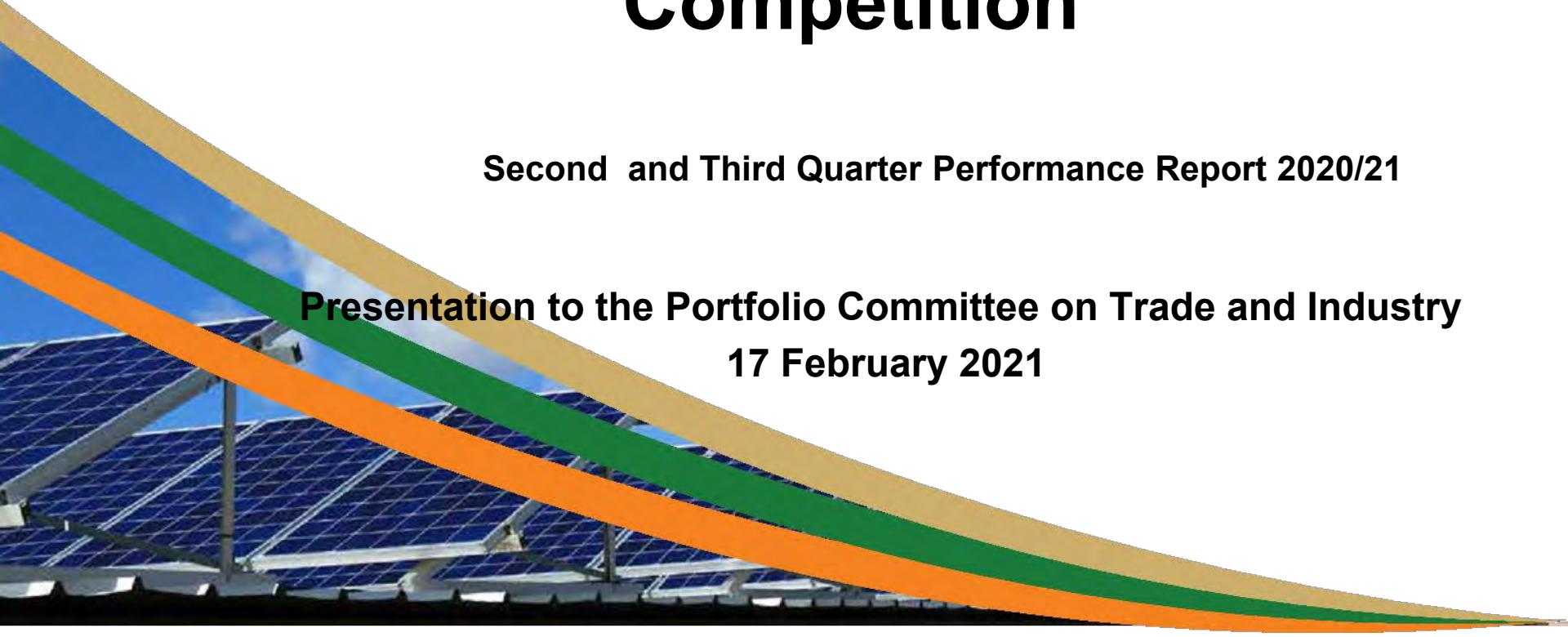


Department of Trade, Industry and Competition

Second and Third Quarter Performance Report 2020/21

Presentation to the Portfolio Committee on Trade and Industry
17 February 2021



PRESENTATION OUTLINE

- ECONOMIC OVERVIEW
- STRATEGIC IMPERATIVES
- SUMMARY OF SECOND AND THIRD QUARTER PERFORMANCE
- FINANCIAL PERFORMANCE

ECONOMIC OVERVIEW

GLOBAL ECONOMY IS RECOVERING

Global Economic Outlook

- Global economy is estimated to have contracted by **3.5%** in 2020.
- This is a better outcome than the contraction of **-4.%** estimated in June 2020.
- The global outlook for 2021 and 2022 has improved as multiple, effective vaccines have entered production.

Risks to the Outlook

- However, risks remain due to:
 - The emergence of Covid-19 variations,
 - Vaccine hoarding by especially developed economies, and,
 - Challenges in the rollout of major vaccination programmes in developing economies.



DECISIVE POLICY ACTIONS WILL SUSTAIN THE RECOVERY

- Most countries deployed a raft of measures to mitigate economic damage of Covid-19.
- This has led to the re-emergence of concerns for especially emerging market countries' debt sustainability.
- Governments need to be careful not to withdraw stimulus measures too soon.

OECD warns against pivot to austerity

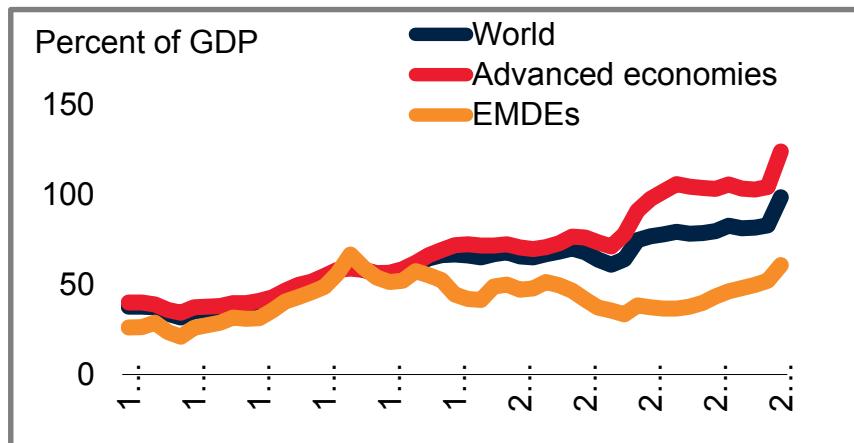
By Matt Ross on 04/01/2021

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Laurence Boone says political leaders should use fiscal policy to revive their economies. Credit: OECD/Victor Tonello

Government Debt



Source: World Bank, Global Economic Prospects, January 2021.

Looking at the aftermath of the financial crisis – when the OECD pressed states to cut public spending quickly – Boone said that governments had been correct to invest in stimulus packages during 2009: “The mistake came later in 2010, 2011 and so on, and that was true on both sides of the Atlantic,” she commented. “The first lesson is to make sure governments are not tightening in the one to two years following the trough of GDP.”

SA ECONOMIC OUTLOOK

Domestic Economic Outlook

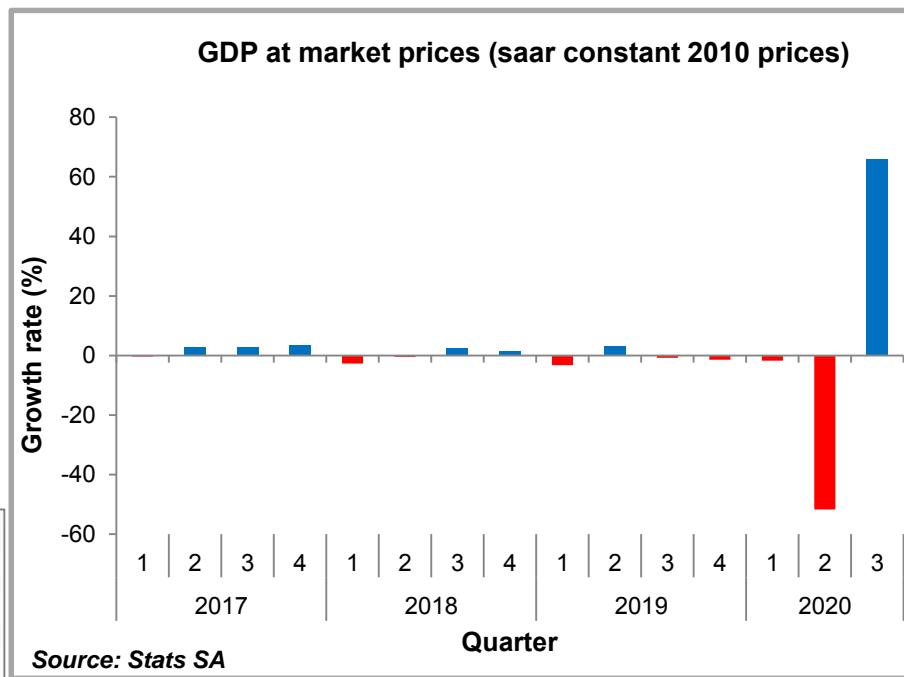
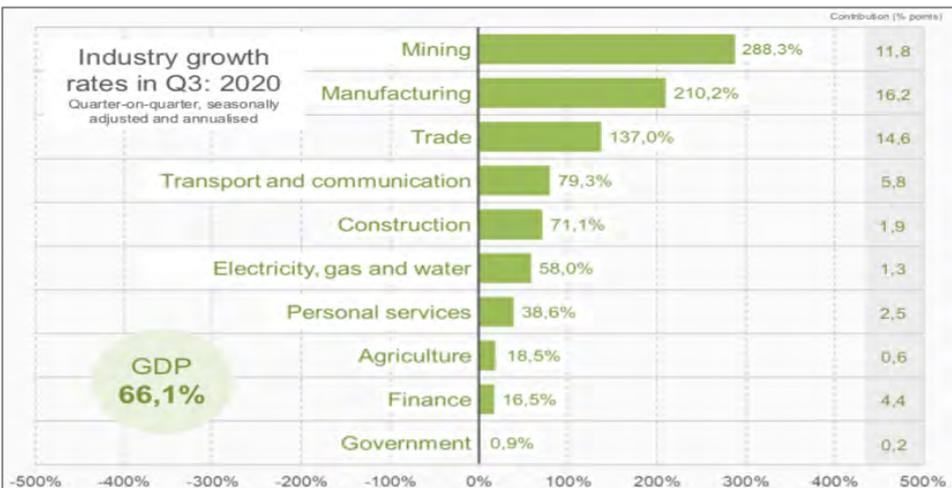
- For SA, the recession is estimated to be more severe and the recovery weaker than our peer countries – due primarily to SA's well-known structural constraints.
- The SARB, in its Statement of the Monetary Policy Committee of 21 January 2021, estimates the economy to have contracted by 7.1% in 2020 and expects GDP to recover by 3.6% in 2021 and 2.4% in 2022.
- This is slightly more optimistic than the IMF's SA GDP growth estimate of -7.5% in 2020 and 2.8% in 2021.

	WEO January 2021 Forecast		
	Estimate	Projections	
%y-o-y	2020	2021	2022
Global GDP	-3.5	5.5	4.2
Advanced Economies	-4.9	4.3	3.1
Emerging Market and Developing Economies	-2.4	6.3	5.0
Sub-Saharan Africa	-2.6	3.2	3.9
United States	-3.4	5.1	2.5
Euro Area	-7.2	4.2	3.6
Japan	-5.1	3.1	2.4
China	2.3	8.1	5.6
Brazil	-4.5	3.6	2.6
Nigeria	-3.2	1.5	2.5
South Africa	-7.5	2.8	1.4

Source: IMF, World Economic Outlook, January 2021.

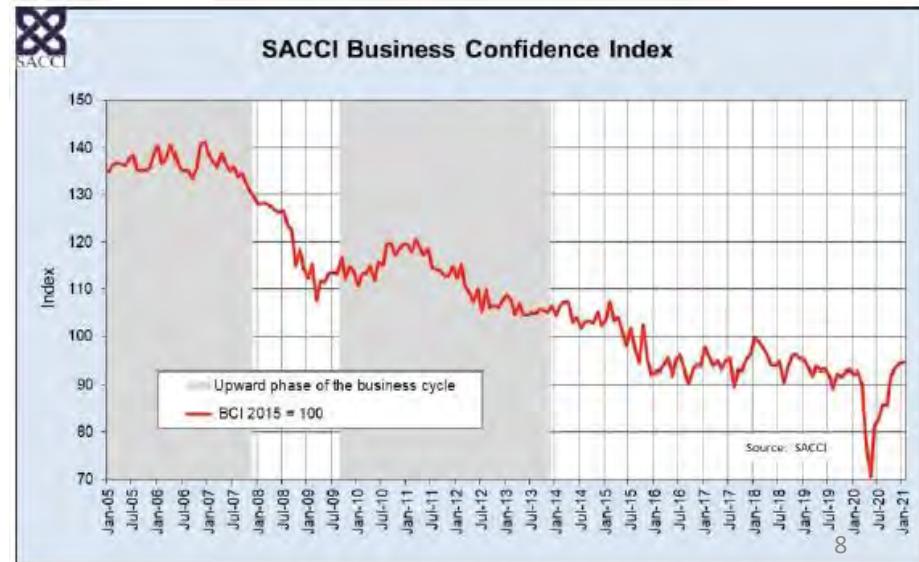
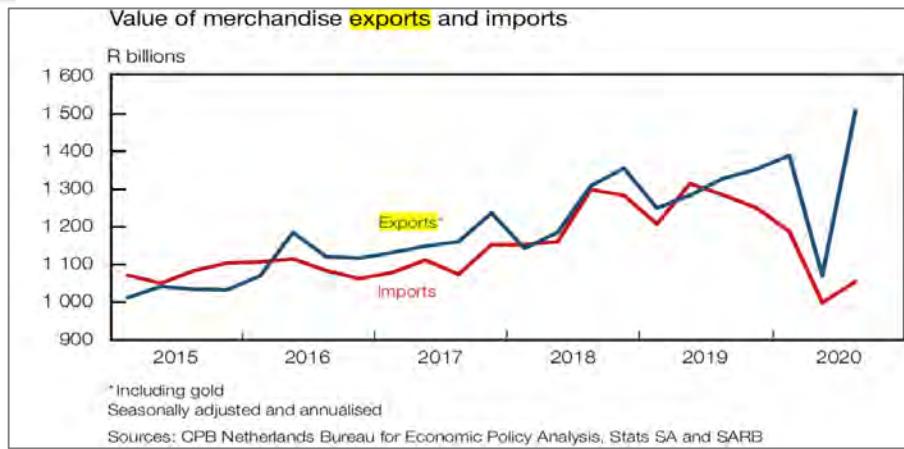
RECOVERY IS UNDERPINNED BY PRODUCTIVE SECTORS

- Real GDP growth increased by 66.1% in 2020Q3 from 51.7% decline in the second quarter - primarily due to the gradual easing of the COVID-19 lockdown restrictions as well as resultant base effects.
- Year-on-year (y-on-y) GDP contracted by 6%.
- All sectors recorded positive growth in 2020Q3.



BUT *MAY* NOW BE LOSING MOMENTUM

- Mining, Manufacturing and Agriculture recovered strongly.
- Outlook for Q4 '20 and 2021 is mixed.
- Some 'green shoots':
 - Aggregate Nov '20 new vehicle sales at 39,315 units (up 563 units on Oct '20).
 - Light Commercial vehicle Nov '20 sales of 11,243 units (up 1,599 units on Oct '20).
 - Exports of 34,588 units in Nov '20 (up by 1,114 units on Oct '20).
 - Trade account swung to a massive surplus.
- But hi-frequency data suggests recovery is losing momentum.
- Business confidence remains very weak.



A NOTE ON DOMESTIC ECONOMIC OVERVIEW

NB. The economy did not contract by 51%.

- When the quarterly GDP data is released, it is standard practice to *annualise* the data.
- This simply means that one quarter's data is extrapolated for an additional 3 quarters.
- The value of such a statistic is that it provides a technical estimate of what annual GDP would be if the economy grew/contracted by precisely the same amount for 4 quarters.
- In practice, this is obviously impossible.
- The term '51% 'collapse' is therefore misleading and unnecessarily sensationalist.

The screenshot shows a news article from Moneyweb. At the top, there is a header with a menu icon, the Moneyweb logo, a 'DATA' button, and currency exchange rates for JSE ALSI (54,550, 2020-10-01 09:39) and USD/ZAR (16.67, 2020-10-01 09:45). Below the header, the article title is 'GDP collapses 51% in the second quarter'. The title is bolded and followed by a subtitle: 'The quarter-on-quarter fall is the fourth consecutive decline in quarterly GDP since the second quarter of 2019.' Below the subtitle, it says 'By Larry Claesen 8 Sep 2020 @ 11:32'. There is also a 'SHARES' section with a count of 126 and social media sharing icons for Facebook, Twitter, LinkedIn, WhatsApp, Email, and Print. A blurred image of people wearing face masks is visible at the bottom of the article.

South Africa 26

GDP collapses 51% in the second quarter

The quarter-on-quarter fall is the fourth consecutive decline in quarterly GDP since the second quarter of 2019.

By Larry Claesen 8 Sep 2020 @ 11:32

126 SHARES

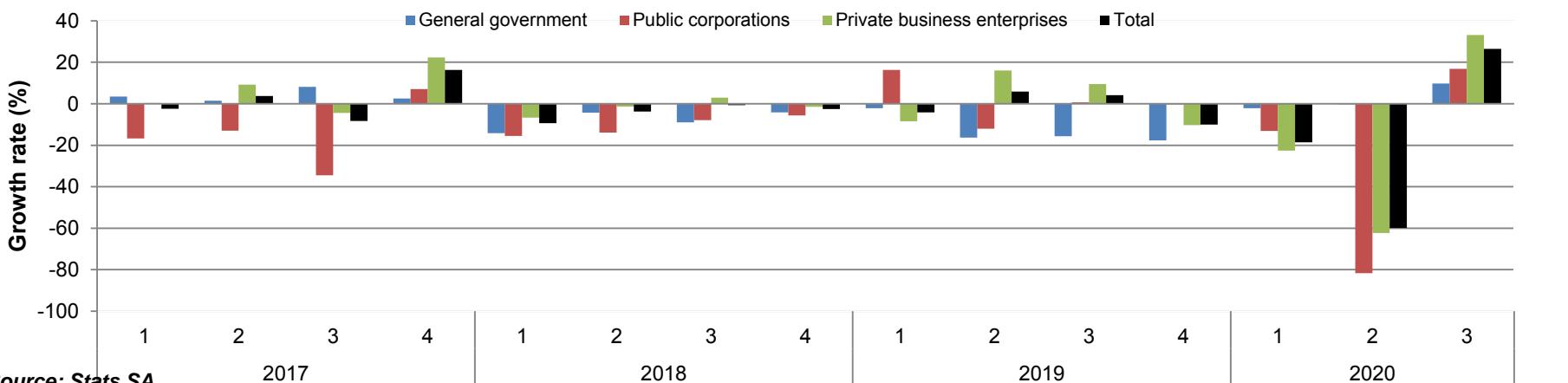
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SHARES

GROSS FIXED CAPITAL FORMATION REBOUNDS

- Gross fixed capital formation rebounded by 26.5% in the third quarter of 2020 following an unprecedented 59.8% plunge in the previous quarter.
- Investment by private sector enterprises (33.2%) remains significant, notwithstanding low business confidence.
- Growth of investment by public corporations (16.8%) is likely to be sustained as Government's infrastructure investments are rolled out. Investment by grew only modestly.
- The top 3 asset classes of investment were non-residential buildings (89.9%), residential buildings (70.6%) and construction works (67.3%).

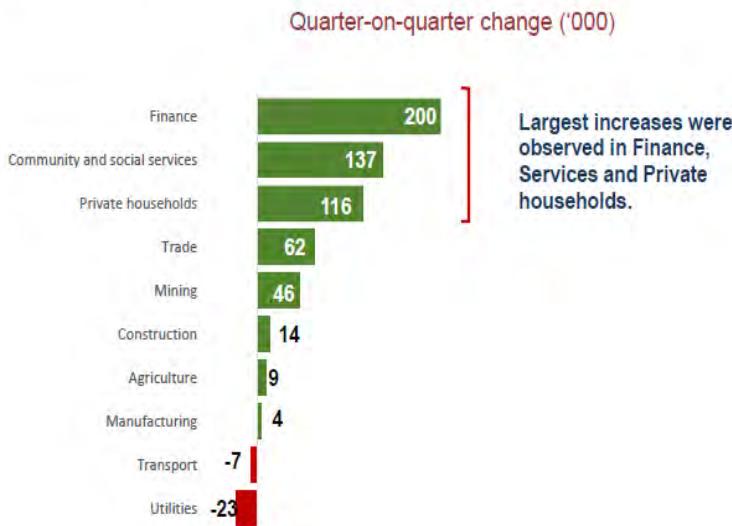
GFCF by categories (q-on-q saar, constant 2010 prices)



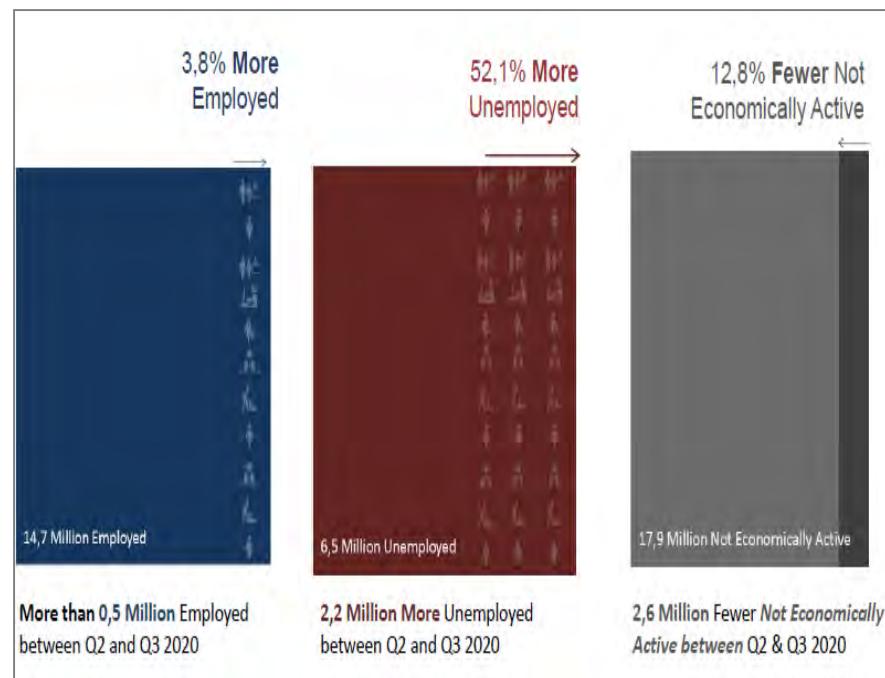
EMPLOYMENT – LABOUR MARKET DETERIORATES

- Large movements were witnessed in all categories between 2020Q2 and 2020Q3.
- There were 543,000 more people employed in 2020Q3 than in 2020Q2.
- Employment gains were observed across all industries, with the exception of Transport and Utilities, as the economy reacts to the relaxation of lockdown measures.

Employment changes by industry

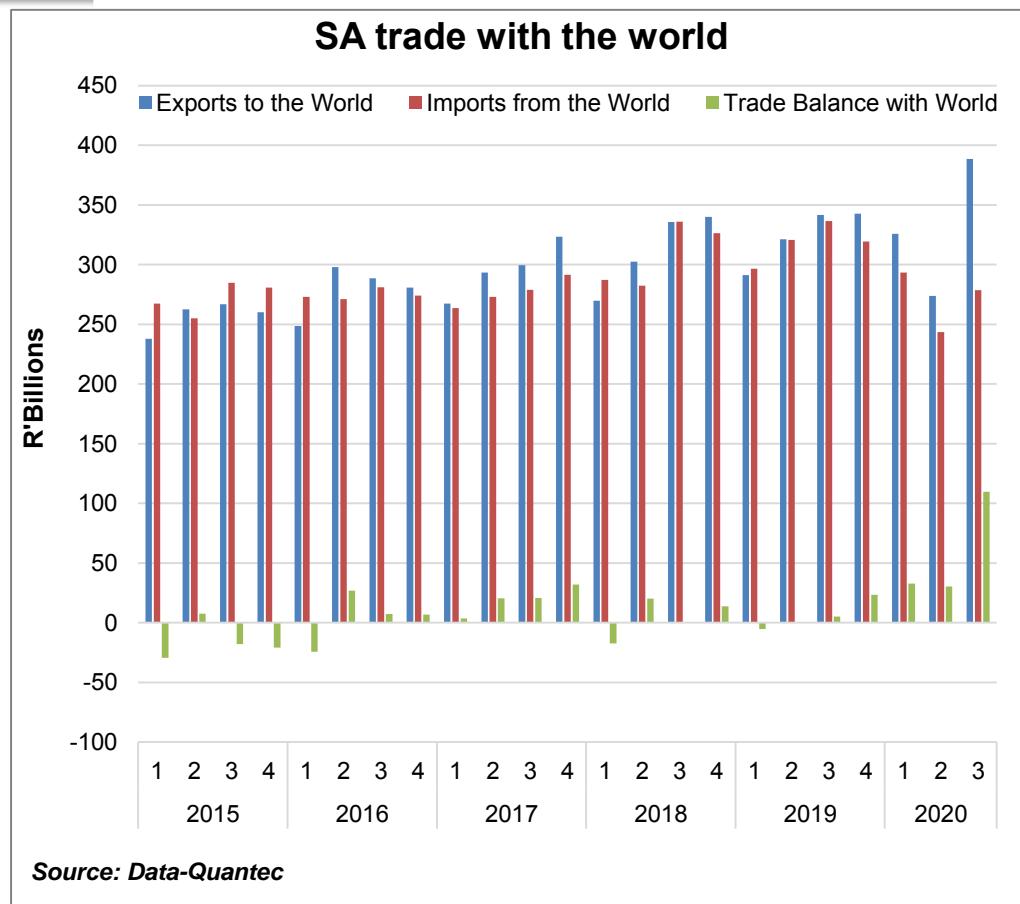


- Unemployment increased by 2.2 million in 2020Q3.
- As a result, South Africa's unemployment rate increased by 7.5 percentage points, to 30.8% in 2020Q3.



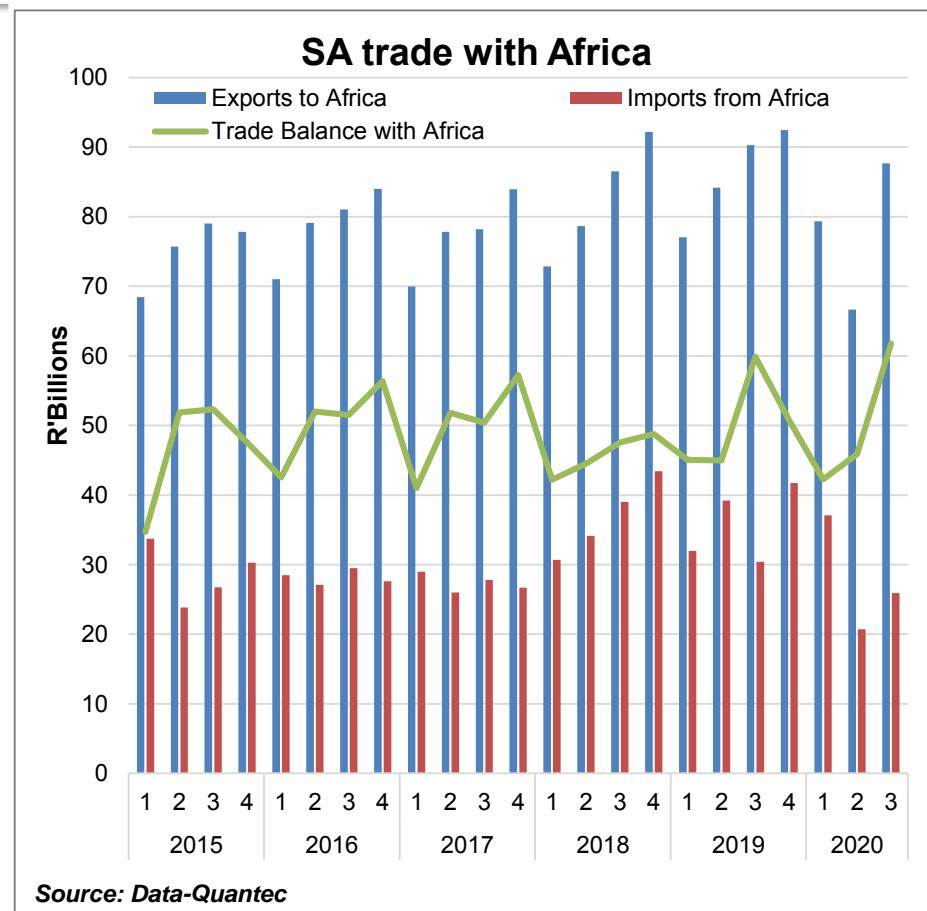
SA TRADE SURPLUS WITH THE WORLD WIDENS (2020Q3)

- South Africa's trade balance with the rest of the world recorded a massive surplus of R110 billion in 2020Q3, from R30 billion 2020Q2.
- The higher trade surplus in 2020Q3 resulted from an increase of 42% in merchandise exports compared to an increase of 14% in imports.
- Exports to the world reached R385 billion in 2020Q3, the highest export figure in more than 5 years.
- This surge in exports was in part driven by SA exports of manufactured goods to the European Union.



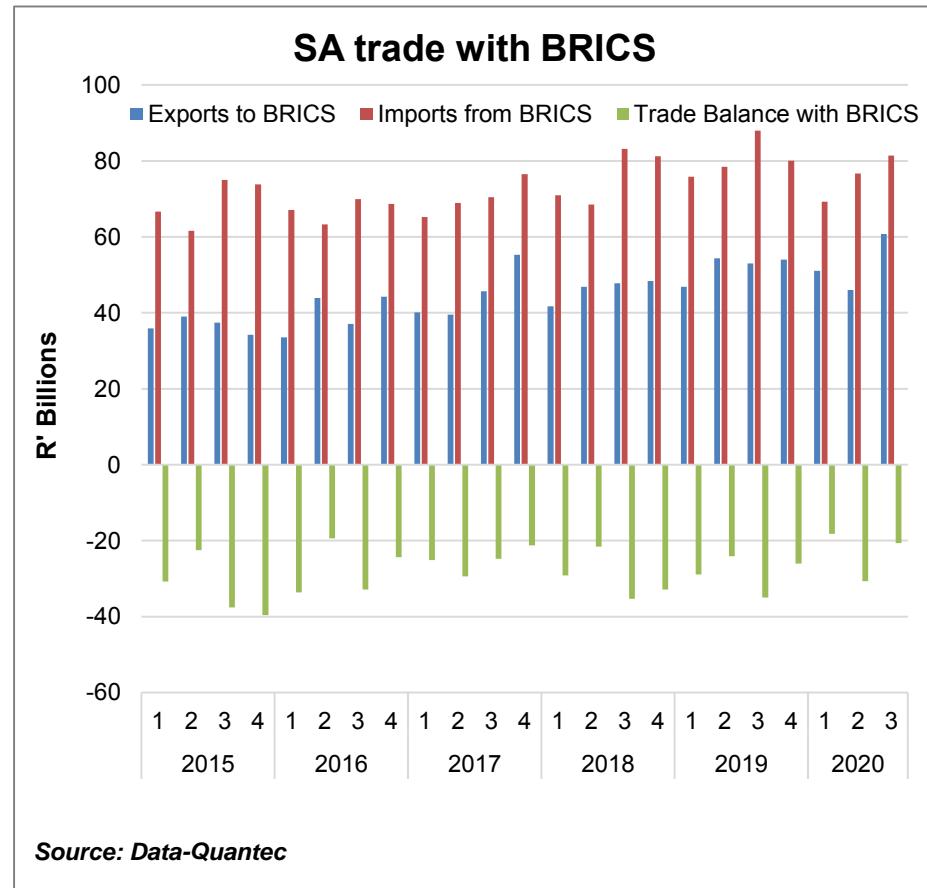
SA TRADE SURPLUS WITH AFRICA WIDENS (2020Q3)

- Exports to Africa increased to R88 billion in 2020Q3, from R67 billion in 2020Q2, while imports also increased to R26 billion in 2020Q3.
 - South African exports to the continent were largely driven by preferential trade arrangements in the Southern African Region (SADC & SACU).
 - With opening of markets in Africa through the Africa Continental Free Trade Area (AfCFTA), higher export penetration to other sub-Saharan African economies is anticipated.
 - In an effort to expand trade beyond the SADC region, the Masterplans will include a chapter on trade opportunities and actions to be undertaken to support AfCFTA trade.



SA TRADE DEFICIT WITH BRICS NARROWS (2020Q3)

- In 2020Q3 the total trade with BRICS was recorded at R142 billion.
- SA's trade with other BRICS countries has been dominated by China: export (R45 billion) and import (R57 billion), followed by India: exports and imports recorded R13 and R17 billion respectively, in 2020Q3.
- This disparity is reflected in the country's trade balance, which has been consistently negative.
- However, SA recorded a narrowed trade deficit with its BRICS counterparts, valued at R21 billion in 2020Q3, from R31 billion in 2020Q2.
- Government will continue to use all available channels to improve the trade balance with BRICS partners.



GOVERNMENT INTERVENTIONS

To improve growth prospects for the domestic economy, Government is in advanced negotiations with social partners at NEDLAC to implement a comprehensive Economic Recovery Plan:

- ❑ Strengthening energy security;
- ❑ Industrialisation through localisation;
- ❑ Development of sectoral Masterplans;
- ❑ Infrastructure investment;
- ❑ Support for tourism;
- ❑ Measures to combat illegal imports;
- ❑ Anti-corruption interventions;
- ❑ Public employment programmes; and
- ❑ Strengthening the current relief measures for workers and business.

the dtic **STRATEGIC IMPERATIVES**

Vision

A dynamic industrial, globally competitive South African economy, characterised by meaningful economic transformation, inclusive growth and development, decent employment and equity, built on the full potential of all citizens.

Mission

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

Values

- Promotes the Constitution – with special reference to the chapters on human rights, cooperative governance and public administration;
- Promotes decent work outcomes (more jobs as well as better jobs), industrialisation, equitable and inclusive growth and social inclusion;
- Operational excellence – service delivery standards, international best practice, Batho Pele Principles, continuous improvement and ethical conduct;
- Intellectual excellence – continuous shared learning, innovation, relevant knowledge and skills improvement and knowledge management; and
- Quality relationships – improved and continuous communication, honesty, respect, integrity, transparency, professionalism, ownership, leadership and teamwork.

SUMMARY OF SECOND AND THIRD QUARTER PERFORMANCE

PROGRAMMES

PROGRAMME 1: Administration

PROGRAMME 6: Industrial Financing

**PROGRAMME 2: Trade Policy,
Negotiations and Cooperation**

**PROGRAMME 7: Export
Development, Promotion and
Outward Investments**

**PROGRAMME 3: Spatial
Industrial Development and
Economic Transformation**

**PROGRAMME 8: Inward
Investment Attraction,
facilitation and Aftercare**

**PROGRAMME 4: Industrial
Competitiveness and Growth**

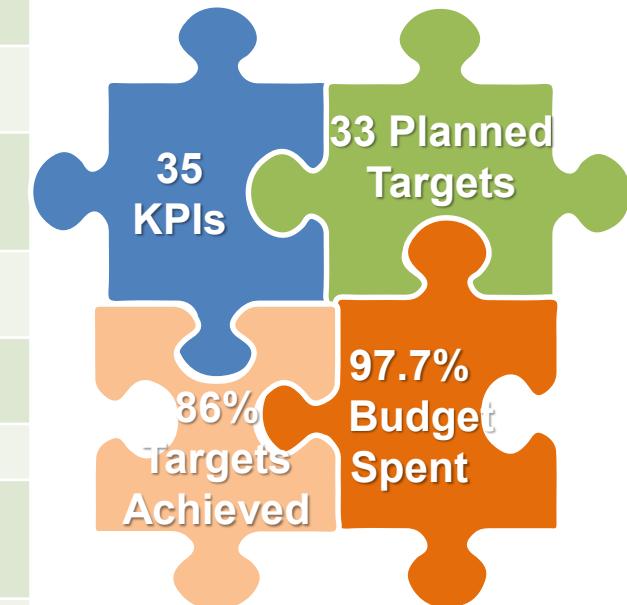
**PROGRAMME 9: Competition
Policy and Economic Planning**

**PROGRAMME 5: Consumer and
Corporate Regulation**

**PROGRAMME 10: Economic
Research and Coordination**

SECOND QUARTER PLANNED TARGETS

PROGRAMME	KPI	Q2 TARGET	ACHIEVED
Programme 1: Administration	8	5	5
Programme 2: Trade Policy, Negotiations and Cooperation	3	4	4
Programme 3: Spatial Industrial Development and Economic Transformation	3	3	3
Programme 4: Industrial Competitiveness and Growth	4	4	4
Programme 5: Consumer and Corporate Regulation	1	1	1
Programme 6: Industrial Financing	3	2	1
Programme 7: Export Development, Promotion and Outward Investments	5	3	3
Programme 8: Inward Investment Attraction, Facilitation and Aftercare	3	3	3
Programme 9: Competition Policy and Economic Planning	3	3	3
Programme 10: Economic Research and Coordination	2	5	3
Total	35	33	30



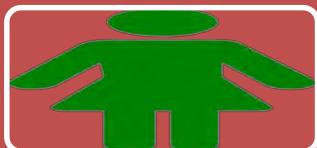
THIRD QUARTER PLANNED TARGETS

PROGRAMME	KPI	Q3 TARGET	ACHIEVED
Programme 1: Administration	8	8	7
Programme 2: Trade Policy, Negotiations and Cooperation	3	5	5
Programme 3: Spatial Industrial Development and Economic Transformation	3	0	0
Programme 4: Industrial Competitiveness and Growth	4	3	2
Programme 5: Consumer and Corporate Regulation	1	1	1
Programme 6: Industrial Financing	3	2	2
Programme 7: Export Development, Promotion and Outward Investments	5	12	12
Programme 8: Inward Investment Attraction, Facilitation and Aftercare	3	8	8
Programme 9: Competition Policy and Economic Planning	3	3	3
Programme 10: Economic Research and Coordination	2	5	4
Total	35	47	44



PROGRAMME 1: ADMINISTRATION

Purpose: Provide strategic leadership, management and support services to the department



Recorded 53% in Q2 and 54% in Q3 of women in Senior Management Services (SMS) against the quarterly target of 50%



Recorded 3.7% in Q2 and 3.8% in Q3 of people with disability against the quarterly target of 3.5%



In response to COVID-19 pandemic, the **dtic** continued to implement its protocol on new working arrangements and conducted an occupational health and safety assessment.



100% of eligible creditors payments were processed within 30 days in the past two quarters

PROGRAMME 2: TRADE POLICY, NEGOTIATIONS AND COOPERATION

Purpose: Build an equitable global trading system that facilitates development by strengthening trade and investment links with key economies and fostering African development, including regional and continental integration and development cooperation in line with the African Union Agenda 2063

African Continental Free Trade Area (AfCFTA) and Tripartite Free Trade Agreement (T-FTA)

- South Africa assumed Chair of AU Ministers of Trade meetings (AMOT) in September 2020, for one year, that oversees the negotiations. A work program was agreed to focus on submission of tariff offers with agreed rules of origin in time for the AU Summit scheduled for December 2020;
- AfCFTA 13th Extra-ordinary Summit was held on the 5th of December 2020 to provide the legal basis for AU Members to initiate preferential trade under the AfCFTA from 1 January 2021;
- A status report on the TFTA was developed in preparation for participation in the meetings developing COVID 19 Guidelines for cross border trade.



BRICS

- Utilized the BRICS Trade Ministers Meeting and Summit to advance position that post-COVID supply-chains be built around the increased production of critical health, food and other basic products at the national and regional levels; and
- SA's advanced its position on WTO reform and in the review of the BRICS Strategy for Economic Partnership. Overall objective is to ensure policy space is maintained in international rule making including the Joint Statement Initiatives in the WTO.

PROGRAMME 2: TRADE POLICY, NEGOTIATIONS AND COOPERATION

Purpose: Build an equitable global trading system that facilitates development by strengthening trade and investment links with key economies and fostering African development, including regional and continental integration and development cooperation in line with the African Union Agenda 2063

South Africa-European Union (SA-EU)

- Strategic dialogue was held with EU at Ministerial level in Q2 to discuss and find solutions for trade impediments on both sides.
- Several meetings were held between the sides at expert's level to discuss possible solutions. South Africa proposed packages to the EU for resolution of Sanitary and Phytosanitary (SPS) issues on both sides;

Intellectual Property Rights

- Development of the 1st draft Patents Bill and Industrial Designs Bill that provides for the use of the flexibilities in the TRIPS Agreement for purposes of public health.
- The reforms proposed in the Patents Bill are key to ensure that access to a COVID-19 vaccine are not impeded by patent rights should they become applicable.
- The Industrial Designs Bill law will then require alignment with the patent reforms, hence the two Bills being linked.

PROGRAMME 3:SPATIAL INDUSTRIAL DEVELOPMENT AND ECONOMIC TRANSFORMATION

Purpose: Drive economic transformation and increase participation in industrialisation.

Special Economic Zones (SEZ):

- ❑ New Tshwane Automotive SEZ (TASEZ) entered into full construction phase for the 12-secured investors with a value of R2.8 billion. Minister approved the application for the expansion of Tshwane Automotive SEZ;
- ❑ Improved performance was recorded from previously underperforming zones in Saldanha Bay and Richards Bay – adding 7 investors worth R437 million and 153 jobs. A strategic planning meeting was held with Deputy Minister and Management of the Saldanha Bay SEZ; and
- ❑ Hosted a Webinar on “SEZ – Key Drivers of Growth and Development” in partnership with the Centre for Development and Enterprise (CDE). The webinar reflected on the impact of COVID-19 on SEZs. In addition, two SEZ CEO Fora’s were held to address the impact of COVID-19 on SEZ operations and development, alleviation of job losses, especially during the construction phase and promotion of local manufacturing base.

PROGRAMME 3:SPATIAL INDUSTRIAL DEVELOPMENT AND ECONOMIC TRANSFORMATION

Purpose: Drive economic transformation and increase participation in industrialisation.

Economic Transformation

- The Minister approved and issued a certificate of compliance for Equity Equivalent Investment Programme (EEIP) to Toyota and Mercedes Benz; in September 2020.
- A webinar was held in collaboration with Spanish Chamber of Commerce in South Africa on 23 September 2020, to share experiences, discuss policy and implementation models that can help accelerate the progress of economic transformation and inclusive growth in South Africa with Foreign Direct Investment (FDI) as one of the catalysts.
- Participated in the evaluation of the e-waste proposals under Samsung's EEIP with the key focus of women empowerment for the projects. The process was completed in September 2020.
- About 97 students attended the B-BBEE Management Development Programme through UNISA and WITS University. The programme is an initiative of **the dtic** to provide standardized national curriculum on B-BBEE.
- Supported District Development Model Workshops with Deputy Minister in Northern Cape, Gauteng in Q3.

Eco Industrial Parks Programme (UNIDO)

- In addition to Ekandustria and Phuthaditjhaba IP, seven additional Industrial parks selected for EIP assessment. Held Provincial stakeholder meeting and site visit to Babelegi IP with the Gauteng Office Of the Premier Head of Policy in December 2020.

PROGRAMME 4: INDUSTRIAL COMPETITIVENESS AND GROWTH

Purpose: Design and implement policies, strategies and programmes for the development of manufacturing and related economic sectors, and contribute to the direct and indirect creation of decent jobs, value addition and competitiveness, in both domestic and export markets

Agro Processing and Resource Based Industries

- Achieved R800m poultry investments aimed at expanding local production capacity, and creating 428 jobs in Q2. In Q3, Poultry investments under the master plan reached R1,14 billion against a 3 year target of R1.7 billion commitment. New jobs created through the implementation of the SA Poultry Master Plan, reached 930 in Q3.
- **the dtic** in collaboration with Consumer Goods Council of South Africa (CGCSA) launched the South African Food Loss and Waste Voluntary Agreement on 29 September 2020 as part of commemorating the International Day of Awareness of Food Loss and Waste (IDAFLW);

Aerospace and Defence

- Africa Institute of South Africa (AISI) supported Jonker Sailplanes to certify their product with the European Union Aviation Safety Agency (EASA) to access the EU market;
- 3 SMMEs received support in technology development and advancement projects namely Simera Africa (BBBEE Level 2), Sparcx (BBBEE level 1) and Simera Sense (BBBEE Level 4). This was carried out under the AISI's Industry Development and Technology Support programme;



PROGRAMME 4: INDUSTRIAL COMPETITIVENESS AND GROWTH

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Electro- Technical and White Goods

- ❑ In Q2, Mobicel, one of SA's fastest growing mobile technology suppliers, launched a cell phone assembly plant in Midrand. It employs 65 black women and aims to increase with an additional 50 in the coming months. The plant has an assembly line, repair center, call center and distribution network;

Automotives

- ❑ The Automotive Industry Transformation Fund has been set up with a database of over 3200 beneficiaries already established and ready for implementation in 2021.



PROGRAMME 4: INDUSTRIAL COMPETITIVENESS AND GROWTH

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Metals Fabrication, Capital and Rail

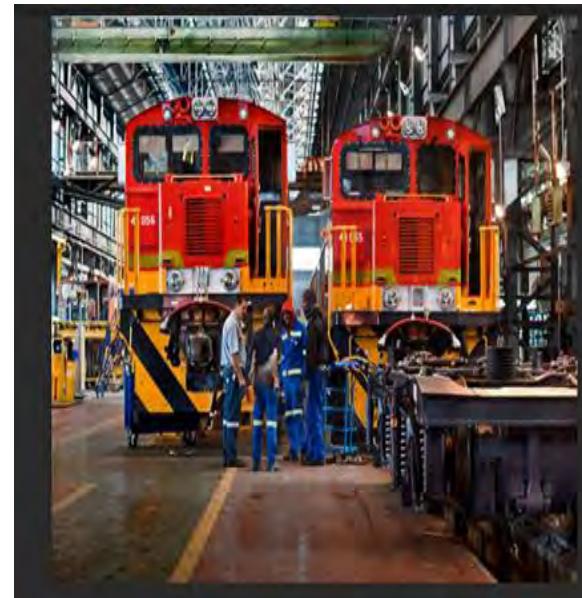
- Collaborated with Eskom and industry to ensure localisation of High Voltage Composite Insulators. Vexila, the first ever African manufacturer to secure a contract of this nature with Eskom; was awarded the national contract for the manufacture and supply of 765kV insulators. This has also resulted in the localization of:
 - steel end fittings through a local forged component supplier, McWade Production;
 - cotter (split) pins through a local supplier, Thekwini Wire. Also to note, two new sizes that have never been produced by Thekwini Wire are now part of their product offering (expansion of product line).
- Paltech Technologies (PTY) LTD, a valve manufacturer has received a Maritime Class Approval for its Wafer type butterfly valves size DN 80 - 250 mm (obtained 21 August 2020). The manufacturer will now be able to supply certified valves into the Marine industry including Armscor;
- The National Foundry Technology Network (NFTN) has supported an initiative to get local foundries (Kimberley Engineering Works, Rely, Intracast and Vestcast) accredited with Pressure Equipment Directive (PED 2014/68/EU) certification standard. This milestone will enable the foundries to supply internationally recognized valve castings as well as participate in supply chains like oil and gas.

PROGRAMME 4: INDUSTRIAL COMPETITIVENESS AND GROWTH

Purpose: Design and implement policies, strategies and programmes for the development of manufacturing and related economic sectors, and contribute to the direct and indirect creation of decent jobs, value addition and competitiveness, in both domestic and export markets

Metals Fabrication, Capital and Rail

- Judgment was granted in favour of the dtic (Minister) by the High Court Pretoria Judge, in July 2020. Accordingly, the court upheld the decision by the dtic to decline an Exemption to import Transformers and that the process was rational, lawful, reasonable, and procedurally fair;
- Rolling stock manufacturer TMH Africa signed a framework agreement with global rolling stock manufacturer United Wagon Company to jointly supply the African market with freight wagons for narrow-gauge rail lines;
- Bombardier Transportation reported that, as of November 2020, its locomotive fleet provided to State-owned logistics company Transnet has successfully completed ten-million kilometres in service since operations began in December 2017;
- Transnet Freight Rail reported that more than 169 suspects arrested between August and October for cable theft due to joint efforts with other rail industry stakeholders, as well as law enforcement agencies and customers;
- Transnet Engineering recently awarded work in Mozambique to supply 300 wagons;



PROGRAMME 4: INDUSTRIAL COMPETITIVENESS AND GROWTH

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Industrial Participation

- ❑ Diehl Aviation is a first tier supplier to Airbus of avionic and cabin integration systems. Airbus has a contract with Diehl for the supply of avionics products, including cabin integration systems for the assembly of the A320 family aircraft (A318, A319, A320 & A321) aircrafts. The work package that will be awarded to AAT Composites by Diehl Avionics includes composite panels or parts for aircraft toilets that are fitted on to the A320 family aircraft. The **local content** is estimated at 50%;

Chemicals, Cosmetics, Plastics and Pharmaceuticals

- ❑ Permits amounting to R1.6 billion, were issued for the export of hand sanitisers to 30 African countries, including Nigeria, Ghana, Kenya, Mozambique and Botswana between June – November 2020.
- ❑ Sasol has also won the CAIA COVID award for their role in ensuring supply of alcohol and sanitizers
- ❑ Clicks procured hair care products from three new women-owned black companies.

Primary Minerals Processing and Construction

- ❑ Approval of amended short term electricity pricing framework for energy intensive users.

PROGRAMME 4: INDUSTRIAL COMPETITIVENESS AND GROWTH

Purpose: Design and implement policies, strategies and programmes for the development of manufacturing and related economic sectors, and contribute to the direct and indirect creation of decent jobs, value addition and competitiveness, in both domestic and export markets

Industrial Procurement

- the dtic requested National Treasury to revise the Instruction No.11 of 2020/2021 to emphasise local content requirements and that any procurement of PPE which includes designated products be subjected to the local content requirements; The new Practice Note by National Treasury (NT Instruction No.11 of 2020-2021 Procurement in response of COVID-19 and the repeal of Instruction No.5) was published on 25 August 2020 and came into effect on 1st September 2020;
- A list of commodities with minimum thresholds for local production and those that should be localised using the provisions in Regulation 8.4 was provided to form part of the new Treasury Instruction 11 of 2020/2021. The revised Instruction also emphasise the reporting of awarded bids on a monthly basis;
- Minister of Public Enterprises issued a letter to Eskom and Transnet for the immediate application of National Infrastructure Protection Plan (NIPP) in the procurement process for all contracts above \$5million;
- Two projects in the NIPP pipeline for the production of ventilators. In addition, an engagement was held with a Russian SOC as a potential National Industrial Participation Programme obligor- interest in manufacturing of PPE in SA;

PROGRAMME 5:CONSUMER AND CORPORATE REGULATION

Purpose: Develop and implement coherent, predictable and transparent regulatory solutions that facilitate easy access to redress and efficient regulation for economic citizens.

Final mandates from Provinces on the National Gambling Amendment Bill were received and tabled in the Select Committee in August 2020. The next process is that the Bill will be tabled in the NCOP and mediation.

dtic met with industry role players in Q2, that is Banking Association South Africa (BASA) and National Clothing Retail Federation (NCRF), on the implementation of the National Credit Amendment Act, 2019 to discuss a way forward on the implementation of the Act.

Participated in the webinar held in Q2 on consumer protection during COVID-19 pandemic with the National Credit Regulator, the National Consumer Commission and the Competition Commission.

SEIAS Report on the Liquor Amendment Bill certified by the Presidency in October 2020.

The Companies Amendment Bill is under discussions at Nedlac to ensure a more legally sound and robust law.

PROGRAMME 6:INDUSTRIAL FINANCING

Purpose: Stimulate and facilitate the development of sustainable and competitive enterprises, through the efficient provision of effective and accessible incentive measures, that support national priorities



Q2: COVID19 Industrial Financing Interventions were implemented in partnership with the National Empowerment Fund (NEF) and the Industrial Development Corporation (IDC) to support manufacturers of essential products to combat the COVID19 pandemic. Over R700 million has been approved for companies. Metair, an automotive supplier, to secure between R25 billion to R28 billion of turnover from mid-2022 onwards



Q2: Consultation with various financial institutions including Development Financing Institutions (DFI) and banks has commenced to forge relationship and enhance industrial financing system



Q3: Approvals of over R11 billion projected investment leveraged to support over 12 000 jobs across all incentives;



Q3: Development of an Economic Distressed Facility Programme – interest make up scheme to support companies in distress in order to retain jobs and industrial capacity commenced in this quarter; and



Q3: Consultation with various financial institutions including Development Financing Institutions (DFIs) and banks is continuing to forge relationship and enhance industrial financing system.

PROGRAMME 7: EXPORT DEVELOPMENT, PROMOTION AND OUTWARD INVESTMENTS

Increase export capacity and support direct investment flows, through targeted strategies, and an effectively managed network of foreign trade offices.

Export Development interventions facilitated in Q2:

- Facilitated 4 virtual Export Awareness Seminars and Outreach Programmes attended by 32 Emerging Exporters comprised of 20 females, 12 males, 16 youth and 100% black.
- Facilitated Global Exporter Passport Programme (GEPP) phased training in Kimberly, Parys and Johannesburg, totaled 78 Emerging Exporters comprised of 31 females 31, 47 males, 22 youth, and 91% black.
- Hosted the Following:
 - RSA – Zambia Trade and Investment Webinar from July 9 – 10, 2020 under the theme: “Developing Afrocentric solutions and forging partnership in response to COVID 19;”
 - RSA – Ghana Trade and Investment Webinar from August 18 – 19, 2020 under the theme: “Developing Afrocentric solutions and forging partnership in response to COVID 19;
 - the South Africa – Kenya Joint Technical Working Group (JTWG) meeting on 26 August 2020
 - Mozambique Trade and Investment Webinar from September 29- 30, 2020 under the theme: “Developing Afrocentric solutions and forging partnership in response to COVID 19.”
- Drafted National Export Development and Promotion Bill;

PROGRAMME 7: EXPORT DEVELOPMENT, PROMOTION AND OUTWARD INVESTMENTS

Increase export capacity and support direct investment flows, through targeted strategies, and an effectively managed network of foreign trade offices.

- Facilitated virtual Wine Tasting Trade Mission, held in Seoul, South Korea, on 27 August 2020 in partnership with Wesgro, Wines of South Africa (WOSA), and the South African Embassy to introduce new South African wines to Korean importers. 10 South African wineries were selected. 16 Korean importers attended the event, out of which 8 were currently importing South African wine.
- Facilitated participation of sixteen South African agro-processing companies at the SIAL Middle East Virtual Exhibition, which took place in Abu Dhabi, United Arab Emirates (UAE) from 23 - 27 November 2020. Participating South African companies were awarded the opportunity to virtually exhibit their products and meet with potential buyers;
- Concluded a Declaration of Intent (DoI) with Business France, the French Trade and Investment Agency in order to strengthen economic ties on trade and investment cooperation;
- Facilitated and participated on the bilateral meetings with Transnet and the Ambassador of Benin on the extension of the Transnet contract on the operation of Port of Cotonou to 25 years in November 2020; and
- Successful planned and implementation of South Africa- Chile webinar hosted dtic and the South African embassy in Chile, November 2020; the purpose of the webinar was to promote trade and investment between South African and Chile where eighty-eight South African companies participated in the webinar.

PROGRAMME 8: INWARD INVESTMENT ATTRACTION, FACILITATION AND AFTERCARE

Purpose: Support foreign direct investment flows and promote domestic investment by providing a one-stop shop for investment promotion, investor facilitation and aftercare support for investors

- Achieved investment pipeline of R16. 592 billion in Q2 and R38.684 billion in Q3;
- 5 Ease of Doing Business Sensitization Workshops conducted in Q2
- 5 Technical Working Group sessions conducted in Q2 on the Ease of Doing Business and an additional 7 sessions conducted in Q3 including 4 Ease of Doing Business Project Planning Engagements;
- Assisted 17 companies with various regulatory issues in Q2;
- Assisted with 45 visa recommendations for technical experts of various companies and 11 companies with unblocking of regulatory issues;
- The annual South Africa Investment Conference took place on November 2020 and garnered a total of R109.651 billion new domestic and foreign investments;



PROGRAMME 8: INWARD INVESTMENT ATTRACTION, FACILITATION AND AFTERCARE

Purpose: Support foreign direct investment flows and promote domestic investment by providing a one-stop shop for investment promotion, investor facilitation and aftercare support for investors

- Conducted 171 meetings in Q2 and an additional 212 in Q3 with current and potential investors.
- Participated in 115 stakeholder engagements in Q2 and 150 engagements in Q3 as well as 43 intergovernmental and task team meetings; and
- 76 investment inquiries facilitated
- Participated in a Virtual Missions – SA/France delegation in July, SA/EU delegation, August, German/Afrika Verein and Swiss Venture Leaders in September;
- Hosted the Provincial Investment Promotion Agency (PIPAs), SEZs & IDZs CEO / GM Forum on 4 August in collaboration with the Presidency; and
- Participated in 8 Business Fora and the BIO Africa side event in August 2020.

OUR PARTNERS



PROGRAMME 9: COMPETITION POLICY AND ECONOMIC PLANNING

Purpose: Develop and roll out policy interventions that promote competition issues, through effective economic planning, spatial implementation and aligned investment and development policy tools



Q2: CapitalWorks/Peregrine (moratorium placed on merger-related retrenchments);



Q2: Roos Foods/10 KFC Franchises (specified employees to be offered full-time permanent employment);



Q2: Foshini/Jet (no merger-related retrenchments for 2 years; maintain or increase local procurement)



Q2: Nimble Credit/Edcon (no merger-related retrenchments for 2 years; offer employment to 150 Edcon employees).

Q2: Presented the Grocery Retail Market Inquiry findings in preparation for engagements with provinces.

PROGRAMME 9: COMPETITION POLICY AND ECONOMIC PLANNING

Purpose: Develop and roll out policy interventions that promote competition issues, through effective economic planning, spatial implementation and aligned investment and development policy tools

Highlighted Case Study IRL (SA) Resources Investment / Mapoch Mine

- The CC prohibited the small merger between IRL and Mapoch as the merged entity's intention was to export all vanadium ore output instead of supplying to local industry;
- IRL challenged the decision at the Tribunal resulting in Vanchem, the Minister and subsequently Highveld Steel participating in the merger as it may have resulted in the foreclosure of these South African industries;
- Government negotiated with the parties, and reached a settlement before the Tribunal made a decision. The settlement and subsequent order by the Tribunal will increase employment, increase investments and ensure ore supply for local beneficiation:
 - Employment: IRL will ensure a minimum of 200 direct/indirect jobs at the mine within 3 years of approval date;
 - Investment: IRL will invest an additional R160 million in the mine within 3 years of merger approval;
 - Ore supply: IRL entered into an ore supply agreement with Highveld Steel; and
 - IRL will supply ore to other South African companies beneficiating vanadium at a discount to export price of ore.

PROGRAMME 10 : ECONOMIC RESEARCH AND COORDINATION

Purpose: Develop and roll out legislative processes to facilitate an inclusive economy through interventions to increase competitiveness in the economy.

- ❑ Two Technical MinMECs were held on **28 July** and on **28 August 2020** with the objective of implementing the MinMEC resolutions of 17 and 29 June 2020; the purpose of the MinMEC meetings was to provide an opportunity for national government to receive feedback from provinces on measures undertaken to address challenges emanating from the COVID-19 impact. The objective was to further work collectively with provinces to contribute to the Economic Reconstruction and Recovery which is being developed by social partners under the auspices of NEDLAC.
- ❑ Participated in all NEDLAC engagements on COVID-19 in both the Joint Technical Committee (JTC) of Jobs Summit & Rapid Response Task team (RRTT). The **the dtic** was represented **in** related task teams including Occupational Health & Safety; Public Transport (road & rail); COVID-Technical Employment Relief Scheme etc.
- ❑ Drafted reports that were submitted and discussed by the National Joint Operation Intelligence (Natjoints) and National Coronavirus Command Council (NCCC).
- ❑ Completed the commissioning of one research study, which relates to developing a post COVID-19 economic/ commercial/ market intelligence report on South Africa's traditional and prospective export markets.
- ❑ Produced a Report on COVID-19 and the South African Manufacturing Sector: Impact Assessment and Recovery Options. The report is part of a two-phased project measuring the impact of COVID-19 containment measures on the South African economy.

FINANCIAL PERFORMANCE

OVERVIEW OF THE FINANCIAL PERFORMANCE

1 April 2020

30 September
2020

R'000

Special adjustments budget R9 310 710

Expenditure R4 013 831

Spending as % of budget 43.11%

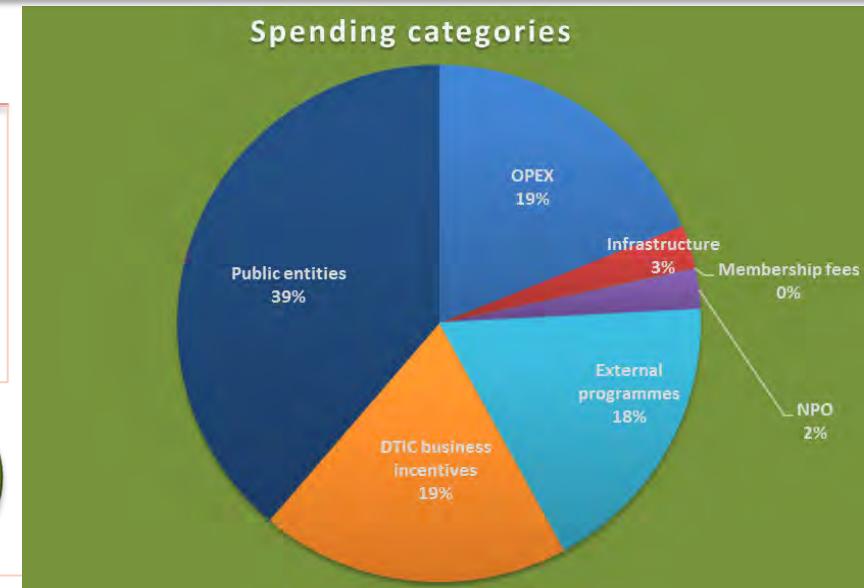
Variance against the projections 2.34% or R95 992 of the special adjusted budget

Budget:
R 9.3 billion

56,9% Available Budget or R 5.3 billion

YTD Projections R 4.1 billion

97.7% YTD Spent:
R 4 billion



For the 6 months ended 30 September 2020, spending was R4 billion or 97.7% of the cash flow projections based on the special adjusted budget.

Of the R4 billion, R1.55 billion or 38.79% was transferred to the public entities, followed by R875.64 million or 21.82% disbursed to the beneficiaries across the various incentive programmes.

R719.33 million or 18% was disbursed to the external programmes, while non profit organisations as well as international organizations, which South Africa is a member, accounted for R102.72 million or 2.56%. Spending on operational costs was R759.23 million or 18.91%.

FINANCIAL PERFORMANCE PER PROGRAMME AND ECONOMIC CLASSIFICATION

Description	Main appropriation	Special Adjusted Budget	Available budget	% budget available	Year-to-date (YTD) 1 April to 30 September 2020			
					Projected expenditure	Actual expenditure	Variance from projected expenditure	% variance from projected expenditure
	R'000	R'000	R'000		R'000	R'000	R'000	R'000
Programme 1: Administration	873,590	857,590	461,549	53.82%	435,322	396,041	39,281	9.02%
Programme 2: Trade Policy, Negotiations and Cooperation	133,969	128,449	86,799	67.57%	53,041	41,650	11,391	21.48%
Programme 3: Spatial Industrial Development and Economic Transformation	171,899	149,943	100,718	67.17%	61,437	49,225	12,212	19.88%
Programme 4: Industrial Competitive and Growth	1,992,120	1,653,246	175,895	10.64%	1,484,537	1,477,351	7,186	0.48%
Programme 5: Consumer and Corporate Regulation Division	342,327	312,766	62,550	20.00%	261,366	250,216	11,150	4.27%
Programme 6: Industrial Financing	6,059,122	4,870,006	3,916,220	80.42%	848,359	953,786	(105,427)	-12.43%
Programme 7: Export Development, Promotion and Outward Investments	456,675	410,889	163,270	39.74%	267,284	247,619	19,665	7.36%
Programme 8: Inward Investment Attraction, Facilitation and After-care	58,299	55,699	32,313	58.01%	24,866	23,386	1,480	5.95%
Programme 9: Competition Policy and Economic Planning	908,413	789,398	226,138	28.65%	636,507	563,260	73,247	11.51%
Programme 10: Economic Research and Coordination	85,724	82,724	71,427	86.34%	37,104	11,297	25,807	69.55%
Total	11,082,138	9,310,710	5,296,879	56.89%	4,109,823	4,013,831	95,992	2.34%
Economic classification								
Current payments	1,976,647	1,915,294	1,167,975	60.98%	902,471	747,319	155,152	17.19%
Compensation of employees	1,171,420	1,171,420	678,342	57.91%	564,475	493,078	71,397	12.65%
Goods and services	805,227	743,874	489,633	65.82%	337,996	254,241	83,755	24.78%
Transfers and subsidies	9,071,370	7,361,295	4,105,996	55.78%	3,184,183	3,255,299	(71,116)	-2.23%
Incentive payments	5,854,510	4,660,894	3,785,254	81.21%	743,812	875,641	(131,829)	-17.72%
Department entities	1,934,932	1,646,943	90,039	5.47%	1,611,296	1,556,904	54,392	3.38%
Other transfers	1,281,928	1,053,458	230,704	21.90%	829,075	822,754	6,321	0.76%
Payments for capital assets	34,121	34,121	22,908	67.14%	23,169	11,213	11,956	51.60%
Payments for financial assets	-	-	-	0.00%	-	-	-	0%
Total	11,082,138	9,310,710	5,296,879	56.89%	4,109,823	4,013,831	95,992	2.34%

COMMENTS ON THE FINANCIAL PERFORMANCE

A lag in the projections of 2.34% is being reported in some of the programmes and economic classification items, namely, compensation of employees, goods and services as well as payments for capital assets. This is attributed to, amongst others:

- ❑ The contraction in the global and domestic economy, which has resulted in lower consumer and investor confidence, thereby impacting on the **dtic's** work.
- ❑ The global outbreak of COVID-19 which is affecting a number of **the dtic's** activities including trade export missions and pavilions; international events and foras in the areas of trade and investment; suspension of meetings/engagements such as (negotiations on the AfCFTA and WTO MC12).
- ❑ The National Macro Organisation of Government (NMOG), the mpsa directive not to fill posts on Deputy Director-General level as well as the COVID-19 lockdown resulted in delays and impacted on the filling of vacancies.

OVERVIEW OF THE FINANCIAL PERFORMANCE

1 April 2020



31 December
2020

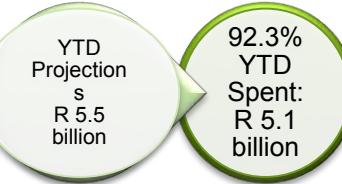
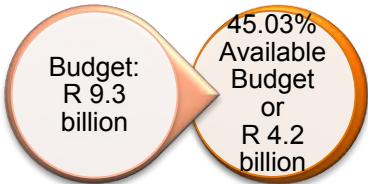
R'000

Adjusted appropriation R9 273 272

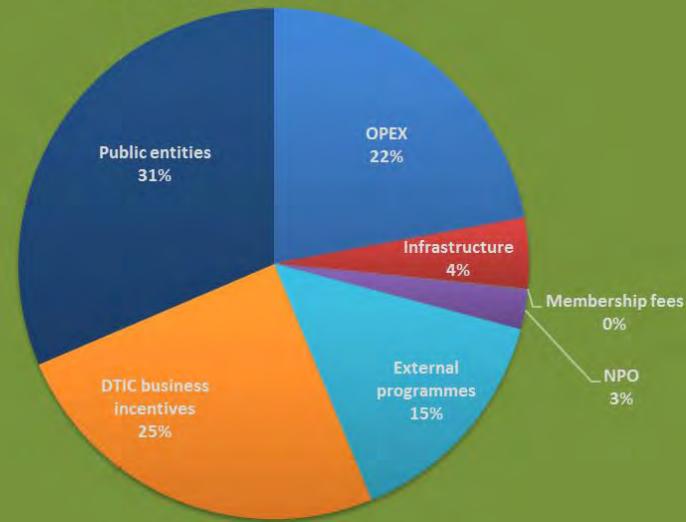
Expenditure R5 097 373

Spending as % of budget 55%

Variance against the projections 7.7% or R425 163 of the adjusted appropriation



Spending categories



- ❖ For the 9 months ended 31 December 2021, spending was R5.1 billion or 92.3% of the cash flow projections, which are based on the special adjusted budget.
- ❖ Of the R5.1 billion spent, R1.6 billion or 31% was transferred to the public entities, followed by R1.5 billion or 29% disbursed to the beneficiaries across the various incentive programmes.
- ❖ R744.1 million or 15% was disbursed to the external programmes, while non profit organisations as well as international organizations, which South Africa is a member, accounted for 3% of the total spent. Spending on operational costs was R1.1 billion or 22%.

FINANCIAL PERFORMANCE PER PROGRAMME AND ECONOMIC CLASSIFICATION

Description	Main appropriation	Adjusted appropriation	Available budget	% budget available	Year-to-date (YTD) 1 April to 31 December 2021				% variance from projected expenditure
					Projected expenditure	Actual expenditure	Variance from projected expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	873,590	862,936	291,935	33.83%	658,406	571,001	87,405	13.28%	
Programme 2: Trade Policy, Negotiations and Cooperation	133,969	115,412	53,092	46.00%	78,127	62,320	15,807	20.23%	
Programme 3: Spatial Industrial Development and Economic Transformation	171,899	115,325	39,665	34.39%	102,004	75,660	26,344	25.83%	
Programme 4: Industrial Competitive and Growth	1,992,120	1,647,484	92,795	5.63%	1,556,122	1,554,689	1,433	0.09%	
Programme 5: Consumer and Corporate Regulation Division	342,327	297,696	36,441	12.24%	284,726	261,255	23,471	8.24%	
Programme 6: Industrial Financing	6,059,122	4,932,806	3,327,077	67.45%	1,775,033	1,605,729	169,304	9.54%	
Programme 7: Export Development, Promotion and Outward Investments	456,675	418,801	125,327	29.93%	334,420	293,474	40,946	12.24%	
Programme 8: Inward Investment Attraction, Facilitation and After-care	58,299	55,220	20,084	36.37%	37,935	35,136	2,799	7.38%	
Programme 9: Competition Policy and Economic Planning	908,413	776,430	158,822,435	20.46%	637,384	617,608	19,776	3.10%	
Programme 10: Economic Research and Coordination	85724	51,162	30660,096	59.93%	58,379	20,502	37,877	64.88%	
Total	11,082,138	9,273,272	4,175,899	45.03%	5,522,536	5,097,373	425,163	7.70%	
Economic classification									
Current payments	1,976,647	1,757,833	645,196	36.70%	1,406,137	1,112,637	293,500	20.87%	
Compensation of employees	1,171,420	1,093,049	352,695	32.27%	863,928	740,354	123,574	14.30%	
Goods and services	805,227	664,784	292,501	44.00%	542,209	372,283	169,926	31.34%	
Transfers and subsidies	9,071,370	7,498,710	3,525,737	47.02%	4,089,058	3,972,973	116,085	2.84%	
Incentive payments	5,854,510	4,257,665	2,764,610	64.93%	1,623,149	1,493,055	130,094	8.01%	
Department entities	1,934,932	1,661,081	59,789	3.60%	1,601,924	1,601,292	632	0.04%	
External Programmes	1,081,642	1,398,050	653,929	46.77%	728,049	744,121	(16,072)	-2.21%	
Non profit organisations (Partnerships with business associations, NEDLAC)	156,536	140,882	11,805	8.38%	130,502	129,077	1,425	1.09%	
Membership fees (International organisations)	42,808	39,854	37,362	93.75%	4,993	2,492	2,501	50.10%	
Households	942	1,178	-1,758	-149.22%	441	2,936	(2,495)	-565.72%	
Payments for capital assets	34,121	16,729	4,966	29.68%	27,341	11,763	15,578	56.98%	
Payments for financial assets	-	-	-	0.00%	-	-	-	0%	
Total	11,082,138	9,273,272	4,175,899	45.03%	5,522,536	5,097,373	425,163	7.70%	

COMMENTS ON THE FINANCIAL PERFORMANCE

- ❑ As reported in the previous quarter, the contraction in the global and domestic economy affected a number of **the dtic's** activities in the areas of trade export missions and pavilions which were either cancelled or postponed; slower incentive disbursements due to the deferment of investment milestones and the suspension of meetings/engagements.
- ❑ For the remainder of the 2020/21 financial year, the department's spending focus will be towards:
 - Working closely with IDC and NEF on the continuation of the industrial loan facility that provides working capital support.
 - Supporting various investments under the Special Economic Zones programme
 - Providing financial support under the manufacturing development incentives, which includes the Automotive incentive, Black industrialists programme and Agro processing
 - Providing financial support to the Global business services sector.

THANK YOU

NGIYATHOKOZA

KE A LEBOHA

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SIYABONGA

INKOMU

NDO LIVHUWA

ENKOSI

NGIYABONGA

DANKIE