



the dtic

Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

## THE NATIONAL ASSEMBLY

### QUESTION FOR WRITTEN REPLY

#### QUESTION NO. 2382

**Ms S P Jama (ANC) to ask the Minister of Trade, Industry and Competition:**

What performance conditions were attached to any support, including but not limited to (a) localisation requirements, (b) job creation targets, (c) pricing commitments, (d) product quality and/or safety compliance standards and (e) beneficiation and/or empowerment obligations? NW2242E

#### REPLY:

**(a),(b),(c),(d) and (e)**

The Department of Trade, Industry and Competition (**the dtic**) is utilising the Export Marketing and Investment Assistance (EMIA) scheme as one of the tools to promote the South African value-added exports of products and services.

The scheme is designed to partially compensate exporters for costs associated with:

- Developing export markets for South African products and services;
- Recruiting Foreign Direct Investment into South Africa; and
- Identifying new export markets through market research.

The EMIA scheme provides both direct and indirect support depending on the approved activity, as follows:

EMIA Offering	Direct Benefit	Indirect Benefit
National Pavilion	Air ticket and subsistence	Space rental, stand building (exhibition booth), exhibition



		material freight forwarding, marketing and advertisement
Trade Mission	Air ticket, subsistence and excess luggage	Match making costs, venue and facilities.

In terms of the EMIA guidelines there are no specific performance conditions relating to the following:

- (a) localisation requirements,
- (b) job creation targets,
- (c) pricing commitments,
- (d) product quality and/or safety compliance standards and
- (e) beneficiation and/or empowerment obligations

However, with regards to beneficiation, there is active recruitment of companies as well as identification of exhibitions and missions in value-added sectors. Importantly, as part of the reporting obligations prescribed under the EMIA Scheme, companies are required to report on the outcomes of their participation at approved events. This reporting involves completion of a questionnaire at the end of the event, indicating export orders secured and the value thereof. Furthermore, companies are also required to provide a follow-up report six (6) months after participation indicating export sales generated because of participating at that particular event.

It should further be noted that the EMIA scheme is an export promotion support mechanism and not a production or manufacturing incentive programme. As such, the scheme does not impose production-linked conditionalities of the nature referred to above. Participating companies are, however, expected to comply with all applicable domestic legislation, industry regulations, and importing country requirements relevant to their products and services.

With regards to the incentive support provided there are various criteria that each incentive requires beneficiaries to meet.



These include:

- (a) Localisation requirements through the procurement and utilisation of locally manufactured inputs and services where possible.
- (b) Ensuring the creation and/or maintenance of employment stipulated within the application over the approved project period.
- (c) The compliance with all relevant product quality, regulatory, health, safety, and industry standards applicable to the supported products and operations.
- (d) Adhering to the applicable Broad-Based Black Economic Empowerment (B-BBEE) criteria.
- (e) Supporting enterprises that seek to expand capacity by beneficiation or adding value through local processing and manufacturing operations.

Furthermore, **the dtic** undertakes ongoing monitoring and reporting against agreed performance indicators as required under the incentive programme.

With regards to localisation, there are performance conditions attached to localisation requirements, specifically arising from designations for local content and production. In this regard, the following concrete commitments and conditionalities were agreed upon with industry in exchange for designation:

- **Employment:** Retention of existing jobs and the creation of new employment opportunities within the domestic manufacturing sector.
- **Investment:** Investment in additional production facilities in response to growing demand, as well as in competitiveness-enhancing equipment and machinery to improve productivity and efficiency.
- **Local Capacity and Capability:** Expansion of local manufacturing capacity and capability to supply both components and fully built units within South Africa.
- **Transformation:** Advancement of transformation objectives, including the development and support of Black industrialists within relevant sectors.
- **Competition Compliance:** Adherence to prevailing competition laws, including a commitment not to inflate prices in a manner that would result in undue cost premiums for procuring organs of state.



- **Skills Development:** Implementation of skills development initiatives, including the provision of internship and training opportunities in critical technical areas such as toolmaking, metal fabrication, welding, armature winding, and fitting and turning.
- **SMME Development and Integration:** Facilitation of the meaningful participation of South African SMMEs in both domestic and global supply chains, particularly those linked to international OEMs.

Furthermore, **the dtic** has implemented a range of measures to enable the tracking of local procurement within the public procurement system.

Firstly, **the dtic** designates specific sectors and products for local production with stipulated minimum local content thresholds. In this regard, compliance is measured at a product level, with bidders/suppliers required to declare and substantiate the level of local content in accordance with stipulated minimum threshold. This provides a standardised basis for tracking localisation in procurement.

Secondly, organs of state are required to report to **the dtic** on tenders awarded that include local content requirements. These reports enable the Department to monitor the extent to which localisation is being applied across public procurement, including the inclusion of designated products and adherence to stipulated thresholds.

Thirdly, **the dtic**, in collaboration with relevant institutions such as the South African Bureau of Standards (SABS) and Proudly South African, has established verification and monitoring mechanisms to assess compliance with local content requirements. The SABS Local Content Verification Unit applies standardised formulas and processes to validate supplier declarations, while additional oversight is exercised through audit processes and tender monitoring.



Lastly, to cite an entity, the National Empowerment Fund (NEF), established to advance developmental outcomes, particularly transformation; further attaches performance conditions to its support. These conditions include the following:

(i) *Empowerment Obligations*

As an entity of government established to drive transformation, the NEF generally supports black-owned businesses, with a specific focus on businesses owned by women and youth, as well as businesses owned by persons with disabilities. In rare cases where the NEF supports acquisitions in companies that do not include these priority groups, the NEF typically requires the business to transform its ownership structure. In such cases, the NEF may attach undertakings that the funded business will:

- Procure from local producers or suppliers;
- Empower staff through skills development;
- Issue employee and community shares; and
- Implement community development projects funded from project proceeds.

(ii) *Product quality and/or safety compliance standards*

Generally, the NEF requires beneficiaries to comply with all applicable South African regulatory standards relating to product quality and safety. Below are examples of compliance-related requirements (not exhaustive) that may be required before funding, depending on the nature of the business:

- Certificate of Acceptability (CoA) of Premises;
- Food Health and Safety Certificate of Compliance for Processing Facility;
- Food Safety Certification (HACCP, ISO 22000 and FSSC 22000);
- Municipal Letter of Approval for building plans;
- Zoning Certificates; and
- Appointment of safety officers.



(iii) *Localisation requirements*

The NEF requires investees to source inputs, products and services locally where economically feasible, with procurement preference given to businesses owned by black people, women, youth and persons with disabilities. This localisation requirement applies in sectors such as manufacturing and construction. For example, in the development of a shopping centre, a business would be required to undertake that it would:

- Procure inputs (such as bricks and sand) from local black suppliers; and
- Procure services (such as cleaning and security services) from local black service providers.

(iv) *Job creation targets*

For all prospective new investments, it is a standard requirement that investees commit to a specific number of new jobs to be created, as well as targets for retaining existing jobs. For turnaround and distressed investments, the NEF primarily requires job-retention targets.

**-END-**