

Department of Trade, Industry and Competition

2021/22 First Quarter Presentation

Portfolio Committee on Trade and Industry 09 November 2021



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

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OUTLINE

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- ❑ **2021/22 FIRST QUARTER HIGHLIGHTS PER PROGRAMME**
- ❑ **FINANCIAL PERFORMANCE**

FIRST QUARTER PERFORMANCE REPORT SUMMARY 2021/22

PROGRAMME	KPI	Q1 TARGET	ACHIEVED
Programme 1: Administration	5	5	4
Programme 2: Trade Policy, Negotiations and Cooperation	3	3	3
Programme 3: Spatial Industrial Development and Economic Transformation	3	3	3
Programme 4: Industrial Competitiveness and Growth	2	2	2
Programme 5: Consumer and Corporate Regulation	2	2	2
Programme 6: Industrial Financing	3	3	3
Programme 7: Export Development, Promotion and Outward Investments	0	0	0
Programme 8: Inward Investment Attraction, Facilitation and Aftercare	6	6	6
Programme 9: Competition Policy and Economic Planning	2	2	2
Programme 10: Economic Research and Coordination	3	3	2
Total	29	29	25



Reasons for variance:

Percentage (%) implementation of the internal capacity building plan: structure fit for purpose, culture change, coaching upskilling and reskilling as well as recognition framework

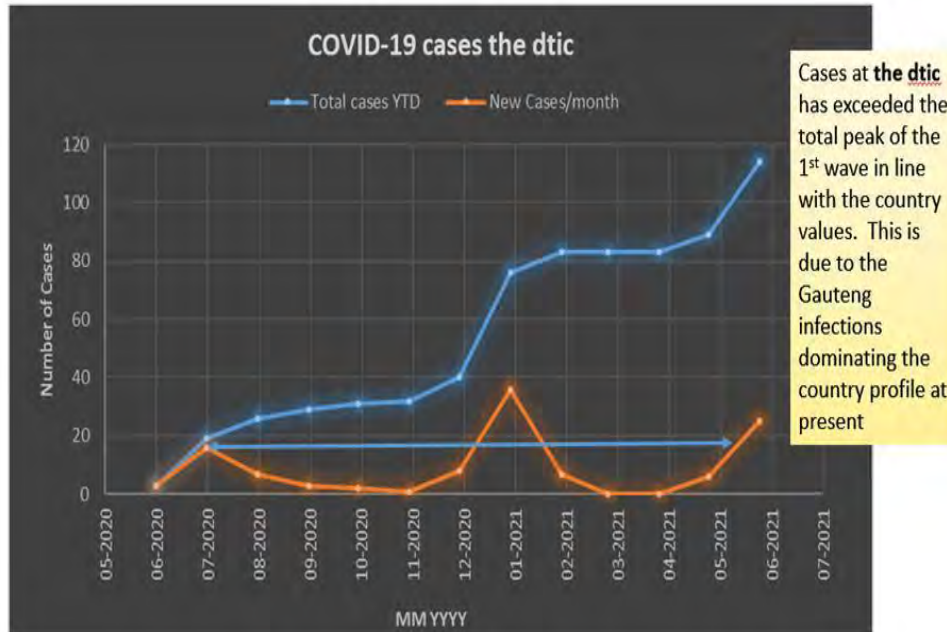
Impact report analysing impact of dtic and entity programmes on employment, economic growth, exports, imports and investment published deferred to Q2

PROGRAMME 1: ADMINISTRATION

- ❑ 54% of women in Senior Management Services (SMS) employed by 30 June 2021: 4% above the quarterly and annual target of 50%. Also, above the Cabinet target of 50%.
- ❑ 54 interns appointed for 2020/22 against the target of 54 and assumed duty in June and July 2020. To date, 4 Interns resigned
- ❑ 100% of eligible creditors' payments were processed within 30 days
- ❑ 3.9% of people with disability employed by 30 June 2021. 0.4% above the quarterly target and annual target of 3.5%. Also above the Cabinet target of 2%.
- ❑ The following measures were put in place:
 - PPE (70%) alcohol-based sanitizer
 - Awareness through various communication messages, i.e. washing of hands, wearing of masks, etc
 - Health checks conducted at 3 entrances, (thermo-scanning and completion of health forms)
- ❑ Internal Capacity Building Plan related to Structure fit for purpose, culture change, coaching, upskilling and reskilling as well as recognition framework ongoing.

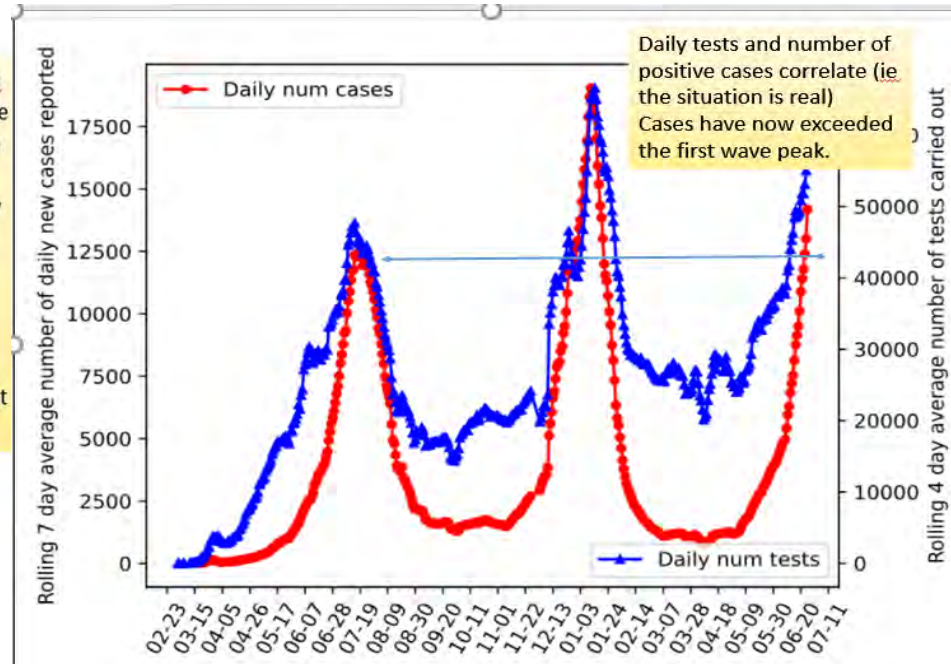
Covid 19: Monitoring and reporting

- Figure1: Covid-19 cases reported by **the dtic** as at 28 June 2021.



June 2021

Figure 2 : Graphical Depiction of Country Wide COVID-19 cases as per Wikipedia extracted on 28 June 2021 and edited to show trends



PROGRAMME 2: TRADE POLICY, NEGOTIATIONS AND COOPERATION

AfCFTA

- AfCFTA negotiations delivered an increase in the agreed Rules of Origin (RoO) from 81% to 86%
- Ongoing work to finalize and operationalise the tariff offers
- Chaired the inaugural meeting of the AfCFTA Dispute Settlement Body (DSB) and the second meeting in June 2021. TOR of the DSB approved. An efficient and effective DSB will be critical for the implementation of the AfCFTA and to ensure State Parties adhere to their commitments.

European Union (EU)

- Rooibos added to EU Register of products with protected designation of origin, becoming the first product in Africa to receive the status and the 40th non-EU product.

Asia

- In May 2021 China agreed to reopen negotiations on the 10 years Strategic programme on cooperation between China and SA, centred on improving SA exports of manufactured goods, and to attract investment

WTO

- Agreement amongst WTO member states to enter into text based negotiation on the TRIPS waiver

Special Economic Zones & Industrial Parks:

- ❑ Quarter-on-quarter cumulative Rand value of new operational investments in SEZs has grown by approximately 5,4% (or R 1,189 billion) (i.e. from R20, 292 billion to R 21, 402 billion).
- ❑ The recorded investment growth for each SEZ was as follows:
 - Coega SEZ – R 437 million
 - ELIDZ – R 475 million
 - SBIDZ - R 175 million
 - ORTIA SEZ – R 102 million
- ❑ Botshabelo Digital Hub construction and equipment installation completed. Project will be prepared for launching.

Economic transformation:

- ❑ On 18 May 2021 the Minister gazetted and issued the Practice Note in terms of the B-BBEE Act on R for Discretionary Collective Enterprises (Broad Based Schemes; Employee Share Ownership Programmes; Trade Unions; NPC; Co-operatives and Trusts). The practice note aims to clarify implementation of such schemes.
- ❑ The Department continue to provide support to Youth Employment Service (YES) Initiative. The YES initiative aims to improve the employment outlook for young work seekers, by offering a first chance or quality work experience for young work seekers. The support provided by **the dtic** is to facilitate and incentivize for companies that on-board the youth to improve their B-BBEE level. Through the YES initiative 4306 new jobs for youth were created during the quarter.

Impact highlights:

▪ Metals and Metals Fabrication

- the dtic, along with industry stakeholders from the steel and metal fabrication sector signed the Steel Master Plan - developed with all stakeholders from the industry, in June 2021.
- Aluminium: Alfeco / Pioneer Metals bought Hulamin's factory in Olifantsfontein to process scrap metal & manufacture semi-finished goods.

▪ Poultry Masterplan

- The poultry industry reported an increase in production of chickens locally with about 290 000 additional chickens produced every week compared to a year ago. The industry reported that more than 2 000 jobs were created across the value-chain.

▪ Pharmaceuticals

- World Health Organisation (WHO) announced vaccine development and manufacture hub to be located in SA following the announcement of eight (8) hubs for establishment to propel work for the Continent. The selection followed a competitive bidding process.
- South Africa will be recipient to latest messenger Ribonucleic Acid (mRNA) technology used in the development of vaccines and other therapeutics contributing to localisation of vaccines and further investments of approximately \$300 million by a consortium of foreign investors.

Impact highlights:

▪ Sugar Masterplan

- Illovo's small scale cane development project created 860 jobs in KZN.
- An increase of 25% in procurement of local sugar by soft drinks producers has been recorded.
- SASA committed to support Small Scale growers with R 60 million premium fund over 3 years starting 2021 season.
- 2 campaigns by Tongaat-Hulett's and SA Cane Growers Association respectively (supported by Proudly South African) to promote local sugar uptake were implemented.

▪ R-CTFL Masterplan

- Bader SA (Pty) Ltd, Ga-Rankuwa with 800 employees invested R300 million in additional capacity to manufacture automotive leather and split leather.
- Neptune Boots, Pinetown invested an additional production of 2500 pairs of Gum Boots.
- Increase in automotive leather production, split leather production and 200 jobs committed towards completion of plant commissioning during 2021-22.
- Increase in SA Gum Boots manufacturing by approx. 13%, 40 jobs, import substitution and exports.

Impact highlights:

■ Autos

- Publication of the green paper on Electrical Vehicle (EV) for public comment; this will contribute to the development of the EV Roadmap to ensure alignment of the industry to the stricter emission standards in major export markets.
- VM Automotive located in East London, is a 100% black owned Tier 1 company that will form part of the suppliers into the W206 as a beneficiary of the MBSA Enterprise and Supplier Development Programme. The company will be introducing “laser blanking” as a new technology in a new generation C-Class.
- Mercedes-Benz South Africa (MBSA) unveiled the new C-Class sedan produced in the East London plant following a R13 billion investment in June 2021; this will add approximately 597 new direct jobs with a further 2 000 in the value chain.
- 4 companies were approved for Automotive Industry Transformation Fund (AITF) support to the value of R63,2 million, namely:
 - TransMerch Africa(Pty) LTD (100% black owned) based in Coega, EC.
 - Baires Automotive Coatings (Pty) Ltd (60% black owned) based in Johannesburg, GP.
 - Anax Services(Pty) Ltd (100% black owned) located in East London, EC.
 - Steel Best Manufacturing Services (Pty) Ltd (100% black owned) located in Johannesburg, GP.

PROGRAMME 5: CONSUMER AND CORPORATE REGULATION

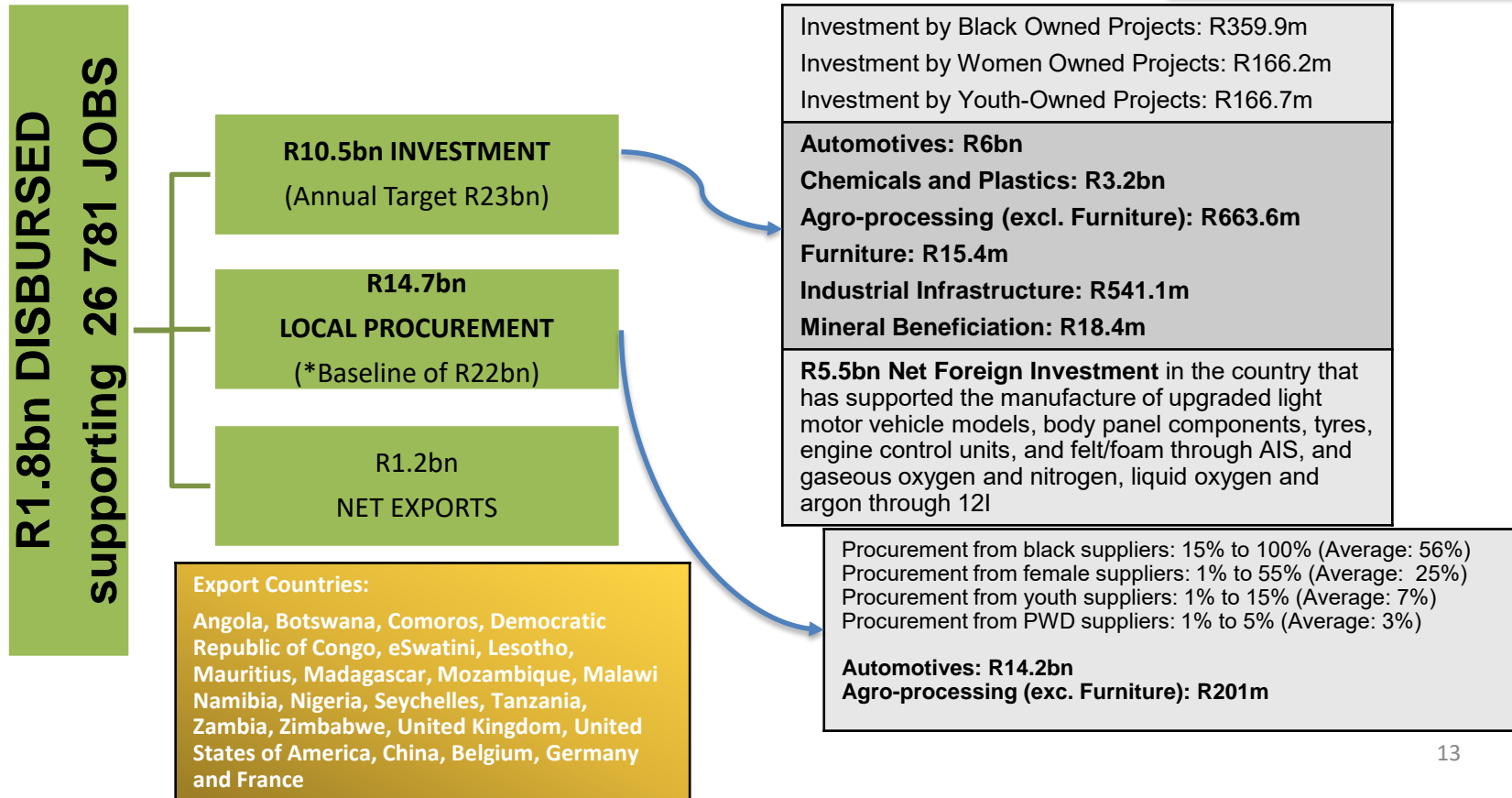
- The Copyright amendment Bill and Performers' Protection amendment Bill were tagged to section 76 Bills by the Joint Tagging Mechanism of Parliament.
- The Bills affects provinces and will have more involvement of the NCOP with more provincial consultations and voting taking place on the Bills by the 9 provinces.

PROGRAMME 6: INDUSTRIAL FINANCING

IFB and partnership facilities with IDC and NEF

R784m 12I Allowances
Utilised
R549.7m Cost-Sharing Grants
R465.6m Loans

KEY HIGHLIGHTS FOR THE QUARTER



❑ ASIA

- **The dtic** facilitated the export of beef for QK Meats into the China market.
- Through **dtic** intervention in getting their plant audited, QK Meats accessing totally new markets in China. QK Meats will employ more than 500 additional new staff.

❑ EUROPE

- Following matchmaking session as part of Sweden Outward Selling Mission (OSM), Carpe Diem was requested to submit bid for consideration as preferred supplier of raisins in Sweden, Norway, Denmark and The Netherlands.
- Signed an MoU between **the dtic** and the Swiss Import Promotion Programme (SIPPO) on technical cooperation and export support for South African companies.

❑ AMERICAS

- Virtual engagement with the American Chamber of Commerce on 30 April 2021 to discuss mutual areas of interest and cooperation, including participation of local businesses in export oriented value chains.
- Participated in the SA – FIEP (Federação das Indústrias do Estado do Paraná) engagement with Brazil in June 2021, to promote South African Trade and Investment opportunities with the state of Parana in Brazil.
- Participated in the South Africa-Chile VII Annual Joint Trade and Investment Commission (JTIC) on the 19th May 2021; to discuss and determine progress on joint Trade and Investment objectives as outlined in previous JTIC's.

PROGRAMME 8: INWARD INVESTMENT ATTRACTION, FACILITATION AND AFTERCARE

- 23 Intra company transfers, critical skills permanent residency visas facilitated
- Launch of the Ease of Doing Business and Invest SA websites in June
- 230 meetings with current and prospective investors

PROGRAMME 9: COMPETITION POLICY AND ECONOMIC PLANNING

Market Inquiries

- ❑ As part of the MTSF target to launch a new Market Inquiry, the Competition Commission published the Statement of Issues on the 28 June 2021
- ❑ Competition Tribunal Announced the signing of the agreement with Pick n Pay in ending the inclusive lease agreement practice in shopping malls on the 14th June 2021.

- **Through its Strategic Research Partners, the dtic supported a number of research projects in Q1 of the 2020/21 financial year. Research support includes:**
 - Commissioning of the research which underpins the development of Masterplans which are not led by **the dtic**;
 - Capacity building to Government, Business and Labour social partners on how to develop high-impact Masterplans;
 - Research assistance to identify sectoral strengths and opportunities;
 - Convening of consultation fora for social partners to evaluate progress and highlight challenges.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE OVERVIEW

1 April 2021



30 June 2021



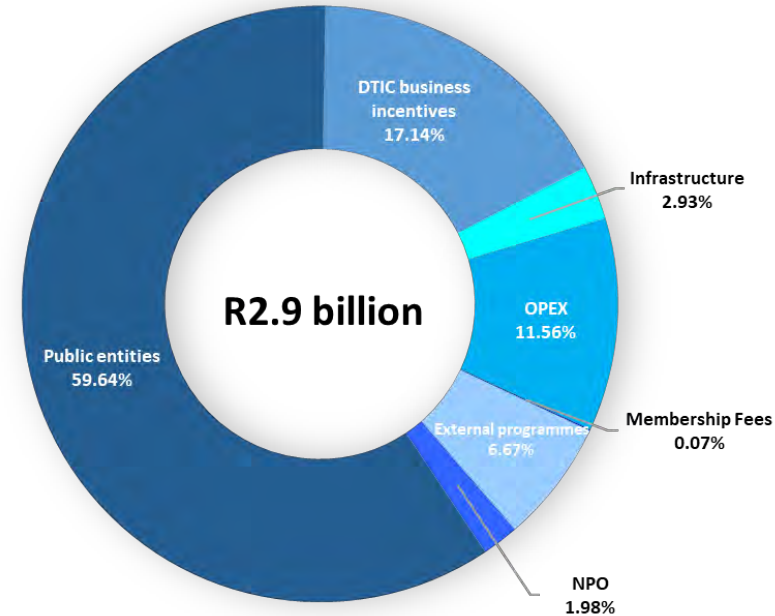
R9 736 573 000 Annual Budget



R2 907 676 000 spent as at 30 June 2021

Spent as % of annual budget = **30%**

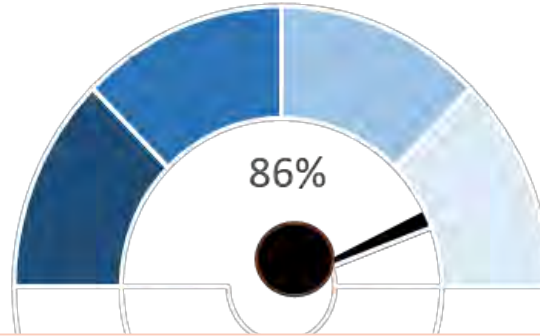
Q1 expenditure by type of spending



- Of the R2.9 billion spent, R1.7 billion or 59.6% was transferred to the public entities, followed by R583.7 million or 20% disbursed to the beneficiaries across the various incentive programmes.
- R193.8 million or 6.7% was disbursed to various external programmes at the IDC and CSIR, while non-profit organisations and international organizations, which South Africa is a member, accounted for R59.7 million or 2%.
- Spending on operational costs was R336 million or 11.6%.

FINANCIAL PERFORMANCE OVERVIEW

Q1 expenditure as % of YTD projections



- When compared to the YTD projections of R3.4 billion, spending is R2.9 billion or 85.6%. A lag in the projections of 14.4% is being reported in some of the programmes and economic classification items, namely, transfer payments as well as goods and services. This is attributed to amongst others:
- Slower incentive disbursements due to the deferment of investment milestones on approved projects.
- Lower disbursements in a number of activities in trade, export missions and export pavilions which are still being affected by the COVID -19 pandemic.
- Slow disbursements to the Tirisano Construction Fund as some of the construction companies were not able to make their financial contributions.
- Savings due exchange rate fluctuations on a number of international memberships payments, of which South Africa is a member of.

FINANCIAL PERFORMANCE PER PROGRAMME AND ECONOMIC CLASSIFICATION

Description	Budget 2021/22	Available budget	% budget available	Year-to-date (YTD) 1 April to 30 June 2021			
				Projected expenditure	Actual expenditure	Variance from projected expenditure	% variance from projected expenditure
	R'000	R'000		R'000	R'000	R'000	
Programme 1: Administration	857 651	714 697	83,3%	197 372	142 954	54 418	27,6%
Programme 2: Trade Policy, Negotiations and Cooperation	233 066	105 272	45,2%	130 664	127 794	2 870	2,2%
Programme 3: Spatial Industrial Development and Economic Transformation	183 352	154 202	84,1%	32 894	29 150	3 744	11,4%
Programme 4: Industrial Competitive and Growth	1 759 013	718 927	40,9%	1 043 901	1 040 086	3 815	0,4%
Programme 5: Consumer and Corporate Regulation Division	333 282	168 504	50,6%	162 498	164 778	(2 280)	-1,4%
Programme 6: Industrial Financing	4 871 050	4 251 157	87,3%	1 023 725	619 893	403 832	39,4%
Programme 7: Export Development, Promotion and Outward Investments	443 877	190 201	42,8%	260 962	253 676	7 286	2,8%
Programme 8: Inward Investment Attraction, Facilitation and After-care	70 161	58 159	82,9%	11 679	12 002	(323)	-2,8%
Programme 9: Competition Policy and Economic Planning	906 262	397 832	43,9%	523 562	508 430	15 132	2,9%
Programme 10: Economic Research and Coordination	78 859	69 946	88,7%	9 685	8 913	772	8,0%
Total	9 736 573	6 828 897	70,1%	3 396 942	2 907 676	489 266	14,4%
Economic classification							
Current payments	1 875 388	1 540 393	82,1%	406 645	334 995	71 650	17,6%
Compensation of employees	1 046 619	795 160	76,0%	247 200	251 459	(4 259)	-1,7%
Goods and services	828 769	745 233	89,9%	159 445	83 536	75 909	47,6%
Transfers and subsidies	7 824 831	5 252 472	67,1%	2 989 210	2 572 359	416 851	13,9%
Incentive payments	4 686 646	4 102 901	87,5%	985 508	583 745	401 763	40,8%
Department entities	2 057 576	323 383	15,7%	1 734 193	1 734 193	-	0,0%
External Programmes	881 729	687 870	78,0%	209 100	193 859	15 241	7,3%
Non profit organisations (Partnerships with business associations, NEDLAC)	154 288	96 600	62,6%	58 099	57 688	411	0,7%
Membership fees (International organisations)	43 632	41 660	95,5%	2 160	1 972	188	8,7%
Households	960	58	6,0%	150	902	(752)	-501,4%
Payments for capital assets	36 354	36 040	99,1%	1 087	314	773	71,1%
Payments for financial assets	-	(7)	0,0%	-	7	(7)	0,0%
Total	9 736 573	6 828 897	70,1%	3 396 942	2 907 676	489 266	14,4%

THANK YOU

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