



**PARLIAMENT**  
OF THE REPUBLIC OF SOUTH AFRICA

**COMMITTEES**

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**Technical Notes**  
**Select Committee on Economic Development**  
**30 April 2013**

**Budget Overview: Economic Development, Vote 28**

**Presentation Specific Requirements**

1. Response of the budget to the overall performance and outlook of the sector;
2. Outline how and whether the overall budget strategy reflects the priorities, outputs and outcomes of the department, and broader government;
3. Demonstrate whether the budget respond on strategic resources allocation consideration, that includes alignment of the budget with broader policy priorities (also provide a brief budget policy narrative that shows that the budget is aligned to the department's strategic plan-in this case the Annual Performance Plan) [Point 2 is related to 3];
4. Composition of the budget in line with the department's service delivery model including its public entities;
5. Response of the budget to capital invest plan (if applicable);
6. It is appreciated that the National Development Plan (NDP) was adopted by the Cabinet later within the budget process, however the Department can if possible share with the Committee whether the NDP would have an effect on the programme structure of the Department, and possible budget requirements;
7. Does the current budget have a room in-year to accommodate some of the NDP policy pronouncements expressed;

## **Brief Budget Policy Issues**

1. Without higher economic growth, the economy will not deliver higher living standards or the quality of life to which South Africans aspire;
2. Human capital deficit and its effect on the implementation of the NGP, and the overall implementation of the industrial development strategy.
3. Explain the socio-economic effect of the current state of productive infrastructure to the overall economic development initiatives. To be more broadly coordination of energy and mineral resource policies and their effect on economic development.
4. Unemployment remains high, in particular youth unemployment that requires stepp-up efforts in coordination across the sectors including forging private sector partnerships to address unemployment. Working closely with the National Youth Development Agency cannot be over-emphasised.
5. The Department needs to craft an investment and development strategy and action plan geared to benefit SMMEs, taking into account pivotal role that SMMEs support, and development and financing could play as an economic growth, employment generation and poverty eradication strategy.
6. The Department needs to outline the linkage of the International Trade Administration Commission's business output with the strategic goal and outputs of the Department.
7. Need to make it simple for SMME's to access incentives available to them through various agencies operating in the Country;
8. Different funding platforms could be problematic particular when it comes to programme implementation, resource allocation and strategic coordination;
9. The Department needs to identify synergy and complementarities-different DFIs supporting SMMEs, or the government needs to implement a possible policy option that will ensure an establishment that of a single but focused and coherent DFI for SMME at the national level with linkages with provincial and local DFIs, to avoid duplication and to improve coordination, and thus optimal resource utilisation.
10. The government needs to look at a possibility of merging Development and Financing components (SEFA and SEDA) including development funds housed in other sector departments with a focus on SMMEs and Cooperatives (develop and support cooperatives initiatives). The new SMME Development and Financing vehicle could either housed under Trade and Industry or Economic Development (as a subsidiary of the Industrial Development Corporation);

11. Promote and Support Social enterprises, and strengthen linkages with the Department of Social Development;
12. Develop and Support Informal sector. The Department need to formulate a strategy and implementation plan for the informal sector);
13. Interface with Local Government, and provinces to ease regulatory burden in local municipalities;
14. Strengthen provincial and local government footprint of the DFIs;
15. Generally problems on access to finance hinders the potential of SMMEs to realise their growth potential, compromise poverty alleviation, employment creation and economic growth;
16. Partnership with big private players including Higher Education institutions for Business Development Support to support entrepreneurship and innovation;
17. Marketing of SMMEs' product packages to reach rural front, including promoting and supporting of SMMEs and Cooperatives in rural areas;
18. Support public sector procurement initiative to support SMMEs and Cooperatives;
19. Foster partnerships between the public sector development finance institutions and the private sector to support SMMEs and Cooperatives;
20. Constrained by institutional capacity particular at local government level, Training and Development and business management;
21. Support SMMEs and Cooperatives to access local and international markets;
22. Need to address the constraints such as access to finance; black listed, lack of collateral, business plans, small entrepreneurs viewed as high risk and could not afford substantial contributions, mentoring programmes and business development support for SMMEs;
23. Energy, Transport, Telecoms and working premises costs would hinder SMME development and growth
24. Recovery strategy for loans issued, sustainability and growth potential of SMMEs and Cooperatives;

## Summary of 2013/14 Budget Allocation

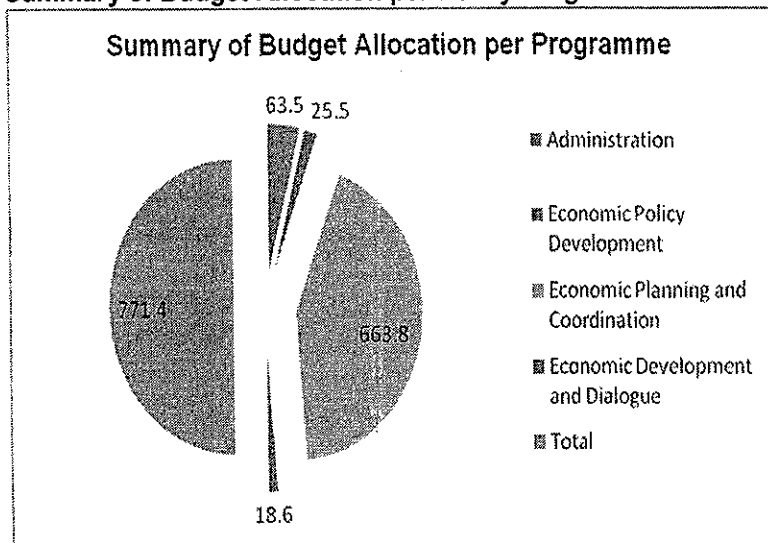
The Department aims to:

- Promote economic development through participatory, coherent and coordinated economic policy and planning for the benefit of all South Africans;
- Lift employment creation and inclusive growth;

The Policy Framework:

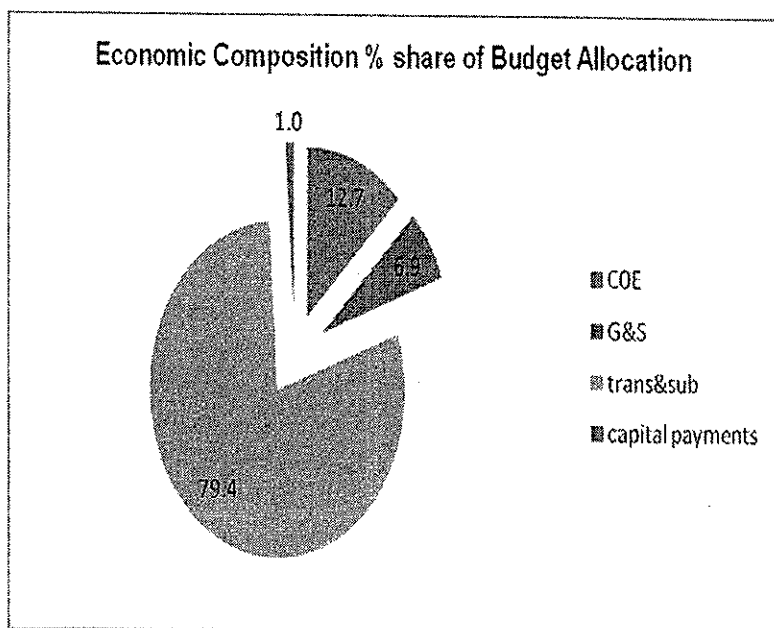
- National Development Plan
- New Growth Path
- National Infrastructure Plan, including presenting the Infrastructure Development Bill (It would be preferable that if the bill is costed, to have an appreciation and its effect to the fiscus, and the extent of the exposure to the market;
- Including the Industrial Action Plan;

### Summary of Budget Allocation per Policy Programme-2013/14

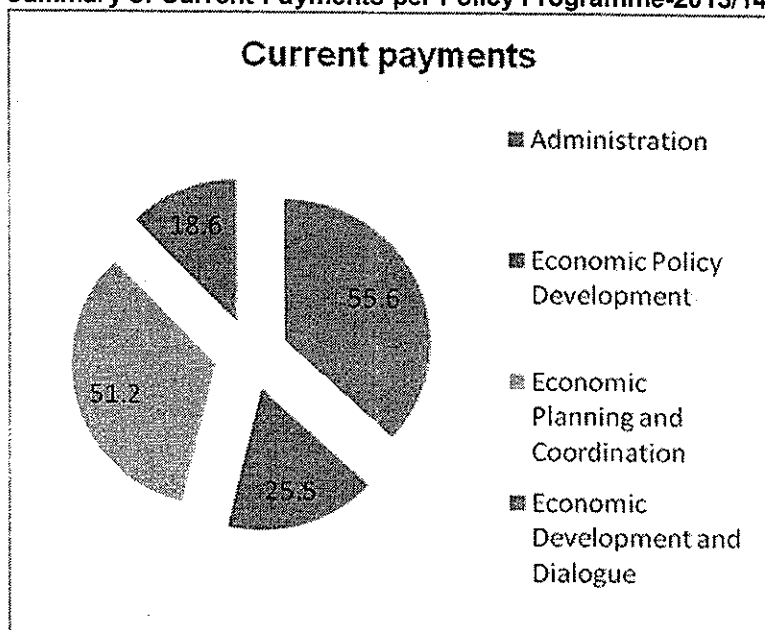


Source: 2013 Estimates of National Expenditure, National Treasury

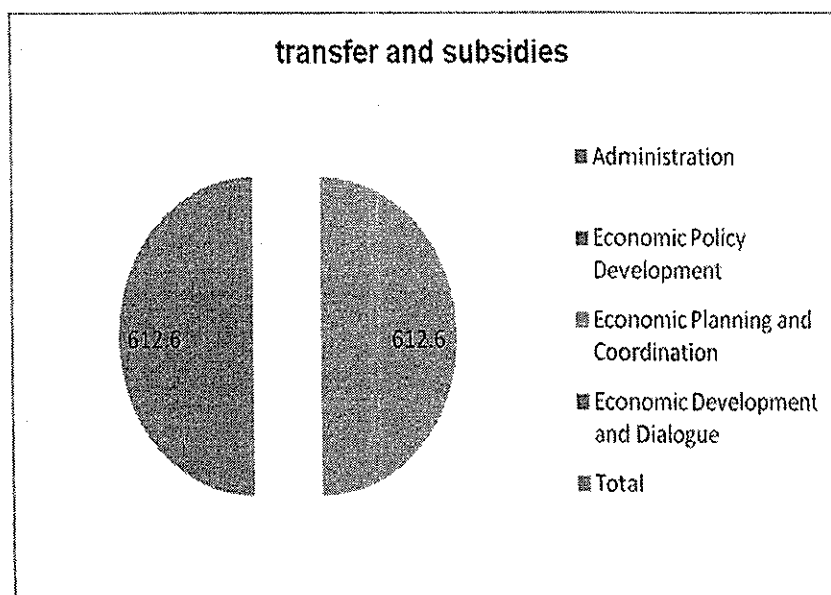
### Summary of Economic Composition Percentage Share 2013/14



**Summary of Current Payments per Policy Programme-2013/14**

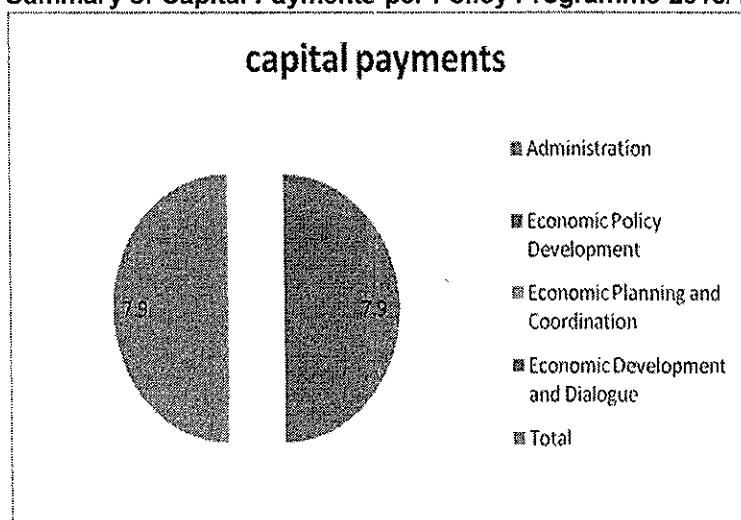


**Summary of Transfers and Subsidies per Policy Programme-2013/14**



Source: 2013 Estimates of National Expenditure, National Treasury

#### Summary of Capital Payments per Policy Programme-2013/14



Source: 2013 Estimates of National Expenditure, National Treasury

#### Alignment of the Budget and Annual Performance Plan

1. The Annual Performance Plan does not provide sufficient information in relation the situational analysis of the sector (outward and inward outlook)-environment;
2. The situational analysis should also reflect the organisational health and capability, including external economic and social context that have influenced and informed the budget policy decisions;

3. Demonstrate linkage of the department delivery framework with other sector departments including public entities; The Department would need to review the performance indicators, develop high level sector performance indicators. The translation of the NDP would offer the Department an opportunity to develop performance delivery framework including broader sector indicators (speaking to broader social and economic indicators), thus developing of broader economic development indicators;
4. A joint effort between the Department and National Treasury and Statistics South Africa including Trade and Industry would enable government to have a set of economic development indicators that would measure the performance of the sector;
5. The need to show how resources are geographical allocated or distributed to the provinces, and further demonstrate main services the department renders to each province;
6. The key challenge is to lift the performance of the sector in terms of policy coordination, and overall policy and strategic management to meet broad government policy outcomes;
7. With regard to performance information, it is advised that the Department need to establish and strengthen the performance management framework, link the enterprise management including budget planning with the overall performance management framework;
8. The Department needs to strengthen and enhance its relation (identify synergies and complementarities) between it and the public entities that it is overseeing;
9. To closer align the different policy programmes within the Department and to focus their activities on the key priorities that will accelerate economic performance;
10. Link the service delivery outputs of the public entities to the department strategic outcomes, track resources allocated to the public entities (transfers and subsidies represent 79 per cent of the Department's allocated funds);
11. The Department need to establish and strengthen monitoring and evaluation oversight and planning capability (internal enterprise architecture) and over the public entities to improve sector performance;
12. The Department need to focus on the recruitment, development, including recognition and reward systems to improve organisational performance;