**Budgetary Review and Recommendations Report of the Portfolio Committee on Economic Development, dated 30 October 2013**

The Portfolio Committee on Economic Development, having considered the performance and submission to National Treasury for the medium term period of the Economic Development Department (EDD), reports as follows.

1.             Introduction

1.1.      Mandate of Committee

Chapter 4 of the Constitution of South Africa, Act 108 of 1996 sets out in detail the powers, functions and procedures of Parliament. In this context, Section 5 of the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 empowers the Portfolio Committees, annually, to assess the performance of each national Department through an annual Budgetary Review and Recommendations Report (BRRR), which it is expected to table in Parliament.

1.2.      The core functions of the EDD

The EDD’s main mandates are:

•       To promote decent work through meaningful economic transformation and inclusive growth; and

•       To provide participatory, coherent and coordinated economic policy, planning and dialogue for the benefit of all South Africans.

The core functions of the Department include the following:

•       It works with state agencies to prioritise decent work and more equitable growth in all economic strategies, and supports coordination and alignment of economic policies and programmes across the state.

In 2009, the Administration agreed to measure its work against key outcomes. One of these is Outcome 4: Decent employment through inclusive economic growth. EDD acts as one of the coordinating departments for Outcome 4, together with National Treasury and the Department of Trade and Industry.

A key in achieving Outcome 4 was the adoption of the New Growth Path in October 2010. The New Growth Path sets a target of creating five million new jobs by 2020, both by strengthening overall growth and by supporting activities that can generate new opportunities for the majority of our people. It forms the operational plan for the National Development Plan’s economic strategies.

EDD also provides advice and support to the Economic Sectors and Employment Cluster (ESEC) and the Productive Sectors Forum, and co-convenes the Economic Development MinMEC with MECs for economic development and representatives of municipalities.

•       EDD undertakes catalytic projects and programmes to support inclusive growth and decent work, both directly and through the agencies that it oversees – the Industrial Development Corporation (IDC), the Small Enterprise Finance Agency (sefa), the Competition Commission and the Competition Tribunal, and the International Trade Administration Commission (ITAC).

The Portfolio Committee was presented with information by the Minister of Economic Development that demonstrated practically the impact of integration.  One example cited was that EDD worked with the IDC, ITAC and the Department of Trade and Industry to create an environment for taxi assembly. Two years ago, all taxis were imported; today, 40% are assembled locally, in plants owned by Toyota and the Chinese company BAW.

Another example that the portfolio Committee noted relates to competition policy. In the 2010/11 financial year, the competition authorities found that Pioneer Foods was colluding to fix bread prices. EDD worked with the IDC and National Treasury to ensure that R250 million of the fines paid for the case went to a fund to support small-scale agro processing enterprises.  The IDC administers the fund. In the 2012/13 financial year, the fund approved 20 projects with grants and investments of R137 million and co-funding by the IDC of R117 million. It created almost 1300 jobs in bakeries, sweet manufacturing, poultry farming, flour milling, animal feed production and other projects.

•       In 2011, EDD’s analysis of challenges to the New Growth Path pointed to the need to scale up and coordinate public investment in infrastructure. Cabinet agreed and established the Presidential Infrastructure Coordinating Commission (PICC). In February 2012, the PICC submitted the National Infrastructure Plan to Cabinet. By mid 2013, projects includes in the plan sustained 180 000 jobs; public investment had risen by more than R500 billion over 2011; and South Africa was at work building schools, clinics and massive electricity generators based on both coal and renewable energy; upgrading roads and railroads; extending broadband; and bringing water, electricity and housing to historically excluded communities.

•       EDD has the responsibility of mobilising economic stakeholders to support the New Growth Path and other economic plans and policies through social dialogue. The Department has facilitated high-level Accords with organised business and labour and community representatives on Basic Education, Skills Development, Local Procurement, the Green Economy, stabilising and transforming the mining industry and Youth Employment. These Accords set a framework for South Africans to work together to create an economy that offers a decent living and opportunity to all our people. In addition, the EDD works with stakeholders at sectoral and project level to save jobs and support new investment, amongst others in a smelter in Dimbaza and amongst small-scale furniture producers in the Cape.

The EDD’s work is guided principally by:

•       The National Growth Path as the economic strategy to give effect to the National Development Plan's goals;

•       Outcome 4, which sets targets for employment, equality, economic growth and investment, as well as Outcome 5: Skilled and capable workforce to support inclusive growth; Outcome 6: Efficient, competitive and responsive infrastructure; and Outcome 7: Vibrant, equitable, sustainable rural communities;

•       The National Infrastructure Plan, which has become a central lever for overall growth, industrialisation, employment creation and increasingly equitable development; and

•       The Industrial Policy Action Plan, in partnership with the Department of Trade and Industry.

1.3.      Purpose of the BRRR Report

The Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009) allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. In October of each year, portfolio committees must compile Budgetary Review and Recommendation Reports (BRRR) that assess service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations on forward use of resources.

The BRRR are also source documents for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year’s performance, as well as performance to date, form part of this process.

1.4.      Method

The Portfolio Committee held numerous meetings with the Department to discuss its Annual Performance Plan and budget over the course of the 2012/13 financial year. Meetings were held to discuss quarterly performance against the Annual Performance Plan, which included both line function and administrative issues. These meetings included the Minister and Deputy Minister, as well as operational discussions led by the director General of the Department. Meetings were also held with the IDC, sefa, the Competition Authorities and ITAC.

In addition, the Committee conducted oversight visits to Kimberley, Northern Cape Province; Richards Bay, KwaZulu-Natal Province; Heidelberg, Gauteng Province; and Nelspruit, Mpumalanga Province from 19-22 June 2012.

In the Northern Cape, the Committee met and interacted with the following key stakeholders: the Department of Finance, Economic Affairs and Tourism (DFEAT), Industrial Development Corporation (IDC), Foundation for African Business and Consumer Services (FABCOS), Griekwaland-Wes Korporatief (GWK) Beperk Limited and the Bed Manufacturer as well as the Westra Industry Projects.

In KwaZulu-Natal, the Committee also met and interacted with the following key stakeholders: the Provincial Department of Economic Development and Tourism (DEDT), the Universal Services and Access Agency of South Africa (USAASA), and Sentech. The Committee was shown the National Fibre-Optic Network Project and also visited the Thambolini Project.

The Committee undertook oversight visits to Durban, Mtunzini and Pietermaritzburg, (KwaZulu-Natal); Johannesburg, (Gauteng); Polokwane, Tzaneen and Palaborwa, (Limpopo) and Mafikeng, (North West) from the 27 November to 07 December 2012.

1.5.      Outline of the Report

Section 2 of this report outlines the key policy focus areas for the EDD. Section 3 summarises the committee’s previous recommendations to the Department. Section 4 provides an evaluation of financial performance, followed in Section 5 by an evaluation of service delivery by the Department. Section 6 evaluates the budget against service delivery. Section 7 provides the key findings of the Committee, and finally Section 8 provides the main recommendations.

2.             Overview of relevant policy focus areas

It is acknowledged that policy in respect of oversight in the Legislative Arm of the State is derived from a number of sources. This policy provides the necessary framework for the Executive to carry out Government programmes. This policy framework informs Government’s service delivery programme. In addition, the State of the Nation Address provides priorities and directives for the calendar year and subsequent Cabinet Makgotla assist to refine the detail.

This section first reviews economic progress in the 2012/13 financial year, against the indictors set by Outcome 4. It then outlines the work done under the National Infrastructure Plan, which is led by the PICC, and the evolution of measures to support for smaller enterprises and co-ops, which the Committee considers critical to inclusive growth.

2.1 Economic progress in the 2012/13 financial year

In 2009, the Administration adopted a set of high-level outcomes, including Outcome 4. The core indicators for Outcome 4 are:

•       Employment growth, and in particular the share of working-age adults with employment as well as job creation specifically for youth and women and in the former so-called “homelands”;

•       Equality, as measured principally by the Gini coefficient but also by the share of remuneration in total value add and employers, plus the self employed in total employment; and

•       Economic growth and investment, measured respectively by growth in the GDP and the share of investment and public investment in the GDP.

We here review progress against each set of indicators in the 2012/13 financial year.

2.2 Employment

The Reserve Bank Report 2013 shows that in 2012, job shedding occurred primarily in the private sector in the second half of the year. This occurred after some employment growth especially in the private sector and some employment gains in the first quarter of 2012. The public sector recorded an increase in employment levels since 2009 and maintained a generally steady pace of job creation.

The Reserve Bank Report 2013 shows that the Public Sector contributed some 200,000 jobs more than the 174 900 added by the private sector to the first quarter of 2013. The public employment moderated from 2011 to 2012.

The share of public-sector employment in total formal non-agricultural employment rose consistently over the past four years from 2008 to the fourth quarter of 2012. The report indicates employment creation in the private sector following the economic growth pattern within the South African economy. Employment grew by almost 200 000 in the 2012/13 financial year. From October 2010, which was the date when the New Growth Path was adopted by the Cabinet, employment began to recover from the Great Recession of 2008/9. From this date through to the second quarter of 2013, the economy created 750 000 new jobs, reaching a total of 13,7 million employed.

The share of the working-age population with employment climbed to 41,1% in the first quarter of 2013. That was an increase from 40,9% in the first quarter of 2012 and 40,5% in the third quarter of 2010. While this is still far less than the global norm, it reflects real progress from the global Great Recession in the 2008/09 financial year.

Employment for young people aged 18 to 34 climbed by 26 000 in the year to the second quarter 2013, and by 160 000 from the third quarter of 2010.

Women’s employment climbed by 65 000 in the 2012/13 financial year. The share of women in total employment rose from 43,3% in the third quarter of 2010 to 43,9% in the second quarter of 2013. In large part, this reflected the relatively strong growth of government employment, especially in health and education, which offer more opportunities for women.

Ensuring decent work and living standards in the rural areas remains a core challenge for inclusive growth. The apartheid system entrenched the so-called “homeland” regions in particular as impoverished, under-resourced, overcrowded and underserved rural areas that from an economic standpoint served mostly as a pool of cheap migrant labour. Today, 34% of the population lives in these regions.

The National Infrastructure Plan in particular supports a number of rural development initiatives. In the 2012/13 financial year, employment in the former “homelands” climbed by 105 000, or 4,7%. The share of working-age people with employment in these areas rose from 22,0% in the first quarter of 2012 to 24,0% in the second quarter of 2013. This accounted for most of the improvement in the overall employment ratio, which in the rest of the country is almost 50%.

Limpopo and Mpumalanga accounted for most of the jobs growth in the poorest regions. In large part, it resulted from major infrastructure investment, which in turn stimulated mining and agricultural production as well as provision of services.

**Employment change by province, first quarter 2012 to first quarter 2013**

**Province**

**Employment in March 2013**

**Change in numbers**

**% change**

|  |
| --- |
|  |
| Limpopo | 1 053 000 | 58 000 | 5.8% |
| Mpumalanga | 970 000 | 57 000 | 6.2% |
| Gauteng | 4 184 000 | 44 000 | 1.1% |
| Eastern Cape | 1 312 000 | 34 000 | 2.6% |
| North West | 731 000 | 27 000 | 3.8% |
| Free State | 754 000 | 17 000 | 2.4% |
| KwaZulu-Natal | 2 520 000 | 400 | 0.0% |
| Northern Cape | 286 000 | -500 | -0.2% |
| Western Cape | 1 810 000 | -37 000 | -2.0% |

Source: Calculated from relevant Quarterly Labour Force Surveys questions on province and employment status. Electronic database downloaded from Nesstar facility at www.statsa.gov.za

2.3 Equality

Apartheid shaped South Africa as one of the most unequal countries in the world. Inequality as entrenched through the unfair schooling system, the Land Acts, limits to credit and other supports for black-owned enterprises, and work organisation that denied labour rights, skilled jobs and promotions to ordinary workers.

To this day, these deep-seated systemic relations mean that South Africa has one of the most unequal distributions of income and ownership in the world. The richest 10% of households captures around half of all household income.

The Gini coefficient is the standard measure of overall income inequality between households. The higher the coefficient, the worse inequality is. Internationally, the normal range for the Gini coefficient lies between around .30 and .50. In South Africa, it is around .65.

While inequality is undoubtedly severe, it is difficult to track changes year on year. Detailed data for calculating the Gini coefficient is only published in the Income and Expenditure Survey, which in turn is published only every five years. These data show that the Gini coefficient improved from .69 in the 2005/06 financial year to .65 in the 2011/12 financial year. The main reason for the improvement was a decline in income for the highest earning households as a result of the economic crisis.

According to the General Household Survey, the median household income, which fell in the 2008/09 recession, climbed by 9% from 2011 to 2012 – the latest available data. In 2012, the median household income was just under R3000 a month. In the former so-called homelands, the median income was around half of that in the rest of the country.

In functional terms, the share of remuneration in value add fell sharply with the increase in commodity prices from around 2002, then stabilised. It climbed from 2008 to 2012, largely as the share of remuneration in value add increased in manufacturing, government services and agriculture.

Source: Statistics South Africa, GDP data on excel spreadsheets for second quarter 2013. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za/)in September 2013.

The share of employers and the self employed in total employment provides an indication of the distribution of asset ownership. It is only a rough measure, however, because the bulk of the self-employed comprise survivalist enterprises with very limited assets. The share of employers in total employment climbed by 5,0% in the first quarter of 2012 to 5,5% in the first quarter of 2013. The share of self employed remained essentially unchanged at 9,2% over the period.

2.4 Economic growth, trade and investment

The Reserve Bank Report of 2013 shows that the decline of South Africa’s economic growth has been affected by various factors such as labour unrest, production disruptions in a number of industries, rising inflation expectations, falling commodity prices, electricity supply constraints, hesitant domestic and foreign investor confidence and pessimism about the longer- term outlook for the economy. These factors pose a potential to compromise government intentions in attaining socio-economic policy objectives.

In the Great Recession from 2008 to 2009, South Africa's GDP fell by 1,3%. For the next three years, it grew by 3,0% a year. In the 2012/13 financial year, however, the slowdown in Europe, which had knock-on effects around the world, also saw slower growth in South Africa. The GDP climbed by 2,2% in the year to June 2013, the latest available data. In current rand, it climbed from R2 trillion in 2008 to R2,8 trillion in 2012, and reached R2,9 trillion in the year to June 2013.

The main factor slowing growth in the Great Recession was a decline in exports as a result of the slowdown in the global North. Still, South Africa’s total foreign sales climbed by 4% in volume and 8% in value in the year to the first quarter 2013, according to Reserve Bank data. Mostly because the recession in Europe affected world commodity market and car exports, the volume of exports fell from March to December 2012. The first quarter of 2013 then saw a rapid recovery. Growth in exports continued in the second quarter of 2013, the latest available data.

In order to reduce dependence on the global North, where growth remains slow and uncertain compared to the rest of the world, South Africa is moving to improve ties to the rest of Africa and to the BRICS grouping – that is, Brazil, Russia, India, China and South Africa. Together, the BRICS account for about 20% of the global economy, and absorb around 17% of South African exports.

At the end of the 2012/13 financial year, South Africa hosted the BRICS Summit, which led to agreement to launch a BRICS-led development bank. The bank will enable countries within BRICS that want to diversify their reserves – notably China – to invest in countries that, like South Africa, could use external financing to boost investment in infrastructure and industry.

Maintaining investment is critical for sustained growth, as it generates and maintains the productive base of the economy. Investment climbed from 19,1% of the GDP in the first quarter of 2012 to 19,3% in the first quarter of 2013, and reached 19,5% in the second quarter. The increase was principally due to higher public investment, which rose from 7,3% of the GDP to 7,6% in the course of the 2012/13 financial year. In nominal terms, total investment rose by over R200 billion in the 2012/13 financial year.

With regards regional economic integration and in particular the Southern African Customs Union (SACU), the current approach is to ensure common economic development as opposed to reliance on SACU payments.

A five point plan work programme has been approved by the 2nd SACU summit convened by President Zuma in 2011 premised on the following pillars: (i) work programme on cross border industrial development (ii) trade facilitation (iii) development of SACU institutions (iv) unified engagement in trade negotiations and (v) the review of the revenue sharing agreement.

The five point plan emerged from the realisation by member states of the need to move SACU beyond an arrangement held together only by common external tariffs and a  revenue sharing agreement, to an integrated programme that provides real economic development in the region.

Progress on the implementation of the five point plan is uneven. Good progress in trade facilitation has been registered and there is greater unity of purpose in negotiations with third parties in the Economic Partnership Agreement, SACU-India trade and Tripartite Free Trade Area.

There is limited progress in the review of the revenue sharing agreement and hence lack of adequate financial support for the implementation of cross-border industrial and infrastructure development projects.

There is also a lack of progress in the development of SACU institutions as a result of divergences in policy perspectives and priorities of member states.

Until the SACU Tariff Board is established to make recommendations to Council on Tariffs, these functions will be delegated to the International Trade Administration Commission in South Africa. A common approach to trade and industrial policy is a prerequisite to effective SACU institutions in the future. More work needs to be done on appropriate decision- making procedures, to deal with sensitive trade and industry matters that have a wide impact across the region.

2.5 The National Infrastructure Plan

Based on an analysis of requirements to implement the New Growth Path, the July 2011 Cabinet lekgotla established the PICC. The PICC consists of the main economic and infrastructure Ministers, chaired by the President. Its Secretariat is led by the Minister for Economic Development, and EDD provides technical support.

In February 2012, Cabinet adopted the National Infrastructure Plan, which the PICC had developed. The National Infrastructure Plan:

•       Identifies 18 Strategic Integrated Projects (SIPs), which prioritise key areas for infrastructure development and provide a framework for managing them in an integrated fashion across the state; and

•       Lays a platform for addressing blockages and maximising the developmental impact of infrastructure investment, in particular by enhancing local procurement of inputs, establishing mechanisms for monitoring and evaluating progress on each SIP, projecting skill needs and improving procurement procedures.

The National Infrastructure Plan aims both to improve the major economic infrastructure that supports the core formal economy, including massive electricity, rail and water projects, and to ensure that government services improve across the country, raising living standards especially in poor communities and opening new opportunities for smaller and emerging enterprises. The SIPs include the following:

•       SIP 1 combines provision of rail, water and electricity to open the Northern mining belt, crowding in private investment and creating jobs on a mass scale. It is linked to SIP 2, which upgrades the core logistic links between the Durban harbour and the Gauteng while building communities and stimulating economic growth along the route.

•       SIPs 3, 4 and 5 will unlock economic opportunities along the South East coast, the West coasts and in the North West by providing roads, rail and other infrastructure that crowds in productive investment in mining, the oil and gas industry, agriculture, green energy, tourism and processing, amongst others.

•       SIP 6 addresses backlogs in household services in the 23 worst-served municipal districts, most of which lie in the former “homelands,” and SIP 11, which fosters investment in productive infrastructure such as dams and silos in rural areas;

•       SIP 7 promotes integrated urban planning, with a focus on establishing and extending Bus Rapid Transit routes that make it easier and cheaper for working families to reach jobs, schooling and downtown services in general.

•       SIPs 12, 13 and 14 promote investment in schools, hospitals and universities, helping to open the doors of learning and culture to all and that every South African has access to quality healthcare.

•       SIPs 8, 9 and 10 focus on improving the generation of electricity from both coal and renewable sources and ensuring efficient transmission to reach homes and enterprises. SIP 18 is a water master plan to secure sustainable water supply long into the future – a particular challenge in a water-scarce country.

•       SIP 17 drives infrastructure development for African regional integration, which is a prerequisite for sustainable industrialisation in South Africa as well as a necessary expression of solidarity and unity for our continent.

Infrastructure investment over the course of the Administration is expected to reach R1 trillion, around 25% higher than in the previous five years. Resources budgeted for infrastructure by government, including municipalities, and state-owned corporations climbed by 25% in the 2012/13 financial year compared to the 2011/12 financial year, to reach a total of R255 billion. Of that, government was responsible for just under R127 billion in investment, and state-owned corporations for R129 billion.

2.6 Support for smaller enterprises and co-operatives

The economy shaped under apartheid was dominated by large-scale companies, with Africans and especially African women largely barred from establishing their own enterprises. Redressing this situation is critical for inclusive and increasingly equitable economic growth.

As outlined above, the Portfolio Committee noted progress that was made toward increasing the share of employers in total employment in the 2012/13 financial year.

The Committee has been involved in detailed discussions with the EDD and its agencies regarding small business development. The Committee here reviews the main strategies in this regard.

In April 2012, sefa was established through the consolidation of Khula, SAMAF and the small business activities of the IDC. Its funding was doubled compared to the predecessor agencies.

In the 2012/13 financial year, sefa approved over R430 million in financing for medium, small and micro enterprise. According to sefa’s records, 47 000 SMMEs were supported covering an estimated 53 700 jobs. It provided financing through three lending channels: R146 million through direct sefa lending, R265 million through retail financial intermediaries that are supported by sefa, and R21 million by commercial banks through a sefa credit guarantee scheme.

Many small businesses close due to lack of technical skills, including finance and accounting support. In the 2011/12 financial year, EDD launched a programme in partnership with the South African Institute of Chartered Accountants (SAICA) and sefa to train young unemployed accounting and finance graduates. It allocated R6 million from its savings to train 100 young people in the first intake. In the 2012/13 financial year, the first group graduated and most were deployed in various businesses and the sefa Business Hub to support SMMEs. The Department increased funding to R9 million from further savings on its budget in the 2012/13 financial year to train 170 unemployed accounting graduates and smoothen their transition from studying to work.

Local procurement by both the public and private sector provides a critical lever to support smaller enterprises and co-ops. The National Infrastructure Plan incorporates strong efforts to expand local procurement, based in part on establishment of a localisation office by the IDC. In addition, as discussed below, the conclusion of a Local Procurement Accord with the NEDLAC constituencies in 2011 has fostered stronger support for local procurement by all the economic stakeholders. The Accord, which is discussed in more detail below, sets targets for local procurement by both the private and state sectors. In addition, the draft amendments to the Broad-based Black Economic Empowerment Codes substantially increase the incentives for private businesses to mentor and buy from emerging enterprises.

The competition authorities have a central role to play in shaping a more open and competitive environment for smaller producers. In the past two years, they have taken decisions to ensure that private companies do more to support smaller producers. Under the Walmart-Massmart merger decision and the settlement with Pioneer Foods, close to R500 million has been set aside to support local producers.

2.7 Social accords

In a deeply unequal and historically divided country like South Africa, it is particularly important to work with the main economic stakeholders - the NEDLAC constituencies of organised business, organised labour and community representatives in particular – to build more inclusive growth.

In 2011, four social accords were finalised with EDD’s support: the Basic Education Accord; the National Skills Accord; the Green Economy Accord; and the Local Procurement Accord. A detailed review of implementation highlighted the following areas of progress.

Under the Basic Education Accord, the state, private sector, union and community partners committed to adopt under-performing schools, providing them with mentoring, resources and other kinds of support. By March 2013, about 700 schools had been adopted by social partners, including the trade union SACTWU and large companies like Anglo Platinum, as well as public officials.

The parties involved in the National Skills Accord increased their support for training substantially. In the year under review, over 17 000 people entered artisan training. Of these, 8650 completed their courses, according to provisional data from 18 SETAs, the national trade testing centre Indlela, and four state-owned corporations (Eskom, Transnet, SAA and Denel). Since the Skills Accord was signed, around 15 000 students have been placed in companies, of whom about one-third were in the engineering field. Various state-owned companies have set up state-of-the-art workshops in Further Education and Training (FET) colleges in order to help close the gaps between what the institutions produce and what industry expects.

In accordance with the Green Economy Accord, in the 2012/13 financial year, the IDC approved 40 projects worth R3,8 billion for green energy such as solar, wind and hydro, creating over 5000 jobs in construction as well as 941 jobs in operations and the manufacture of inputs. Other projects underway included the clean coal initiative, bio-fuels and the reduction of carbon emissions in the bus rapid transport system being established in major metros.

In addition, government installed more than 330 000 solar water heaters by March 2013 and started reviewing proposals to accelerate their installation, while also expanding local production of components. From 1 October 2012 the rebate for installation of solar water heaters (SWH) with higher local content was increased by between 10% and 20%.

As noted above, local manufacturing and industrialisation efforts are important pillars of South African industrialisation and employment creation. Anchoring interventions was the Local Procurement Accord.

From July 2012, the government has designated specific products for local procurement. The first round of designations covered bus-bodies, pylons, rolling stock, canned vegetables, clothing, textiles, footwear, leather and set-top-boxes. In November 2012, the designations were extended to solid pharmaceuticals, school and office furniture, bed bases and mattresses. In addition, the PICC is working with the IDC’s localisation unit to drive local procurement for the National Infrastructure Plan. The IDC has worked on a localisation strategy and collaborates with the SABS which serves as a verification agency of local content in key industries.

Cape Town, Johannesburg and Pretoria, which are rolling out integrated public transport systems, have implemented national government’s local content threshold of 80% for bus bodies. PRASA and Transnet have placed the local content threshold of the purchase of locomotives and wagons worth billions of rands at 65% with the aim of 100% assembly of the stock in South Africa within a few years.

Shifting to local procurement requires ongoing engagement to identify new suppliers and rethink procurement procedures. This was shown by the challenge facing a footwear factory in Durban whose workers’ jobs were threatened by procurement patterns and delays in placing orders by various government departments. EDD intervened and the threatened jobs were saved.

In addition to overseeing and facilitating implementation of the 2011 social accords, in the 2012/13 financial year, a social accord to stabilise the mining belt was signed in October 2012, and agreement was reached on the Youth Employment Accord, which was signed in April 2013.

The October 2012 Accord included commitments to ending the strike wave which at that time was have a major impact on mining; to improve human settlements around the main mining towns; to support the Youth Employment Strategy; and to support the National Infrastructure Plan and other measures to maintain economic growth in South Africa in the face of the European recession in the 2012/13 financial year.

The October 2012 Accord also laid the basis for a further set of agreements with stakeholders in support of the National Infrastructure Plan. Memoranda of understanding were reached with investors, construction companies and engineers on how to ensure a cost-effective and quality state investment programme.

The October 2012 Accord included commitments from the stakeholders to support the Youth Employment Strategy. Engagements were held with the NEDLAC constituencies, including the major youth organisations, to ensure full agreement on the strategy. These engagements led to finalisation of the Youth Employment Accord in April 2013.

3.             Summary of previous key financial and performance recommendations of Committee

Over the past year, the Portfolio Committee has asked that in the context of the implementation of the New Growth Path overall, the Department prioritise:

•       Generating more opportunities for young people and women,

•       Support for smaller enterprises and co-operatives, and

•       Rural development.

The Department has placed increasing emphasis on these areas of work, notably through the Youth Employment Strategy and the Youth Employment Accord, which was adopted in April 2013; the establishment and improved resourcing for sefa in the 2012/13 financial year, as well as strategic direction to the competition authorities; and the work to implement the National Infrastructure Plan.

On the administrative front, the EDD has maintained an unqualified audit for the three years of its existence. In terms of human resources, as a new department it has faced challenges in filling senior professional and managerial positions. The Portfolio Committee has repeatedly engaged the senior leadership of the EDD on this issue, encouraging the Department to accelerate efforts to address this challenge. A particular problem remains the shortage of senior black and women economists in the economy as a whole.

The Department has responded to the concerns of the Committee by seeking to accelerate employment of senior personnel, on the one hand, and by reviewing its structure to identify how it can improve the utilisation of junior professionals. First-rate young people are often more easily employed, since they do not have to change jobs.

4.             Overview and assessment of financial performance

The Department has had an unqualified audit for the past three years, a praiseworthy outcome for a new organisation.

4.1 Overview of Vote allocation and spending (2009/10 - 2014/15)

The following table summarises EDD’s budget from the 2009/10 to the 2014/15 financial years.

**EDD Budget (Vote 28), in Rmns.**

**Programme**

**2009/ 10**

**2010/ 11**

**2011/ 12**

**2012/13**

**2013/ 14**

**2014/ 15**

**2015/ 16**

*Out-come*

*Out-come*

*Out-come*

*Adjusted
appropriation*

*Revised
estimate*

*Esti-mate*

*Esti-mate*

*Esti-mate*

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|  |
| Administration | 16.7 | 35.0 | 50.8 | 52.3 | 49.3 | 63.6 | 67.6 | 71.2 |
| Economic Policy Development | – | 6.6 | 12.5 | 18.5 | 13.5 | 25.5 | 27.2 | 28.7 |
| Economic Planning and Coordination | 298.0 | 358.5 | 501.0 | 613.0 | 577.0 | 663.8 | 638.4 | 866.6 |
| Economic Development and Dialogue | – | 0.5 | 13.3 | 12.7 | 9.7 | 18.6 | 19.7 | 20.9 |
| **Total** | **314.6** | **400.7** | **577.6** | **696.5** | **649.5** | **771.5** | **752.9** | **987.4** |

Around 80% of the EDD’s budget annually consists of transfers to the agencies it oversees, as the following table shows. These transfers constitute the bulk of the budget for the Economic Planning and Coordination programme, which is ch **a**rged with the oversight functions for the agencies.

**Economic classification of EDD Budget, in R mns.**

**Programme**

**2009/ 10**

**2010/ 11**

**2011/ 12**

**2012/13**

**2013/14**

*Out-come*

*Out-come*

*Out-come*

*Adjusted
appropri-ation*

*Revised
estimate*

*Estimate*

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|  |
|  |
| **Current payments** | **14.2** | **39.9** | **88.3** | **161.3** | **114.3** | **151.0** |
| Compensation of employees | 7.9 | 25.2 | 48.3 | 63.9 | 51.2 | 98.0 |
| Goods and services | 6.3 | 14.7 | 40.0 | 97.5 | 63.2 | 53.0 |
| **Transfers and subsidies** | **298.0** | **356.5** | **488.0** | **529.7** | **529.7** | **612.6** |
| Departmental agencies and accounts | 154.7 | 195.6 | 245.4 | 356.4 | 356.4 | 381.6 |
| Higher education institutions | – | 4.8 | 5.5 | 2.3 | 2.3 | – |
| Public corporations and private enterprises | 143.3 | 156.0 | 237.0 | 171.0 | 171.0 | 231.0 |
| **Payments for capital assets** | **2.4** | **4.3** | **1.3** | **5.5** | **5.5** | **7.9** |
| **Total** | **314.6** | **400.7** | **577.6** | **696.5** | **649.5** | **771.5** |
| *Transfers as % of total budget* | *95%* | *89%* | *84%* | *76%* | *82%* | *79%* |
| Operational budget for EDD | 16.6 | 44.2 | 89.6 | 166.8 | 119.8 | 158.9 |

Of the total transfers,

•       Just under R250 million went to the economic regulatory bodies overseen by EDD, that is, the Competition Commission, the Competition Tribunal and ITAC. Government pays the full cost of these agencies. Any fees received by the competition authorities are surrendered to National Treasury.

•       A further R280 million was transferred to the IDC and sefa for special funds. Government does not subsidise the operations of these corporations. The funds provided to the IDC, which arose from a settlement on collusive pricing between the competition authorities and Pioneer Foods, went for a dedicated agro-processing facility. The resources provided to sefa were used to expand its lending to SMMEs.

•       Organisations not overseen by EDD received R23 million in transfers in order to provide training and high-level research. The details of these projects are provided in Section 5.

**Transfers by EDD, 2012/13**

**Category**

**Organisation**

**Amount (R000)**

|  |
| --- |
|  |
| Departmental agencies | Competition Commission | 157 211 |
|  | Competition Tribunal | 15 798 |
|  | ITAC | 74 403 |
| Public corporations | IDC | 109 000 |
|  | Sefa | 171 330 |
| Entities not overseen by EDD | University of the Witwatersrand | 2 280 |
|  | University of Johannesburg | 10 000 |
|  | CSIR | 1 808 |
|  | SAICA | 8 996 |

4.2 Financial performance, 2012/13

In the 2012/13 financial year, the EDD was allocated R672,7 million. An additional R28,8 million was added through the adjustment estimate process. In the event, the EDD spent R673,5 million, leading to under expenditure of R23 million or 3,4%.

The main factor behind adjustments to the budget in the 2012/13 financial year, as in previous years, was the need to ensure qualified, able persons are appointed to fill specialised posts, combined with the need for additional senior managerial posts, especially to support the PICC. As the following table shows, two programmes had vacancy rates of over 30% at the end of the 2012/13 financial year.

**Employment by programme, end 2012/3 (a)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Programme** | **Number of posts on the establishment** | **Number of posts****filled** | **Vacancy rate (b)** |
| Administration | 62 | 73 | -22,6% |
| Economic Policy Development | 26 | 14 | 46,2% |
| Economic Planning and Co-ordination | 38 | 38 | 0,0% |
| Economic Development and Dialogue | 16 | 11 | 31,3% |
| *Total* | *142* | *136* | *2,1%* |

Notes: (a) As of 31 March 2013, 131 officials had been appointed and a further eight had accepted offers of employment from the Department. (b) Including posts filled and posts additional to the establishment.

**Quarterly expenditure, 2012/13**

**Adjustment budget, R000**

**% spent**

**Q1**

**Q2**

**Q3**

**Q4**

**Total**

|  |
| --- |
|  |
|  |
| **By programme:** |  |  |  |  |  |  |
| Administration | 52,300 | 21% | 27% | 26% | 32% | 106% |
| Economic Policy Development | 18,467 | 21% | 17% | 11% | 11% | 60% |
| Economic Planning and Co-ordination | 613,005 | 24% | 24% | 24% | 26% | 97% |
| Economic Development and Dialogue | 12,746 | 27% | 17% | 11% | 20% | 74% |
| **By economic classification:** |  |  |  |  |  |  |
| Compensation of employees | 63,889 | 21% | 24% | 26% | 26% | 97% |
| Goods and services | 97,458 | 9% | 9% | 7% | 35% | 60% |
| Departmental agencies and accounts | 529,665 | 27% | 27% | 27% | 24% | 104% |
| Payment for capital assets | 5,506 | 11% | 4% | 13% | 5% | 33% |
| *Total including transfers* | *696,518* | *24%* | *24%* | *24%* | *26%* | *97%* |
| *Total without transfers* | *151,675* | *15%* | *16%* | *16%* | *34%* | *81%* |

In the 2012/13 financial year, the EDD implemented a virement as provided under section 43 of the PFMA. Specifically, the Economic Planning and Coordination Programme utilised savings of R4,9 million generated by Administration (R3,6 million), Economic Policy Development (R500 000) and the Economic Development and Dialogue Programmes (R800 000).

Section 43 permits virements up to 8% of the budgets of the relevant programmes. The contributions by the programmes are all below the level permitted by the legislation. Administration contributed 5,4% of its budget; Economic Policy Development 2,6%; and Economic Development and Dialogue, 6,0%.

**Virements by EDD, 2012/3**

**Programme**

**Adminis-tration**

**Economic Policy Develop-ment**

**Economic Planning and Coor-dination**

**Economic Develop-ment and Dialogue**

**Total**

|  |
| --- |
|  |
| Adjusted appropriation (R mns) | 52,3 | 18,5 | 613,0 | 12,7 | 696,5 |
| Shifting of funds (R mns) | 14,2 | 1,2 | -16,1 | 0,6 | 0 |
| Virement (R mns) | -3,6 | -0,5 | 4,9 | -0,8 | 0 |
| Final appropriation (R mns) | 62,9 | 19,2 | 601,8 | 12,6 | 696,5 |
| Actual expenditure (R mns) | 55,4 | 11,6 | 597,5 | 8,9 | 673,5 |
| Variance (R mns) | 7,5 | 7,6 | 4,3 | 3,6 | 23,0 |
| Expenditure as % of final appropriation | 88,0% | 60,3% | 99,3% | 71,5% | 96,7% |
| Virement (post shifts) - % | -5,4% | -2,6% | 0,8% | -6,0% | 0,0% |
| Virement (pre shifts) - % | -6,9% | -2,8 | 0,8% | -6,3% | 0,0% |

The EDD did not have any fruitless or wasted expenditure in the 2012/13 financial year. An amount of R61 000 was incurred as irregular expenditure and is awaiting condonement. Of this sum, R7000 resulted from overtime work performed without authorisation in advance, and R54 000 from the payment of a consultant without a signed SBD4 form including the original tax clearance.

Overall, the Auditor General gave EDD a clean audit. The audit did, however, find some causes for concern, notably:

•       The Human Resource Management oversight report was not fully consistent with the supporting documentation submitted for audit;

•       Leave taken by employees was not always recorded accurately;

•       The original accounts included material misstatements of receivables, departmental revenue and disclosure items, which were however not major and were corrected;

•       The internal audit function did not submit quarterly reports on time to the Audit Committee as required by the Treasury Regulations, and it did not assess the operational procedure and monitoring over all transfers made and received; and

•       Individuals in charge at pay points did not always certify that employees receiving payment were those entitled to it as required under Treasury Regulation 8.3.4.

In response to the AG’s report, the EDD has made the following commitments for addressing audit issues:

•       A consolidated “heat map” reflecting all audit issues that have been identified has been compiled with responsible persons and timeframes to rectify them;

•       Biweekly meetings are held to track progress on implementation of mitigation plans;

•       Internal Audit will review evidence for adequacy as per the audit coverage plan; and

•       Progress reports will be presented to the Audit Committee, Executive Authority, DG and EXCO.

4.3 Financial performance, 2013/14

The 2013/4 budget for EDD totals R771,5 million. That represents an increase of 11% over the 2012/13 financial year revised estimate in nominal terms, or around 5% in real terms. The increase will go primarily for personnel costs as the Department comes closer to filling all its positions. As noted above, however, the organogram of the Department needs to be revised to take into account new requirements and the difficulty of recruiting high-quality senior professionals and managers.

The structural challenges emerge from spending trends for the first quarter of the 2013/14 financial year, which shows continued underspending in Economic Policy Development and Social Dialogue and Economic Development.

**Expenditure in first quarter of 2013/4**

**Projected budget for quarter**

**Actual expenditure**

**Variance**

**% spent**

**R'000**

**R'000**

**R'000**

|  |
| --- |
|  |
|  |
| **By programme:** |  |  |  |  |
| Administration | 15,050 | 16,544 | (1,494) | 110% |
| Economic Policy Development | 6,197 | 3,399 | 2,798 | 55% |
| Economic Planning and Co-ordination | 176,363 | 168,872 | 7,491 | 96% |
| Economic Development and Dialogue | 4,189 | 3,483 | 706 | 83% |
| **By economic classification:** |  |  |  |  |
| Compensation of employees | 23,351 | 18,222 | 5,129 | 78% |
| Goods and services | 13,527 | 9,417 | 4,110 | 70% |
| Departmental agencies and accounts | 163,559 | 163,638 | (79) | 100% |
| Payment of capital assets | 1,362 | 1,021 | 341 | 75% |
| *Total including transfers* | *201,799* | *192,298* | *9,501* | *95%* |
| *Total excluding transfers* | *38,240* | *28,660* | *9,580* | *75%* |

5.             Overview and assessment of service delivery performance

5.1 Service delivery performance for the 2012/13 financial year

The Annual Performance Plan, which lays the basis for an audit against pre-determined outcomes, is not perfectly suited to an economic policy department like EDD. Above all, economic departments have less control over their environment and outcomes than the major service and administrative departments. International and domestic markets reflect the decisions of myriad stakeholders outside of government control. That in turn requires that departments have the flexibility to respond to rapid and unanticipated shifts in the economy. In addition, it means that it may be difficult to judge in advance how plans will affect key stakeholders. As a result, plans often need to be revised.

For these reasons, it is the view of the Committee that a true assessment of EDD’s work must reflect both on the Annual Performance Plan and on activities that were not included in the plan.

The EDD leadership has noted that it aims to develop a collegial, team-based approach to its work. This means that achievements attributed to one programme often succeeded because of support from across the department.

Overall, the EDD exceeded 45,2% of the targets in its Annual Performance Plan, met a further 52,3%, and failed to meet 2,3%.

Programme 1: Administration accounted for 8% of the Department’s 2012/13 financial year budget and 41% if we exclude transfers. In the 2012/13 financial year, the programme was allocated R60,1 million, which was reduced to R52,3 million in the adjustment process. Actual spending in 2012/13 came to R55,4 million.

According to EDD’s 2012/13 financial year Annual Report, Programme 1 exceeded one target, met two targets and under-achieved on one.

A central accomplishment of the departmental leadership was to manage the organisational development of this very new department while ensuring a clean audit for the past three years. The growing strength of the EDD is reflected in the fact that turnover has fallen from 68% to 14% in the past three years, while vacancies have dropped from 40% to 4%.

**Vacancy and turnover rates, March 2011 to March 2013**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Filled posts** | **Vacant posts** | **Vacancy rate (%)** | **Terminations & transfers** | **Turnover rate in  per cent** |
| 31-Mar -13 | 139 | 3 | 4.2% | 16 | 13.9% |
| 31-Mar-12 | 107 | 17 | 13.7% | 25 | 27.5% |
| 31-Mar-11 | 75 | 49 | 39.5% | 13 | 68.4% |

In addition, the Ministry staff, which fall under Programme 1, have played an important role in supporting the coordination of PICC structures and in facilitating social accords. These activities are discussed in more detail under the responsible line programmes. Underachievements reflect relatively small shortcomings with respect to overall employment numbers and underspending, as reflected in the financial discussion above.

Programme 2: Economic Development Policy accounted for 2% of the total 2012/13 financial year revised budget, and 11% of the budget excluding transfers. In the 2012/13 financial year, the programme received an allocation of R29,1 million, which was reduced to R18.5 million in the adjustment budget. Actual expenditure was only R11,6 million, in part due to vacancies at senior management and professional level.

According to the 2012/13 financial year Annual Report, Economic Development Policy had 18 performance indicators. It exceeded 12 targets and achieved six. Key accomplishments included:

•       Work with the National Treasury and the Department of Trade and Industry on quarterly reviews of progress in terms of the targets set by Outcome 4: Inclusive Growth;

•       In-depth reviews of progress on the New Growth Path for Cabinet makgotla, which led to adoption of important programmes across the economy;

•       Work on the Youth Employment Strategy;

•       Policy support for the technical team for the PICC, as required;

•       Proposals to ensure that women benefit fully from government economic measures;

•       A strategy to consolidate support for SMMEs across the state;

•       Organisation of a variety of high-level platforms as well as the EDD’s Annual Conference, in order to support a broad discourse on economic development; and

•       Establishment of a virtual Economic Development Institute based on major research projects on amongst others African regional development and financialisation in South Africa.

Programme 2: Economic Planning and Coordination accounted for 89% of the total 2012/13 financial year EDD budget, because it oversees transfers to the entities that fall under EDD. After transfers, it received 39% of the budget. In the 2012/13 financial year, its initial budget was R565,5 million, which was increased by R47,5 million in the adjustment estimate process.

In the 2012/13 financial year, Economic Planning and Coordination had ten indicators in its Annual Performance Plan. It met two and exceeded eight.

A core function of Economic Planning and Coordination is to ensure strategic guidance of the entities overseen by the EDD, in close collaboration with the Minister. The Committee took note of important achievements of the entities in the 2012/3 financial year which included the following.

Sefa was established at the start of the year through the consolidation of Khula, SAMAF and the small business section of the IDC, with a doubling of funds available for financing SMMEs. As noted above, sefa has increased its disbursements and supported tens of thousands of small and micro enterprise. Increasingly, it is aligning its services with agencies in the public and private sector that provide other kinds of support to SMMEs, which means that they benefit far more from the loans.

•       The IDC saw an 85% increase in disbursements in the 2012/13 financial year compared to the previous year. It also established dedicated funds to support agro processing, youth owned enterprises and the green economy, amongst others. The process of aligning its investments with the Jobs Drivers of the New Growth Path means that it will contribute increasingly to the creation of decent work in the coming years. Finally, it worked closely with the PICC to support local procurement for the build programme.

•       The competition authorities continued with a strategic approach that targets anti-competitive behaviour around key inputs and basic consumer goods by the competition authorities. This process has uncovered major violations in important industries, ensuring a more competitive economy overall as well as helping to reduce the cost of living for working families. A determination by the Competition Appeals Court in the Walmart-Massmart takeover ensured funding for local suppliers and saved jobs, with disbursement starting in the 2012/13 financial year. As noted above, the year also saw a host of new investments by the agro processing fund established with the IDC following the settlement with Pioneer Funds.

•       Trade policy measures by ITAC supported investment in local production of taxis, set-top boxes and poultry, amongst others.

Other major achievements by the Planning branch noted by the Committee included:

•       Providing technical and secretariat support for the PICC, including a quarterly evaluation of progress on projects covered by the National Infrastructure Plan, support for coordination across the state around the Strategic Integrated Projects (SIPs) included in the Plan, and publication for comment of the draft Infrastructure Development Bill;

•       Convening an Infrastructure Conference, where important agreements were reached with stakeholders to support the implementation of the National Infrastructure Plan. Members of the Portfolio Committee attended the Conference;

•       Work with the dti, the IDC, ITAC and the private sector to support investment in taxi assembly in South Africa, so that by mid-2013 some 40% of taxis were locally assembled compared to none in 2011;

•       The gazetting of regulations on scrap metal exports, which have soared in recent years, leading to the lost of up to 10 000 jobs since 2007 as smelters run out of affordable inputs;

•       Work with the Department of Rural Development and Land Reform and the Council for Scientific and Industrial Research (CSIR) on a spatial framework for economic development that aims to support a more integrated national economy;

•       Coordination of work to roll out solar water heaters, primarily to low-income households;

•       Work with the Presidency and other departments on improving human settlements in mining towns;

•       Establishment of a course at the School of Public and Development Management at Wits in economic policy for municipal managers;

•       Establishment of a business hub with the South Africa Institute of Chartered Accountants that provides work experience for recent graduates in supporting SMMEs; and

•       Convening regular meetings of the Economic Development MinMEC and the technical MinMEC in collaboration with the Department of Trade and Industry. The MinMEC includes provincial MECs for Economic Development as well as representatives of the metros and SALGA.

Programme 4: Economic Development Dialogue accounted for 1% of the 2012/13 financial year EDD budget before transfers, and 8% if transfers are excluded. In the 2012/13 financial year, the programme received R18,1 million, which was revised downward to R12,7 million in the adjustment budget. Its actual expenditure was R8,9 million.

In the 2012/13 financial year, the programme had ten performance indicators, of which it met six and exceeded four. Major achievements in the 2012/13 financial year included:

•       Publication of a detailed review of implementation of the national social accords on skills, education, local procurement and the Green Economy;

•       With Economic Policy Development and the Ministry, finalisation of accords on youth employment and stabilising the mining industry;

•       A number of interventions to promote productivity based on engagement at sectoral and enterprise level;

•       Support for EDD’s Annual Conference; and

•       Work toward development of knowledge networks in key areas of the economy.

5.2 Service delivery performance for the 2013/14 financial year

The EDD has continued to meet its targets in the 2013/14 financial year. In addition to on-going functions noted above, important achievements in the first half of the 2013/14financial year include the following:

•       The Youth Employment Accord was signed with stakeholders in April 2013, in a process led by the Presidency. In October 2013, EDD provided a report to Cabinet on progress in implementation, together with an implementation plan;

•       The PICC is coordinating the government response to the uncovering of a construction cartel, in particular to ensure that the process bolsters the national infrastructure programme going forward;

•       EDD finalised the Infrastructure Development Bill for tabling in Parliament. The Bill establishes the PICC and the National Infrastructure Plan as permanent structures; sets up procedures to fast-track authorisations and assessments for SIPs; and ensures that all infrastructure programmes maximise the developmental impact in terms of employment creation, local procurement and rural development, amongst others;

•       EDD held major workshops on the financialisation of the South African economy, with UN-DESA and the Corporate Strategies and Industrial Development unit at Wits, and on social dialogue, with Norwegian People’s Aid and the Norwegian Embassy;

•       EDD worked with DHET and the main economic departments to establish a demand-side planning system within government for skills; and

•       EDD is working with the Economic Development MinMEC to align services for SMMEs across the state. The process should lead to the establishment of one-stop shops with sefa and Seda in every province by the end of the year.

**5.3 The integrated small business action plan**

The Committee acknowledges that both challenges and progress have been made for the period under review for small businesses. In addressing these challenges, the Committee recognises that the action plan offers the most sustainable prospects for addressing these challenges, especially through:

·         Increasing and expanding demand for goods and services produced by small businesses;

·         Continuing to enhance efficiencies on support measures provided to SMMEs and co-operatives;

·         Ensuring active participation of SMMEs and co-ops in industrial development programmes;

·         Reducing  regulatory burdens facing SMMEs and co-ops;

·         Sector prioritisation and promotion of SMME and co-ops growth and development; and

·         Upscaling and fast-tracking development of youth and women-owned enterprises. It welcomes the funds, which exceed R1 billion that have been set aside by sefa and the IDC to support youth-owned enterprise and co-ops.

6.             Finance and service delivery performance assessment

The EDD continues to play an important role in line with its mandate of coordinating government work toward inclusive growth. In this context, it has developed a responsive and resilient organisation that adheres to regulatory requirements while performing well against its targets.

Critical challenges remain:

•       Employing appropriately skilled and motivated staff, which may require a review of the organogram to take into account the actual availability of first-rate personnel in different fields and at appropriate levels; and

•       The need to engage with multiple stakeholders inside and outside the state in order to ensure alignment around key issues, which requires considerable time and effort.

The current budget seems appropriate in light of these challenges, although a review of the organogram would improve fiscal planning within the department going forward.

7.             Committee’s Key Findings

The Committee is satisfied with both the compliance record and the achievements of the EDD. It recognises that the EDD’s support for the PICC provides the basis for a far-reaching economic transformation.

Concerns centre on:

•       The level of staffing within specific components of the Department, as well as the retention strategy;

•       The importance of mainstreaming gender balance concerns in the Department’s work ;

•       The fact that people with disabilities are vulnerable amongst the worst affected by unemployment; and

•       The need to further scale up efforts to support SMMEs and co-ops, while recognising the important steps taken to date.

8.             Summary of reporting requests

The Committee obtained additional information from the EDD relating to

•       Virements

•       Transfers.

9.             Recommendations

The EDD should continue its efforts to fulfil its mandates. To improve its work, it should:

9.1          Review its organogram to take into account the need to support the PICC and the need to recruit able junior staff;

9.2          Ensure that employment opportunities are created for people living with disabilities;

9.3          Continue to scale up efforts to support SMMEs and co-ops, in particular through the work to establish one-stop-shops in all provinces;

9.4          Do more to mainstream gender balance concerns across its programmes, building on early successes that have been achieved;

9.5          Strengthen the monitoring and evaluation of Accords, and carry out an impact assessment of the Accords;

9.6          Encourage state entities to work with sefa, and ensure alignment, integrated work and coordination with sefa;

9.7          Consider establishing a SMME developmental institute; and

9.8          Strengthen the internal risk audit unit and ensure that the audit committee term is renewed promptly.

10.          Appreciation

The Committee would like to thank the Minister, Ebrahim Patel and the Deputy Minister, Professor Hlengiwe Mkhize, the Director General, Ms Jenny Schreiner, including the previous Director General, the entire staff both former and current, for their contributions and support  during the period covered by this report. In particular, their constructive approach in dealing with the challenges of oversight and the developmental approach in addressing both immediate and longer term objectives.

Appreciation is also extended to our Economic Regulatory Bodies and Development Finance Institutions, Commissioners, Boards, CEO’s and staff. The Portfolio Committee would also like to thank all those stakeholders we have engaged with during this period. The Chairperson thanks all members of the Committee for their active participation during the process of engagement and deliberations and their contribution to the recommendations of this report.

Report to be considered

Annexure

Virements

|  |  |  |
| --- | --- | --- |
| Institution | Virement AmountsR'000 | Reason |
| Transfer Payment to the University of Johannesburg | 10 000 | Development and payment of the Economic Regulatory Course to train ERBs |
| Transfer Payment to SAICA | 8 996 | Continuation and expansion of the Business Hub and Training |
| Transfer Payment to the CSIR | 1 808 | Payment for spatial research, Spatial Development Perspective functional |
| Wits University | 2 280 | Continuation of Capacity Building Course (adjustment budget process). |
| SEFA | 1 250 | Additional allocation to Sefa for merger costs (adjustment budget process). |
| IDC | 1 000 | Funds allocation to the Minister’s Small Business Advisory Committee (adjustment budget process). |
| Total | 25 334 |  |

Source: From the Departments 2012/13 Annual Report