



EDD Presentation on the 4th Quarter 2016/17

Presentation to the Portfolio Committee
Economic Development

30 August 2017

The report covers the period 1 January 2017 to 31 March 2017
unless otherwise stated.

Quarter 4 refers to the same period



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA



- Economic and employment overview
- Highlights from the Department's report for the quarter
 1. Re-opening of Highveld Steel
 2. Regional integration: Case study – Mozambique
 3. Update on construction settlement
 4. Labour relations
 5. National Skills Accord
- Standard report on KPIs
- Report on human resources
- Standard report on finances

- **Economic Context and Performance for Quarter 4 2016/17**
 - Information on economic trends have been incorporated in the Quarter 1 for 2017/18 presentation to enable up-to-date data to be tabled at the Portfolio Committee.
 - Some data and case studies will be incorporated in the Annual Report to the Portfolio Committee

Focus 1: Re-opening Highveld Steel

Government has undertaken a range of initiatives to support the metals and steel value chain and beneficiation (see previous reports). This focus details one intervention that “started to blossom” in Q4. We expect it to more bear fruit in the next year.

Global over production in steel

- SA, like many countries in the rest of the world, has faced the prospect of a declining primary steel industry and the job loss, deindustrialisation/ decline in investment and strategic implications associated with this
- Global capacity utilisation rates fell to slightly below 70% in 2015-2016, creating difficulties for an industry with high fixed costs, such as steel. To give a few examples of what happened in 2016:
 - about 63 plants closed – OECD database 2016
 - 45 200 workers in China displaced in the main steel producing provinces
 - 800 workers displaced in Malaysia when Megasteel shuts down
 - Employment losses at ArcelorMittal plants in Spain: 330 at Sestao and 325 at Zumarraga steel plant.
- This report covers work done by EDD and the impact thereof, in Q4 (2016/17) as well as in Q1 (2017/18)

Background: Highveld Steel

- Highveld Steel went into business rescue and closed down in 2015
- Some 1 700 jobs were lost and a certain range of structural steel previously produced by Highveld Steel now has to be imported

EDD intervention

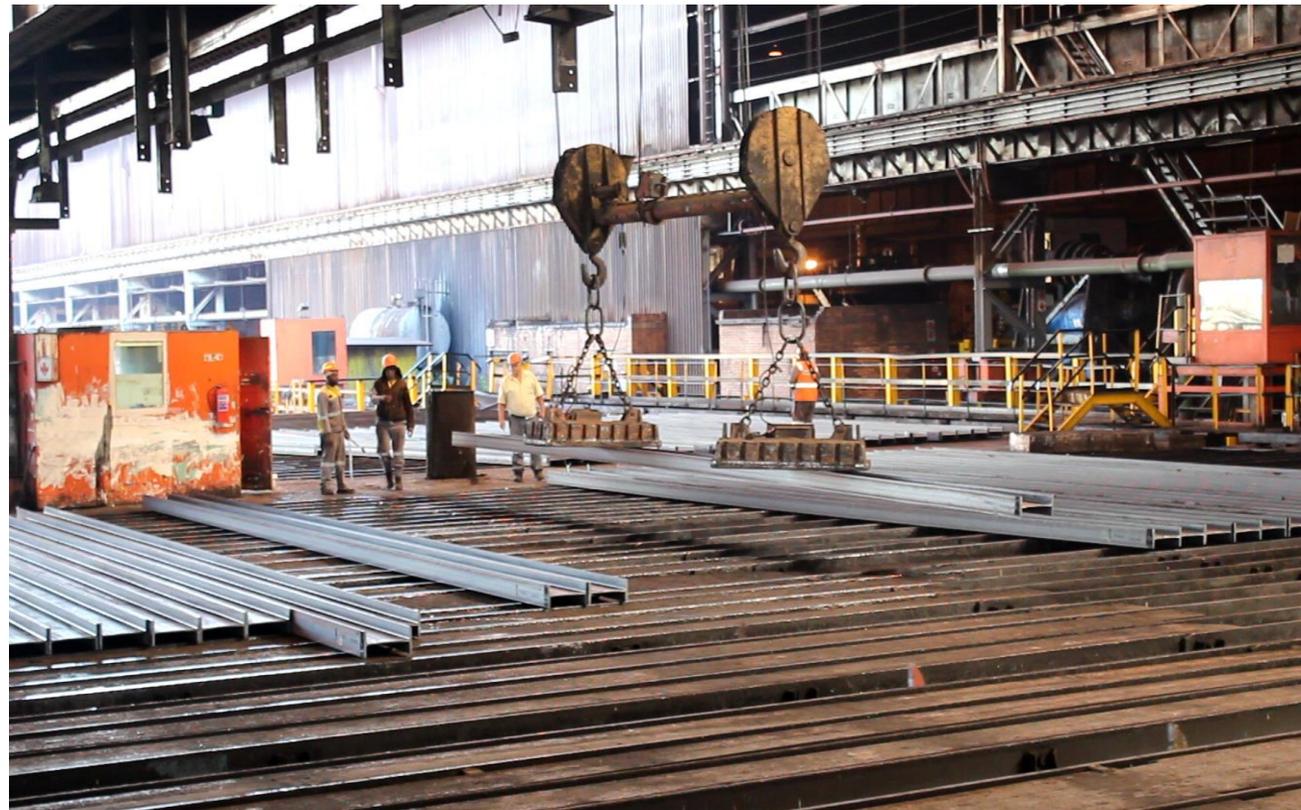
- EDD assisted with an opportunity to promote investment, create jobs and develop beneficiation in the metal and steel value chain:
 - AMSA had the quality of steel required to make railway lines but its structural mill was too “small” to produce the amount required
 - Highveld Steel produced the larger sizes in railway lines but could not produce the bloom needed to make these large sizes
 - It was not economically feasible for either company to upgrade their existing facilities
- EDD brought together relevant parties – including AMSA, the IDC, and Highveld’s Business Rescue Practitioner – to facilitate development of a new venture.

- The result of this intervention is the **establishment of Highveld Structural Mill**
- The plant makes a range of products for the construction and infrastructure markets including bars, beams, rail sleepers, and columns
- **It is the only manufacturer of rail lines on the African continent**
- **The Highveld heavy section mill has been reopened** and is making products available for the South African market
- This **has created 200 manufacturing jobs** at the site (For see jobs numbers, see updated report in Quarter 1 for 2017/18)

1. April 2015: Highveld Steel goes into Business Rescue
2. April 2015: All production halted
3. June 2015: IDC extends R150m loan
4. Early 2016: 1 700 workers retrenched
5. Dec 2016: Contract manufacturing agreement signed
6. Q4 2017: Refurbishment of Heavy Structural Mill
7. April 2017: Heavy Structural Mill starts production

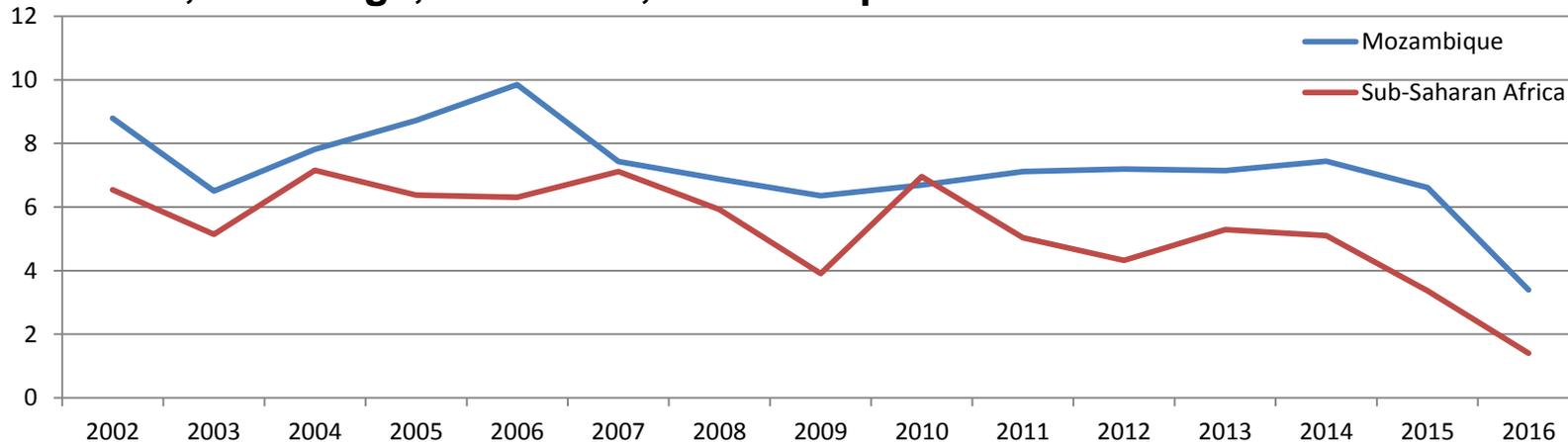
Impact includes:

- 100% import replacement for heavy steel used for construction
- Raw materials used by AMSA and Highveld Steel are almost totally locally produced
- Establishment of industrial park
- Opportunity to produce large railway lines in SA again
- Opportunity to export, especially into the other African countries



- Mozambique has gone through an extended period of high growth over the last decade and a half, driven mainly by the development of its natural gas industry, which went from zero in 2003 to 9% of GDP in 2008
- The decrease in growth rates from 2014 onward results from lower oil and commodity prices as well as perceptions of poor public sector investment choices, an emerging public debt crisis and reduced investor confidence
- Medium-term growth prospects point to possible recovery, though this will depend to a large extent on a still uncertain commodity price recovery and will require measures to boost depressed investor confidence

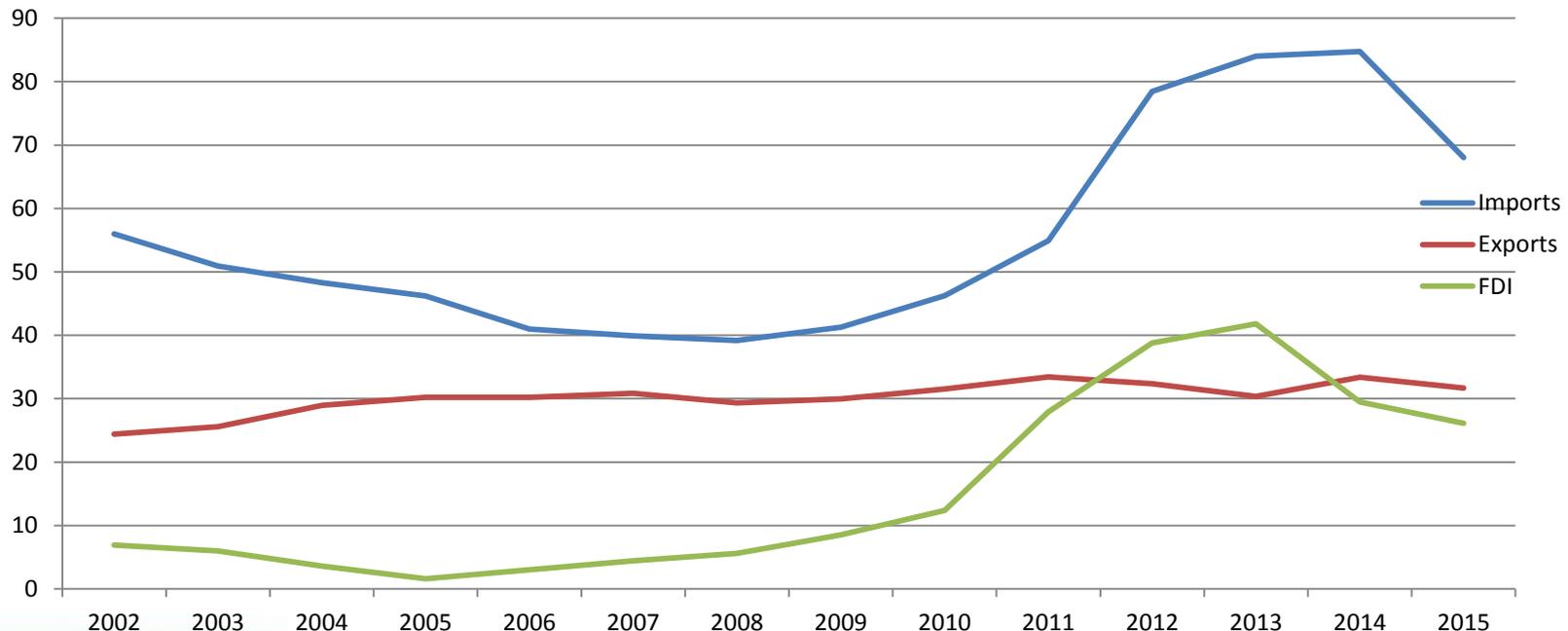
Real GDP, % Change, 2002-2016, Mozambique and Sub-Saharan Africa



Trade in Mozambique's Economy*

- Mozambican exports increased from 24% of GDP in 2002 to 30% in 2005, and have remained fairly constant since then; the 2015 value is 32%
- Imports have increased as a share of GDP, peaking at 85% of GDP in 2014
- The large trade deficit has been offset by financial inflows from natural gas and associated investments, and from public borrowing from international sources

Exports, Imports and FDI as Share of GDP, Mozambique, 2002 - 2015



SA's Trade With Mozambique*

- Mozambique imports 30% of its total imports from South Africa

Source Countries for Mozambican Imports, 2010 and 2016

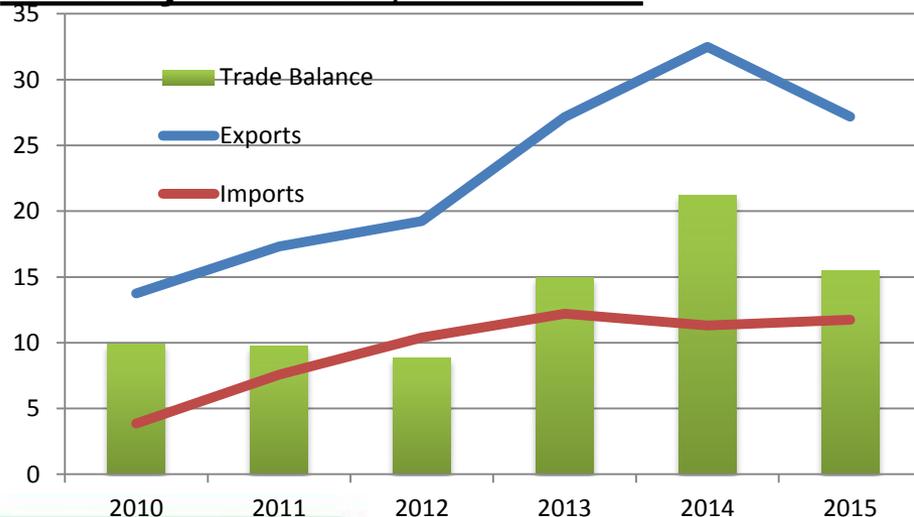
	Country	2010, % Share of Total Imports	Country	2015, % Share of Total Imports
1.	South Africa	34	South Africa	30
2.	Netherlands	18	China	13
3.	India	6	Netherlands	7
4.	Portugal	4	Portugal	6
5.	China	4	Bahrain	5

- Around 3% of South Africa's total exports went to Mozambique in 2015, up from the 2% of 2011
- In 2015, Mozambique was the 12th largest export destination for South Africa and the 4th largest Africa destination, behind Namibia, Botswana and Zambia
- Imports from Mozambique (mainly electricity and natural gas) have remained fairly stable at around 1% of total South African imports

Trade between SA and Mozambique*

- SA exports to Mozambique have increased appreciably though some are re-exports e.g. cell phones. Imports have remained fairly flat
- The trade surplus with Mozambique increased from 2013 onward, peaking at R 21.2bn in 2014
- South Africa supplied 54% of Mozambique's truck imports in 2015, ranking South Africa the highest exporter of trucks to Mozambique

South Africa total trade with Mozambique, currently R ' billion, 2010 - 2015



Mozambique's Top 5 Imports by value with South Africa's rank and % share, 2015

	Product	SA rank	SA % share
1.	Refined Fuel	4	5%
2.	Fishing vessels	NA	NA
3.	Unwrought aluminium	6	Negligible
4.	Trucks	1	54%
5.	Medicines	3	9%

South Africa's Trade with Mozambique*

- Electricity is South Africa's main export to Mozambique, at 7% of total exports in 2010 and 11% in 2015
- Trucks were in the top 5 exports in both 2010 and 2015, though their share of total exports has declined
- Refined fuel has remained fairly constant at around 3% of total exports to Mozambique

SA Top 5 Exports to Mozambique in 2010 and 2015

	2010	% Share of Total SA Exports to Mozambique	2015	% Share of Total SA Exports to Mozambique
1.	Electricity	7	Electricity	11
2.	Trucks	6	Coal	5
3.	Calcium Phosphates	4	Industrial Structures	3
4.	Iron Alloys	4	Trucks	3
5.	Refined Fuel	3	Refined Fuel	3

Mozambican Growth Boom and SA Export Response*

- An economic boom in a neighbouring country is an opportunity for SA and a test of the responsiveness of our firms and our general trade regime
- Mozambican imports from the world increased by a total 122% in value from 2010 to 2015, whilst SA exports to Mozambique increased by 94%
- So, while our exporters responded strongly, we lost some market share (exports would need to increase by 122% or more to retain / enlarge our market share)
- SA's share of total Mozambican imports decreased from **34 % in 2010 to 30% in 2015**, with China especially gaining market share over this boom period (from 4% in 2010 to 13% in 2015).
- We explore in some detail the Mozambican industries and sub-industries where high import growth occurred, and the extent to which this increased demand was met by South African exporters

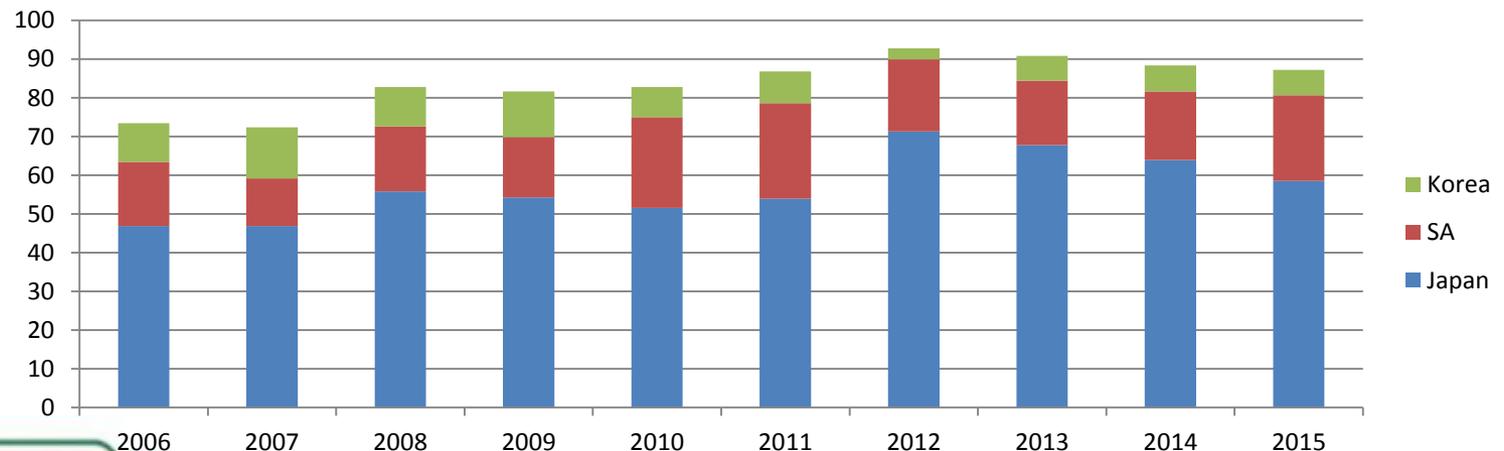
Changes for Selected Key Mozambican Imports, 2010-2015*

	% Change Total Imports of Mozambique 2010-2015	% Change SA Export to Mozambique 2010 – 2015
All products	122	94
Mobile phones	3 414	8 814
Medicines	625	899
Iron and non-alloy steel bars and rods	533	666
Machinery parts	176	488
Mining machinery	306	415
Industrial structures	222	244
Trucks	122	199
Cars	104	92
Insulated cable	156	91
Frozen fish	137	44
Bulldozers, graders, scrapers etc.	151	30
Electricity	56	13
Refined oil	37	-73
Cement	71	-98

Profile: Cement and Cars*

- In the case of **cement**, SA went from supplying 40% of Mozambican cement in 2010 to less than 1% in 2015, losing market share to countries like Vietnam, Pakistan and Iran
- This may be partly explained by increased domestic demand as a result of our infrastructure drive, but more work will be required to establish if there are other reasons
- In the case of **cars**, SA market share went from 24% in 2010 to 22% in 2015: Japan has been and remains the main exporter to Mozambique, and increased its market share at the expense of Korea from 2012 onward. It appears that most of these vehicles from Japan are second-hand cars

Cars: % Share of 2015's Top 3 Exporters to Mozambique, 2006-2015

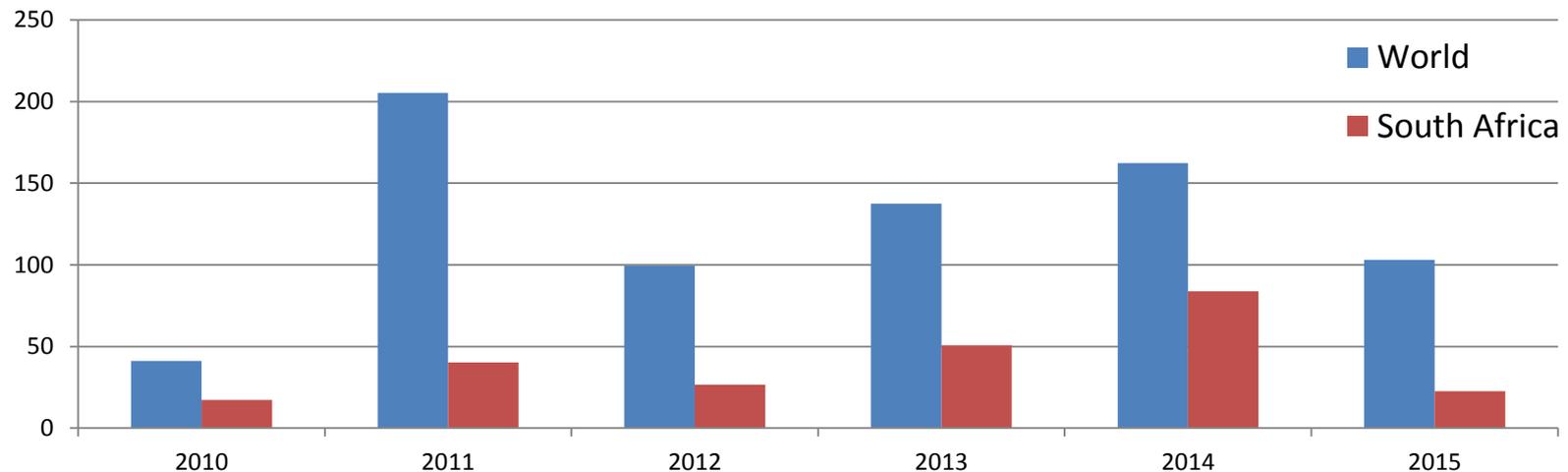


*Work on this analysis was completed in Q1 2017/18

Profile: Bulldozers, Graders and Scrapers*

- In the case of **bulldozers, graders and scrapers**, SA remains the main exporter to Mozambique, but lost significant market share over this period
- SA exports to Mozambique increased **by 30%** whilst Mozambican total imports increased by **151%**.
- Our import share has consequently gone from 42% to 22%. Japan and Indonesia together constituted 25% of the expanded market in 2015

Mozambican Bulldozer, Grader and Scraper Imports, 2010-2015, USD 'Million: World & South Africa



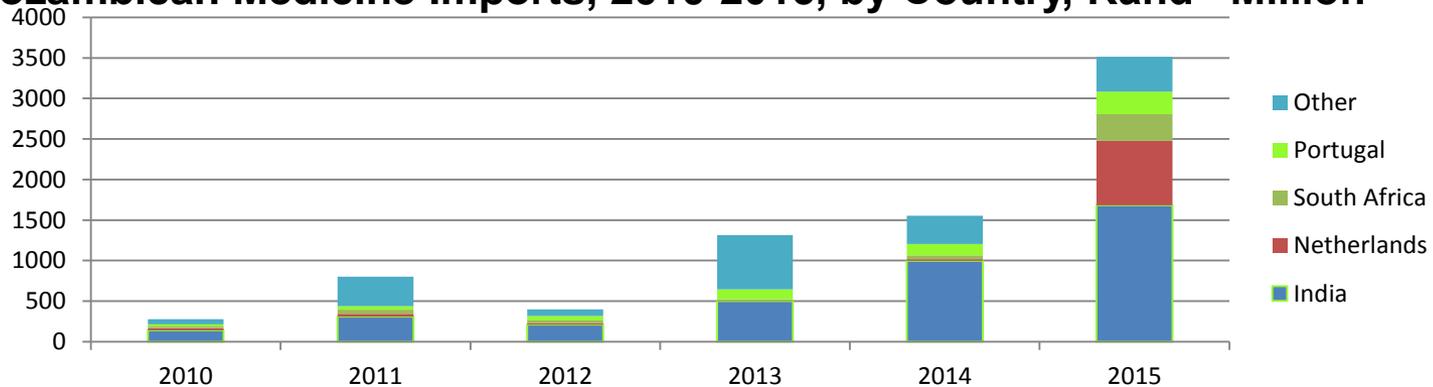
Profile: Unwrought Aluminium*

- Mozambican imports of unwrought aluminium went from nothing in 2010 to slightly more than 600 million USD in 2011, with subsequent years maintaining demand around 400 million USD a year
- 99.9% of the imports came from the Netherlands in all these years except 2013, when South Africa supplied 21%
- **In 2015, the Netherlands ranked as the world's 7th largest exporter of unwrought aluminium**
- **SA was the 18th largest exporter in the world, in 2015**
- South Africa's main export destinations, by value, have been Japan, Switzerland, Thailand, India and Turkey. South Africa is also the leading supplier to a large number of other African countries, not only within SACU, but also including Kenya and Zambia. We compete with the Netherlands in Gabon and Nigeria
- The current low supply to Mozambique requires further work to establish the reasons for it

Profile: Medicines*

- Mozambique had a massive increase in demand for imported medicines (a total of 625% over the 5 years) and SA has considerably stepped up its supply, which increased by 900% from 2010 to 2015, by dollar value
- In Rand terms, SA exports went from R18 million in 2010 to R327 million in 2015
- SA exporters responded quickly to Mozambique's increased demand for medicines, but SA's market share remains quite small (7% in 2010 and 9% in 2015)

Mozambican Medicine Imports, 2010-2015, by Country, Rand ' Million



Percentage Share of Total Mozambican Medicine Imports, 2010-2015

	2010	2011	2012	2013	2014	2015
India	50	39	52	38	64	48
Netherlands	10	5	5	0	1	23
South Africa	7	6	9	2	3	9

Profile: Indian and South African Medicine Exports to Selected African Countries*

- Our profile of Mozambican medicine imports led us to look at other African countries to see how we compete against India and other medicine exporters
- Results are varied, as the table shows, though in general India's share eclipses South Africa's.
- The exception is Namibia, where South Africa dominates, and Botswana, where shares are roughly equal.
- However, there would seem to be some scope for South African expansion in Mozambique: ***Mozambique has the lowest share of medicine imports from South Africa of all our direct neighbours (i.e. Zimbabwe, Botswana, Namibia and Mozambique).***

	India % Share of Total medicine Imports	South Africa % Share of Total Medicine Imports
Namibia (2014)	19.9	75.8
Botswana (2015)	42.0	43.7
Zimbabwe (2016)	64.6	21.2
Zambia (2015)	60.9	14.8
Mozambique (2015)	47.9	9.3
Kenya (2014)	53.9	2.8
Ghana (2013)	36.7	2.7
Nigeria (2014)	42.1	0.3

*Work on this analysis was completed in Q1 2017/18

Focus 3: Update on Construction Settlement

R1.4 bn the fine levied by the Competition Commission

R1.5 bn additional settlement amount negotiated by government to be paid by the 7 companies into the National Revenue Fund for administration by the Tirisano Trust to support development objectives, which will be allocated in 2018

R30,7m companies paid first tranche to the National Revenue Fund

100% decision by Murray and Roberts to sell 100% of its civil engineering firm to a black owned consortium

45% decision by Aveng to sell 45% of its equity in Aveng Grinaker-LTA to black investors and black owned construction companies

Focus 4: Labour Relations

- EDD contributed to government's efforts to transform the labour relations environment, promote employment and address inequality through two key interventions. These involved extensive social dialogue aimed at:
 - Addressing wage inequality
 - Promoting employment and labour market stability
- The results were the following agreements reached between the social partners (government, business, labour and the community):
 - National Minimum Wage
 - Accord on Collective Bargaining and Industrial Action
 - Code of Good Practice on Collective Bargaining, Industrial Action and Picketing
 - Proposed Amendments to the Labour Relations act
- The sections that follow provide some details on these two interventions

Deputy President led the government delegation. Minister of Labour as lead Ministry.

EDD's contribution included:

- participation at official and Ministerial level
- working on the development of government positions
- participating in negotiations through the Committee of Principals
- providing advice and leadership to the technical task team
- bilateral meetings/ engagements to facilitate agreement

National Minimum Wage

Nearly 11 million households/ 65% of all households rely on salaries or wages

Sources of income	Households
Salaries/wages/commission	10 .9 m
Grants	7.6 m
Remittances	2.8 m
Income from a business	2.2 m
Pensions	710 th
Other income e.g. rental income, interest	460 th
Sales of farm products and services	224 th
No income	150 th
Total number of household (RSA)	16.7 m

Formal sector workers who benefit with implementation of NMW in 2019 – initial estimate:

6.7 m workers
38% of all workers

Agriculture:
80% benefit
R817 average increase

Construction:
44% benefit
R1 719 average increase

Retail:
40% benefit
R1 372 average increase

Source: Tips 2017 calculating using StatSA 2015 LMD & adjusting using CPI forecasts from the National Budget Review 2016

But: more work will be done to refine the estimated number of beneficiaries, taking account of wage movements in the next six months and updated data-bases

National Minimum Wage

Highlights of agreement reach on National Minimum Wage

- **R20 per hour** with implementation no later than **1 May 2018**
 - Payment for a **minimum number of hours a day**
 - **No unilateral change** to downward conditions of employment or hours because of the introduction of the NMW
 - **Commission will be established**
 - **Review and adjustment** taking into account factors such as cost of living and minimum living level, alleviation of poverty, wage differentials and inequality, employment levels, GDP growth, productivity, the aspirational target set, the impact of adjustment on employment
- **All businesses covered** including SMMEs and start-ups
 - An **efficient and simple exemption process** with a 30 day turnaround time
 - Business will be required to pay a percentage of NMW for 12 months
 - Information and publicity campaign; and assistance from government departments
 - **Tiering**
 - Agricultural workers (90%)
 - Domestic workers (75%)
 - To be brought to 100% of NMW within 2 years, pending research

Labour Relations

- Agreement reached in the Committee of Principals on the following 3 areas to improve labour relations:

Accord on Collective Bargaining and Industrial Action	Code of Good Practice on Collective Bargaining , Industrial Action and Picketing	Proposed Amendments to the Labour Relations Act
<p>Provides guidance on collective bargaining, dispute resolution and resort to peaceful industrial action</p>	<p>Social partners commit to take steps to:</p> <ul style="list-style-type: none"> • prevent violence, intimidation & damage to property • improve capacity to resolve disputes peacefully and expeditiously 	<p>Include provisions on:</p> <ul style="list-style-type: none"> • amend picketing provisions • advisory arbitration in the case of prolonged & dysfunctional industrial action • can now extend agreement where one party represents majority of a constituency in bargaining council

View from the outside:

“The proposed national minimum wage will potentially affect 6 million workers, which is almost half (47%) of wage earners. It should have an important impact in reducing poverty amongst low skilled workers. The impact on sectors covered by bargaining councils is likely to be low as many workers have wages above the proposed national minimum wage... Workers in sectors not covered by annual wage negotiations between unions and businesses will be the main beneficiaries .”

OECD Economic Survey June 2017

“The year 2016 saw witnessed relatively few strikes. A wage agreement in the automotive sector was struck in August, unaccompanied by industrial action for the first time in seven years. Other than weak corporate profitability, which renders pay increases less realistic, the reduction in the number of strikes is illustrative of the government’s efforts to improve labor relations. Further efforts, such as rules around secret strike ballots and improvements in labor mediation systems, if implemented, could make significant contributions to mending South Africa’s fractious labor relations.”

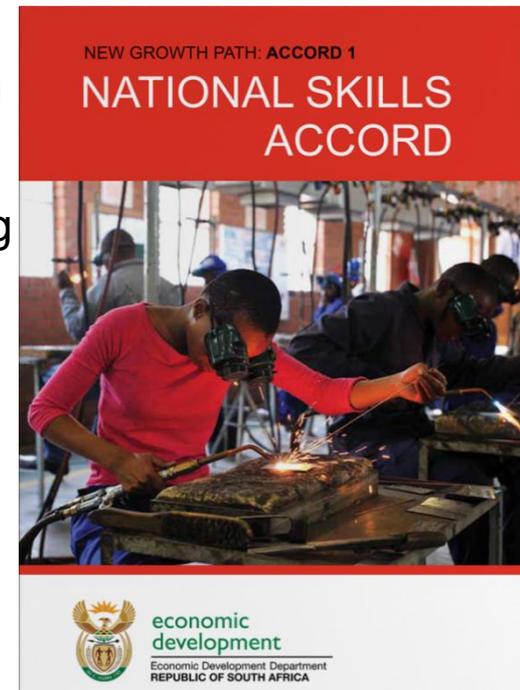
World Bank South Africa Economic Update January 2017, Private Investment for Jobs

National Skills Accord : signed in July 2011

Social partners agreed to address inadequate skills levels, poor work readiness of many young people leaving formal secondary and tertiary education and improving the role and performance of TVET colleges

8 commitments of the Accord

1. Expand the level of training using existing facilities more fully
2. Make internships and placement opportunities available within workplaces
3. Set guidelines of ratios of trainees: artisan as well as across the technical vocations, in order to improve the level of training
4. Improve the funding of training and the use of funds available for training and incentives on companies to train
5. Set annual targets for training in state-owned enterprises
6. Improve SETA governance and financial management as well as stakeholder involvement
7. Align training to the New Growth Path job drivers and improve Sector Skills Plans
8. Improve the role and performance of FET Colleges



Key highlights of implementation to date

Over a 5 year period (2011 – 2016)

- 103 817 artisans trained in 5 years using existing training facilities
- TVET learners placed increased from 1 150 in 2011 to 23 200 in 2016
- Over 44 000 TVET graduates were placed
- University of Technology student placements more than doubled from 4 800 in 2011 to 11 200 in 2016
- NSF 2011/12 - 2015/16:
 - R1.3bn spent out of R1.4bn allocated to 30 projects in support of skills consistent with the NGP jobs drivers
 - 34,532 learners were skilled in the training linked to NGP jobs drivers (Target exceeded by 11 082) .

Training in state-owned enterprises

Over a 5 year period (2011 – 2016)

- State Owned Enterprises have trained more than double the target for the set period
- Over 43 000 trained in the State Owned Enterprises



Programme 1: Administration

Strategic Objective 1: Provide strategic guidance to the Department; and technical and administrative support to the Ministry and the Department to achieve strategic objectives 2, 3, 4, 5 and 6

Key Performance Indicator

1. Unqualified audit report
2. Measured improvement in support services to Strategic Objectives 2, 3, 4, 5 & 6 and the Ministry, as quantified by users

- Unqualified Interim Audit Report
- Report on implementation of measures

Programme 2: Growth Path and Social Dialogue

Strategic Objective 2: Coordinate jobs drivers and implementation of the New Growth Path economic strategy in support of the National Development Plan

Key Performance Indicators

3. Number of reports and reviews on NGP framework, integration into economic policy and infrastructure programmes; and public policy advocacy on jobs and inclusive growth
4. Number of strategic support provided for the implementation of jobs drivers of the NGP
5. Number of initiatives to support the green economy and the implementation of the green economy accord
6. Number of interventions/reports on black women and youth with access to employment and entrepreneurship opportunities
7. Number of spatial, local and provincial initiatives to promote socio-economic development

Report on public policy advocacy on jobs and inclusive growth

Economic Development Street Traders Conference and Exhibition - Informal Street Traders in Limpopo (28 - 29 March 2017)

- EDD co-hosted the event with the Limpopo Economic Development, Environment and Tourism (LEDET)

Objective

- To create a platform for all levels of government, business and civil society to address the challenges facing the informal traders



Report on public policy advocacy on jobs and inclusive growth

Key themes

- Lack of infrastructure
- Consultation and education of municipal by-laws
- Information for street traders including registration; training in key entrepreneurial skills (including how to grow their businesses through marketing, and finances), and how to access capital and markets

Key outcomes of the conference:

- Street traders have better knowledge of their rights and how to access government services in order to grow their business
- Local government better informed of street traders needs and able to respond appropriately
- LEDET, with the support of EDD will develop a Provincial Informal Strategy which aims to protect and promote the sector

150 participants

Key stakeholders included:

- Informal street traders
- Department of Small Business Development
- Informal Traders Association represented by Limpopo Small, Medium, Micro Enterprises and Hawkers Association
- LEDET
- Polokwane Municipality
- Limpopo Development Agency
- Financial and Fiscal Commission
- SEFA
- Commercial banking institutions

Economic Indicators Bulletin

KPI 3 Work completed: Economic Indicators Bulletin
 The Economic Indicators Bulletin report tracks the changes in the producer price inflation and inflation for the Contract Price Adjustment

Sector	Product	Price Regulation	Price Inflation Trend	Impact	Implication
Energy	Electricity	Yes	↑	-	Pass through to consumer
Water	Water	Yes	↑	-	Pass through to consumer
Coal and Petroleum	Diesel	No	↓	+	Relieve for consumers
	Petrol	Yes	↓	+	Relieve for consumers
	Bitumen	No	↓	+	Ease pressure on road building costs
Non-Metallic Minerals	Clay bricks	No	↑	-	Moderate upward pressure on construction sector
	Cement	No	↓	+	Ease pressure on construction costs
	Concrete	No	↓	+	Ease pressure on construction costs
	Sand	No	↑	-	Upward pressure on construction costs

Sector	Product	Price Regulation	Price Inflation Trend	Impact	Implication
Non-Ferrous Metal Ores	Aluminium	No	↑	-	Upward pressure on consumers of non-ferrous and metal ores
	Copper	No	↑	-	Upward pressure on consumers of non-ferrous and metal ores
Basic Iron and Steel	Steel	No	↑	-	Upward pressure on consumers of basic iron and steel
Plastic and Plastic Products	PVC pipe	No	↑	-	Moderate price increment to consumers of plastic product goods
Forestry	Sawmilling and wood	No	↑	-	Upward pressure on cost of products using wood and timber as their inputs
Glass and Glass Products	Glass	No	Unchanged	+	Moderate price increment to consumers of glass product goods

Support strategic implementation of NGP jobs drivers – agriculture and agro-processing

NGP Jobs Drivers

Work in progress to support jobs driver: agriculture and agro-processing

- EDD had undertaken an agriculture mapping process in Limpopo to identify projects requiring assistance/ intervention in order to grow and create jobs
- Intervention has been focused in the Waterberg district
- Constraints identified during the mapping exercise were grouped:
 - marketing
 - production and access to markets
 - financial
 - agri-business management
- The following example follows up to the mapping exercise

Support strategic implementation of NGP jobs drivers – agriculture and agro-processing

- **Brunza Agri-Enterprises** is 100% black owned agri-business in Waterberg District Municipality
- Specialises in high value add vegetables e.g. baby vegetables, peppers, herbs
- EDD visited the farm in December 2016 and discovered it has had an outstanding water use licence application (WULA) for the more than 10 years
- This negatively affects their ability to produce for markets
- EDD engaged the national DWS to help unblock the issuing of the licence
- The initial assessment of the farm was done in February 2017 and EDD arranged a further meetings with the provincial DWS
- The WULA water licence was issued on the 13th of June 2017
- This will enable the farm to grow and be more productive



Report completed on support for and outcomes of the green economy accord

Case Study: Northern Cape REIPPP

- The Northern Cape represents the largest concentration of renewable energy IPP projects (REIPPP) in the country
- Projects supply more than half the total 6 329 MW electricity currently being supplied to the grid
- EDD and Northern Cape Department of Economic Development and Tourism (DEDaT) began engage with IPPs and local municipalities
- Objective was to analyse the extent to which individual renewable projects have contributed to economic development
- 5 IPPs and local municipalities were selected for site visits:
 1. Mainstream Renewable Power - Noupoort Wind farm (Umsobomvu)
 2. De Aar Solar Capital (Emthanjeni)
 3. Abengoa – Khi Solar One (Khai Ma)
 4. Acwa Power – Bokpoort CSP (!Kheis)
 5. Acciona – Sishen Solar Facility (Gamagara)

Report completed on support for and outcomes of the green economy and opportunities for local production

Key observations:

- Socio economic development initiatives vary widely between different IPP operators and across jurisdictions – from installing air conditioners in school classrooms, to building water infrastructure, and employing mathematics and science teachers at schools
- Co-operation around socio economic development and enterprise development varies between local communities, municipalities and IPP operators
- Some local municipalities have (either) not considered, or are grappling with correctly zoning land where IPPs are located – and setting municipal rates/tariffs accordingly
- IPP operators highlight a need for better coordination and cooperation, to avoid duplication and to exploit synergies around development
- Potential to supply renewable energy to communities and businesses within the localities where IPPs operate

Report completed on support for and outcomes of the green economy and opportunities for local production

Key recommendations arising from the study

1. The impact of socio economic initiatives could be improved through enhanced support and coordination between IPPs, local communities and municipal structures (where these are ineffective, or non-existent)
2. Socio economic development and enterprise development projects could be better aligned with Integrated Development Plans and Local Economic Development Plans
3. Correct zoning and valuation of IPP sites are important (from municipal services/revenue perspective)
4. Electrification to poor households and new and existing businesses could play a major role in longer-term economic development of the communities
5. With more than one IPP project being established within the same locality there is a need for better coordination among IPPs when implementing socio-economic development and enterprise development projects
6. Coordinate REIPP socio economic spend for greater impact

Intervention to empower youth and enhance their access to the labour market/ employment opportunities

Additional Contributory Work: Youth Employment Accord

Southern African Ministerial Conference on Jobs for Youth in Africa, 27 February 2017, Pretoria

- EDD, led by DM participated in the Southern African Ministerial Conference on Youth Jobs in Africa
- 200 high level participants including Ministers of Finance and Labour, private sector, civil society, youth groups development partners and young entrepreneurs from the Southern African region
- Conference presented the African Development Bank (AfDB)'s Jobs for Youth in Africa (JfYA) Strategy (2016 - 2025)
- **AfDB target: create 25 million jobs for youth and positively impact 50 million youth over the next decade in Africa**
- Platform to foster collaboration with Regional Member Countries to boost youth employment and entrepreneurship

Intervention to empower youth and enhance their access to the labour market/ employment opportunities

Key topics:

- Skills needed for Southern African labour markets
- Creating a conducive environment for boosting youth entrepreneurship
- Mainstreaming youth employment
- Pipeline projects & opportunities



Way forward - AfDB will:

- Work with participating countries to inform research to mobilise private sector support
- Develop a pipeline of bankable projects
- Create opportunities for business through partnership with European Fund and JYCA finance programmes in the agricultural sector

Support alignment of provincial APPs with MTSF – North West

Assessment report on alignment of North West's economic development priorities with the MTSF

- EDD assessed the alignment of the North West's Department of Finance, Economy, Enterprise and Development (FEED)'s draft APP 2017/18 with MTSF and other national plans
- The assessment was preceded by two engagements with FEED initiated by EDD in September and December 2016

Key findings:

- Draft APP took most key requirements for alignment with MTSF Outcome 4 and other national priorities into account
- Draft APP does to an extent indicate the priorities, strategies, targets that have to be achieved for the department to fulfil its mandate and deliver on

Support alignment of provincial APPs with MTSF – North West

Recommendations:

Prior to finalising the APP 2017/18, FEED may consider the following:

- Enhance integration of the performance indicators under FEED's Business Enterprise Development sub-programme with broader national economic strategic and programmes e.g. Black Industrialist Programmes, IPAP sectors needs reflecting in the APP
- More clearly indicated programmes for support and development of SMMEs linked to the delivery of MTSF Outcome 4 targets

North West: Facts & figures

Population: 3 856 200

Employment: 978 000

Unemployment: 365 000

Unemployment rate: 27.2%

Main sectors:

- Mining
- Financial services
- Government services
- Trade

Sources: Midyear Population estimates 2017 Stats SA; QLFS, Q1 2017/18; provincial data calculated from StatsSA provincial GDP data 2015

Initiative to support Provincial Economic Development Plans – Limpopo

- In the previous year, EDD worked with Limpopo on their economic development plan
- Following this, in November 2016, the province hosted a Limpopo Economic Development Summit - *“An Industrialisation Path towards creating sustainable jobs and reducing poverty for Limpopo Province”*
- The Summit aimed to develop a concrete economic development plan
- DM addressed the Summit and commended the province for developing Limpopo Development Plan which is premised on the goals of the NDP. He highlighted the key elements of the NGP and shared case studies on the work of EDD and its agencies

Limpopo: Facts & figures

Population: 5.8m

Employment: 1.4m

Unemployment rate: 21.6%

Households: 1.6m

Households with access to electricity: 92.4%

Sources: StatsSA Mid year population estimates July 2017; QLFS Q1 2017; Community Survey 2016

Provincial initiatives to support socio-economic development

EDD worked closely with Office of the Premier after the Summit and helped the province in its prioritisation of the following projects with economic development significance based on the Summit resolutions on the infrastructure work stream:

1. Revitalisation of Industrial Parks i.e. Seshego and Nkowankowa – both bordering growth points, and the industrial park at Tubatse SEZ
2. Support to the 5 prioritised Growth Points i.e. Lephalale (to finalise and implement the Lephalale Sustainable Urban Development Plan), Polokwane (20 year Plan in the process of being developed), Musina-Makhado Corridor Growth Point, Greater Tubatse and Mogalakwena
3. Infrastructure to support implementation of Musina-Makhado SEZ a priority
4. Broad band infrastructure

Way forward

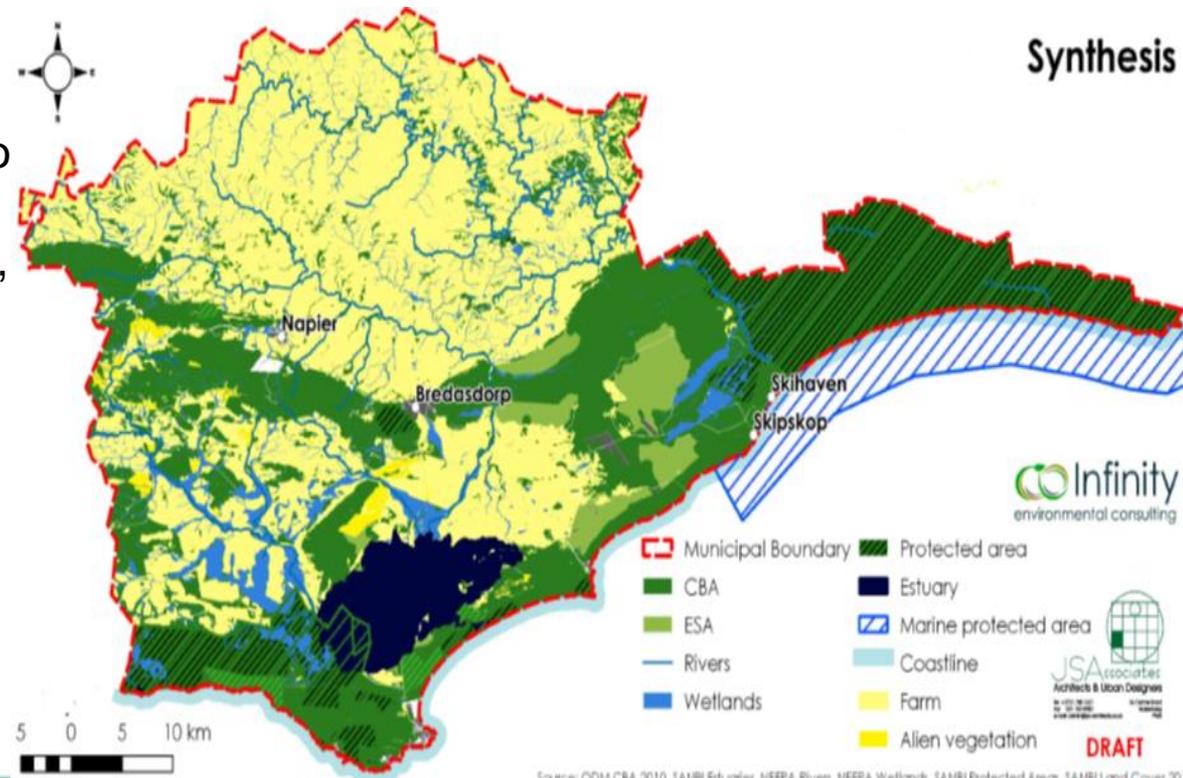
Implementation is still at initial stage, EDD consultations are also being held with PICC technical team in specific areas requiring infrastructure expertise. Work to be continued in the 2017/18 financial year.

See KPI 10 for **unblocking of a water treatment plant in Lephalale**

Provincial initiatives to support socio-economic development

Supporting the development of an economic development plan – Western Cape

- The Cape Agulhas Local Municipality embarked on compiling a Spatial Development Framework
- These initiatives provide an opportunity to reshape a region's development path – how space has been used for development (or not); and how development should move forward in the future
- A well drafted Spatial Development Framework should assist a municipality to deal with development challenges such as migration, housing and urban design, planning for infrastructure needs, planning where industry should grow and where housing should be located so that people will be close to work



EDD support to the Cape Agulhas Local Municipality:

- EDD provided support to the Cape Agulhas Local Municipality in its development of the Spatial Development Framework.
- EDD's input helped link issues raised through the public participation process to spatial implications:
 - **Safety and security** – where facilities are located, far or close to each other, transport accessibility, lighting infrastructure etc
 - **Job creation** – where jobs are located: close to where people live or do people have to travel far to look for work or go to work?
 - **Public transport** – where public transport is located: can people access it? Are they able to reach areas they need to? Can they reach other infrastructure such as schools and hospitals?

Provincial initiatives to support socio-economic development

EDD's engagement with the Cape Agulhas Local Municipality identified:

- How the SDF needs to align to the economic policy frameworks
- Socio-economic challenges and opportunities needed to be clearly defined and recent data analysis was required
- The need to diversify economic activities beyond agriculture

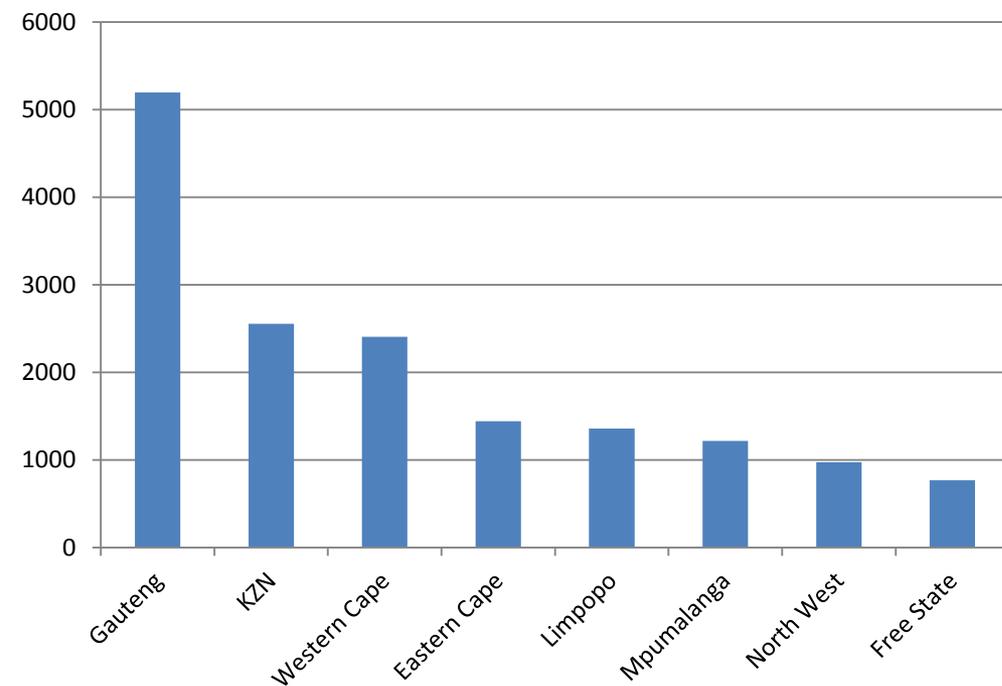
Key recommendations:

- Local Economic Development should be prioritised with clear local development goals and strategies
- Targeted priorities across the Spatial Development Framework (SDF) to be clarified for more analysis on the priority areas
- More work to be done on the strengths and development priorities of each town
- A functional economic region needs to be clearly defined and demarcated to enable the development of collaborative programmes and sharing of resources
- CAM should consider commissioning a Strategic Environmental Assessment
- A roadmap should be developed with timeframes and shared with all stakeholders

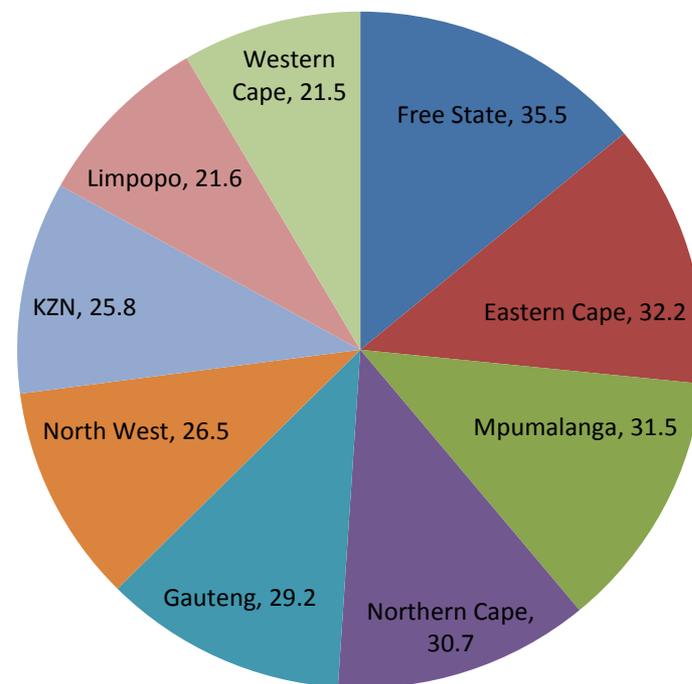
Support provided to provinces

Highlights from report on the impact of industrial funding on provinces - employment context

Jobs (thousands) per province, March 2017



% unemployment per province, March 2017



Jobs impact of industrial funding on provinces, Q4 2016/17

IDC Funding for Quarter 4 2016/17

R4.8 billion funding approved **creating/saving 5 872 jobs**

R2.9 billion funding disbursed

R201 852 cost per job in KZN

R3 054 250 cost per job in Northern Cape

Net Funding approved Quarter 4 2016/17 (R'million)

Province	R'million	Jobs created / saved
Eastern Cape	318	584
Free State	28	114
Gauteng	1,888	1,778
KwaZulu Natal	408	1,935
Limpopo	217	539
Mpumalanga	191	295
North West	35	146
Northern Cape	1,689	553
Western Cape	143	(72)
Rest of Africa	(110)	-
Total	4,807	5,872

Source: IDC 2017

Support provided to provinces

Development impact in provinces of IDC project funding approved, Q4 2016/17:

- **R3.2 bn** Black Industrialists
- **R2.7 bn** Women-empowered businesses
- **R820 million** Youth-empowered businesses

Net Funding approved for Women-empowered businesses, Quarter 4 2016/17 (R'million)

Province	R'million	Jobs created / saved
Eastern Cape	253	562
Free State	-	-
Gauteng	485	179
KwaZulu Natal	13	154
Limpopo	86	95
Mpumalanga	106	70
North West	-	-
Northern Cape	1,655	-
Western Cape	95	20
Total	2,694	1,080

Net Funding approved for Black Industrialists, Quarter 4 2016/17 (R'million)

Province	R'million	Jobs created / saved
Eastern Cape	211	352
Free State	12	49
Gauteng	752	1,209
KwaZulu Natal	126	332
Limpopo	91	104
Mpumalanga	191	295
North West	35	56
Northern Cape	1,655	-
Western Cape	95	20
Total	3,169	2,417

Net Funding approved for Youth-empowered businesses, Quarter 4 2016/17 (R'million)

Province	R'million	Jobs created / saved
Eastern Cape	236	436
Free State	12	49
Gauteng	422	725
KwaZulu Natal	26	158
Limpopo	86	95
Mpumalanga	32	4
North West	-	-
Northern Cape	-	-
Western Cape	6	96
Total	820	1,563

Programme 2: Growth Path and Social Dialogue

Strategic Objective 3: Facilitate social dialogue and implementation of social accords

Key Performance Indicator

8. Number of developmental and support programmes for more effective industrial relations and support for implementation of social accords

EDD did a review of implementation of the Skills Accord. Highlights are provided in the focus at the beginning of the presentation.

Programme 3: Investment, Competition & Trade

Strategic Objective 4: Coordinate infrastructure development and strengthen its positive impact on the economy and citizens

Key Performance Indicator

9. Number of quarterly Cabinet-level progress reports of infrastructure Strategic Integrated projects (SIPs)
10. Number of infrastructure projects unblocked, fast-tracked or facilitated
11. Number of Cabinet and PICC strategic decisions on infrastructure implemented
12. Number of PICC meetings held and facilitated
13. Drive implementation of Strategic Integrated Project (SIP) 5 of the National Infrastructure Plan
14. Support programmes to drive localisation in the infrastructure programme, including through the PPPFA, and local supplier development initiatives

Progress reports to Cabinet on the 18 Strategic Integrated projects (SIPs)

Work Completed: Cabinet Level Reports

- **18 Construction Update Reports** were prepared for Cabinet which provided information on financial, employment, localisation and construction activities; and identified progress and actions that Cabinet needed to consider to ensure the infrastructure build programme was implemented and able to boost jobs and growth.

Note: Implementation of the projects and **operational responsibility** remains with the **relevant line Departments**.

A detailed synthesis Report was discussed at the Cabinet Lekgotla in February 2017.

Infrastructure unblockings and/or fast tracking

Work Completed: Unblocking

The following regulatory authorisations were unblocked to ensure projects could commence or continue

AI Manara SOE Water Agreement

- ✓ IDC made a loan facility available to the AI Manara Water Company for \$26 million with a South Sudan government as a guarantor in 2008
- ✓ Funding was for the AI Manara Water Project which has transfer capacity of 200 000m³ per day
- ✓ In November 2014, they defaulted, leading to a 2 years delay overall payment delay
- ✓ IDC escalated the delayed payments to the PICC
- ✓ PICC Technical Unit approached DIRCO for assistance and the intervention led to the signing of an MoU in November 2016 for the South Sudan government to commit to pay the amount outstanding against the government guarantee
- ✓ In January 2017, a first tranche payment of \$500 000 was made in accordance to the MoU

Impact of the unblocking: PICC Technical Unit unblocked repayment of the IDC loan facility which was granted to AI Manara

Infrastructure unblockings and/or fast tracking

Work Completed: Unblocking

The following regulatory authorisations were unblocked to ensure projects could commence or continue

Funding for the Lephalale Water Waste Treatment

- ✓ PICC secured funding of R10 million to the Lephalale Local Municipality to maintain the waste water treatment plant, in January 2017., with prior work indicated below:
 - The DWS presented at the SIP Forum and the escalation was made by a SIP coordinator
 - PICC conducted their site visit to the Lephalale Municipality on the 5th of August 2016
 - PICC Technical Unit engaged with DWS towards the successful allocation for funding
 - Funding was secured during the October 2016 budget augmentation process , and tenders for maintenance have been awarded

Impact of the unblocking: PICC Technical Unit unblocked funding for continued maintenance of the plant

Work Completed: Unblocking

The following regulatory authorisations were unblocked to ensure projects could commence or continue

Makana Mayfield EIA

- ✓ PICC monitors infrastructure blockages at Makana Local Municipality.
- ✓ EDD successfully unblocked the Mayfield waste treatment works EIA with the assistance of Department of Economic Development, Environmental Affairs and Tourism (DEDEA) in the Eastern Cape
- ✓ Environmental licence was approved in February 2017

Impact of the unblocking: PICC Technical Unit unblocked an environmental authorisation to enable maintenance of the Mayfield waste water treatment

Infrastructure unblockings and/or fast tracking

Work Completed: Unblocking

The following regulatory authorisations were unblocked to ensure projects could commence or continue

Avon Peaking Power Station

- ✓ Eskom Peaking Power Plant, Avon power station could not commence operation due to blocked water licence in order to test the newly-built station
- ✓ This was escalated to the PICC Technical Unit to unblock
- ✓ PICC engaged with the DWS to carve out a short term solution to the immediate challenge
- ✓ Following PICC intervention, DWS approved short water use licence for 1 year for the project to commerce
- ✓ This was issued on the September 2016
- ✓ The power plant is currently supplying 670 MW onto the grid



Impact of the unblocking: PICC Technical Unit's intervention assisted with commencement of operation of the Avon Power Plant

Infrastructure unblockings and/or fast tracking

Work Completed: Unblocking

The following regulatory authorisations were unblocked to ensure projects could commence or continue

Thabametsi Power Station

- The Department of Energy's IPP programme shortlisted the Thabametsi Power Station as part of the Coal IPP
- Thabametsi required 2 authorisations to reach financial close which was earmarked for April 2017
- Thabametsi has missed Financial close and has asked for extension from DOE
- Thabametsi requested the PICC to intervene
- The PICC coordinated with Limpopo Department of Mineral resources and Lephalale Local Municipality toward the successful unblocking of applications under the Mineral and Petroleum Resources Act 28/2000 and land rezoning allocation in terms of clause 18 of the Lephalale Town Planning Scheme (2005)
- The Land Rezoning was logged on the 28th of October 2015 and was only approved on the 30th of March 2017
- Section 53 was logged in 2014 and both applications have been in the process for more than two years

Impact of the unblocking: Project on track to meet financial close deadline as set by DoE

Number of PICC meetings held and facilitated

Work completed: PICC meetings held and facilitated

- During the quarter, EDD provided technical, secretariat and coordinating support for the hosting of PICC structures
- These structures prepared and finalized the submissions discussed by PICC Secretariat, PICC Manco and Cabinet
- PICC held 12 meetings, supported by the EDD:
 - PICC MANCO(s) [4]: 12th January, 24th January, 23rd March and 28th March
 - PICC Secretariat meetings held [3]: 23rd February, 2nd March and 16th March
 - SIP Coordinators Forum [3]: 27th January, 24th February and 24th March
 - Cabinet Lekgotla [2]: 3rd and 4th February
 - Meeting with Ministers of Health, Treasury and PICC Secretariat on the built programme of the new mega hospital: 13th February

Initiatives or meetings facilitated on SIP 5

SIP5 Supplier Forum : SMMEs funding workshop, 23 February 2017

- EDD, IDC, SEFA and SEDA hosted a Supplier Forum in Saldanha Bay to support investment in local businesses
- This was an action following from the SIP 5 Steering Committee and Imbizo in December 2016 held in Saldanha
- Local businesses in Saldanha were made aware of opportunities for funding and requirements
- Funding and integration opportunities were discussed with local businesses
- The main outcomes of the Forum include:
 - Showcasing various funding options provided by the agencies
 - Identification of companies needing support from the agencies
 - The PICC Support Unit in the IDC are following up on 14 funding enquiries

Support localisation in the infrastructure programme

Input into localisation requirement for COAL IPP

- PICC Support Unit made input into the Coal IPP local content requirements for the Thabametsi coal fired power plant project application
- PICC support was based on the designation of the stipulated minimum threshold for components as part of power station construction
- PICC intervened through a funding requirement for the Coal IPP local content to be increased from 40% (as per the RFP) to 50% in order for Coal IPP participants to access IDC funding
- That was approved by the IDC Exco on the 24th February 2017
- 50% of R10.8 billion will be spent on local equipment and services

Impact: Higher local content for the Coal IPP resulting in greater participation of local industry

Support localisation in the infrastructure programme

Localisation initiative: Corporate Procurement Forum, 10 March 2017

- Minister chairs the SIP 5
- PICC Support Unit took part in the Corporate Procurement Forum in Saldanha Bay, bringing together major industrial players and companies in the area
- The Forum agreed to provide details of their major spend items be assessed by the PICC Technical Unit to identify further opportunities for local spend and industrialisation
- A draft charter was compiled with the following highlights:
 - Identification of items for localisation based on spend and quantities
 - Review of technical specifications for all tenders
 - Create a common industry database for members to access

Outcome – greater cooperation between SOCs, government and private sector to increase localisation in the local opportunities

Stakeholders & participants included:

- Transnet Port
- Western Cape Department of Economic Development and Tourism
- Saldanha Bay Municipality
- Saldanha IDZ
- Duferco Steel Processing
- ArcelorMittal Saldanha
- Lucky Star
- Sea Harvest Pty
- Private sector

Support localisation in the infrastructure programme

Localisation initiative: Gauteng Infrastructure Financing Agency (GIFA)

- The PICC Technical Unit made inputs to the Request For Proposals for a contract by GIFA to install rooftop solar in accordance to **the dti** designation
- PICC Technical Unit made inputs into the RFQ and RFP for the localisation of rooftop solar units in Gauteng's hospitals
- Project is estimated to cost R650 million
- Outcome – increased localisation inputs into the RFP
- Designation and components that PICC highlighted to GIFA to include in the tender:

Solar PV Components	
Laminated PV Modules	15%
Module Frame	65%
DC Combiner Boxes	65%
Mounting Structure	90%
Inverter	40%

Programme 3: Investment, Competition & Trade

Strategic Objective 5: Promote productive investment, industrial financing and entrepreneurship for jobs and inclusive growth

Key Performance Indicators

15. Number of investment initiatives facilitated, fast tracked and/or unblocked
16. Establish and monitor industrial funding targets for identified jobs drivers in township economies
17. Number of reports on the level and impact of industrial finance available from IDC and departments
18. Number of strategic engagements with IDC
19. Connect infrastructure with productive investment and growth, including where appropriate through off-take agreements

Work completed: 2 investment initiatives unblocked / fast tracked

- During the quarter, EDD unblocked 2 initiatives to boost investment. The unblockings took place in the following sectors:
 - Cheese
 - Agriculture
- Case studies follow

Initiative 1: eThekwini Cheese

- IDC co-invested with a UK investor to establish eThekwini Cheese plant in Durban
- IDC approved R20.5 million funding on 29 January, creating 29 jobs
- There were complications in finalising the UK investor's family's permanent residence which would have resulted in them leaving SA
- This may have had a destabilising impact on the investment and business
- EDD received a request from the IDC to assist in unblocking the application for a permanent residence status
- EDD engaged the relevant office at **the dti** and the Department of Home Affairs
- The result of the unblocking was the permanent residence being granted and the investor stayed in the country

eThekwini Cheese (Pty) Ltd

- Start-up entity set up in 2016 to manufacture value-added innovative substitute and modified cheese products such as mozzarella and cheddar cheese substitute, low melt cheddar and feta cheeses.
- Latest technology equipment to supply food industry



Photo: Courtesy of the IDC

Initiative 2: CCBSA Agri-Fund / IDC

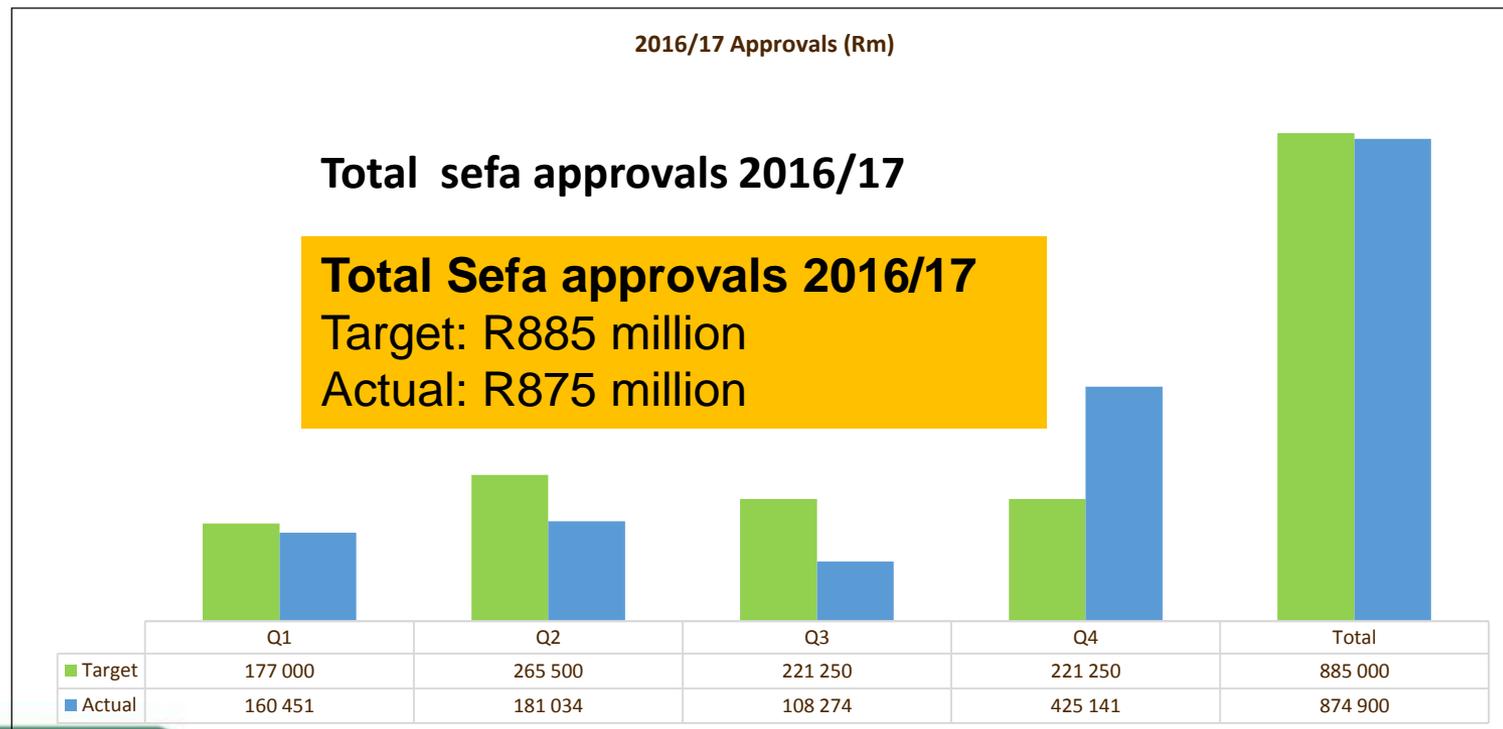
- As a result of negotiations with EDD and a subsequent order by the Competition Tribunal, Coca Cola Beverages South Africa (CCBSA), established a R400 million Agri-Fund to support small, emerging suppliers and farmers.
- When the Fund was negotiated, CCBSA was importing most of its grapes
- Aim of the initiative was to identify grape farmers and processors in the Northern Cape to provide the required inputs for the local production of Grapetiser
- CCBSA was looking for an implementation agent for the Fund and following EDD's assistance/ unblocking, CCBSA chose the IDC as the Agri-Fund administrator
- IDC was able to access a network of HDI grape producers which further assists the project
- IDC leveraged its funding together with CCBSA funding to upscale any potential project

Significance of Work: As a result of the Coca-Cola bottling merger, there has been an increase in the local content of all grapes in Grapetiser from 7% to 25%. This is expected to grow to 45% in a year's time with an ultimate target of 80% local content

Initiatives for industrial funding for jobs drivers evaluated and improved for township economies

Intervention 2 - Township Funding review - sefa

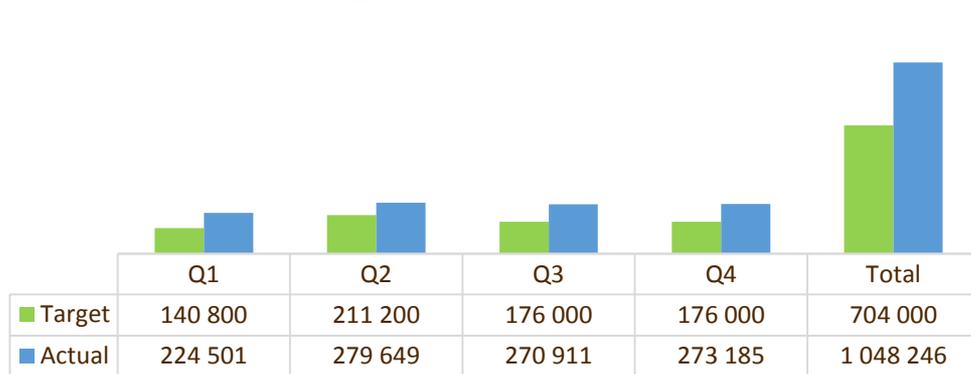
- To support the growth of township enterprises, EDD did a study of sefa to identify a baseline for township enterprise funding



Initiatives for industrial funding for jobs drivers evaluated and improved for township economies

Total Sefa disbursements 2016/17

Loan Programme Disbursements (Rm)



Sefa disbursements

Target: R704 million

Actual: R 1 billion

Sefa enterprise financed

Target: 47 000

Actual: 44 264

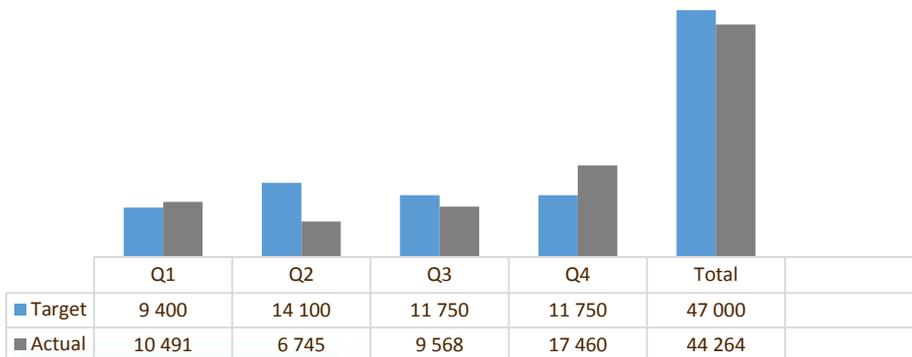
Sefa jobs facilitate

Target: 73 000

Actual: 72 018

Total Sefa enterprises financed 2016/17

Number of Enterprises Financed



Total Sefa jobs facilitated 2016/17

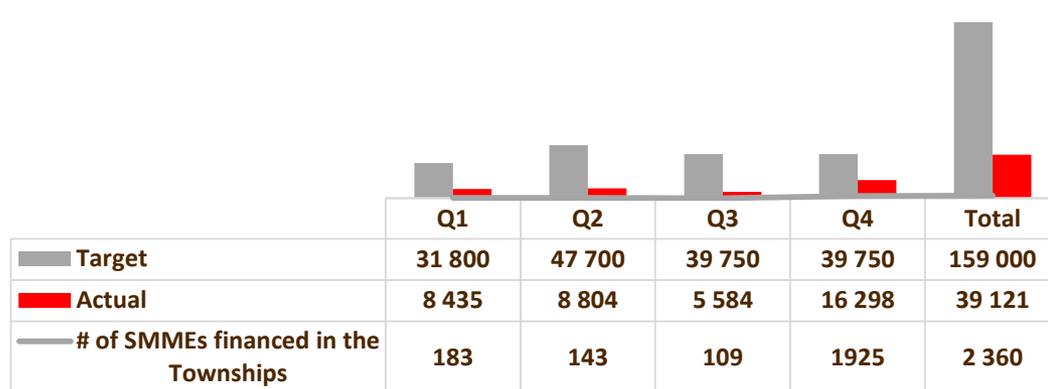
Number of Jobs Facilitated



Initiatives for industrial funding for jobs drivers evaluated and improved for township economies

Sefa finance to enterprises based in townships 2016/17

Finance to Enterprises Based in Townships



Total disbursements to enterprises in townships: **R39 million**

SMMEs financed in townships: **2 360**

R5 900 average loan for micro and informal business

Key Issues:

- Average loan size for the funded township enterprises is
 - R5 900 for micro and informal businesses (through Micro-Finance Intermediaries)
 - R660 000 for SME (direct lending)
- The majority of the townships loans are facilitated through sefa's Micro-Finance Intermediaries (MFI) which have an approval limit of R50 000
- Sefa introduced monitoring the jobs impact in 2016/17 so figures on jobs will be available in the future

Highlights of report on IDC Q4 funding

R1bn increase in approvals Q4 2016/17 vs Q4 2015/16

R4.8bn approvals

Jobs supported in the quarter was highest in the following sectors:

- Light manufacturing and tourism
- Basic metals and mining
- Agriculture and agro-processing

Sectors receiving highest funding approved in the quarter:

- Basic metals and mining
- Light manufacturing and tourism

8 769 jobs created and saved by IDC (Q4 2016/17)

KwaZulu Natal	1 935
Gauteng	1 778
Eastern Cape	584
Limpopo	539
Northern Cape	553
Mpumalanga	295
North West	146
Free State	114
Western Cape	(72)

Top 6 Sectors for Approvals - Q4 2016/17

		R million	% of total
1	Basic Metals and Mining	2 355	49
2	Light Manufacturing and Tourism	1 008	21
3	Chemicals and Pharmaceuticals	700	15
4	Industrial infrastructure	297	6
5	Machinery and Equipment	163	3
6	New Industries	131	3

R1 bn approvals in Q4 to light manufacturing & tourism

1 927 jobs supported in light manufacturing & tourism

Top 10 sectors for jobs created/ saved by IDC in Q4 2016/17

		Jobs	% of total
1	Light Manufacturing and Tourism	1 927	33
2	Basic Metals and Mining	1 461	25
3	Agro Processing and Agriculture	719	12
4	New Industries	480	8
5	Clothing and Textiles	340	6
6	Chemicals and Pharmaceuticals	328	6

Strategic engagement with the IDC to improve its performance

During the quarter the Minister engaged the IDC on a strategic level through:

- Detailed inputs into the IDC Corporate Plan 2017/18 to 2021/22 in February 2017
- IDC Board Meeting with Minister on 6 March 2017 on the IDC Corporate Plan and Ministerial approval of Corporate Plan
- EDD held a quarterly management meeting with the IDC to review performance and discuss administrative issues
 - Quarterly strategic engagement with the IDC - 8 February 2017

Programme 3: Investment, Competition & Trade

Strategic Objective 6: Promote competition, trade and economic regulation in support of job creation, industrialisation and economic inclusion

Key Performance Indicators

20. Number of strategic engagements to support and strengthen economic regulators
21. Number of initiatives on mergers and acquisitions and market enquiries or reports on compliance with conditions of mergers and acquisitions
22. Number of initiatives to ensure that trade authorities and policies support industrialisation, employment and other national development objectives
23. Number of engagements with trade and competition authorities to increase administrative efficiencies

Report on the work relating to the existing role, capacity and training of regulators and assessment of capacity needs

Report on the review of the Import and Export Unit within ITAC to assess the capacity of the inspectors and investigators and identify specific needs

Background

- In March 2015 EDD conducted a survey on South African regulators in order to assess their capacity needs and understand their training requirements
- The outcome of the survey indicated that various regulators needed to strengthen their investigations and inspections skills
- Subsequent to the survey, EDD organised a technical capacity building workshop in September 2016 to strengthen regulators on areas of investigations, inspections and enforcement
- During 2015/16 Minister approved the transfer of an additional R4 million to ITAC to enable the entity to appoint four additional inspectors to strengthen the inspection unit

Objectives of the review:

- Understand the existing role and responsibilities of inspectors and investigators
- Understand the processes followed during inspections and investigations
- Identify whether systems and guidelines are in place and offer adequate support to the inspectors and investigators
- Determine what training has previously been provided and which areas need further strengthening

Report on the work relating to the existing role, capacity and training of regulators and assessment of capacity needs

Key findings

- Review found that inspectors and investigators have relevant qualification and experience of over 10 years
- Inspectors are not able to inspect all the containers and sites due to capacity within the Unit
- Inability to determine an accurate estimate of scrap piles through a naked-eye judgement
- ITAC is not able to seize products because they don't have capacity to store, off-load or load goods

Methodology

Interviews were conducted with both senior and junior inspector in the Import and Export Unit under textiles and clothing as well as scrap metals

Key recommendations

- Additional funding allocated to ITAC for 2018/19 and onwards to
 - retain the services of the four current inspectors
 - Appoint more inspectors to increase capacity of the Unit
- EDD engage with other government departments to encourage them to avail appropriate staff to accompany ITAC inspectors during inspections an seizure of goods

Support the strengthening of economic regulators through capacity building and consolidation

Report on the assessment of the impact of the additional funding provided for the administration of the Price Preference System (PPS)

- Aim was to assess whether the intervention of additional R4 million had improved enforcement of the provisioning of PPS and enabled its effective implementation by ITAC
- During 2015/16 Minister approved the transfer of an additional R4 million to ITAC to enable the entity to appoint four additional inspectors for a period of two years to strengthen the Import and Export unit
- In January 2017 EDD interviewed two of the inspectors as part of the review of the capacity intervention
- Key outcome of the interviewed was the increase in the number of inspections on scrap metals conducted by the unscheduled inspections

	2014/15	2015/16	2016/17
Unscheduled inspections	563	551	2 439

Support the strengthening of economic regulators through capacity building and consolidation

	2014/15	2015/16	2016/17
Export permits of ferrous and non-ferrous waste and scrap metal issued	6 434	5 960	3 862

- Significant increase in number of unscheduled inspections and decline in permits issued for the export of scrap metal has direct impact on the effective implementation of PPS as it allows for more verification to ensure compliance
- Adjudication panel responsible for consideration of scrap metal export permit applications also benefit as more information on scrap specifications, grades and quantities etc. is more readily available
- Quality administrative decisions has also improved as it is readily detected when two different dealers are for instance operating from the same business premises in an effort to receive export permits they would otherwise not have qualified for

Increase administrative efficiencies – engagements with Competition Commission and Competition Tribunal

Engagements with trade and competition authorities

Ministerial and Departmental engagements with the competition and trade authorities took place, covering the following:

- Annual Performance Plans (APPs 2017/18) for the Competition Commission, Competition Tribunal and ITAC were approved after review and engagement with agencies
- Adjustment of ITAC Board members' remuneration was approved
- Performance reports for the 3rd Quarter 2016/17 for the Competition Commission, Competition Tribunal and ITAC were analysed and submitted
- The ERB Entities' quarterly meeting was held on the 7th of February 2017

Significance of Work: EDD continues to analyse operations and financial reports from ITAC, Competition Commission and Competition Tribunal with the objective of ensuring administrative efficiencies in the 3 economic regulators reporting to the Department. In addition EDD monitors/ operational targets such turnaround times etc.

EDD HUMAN RESOURCES MOVEMENTS

4th Quarter 2016/17

Overview of Human Resources

- The Department employs staff on a permanent basis, as well as through fixed term contracts for specific projects and secondments to access specific scarce skills and knowledge for its programme including for the PICC technical unit.
- The EDD had a ratio of 48.5% women in Senior Management positions as at 31 March 2017 as compared to 51.5% men. Twenty (20) Interns were enrolled during the 2016/17 financial year for a period of a 12 months internship Programme and they were inducted accordingly. A Workplace Skills Plan was developed, submitted to PSETA, and is regularly monitored on a monthly basis.

Overview of Human Resources

- Eighteen (18) Policies were reviewed of which four of them were approved. Furthermore, more than 6 Plans were developed which include amongst others, the Employment Equity Plan, Human Resource Development Plan, Human Resource Development Implementation Plan, Implementation Plan for Job Access, Implementation Plan for Gender Equality and others. The Collective Bargaining structure is fully functional.
- The Employee Assistance Programme performed by ICAS (on behalf of EDD is rendered as a 24-hour service to support all employees and their families). The HIV/AIDS counselling and testing campaigns were conducted in partnership with GEMS under the health promotion programme.

Data Analysis of Staff

	Q1	Q2	Q3	Q4
Number of funded posts	140	140	140	133
Number of funded posts filled	117	119	121	118
Personnel additional to establishment	2	2	1	1
Number of posts filled including additional to establishment	119	121	122	119
Staff contracted through collaboration with Wits University	2	4	4	4
Staff working for PICC Technical Unit from IDC	10	10	9	10
Total staff complement	131	135	135	133

Personnel expenditure by programme

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services expenditure (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
Administration	90 416	39 877	808	19 293	44	604
Growth Path and Social Dialogue	27 797	25 909	-	110	93	997
Investment, Competition and Trade	546 869	14 993	-	1 347	3	577
Total	665 082	80 779	808	20 750	12	685

Personnel costs by salary bands

Salary band	Personnel expenditure (R'000)	As % of Total personnel cost	No. of employees	Average annual personnel cost per employee (R'000)
Skilled (Levels 3-5)	1 389	2	8	174
Highly skilled production (Levels 6-8)	9 790	12	32	306
Highly skilled supervision (Levels 9-12)	23 540	29	41	574
Senior management (Levels 13-16)	46 060	57	37	1 245
Total	80 779	100	118	685

Internship Programme

Component	Number of Interns
Economic Policy Development	3
Economic Planning Development	1
Social Dialogue	0
PICC	2
Office of the Director-General	2
Security Management	1
Internal Audit	2
Office of the Chief Financial Officer	0
Legal Services	1
Information Technology	1
Planning & Reporting	2
Human Resource Management	2
Total	17

- The current hierarchical structure is not a good fit for a department like EDD;
- EDD is different from other government departments, it is a knowledge based department and it requires highly skilled staff, e.g. in complex economic policy areas, competition expertise, advanced trade knowledge and engineering / project management skills;
- The proposed structure which has been submitted to the DPISA, which is hierarchical, is therefore not appropriate for this department;
- Management is looking into how the department should function, investigations are underway for a team structure or a flat structure.

EDD FINANCIALS

4th Quarter 2016/17

Summary of Expenditure for Q4

- The annual allocation including transfers is R674.7m and the total spending as at 31st Mar 2017 including transfers, **R665.1m.**
- The departmental expenditure for the period up to 31st Mar 2017 excluding transfers made to entities is **R136.2m**, which is 93% of the operational budget of the department.
- For the fourth quarter the operational expenditure is **R28.1m**, which is 72% of the allocation.
- The transfers to the entities for the quarter are **R127.2m.**
- **The following tables reflect the expenditure against the budget per programme and per economic classification.**

Q4 Financial Performance per Programme

All Programmes	Q4 Projected Budget	Q4 Actual Expenditure	Variance	% Spent
	R'000	R'000	R'000	%
Administration	20 250	15 836	4 414	78
Growth Path and Social Dialogue	9 116	6 827	2 289	75
Investment, Competition and Trade	9 440	5 405	4 035	57
Total excluding Transfers	38 806	28 068	10 738	72
Transfers	127 165	127 165	0	100
Total including Transfers	165 971	155 233	10 738	94

Q4 Financial Performance per Econ Classification

Expenditure per Economic Classification	Q4 Projected Budget	Q4 Actual Expenditure	Variance	% Spent
	R'000	R'000	R'000	%
Compensation of Employees	23 528	21 570	1 958	92
Goods and Services	14 179	6 274	7 905	44
Transfers	127 165	127 165	0	100
Payment of Capital Assets	1 099	244	879	20
Total	165 971	155 233	10 738	94

Expenditure for April 2016 - 31 March 2017 - Programmes

All Programmes	2016/17 Adjustment Budget	YTD actual Expenditure	Variance	% Spent
	R'000	R'000	R'000	%
Administration	92 431	90 416	2 015	98
Growth Path and Social Dialogue	29 887	27 797	2 090	93
Investment, Competition and Trade- excluding transfers to entities	23 497	18 024	5 473	77
Transfers	528 846	528 846	0	100
Total including Transfers	674 661	665 083	9 578	99
Total excluding Transfers	145 815	136 237	9 578	93

Expenditure for April 2016 - 31 March 2017 - GFS

Expenditure per Economic Classification	2016/17 Adjustment Budget	YTD actual Expenditure	Variance	% Spent
	R'000	R'000	R'000	%
Compensation of Employees	93 930	84 990	8 940	90
Goods and Services	48 489	48 475	14	100
Transfers	528 846	528 846	-	100
Payment of Capital Assets	3 396	2 772	624	82
Total including Transfers	674 661	665 083	9 578	99
Total excluding Transfers	145 815	136 237	9 578	93

Annual Transfers to Entities

ENTITIES	Annual Budgeted Amount	Actual Transfers	Variance
	R'000	R'000	R'000
Competition Commission	208 541	208 541	0
Competition Tribunal	20 115	20 115	0
ITAC	87 001	87 001	0
Sefa	213 124	213 124	0
Total	528 781	528 781	0

Q4 Financial Performance: Reasons for Variances

- **Compensation of employees:** The National Treasury directive to reduce salary exposure.
- **Capital assets** – Under spending on capital assets as a consequence of the above directive.

THANK YOU



SIYABONGA

REA LEBOHA!



Economic Development Department