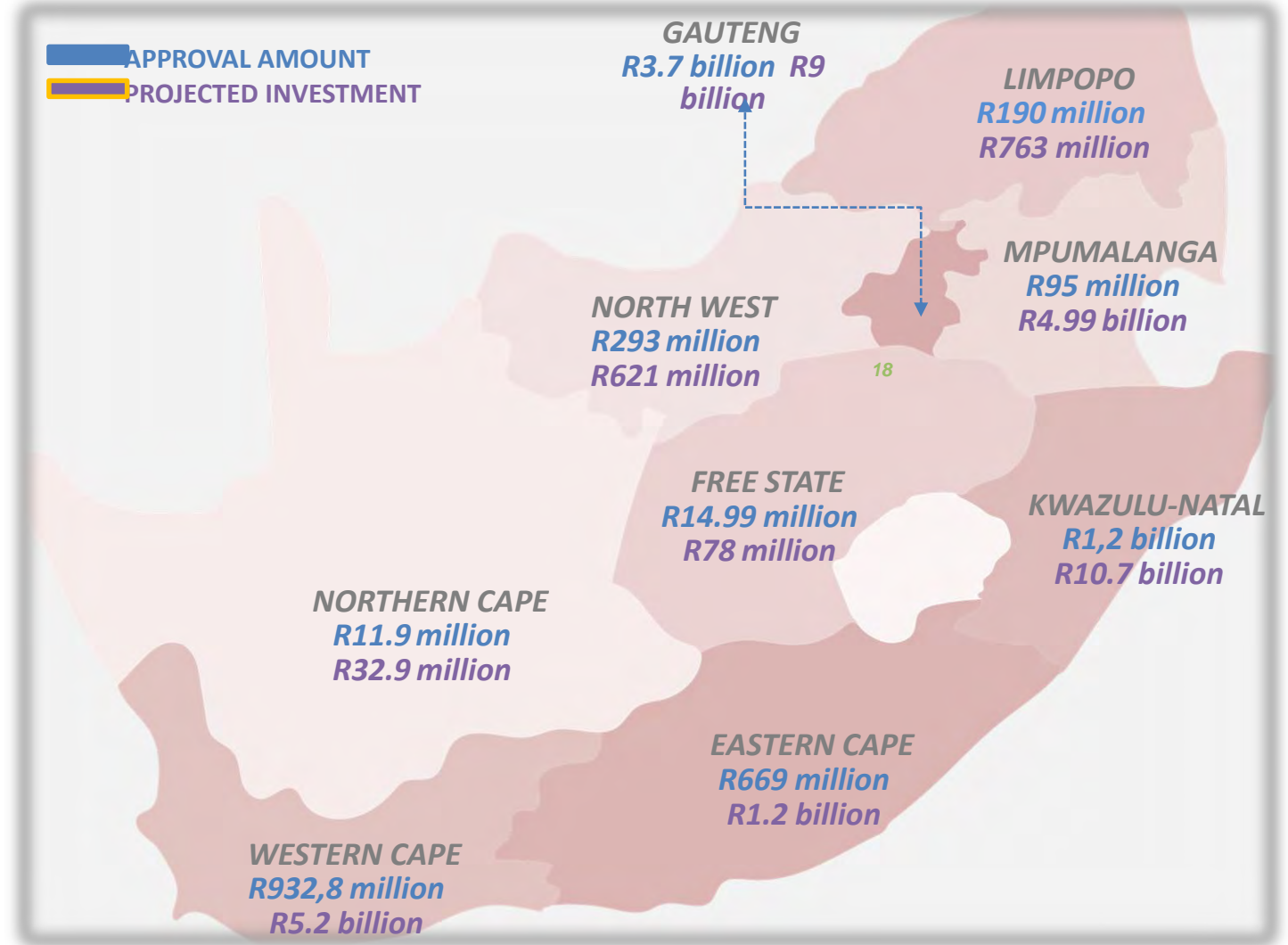
Revival of the South African economy with supported projects **procuring R42bn from local enterprises**. Foreign Investors rejuvenating the economy with injecting R1.5bn worth of investment into local projects. Global Business Services expected to bring in **R8.2bn in export revenue** into the country.



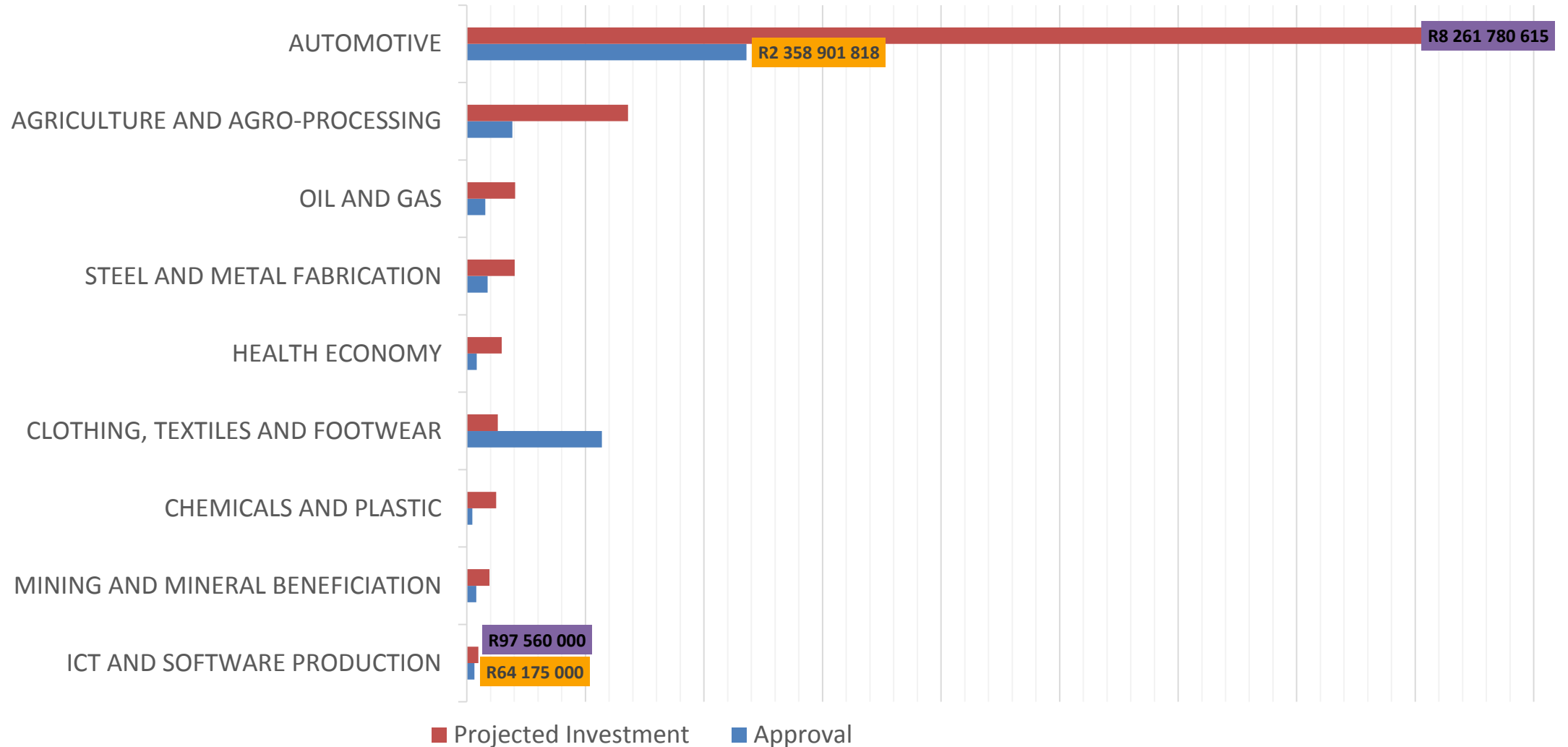
Developing **advanced technical skills** through **supporting black students and female students** for innovative technology and research projects incentivised through the Technology and Human Resource for Industry Programme. **Driving Innovation** with the approval of R122 million for projects in high tech sectors.

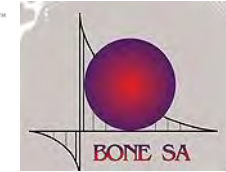
INDUSTRIAL FINANCE IMPACT – 5

EASTERN CAPE Amathole District Municipality Buffalo City Metropolitan Municipality Nelson Mandela Bay Metropolitan Municipality OR Tambo District Municipality Sarah Baartman District Municipality	FREE STATE Lejweleputswa District Municipality Mangaung Metropolitan Municipality
KWAZULU-NATAL eThekweni Metropolitan Municipality Garden Route District Municipality iLembe District Municipality King Cetshwayo District Municipality uMgungundlovu District Municipality uMkhanyakude District Municipality uThukela District Municipality	GAUTENG City of Ekurhuleni Metropolitan Municipality City of Johannesburg Metropolitan Municipality City of Tshwane Metropolitan Municipality Sedibeng District Municipality West Rand District Municipality
LIMPOPO Capricorn District Municipality City of Johannesburg Metropolitan Municipality Mopani District Municipality Vhembe District Municipality	MPUMALANGA City of Johannesburg Metropolitan Municipality Ehlanzeni District Municipality Gert Sibande District Municipality Nkangala District Municipality
NORTH WEST Bojanala Platinum District Municipality Dr Kenneth Kaunda District Municipality	NORTHERN CAPE Frances Baard District Municipality Namakwa District Municipality Pixley Ka Seme District Municipality
WESTERN CAPE Cape Winelands District Municipality City of Cape Town Metropolitan Municipality Eden District Municipality Garden Route District Municipality Overberg District Municipality Vhembe District Municipality West Coast District Municipality	



PUBLIC FUNDS LEVERAGING PRIVATE-SECTOR INVESTMENT





THANK YOU