



the dti Response to SONA

PRESENTATION TO THE PORTFOLIO COMMITTEE ON
TRADE AND INDUSTRY

26 FEBRUARY 2019



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



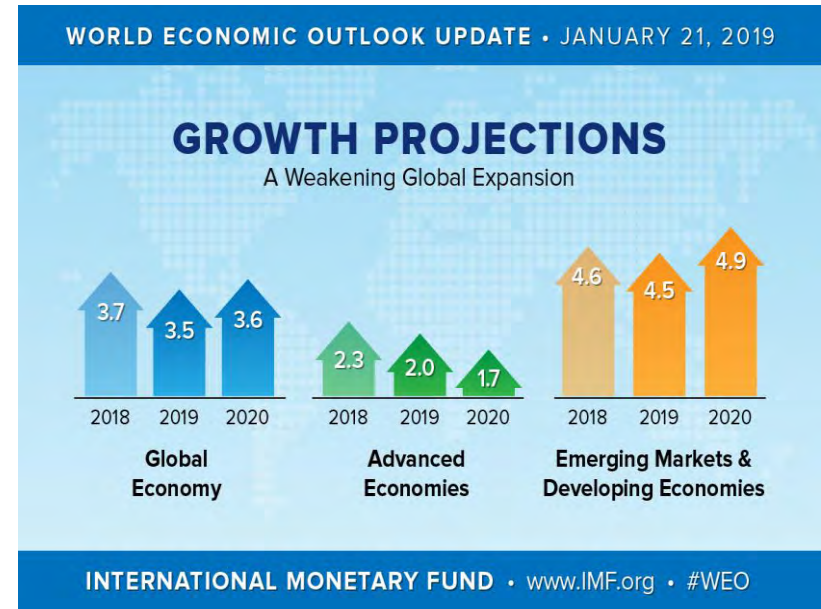
PRESENTATION OUTLINE

- ☐ **Global Economic Context**
- ☐ **Domestic Economic Context**
- ☐ **Reflections on Manufacturing Performance**
- ☐ **Departmental Success Stories**
- ☐ **Strategic Considerations**

Global Economic Context

Global Economic Activity is Weakening

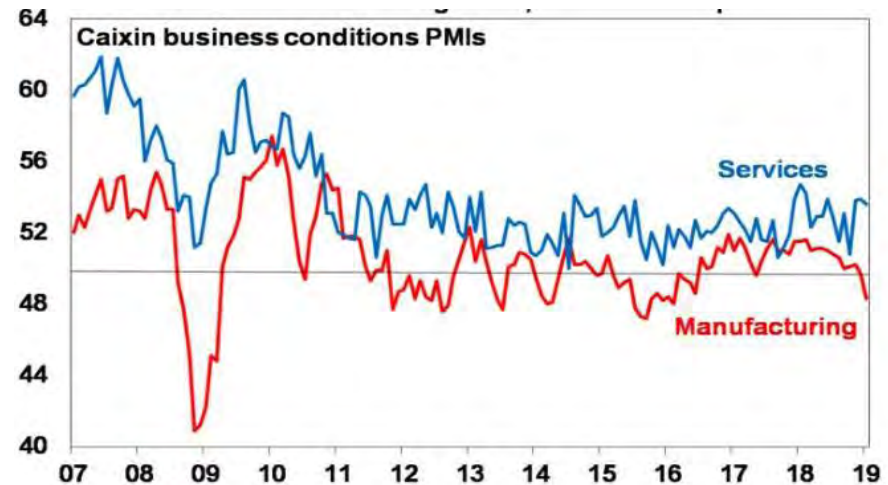
- ❑ Global economic activity is predicted to decline from 3.7% in 2018 to 3.5% for 2019 and 3.6% for 2020.
- ❑ Growth revised downwards due to “downside risks”:
 - ‘Trade Wars’,
 - Slowdown in China and US,
 - Brexit uncertainty, and
 - Diverging growth trends in the EU.



Global Economic Context

Concern about a China slowdown may be overdone...

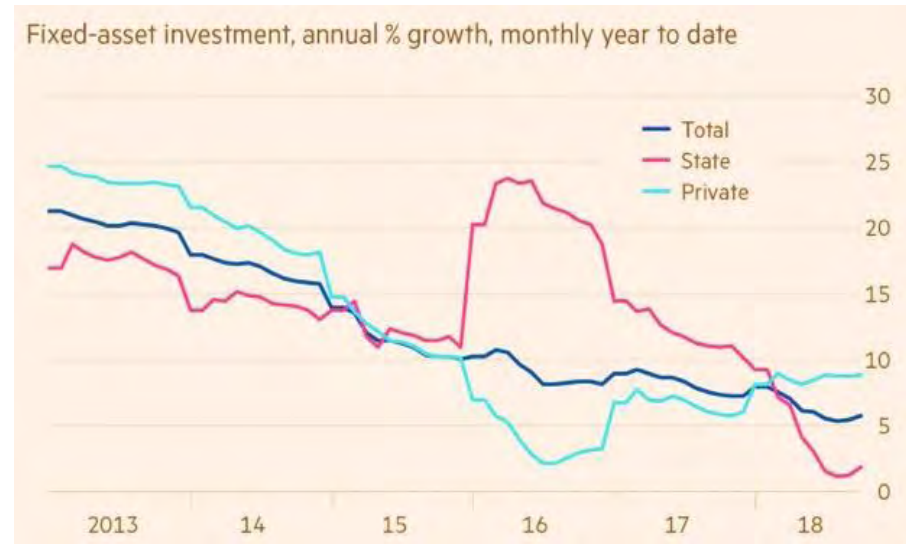
- ❑ Growth in China slowed marginally in 2018 to 6.6% (2017: 6.8%).
- ❑ Due to:
 - Tightened monetary policy to manage rapid growth in shadow banking sector lending, and
 - Trade war with US.
- ❑ US buyers have sought to front-load their imports before the imposition of new tariffs.
- ❑ China's export performance expected to be significantly impacted in Q1 2019; and its PMI for manufacturers has fallen below 50pts.



Global Economic Context

Concern about a China slowdown may be overdone...

- ❑ However, a number of factors suggest China can weather slowdown:
 - Fiscal and monetary policy space,
 - Strong PMI reading for the services sector; and
 - Global pressure for the US and China to settle trade war.
- ❑ Government investment slowed as China recovered in 2016-2017: China has space to grow infrastructure investment rapidly.
- ❑ Some evidence this was already happening in late 2018.



Global Economic Context

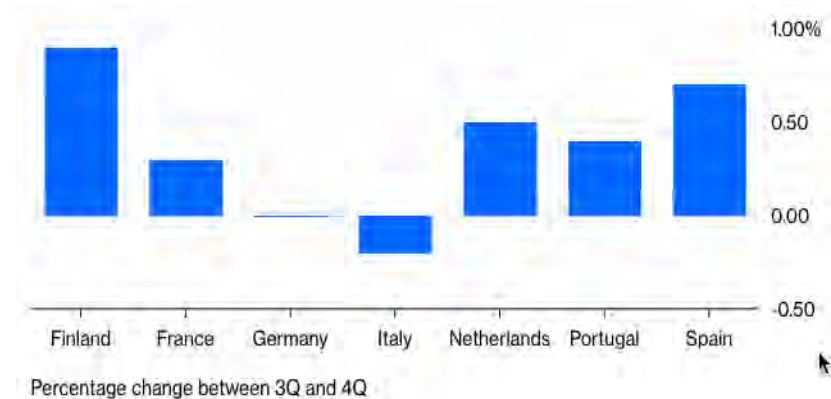
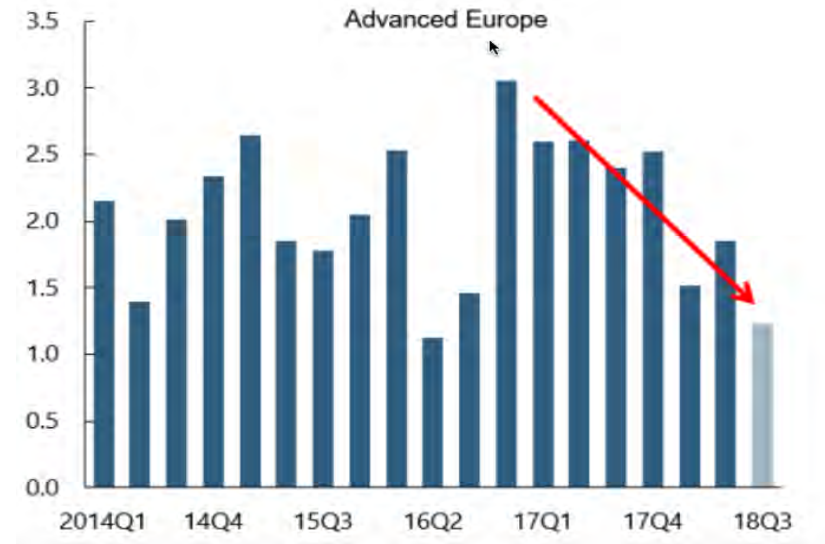
US growth may have peaked and could be in for a 'hard-landing'...

- ❑ The US Federal Reserve has cut its GDP forecast for the US economy in 2019 to 2.3% from 2.5%, its 2nd cut.
- ❑ Doesn't yet take account of effects of the US government 'shutdown' or the 'trade war' with China.
- ❑ It is looking increasingly likely that US GDP growth will disappoint in 2019, perhaps coming in at 2%.
- ❑ A minority of analysts are predicting that the US will fall into a mild recession towards the end of 2019 and early 2020.
- ❑ A small risk of this is acknowledged as the stimulatory effects of the substantial 2018 tax cuts work their way through the US financial system.
- ❑ This view is supported by the US Federal Reserve ending its rate-hiking cycle in the face of weakening growth momentum.

Global Economic Context

Diverging growth in EU adds to uncertainty...

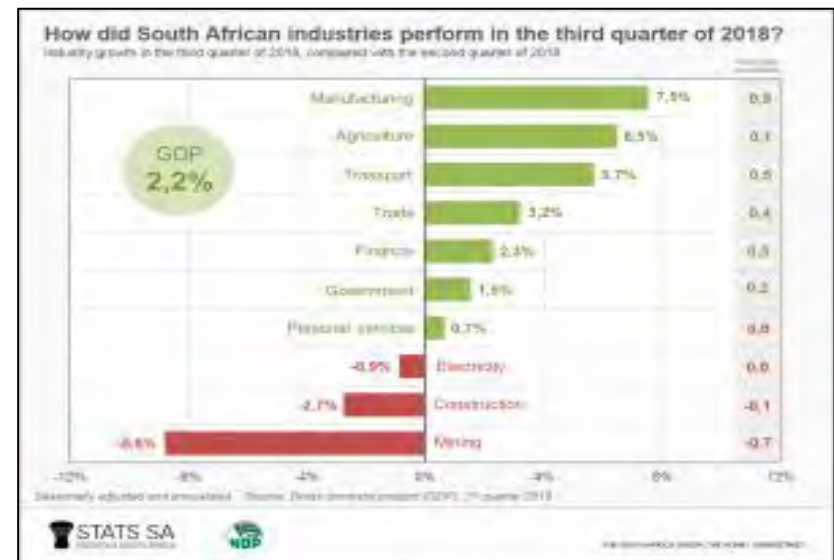
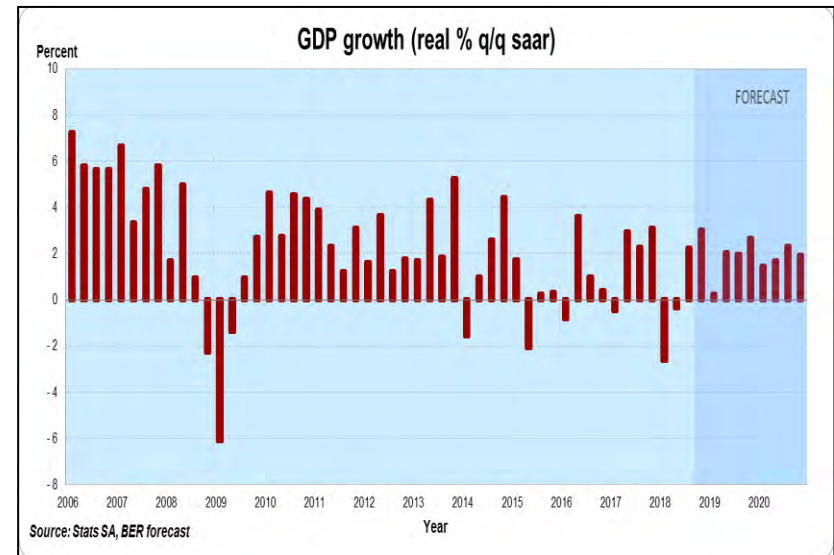
- ❑ After a robust recovery in 2017, quarterly GDP data for 2018 has been significantly weaker.
- ❑ Italy is in recession and outlook is negative due to populist pressure for fiscal expansion.
- ❑ Germany only just avoided recession as it posted growth of 0% in Q4 2018.
- ❑ Germany is feeling the effects of export market uncertainty and the slowdown in China.
- ❑ Brexit casting a shadow over UK outlook and creating uncertainty for UK and EU members.



Domestic Economic Context

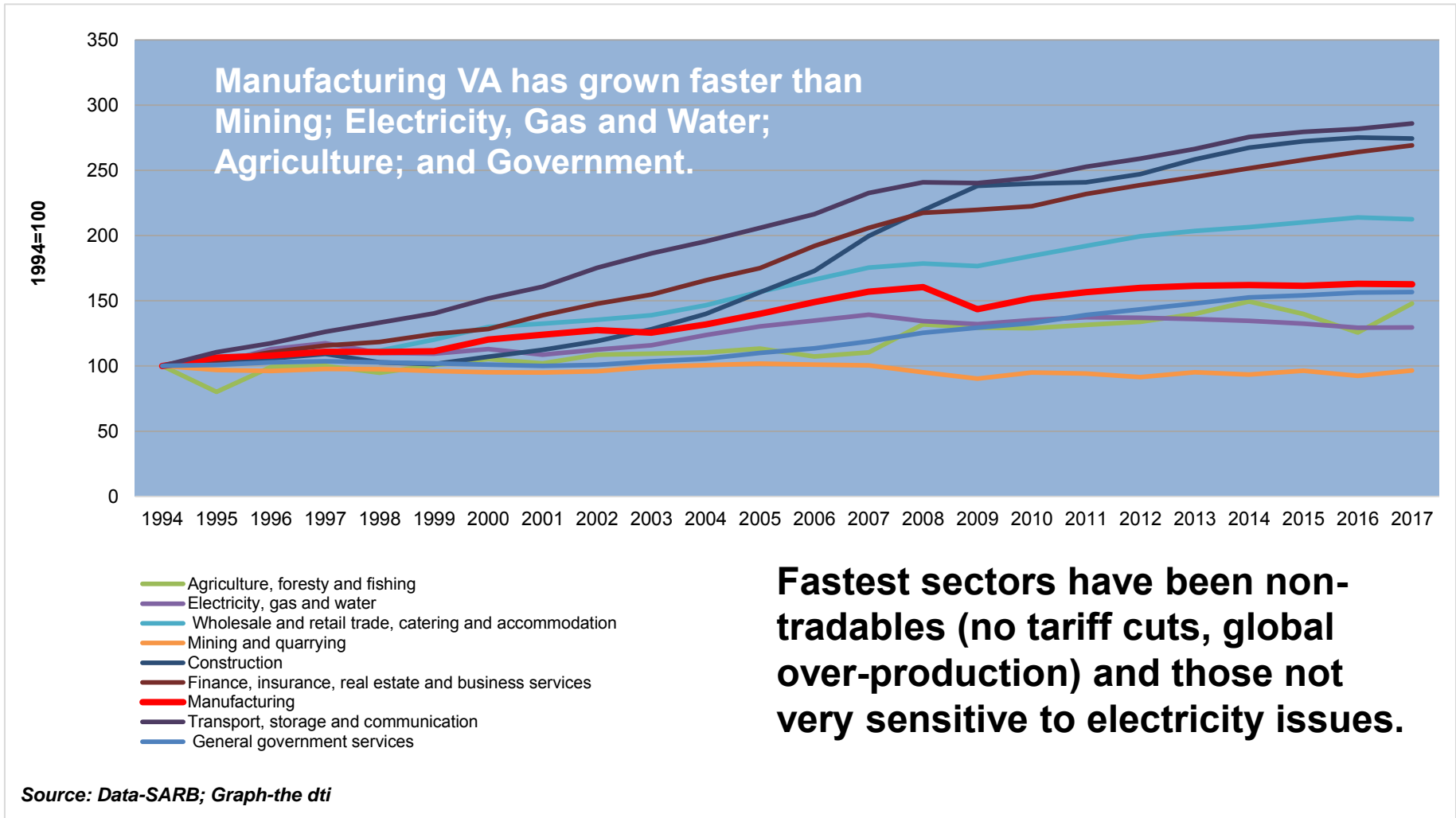
SA Exits Recession in Q3 2018...

- ❑ Real GDP expanded by 2.2%.
- ❑ Main driving force was Manufacturing's strong recovery.
- ❑ Supported by Agriculture, and Transport and Financial Services.
- ❑ Mining and Construction remain in significant contraction.



Reflections on Manufacturing Performance

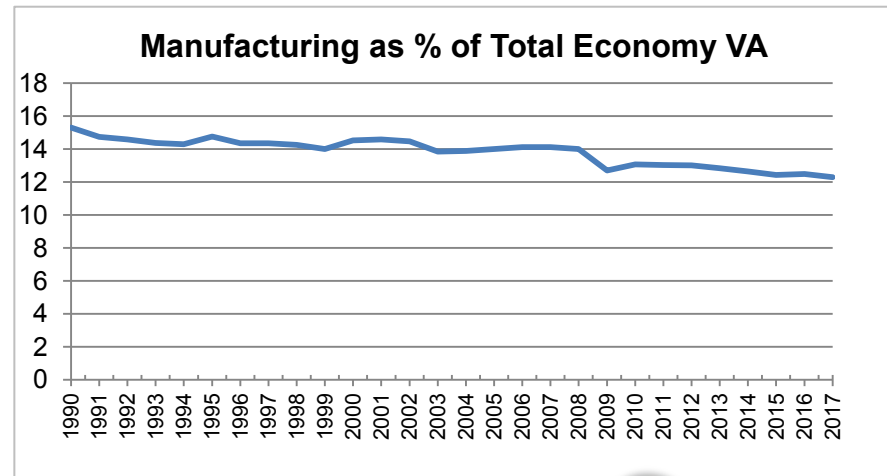
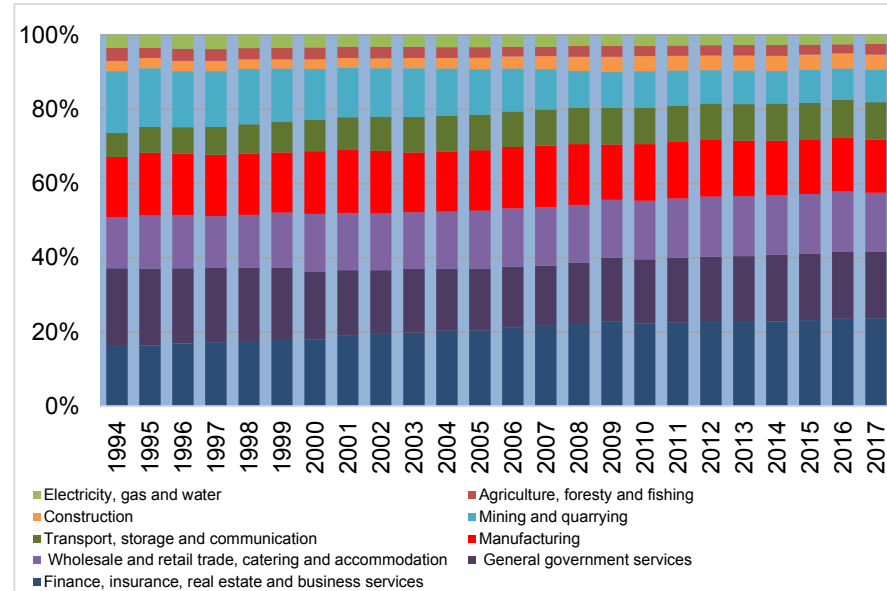
Manufacturing has been resilient in face of serious headwinds...



Reflections on Manufacturing Performance

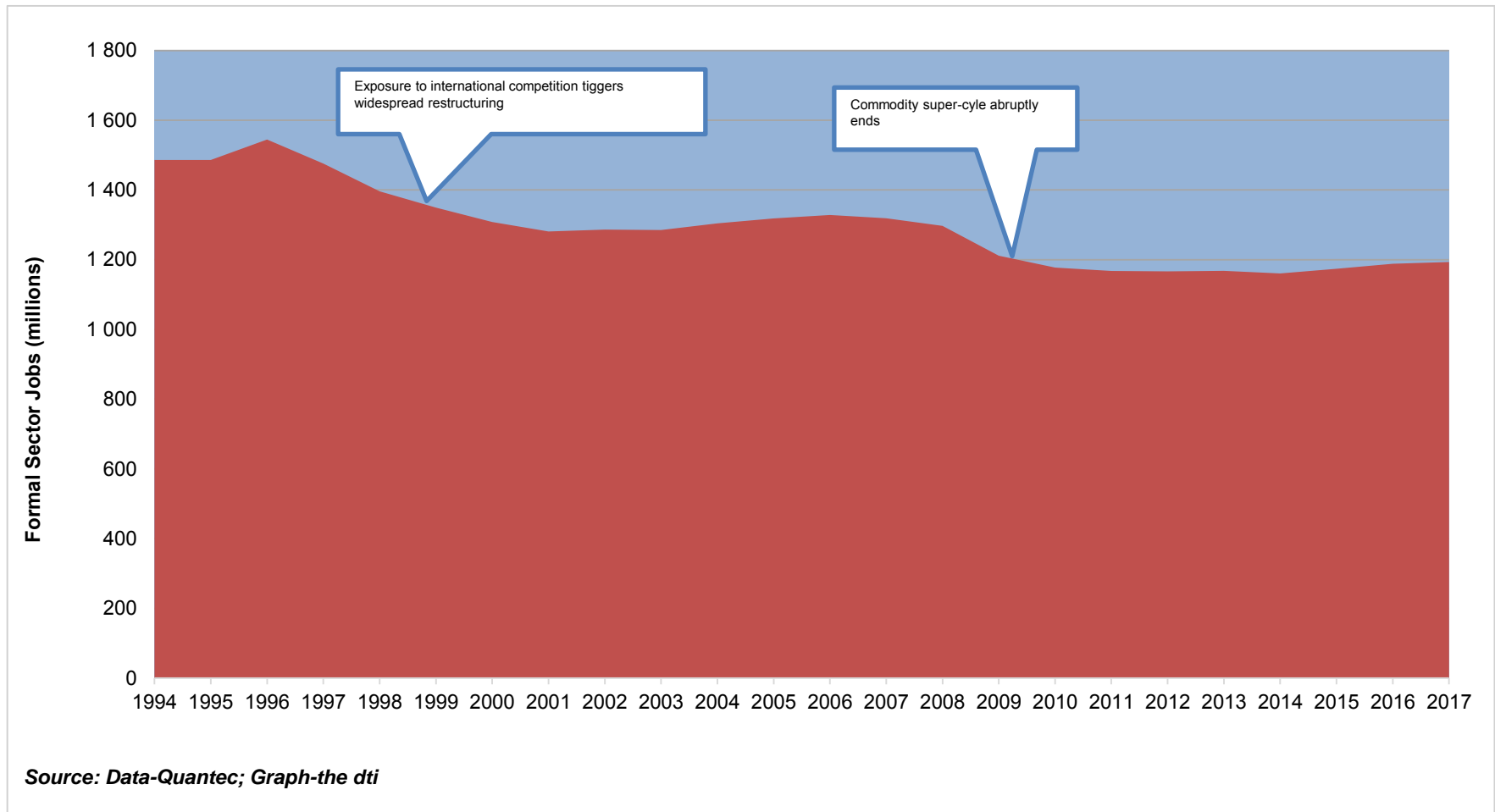
Manufacturing as % of GDP has fallen marginally...

- ❑ Gross Manufacturing Value-added was 14.3% of Total Economy gross VA in 1994.
- ❑ In 2017, Manufacturing accounted for 12.3% of Total Economy gross VA.
- ❑ Over the 10 year period, Manufacturing has faced:
 - Global Financial Crisis,
 - End of the commodity 'super-cycle' and collapse of mining procurement,
 - Global steel glut, and
 - Electricity challenges.



Reflections on Manufacturing Performance

Manufacturing employment fell after GFC but is now stable...



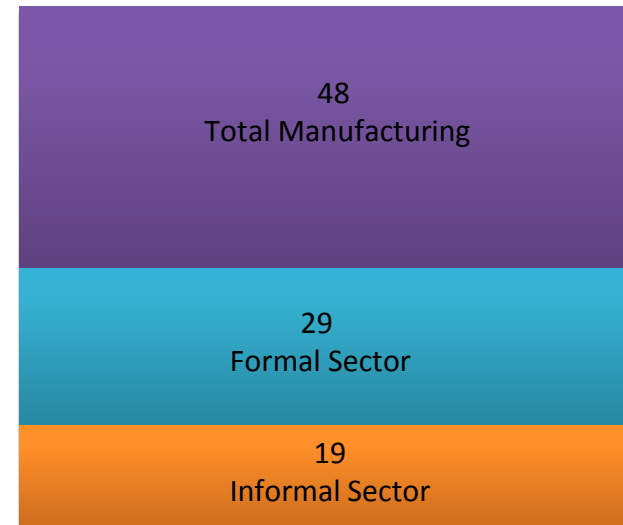
Reflections on Manufacturing Performance

Key IPAP sectors are showing significant employment creation...

- ❑ In Q4 2018 a total of 149,000 jobs were created in SA.
- ❑ The Manufacturing sector contributed 48,000 jobs.

StatsSA QLFS, Q4 2018	2018Q3 (Thousand)	2018Q4 (Thousand)	Jobs Created
Manufacture of furniture; manufacturing n.e.c.; recycling	76	103	27
Manufacture of textiles, clothing and leather goods	253	284	31
Manufacture of radio, television and communication equipment	19	22	2
Manufacture of wood and of products of wood and cork	174	186	12
Manufacture of transport equipment	94	99	5
Manufacture of food products, beverages and tobacco products	352	359	7
Manufacture of coke, refined petroleum products, chemicals, rubber and plastic	232	234	2

Manufacturing Employment Q/Q Gains
(Thousand)



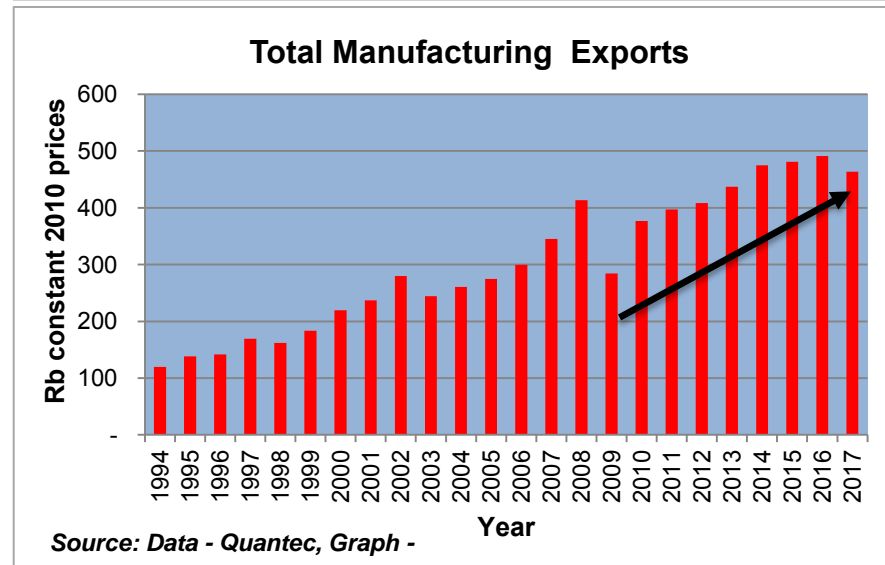
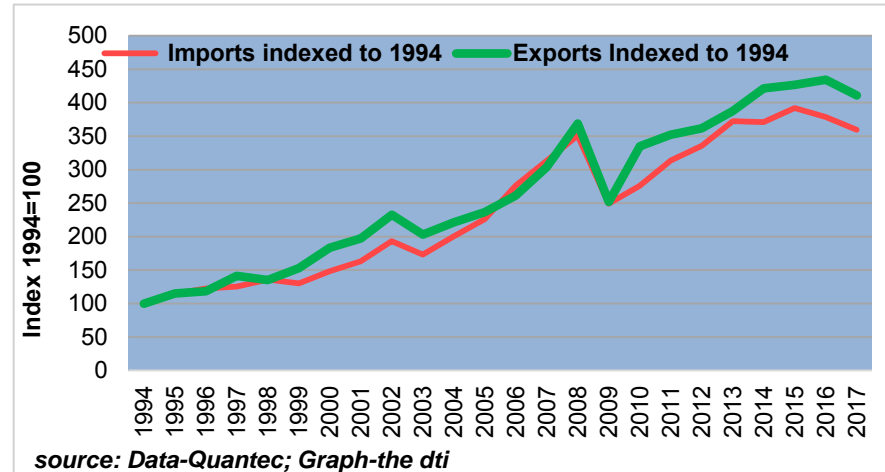
Reflections on Manufacturing Performance

Manufactured exports have grown substantially...

- ❑ Manufactured trade remains in deficit due to substantial consumer imports.
- ❑ But Manufactured exports have grown substantially in real terms.

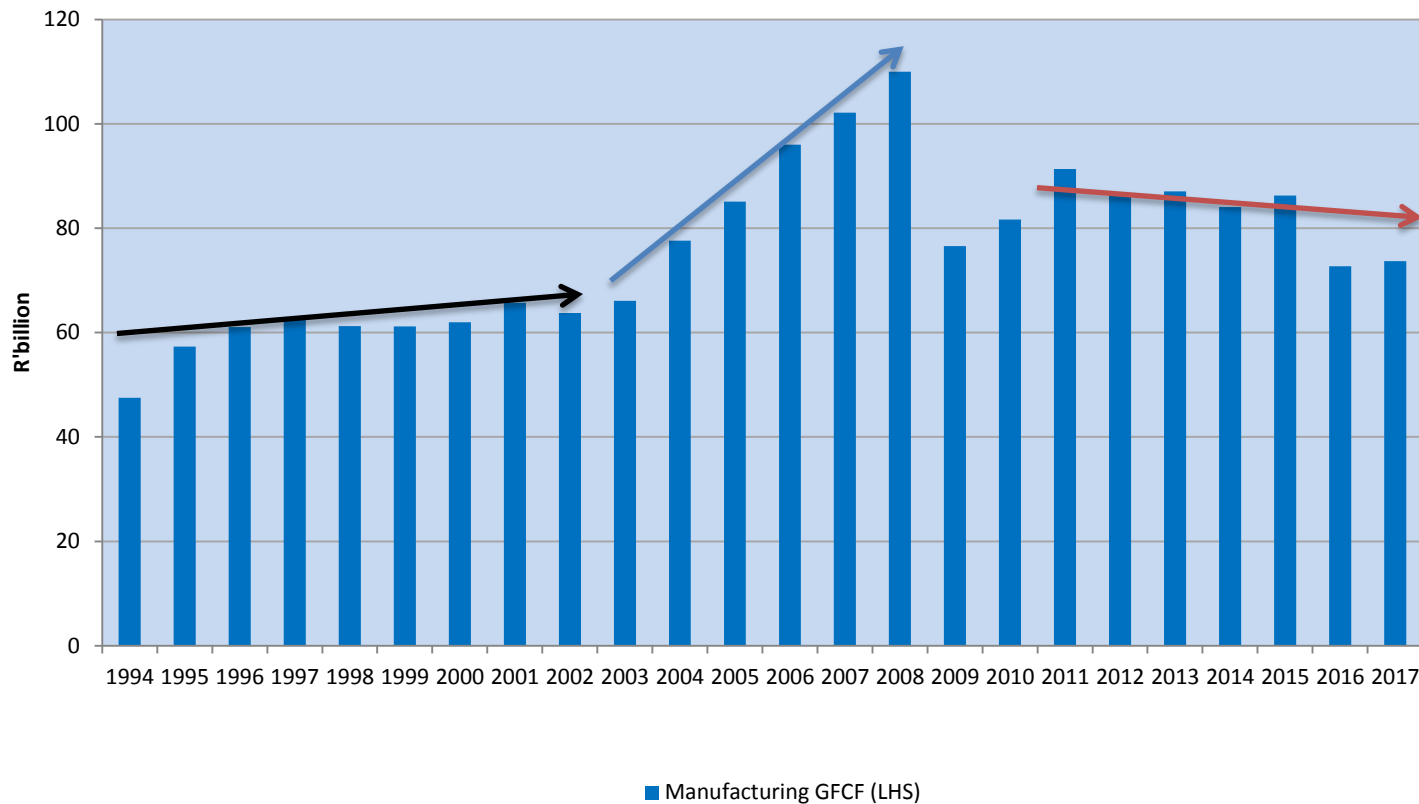
*“2018 Vehicle exports registered an annual record industry export figure and total vehicle exports at **351 154 units** reflecting growth of 3.9% compared to 2017.*

*Exports of light commercial vehicles and heavy trucks, in particular, had registered substantial gains, in volume terms, of **20.9%** and **17.6%**, respectively.”*



Reflections on Manufacturing Performance

But Manufacturing investment is growing too slowly...



Source: Data-SARB; Graph-the dti

Impact of dti Programmes



Industrialisation

Critical sectoral/enabling platforms have been built...

- ☐ Support to Autos saw exports doubling and over R47,5bn investment leveraged/ attracted ; Development of a Master Plan in collaboration with private sector
- ☐ Stabilisation of the CTLF sector through the CTCP which has resulted in 95 000 jobs retained and has seen over 22 factories being established in the Leather & Footwear sector; sector poised to export
- ☐ Built a globally competitive and labour-intensive BPS sector
- ☐ Under APSS, R 606mn projected investment supported with 1662 of sustained jobs and 1551 of projected new jobs to be created
- ☐ Stabilisation of the steel value chain through deployment of various industrial policy tools

Industrialisation

Autos

Over R40 bn investment secured
Projected Investment from all OEMs (BMW, Mercedes-Benz, Toyota, VW, etc.)

Export  **R45 bn to R171 bn**

600 000 Vehicles per annum

Supporting 113 000 jobs (assembly and supply chain)



Industrialisation

Clothing, Textiles, Footwear and Leather

CTCP incentive: Approvals: R5.1 bn, Disbursements: R4.2 bn

Contributed to the stabilisation of the clothing and textiles sector



95 000 jobs supported

Leather sector : 22 new factories opened; supporting 2 200 jobs

Productivity by 22.3% under the incentive



Manufacturing value addition 60.8% under the incentive



Industrialisation

Agro-processing

One of the key performing and reliant industry within the broader manufacturing sector

Support to the tune of R1bn: attracted over R4.6 billion worth of investments from major players such as Nestle, Tiger Brands, Unilever, PG Bison, Dursots-All Joy etc.



New Agro-Processing Support Scheme launched in 2017

Supporting 283 000 jobs in the value chain



Industrialisation

Localisation



Significant investments in locomotive assembly platforms, wagon-builts and fabrication capabilities in support of the freight recap programme



Over R1-billion investment in train manufacturing facility in Nigel. The facility will manufacture, assemble, test, commission and deliver 580 new commuter trains for PRASA



Propulsion and Controls Production by Bombardier Transportation in Elandsfontein, estimated investment of R50 million and will employ about 150 people during the course of the project

Industrialisation

Localisation



R15m plant upgrade investment for the manufacturing of traction transformers



R200m investment to manufacture forged wheels for all rail rolling stock classes. 45 new jobs created and BEE partnerships



Over R250 million new investment for manufacture of traction motors and alternators. About 105 people employed with the potential to grow the staff complement to over 300

Industrialisation

Localisation has been successful where implemented...

- ❑ Demand levers: 23 sectors/products designated for local content and production under the PPPFA regulations:
 - Despite many challenges the localisation programme faces, significant investments, new capacity and capabilities have been created, collaborative platforms with global OEMs through inter alia technology and skills transfer programmes have been realised, and
 - New products developed and factories launched at the back of rail localisation. However, significant import leakages as a result of non-implementation and corruption of the programme.

Localisation has saved industries.

*In the 2000s, SA Shipyards in Durban were facing a shrinking order book. In 2014, **the dti** designated working vessels and this led to SA Shipyards being awarded a R1.45 billion tender for the production of 9 tugboats, including one of the world's most powerful harbour tugboats. This resulted in the creation of 480 direct new jobs and 3,000 indirect jobs at the peak of production. SA Shipyards is a 100% black-owned company and is 67% woman-owned.*

Industrialisation

Transformation and industrialisation...

- ❑ Under the Black Industrialists Scheme, 131 projects approved assisting the black entrepreneurs to leverage over R13.2bn of private-sector investment, about 9,500 new jobs created and 8,900 retained in a wide range of manufacturing sub-sectors
- ❑ Going forward, **the dti** will provide financial, market access, capacity building, and technical support to approved BIs in collaboration with SOCs, other government departments and the private sector.

*Yekani is a 100% Black-owned ICT manufacturing company that currently manufactures Explora HD decoders, TEAC television sets, Set-Top-boxes and PC tablets. The company will create **1,000 new jobs** as a result of its expansion through the BI programme.*

Preparing for the 4th Industrial Revolution

As an electronics manufacturing company, CZ Electronics planned to grow and expand the company in order to prepare for the 4th Industrial Revolution, which is driven by access to broadband through electronic devices, furthermore to support economic growth and create sustainable employment opportunities through innovation. **the dti's BIS grant funded 50% of the total expansion projects, while CZ Electronics contributed the other 50% (R48 875 000). As a result, the company's turnover has increased from R50 million in 2017 to R500 million currently.**



Components are loaded on reels that feed into the Pick and Place machines



The Conformal Coater provides a protective layer over the boards



Transformation and Industrialisation

Transformation and industrialisation...

Investing in New Products

Since receiving funding from **the dti** in 2017, CZ Electronics has invested in new production lines for more advanced television boards and satellite decoders.

Furthermore, CZ has begun manufacturing other electronics such as vehicle tracking systems and gaming consoles.



The company now supplies Aim TVs for Pick n Pay, Dixon TVs for Cash Crusaders and FTS TVs for Fast Track.

AIM  DIXON

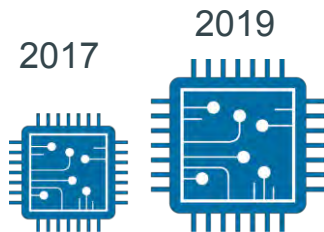
Transformation and industrialisation...

Production Efficiencies

2 entire board production lines have been automated through the BIS funding. Previously, the production lines would take half a day to set up but now with the automated production lines, it takes 20 minutes. The number of units being produced has also increased from 170 000 boards a month in 2017 to 400 000 boards a month currently.



Pick and Place machines add on components to the board while it goes through the production line



170 000 BOARDS/MONTH

before the dti funding in 2017 to

400 000 BOARDS/MONTH currently

Industrialisation

- ❑ Bidvest and Petredec launched an Liquefied Petroleum Gas (LPG) import facility in the Richard's Bay SEZ which will stimulate the Kwa-Zulu Natal province economic development through stimulation of amongst other; LPG energy switching, LPG processing, and LPG value chain goods and services.



Industrialisation

- ❑ Stabilisation of the steel industry are evident due to government interventions in terms of localisation, trade remedy as well as regional export growth:
- ❑ AMSA's (ArcelorMittal South Africa) interim results reported a profit of R1 587 million, an increase in sales of 10% and a production increase of 8%. Imports declined by 31% and exports increased by 26%.
- ❑ Veer Steel Mills capacity expansion producing 160 000 tons of long steel created **700 direct new full time jobs** and at least **150 indirect job opportunities** supported by the IDC



Industrialisation

- The revised Business Processing Services incentive, the Global Business Services (GBS) Incentive was launched in London, United Kingdom in December 2018.



Investment Unlocked

- ❑ Investment mobilisation drive to attract \$100 billion over the next 5 years.
- ❑ Presidential Investment Conference in October 2018 attracted R300bn in investment announcements of which R188bn is committed.
- ❑ Vedanta has completed Phase 1, invested R 400 million and has further committed R 1.2bn for Phase 2 including a Zinc Smelter – This will be largest Zinc Beneficiation plant in the Africa with economic development in the Northern Cape.
- ❑ Amazon, Mara Phones and P&G to be launched in 2019.
- ❑ Exarro's commitment of R20bn during the Mining Indaba in Feb 2019 is a boost to domestic investment and the mining sector.
- ❑ **Hi-Sense** to expand in Atlantis in WC.
- ❑ **Defy** to expand in Isithebe in KZN.
- ❑ **ILB Helios** in a JV with Seraphim and IDC to setup a 300 MW Solar Cell Plant with an investment of R250 million. Production to commence in July/August 2019 and its modules is expected to have over 80% local content.

Invest SA

One Stop Shop YTD Performance

National OSS

- ✓ Facilitated 15 investor unblocking issues to date
- ✓ Managed 953 walk-in inquiries
- ✓ Responded to 182 email inquiries from investors
- ✓ Revamped the InvestSA website resulting in increased hits over the period - 25 532 website views to date
- ✓ Conducted 31 stakeholder engagements with IPAs

KwaZulu-Natal OSS

- ✓ Facilitated 58 investor regulatory inquiries
- ✓ Facilitated 325 CIPC inquiries
- ✓ Processed 91 visa applications through VfS Global based at the OSS
- ✓ Facilitated 10 labour related inquiries
- ✓ Hosted 21 inbound missions from various countries

Western Cape OSS

- ✓ Facilitated 4 key investor unblocking issues
- ✓ Contributed R605m to Wesgro's investment target with 90 jobs created
- ✓ Hosted various delegations & inward missions from the UK, New Zealand
- ✓ Hosted various industry association engagements
- ✓ Implemented an integrated marketing & communications strategy

Gauteng OSS

- ✓ 1 196 clients utilised the facility over the period including 105 foreign companies
- ✓ Facilitated 629 investor inquiries
- ✓ Hosted 17 inbound missions from various countries
- ✓ Contributed R4 bn to GGDAs investment target

Roll-out of InvestSA One Stop Shops:

The OSS currently rolled out at National, Kwazulu Natal, Gauteng and Western Cape OSS to be launched in Eastern Cape, Limpopo, Northern Cape and the Free State in 2019.

Local Industrial Park Revitalisation

- ❑ To revitalise South Africa's state owned industrial parks enabling them to serve as catalysts for broader economic and industrial development in their host regions (townships and rural areas).
- ❑ To modernize the industrial Parks infrastructure and upgrade security features to ensure a safe and secure working environment for both firms and clients.
- ❑ To redesign the industrial park layout and enhance the visual appeal of park for investor attractiveness.
- ❑ To firm up the industrial park boundaries to curb encroachment and prevent environmental hazards.

Local Industrial Park Revitalisation

PROVINCE	INDUSTRIAL PARK	JOBS
Free State	Botshabelo Free State Development Corporation (FDC)	10,000
Limpopo	Seshego Nkowankowa Limpopo Development Agency (LEDA)	1, 543 3,842
KwaZulu-Natal	Isithebe Ithala Bank	25,000
Eastern Cape	Komani (Queenindustria) Chris Hani Development Agency	555
North West	Babelegi North West Development Agency (NWDA)	1,400
Eastern Cape	Vulindlela Eastern Cape Development Corporation	1,500
Free State	Phutaditjaba Free State Development Corporation (FDC)	11,383
North West	Garankuwa Mogwase North West Development Corporation (NWDC)	4,800 1,852
Mpumalanga	Ekandustria Mpumalanga Economic Growth Agency (MEGA)	3, 979
	Total	65,854

Local Industrial Park Revitalisation

- ❑ To date the Industrial Parks have been funded to the value of R511m
- ❑ 6 Industrial Parks have been launched in 2017/2019
- ❑ 4 will be ready to be launched in the current year (2018/2019)
(Phuthaditjhaba industrial park has already being in November 2018)
- ❑ The Industrial Parks Symposium led to:
 - Association for Industrial Parks
 - Provincial consultations
 - Standard Operating Procedure
 - Strategy for Cluster-based approach and Smart Specialisation

Local Industrial Park Revitalisation

BOTSHABELO INDUSTRIAL PARK

- Province: Free State



Local Industrial Park Revitalisation

BOTSHABELO INDUSTRIAL PARK

- Province: Free State

The Botshabelo Industrial Park is situated on the eastern side of Bloemfontein. Out of 144 factories, 113 are currently operational with a total investment of R728 million. The park employs over 10 000 people from the local area and serves as a hub for the development of SMMEs.



Local Industrial Park Revitalisation

BOTSHABELO INDUSTRIAL PARK

- Province: Free State

Since the revitalisation, the Botshabelo Industrial Park has become a safer working environment. The occupancy rate in Botshabelo Industrial Park has increased from 75% in 2015 to 81.54% in 2018.

19 new investors have been attracted to the park since the revitalisation, 16 of which are foreign investors.



Local Industrial Park Revitalisation

BOTSHABELO INDUSTRIAL PARK

- Province: Free State

Phase 1 of the revitalisation programme has created 114 construction jobs and 903 operational jobs across businesses in the park.



Special Economic Zones

Name of the SEZ	Province	Year of designation	Size (Ha)	Sectoral focus
Coega	Eastern Cape	2001	9003	Automotive, Chemicals, Business processing, Renewable energy, Agro-processing
East London	Eastern Cape	2002	462	Automotive, Steel fabrication, Renewable energy, Agro-processing
Richards Bay	KwaZulu-Natal	2002	467	Mineral beneficiation, Ship repair, manufacturing
Dube TradePort	KwaZulu-Natal	2016	302.9	Agro-processing, Electronics, Pharmaceuticals
Saldanha Bay	Western Cape	2013	356	Oil and gas services
OR Tambo	Gauteng	2002	7	Jewellery manufacturing
Maluti-a-Phofung	Free State	2014	1039	Agro-processing, Logistics, Pharmaceuticals
Musina-Makhado	Limpopo	2018	7262	Metallurgical processing, Petro-chemical and Logistics
Atlantis	Western Cape	2018	-	Renewable Energy/Green Tech hub
Nkomazi	Mpumalanga	2018	-	Agro-processing and Trade hub

Special Economic Zones

Investments unlocked...

Name of the SEZ	Value of operational investments in Rands	No of operational investors	Value of secured but not operational investments in Rands	No. of signed but not yet operational Investors	Direct jobs created
COEGA	6.9 billion	40	20.4 billion	45	7243
East London	1.6 billion	28	3.3 billion	19	3435
Richards Bay	320 million	2	9.5 billion	11	63
Dube TradePort	1.2 billion	10	3 billion	6	2655
Total	10.2 billion	80	35 billion	81	13477

Special Economic Zones

Investments unlocked...

- ❑ COEGA SEZ - has over four (4) projects under construction, which include BAIC, Osho Cement, MM Engineering and the CCA Zone 1 accumulatively valued at R12b;
- ❑ OR Tambo SEZ - a food company has confirmed R219m investment into the Zone to establish a food processing factory for export of food products from South Africa;
- ❑ East London SEZ - an investment agreement in the Aquaculture sector was concluded with an investment value of R520m;
- ❑ Dube TradePort SEZ- has over R1.8b of committed investments and has increased its total assets to R4.3b, generating revenue of R111m;
- ❑ Richards Bay SEZ- A R300m PVC- O pipe manufacturing plant has been established and operationalised
- ❑ Maluti-A-Phofung SEZ- has secured beef processing, pork abattoir and chemical investments with the combined investment value of R550.
- ❑ Atlantis secured investment is estimated at R1.8 billion with 1200 jobs to be created

Coega SEZ

Creating employment through construction...

Through **the dti's** funding, the SEZ is able to hire more employees for the construction and development of factories, warehouses, buildings and infrastructure. Since inception to date, the Coega SEZ has created **8 516 construction jobs**. These jobs are given to people within the community who can then bring in an income to the local economy and sustain their families.

8 516

**CONSTRUCTION
JOBS** created through
the dti's funding.



Making an Impact on the Economy through Infrastructure Development

122 PROJECTS

worth

R77 billion, attracted to
the Coega
SEZ



in dti funding towards building top structures in the Coega SEZ

R1.4 BILLION



Kenako Concrete...

Kenako Concrete is a beneficiary of **the dti's** Black Industrialist Programme. Construction is underway for the **R78 million** ready mix concrete plant in the Coega SEZ, creating **98 construction jobs**. The plant will create **59 sustainable jobs** once operational.



R78 MILLION

ready mix
concrete plant,
creating **98
construction
Jobs** and **59
sustainable jobs**
once operational



Coega SEZ

Supporting SMMEs and investing locally...

- ❑ Coega SEZ has awarded **29 SMMEs** with contracts in 2016/17 and **19 contracts** in 2017/18. 4 of these SMMEs were youth owned enterprises while 12 were women owned enterprises. These contracts were for the construction of SEZ buildings and supply of concrete and civil works.
- ❑ The Maxwele Clinic, a **R24 million** project, was built with the help of **52 local residents**, who together benefitted with 35% of the project value.
- ❑ The clearing of the BAIC site saw **11 SMMEs** from the Nelson Mandela Bay Metropolitan Area, including two women-owned companies, given work packages valued at more than **R17 million**.
- ❑ Another four SMMEs were awarded the contract to supply fencing for the Customs Control Area in Zones 1 and 2 of the IDZ. This project is putting **R5 million** into the local coffers.

Special Economic Zones

Supporting SMMEs and investing locally...

- ❑ The **CCA Warehouse** (shown below) in Zone 1 is **currently being built, entirely by SMMEs**. Another four SMMEs were awarded the contract to supply fencing for the Customs Control Area in Zones 1 and 2 of the IDZ. This project is putting **R5 million** into the local coffers.



Trade Promotion

- ❑ In 2018, 22 Trade Missions and 20 National Pavilions were held.
- ❑ Over 800 enterprises were assisted and approximately R4 billion export sales were recorded.
- ❑ In 2019, 15 National Pavilions are planned and 864 enterprises are expected to be supported.
- ❑ In addition, South Africa hosted a successful 10th BRICS Summit, a concrete outcome of which was the New Development Bank funding of USD 200m secured for the deepening of the Port of Durban
- ❑ Engagement with BRICS countries will however have to be strengthened with an emphasis on investment-led trade.
- ❑ This approach is imperative in balancing the current trade dynamics within BRICS and will enable South Africa to diversify the predominant commodity based export basket.

Progress on Key Management Performance Indicators

Congratulations!
You have done it again ... Another Clean Audit
Well done to the dti for its third clean audit.
This means:

- Zero Tolerance of Corruption**
- No Irregular and Wasteful Expenditure**
- Good Governance**
- Creditors Paid on time**
- Improved Service Delivery**

towards full-scale industrialisation and inclusive growth
the dti Customer Contact Centre: 0861 843 384
Website: www.thedti.gov.za

the dti
Department
Trade and Industry
REPUBLIC OF SOUTH AFRICA

100
South Africa
2018
Endeavour

NDP

The department's achievements represent the culmination of years of continuous improvement and commitment from every staff member and would not have been possible if we did not get the basics right.

The successes in the sectors in which we have actively provided financial support would not have been possible without a focused approach of continuously improving systems and governance.

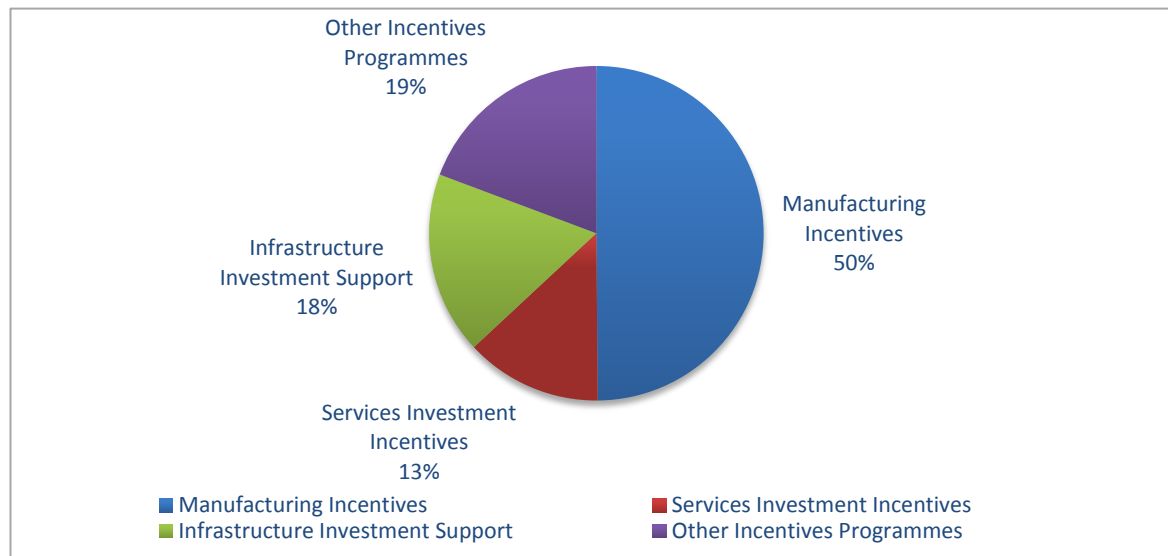
Progress on Key Management Performance Indicators

- We can now proudly report that the department has achieved 3 clean audits in the past 4 years. The clean audit is testament to our commitment towards running a clean administration. The department is continuously committed to good governance, compliance with relevant laws and regulations, ethical leadership, accurate reporting and no wasteful expenditure.
- In a collective effort towards clean administration and accountability, many of **the dti** entities also achieved a clean audit, with the percentage increasing from 60% percent in the 2016/17 financial year to 78% in the 2017/18 financial year.
- In keeping with our mandate to promote and facilitate sustainable growth and economic development, we ensure payment to suppliers within 30 days. This has been achieved through our electronic document management system, which tracks and monitors the payment of invoices. This system was presented to FOSAD and has been used as a benchmark by other departments.
- This has all translated to better service delivery to the department's stakeholders, investors and aspiring entrepreneurs.



Progress on Key Management Performance Indicators

- On an annual basis, approximately R6.3 billion or 70% of the department's budget supports the private sector through the dti's various incentive programmes, as follows:



Progress on Key Management Performance Indicators

- ❑ All eligible creditor payments processed well within 30 days.

Female SMS



Women in SMS at **52%** against quarterly target of **49%**.

- ❑ The number of people with **disabilities employed** was at **3.75%** against annual target of **3.55%**.



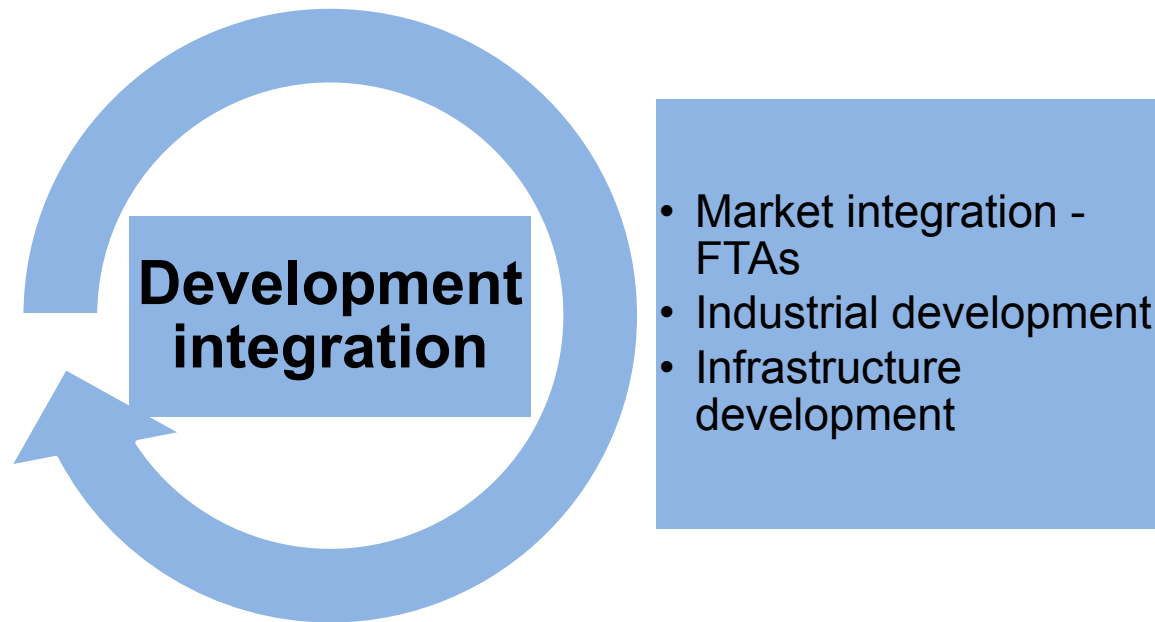
People with Disabilities

Regulatory Environment Success Stories

- ☐ Companies and Intellectual Property Commission's (CIPC) Mobile APP launched
- ☐ Cooperatives online Automated system developed at CIPC
- ☐ Implementation of Copyright Amendment Act
- ☐ Protection of consumer health, safety and environment through the Technical Infrastructure support of our entities
- ☐ More entities willing to be B-BBEE compliant
- ☐ However, Mining, Transport, Construction and ICT sectors are highest in reporting B-BBEE complaints.

Approach to Africa Regional Economic Integration

- Recognizes that the much advocated linear integration model is not suitable for countries of very different levels of economic development.
- Argues that major barriers to intra-regional trade are often inadequate infrastructure and underdeveloped production structures, rather than tariffs or regulatory barriers



Importance of Africa REI to SA

- In the context of global trade wars and general upheaval, integration in the Continent becomes even more important.
- African market is important for SA manufactured goods and services:
 - Destination for 30% of total SA exports (R311 bn and 63% manufactures).
- Significant imports into SA: oil, electricity and gas and water.
- Development of value chains to increase trade and investment:
- Investment-led approach to build industrial capacity in RoAfrica;
- Competition in the RoAfrica is increasing; SA competitiveness is critical;
- Preferential trade already taking place: SACU, SADC
- Frameworks in place for broader FTAs (AfCFTA and TFTA)

T-FTA

- Key focus is to unlock industrial development through the RVCs and promote intra-regional investments
- The T-FTA have been signed by South Africa and ratification processes have been finalized. South Africa's instrument of ratification will be now be deposited.
- Tariff negotiations between SACU-EAC are very advanced and the next round of negotiations are aimed at conclusion.
- Negotiations with Egypt have been delayed but commitment from all the parties to reenergize the negotiations.
- Potential Benefit for SA
 - Access to dynamic and new markets
 - TFTA countries are among the fastest growing economies in the continent, i.e. Rwanda, Ethiopia, Tanzania etc.
 - South Africa will build on its current share of the African market and have access to a larger, more integrated, and growing regional market.
 - This has the potential to stimulate industrial development, investment and job creation.

AfCFTA

- The AfCFTA creates a single market for goods and services in Africa.
- Objective is to expedite continental integration and enhance intra-Africa trade and investment.
- According to UNECA, AfCFTA promises to unlock intra-Africa trade to grow by 52% by 2022.
- 49 members of the AU have signed the agreement.
- SA signed on 1 July 2018 on the margins of the 38th Session of the Ordinary Session of AU Assembly of HoS and Governments.
- Entry into force requires 22 member states to deposit instruments of ratification.
- 7 countries have ratified the AfCFTA: Kenya, Rwanda, Ghana, Niger, Chad, eSwatini and Guinea Conakry.
- SA's ratification process is far advanced and the aim is to submit South Africa's instrument of ratification by the next AU Summit in January 2019.

Rollover Agreement with UK

- The UK is South Africa's 2nd biggest trading partner in the EU. For agricultural products, the UK is SA's biggest trading partner in EU.
- Brexit – discussions with UK advanced to roll over the EPA. “Hard Brexit” likely, important to conclude roll-over Agreement by March 2019.
- Aim to table Agreement in Parliament in February 2019 for ratification.
- Key areas being discussed:
 - TRQ for SA into the UK: canned fruit, frozen orange juice, apple juice, wine, citrus jam, dairy products, active yeast, isoglucose, sugar (raw and refined) and ethanol. Principle agreed to use current trade flows between SA and UK as basis;
 - Preserve the existing value-chains, requires negotiation of cumulation;
 - Transitional arrangement to ensure continued acceptance by the parties of certificates of origin, permits/licenses/certificates for imports issued by the EU before the UK officially exits the EU;
 - Build-in Agenda for issues that can't be negotiated before UK officially exits the EU.

Strategic Considerations Industrialisation



Trade wars: Hegemony (dominance) over 4IR

Internet foundation for digital economy

- ☐ Ownership of data means market power, dominance
- ☐ Data gives competitive advantage to doing business
- ☐ 4 Countries dominate market, US, China, UK, Japan
- ☐ In US the internet is not regulated



Industrialisation

- ❑ Industrial Policy has worked where it is adequately resourced; properly designed and subject of robust stakeholder engagement, both with respect to key sectors and interventions.
- ❑ The experience of the last 10 years of IPAP places us in a position to upscale our efforts across a range of sectors and the transversal programmes, including the localisation programme.
- ❑ There is no 'silver bullet' and government-wide, stepped-up support for industrial policy is required to address deep-seated structural problems and constraints → deepen and widen the toolbox with focused problem-solving approach to constraints/bottlenecks.
- ❑ Industrial Policy should focus on a combination of retaining and re-capturing domestic market share with stronger, more focused conditional support measures – procurement; incentives etc., ramp up efforts to expand SA export culture, focusing on increasing the value addition and sophistication of our exports as well as strengthening the regional integration and industrialisation agenda.

Industrialisation

- ❑ Forge strategic alliances and structured collaborative platforms with the private sector to:
 - develop concrete sector programmes with co-commitments (e.g Manufacturing circle, PPGi, etc.)
 - Raise domestic aggregate demand through strengthening localisation partnerships with Big Business
 - Leverage the mining procurement → the local content requirements in the amended Mining Charter present a huge opportunity to re-build and/or further enhance SA mining equipment and services capabilities
 - Engage and respond to the emerging policy narratives, e.g. the export-led industrialisation

Transversal Focus Areas



Procurement & localisation:

monitor the current designations, designate more sector/products for local procurement; strengthen the non-compliance remedies as part of the broader procurement reforms process; develop an institutional framework and long-term funding model for the local content verification



African Integration and Industrial Development

Concerted effort on securing buy-in of the SADC operational plan in order to give effect to concrete projects; leverage on AfCFTA developments

Transversal Focus Areas



Technical Infrastructure

Strengthen SABS testing infrastructure and capabilities in support of manufacturing sector ; strategic use of standards and compulsory specifications to support locally produced goods; and strategic awareness campaign to improve use of SQAM services



Incentives

Formalise an inter-governmental structure to consolidate and enhance SA's investment incentive offering - guided by the outcomes of the ongoing review by DPME of SA's business incentives ; roll-out the new incentive programmes

Transversal Focus Areas



SEZs/Rural& Township Economy
Designation of additional SEZs; institutional and capacity development; investment promotion; develop mechanisms that enhance the development of the rural and township economy



4IR: Working on an appropriate policy and regulatory framework for the 4IR; develop a long-term funding model for the Future Production skills programme

Sectoral Focus Areas



Autos

Develop modalities/regulatory measures to implement the newly launched masterplan in order secure localisation & empowerment , deepen the value chain



Clothing, Textiles, Leather & Footwear

Finalise the Retail- Textiles, Clothing and Footwear Masterplan with Industry; secure commitment from both manufactures and retailers; review of the CTCP



Metals fabrication, Capital & Rail transport equipment

scale up designation & localisation: meaningful engagements with DPE, SOCs to claw- back on rail procurement; promote localisation of castings and forgings, finalise export tax proposal



Agro processing

Finalise the Sugar Industry Transformation Programme and diversification plan to inform the post-transitional arrangements; Finalize the Poultry Industry Master Plan ,Turn around strategy for the Canning Industry and Furniture Master Plan; explore export market opportunities in net food-importing countries

Sectoral Focus Areas



**Plastics,
Pharmaceutic
als, Chemicals
and Cosmetics**

Develop strategy for local manufacture of veterinary medicines; develop and implement interventions for chemicals -plastics sectors; develop a self-sustainable natural ingredients and natural products industry



**Primary
Minerals and
Upstream
Mining**

Scale-up hydrogen economy; mining equipment localisation; chrome beneficiation; leverage demand for energy storage through local manufacture of mineral based batteries; gas industry development at the back of Total discovery



**Green
Industries**

Explore industrial opportunities in the Water Sector including introduction of digital solutions; up-scale the NCPC promote resource efficiencies and reduce waste



**Business
process
Services**

Roll-out of BPS incentives; finalise the current phase of implementation for Monyetla Work Readiness Programme

Sectoral Focus Areas



**Marine
Manufacturing
and Associated
Services**

**Component Supplier Development Programme;
Skills Development Programme**



**Aerospace &
Defence**

**Re-structure the CAV in partnership with the
Gauteng Province; Industrialisation of Advanced
Manufacturing: commercialise the cellular core
composites capability; develop key input
materials for Aerospace Manufacturing**



**Electro-
technical
Industries**

**Localisation of ICT products (laptops, cell
phones, tablets) and TVs; development of a
transformation programme for the Cables
industry**

Investment Facilitation

InvestSA will be responsible to rollout and implement the following:

- ☐ Investment Climate Reform Program with the World Bank on the Ease of Doing Business – To improve South Africa's ranking from 82 to 50 over the next three years and enhance aftercare support for investors to fast track, unblock and reduce red tape in government.
- ☐ Presidential Investment Conference 2019.
- ☐ Establishment of Investment Council in 2019.
- ☐ Support to Presidential Envoys and aftercare forums through targeted investment seminars and roundtables on the policy and regulatory environment.

Special Economic Zones

Proposed and New SEZ's

Proposed SEZ	Province	Sectoral focus	Status
Atlantis	Western Cape	Renewable Energy/Green Tech hub	Launched in Dec 2018
Nkomazi	Mpumalanga	Agro-processing and Trade hub	Designated in November 2018
Upington	Northern Cape	Solar manufacturing hub	Application received
Bojanala	North West	PGM beneficiation and Mining input supplier park	Planning phase
Wild Coast: Mthatha	Eastern Cape	Agro-processing and Tourism hub	Planning phase
	Gauteng	Science and High Tech industries	Planning phase
Tubatse	Limpopo	PGM beneficiation and Mining input supplier park	Planning phase

THANK YOU

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