Budgetary Review and Recommendation Report of the Portfolio Committee on Economic Development, dated 24 October 2014

The Portfolio Committee on Economic Development (the Committee), having assessed the financial and non-financial performance of the Economic Development Department (the Department), reports as follows:

1. INTRODUCTION

This year's Budgetary Review comes at a time when South Africa celebrates a historic milestone - 20 years of democracy and freedom from oppression by the Apartheid state. Apartheid systematically and purposefully restricted the majority of South Africans from meaningful participation in the economy. The assets of millions of people were directly and indirectly destroyed and access to skills and to self-employment was racially restricted. The accumulation process under Apartheid confined the creation of wealth to a racial minority and imposed underdevelopment on black communities.

When the first democratically elected government came into power, it inherited an ailing economy from the Apartheid State. The economy was experiencing rising unemployment, a high budget deficit, double digit inflation rates, negative rates of fixed investment,periods of negative economic growth, and foreigners were disinvesting. The poverty levels, inequalities, discriminatory practices and inequitable distribution of income were high.

The dawn of democracy and freedom, however, brought along change. Employment grew by approximately 5.6 million between 1994 and 2013, or by60 percent. The economy grew at 3.2 percent a year on average from 1994 to 2012. In 1993, investment had dropped to under 15 percent of GDP but by 2013, investment had recovered to 19.2 percent of GDP due to the multibillion rand expansion in public infrastructure.

When the 2008/09 global economic crisis hit, the South African economy suffered a loss of approximately one million jobs between the end of 2008 and the end of 2010. Employment only recovered to 2008levels in 2013, when a total of 15.2 million people were employed. While there has been a large increase in the number of people employed, this has been offset by a larger increase in the number of people looking for work. The reasons for this include population growth, increasing urbanisation (which in turn was partly a result of the dismantling of the homeland system and the removal of the pass laws) and increasing numbers of women looking for work, due to advances in gender equality. Youth unemployment remains a particular concern[1].

KEY ECONOMIC ACHIEVEMENTS FOR THE 2013/14 FINANCIAL YEAR

The Department's Annual Report has identified the following economy and agency highlights:

- Employment growth since adoption of New Growth Path in October 2010 is at **1.4 million (October 2010 to March 2014);**
- Employment grew by **496 000 (March 2013 to March 2014);**
- Growth in women's employment **300 000 (March 2013 to March 2014);**
- GDP annual growth **1.9% (2012/3 to 2013/4);**
- Size of GDP **R3.5 trillion (March 2013 to March 2014);**

[1] The Presidency (2014) Twenty Year Review: South Africa 1994-2014.

- Investment grew by **R73 billion (nominal, year on year, 2012/3 to 2013/4);**
- Manufacturing production grew by **R4.1 billion or 1.4% (2012/3 to 2013/4);**
- Agricultural production grew by **R400 million or 0.9% (2012/3 to 2013/4);**
- PICC monitored infrastructure projects (value, March 2013) **R 1 trillion;**
- IDC funding disbursements, 2013/4 **R11,2 billion;**
- Small Enterprise Finance Agency (SEFA) facilitated funding approvals, 2013/4 **R1,1 billion**; and
- Penalties imposed by the competition authorities, 2013/4 **R2,6 billion.**

1.1. Mandate of the Committee:

The Portfolio Committee on Economic Development (the Committee) is guided by the Rules of Parliament and the Constitution to play an oversight role over the Ministry, the Committee and its entities.

South Africa's parliamentary committees are some of the instruments required by the Constitution to ensure accountability by, and oversight over, the Executive and stated owned entities. As a result, Parliament's task, through committees such as the Committee, is as follows:

- Exercises its monitoring role in such a way that it contributes towards the improvement of the quality of life of all South Africans;
- Scrutinises legislation and other policies that impact on the spheres of Economic Development;
- Facilitates interdepartmental and intergovernmental relations at all spheres of government; and
- Learns from international best practices that are relevant to its field of jurisdiction to improve service delivery to all South Africans to its best.

The aim of exercising oversight over the Departments and their entities is to ensure that state organs are performing their functions and are delivering services that guarantee a good quality of life for citizens. It is however important to underscore the fact that the Department does not deliver services directly to the citizens. The Department is mandated to facilitate and co-ordinate the creation of decent work through the development of policy interventions programmes and projects so as to promote economic growth and inclusiveness.

1.2. Description of core functions of the Department:

The Department is responsible for developing economic policy with a broad, cross-cutting focus so that macro and micro-economic policy reinforce each other and are both aligned to the electoral mandate. The Department is also responsible for economic development planning and works with other Departments to ensure coordination around placing decent work at the centre of government's economic policies. The Department executes its mandate through the following functions;

- Developing strategies and measures to make economic growth more inclusive, especially for supporting and encouraging job creation;

- Encouraging and helping all state agencies to work together for inclusive growth and job creation;

- Providing secretariat and technical support for the Presidential Infrastructure Coordinating Commission – acting as secretariat to meetings; managing monitoring and evaluation; unblocking projects; and proposing cross-cutting models and guidelines;
- Facilitating social dialogue; and
- Undertaking other activities as required to assist investments and programmes that lead to new kinds of economic activity and job creation, for instance by speeding up bureaucratic authorisations, assisting in obtaining infrastructure or finding sources of financing (although the Department itself does not provide funding).

The Department oversees the following entities:

- ***Development Finance Institutions*** – Industrial Development Corporation (IDC) and**SEFA**; and
- ***Economic Regulatory Bodies*** – Competition Commission, Competition Tribunal; and International Trade Administration Commission of South Africa (ITAC). The Department exercises policy oversight while the DTI is responsible for administration oversight over ITAC.

In this regard, the Department administers the following legislation:

- The Industrial Development Corporation Act (No. 22 of 1940);
- The Competition Act (No. 89 of 1998);
- The Competition Amendment Act (section 16 of 2008) (section 16 was promulgated 1 April 2013); and
- The International Trade Administration Act (No 71 of 2002).

The Department participates in, supports or convenes the following Coordinating structures:

- The Presidential Infrastructure Coordinating Commission;
- Ministers and Members of the Executive Council (MinMEC)/Technical MinMEC with provincial Members of the Executive Council (MECs) and economic development Departments;
- The Outcome 4 Technical Implementation Forum and is one of the three Coordinating Departments of this outcome; and
- Economic Sectors and Employment Cluster and the Infrastructure Development Cluster (for the year under review).

Because of the Department's coordinating function, it works with a range of other Departments and agencies, among them is the Department of Trade and Industry (DTI), particularly in relation to the functioning of the Industrial Development Corporation (IDC), the International Trade Administration Commission (ITAC) and the Small Enterprise Finance Agency (SEFA) (formerly Khula Finance Ltd, the South African Micro-finance Apex Fund and the IDC's Small Business Unit). These entities were transferred from the DTI to the Department in 2009 at the beginning of the Fourth Administration. The Department is responsible for their oversight, while the entities still support or are responsible for fulfilling parts of the DTI's mandate in terms of industrialisation, implementation of trade agreements and broadening economic participation respectively.

1.3. Purpose of the Budget Recommendation Review Report:

Section 77(3) of the Constitution stipulates that an Act of Parliament must provide for a procedure to amend money bills before Parliament. This constitutional provision resulted in Parliament drafting the Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009).

The Act makes it obligatory for Parliament to assess the Department's budgetary needs and shortfalls through its oversight of the Department's operational efficiency and performance.

1.4. Method of Reporting

This report is based on information that was assessed and analysed from the Department and the entities through briefings, oversight visits and interaction with relevant stakeholders. Amongst these oversight activities, the Committee received a briefing from the Departmenton its 2013/14 Annual Report, Annual Performance Plan, a briefing from the Office of the Auditor-General (OAG) on the audit outcomes and deliberations on the analysis that was undertaken by the Parliamentary support staff. These analyses focused on the performance of the Department in terms of its service delivery targets and financial performance. However, the Committee did not have sufficient time to interact with some of the entities on their 2013/14 Annual Reports before the completion of this report. This BRRR will therefore focus on the Department's performance only. A consolidated report will follow after engaging all the entities on their 2013/14Annual Reports.

1.5. Outline of the Budget Review and Recommendations Report:

The report contains the following:

- An overview of the relevant key policy focus areas;
- A summary of previous key performance recommendations of the Committee;
- An overview and assessment of financial and non-financial performance;
- The committee observation from oversight visit reports; and
- The committee's recommendations.

2. AN OVERVIEW OF THE KEY POLICY FOCUS AREAS

At the last State of the Nation Address of the Fourth Parliament, the President announced that "*the country still faces the triple challenge of poverty, inequality and unemployment, which we continue to grapple with. Dealing with these challenges has become a central focus of all democratic administrations*."

The President stated that the creation of **decent work** – which is the remit of the Department - was one of the five priority areas on which government has to focus. The President noted that the country's socio-economic blue print, the (National Development Plan) NDP "outlines what needs to be done" to, among others, increase employment by 2030. While in his post-election State of the Nation Address (SONA) speech, the President underscored five priorities, namely, education, health, the fight against crime and corruption, rural development and land reform, and creating decent work.

The NDP is the country's long term vision which aims at eliminating poverty and reducing inequality by 2030. It envisages that unemployment should fall from 24.9 per cent to 14 per cent, which will require an additional 11 million jobs, and the proportion of national income earned by the lowest earning 40 per cent should increase from 6 per cent to 10 per cent.

The Department's New Growth Path (NGP) strategy is aligned with the national development plan, and remains the operational plan for implementation, mandating the NDP to ensure that the country focuses on employment creation. The NGP identifies key 'jobs drivers', with high employment creation potential and the implementation of supporting policies to take advantage of this potential. The key 'jobs drivers' include infrastructure, agriculture and agro-processing, mining and beneficiation, manufacturing, the 'green economy' as well as tourism. The NGP sets a target of 5 million new jobs by 2020, which requires employment to increase at an estimated 3.4 per cent per year, on average, over the next ten years.

The Department also signed Outcome 4 of the Service Delivery Agreement, as well as the country's Industrial Policy Action Plan (IPAP).

In terms of Outcome 4 of the Service Delivery Agreement, some of the important outcomes indicators for the Department are;

- Number of jobs created / reducing unemployment;
- GDP growth;
- Employment ratio or absorption rate; and
- Distribution of earned income.

The strategic goals of the Department also seek to respond to other government high level outcomes such as:

- Outcome 5 (a skilled and capable workforce to support inclusive growth);
- Outcome 6 (efficient, competitive and responsive infrastructure); and
- Outcome 7 (vibrant, equitable, sustainable rural communities).

One of the Department's highlights is that Parliament passed the Infrastructure Development Bill over the 2013/14 financial year.Infrastructure was identified in both the NGP and NDP as a critical role player in the economy, both as a direct provider of services and as a catalyst for higher employment-creation, inclusive economic growth and trade competitiveness.

Following public hearings by the Committee, which led to considerable changes in the original draft, the Infrastructure Development Bill was passed by the NCOP on 26 March 2014.The Infrastructure Development Act No. 23 of 2014 was then signed into law by the President and it came into effect in July 2014. The Act aims to speed up and improve the delivery and implementation of social and economic infrastructure and to maximize the developmental impact .It establishes the Presidential Infrastructure Coordinating Commission (PICC) structures to ensure that all three spheres of government are part of the PICC and that all the main executive authorities across the public sector are mandated to meet on a regular basis to drive implementation of infrastructure.

The Act provides for 18 Strategic Integrated Projects (SIPs) that bring together a number of catalytic projects that together make up the National Infrastructure Plan to support economic development and address service delivery in the country. The SIP are;

- **SIP 1:** Opening the Northern Mining Belt;
- **SIP 2:** Logistics and development corridor from Durban to Gauteng;

- **SIPs 3, 4, 5:** Unlock economic opportunities on South East coast and the West Coast and in North West;
- **SIP 6, 7 and 11:** Municipal infrastructure in 23 worst-served municipal districts, agro logistics and integrated urban planning including BRT systems;
- **SIPs 8, 9, 10:** Energy security;
- **SIPs 12, 13, 14:** schools, hospitals and universities;
- **SIP 15, 16:** Information and Communication technologies and SKA;
- **SIP 17:** African regional development; and
- **SIP 18:** Water and sanitation.

On 1 April 2013, the provisions of the Competition Amendment Act, No. 1 of 2009 which empowers the Competition Commission to conduct market inquiries came into effect. The newly promulgated chapter 4A of the Competition Act empowers the Commission to analyse firm conduct, and determine whether there are any anti-competitive features, without having to investigate individual firms. The Commission can now summon parties to appear before it, to be interrogated or provide information pertaining to the inquiry.

Furthermore, the Department facilitated the signing and implementation of the Youth Employment Accord. The Accord was signed in April 2013 by the National Economic Development and Labour Council(NEDLAC)constituencies and leading youth organisations. It reflects a common commitment to raising the share of young people in employment, training and education. The six pillars of the accord are education and training; work exposure; youth brigades based on existing public employment programmes; set-asides for youth employment in growing industries; youth entrepreneurship and co-ops; and private-sector initiatives.

The Department now monitors the implementation of the following Accords:

- Basic Education Accord;
- National Skills Accord;
- Local Procurement Accord;
- Green Economy Accord;
- October 2011 Social Accord; and
- Youth Employment Accord.

2.1. Strategic Plans of the Department

In order to promote labour absorbing and equitable growth, as required in Outcome 4 of the Service Delivery Agreement, the NGP as well as the NDP, the Department's strategic goals over the medium term are as follows, to,

- Provide technical and administrative support to the Presidential Infrastructure Coordinating Commission in facilitating the implementation of the national infrastructure plan;
- Align the programmes of Departmental agencies and institutions with the new growth path, while ensuring that their operations are efficient and effective;
- Support alignment around core economic strategies across all spheres and agencies of the state; and
- Promote social dialogue and the implementation of the major accords particularly the accords on the basic education, national skills, the green economy, local procurement, youth

employment, and the framework agreements reached in October 2012 and June 2013, which aim to enhance the national response to uncertainties in the global economy.

Regarding the Annual Performance Plan for the year under review, it is based on the Department's Strategic Plan which was tabled before Parliament in March 2012.

In its 2013/14 Annual Performance Plan, the Departmentcommitteditself tocontinue providing support to the PICC through active construction monitoring and preparing the Quarterly Construction Update, providing oversight of SIP Intergovernmental Forums and Coordinating Agencies. The Department noted that there would be additional support required which would include assistance to develop funding mechanisms and address cost issues, support to bring new projects on stream and scaling up existing projects, assisting with the enhancement of state engineering capacity as well as driving industrialisation and skills development within the project pipeline. In 2013/14 additional specialist and project management expertise will be brought into the PICC Technical Team and a PICC Project Office will be established within the Department.

2.2 Measurable objectives of the Department

The Department performs its functions through four programmes namely, Administration; Economic Policy Development; Economic Planning and Coordination; and Economic Development and Social Dialogue

A greater number of Key Performance Indicators were set on implementation of projects rather than development of policy and planning tools. The number of 'products' or outcomes expected to be produced in the course of the year, was increased substantially from 148 in the previous year to 228 in the year covered by the APP. The outcomes were divided into 38 key performance indicators. In the previous financial year there were 41 KPIs. Furthermore, entities that are overseen by the EDD were going to be held accountable for direct impact on jobs and development. An APP was introduced which required EDD to do impact assessments on a quarterly basis. Small business entities were to have a target of road-shows and stakeholder sessions to communicate the facilities available in government to the widest number of citizens.

Table: Indicators and targets

YEAR	NUMBER OF INDICATORS	NUMBER OF TARGETS
2012/13	41	148
2013/14	38	228

Source:The Department 2013/14 APP

PROGRAMME 1: ADMINISTRATION

PROGRAMME STRATEGIC OBJECTIVE & PURPOSE: Coordinate and render effective, efficient and administrative service to the Minister, the deputy Minister Director General, the Department and its agencies.

EDD's 2013/14 KEY PERFORMANCE INDICATORS	TARGETS
KPI 1. Percentage compliance with service standards and administrative systems	Approved service standards and administrative services
KPI 2. Number of management meetings	12

KPI 3. Number of Internal Audit reports	6
KPI 4. Percentage (%) of posts to be filled	88% (146 of total staff complement of 166 funded posts over MTEF)
KPI 5. An approved Information and Communication Technology Strategy	An approved ICT Strategy and Master System Plan (MSP)

PROGRAMME 2: ECONOMIC POLICY DEVELOPMENT

PROGRAMME STRATEGIC OBJECTIVE & PURPOSE: Strengthen the economic development policy capacity of government; review develop and propose the alignment of economic policies; and develop policies aimed at broadening participation in the economy and creating decent work opportunities

EDD's 2013/14 KEY PERFORMANCE INDICATORS	TARGETS
KPI 6. Number of technical instruments on economic development refined per year	3
KPI 7. Surveys and reports on the implementation of the New Growth Path	4
KPI 8. Number of platforms held to communicate and discuss issues related to the New Growth Path	2
KPI 9. Training workshops held on assessing employment impact of state institutions	2
KPI 10. Policy interventions identified and/or policy platforms held to support inclusive growth	4
KPI 11. Sector interventions aligned, evaluated and improved	3
KPI 12. Monitoring of Competition Act implementation and proposals as required	1
KPI 13. Number of policy platforms held or reports completed on the impact of BBBEE	4
KPI 14. Number of reports on the impact of NGP on women, youth and rural people evaluated and improved per year	3
KPI 15. Strategy on micro enterprises, livelihoods and the social economy adopted and reviewed	1
KPI 16. Skills development proposals in the NGP and skills accord implemented	1

PROGRAMME 3: ECONOMIC PLANNING AND COORDINATION

STRATEGIC OBJECTIVE AND PURPOSE: Promote economic planning and coordination through developing economic planning proposals; provide oversight and policy coordination of identified development finance institutions and economic regulatory bodies; and contribute to the development of the green economy

EDD's 2013/14 KEY PERFORMANCE INDICATORS	TARGETS
KPI 17. Number of economic development initiatives facilitated and unblocked per year	18
KPI 18. Number of economic development plans completed	2
KPI 19. Number of spatial economic plans produced and or reviewed per year	2
KPI 20. Number of Strategic Integrated Projects construction progress reviews per year	60 quarterly reviews
KPI 21. Number of infrastructure projects unblocked and/ or fast tracked	8
KPI 22. Number of ministerial oversight engagements with the Development Finance Institutions (DFIs) per year	6
KPI 23. Road shows marketing the products of the Small Enterprise Finance Agency to SMMEs	12
KPI 24. Value of financing facilitated for small businesses, targeted growth sectors and companies in distress [Rmillion]	R5000
KPI 25. Evaluative Reports on jobs targets achieved by EDD agencies (IDC, SEFA, Competition and Trade Commissions)	4
KPI 26. Number of ministerial strategic engagements with the ERBs reporting to the Ministry of Economic Development	6
KPI 27. Number of interventions in relation to ERB	4
KPI 28. Number of interventions to promote regional integration (research studies produced or company or sector support)	4
KPI 29. Actions and meetings to implement Local Procurement Accord	4
KPI 30. Number of interventions to grow the green economy or reports on the implementation of the green economy strategy and green accord	6

PROGRAMME 4: ECONOMIC DEVELOPMENT AND DIALOGUE

STRATEGIC OBJECTIVE AND PURPOSE: Promote social dialogue; implement strategic frameworks; build capacity among social partners; and promote productivity, entrepreneurship and innovation in the workplace.

EDD's 2013/14 KEY PERFORMANCE INDICATORS	TARGETS
KPI 30. Number of interventions to grow the green economy or reports on the implementation of the green economy strategy and green accord	6
KPI 31. Number of social dialogue engagements held to increase awareness of accords and other economic issues among social partners	10
KPI 32. Number of monitoring reports and strategies developed to improve implementation of accords per year	4

KPI 33. Number of sectoral and workplace economic development agreements facilitated with social partners	2
KPI 34. Number of engagements at company or industrial cluster level to save or create new jobs	4
KPI 35. Number of knowledge network sessions and/or publications to enhance public policy and strategy	6
KPI 36. Number of capacity building projects for social partners on the New Growth Path per year	8
KPI 37. Number of workplace interventions on productivity and/or innovation facilitated	6
KPI 38. Number of advocacy initiatives on productivity, entrepreneurship and innovation at a sectoral and national level implemented	2

3. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF COMMITTEE

For the previous financial year (2012/13), the Committee stated that EDD should continue its efforts to fulfil its mandates. To improve its work the following recommendations were made;

- Review its organogram to take into account the need to support the PICC and the need to recruit able junior staff;
- Ensure that employment opportunities are created for people living with disabilities;
- Continue to scale up efforts to support SMMEs and co-ops, in particular through the work to establish one-stop-shops in all provinces;
- Do more to mainstream gender balance concerns across its programmes, building on early successes that have been achieved;
- Strengthen the monitoring and evaluation of Accords, and carry out an impact assessment of the Accords;
- Encourage state entities to work with SEFA, and ensure alignment, integrated work and coordination with SEFA;
- Consider establishing a SMME developmental institute; and
- Strengthen the internal risk audit unit and ensure that the audit committee term is renewed promptly.

4. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT'S NON-FINANCIAL AND FINANCIAL PERFORMANCE

In its presentation to the Committee the Department stated that it had 206 targets for its frontline work, and achieved 253 deliverables which range from holding platforms to in-depth research projects to reporting on SIPs to unblocking infrastructure and industrial projects and facilitating social accords. The Department reported that it met all of its frontline KPIs but it did not meet one administrative target.

The number of indicators in the 2013/14 APP is 38 and it corresponds with those appearing in the 2013/14 in Annual Report but there is a discrepancy between the numbers of targets reported in the two documents. In the 2013/14 APP there are 228 documented targets but in the Annual Report there are 206. This implies that there are inconsistencies in the reports on the performance targets.

Overall Performance Level (2013/14)	Number of KPIs
Total Number of KPIs	**38**
KPIs with Targets exceeded	**11**
KPIs with Targets met	**26**
KPIs with Targets under-achieved	**1**

The Department was allocated R771.5 million in the 2013/14 financial year. (See Tables below). It spent the 99.9 per cent of its total budget which equates to R771.4 million. In the previous financial year, the Department's final appropriation was R696.5 million and it spent R673.5 which represents 96.7 per cent expenditure. Therefore, expenditure rates improved in the year under review.

Table : 2013/14 Department Budget and Expenditure by Programme

Programme	Budget (R' million)	Final Appropriation	Actual Expenditure (R' million)	Expenditure %
Administration	63.6	91.342	91.301	99.90%
Economic Policy Development	25.5	23.891	23.886	99.90%
Economic Planning and Co-ordination	663.8	644.515	644.511	99.90%
Economic Development and Dialogue	18.6	11.718	11.697	99.80%
Total	**771.5**	**771.466**	**771.395**	**99.88%**

Source: 2013/14 ENE and Department Annual Report

In its presentation to the Committee, the Department noted the following;

- There is room for improvement in the demand planning and recruitment of staff.
- The management systems of the Department are settling. Improved stability of staffing will enhance this.

Governance is improving through risk management, internal audit, ICT governance, security management and the system of management; and the audit committee oversight support.

4.1 PERFORMANCE BY PROGRAMME

Programme 1: Administration

The Administration Programme had five indicators with 21 targets to be achieved in the 2013/4 financial year. The Department achieved four of its indicators and delivered a total of 22 targets, exceeding its targets by one. The programme met its targets for compliance with service standards and administrative systems, management meetings, audits reports and establishment of an ICT strategy. It met 95% of its recruitment target for the year. The target for recruitment for the year was 146; the Department reached 139, falling 4.8% short of the target.

Table: Programme 1- Administration

	KPIs
Total Number of KPIs	**5**
KPIs with targets Exceeded	**1**
KPI's with targets met	**3**
KPI's with targets under-achieved	**1**
	Vacancies
Funded Post numbers	**77**
Staff employed	**73**

The Department has put in place measures to engage on an aggressive recruitment process, and will also be intensifying the implementation of its retention strategy to make sure that it meets its target of the number of posts to be filled.

Administration Budget	**R'000**
Budget	**91 342**
Expenditure	**91 301**
Under spending	**41**

From the Departmental final appropriation of R91.3 million for Administration in the year under review, 99.99per cent of the programme budget was spent.

Programme 2: Economic Policy Development

In 2013/4, through the Economic Policy Development programme, the Department continued to focus on strengthening monitoring and evaluation of economic policies as well as alignment around the state. Under this programme, the Department met all its targets. See Table below.

To improve monitoring and evaluation, three technical instruments were developed. In collaboration with the Presidency and the National Treasury, the Socio-Economic Impact Assessment System (SEIAS) was developed and piloted. Another instrument that was piloted was the Economic Development Index for South Africa (EDISA). It permits tracking of inclusive growth rather than the Gross Domestic Product (GDP) alone through a dashboard of key indicators. Together with the ILO, in 2013/4 a macro-economic model known as DySAM was developed, which assists in simulating the employment impact of government investments.

Table: Programme 2 - Economic Policy Development Targets

	KPIs
Total Number of KPIs	**11**
KPIs with targets Exceeded	**3**
KPI's with targets met	**8**
KPI's with targets under-achieved	**0**
Vacancies	
Funded Post numbers	24
Staff employed	18

The Department continued to engage with other state agencies to analyse and evaluate their impact on employment and inclusive growth.

In 2013/4, the Infrastructure Development Bill and its passage through Parliament was facilitated.

Substantive work to support the Youth Employment Accord included quarterly reports to Cabinet on progress as well as the development of plans and engagements with relevant state agencies on the implementation of the Youth Brigades and the achievement of the target set for public-sector internships.

The Department managed the process of responding to the Competition Commission's finding that major construction companies had manipulated the tender processes for major infrastructure projects.

Economic Policy Budget	**R'000**
Budget	**23 891**
Expenditure	**23 886**
Under spending	**5**

Expenditure for Programme 2 amounted to about R23.9 million or 99.97 per cent of the final programme budget. About R5000 was under spent.

Programme 3: Economic Planning and Coordination

Under this programme the Department provided support to the Minister's engagements with keyagencies such as the IDC, SEFA, ITAC, Competition Tribunaland the Competition Commission.

KPIs	
Total Number of KPIs	**14**
KPIs with targets Exceeded	**6**
KPI's with targets met	**8**
KPI's with targets under-achieved	**0**
Vacancies	
Funded Post numbers	**49**
Staff employed	**31**

The Department was instrumental in a number of unblocking initiatives during the year, including, facilitating the signing of a lease agreement for Sunrise Energy and Storage Terminal in Saldanha Bay with Transnet. The Department also worked with the Provincial Government of Mpumalanga to obtain R20 million towards Lekwa Municipality's electricity deposit to Eskom in order to increase the municipal energy capacity to supply newly established industries

The Department continued to provide technical support for the implementation of the National Infrastructure Plan through its work with the Secretariat and Technical Task team of thePICC.

The PICC prioritised youth employment through the national infrastructure build programme. For the year under review the Department recorded 27 000 job opportunities for youth in just 22 major infrastructure projects included in the National Infrastructure Plan. Over half of allworkers on the Medupi and Kusile production sites are youth.

In supporting localisation of industries, the Department's PICC technical team together with the IDC's localisation unit identified opportunities for localisation at both Transnet and Eskom which includes transmission lines, cables and conductors, grinding elements, metering pumps and valves for Eskom and locomotives, per ways, port facilities, wagons, machinery and pipelines for Transnet.

In support of the green economy, the Department provided support to Mainstream Renewable Power South Africa. This process involved a joint intervention with the Department of Water Affairs (DWA), after they discovered an erosion channel whilst constructing in De Aar. Prior to construction, a full Environmental Impact Assessment (EIA) was conducted and no water permit was required.

Furthermore,the Department convened the government task team with Eskom and the Department of Energy that is charged with providing solar water heaters, particularly to low-income households. As at March 2014, more than 434 000 solar water heaters had been installed on roof tops throughout the country, giving most of these households access to hot water for the first time. The roll out target has been increased to 1.75 million, which created the opportunity for local manufacturing. Government has designated 70% of the system for local manufacturing. Eskom, as the Department of Energy's agent, will follow a bulk procurement process to ensure that solar water heaters will be manufactured locally and installed and maintained using youth cooperatives.

Planning and Coordination Budget	**644 515**
Expenditure	**644 511**
Under spending	**4**

Actual expenditure for the Economic Planning and Coordination Programme and its sub-programmes amounted to R644. 5 million or 100 per cent of the final programme budget for the 2013/14 financial year. Spending in this programme consists mainly of transfer payments to the Departmental entities and agencies.

Programme 4: Economic Development and Dialogue

The programme had eight indicators for the financial year. It achieved all targets with 44 outputs.

Table: Programme 4 - Economic Development and Dialogue

KPIs	
Total Number of KPIs	**8**
KPIs with targets Exceeded	**1**
KPI's with targets met	**7**
KPI's with targets under-achieved	**0**
Vacancies	
Funded Post numbers	**16**
Staff employed	**14**

On 18 April 2013, the Youth Employment Accord was signed with the NEDLAC constituencies, including the main youth organisations. The Youth Employment Accord was a commitment to raise

the levels of youth in jobs, training and education as well as support youth owned enterprises and cooperatives.

The Department implemented the Student Innovation and Entrepreneurship Initiative. The purpose of this initiative was to cultivate a culture of innovation and entrepreneurship in students, more so those from FET colleges, by giving them a platform to discover their own creative, innovative and entrepreneurial potential.

In the year under review, the Department held 11 platforms that provided capacity building and training to its social partners on accords and policies such as the NGP.

A central role of the Department in supporting policy alignment is to develop networks and hold platforms where political leaders, government officials, business and labour leaders and academics can exchange ideas, clarify debates and identify how they can do more to support inclusive growth.

With support from the International Labour Organisation, the Departmenthas developed a model that enables it to simulate the impact on employment of some kinds of state policies as well as economic developments. The model supports evidence-based decision making around how best to support employment creation.Currently it is being used to evaluate the impact of various options for generating electricity.

In 2013, together with the United Nations Department of Economic and Social Affairs (UN-DESA), the Departmentheld a major conference on financialisation.For the conference, the Department developed an in-depth research paper on financialisation in South Africa, which underscored the rapid growth of the financial sector in some ways at the cost of industrialisation.It also hosted a number of platforms and developed research inputs to support the alignment of policies with the New Growth Path and inclusive growth. Amongst the topics covered in this way in 2013 were:

- Broad-based BEE;
- Gender and the New Growth Path; and
- Township economy; and smallholder development.

The Department officials also helped draft the economics chapter of the 20-year review published by the Presidency.

The Departmentidentified various initiatives to assist small scale farmers in KwaZulu-Natal to be more productive in their chicken farming and flock management processes. More than 70% of rural households in KwaZulu Natal have indigenous chickens, with an average of between three and ten per household. About 200 small scale chicken farmers received training in Jozini and Enkwalini areas of KwaZulu-Natal. The attempt was to equip small scale farmers to become self-sufficient in poultry and egg production so as to generate income through selling their poultry produce. This has further spin-offs for local industries that provide equipment, feed and vaccines.

Spending for Programme 4 for the year 2013/4 was R 11.7 million or 99.82 per cent from the final programme budget. The under expenditure amounted to R21000.

Development and Dialogue	**R'000**
Budget	**11 718**

Expenditure	**11 697**
Under spending	**21**

4.2 EXPENDITURE BY ECONOMIC CLASSIFICATION

The Compensation of Employee's expenditure was R70.9 million which is equal to 9.2 per cent of the Department's total expenditure of approximately R771.4 million. Of the total expenditure, approximately R628.1 or 81.4 per cent was for transfers and subsidies. Operational expenditure which is made up of Employee Compensation and Goods and Services, was approximately R137.2 million or 17.7 per cent of total expenditure.

Compensation of Employees' baseline allocation is for 166 posts. The targeted number as per the approved APP2013/14 was 146. Savings realised in compensation of employees was utilised to absorb:

- Increased office space (Block G): R7.5 million;
- Increased legal fees: R6.7 million;
- The PICC publicity campaign: R19.1 million;
- The Video Conference facility: R 456 thousand; and
- Budget cuts to SEFA's economic competitiveness funding by R50 million: R15 million.

4.2.1Employee Compensation

The largest portion of about R70.9 million or 51.7per cent of the operations expenditure was spent on the Compensation of Employees. More than half of the operations budget goes to Employee Compensation because the Department is not a direct services delivery Department and therefore has no specific public service projects that it funds from its budget. It is a policy development and co-ordination Department which utilises mainly personnel to fulfil its mandate.

Regarding employee compensation, R64.7 million was spent on salaries and wages. This amount comprises the following;

Table: 2013/14 Department Budget and Expenditure on salaries and wages

Salaries and Wages R'000	2014/2013	2013/2012
Basic salary	46.497	41.611
Performance award	0.418	0.533
Service Based	0.147	0.182
Compensative/circumstantial	2.684	1.835
Periodic payments	0	0.013
Other non-pensionable allowances	14.963	13.82
Total	**64.709**	**57.994**

Source: 2013/14 Department Annual Report

The amount spent on basic salaries increased from about R41.6 million in 2012/13 to about R46.5 million in 2013/14. This could be attributed to the slight increase in the number of staff employed in the year under review. At the end of March 2013 there were 131 staff members and at the end of March 2014 there were 136 staff members in the Department. Performance awards however decreased by R115 000 from R533 000 in 2012/13 to R418 000 in 2013/14.

The non-pensionable allowances of R14.9 million consists of car and housing allowances for employees on level 11 and higher. The amount increased by R1.08 million from R13.82 million in 2012/13 to R14.9 million in the year under review. The rest of the Compensation of Employees expenditure of R6.2 million is from contributions made by the employer to pensions, medical and bargaining council (See Table 3). The employer contribution increased from about R4.5 million in 2012/13 to R6.2 million in 2013/14.

Table: 2012/13 – 2013/14 Department Budget and Expenditure on salaries and wages

Employer contribution R'000	2013/2014	2012/2013
Pension	4.962	3.529
Medical	1.243	0.987
Bargaining Council	0.008	0.006
Total	**6.213**	**4.522**

Source: 2013/14 the Department Annual Report

4.2.2 Goods and Services

About R66.2 million or 48.2 per cent of the Department's expenditure for the year under review went to goods and services, marking an increase from the previous year's R56.1 million. Most of the Goods and Services' appropriation was spent on advertising, travel and subsistence, consultants, and operating leases. Out of all the 21 items listed under Goods and Services the four mentioned above make up about R51.9 million or 78.3 per cent of the Goods and Services expenditure or 37.8 of the total operations expenditure. Goods and services include the following;

Advertising

The largest amount of R20.1 million or about 30 per cent of the Goods and Services expenditure was spent on Advertising. Advertising also makes up 14.6 per cent of the total operations expenditure. Advertising costs went up from about R15.8 million in 2012/13 to about R20.1 million in 2013/14.

The Minister reported that "the Department is responsible for communicating the work of the Presidential Infrastructure Coordinating Commission (PICC) to the public. Since December 2013 it has placed some 70 full-page inserts in the press; commissioned 66 billboards; and provided 531 minutes of radio coverage and 397 minutes of TV coverage to report on the PICC's successes in infrastructure and how they have changed the lives of our citizens."

On the other hand, for Communication under Goods and Services, the Department spent R615 000. The Departmentreports that Communications was revised down by about R1.5 million. It is therefore not clear what the difference is between communication and advertising costs.

Travel and Subsistence

This category is divided into Local and Foreign travel. For the year under review local travel expenditure was approximately R10.4 million. In the previous financial year, the Department spent approximately R12.8 million. That means, there was a reduction in the amount spent on local travel in 2013/14. Expenditure on Foreign travel, however, increased from R228 000 in 2012/13 to about R1.5 million in the year under review.

Consultants, contractors and agency/outsourced services
In the 2012/13 financial year, the Department spent about R8.7 million on consultants. The figure increased to about R11.7 million in the year under review and it constitutes about 8.5 per cent of the Department's operational expenditure. The largest portion of expenditure on consultants of about R2.7 million or 75 per cent of the consultants' expenditure was on work done by the Centre for Scientific and Industrial Research (CSIR).

The Department spent approximately R1 million on legal consultants in 2012/13. Expenditure, however on legal costs increased in 2013/14 to R6.8 million.

In the 2012/13 financial year the Department spent R1.3 million on Business and Advisory Services. Expenditure increased by about R2.9 million to R4.2 million in the year under review.

Operating leases
For the year under review, however, the Department managed to secure more space on the Campus from 2056 to 3329 square metres which are spread across four buildings on the Campus. The Department and its entities are renting office space within the DTI Campus. (See table below for rental paid.)

Table: The Department and Entities rentals

Name of Department / entity	2013/14 (R'000)	2012/13 (R'000)
Economic Development	7387	3011
Competition Commission	8295	8637
International Trade Administration Commission	2770	2836
South Africa Microfinance Apex Fund	0	56
Total	**18 452**	**14 540**

Source: DTI 2013/14 Annual Report

Virements

There was a virement amount of R15.5 million which was transferred to SEFA for, according to the Department, offsetting the entity's 2014/15 budget cut by National Treasury.

Transfers and Subsidies

All budgeted transfers to entities for the period 1 April 2013 to 31 March 2014 were effected.

Entity	2013/14 (‘000)	2012/13 (‘000)
Industrial Development Corporation	108 000	109 000
Industrial Development Corporation: SEFA	245 979	171 330
Competition Commission	176 888	157 211
Competition Tribunal	16 945	15 798
International Trade Administration	79 770	74 403
Total	**627 582**	**527 742**

The Department reported that an additional R15 million transferred to SEFA for the budget shortfall of the 2014/15 Economic Competitiveness Support Programme (ECSP) allocation is included in the transfers.

4.2.3 Revenue Performance

Revenue collection increased from R669 m to R1.1b and this was largely due to the increase in fines and penalties imposed by the Competition Commission. See Table below.

Description	2013/14	2012/13
Sales of goods and services other than capital assets	23	21
Fines, penalties and forfeits	1 037 454	617 344
Interest, dividends and rent on land	50 229	50 106
Transactions in financial assets and liabilities	9 836	1 191
Total	**1 097 542**	**668 2**

4.3 REPORT OF THE AUDITOR-GENERAL (AG)

Since the first audit by the AG in the 2010/11 financial year,the Economic Development Department has been receiving **unqualified reports**.

During deliberations with the Committee, the office of the AG indicated that overall the Department performance was satisfactory however there were gaps in the internal control environment. It was pointed out that it is imperative to continually monitor the Department and entities to determine progress on remedial actions taken to address audit findings.

Regarding the Department, the AG reported the following matters;

For the third consecutive time, the AG reports that financial statements submitted for auditing were not prepared in accordance with PFMA requirements. The AG identified material misstatements of receivables, Departmental revenue and disclosure items. The AG reported that there were misstatements of receivables, accruals, and capital assets. Like it did in the previous two years, the Department received an unqualified report after making corrections.

In the previous financial year when the issue of misstatements was raised, the Department reported that in response to the AG's report, it made the following commitments for addressing audit issues:

- A consolidated 'heat map' reflecting all audit issues identified was compiled with responsible persons and timeframes set for addressing the problem areas;
- Biweekly meetings were to be held to track progress made on implementation of mitigation plans;
- Internal Audit was to review evidence for adequacy as per the audit coverage plan; and
- Progress reports were to be presented to the Audit Committee, Executive Authority, DG and EXCO.

The AG identified misstatements again in the Department's 2013/14 financial statements. Misstatements are a risk factor because they make the Department vulnerable to fraud. Had the misstatements not been corrected the Department would have obtained qualified audit reports. According to the AG, the management is not implementing effective controls that ensure that financial statements are accurate and complete.

The AG also identified that employees were appointed without following relevant Public Service Regulation processes. The AG reports that the contravention of Public Service Regulations could have been avoided if there was proper monitoring of controls.

Regarding Human Resource matters, the AG noted that the Department contravened the Public Service Regulations in two areas;

- Employees were appointed without verifying claims made in the applications, and
- Employees received overtime in excess of the 30% of their monthly salary.

The AG also noted inconsistencies in between the Human Resource Management report in the Annual Report and the one which was supported for audit.

For the year under review, irregular expenditure increased by more than 9 times from R61 000 in the previous year to R593 000 in 2013/14. The AG reports that there were 23 incidents of irregular expenditure. Among others, the irregular expenditure includes R190 000 for an acting allowance that was paid beyond the permitted timeframes; R191 000 for engaging a consultant who was in possession of a certified copy of a tax clearance certificate. Another example is R83 000 for a consultant who was contracted without a tax certificate for particular periods and an amount of R12 000 which relates to overtime worked without prior approval. An amount of R27 000 in irregular expenditure relating to travelling without approval (R10 000) and engaging a service provider without following Supply Chain Management processes (R17 000) was condoned.

Table: Irregular, fruitless, wasteful and unauthorised expenditure for 2010/11 -2013/14

Year Incurred	Irregular Expenditure	Fruitless and wasteful expenditure	Unauthorised Expenditure

2010/11		R27 000	
2011/12			
2012/13	R61 000		
2013/14	R593 000		

The Department reported the root causes of the increase in irregular as the following;

- Consultant appointed without a tax clearance certificate;
- Consultant engaged with a certified copy of the tax clearance certificate;
- Consultant engaged in periods where tax clearance was not provided;
- Verification of officials details using a service provider whose term had lapsed;
- Engaging a service provider without following SCM processes;
- Overtime worked without prior approval;
- Overtime paid in exceeds 30% monthly basic salary; and
- Acting allowance paid beyond the permitted timeframe.

The AG on the other hand reported that there was a lack of monitoring controls in place to ensure adherence relevant legislation.

The management report issued by the Auditor-General for the 2013/14 financial reflected 41 findings:-

- 46% (i.e. 19)of the findings relate to Human Resources Management; and
- 27% (i.e. 11) of these findings relate to Financial Accounting (7) and Supply Chain Management (4)

The remainder 27% (i.e 11) relate to Planning (3), Information Technology (2), Management Accounting (1), and Internal Audit (1), Financial Accounting and Management (1), Financial Accounting and Human Resources (2), OCFO and Financial Accounting (1).**Corrective measures implemented include:**

- Only original tax clearance certificates are accepted from potential service providers;
- Tax clearance certificates are verified before payments are effected;
- All procurement is initiated at SCM;
- SMS members acting longer than 6 months will not be paid; and
- Transactions will not be processed for overtime not pre-approved.

4.3.1 Auditor General's Recommendations

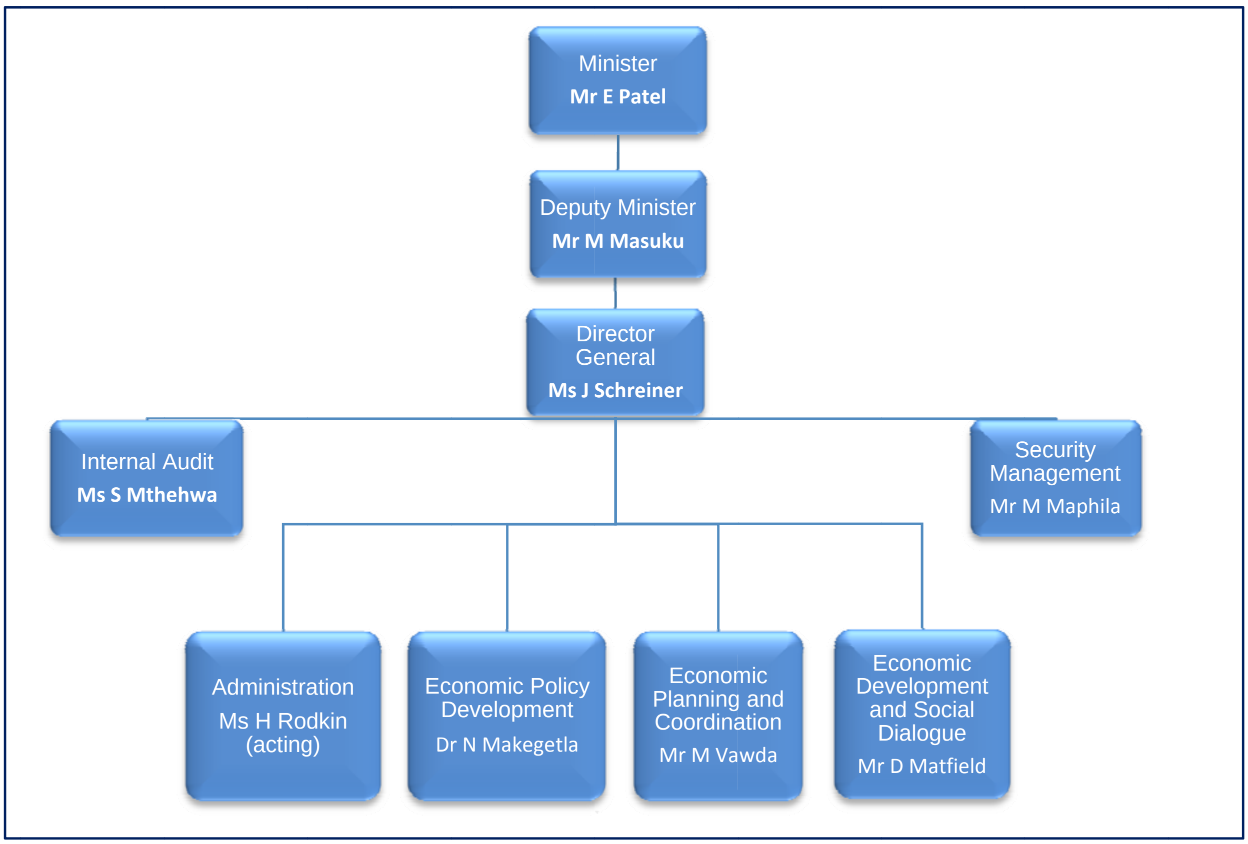
The Auditor General made the following recommendations

- Management should ensure that annual financial statements are prepared regularly. It is critical that a full and proper set of financial statements (including all disclosure notes) are prepared on a monthly basis;
- These annual financial statements should be reviewed by the governance structures i.e. management, internal audit and audit committee;
- The annual financial statements prepared should be adequately supported by substantiating evidence to corroborate validity, accuracy and completeness thereof;

- Annual financial statements which are submitted must be the final set approved by the leadership and supported as referred to above; and
- Management should ensure that procedures and processes in place are adequate to ensure that all Human Resource expenditure are in compliance with relevant legislation.

5. HUMAN RESOURCES

The Department's mandate requires relatively little routine administration and requires high-level professionals and managers to analyse economic developments, propose sustainable and practical responses, to work constructively with stakeholders inside and outside the state, and to oversee and support major regulatory and development finance institutions. The Department's organisational structure is illustrated here below:



Source: AG's Presentation on EDD Report 2013/14

The Department's approved post establishment is funded over the MTEF to 166 posts. Parliament endorsed the APP for 2013/4 with a target for staffing of 146 – set to allow the Department time to source high-quality staff each year and to progressively achieve its full approved post establishment over a three-year period.

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate against approved establishment	Number of employees additional to the establishment	Vacancy rate against APP target
Administration	77	73	5.48%	3	
Economic Policy Development	24	18	33.33%	0	
Economic Planning Coordination	49	31	58.06%	0	
Economic Development and Social Dialogue	16	14	14.29%	0	
Total	166	136	22.06%	3	5.04%

Source: Department 2013/14 Presentation on Annual Report Financials

A

As at the end of March 2014, the staff complement of the Department was at 139 officials, which was 4.8% short of the Departmental annual target of 146 at the end of the 2013/14 financial year. In the Adjusted ENE, Finance did a straight-line projection based on historical spending for the first 5 months of the year and projected for the remainder of the 7 months not on a number of posts given that a restructuring process was being considered.

The Department encountered some challenges in its attempts to achieving the 146 target faced challenges. These include:

- The shortage of skills in the market impacted on the filling of posts. The line functions of the Department are dominated by very high-level professionals and managers with relatively scarce skills such as economics and spatial planning that cannot be filled overnight. Department has been engaged in a process of identifying the right people for the job;
- Caution was exercised in filling senior posts, given the Department's need for some restructuring; and
- Decision to only fill high priority posts in the last quarter in order to achieve savings so as to improve funding for SEFA.

To help deal with these challenges, the Department utilised staff provided by other agencies for the PICC work.

- Currently, about 70 people across the government assist the Departmentin overseeing and supporting the build programme. This approach has mobilised expertise from all spheres of the state. It is a very helpful arrangement, but it is not sustainable. In future, the Departmentwill have to bear some of the staff requirements on its own budget structure;
- The Department was also able to secure short-term secondments of staff from the Independent Development Trust (IDT) and SEFA for special projects, and from other Departments for activities requiring specific skills. Although the Department only filled 139 of

the targeted posts, it was able to realise its mandate effectively in each of its core areas of work;

- Since the staffing model relies on both short-term contract employees and secondments as well as permanent positions, the turnover rate is unusual compared to Departments that are able to rely more on permanent staff;
- Going forward, the Departmentwill focus on filling the remaining managerial and professional positions. Senior expert positions that are advertised will be subject to a simultaneous headhunting process. There will be care taken to create a balance between recruiting and appointing quality staff.
- The Departmentmade considerable progress in terms of organisational development over the past year. This lays the basis for the Departmentto fulfil its increased responsibilities under the new MTSF adopted by the in-coming fifth Administration.

The Department has been doing well on the Management Performance Assessment Tool, with scores showing an upward trend from the 2011/12 assessment period to the 2013/14 assessment period. See Key Performance Assessment Tool Table below. This is a demonstration of Departmental governance structures, policies and systems that have been put into place to make sure that the Department achieves its strategic objective goals.

Table: Key Performance Assessment Tool

KPA	2011/12	2012/13	2013/14
1. Strategic Management	2.7	3.0	3.0
2. Governance and Accountability	2.2	1.6	2.5
3. Employees, Systems and Processes	1.7	1.8	2.2
4. Financial Management	2.3	3.0	2.1
Average scores	2.2	2.4	2.6

Source: Department 2013/14 Presentation on Annual Report Financials

Going Forward

The Medium Term Strategic Framework for the coming five years lays out the key steps and measures to achieve this objective.It includes major tasks for the EDD.Infrastructure remains a key tool for the state to support growth, job creation and improved equality. Key challenges are to ensure that:

- The build programme encourages productive investment both by suppliers and through off-take agreements, and
- It provides affordable as well as higher quality services, especially for energy.

The Department reports that a further core challenge is to improve the environment for new investment, especially in ways that will generate employment in line with the New Growth Path.

The Departmenthas committed itself to working on establishing more action-oriented monitoring and evaluation for the Jobs Drivers, to ensure that government agencies act timeously on new risks, opportunities and blockages as they arise.It will continue to work with the agencies it oversees as well as with other state agencies to increase industrial financing, support local procurement and investment, encourage job creation and expanded training, and reduce unnecessary regulatory obstacles and delays.

Finally, as the recent mining strike demonstrated, workplace conflict has become a significant challenge to inclusive growth.

- The roots of workplace conflict lie in persistent inequality and poor communication in many workplaces;
- The social wage can also do more to reduces pressures on the workplace; and
- This is an area where the Department, in collaboration with other key Departments and stakeholders, will focus its attention in the coming administration.

6. CONSIDERATION OF OTHER SOURCES OF INFORMATION: OVERSIGHT REPORTS

In the year under review the Committee undertook the following visits:

6.1 Oversight visit to Gauteng, North West, KwaZulu-Natal and Limpopo Provinces

On 22 July–02 August 2013, the Committee undertook an oversight visit to the following areas and the aim of the oversight visit was to:

- Evaluate the progress made in the development of transport infrastructure in Gauteng, more specifically Rail transport and the Gautrain and the development of the modal transport system
- Follow up on the visit made by the Committee in 2009 so as to assess the progress made by SARS, specifically the Customs division in terms of controlling fraud, illegal imports in the major Ports of entry since and evaluate the interventions implemented by Customs since the Committee's previous visit. The Committee also wanted to assess how customs was managing the congestion at the DurbanHarbour.
- Conduct round tables for Small Medium Micro Enterprises (SMMEs) and Co –operatives.
- Assess progress on key infrastructure projects such as Medupi Power Station
- Assess the impact of projects visited on key national objectives such as job creation, SMME and development of Co-operatives, localisation and rural development

The theme of the oversight was "Development of SMMEs, Co-operatives, Youth, Infrastructure and Rural Development", and the named sectors formed the key focus of the oversight.

6.1.1 Oversight visit to Gauteng Province(23-24/07/2013).

In Gauteng, the Committee met with the Gauteng Legislature, specifically the Portfolio Committee on Economic Development. The meeting with the Legislator involved presentations by transport agencies, namely PRASA, Rea Vaya and Gautrain who gave an overview on their transport integration plans and developments.

The Committee observed that the modal transport system had been highly effective in improving transport needs of the people of Gauteng, thus making it easy for them to get to work. The Committee had an experience of travelling on the Gautrain and appreciated the standard of security provided by the Gautrain.

The Committee also visited the Transnet at Koedespoort in Pretoria. The mandate of Transnet is to assist in lowering the cost of doing business in South Africa thus enabling economic growth. The Committee observed that Transnet had established a new division known as Transnet Engineering (TE). TE is the backbone of South Africa's railway industry and has been responsible for the development of the most innovative locomotives and is dedicated to the maintenance, repair, upgrade, conversion and manufacture of freight wagons. The Committee was impressed with the contribution of Transnet with TE on promoting localisation, skills development and introduction of new technology.

The Committee also visited the Nissan Plant in Roslyn. The Automotive sector is one of the key sectors in terms of job creation. Nissan like many of the automotive companies is benefiting from the Automotive Production Development Programme (APDP) an industry incentive that is administered by one of the Regulatory entities, ITAC. The Committee noted the contributions made by Nissan in job creation and it was indicated that Nissan was planning to double employment as it was planning to introduce a new assembly line which would require that it works double shift. The Committee recommended that there be a follow up visit to Nissan to assess progress on its plan to expand and to assess the impact of the expansion on job creation.

6.1.1 (a) Round table for SMMEs and Cooperatives and Road show

The Committee had round tables in Johannesburg, Rustenburg, Durban and a Road show in Limpopo. The focus of the round tables was to engage with SMMEs and Cooperatives with the aim of ascertaining successes and challenges in the advancement of their businesses or entrepreneurship development initiatives. The Committee further wanted to establish whether SEFA was being effective in the advancement of enterprise development, whether SEFA was reaching out to the SMMEs, Cooperatives, Youth, People Living with Disabilities and Women Enterprises especially following the merger of Khula and SAMAF.

In Limpopo, the Committee had a road show where the economic development entities made presentations about their products, offerings and services. The purpose of the road show was to ascertain the extent in which the entities are reaching out to the rural communities and also raise awareness about the entities.

During the round tables, the Committee ascertained that there were still challenges with the merger of Khula and SAMAF as a result SMMEs were still confused about who SEFA was, the lack of accessibility of SEFA and the slow turnaround time for applications.

During the road show, the Committee ascertained that there was still a need for the entities to ensure that they reach out to the rural communities and also simplify the language used in the promotion of their products, services and offerings.

During the round table in Rustenburg, a small mining, the Amava Mining Investments (AMI) had made an appeal to the Committee to visit its mining project. The Company had raised concerns about how their funding application had been handled by SEFA and also made recommendations that SEFA should be flexible to the needs of different SMMEs and also improve its turnaround time.

6.1.2 Oversight visit to the IDC funded projects for Nguni Cattle in Rustenburg, North West Province (25/07/2013).

The Committee visited two Nguni Cattle projects, namely, the Bafokeng Nguni Cattle Project and the Khuduthate and Kgolagano Agricultural Cooperative. The aim was to assess how the Nguni project had improved the livelihoods of the beneficiaries and the communities where the projects are.

The Committee noted the good intentions of the Nguni Cattle project. However, there were concerns regarding the long term sustainability of these projects, noting that the profits were quite minimal and the input costs were high. The Committee recommended that the IDC should consider looking at what additional support the project needed, so as to ensure long term sustainability.

6.1.2 (a) Visit to theCustoms Office in Durban and the Durban Harbour (30-31/07/2013)

The Committee received a detailed presentation on the interventions and mechanisms that had been put in place by Customs to deal with customs fraud and illegal imports. The Committee noted that as much as a number of good control mechanism had been put in place to mitigate customs fraud and illegal imports and SARS was doing a good job but the challenges were still there. The Committee recommended that Customs should consider doing a benchmark study on how other countries faced with a similar challenge were dealing with the problem and the mechanisms used thereof.

6.1.3 Oversight visit to the Norjax Tomato Farm in Tzaneen, Limpopo (01-02/08/2013)

During the road show in Limpopo, Norjax had raised concerns about how their funding application was being handled by the IDC and requested that the Committee visit their project. The Committee consented to the request and visited the project on the 17th of September 2013. The aim of the visit was to show support for SMME and Cooperative development in the agriculture sector, assess what challenges the business was facing especially with regards to the application for funding and also to ascertain the impact of tariff instruments administered by ITAC on the development of small enterprises and job creation.

The Committee noted that Norjax had made an application for tariff support to ITAC, one of the regulatory entities. The application had been partially approved by ITAC, thus the company was protected against cheap imports from China. The Committee however was concerned that despite all the tariff support, Norjax was still not competitive and was struggling thus the need for financial support. It was also not clear how Norjax was structured as a company and whether the funding being solicited from IDC was going to be helpful in light of the company not being competitive.

6.1.4 Oversight visit to the Department, IDC and SEFA offices in Gauteng

On the 29 January 2014, the Committee visited the above offices with the aim of familiarizing the new Members of the Committee, on the operations of the Economic Development Department and its Entities.

7. ISSUES RAISED DURING DELIBERATIONS

During the deliberations the Committee:

- Notes with concern that the Department had revised down its vacancy target from filling 166 funded posts to 146 for the year under review. Although the vacancy rate against the APP target was 5 per cent, the Department, filled 139 posts and therefore missed its revised target. The Committee is also worried about the high turnover rate, particularly at senior management level and called on the Department to finalise its new structure so as to address the staffing issues. The Committeeexpressed its sympathy with the Departmentregarding the vacancy challenges. The Committee understands that the Department is relatively new and that the Departmentpositions require specialist skills that are scarce due to structural unemployment in the country. The Committee, however urged the Department to speed up the finalisation of its new organogram and the recruitment process to ensure that the Departmentcan function optimally;

- Appreciates the fact that the Department obtained an unqualified report for the fourth consecutive time. However, the Auditor general's findings on financial misstatement, non-adherence with Supply Chain Management on tax clearance needed to be addressed. The Committee noted that the root cause was a lack of monitoring and adequate internal controls to ensure compliance with relevant legislation. In addition some of the audit findings pertaining to Supply Chain Management and Human Resource Management weaknesses had been raised in the previous years and no remedial action was taken to address them. Members were of the view that there should be punitive measures for poor performance. The Committee urged the Department to ensure that findings from the previous financial years do not should not reappear in the current financial year;

- Contends thatinternal auditing within the Departmentneeded to be strengthenedso that it can be effective,dependable and reliable and function.In addition, the Committee urges the Committee to expedite the filling of audit vacancies, after two contracts expired in the year under review;

- Approves of the improvements in the performance of the Department as indicated in the Key Performance Assessment Tool which shows thatDepartmental governance structures, policies and systems that have been put into place to make sure that the Department achieves its strategic objective goals. However, the Committee was concerned that the tool indicates a regression in the performance of the financial management systems. The Committee is of the view that the Department's internal audit should be fully capacitated to strengthen and improve its performance;

- Recognises that the economy is facing challenges of unemployment, particularly among youth but also acknowledges that positive development such as the growth in jobs for youth aged 18 to 34 grew by 150 000 during the year under review. The Committee welcomes the Departments efforts to unlock potential in this area through the Youth Employment Accord. The Committee emphasised the need to monitor and evaluate progress in the implementation of the six pillars of the Youth Employment Accord, namely,education and training,work exposure, youthbrigades based on existing public employment, programmesset-asides for youth employment in growing industries, youth entrepreneurship and co-ops; and private-sector initiatives;

- Has concerns about signatories who lack the commitment to be active participants in the implementation of the Accords. For the Accords to succeed the Department should ensure that engagements with signatories are done on an on-going basis. Furthermore the Department should monitor and evaluate the implementation of the Accords and also conduct an assessment study to measure its impact;

- Acknowledges that the Department has played a crucial role in promoting and supporting local procurement and local content. However the Committee identified the need to verify and ensure that 100% South African goods are indeed produced and manufactured in the country;

- Suggests that the Department should Review its organogram to take into account the need to support the PICC and the need to recruit able junior staff;
- Urges the Department to intensify its efforts and achieve the 2 per cent employment target for people living with disabilities. In addition the Committee emphasises the need to ensure that employment opportunities are created for people living with disabilities; In this regard, the Department in collaboration with the Department of Labour should encourage people living with disabilities to make use of the Sheltered Employment Factories. The factories employ and empower people living with disabilities, with skills that enable them to be mainstreamed into the economy;

- Expresses its satisfactionwith the improvement in SEFA's disbursementrate during the year under review. Committee believes that this is due to the fact that SEFA is addressing backlogs from its predecessors. In this regard the Committee feels that the establishment of one-stop shops for SMMEswould play a major role in attracting new clients and spreading SEFA's footprint across the country;

- Urges the Department to do more to mainstream gender balance across its programmes so as to build on early successes that have been achieved;

- Requeststhe Department to encourage other state entities to work with SEFA, in providing SMMEs access to economic markets; and

- Urges the Department to consider establishing an SMME developmental institute – assist develop necessary skills for running an SMME.

8. RECOMMENDATIONS

The Committee recommends that the House requests the Minister of Economic Development to:

- Speed up the finalization of the organogram which will take the PICC needs into account;
- Work in collaboration with the Minister of Labour, to encourage people living with disabilities to make use of the Sheltered Employment Factories so as to acquire skills that could make them economically active;
- Consider establishing one-stop shops for SMMEs to attract new clients and spreading SEFA's footprint across the country;
- Do more to ensure that gender balance is mainstreamed across its programmes so as to build on early successes;
- Encourage other state entities to work with SEFA, in providing SMMEs with access to economic markets;
- Based on observations made, the Committee recommends that an SMME Development Institute be established by government to help develop the necessary skills for the SMME sector;
- Help fast track the process of aligning and integrating the work related to economic development at all spheres of government and report on the outcomes on a quarterly basis to the Committee;
- Submit a response plan on the AGSA audit outcomes before the Parliament rises for the end of the year recess; and

- Work on a strategy to collate information related to the country's performance on the jobs led growth; income distribution and poverty alleviation (this should be outside normal country reports received from relevant authorities), and report to the committee on a quarterly basis.

9. Conclusions

This report marks South Africa's twenty years of democracy as well asthe end of the Fourth Administration – during which the Department was established. The Department began with a handful of staff members and a great deal of work was done to recruit staff and put systems in place to ensure that the Department fulfils its mandate. Three major milestones that the Department achieved during the Fourth Administration, included the adoption of the NGP, facilitating the conclusion and signing of the five Social Accords; and drafting the Infrastructure Development Bill which was later passed by the national legislature. The Department, has also managed to place job creation at the centre of government activity.

The Department, however, faces a number of challenges. These include the need for an updated organogram, the recruitment and retention of staff with appropriate skills and experience; and the resolution of issues identified by the Auditor General. To improve on its performance, the Department is urged to take into serious consideration the observations and recommendations made by the Committee.

Now that the Fifth Administration has been ushered in, the Committee is looking forward to the Department achieving more milestones.

10. Appreciation

The Committee would like to express its sincere gratitude to the Minister, Hon. Ebrahim Patel; the Deputy Minister, Hon. Madala Backson Masuku and former Deputy Minister Hon. Prof. Hlengiwe B. Mkhize; the Director General, Ms Jennifer (Jenny) Schreiner and the entire team at the Department for their commitment and contribution during the period covered by this report.

Appreciation is also extended to the dedicated entities of the Committee, namely, ITAC led by Mr Siyabulela Tshengiwe, Competition Commission led by Messrs Shan Ramburuth and Mr Bonakele; Competition Tribunal led by Mr Norman Manoimn, IDC led by Mr Geoffrey Mvuleni Qhena and SEFA led by Mr Thakhani Makhuva, together with the Board Members and staff of all the entities, for their hard work during these trying economic times.

The Chairperson thanks all Members of the Committee (both 4th and 5th Parliament) for their active participation during the process of engagement and deliberations; and contribution to the observations and recommendations of this report.

Report to be considered.