



EDD Presentation on the 3rd Quarter 2017/18

Presentation to the Portfolio Committee
Economic Development

14 March 2018

The report covers the period 1 October 2017 to 31 December 2017
unless otherwise stated.

Quarter 3 refers to the same period



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA



- Economic and employment overview
- Highlights from the Department's report for the quarter:
 - Old Mutual's return to South Africa
 - Regional integration
 - Inclusive growth symposium
 - Competition Act legislative changes
- Report on KPIs
- Report on human resources
- Report on finances

ECONOMIC AND EMPLOYMENT OVERVIEW

- Economic context
- Employment review

Economic context: Qtr 3, 2017 - GDP

GDP results were released on 6 March 2018

GDP this Quarter

The economy grew by 3.1% (q/q) in the 3rd quarter of FY 2017

The highest growth industries for the quarter were agriculture (37.5%), trade (4.8%) and manufacturing (4.3%). Contractions occurred in construction (-1.4%) and mining (-4.4%).

GDP this Year

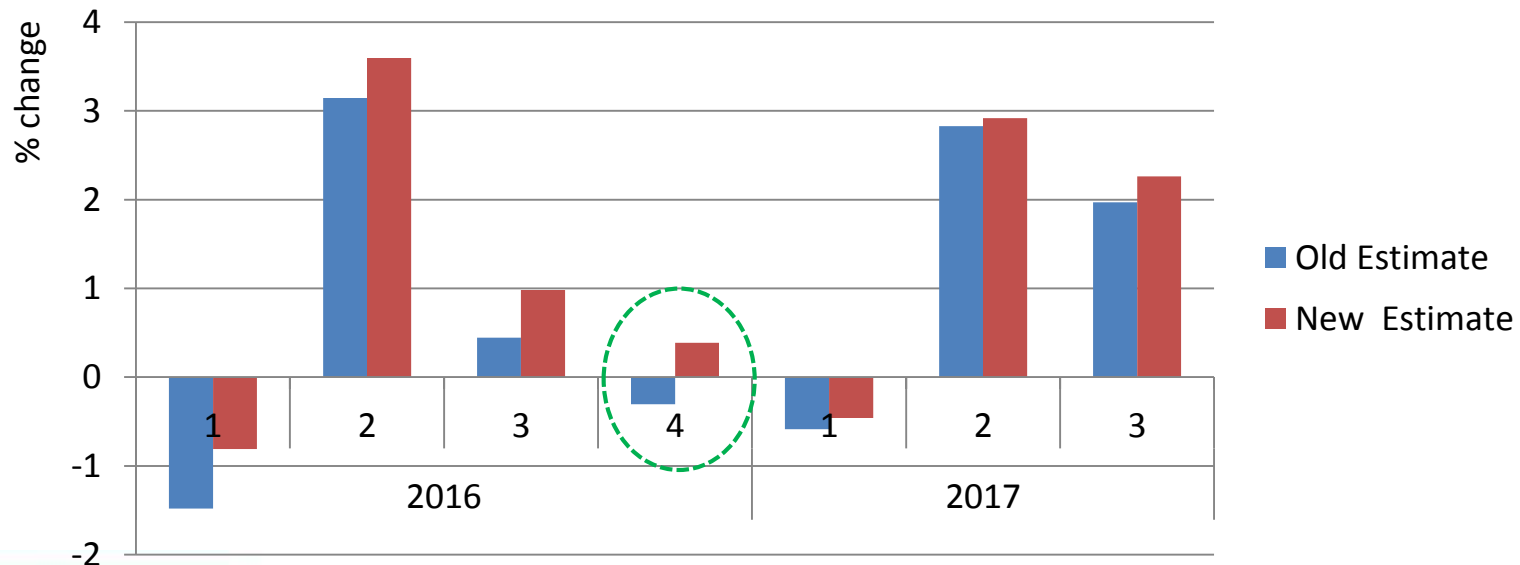
Annual GDP for 2017 was estimated at 1.3%, higher than earlier anticipated

Agriculture saw the highest growth (17.7%), followed by mining (4.6%) and business services (1.9%), with contractions in manufacturing, construction and trade.

Capital spend in 2017 saw government and public enterprises spend 1% less than in 2016, in real terms, but encouragingly the private sector spent 1.2% more, after two years of decreases.

- A technical recession is defined as two consecutive quarters of GDP contraction.
- Stats SA had previously estimated contraction in the quarters to December 2016 (-0,3%) and March 2017 (-0,6%).
- Its recent revisions show mainly upward adjustments from the middle of 2014.
- For the quarter ending December 2016, the contraction of 0.3% was revised to growth of 0.4%, so no technical recession occurred.

Old and New Estimates of Real GDP Growth



Provincial GDP 2016

- The new GDP results contain provincial breakdowns for 2016
- Gauteng, KZN and the Western Cape remain the largest provinces by output value, and together make up 64% of GDP.
- Gauteng also saw the highest annual provincial GDP growth, of 1.4%, followed by the Western Cape (1.1%) and the Eastern Cape (0.8%).

Provinces by Size of Economy, 2016

	Current Rand Million	Share of Total GDP
1 Gauteng	1 507	34.6
2 KZN	692	15.9
3 Western Cape	596	13.7
4 Eastern Cape	331	7.6
5 Mpumalanga	324	7.4
6 Limpopo	312	7.2
7 North West	280	6.4
8 Free State	218	5.0
9 Northern Cape	91	2.1

Real % Growth, 2016

	Real % Growth
1 Gauteng	1.4
2 Western Cape	1.1
3 Eastern Cape	0.8
4 KZN	0.7
5 Northern Cape	0.3
6 Mpumalanga	0.2
7 Free State	-0.1
8 Limpopo	-0.6
9 North West	-3.6

Employment Review: Quarter 3 2017

Jobs in Quarter 3, FY 2017/18 (October - December 2017)

What happened to jobs this quarter?

- 21 000 jobs were lost in the quarter, taking total jobs to 16 171 000
- The number of unemployed also decreased by 330 000, to 5 880 000
- As a result, the unemployment rate decreased from 27.7% to 26.7%
- The number of discouraged job seekers increased by 103 000

What happened to jobs over the 12 months to December 2017?

- 102 000 jobs were created, against a labour force increase of 202 000
- The unemployed increased by 99 000
- The unemployment rate at the end of 2016 was 26.5% and was 26.7% at the end of 2017

Public and Private Sector Job Creation

- Over the past 12 months 102 000 jobs were created:
 - 153 000 created by the broader public sector
 - 51 000 lost by the private sector
- From NGP adoption to end 2017 a total of 2 523 000 jobs were created:
 - 1 567 000 (62%) created by private sector
 - 957 000 (38%) created by public sector
- The slides that follow provide more details on employment by industry and by province.

Jobs by Industry

Main job creators this quarter:

- Government (75 000)
- Manufacturing (42 000)
- Agriculture (39 000)

Job losses occurred in utilities, mining, private households, trade and business services

Jobs by Industry for Quarter

Industry	Jobs Change
Government	75,000
Manufacturing	42,000
Agriculture	39,000
Construction	26,000
Transport	13,000
Utilities	(4,000)
Mining	(35,000)
Households	(43,000)
Trade	(45,000)
Business Services	(91,000)

Main job creators - past 12 months:

- Government (119 000)
- Manufacturing (63 000)
- Business Services (44 000)

Job losses occurred in mining, private households, agriculture and construction

Jobs by Industry for Year

Industry	Jobs Change
Government	119,000
Manufacturing	63,000
Business Services	44,000
Transport	40,000
Trade	18,000
Utilities	18,000
Mining	(10,000)
Households	(29,000)
Agriculture	(70,000)
Construction	(92,000)

Jobs by Province 2017

Main job-creating provinces for the quarter:

- Western Cape (92 000)
- Mpumalanga (38 000)
- North West (16 000)

Five provinces experienced job losses: Free State, KwaZulu-Natal, Eastern Cape, Limpopo and Gauteng

Jobs by Province this quarter

PROVINCE	JOBS CHANGE
Western Cape	92,000
Mpumalanga	38,000
North West	16,000
Northern Cape	15,000
Free State	(16,000)
KwaZulu-Natal	(23,000)
Eastern Cape	(30,000)
Limpopo	(35,000)
Gauteng	(77,000)

Main job-creating provinces over the past 12 months:

- Western Cape (106 000)
- Mpumalanga (87 000)
- Free State (49 000)

Three provinces experienced job losses: KwaZulu-Natal, Eastern Cape and Gauteng

Jobs by Province this Year

PROVINCE	JOBS CHANGE
Western Cape	106,000
Mpumalanga	87,000
Free State	49,000
North West	40,000
Northern Cape	24,000
Limpopo	4,000
KwaZulu-Natal	(28,000)
Eastern Cape	(57,000)
Gauteng	(121,000)

Labour Market Trends Since NGP Adoption

- 2 523 000 jobs created since NGP adoption
- 1 225 000 more unemployed
- Unemployment rate was 25.4%; now 26.7%

Labour Market Trends: NGP Adoption to End of 2017

	Jul-Sep 2010	Oct-Dec 2017	Absolute Change
	'000	'000	'000
Population 15-64 years	33 033	37 525	4 492
Labour Force	18 303	22 051	3 749
Employed	13 648	16 171	2 523
Unemployed	4 655	5 880	1 225

Jobs by Industry Since NGP Adoption

- In absolute terms, the main job creating industries have been government (886 000), business services (685 000) and construction (273 000)
- One industry (manufacturing) has lost jobs (24 000)
- In percentage terms, the leaders have been utilities (47%), business services (41%), government (32%) and agriculture (26%)

Jobs by Industry, NGP Adoption to Present, ' 000 and %

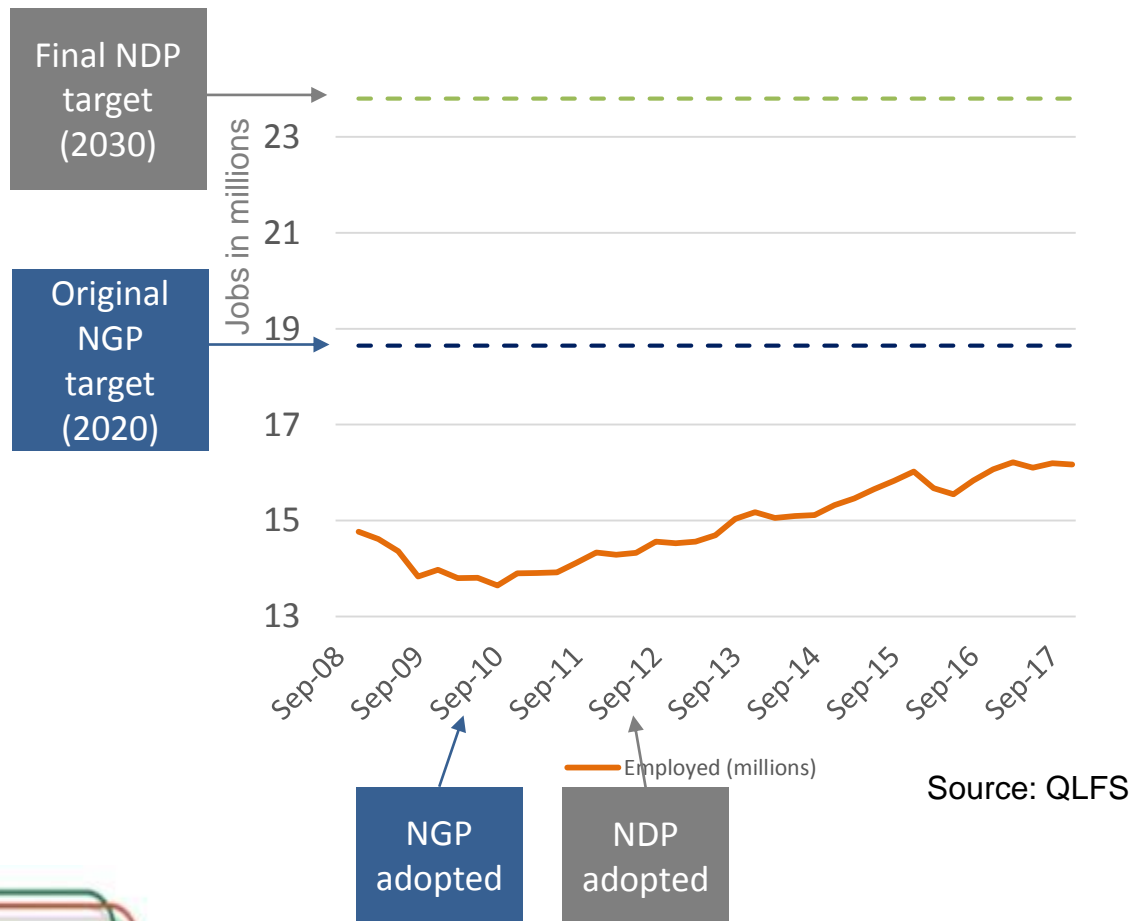
	Sep 2010	Dec 2017	Change	% Change	Ave Annual % Change
Government	2 805	3 691	886	31.6	3.9
Business Services	1 688	2 373	685	40.6	4.8
Construction	1 118	1 390	272	24.4	3.0
Transport	811	1 001	190	23.4	2.9
Agriculture	674	849	175	26	3.2
Trade	3 090	3 240	150	4.9	0.7
Mining	329	411	82	24.9	3.1
Households	1 215	1 270	55	4.5	0.6
Manufacturing	1 815	1 791	-24	-1.3	-0.2
Utilities	101	149	48	47.4	5.5
Other	1	6	5	/	/
TOTAL	13 647	16 171	2 523	18.5	2.4

Achieving NGP and NDP Job Creation Goals

- The New Growth Path was adopted in October 2010 and set an original jobs target of 13.6 million by 2020 (5 million new jobs in 10 years)
- The National Development Plan was adopted in September 2012 and set a new jobs target of 23.8 million by 2030 and incorporated the NGP targets, though it extended the period over which the jobs target was set by a further 10 years (9.2 million new jobs in 18 years)

Achieving NGP and NDP Job Creation Goals

- The following graph shows the growth in employment over the period since the adoption of the policy and strategy frameworks.



HIGHLIGHTS FROM DEPARTMENT'S REPORT

- Old Mutual – return to South Africa
- Regional integration (with focus on Zimbabwe)
- Inclusive Growth Symposium
- Competition legislative changes
- Cross-cutting initiatives

- Old Mutual, currently headquartered in London, engaged government on a plan to shift its HQ and primary listing to South Africa.
- Following extensive engagements between the Minister and Old Mutual, a significant agreement on public interest commitments was reached, to facilitate Old Mutual's return.

“The move ‘back home’ of one of our premier financial institutions will help to inject investor confidence in the economy and is a well-timed signal that we can grow the economy in the period ahead and unlock the country’s potential of job creation and economic inclusion.” Minister Patel

Old Mutual – Public Interest Agreement

Agreement reached between EDD and Old Mutual:

1. Enterprise development commitments

- A new R500 million Fund to promote small business and job creation
- Support preferential procurement from black-owned businesses, SMMEs and enterprise development programs

2. BEE:

- Increase its BEE shareholding to at least 25% within 3 years, including through employee share ownership
- Improve its BEE shareholding thereafter to be equal to the best in the industry

3. Employment

- No retrenchments as a result of the transaction.
- Relocate high-level skills to South Africa – 50 new jobs locally

Implementation subject to shareholder approval of the entire transaction

- Mutually beneficial trade between South Africa and the rest of Africa is an important dimension of regional solidarity and, for South Africa, a key way to enhance economic opportunity
- In 2017, exports to the rest of Africa totalled R 314 bn, 26% of all our exports, and the total value of trade was R 430 bn
- Regionally, only Asia had a higher total level of SA exports, but South Africa had a strong positive trade balance (R 116 bn in 2017) with the rest of Africa
- In 2016, 230 000 South African jobs were directly associated with exports to the rest of the African continent. This is more than the jobs associated with EU exports and more than double those associated with exports to BRICS
- Our top 5 exports to the continent are refined oil, trucks, electricity, chromium ore and coal. The continent is an important destination for manufactured and higher value add exports :
- In 2017: 7 % of SA-made cars; 28% of trucks and 48% of machinery and mechanical appliances went to the rest of Africa

Better Prospects for Many African Export Destinations

- Growth prospects have improved for both South Africa and the continent, suggesting new opportunities may arise.
- Stiff competition in the region, especially from China persists.
- African FDI trends indicated that in 2010 China still held comparatively small investments stocks in the continent. These had almost trebled by 2015, making China a larger investor than South Africa and the fourth largest overall

Growth and Prospects for Export (%)

	2017	2018	2019
Botswana	4.5	4.8	4.6
Kenya	5.0	5.5	6.0
Mozambique	4.7	5.3	6.0
Namibia	0.8	2.5	3.4
Tanzania	6.5	6.8	6.8
Zambia	4.0	4.5	4.5
Zimbabwe	2.8	0.8	0.3

FDI stock in Africa

		2010 (\$bn)	2015 (\$bn)	Total % Change
1.	USA	55	64	16.4
2.	UK	47	58	23.4
3.	France	52	54	3.8
4.	China	13	35	169.2
5.	South Africa*	19	22	15.8
6.	Italy	10	22	120
7.	India	12	17	41.7
8.	Singapore	20	16	- 20.0
9.	Switzerland	12	14	16.7
10.	Malaysia	17	12	- 29.4

* South Africa as investor in the rest of Africa

South African and Chinese Imports: Selected African Countries

- South Africa remains the main good supplier to most neighbouring African countries, but we compete less well as geographic advantage diminishes

South African and Chinese Import Rank, Selected Countries, 2017

	South Africa	China
Angola	5	1
Botswana	1	7
Namibia	1	3
Mozambique	1	3
Kenya	6	2
Tanzania	4	1
Zambia	1	3
Zimbabwe	1	3
Nigeria	13	1
Ghana	8	1

Note: the number indicates the ranking, e.g. in Angola China is the biggest supplier of imported goods and RSA is ranked 5th

Some lessons and observations from the trade studies to date

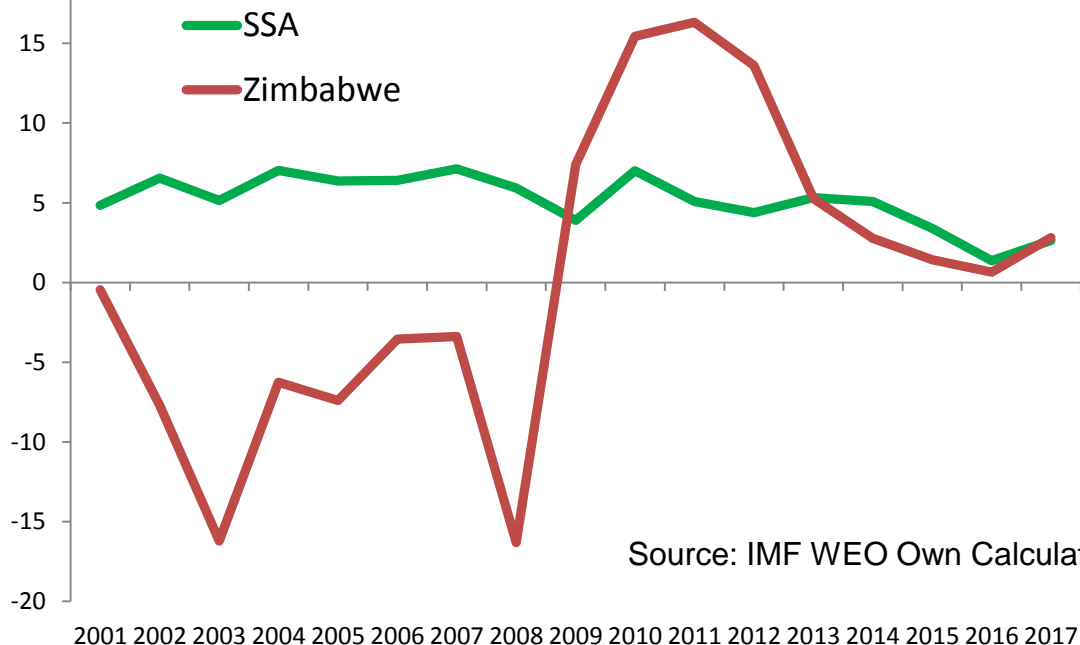
- In some contexts, such as that of Angola, historical, linguistic and colonial trade patterns still seem to apply. Angola imports a wide range of manufactured goods from Portugal and Brazil, and applies high tariffs on manufactured imports from South Africa
- SA faces tough competition in the region from international companies. South Africa's market share in the rest of Africa cannot be taken for granted, but need us to continuously support and enhance our competitiveness
- There is untapped potential that we need to do more research on, instances where exports may need better or different support
- Government and business can work together more effectively

- Zimbabwe's economy has been through an extended period of volatility
- It has not shared the growth rates and improvements in per capita income experienced by many Sub-Saharan African economies over the past decade and a half

Zimbabwe's economy 3% smaller in 2017 compared to 2001 in real terms

Real GDP *per capita* in 2017 was around 24% lower than it was in 2001

Real GDP Percentage Change: Zimbabwe and Sub Saharan Africa, 2001 to 2017 est.



Source: IMF WEO Own Calculations

Zimbabwe GDP and inflation

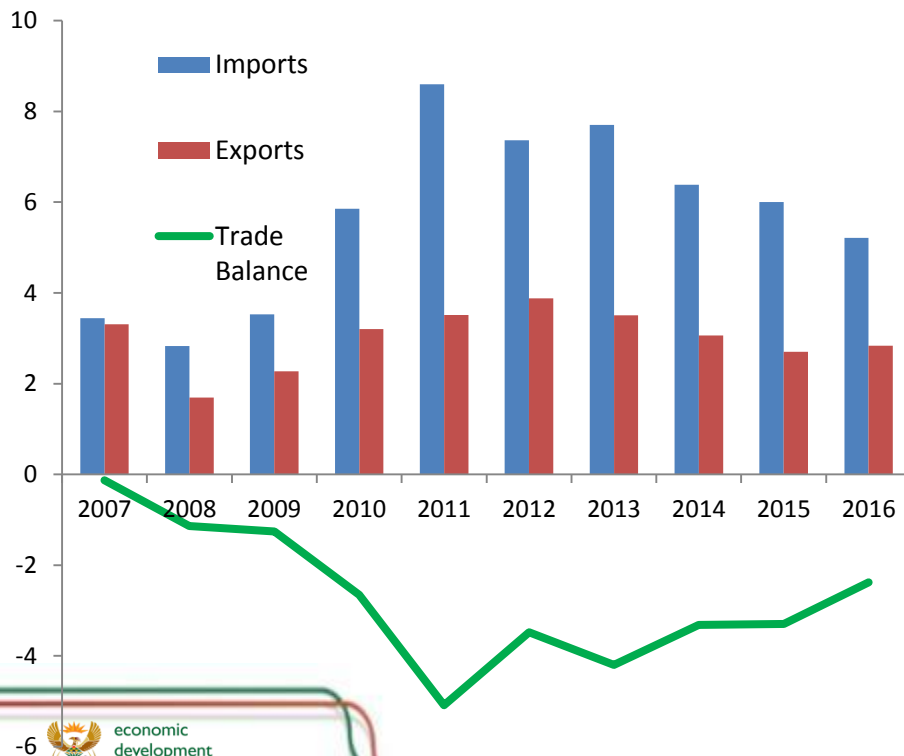
- One contributor to weak average growth has been price volatility, which has included severe price increases and decreases:
 - In 2004 inflation was 113%
 - In 2007 severe deflation of 73% occurred
 - In 2008 inflation was 157%
 - The relatively stable inflation environment over the past 9 years has not fully reversed the impact
- Growth and price volatility have tended to undermine long term planning and investment decisions by business
- Manufacturing's share of GDP declined from 16% in 2006 to currently less than 10%

Zimbabwe trade with world

Zimbabwe's trade with world (2016):

- US\$ 8.0 bn total trade
- US\$ 5.2 bn imports
- US\$ 2.8 bn exports

Zimbabwe imports and exports, current USD billion



SA is Zimbabwe's main supplier of imports, but its market share was lower in 2016 than in 2007, partly due to oil trade from Singapore

Top 5 Suppliers of Imports to Zimbabwe, 2007 & 2016, and % Share of Total (Zimbabwe reporting)

		2007		2016
1	South Africa	44.6	South Africa	41.3
2	Botswana	11.9	Singapore	21.5
3	China	6.3	China	7.0
4	Malawi	5.0	Zambia	3.5
5	Kuwait	4.9	India	3.2

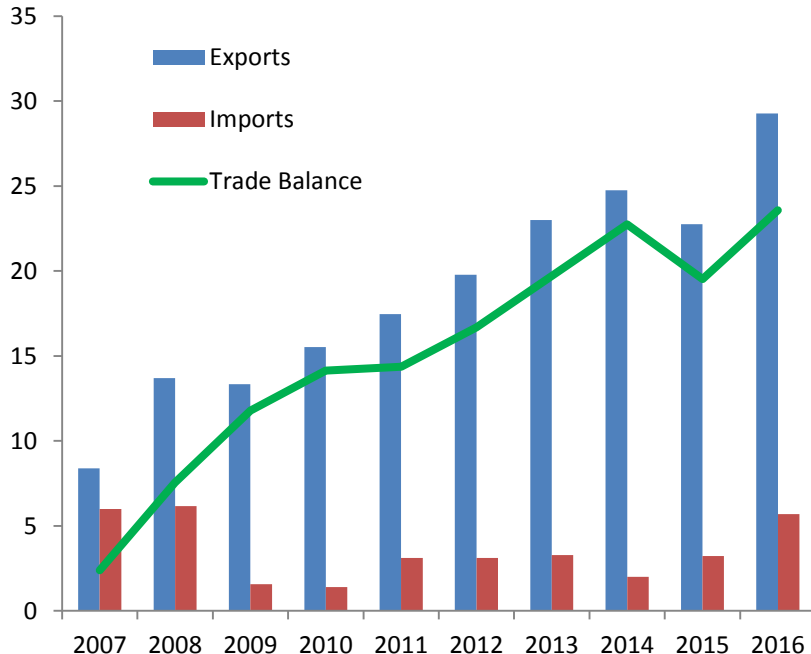
Source: TradeMap, EDD calculations

Trade between SA and Zimbabwe

SA trade with Zimbabwe, 2016:

- R 29.3 bn exports
- R 5.7 bn imports
- R 35.0 bn trade value
- R 23.6 bn trade balance

SA trade with Zimbabwe, current R (billion)



SA dominates in many exports to Zimbabwe.

We provide 80% of its electricity imports, 60% of truck imports, more than 90% of key iron and steel imports, all of its soap and detergent imports, and 80% of its primary plastics.

For some products, such as soya-bean oil, Zimbabwe buys the lion's share of our export: this means our producers may be affected by economic changes in Zimbabwe

Zimbabwe's imports

Top 10 Zimbabwean imports and percentage share of total imports, with main supplier of each product in 2016

	2011		2016		Main Supplier 2016
1.	Fertilisers	22.9	Refined fuel	25.0	Singapore
2.	Refined fuel	13.6	Maize	5.7	South Africa
3.	Cars	5.7	Electricity	3.2	South Africa
4.	Trucks	4.4	Medicines	3.1	India
5.	Mobile phones	1.8	Soya-bean oil	2.4	South Africa
6.	Wheat	1.6	Trucks	2.2	South Africa
7.	Intermediate nickel products	1.5	Rice	2.1	Thailand
8.	Sunflower-seed oil	1.4	Cars	2.1	Japan
9.	Maize	1.4	Wheat	1.9	South Africa
10.	Raw tobacco	1.2	Mobile phones	1.8	China

Source: TradeMap

Zimbabwe's exports to SA

Zimbabwe's main export to South Africa is nickel, which at R3.6 bn accounts for almost a third of SA imports from the country, followed by tobacco and chromium. In 2016 Zimbabwe was the 7th largest African supplier of imports to South Africa.

Zimbabwe's Exports to South Africa, 2016

		Rand Million	% Share of Total Zimbabwe Exports to SA
1	Nickel	3 585	63.0
2	Tobacco	810	14.2
3.	Chromium	124	2.2
4.	Cotton yarn	72	1.3
5.	Tea	71	1.2

Source: TradeMap

Zimbabwe - Closer Look at Trucks Trade

- In 2016 South Africa exported just more than R1 bn worth of trucks to Zimbabwe.
- This was South Africa's third largest export item, after electricity and maize.
- South Africa is the largest truck supplier to Zimbabwe, providing half of Zimbabwe's trucks in 2016, with Japan and the UK also playing prominent roles. Together these 3 countries accounted for 84% of truck imports in 2016.
- However, both Japan and the UK have increased their share over this period at SA's expense: Japan had only 1% in 2009 and 27% by 2016, and the UK went from 2% in 2009 to 8% in 2016.

Zimbabwe Truck Imports 2016 - Top 10 and % Share of Total Truck Imports

		% Share
1	South Africa	49.3
2	Japan	26.6
3	UK	8.3
4	India	2.3
5	Zambia	2.2
6	China	1.8
7	Botswana	1.5
8	Finland	1.3
9	Thailand	0.8
10	USA	0.7

% Share of Total Zimbabwean Truck Imports, 2009-2016, Top 3 Suppliers

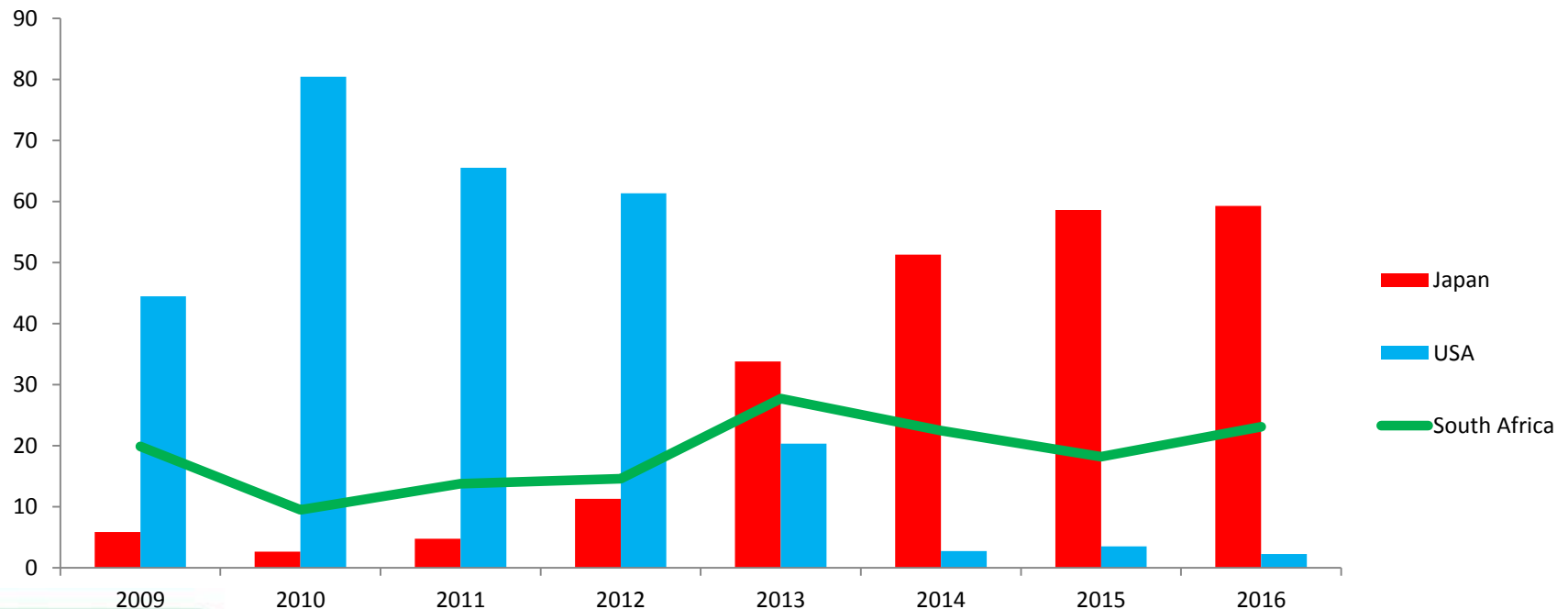
	2009	2010	2011	2012	2013	2014	2015	2016
South Africa	55.8	24.6	36.4	37.6	47.4	49.7	30.3	49.3
Japan	1.2	1.3	2.1	6.0	15.9	24.6	19.9	26.6
UK	1.8	3.4	6.7	8.1	11.7	10.3	8.2	8.3

Source: TradeMap

Zimbabwe - Closer Look at Cars Trade

- In the case of cars, SA was the 2nd ranked supplier after Japan in 2016
- After large imports from the USA in 2010, 2011 and 2012, this market has been dominated by Japan, with 60% of total in 2016, followed by South Africa (23%) and the UK (5%)
- South Africa's import share has not exceeded 30% over the past eight years
- Most Japanese car exports are reportedly 2nd hand cars. This is similar to what happens in a number of African countries and limits the ability of African countries to industrialise and build new car-manufacturing capacity.

Per cent **Car Imports by Zimbabwe, 2009-2016, Percentage Share of Total for Top 3 Suppliers**



Emerging Opportunities for South Africa in Zimbabwe

- The Zimbabwean Reserve Bank, in February 2018, gave a 2018 growth forecast of 4.5%. Sustained higher growth in Zimbabwe could generate more SA export earnings and open up new opportunities
- South Africa has exported increased amounts of maize as Zimbabwean agriculture contracted; however if/when this sector recovers, this may change.
- We can expect strong demand in cars, trucks and other manufactured items as the Zimbabwe economy recovers.
- We can expect strong competition around cars and trucks from Japan, and in many product markets from China.

EDD , together with Wits University, hosted Nobel Laureate Joseph Stiglitz at an Inclusive Growth Symposium in November 2017

Minister Patel framed the issues:

- The economic debate in South Africa strongly focuses on transformation and addressing the stubborn challenges of inequality and economic exclusion.
- While there is consensus on the importance of inclusive growth – what does it mean for South Africa?
- Is it simply the result of traditional growth policies? Is it the redistribution of growth efforts through taxation?
- Or is it something that involves bringing more people into the economy and ensuring more equitable outcomes from economic activity?
- The symposium needed to look at growth strategies rooted in African economic development

The inclusive growth symposium was well attended by a range of around 70 stakeholders including:

- Cabinet Ministers
- Members of Parliament
- Members of Judiciary
- Regulators
- Leaders from labour and business
- Academics and professionals
- Senior government officials
- Representatives of the media

Inclusive Growth Symposium (cont.)



Inclusive Growth Symposium

Key points from Prof Stiglitz' presentation:

For many developing economies, the model for success has been that of East Asia over the last four decades

- Shift from import substitution models to export-driven growth
 - Initial focus on basic manufactured items followed later by higher value-add manufacturing
- Manufacturing-led export-orientation, supported by moderate but well-managed export-incentives:
 - generated foreign exchange
 - raised the return on education
 - provided important knowledge and technology benefits
 - fostered jobs in urban centres
 - yielded large economies of scale as local firms became regional or global leaders



Inclusive Growth Symposium (cont.)

- The East Asian model is a victim of its own success, with productivity gains increasing more than demand
- Over the past 15 years, manufacturing has decreased as a share of GDP almost everywhere
- Manufacturing is unlikely to have the developmental impact that it had in China and East Asia
- Sub-Saharan Africa must halt its premature 'deindustrialisation'. Its 'under industrialisation' should mean more for catch up industrialisation
- Need a multifaceted growth strategy – a new framework for learning-led growth



Inclusive Growth Symposium (cont.)

For Africa, the following will be especially relevant:

- Exports remain highly dependent on commodities—from which learning benefits may be limited, making modernisation transition all the more difficult
- Increasing reliance on trade with China may also be problematic – continuing the colonial tradition of exporting low value added commodities
- Low education levels in many African countries present a challenge, but the increased importance of learning should create more job opportunities in the education sector
- Deindustrialisation (as a result of structural adjustment policies) puts Africa at a disadvantage at the moment but also provides opportunities for industrial expansion
- Jobs creation will be a key issue, with particular focus on youth employment

Inclusive Growth Symposium (cont.)

- African developmental strategy for the 21st century will have to craft effective policy to support manufacturing, agriculture, the natural resources sector and service sector
- Structural transformation will not occur without government playing a catalytic role in closing knowledge gaps, coordinating important shifts (for example in adopting new technologies), addressing capital market imperfections, promoting sustainable urbanisation ('liveable cities')
- Government needs to play an important role in the new structural transformation towards a modern economy—which will not in general be a manufacturing economy but a modern services and modern agriculture economy

Emerging development strategy

Key elements of a development strategy – Prof Stiglitz

1. Manufacturing

- Niche manufacturing
- More complex products
- Strengthen links between modernised agriculture & manufacturing
- Maximise learning from industrialisation through South-South cooperation (trade) and taking advantage of natural resources

2. Natural resources

- Learn lessons of resource curse:
 - Maximise revenues from natural resources
 - Contracts to be complemented by excess profit taxes
 - Sovereign wealth fund to manage cycle variability & prevent exchange rate appreciation
- New lesson: industrial policy to exploit a variety of forward, backward and horizontal linkages

Emerging development strategy (cont.)

3. Agriculture

- Need robust agricultural sector to provide full employment, including by stimulating manufacturing and services
 - Add learning dimension to agriculture and other sectors
 - Modern agriculture can be very “advanced”
 - Focus on non-labour saving innovations
 - Focus on learning

4. Service sector

- Move to service sector may have many implications:
 - Smaller production units with lower productivity growth
 - Less R&D: more need for cooperative R&D, government R&D
 - Increased need for government to push “creating a learning society” to reduce productivity differences across firms
 - Compensation linked to individual productivity, with greater differences in productivity within and between firms, may lead to greater inequality

Additional points from discussion

Key issues raised in the discussion included:

- The need for competition regimes to address new technological challenges and the need for Africa to trade within the continent
- The need for improved coordination and cooperation on tax matters
- The importance of educational reforms to prepare us for the 21st century
- The importance of developing country specific and further measures to address inclusion – including corporate reforms
- Ensuring trade negotiations do not only pursue shareholder interests but represent society and labour interests

Focus 4: Competition legislative changes

- During February 2017, Government announced that changes would be made to the Competition Act to address high levels of economic concentration in SA. In May 2017, the Ministry publicised the terms of the proposed review of the Act.
- An Expert panel was set up and based on its findings, a Bill was developed for discussion within government.

The Competition Act

The Competition Act, 1998 (Act 89 of 1998)

- Provides a legislative framework for competition authorities to investigate and penalise anti-competitive conduct
- Regulates mergers and acquisitions and addresses public interest issues, such as employment and the promotion of small businesses.

Review of the Competition Act

Areas for improvement:

- Strengthening capacity to address abuse of dominance and high levels of concentration
- Improving focus on the impact of anti-competitive conduct on small businesses and firms owned by historically disadvantaged persons.
- Aligning competition-related processes and decisions with other public policies, programmes and interests
- Strengthening and formalising the market inquiry system
- Enhance the capacity and efficacy of the competition regulatory authorities and their processes.

The Competition Act (Cont.)

- During the quarter:
 - Discussions took place within the Economic Cluster
 - A Socio-economic Impact Assessment Study was prepared
 - Engagements took place with lawyers, the state law advisor, regulators, the Judge President of the Competition Appeal Court and with the Minister of Justice
 - Cabinet considered the Bill and with changes, approved that it be released for public consultation
 - The Bill was published in the Government Gazette on 1 December 2017
 - Engagements took place in Nedlac with organised business and labour
- Sixty days was provided for members of the public to comment
- Cabinet resubmission (next activity)
- Tabling in Parliament (next activity)

Focus 5: Cross-cutting initiatives

- A number of actions have impacts across more than one KPI. A few examples of these include:
 - Actions on the unblocking of the land purchase conditions for the Saldanha Industrial Development Zone (PICC action).
 - Support to the City of Cape Town on the water crisis.
 - Engagement with Massmart Supplier Development Fund and its announcement to continue programme beyond the mandatory period.
- Public advocacy efforts included:
 - Ministerial visit to Highveld Steel and Industrial mills
 - Engagement with ratings agency: Standard & Poors
 - Strategic session on African Growth and Opportunity Act (with DTI and Economic Cluster)
 - Labour Law Conference to engage legal fraternity on the key issues related to competition law reform
 - Engagement with business leaders on economic confidence

REPORT ON KPIS

Programme 1: Administration

Strategic Objective 1: To ensure good governance in the administration of the Department

Key Performance Indicators

1. Audit Opinion obtained in respect of the previous financial year
2. Governance and Accountability (G&A) Management Performance Assessment Tool (MPAT) level obtained for previous year

1. Product – Unqualified Audit Opinion
2. MPAT reported in Q1

Programme 2: Growth Path and Social Dialogue

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

Key Performance Indicators

3. Analytical and public policy advocacy
4. NGP jobs drivers and coordination structures
7. Support to provinces

1 Report on Inclusive Growth Symposium (See focus)

Reports claimed on jobs drivers in this quarter under KPI 4:

1. 4th Industrial Revolution

- Includes reports done in:
 - Q1 to PC on 4th Industrial Revolution
 - Q3 – symposium on 4th Industrial Revolution (presented today)

2. Mining and metals value chain:

- Includes:
 - Research on mining rehabilitation (presented today)
 - Case study contribution to the Mining Accord (presented today)

3. Regional integration:

- Includes reports done in:
 - Q1 to PC on regional integration and Kenya
 - Q2 to PC on FDI into Africa
 - Q3 to PC on regional integration and Zimbabwe (See focus)

4th Industrial Revolution Symposium, 13 December 2017, Telkom Park

- In Q1, EDD reported to Parliament that it would host a Symposium on the 4th Industrial Revolution
- In Q3 the Minister hosted it with speakers including the Ministers, Deputy Ministers and CEOs
- The Symposium's objective was to discuss the 4th Industrial Revolution's impact on economic development in SA and to develop a country agenda with a collective view from all stakeholders
- Discussions focused on identifying the opportunities from the 4th Industrial Revolution as well as the threats to SA

Speakers

- Minister Naledi Pandor (Science and Technology then)
- Minister Siyabonga Cwele of Telecommunications & Postal Services
- Deputy Minister Andries Nel (Cooperative Governance and Traditional Affairs)
- CEO of Telkom Sipho Maseko
- CEO of the National Research Foundation, Molapo Qhobela
- IDC Head of New Industries, Christo Fourie

44 participated in the event from:

- Government
- Business
- Universities
- Organised unions

Issues discussed at the Symposium included:

- **Jobs**
 - Nature of employment relationship is changing
 - Impact of artificial intelligence and rethinking the nature of work
 - How to maintain aggregate demand in the economy (robots don't consume)
- **ICT Infrastructure**
 - Expanding, strengthening and deepening the ICT infrastructure
- **Knowledge and skills**
 - Changing the profile of who generate knowledge
 - New skills e.g. coding, new careers
 - Demand-led skills
- **Research and development**
 - Increasing resources for R&D
 - Intellectual property remaining in the country



- **Big data storage**
 - Cloud infrastructure
 - Ethical rules when using private information
- **Start-up culture**
 - Enabling an innovative start-up environment
 - Increasing resources for start-ups
- **Entrepreneurship**
 - Need to become more technopreneurial - creating platforms for technology entrepreneurs
- **Market data inquiry**
- **Ethics**
 - Implications of artificial intelligence e.g. privacy, data governance, human cloning, genetically modified foods



Open session key comments by:

- **Trade union**
 - ‘Digital inequalities’ may result in lack of participation of women, especially black women, in the ICT sector
 - Clothing and Textiles sector challenges:
 - lack of up-tech, of new technology, new opportunities in the manufacturing sector
 - distribution of knowledge into industry
- **University of Pretoria**
 - Lack of technology transfer from universities to industries
 - Using the knowledge generated by universities more effectively
- **University of Johannesburg**
 - Empower an individual particularly in the schooling system to make their own choices with the technology opportunities available
- **Wits Business School**
 - Impact of 4th industrial revolution on jobs – including skill system, employment system, economic system and our regulatory system
 - Consider a skills policy for high skilled, semi-skilled and unskilled jobs

Comments by industry:

- **ThinkCarbon Technologies**
 - Produce carbon nano-cubes (Nanotechnology)
 - Lack of start-up culture in SA and need to assist companies with commercialisation of products
- **Commercial Bank**
 - Ethics of the 4th industrial revolution
 - Taxation
 - Global partnerships
- **BUSA**
 - Encouraging continuous engagement of industry, academia, research institutions and organised labour on the 4th industrial revolution
 - Creation of an agile skills development system

The following 14 key work streams areas were identified:

1. Mapping and monitoring capability of the 4th Industrial Revolution in SA
2. Need to monitor the impact and opportunities for the industries
3. E-government - delivery of services, cooperative governance, democracy, participation and accountability
4. Range of private and public services e.g. health, education
5. Issues of spatial dimensions e.g. urban planning and impact on transport systems
6. Infrastructure e.g., ICT, energy
7. Skills e.g. coding, new careers, how we learn with new technologies
8. Investment e.g., increasing Research and Development funding, Science and Technology capability, industrial funding for commercialisation
9. Jobs e.g. social policy, wages, participation in the economy
10. SMMEs and entrepreneurship - large and small businesses

11. Smart regulation e.g., information ethics, big data, perhaps a Competition Conference on Competition in the digital age, financial innovation
12. African strategy
13. Global partnership – engaging global players, harnessing domestic capital
14. Communication e.g. inclusion

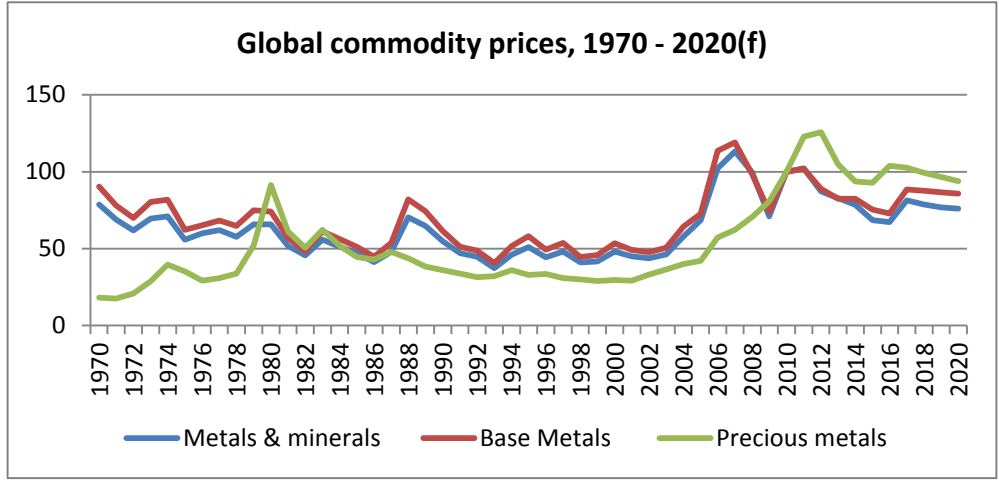
Planned activities:

- Establishing a Digital Economy Commission
- Develop a National Strategy on the 4th Industrial Revolution framed from the work streams

Number of reports on NGP jobs drivers and coordination structures

Research on mine rehabilitation

- More mines have shut down their operations in South Africa due to, among others, the subdued global demand

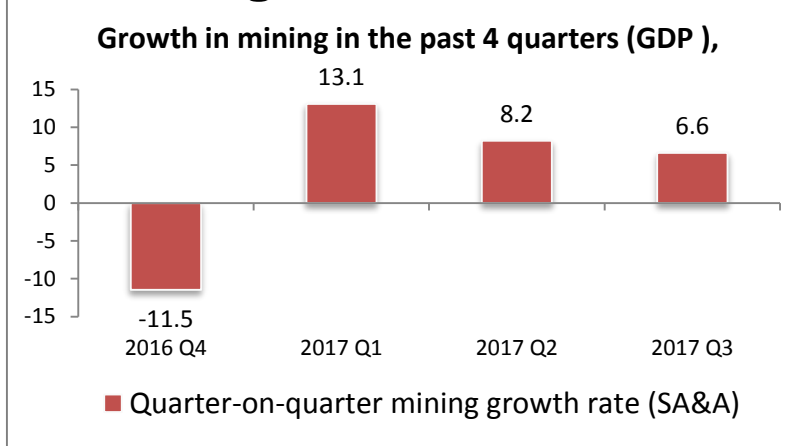


Year	Mining share of GDP	Mining share of jobs
1970	18%	29%
1994	16%	24%
2016	7%	3%

- This, amongst other challenges, has thrown the spotlight on the need for **mine rehabilitation – the process of restoring mined land back to its natural or predetermined state or to a land-use that conforms to sustainable development**
- Government has promulgated tighter regulations to prevent the problem of abandoned mining operations which reduces socio-economic opportunities in mining communities and has a negative impact on the environment

Number of reports on NGP jobs drivers and coordination structures

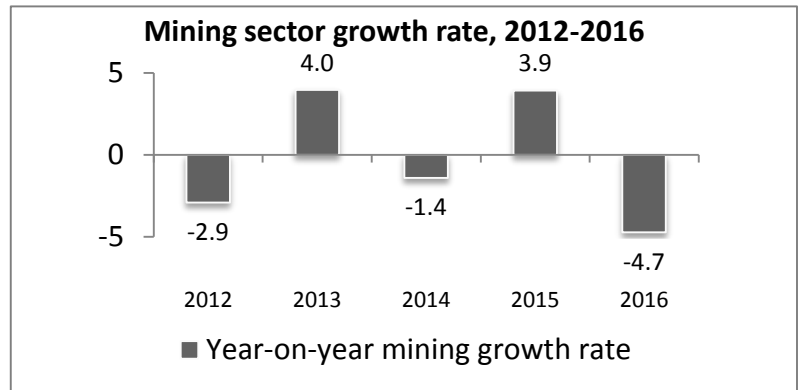
SA Mining contribution to GDP and employment



Employment

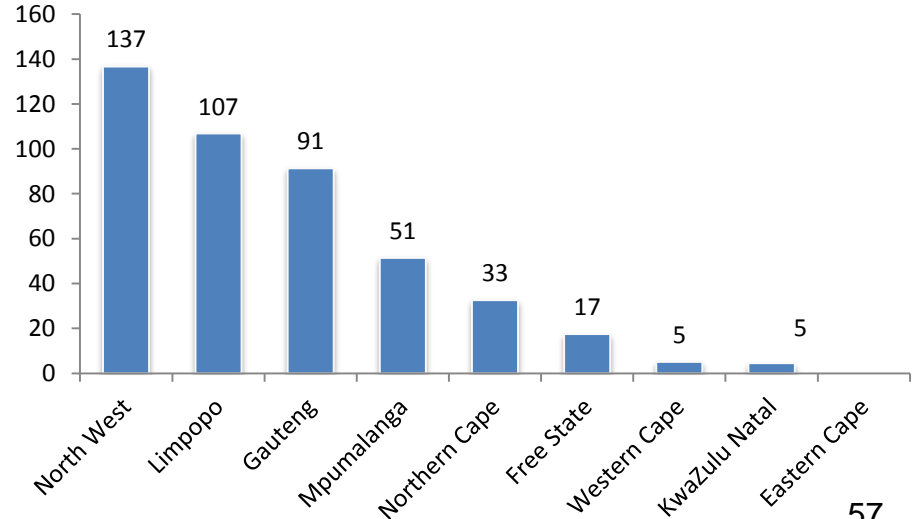
- Mining has contributed between 2% and 3% of SA's employment over the past decade
- In Q3 2017, mining contributed 2.8% to employment
- Year-on-year, the sector added 8 000 jobs but it lost 12 000 jobs quarter-on-quarter due to job losses in gold and platinum
- 88% of mining jobs are occupied by men
- 34% of those employed in mining are below the age of 35

Growth (%) in mining value add recovered in 2017, although at a decreasing rate



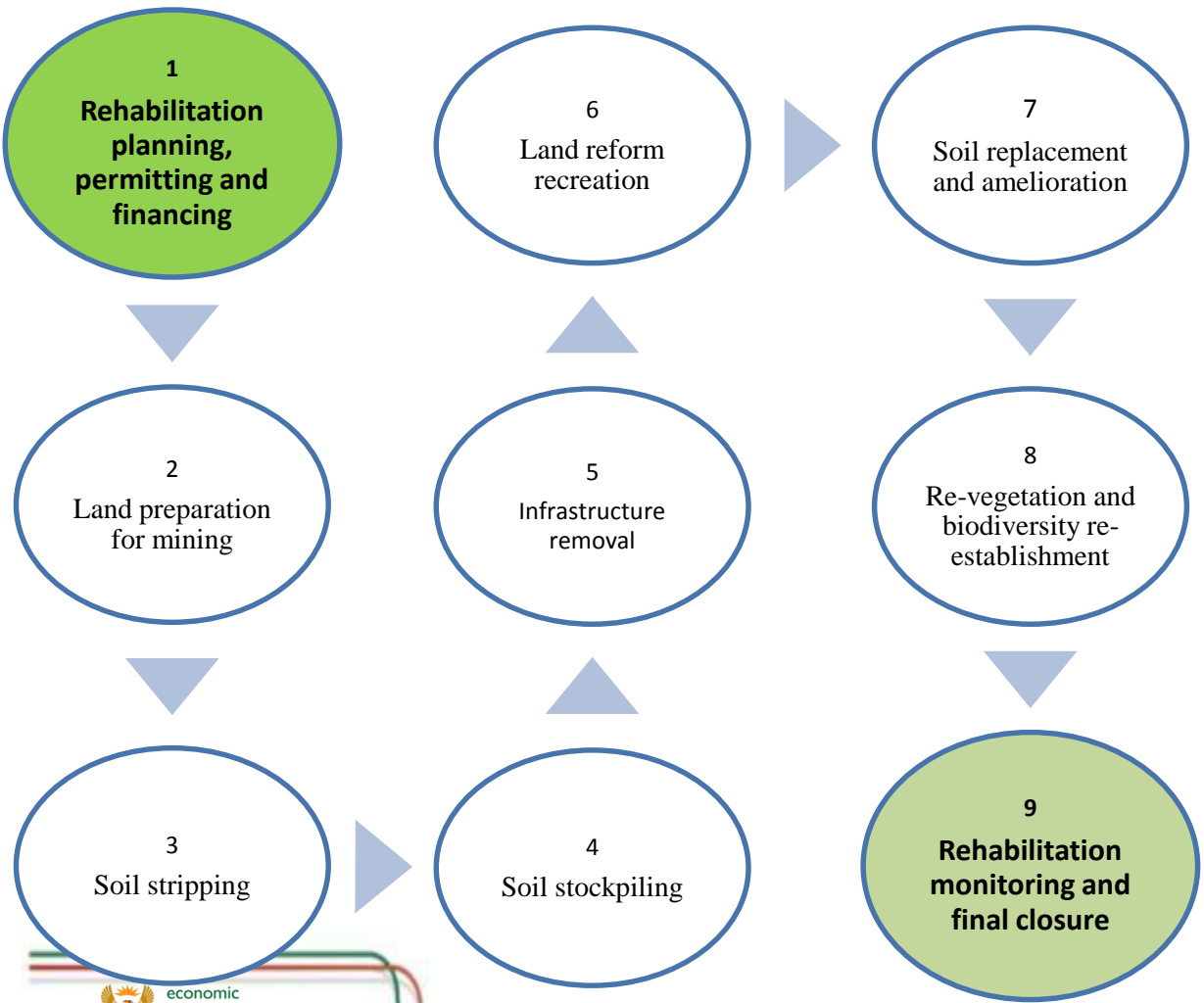
This followed 5 volatile years in which the sector declined in 3 of the years

Mining employment by province, '000, Q3 2017



Number of reports on NGP jobs drivers and coordination structures

Mining rehabilitation process



Care & maintenance is usually planned for 2—3 years after production ends and covers:

- Annual fertilising of rehabilitated areas;
- Monitoring of surface & subsurface water quality;
- Control of wattle and all other alien plants;
- General maintenance, including rehabilitation

Source: DMR

Mining properties in SA

Closed or inactive mines

- Rehabilitation costs for closed or inactive mines lie solely with the mine owners
- The NEMA legislation is retrospective so mining companies are liable for any environmental degradation caused even for mines closed before NEMA came into effect (1999)
- The SNL database records a total of **72 closed mines** in South Africa
- While exploration and/or production has stopped, the mining right holders are liable for any costs associated with the mines
- 66 of these mines are inactive - operations have stopped and there is no rehabilitation or care and maintenance.

Abandoned or derelict mines

- A mine is be classified as abandoned or derelict if no closure certificate has been issued and no party can be traced to be held liable for environmental costs
- DMR reported a total of 5 976 derelict mines in February 2017
- Estimated R2 billion to rehabilitate 245 former Asbestos mining site and R45.9 billion estimated for closure cost of other derelict mines
- The mine rehabilitation unit within the DMR rehabilitates an average of 10 historically abandoned mines per year
- R27.5m was spent in 2016/17, 189 jobs created on rehabilitation

Economic opportunities associated with mine rehabilitation

1. Rehabilitation of abandoned mines for socio-economic development

- The burden on the State to rehabilitate historically abandoned mines is significant
- Serious human impact e.g. in the Johannesburg area, at least 15% of the population live in informal settlements around abandoned mine dumps
- Thousands of mines remain abandoned; DMR rehabilitates 10 abandoned mines per year on average, with the aim of increasing this to 50
- This presents an opportunity for job-creation & other socio-economic opportunities in the public interest that can be realised through collaboration between the DMR, local municipalities and affected communities

Case 1: Rehabilitation of pit lakes

- Pit lakes form when an excavated mining pit fills up with water
- Rehabilitation of pit lakes has a range of beneficial uses – they can be used for conservation, aquaculture, irrigation and recreation
- A prime example of pit lake rehabilitation in SA is the Big Hole in Kimberly
- Digging at the Kimberly mine ended in 1914 and what remained was a 214 meter deep crater
- In 2002, De Beers invested R50 million into developing the Big Hole into a world-class tourist attraction
- Of the R50 million approximately 48% was spent with BEE companies and 61% was spent locally
- 400 jobs were created during construction and additional permanent jobs were created upon completion
- 13 new local small businesses were also established

Economic opportunities associated with mine rehabilitation

2. Agromining

- Agromining involves using plants to absorb valuable metals from soils and then harvesting, drying and incinerating the biomass to provide metal ore
- Gained traction in Australia where selected species are being planted in closed nickel mines to absorb the remaining nickel in the soil
- In order to build a case for agro-mining in SA, more work needs to be done

Economic opportunities associated with mine rehabilitation

3. Rehabilitation for agriculture

- Commercial farming on rehabilitated mine land is a new industry with potential to have a positive socio-economic impact
- Rehabilitated mine land could be used to produce a viable crop or pastures for livestock
- This would assist in creating employment, promoting food security and developing skills
- It needs a detailed and technical understanding of site-specific issues to scientifically determine whether the land is suitable for farming purposes and which crops would be viable
- Rehabilitation for agriculture also requires access to a market for agricultural produce

Case 2: Australia and Canada

- Australia and Canada have had success in implementing agricultural projects on rehabilitated mine land.

Case 3: Anglo American's Kriel Colliery

- In South Africa, a successful project ran at Anglo American's Kriel Colliery in Mpumalanga which commenced in 2014. After a successful trial harvest of a maize crop, soya beans were planted and sold via traditional commercial channels
- The current rehabilitation footprint for maize and soya has increased from 400ha to 600ha
- Other projects also underway to utilize resources like mine water, aquaculture, etc.

Economic opportunities associated with mine rehabilitation (cont.)

4. Brick production using mining waste

- Extensive research has gone into exploring the possibility of producing bricks using waste materials, including mining waste
- The brickmaking process has involved the use of waste and tailings such as gold, copper and nickel
- A laboratory-scale study conducted on the Wits gold mine tailings found that the chemical composition of the Wits gold waste and tailing was similar to that of clay used in brickmaking
- This process ensures savings on disposal and landfill costs and lessening environmental damage
- Conventional bricks are made of clay which is usually mined in quarries through energy-intensive quarrying operations - adverse effect on landscape and generates high levels of waste
- Making use of tailings conserves natural resources by making use of less water and energy
- Cost-analysis suggests that conventional bricks are more commercially viable than tailings bricks however, environmental benefits could outweigh the economic considerations.

Case 4: Mpumalanga Youth Group

- EDD intends intensifying its work with a youth group in Mpumalanga that is using fly ash for making bricks, paving and ceiling. They are at an advanced stage and have already partnered with a foreign manufacturing company for the introduction of products in the market using imported material, while they are working on establishing their own factory. The partner firm has offered to accommodate the youth for training, and would assist in the setting up of the factory in the country. An MOUs with mining companies owning fly ash mining dumps has been signed. DEA is finalising the delisting of fly ash as hazardous material to allow for its use.

Agriculture and agro-processing value chain

EDD's additional work on the agriculture and agro-processing value chain examines:

- Impact of the drought on employment
- Work on the pulse value chain

Please see the slides that elaborate on these projects below...

1. DROUGHT: BACKGROUND

Background

- 2015 saw the lowest national annual rainfall in South Africa since 1904.
- Drought was reported in all nine provinces.
- The El Niño effect has been associated with previous drought periods in Southern Africa

Effects of the drought:

Primary

Losses of agricultural jobs, a decrease in agriculture's contribution to the economy, higher food price inflation, and increased imports of some foodstuffs

Secondary

Higher indebtedness and vulnerability of the agriculture sector, the closure of some farms, and shifts to other crops.

Number of reports on NGP jobs drivers and coordination structures

Agricultural Production (Constant 2010 Rand Billion)



Number of reports on NGP jobs drivers and coordination structures

- In total there were 8 consecutive quarters of contraction, before recovery began in the first quarter of 2017. Real value add for agriculture was a sizeable 6.1% less in 2015 than in 2014.
- The subsequent recovery has gained momentum, with annualised growth of 26%, 37%, 41% and 38% in the four quarters of 2017 respectively, and total agricultural growth in 2017 of 18%
- The third calendar quarter exceeded the pre-drought peaks of the last quarter of 2014 for the first time, and the last calendar quarter of 2017 was the highest ever recorded value add for agriculture
- In 2016, Free State, the North West and the Eastern Cape have had the severest agricultural contractions
- Provinces like Gauteng, Mpumalanga, Limpopo and the Western Cape appear to have seen moderate contraction in 2015 followed by more severe contraction in 2016

Provincial Real Agricultural Value Add

	2015	2016
Western Cape	-2.2	-7.2
Eastern Cape	-6.5	-16.5
Northern Cape	0.9	-7.1
Free State	-25.0	-19.8
KwaZulu-Natal	-7.7	-10.8
North West	-17.4	-16.7
Gauteng	-0.1	-7.5
Mpumalanga	-0.2	-7.3
Limpopo	0.5	-8.2

Agricultural Employment

National

- At the beginning of 2015, agricultural jobs totalled **891 000**
- Jobs remained fairly constant in the course of 2015, with job losses only occurring in 2016 and in 2017
- In Q3 of FY 2017, total agricultural jobs were at **849 000**, 5% less than at the height of the drought in Q2 of FY 2015.

Provincial

If we compare agricultural jobs at the beginning of 2015 with jobs at the end of 2017, we find that some provinces have recovered and others not

KZN, Western Cape and North West still have more than 10% less jobs now, whilst Northern Cape, Mpumalanga and Eastern Cape have seen strong % growth

Total % Change in Agriculture Jobs by Province

KwaZulu-Natal	-31
Western Cape	-24
North West	-12
Free State	-5
Gauteng	0
Limpopo	8
Eastern Cape	31
Mpumalanga	34
Northern Cape	44

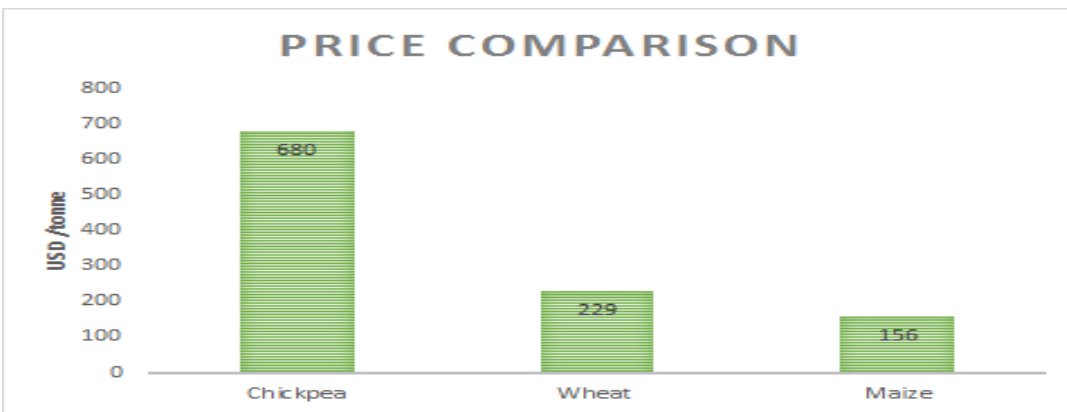
2. Pulse Value Chain: Background

- Pulses are ideal crops for achieving improvements in nutrition and health conditions, and reducing poverty through higher food security.
- Many African countries produce varieties of pulses that are in high demand. Pulses like mung beans, chickpeas, and kidney beans are exported to India from Ethiopia, Tanzania, Kenya, Malawi, Mozambique, Uganda and Sudan.
- Currently there is hardly any commercial production of pulses in South Africa except for dry beans.
- EDD's work in the pulse value chain has:
 - Facilitated access to 3 market opportunities for 3 small mung bean producers, resulting in 1 trade agreement and 2 letters of intent
 - Facilitated access to a market opportunity for chickpea producers in Limpopo (see details on next page)

Number of reports on NGP jobs drivers and coordination structures

Trade and Production Overview of Chickpea- 2016

- The world imported/exported 2 – 2.5m tons of chickpeas:
 - India is a biggest importer (~800,000 tons)
 - Australia is the biggest exporter (~1.3m tons)
- SA importing an average of **2000 tons** of chickpea a year
- SA exported 75 tons of chickpea.
- Chickpea is grown as hedge plant in parts of provinces such as Mpumalanga and Limpopo



Source: TradeMap; FAO

EDD Intervention in Chickpea: Case Study

- University of Venda has been doing research on chickpeas
- It asked EDD to provide an input at a farmers' day event to help stimulate the sector
- As part of the department's work on unblocking market access opportunities for smallholder farmers, EDD engaged AGT Food Africa.
- EDD then convened a chickpea stakeholder and roadmap workshop to
 - Inform farmers and academics that AGT food Africa guarantees a market for the chickpeas
 - The University could start its pilot programme with selected interested farmers, planting on their own farms
 - Parties would need to discuss and agree on the process going forward

Number of reports on support provided to provinces

Reports on support to provinces this quarter:

Province	APP	Met officials	Forum	Roadshow
Gauteng	2 nd draft APP for the Department & GEDA	Yes	National LED Conference in Centurion Youth forum	IDC/SEFA at Women in Manufacturing Conference
Eastern Cape	2 nd draft APP for the Department		Conference in Alexandria, Ndlambe Local Municipality - Sarah Baartman District	IDC/SEFA at the Ndlambe event
Western Cape	2 nd draft APP for the Department	Yes	Atlantis meeting with the youth	IDC/SEFA at Minister's Atlantis meeting
North West	2 nd draft APP for the Department	Yes	North West Villages, Township and Small Dorpies Conference Economic Forum	SEFA Road show
Northern Cape	2 nd draft APP for the Department & GEDA	Yes	Frances Baard District Economic Symposium	SEFA Road show

Number of reports on support provided to provinces

Reports on support to the following provinces (cont.):

Gauteng

- Assessment of the Gauteng Department of Economic Development APP alignment to the MTSF
- EDD met with provincial officials and held discussions on how to support the province in its work during in the year ahead
- National Local Economic Development Conference was held in November 2017

Eastern Cape

- Alignment of APP with MTSF for Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)
- Strategic planning session was held in October 2017
- Conference on empowering communities of Sarah Baartman District Municipality

Number of reports on support provided to provinces

Conference on empowering communities of Sarah Baartman District Municipality

- EDD in collaboration with Ndlambe Local Municipality, convened a conference to identify economic opportunities and challenges in Ndlambe Local Municipality
- Before the Conference, EDD visited chicory, beef and dairy producers as part of stakeholder engagements to assess their needs and challenges
- Chicory was identified as a key driver of growth for the local economy and stakeholders needed increased access to markets

200 Participants including:

- EDD
- Ndlambe Local Municipality
- Eastern Cape Department of Economic Development, Environment Affairs and Tourism
- Rural Development & Land Reform Department
- Eastern Cape Regional IDC
- SEDA
- sefa
- Emerging farmers
- Eastern Cape Development Agency
- Department of Cooperative Governance
- Business
- Chicory SA Ltd
- the dti
- Umtiza FarmersCo-op
- SMMEs

Number of reports on support provided to provinces

Way forward on Sarah Baartman Conference

Participants asked for some time to consolidate their local collaboration and develop their Local Economic Development Plan

They would identify opportunities for which there is local capacity and those that might require interventions of other spheres and external investors.

They asked the Provincial COGTA LED team to assist them in this process

The Deputy Minister stressed the need to:

- Map out agriculture value chain and develop the chicory industry
- Craft a plan to integrate commercial and emerging farmers to leverage on each other's resources
- Support other economic sectors within the agriculture value chain
- Revitalise and transform the trade sector to reflect the demographics of Ndlambe and adequately meet the needs of residents

Number of reports on support provided to provinces

Western Cape

- EDD provided support in alignment of APP of the Western Cape Department of Economic Development and Tourism (DEDAT) with the NDP, NGP, IPAP, APAP and MTSF outcome 4, 5 and 6
- Minister of Economic Development hosted a Youth Development and Career Expo in Atlantis in September 2017:
 - This was a follow up of a meeting in June 2017
 - Exhibitors – 12 learning institutions (Universities, FET colleges); SETAs, Small Business Development Agencies, NGOs, Organised labour
 - Purpose of Expo was to expose youth to the following opportunities:
 - Career guidance
 - Institutions of Higher Learning and bursary schemes available
 - Skills development and training
 - Entrepreneurship and small business development
 - Preparation for entering labour market including CV writing, vacancies searching and job interview preparation

Number of reports on support provided to provinces

North West

- EDD provided support on the alignment of APP of North West Department of Finance, Economy and Enterprise Development (FEED) with MTSF and Quarterly Assessment
- EDD participated in the North West Villages, Township and Small Dorpies Conference Economic Forum
 - Objective was to engage private sector, government, non-government institutions, academic and experts in different fields by committing to a programme of improving the economic state of villages, townships and small dorpies
- EDD participated at the North West Economic Forum on 29th to 30th of November 2017 in Mahikeng, and presented and facilitated the session - Township Development.
- Key resolutions impacting on EDD are:
 - Support the North West Province and municipalities in the development of the policy framework in resolving the challenges of red tape.
 - Facilitate a mapping and profiling exercise of township enterprises in a particular township
 - Facilitate tourism initiatives – a case study of a film festival was adopted
 - Support the district and local municipalities review or develop LED strategies.

Number of reports on support provided to provinces

Northern Cape

- EDD provided support on the alignment of APP of Northern Cape Department of Economic Development and Tourism with MTSF and Quarterly Assessment
- EDD supported Northern Cape implementation of Northern Cape Coastal and Marine Tourism Strategy
- EDD participated in the Frances Baard District Economic Symposium
 - Objectives were to consult on the economic policies and key government priorities in order to inform the municipality planning process
 - Gather input towards the implementation of the Provincial Nine Point Plan and the development of the Provincial Blue Print on Trade and Investment
- SEFA Road shows

Programme 2: Growth Path and Social Dialogue

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

Key Performance Indicators

- 5. The green economy and jobs
- 6. Employment and entrepreneurship for black women and youth
- 8. Social dialogue interventions to save and create jobs & reports on implementation of social accords

Number of reports on black women and youth with access to employment and entrepreneurship opportunities

Report on youth entrepreneurship

- EDD hosted a session with youth entrepreneurs in Mangaung on the 14th November 2017, led by the Deputy Minister
- The aims were to:
 - Let youth entrepreneurs raise their business needs and concerns and engage with the relevant departments and funding agencies
 - Disseminate information on support services available to youth entrepreneurs
 - Provide network opportunities for youth entrepreneurs
 - Provide youth businesses with a space to exhibit their business products and services

The Deputy Minister noted the importance of improving access to market for youth entrepreneurs, the need for sharing information, and the need for effective partnerships

Key partner stakeholders

- Mangaung Metropolitan Municipality
- Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA)
- Youth Chamber of Commerce and Industry South Africa (YCCISA-FS)

Some of key speakers and participants

- Deputy Minister of EDD
- Executive Mayor of Mangaung
- MEC of Economic Development
- National Development Agency
- National Youth Development Agency
- Small Enterprise Finance Agency
- 15 youth-owned businesses

Report on implementation of Social Accords - October 2012 Social Accord

- The October 2012 Social Accord established processes to address socio-economic challenges and social unrest in the mining towns
- Signing of the Social Accord with Government, Business and Labour – Special Presidential Package led to the following commitments:
 - Part 1: Restoring confidence in labour market institutions, addressing income inequalities and building social cohesion.
 - Part 2: Action to combat violence and lawlessness.
 - Part 3: Addressing socio-economic challenges.
- In Q3, EDD facilitated a workshop to address socio-economic challenges

Number of reports on social dialogue interventions

SMME Workshop

- Medupi Leadership Initiative (MLI) requested EDD to organise and facilitate a two days workshop on SMME development and support
- Workshop was held in October 2017 in Lephalale
- Lephalale located in Limpopo, is one of the identified distressed mining communities
- Objective was:
 - to provide participating enterprises with information and exposure to a range of products and services and;
 - how to apply for their enterprise development-related support offerings
- Workshop highlighted the following issues:
 - Need for more support from the local municipality
 - Financial assistance from NYDA
- Outcome:
SMMEs got assistance with registration and funding process

Attendees

- EDD
- Lephalale Local Municipality
- Eskom
- Medupi Leadership Initiative
- Limpopo Economic Development Agency
- SEDA
- National Youth Development Agency
- Sefa
- SARS
- Productivity SA
- Department of Small Business Development
- The Land Bank
- Commercial Banks
- HITACHI
- Lephalale TVET
- Over 71 SMMEs

Programme 3: Investment, Competition & Trade

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

Key Performance Indicator

9. Quarterly Cabinet-level progress reports of infrastructure SIPs
10. Infrastructure projects evaluated, unblocked, fast tracked or facilitated
11. Cabinet and PICC strategic decisions on infrastructure implemented
12. PICC meetings held and facilitated
13. Coordination actions to drive implementation of SIP 5 of the National Infrastructure Plan
14. Initiatives to increase localisation in the infrastructure and industrialisation programmes

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

Work Completed: Cabinet Level Reports

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

Note: Implementation of the projects and **operational responsibility** remains with the **relevant line Departments**. It is **however** necessary to deepen efforts of integration and to improve involvement by Executive Authorities in some SIPs

Infrastructure projects evaluated, unblocked, fast tracked or facilitated

The following infrastructure projects were evaluated, unblocked, fast tracked or facilitated:

1. WULA on Berg Project
2. Borehole in the Eastern Cape

Infrastructure projects evaluated, unblocked, fast tracked or facilitated

WULA

- Saldanha Bay Municipality was unable to meet increasing demand for water.
- It had a growing population and was industrialising. The Saldanha Bay Industrial Development Zone would place additional demands on the municipality for water.
- The Municipality considered various options and decided to increase its off take of water from the Berg River.
- The West Coast District Municipality applied to the Department of Water and Sanitation (DWS) for a Water Use License (WULA) and requested the PICC to assist in fast tracking it in July 2016
- PICC initially helped by ensuring outstanding information required by DWS was submitted
- PICC then liaised with the department, province and municipality as needed
- The WULA was approved on 23 October 2017

Impact: Additional infrastructure and services provided by municipality to promote social and economic development

Number of PICC meetings held and facilitated

Work completed: PICC meetings held and facilitated

- During the quarter, EDD provided technical, secretariat and coordinating support for the hosting of PICC structures
- PICC held a number of meetings, supported by the EDD:
 - PICC Council [14 November 2017]
 - PICC Secretariat [24 October 2017]:
 - SIP Coordinators Forum [20 October, 4 December 2017]
 - PICC Manco [9 October, 7 November 2017]
 - PICC Presentation to Parliament – Economic Cluster Committees [10 October 2017]
 - Tirisano Construction Fund – Trustees Meeting [18 October 2017]
 - PICC Secretariat and SAICE - [10 November 2017]
 - Briefing of Presidency – [7 November 2017]
 - Technical Unit engagement – [9 October and 8-9 November 2017]

Infrastructure projects unblocked/Increase of localisation in infrastructure and industrialisation programmes.

Building local steel capacity - CISCO

- CISCO, a steel factory in Cape Town, employs more than 100 people. It plans to employ 500 and will be able to do so if they have scrap to melt.
- CISCO contacted EDD for help to purchase scrap metal at PPS (Preferential Pricing System) pricing because it costs less than the export price for scrap. It stated that ITAC would not allow them to do so.
- EDD interacted with ITAC to understand the challenge, and then advised CISCO on what actions to take.
- The result was that CISCO addressed the challenges, ITAC visited the plant and issued the company with approval for CISCO to purchase scrap metal at PPS prices. Outcome: substantial industrial infrastructure project was unblocked and commenced operations

Programme 3: Investment, Competition & Trade

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

Key Performance Indicators

15. Investment initiatives facilitated, fast tracked and /or unblocked
16. Funding allocations for township enterprises
17. Level and impact of industrial finance by DFIs and departments
18. Oversight engagements with the IDC
19. Economic development opportunities identified through infrastructure projects

Action minute on PP Excel

- PP Excel was a new plant being set up in Blackheath, Cape Town. Equipment was being delivered from Europe and the company wanted to start production.
- However, they were not able to get the electricity connection from Eskom in time for the arrival of the equipment. This was delaying the delivery of the equipment.
- The IDC contacted EDD for assistance.
- EDD contacted Eskom and engaged on a few occasions – following up on discussions.
- The result was that the electricity connection was installed and the plant started production.

October 2017:

- 148 people employed
- R5 million turnover - all for the export market
- 270 tons polypropylene for export
- 1.65 million bags sold

Action minute on Telecom Southern Networking (Pty) Ltd

- The company designed a light to use in the mining sector. However it was not able to produce and sell it because it could not get approval from the regulator
- They approached EDD for assistance
- EDD engaged the dti which has oversight over the National Regulator for Compulsory Specifications (NRCS).
- EDD facilitated the setting up of meetings between the NRCS and the company
- After the meetings between the company and the NRCS took place, the NRCS was able to provide a Letter of Authority
- The company was able to execute its order – using about 95% local content including wire, casings and mounts to assemble the lights

Report on increase in industrial finance available from DFIs and its impact on job creation

EDD evaluated and submitted a report on the Clothing and Textile Competiveness Programmes (CTCP) - an initiative of the dti, administered by the IDC

Key findings of 148 respondents representing 29% of companies funded:

Average growth between 2011 and 2016:

- 61% Value Add
- 17% Employment
- 24% Production

Also improved:

- Customer return rates from 3.6% to 2.2%
- On-time and full-delivery to customers from 88.1% to 94.4%
- Lost production time due to change over from 82 to 72 days

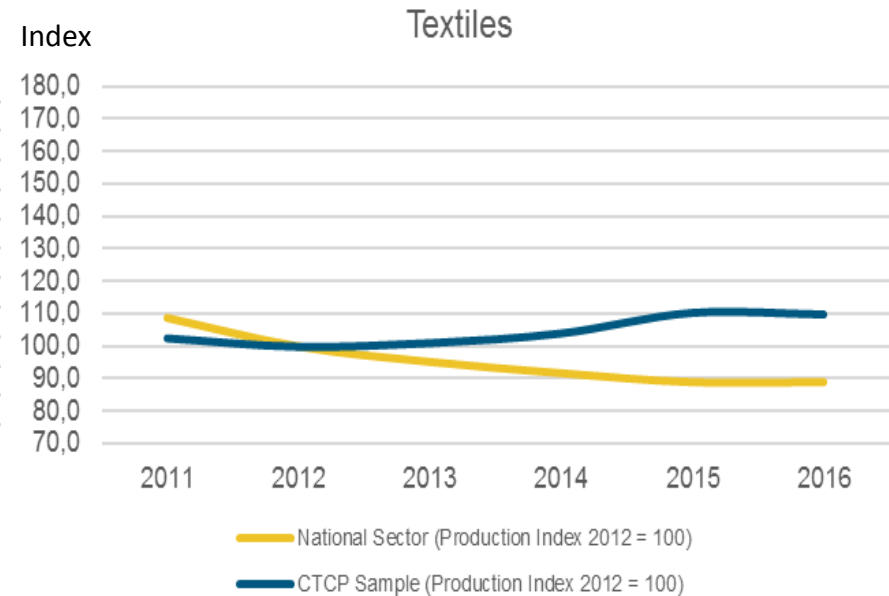
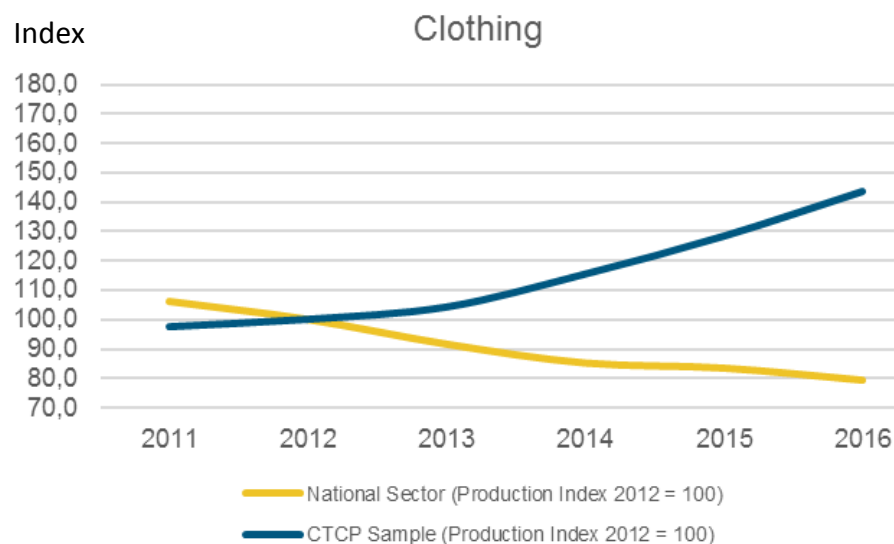
Clothing and Textile Competiveness Programme (CTCP) consists of:

- **Production Incentive Programme (PIP)** for individual companies
- **Competitiveness Improvement Programme (CIP)** for a Cluster of companies

Report on increase in industrial finance available from DFIs and its impact on job creation

EDD evaluated and submitted a report on the Clothing and Textile Competitiveness Programmes (CTCP) - an initiative of the dti, administered by the IDC

The companies receiving funding outperformed the sector:



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

During the quarter, strategic engagements took place between the Minister and the IDC on areas including:

- Governance and reviews of IDC actions i.r.t Oakbay Resources investment and auditors of IDC
- Jobs performance of IDC investments
- Impact on industrialisation and inclusive growth
- Approval for disposal of a publicly listed company's shares in terms of Section 54(2)(c) of the PFMA.

In addition, the Minister addressed staff of the Corporation to provide them with a broader context within which the IDC conducts its work and to give feedback from engagements with businesses and wider communities on the performance of the IDC.

Programme 3: Investment, Competition & Trade

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

Key Performance Indicators

20. Strengthening of economic regulators across the state
21. Initiatives on mergers and acquisitions, market inquiries or abuse of dominance
22. Ensuring trade authorities and policies support industrialisation and employment
23. Oversight engagements with trade and competition authorities

Strategic initiatives to enhance capacity, performance and outcomes of economic regulators held

EDD intervened to enhance the capacity of ERBs through:

- Amendments to the Competition Act to strengthen the capacity and performance of the Competition Authorities* (See focus)
- Gazetted amendments to the method of calculation to be used by the Competition Authorities in relation to:
 - Valuation of assets
 - Calculation of annual turnover
 - Combined valuation of firms
 - Form of financial statements to be used in the calculations
- Meeting's between the Ministry and Competition Commission to strengthen capacity and address resource constraints.

* Note that the amendments are mentioned under both KPI 20 and KPI 21 – but are only claimed once as a product

Mergers & acquisitions, market inquiries or abuse of dominance

- EDD gazetted the Competition Amendment Bill*. (See Focus 5)
- EDD also intervened in mergers and assessed compliance with conditions in mergers.
- EDD's compliance report covered:
 1. Massmart and Walmart Supplier Development Fund
 2. AgriFund
 3. Clicks/ Netcare Merger
- EDD's report on its interventions in mergers included:
 1. DENEb Investments Limited and New Just Fun Group (Pty) Ltd
 2. Isuzu Motors (SA) (Pty) Ltd/ General Motors (SA) (Pty) Ltd
 3. Dimension Data Holdings Plc and Hatch Investments (Mauritius) Ltd

* Note that the amendments are mentioned under both KPI 20 and KPI 21 – but are only claimed once as a product

Compliance with AFGRI merger conditions

Background

- In March 2014 the Competition Tribunal approved the merger between Agrigroupe Holdings and Afgri with the following conditions:
 - R90 million over four years to benefit emerging farmers
 - R60 million for farmer development
 - R30 million for other projects targeted at community and rural development
 - 40% discount on storage rates for grain stored in AFGRI's storage facilities for emerging farmers
 - R125 million made available by the Land Bank to AFGRI for on-lending to emerging farmers
 - No retrenchments as a result of the transaction
 - No change of head office address.

Mergers & acquisitions, market inquiries or abuse of dominance

EDD sits on AFGRI Advisory Board that meets bi-annually to assess progress in implementation against commitments. The last meeting was 7 November 2017.

Activity against commitment

Description	March 2015	March 2016	March 2017	Cumulative to March 2017*
Expenditure against R60m on farmer development	R11m	R18m	R16m	R44m
Expenditure against R30m on other projects	R5,5m	R5m	R10m	R21m
Loan facilities	R18m	R19m	R52m	R90m
Storage discounts	R42.0K	R27.7K	R29.5K	R99.2K
Head Office	Same address maintained			
Retrenchments	None as a result of the transaction			

* Figures may not add up because of rounding

Mergers & acquisitions, market inquiries or abuse of dominance

Implementation accelerated after the first year. Parties to ramp up in the 4th year of implementation to deliver on targets.

Target vs percentage total spend over 4 year period

	Target percentage of total	Actual spend percentage of total
Expenditure against R60m on farmer development	75%	73%
Expenditure against R30m on other projects	75%	70%
Loan facilities	75%	72%
Storage discounts	-	-
Head Office	Same address maintained	Same address maintained
Retrenchments	None as a result of the transaction	None as a result of the transaction

Mergers & acquisitions, market inquiries or abuse of dominance

AFGRI conditions - Impact over the First Three Years

- **Afgri has trained 179 medium to large emerging farmers in areas such as farm business management, financial management and livestock and crop farming**
- **A total of 324 micro-farmers have been trained in farm practices**
- **The storage discount has amounted to R 100 000 logistics support to emerging farmers, and in 2016/17 the discount was extended to 14 larger farmers, a benefit valued at another R 200 000**
- **Community / rural development projects have included:**
 - **23 education projects that have benefitted 7 443 learners**
 - **21 food and water security projects that have benefitted 8 476 community members**
 - **6 poverty alleviation projects that have benefitted 1 094 community members**

Initiatives on mergers & acquisitions, market inquiries or abuse of dominance

Report on Massmart and Walmart Development Fund (SDF)

The Minister attended the SDP Showcase Event held on 23 October 2017 to support the work of the SDF

Products that resulted in import replacement:

- ITC ladder (aluminium inputs locally produced)
- Active factory (toilet seats previously imported from India)
- Noodle Factory (initially had 25 employees and had 25 000 ton capacity, now has 170 employees and capacity of 175 000 tons)
- Pearl Coral (pots for pot plans)

Export penetration:

- Aerobotanics Ethnic Hair care products
- Umlilo Charcoal

R200 m fund value

R134m disbursed since 2012

27 active beneficiaries

8 women owned business

14 black owned businesses

6 projects under development

R291m worth of products supplied to Massmart to date

Initiatives on mergers & acquisitions, market inquiries or abuse of dominance

Analysis - SDF

- Administration costs were regarded as too high. After an engagement, the company agreed to lower them
- 1755 jobs have been supported including 682 in clothing & textiles and 320 in bricks

	Disbursement/Jobs (unit values)	Disbursements in Rands	Number of jobs
Clothing & textiles	5 164	3 521 839	682
Processed food	34 904	9 040 161	259
Bricks	52 585	16 827 180	320
Building materials	68 762	17 809 295	259
Furniture	107 721	25 314 529	235

Initiatives on mergers & acquisitions, market inquiries or abuse of dominance

Report on Clicks / Netcare merger

Conditions:

- No retrenchment
- Clicks retailers to employ 65 – 90 additional people
- Retain or improve procurement of products from SA
- Continue to supply from SA, the majority of products which are sold in Clicks Groups outlets in Botswana, Lesotho, Namibia, Swaziland
- Provide up to 100 learnerships and 80 – 100 bursaries over 5 years

Report:

- No retrenchment
- Clicks employed 155 additional workers
- In 2017 87 bursaries offered for pharmacy students, 64 internships opportunities to graduating students
- 96% what Clicks purchased was through local agents – many products in the sector are imported; 95% of Clicks stores' purchases in the BLS countries were supplied from Clicks South Africa

Mergers & acquisitions, market inquiries or abuse of dominance

DENEB Investments/ New Just Fun Group

- DENEb is a public company owned by Hosken - which is invested in a range of industries
- Just Fun imports & distributes toys
- 29 employees would be redundant if Hosken acquired Just Toys, as both firms are in the toy market
- The Minister notified his intention to participate and raised public interest concerns
- The Tribunal set the following conditions:
 - The merged entity offer employment to employees who would lose employment as a result of the merger
 - If any employee was unable to take up the offer because of relocation, he or she would get a re-skilling allowance

Isuzu Motors SA/ General Motors SA

- Isuzu Motors SA intended acquiring ownership of a part of General Motor's business in SA
- While there was no competition concern the Minister wanted to ensure there would be no job loss as a result of the merger
- The Minister raised the public interest concern
- The Competition Commission imposed public interest conditions to its approval of the merger, while there were no competition concerns:
 - 927 General Motor employees be transferred to the acquiring firm

Number of initiatives to ensure trade authority support for industrialisation and employment

- Engagement with ITAC leadership (new Commissioner and Deputy Commissioner) on the strategic goals for ITAC to improve industrialisation and employment through (i) efficient application of trade policy, (ii) reciprocity commitments from applicants for trade relief to enhance long-term competitiveness and (iii) better analytical capacity in the institution (14 December 2017)

Records of engagement:

- Ministerial oversight engagement
 - Process leading to appointment of Mr Meluleki Nzimande as Chief Commissioner of ITAC and Mr Dumisani Mbambo as Deputy Chief Commissioner of ITAC
 - Reappointment of part-time Competition Tribunal members: Prof Imraan Valodia and Mr Anton Roskam

- Record of EDD's quarterly meeting with the ERBs
 - 2nd quarter reports of the ERBs evaluated by EDD
 - Quarterly meeting held with ERBs on 21 November 2017

REPORT ON HUMAN RESOURCES

Analysis of Human Resources Available

	Qtr3
Number of funded posts in EDD**	124
Number of posts filled**	117
Number of posts unfilled for which funds are available	7
Vacancy rate based on available funds in EDD	5,6%
Resources contracted through an MOU – Wits	3
Resources working for PICC Technical Unit from IDC	10
Total resources available to the Department	130

** Includes Acting DG and Special Advisor

Gender Equity

The Department has exceeded the target of 50% in the filled and funded posts overall.

SMS	Male	Female	Total
Headcount	18	17	35
Percentage	51%	49%	100%

Non-SMS	Male	Female	Total
Headcount	29	53	82
Percentage	35%	65%	100%

EDD	Male	Female	Total
Headcount	47	70	117
Percentage	40%	60%	100%

Political Office Bearers are excluded

People with disabilities

- The Department has achieved the national target for people with disabilities of 2%

	Male	Female	Total
Staff with disabilities	1	2	3
Total staff	47	70	117
	<u>2.1%</u>	<u>2.8%</u>	<u>2.5%</u>

Personnel Expenditure by Programme for Q3

Programme	Total expenditure (ex transfers)* (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services expenditure (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
Administration	20 544	9 292**	37	118	45%	141
Growth Path and Social Dialogue	7 842	7 250	-	-	92%	269
Investment, Competition & Trade	4 069	3 783	-	-	93%	158
Total	32 455	20 325	37	118	63%	174

* Total EDD direct expenditure excluding disbursements to entities of R155.3m

** *Political Office Bearers are excluded*

Personnel Costs by Salary Bands

Salary band	Personnel expenditure (R'000)	As % of total personnel costs	Number of employees	Average personnel cost per employee (R'000)
Levels 3-5	330	2%	9	37
Levels 6-8	2 719	13%	32	85
Levels 9-12	6 704	33%	41	164
Levels 13-16	10 572	52%	35	302
Total	20 325	100%	117	174

Political Office Bearers are excluded

Internship Programme

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

REPORT ON FINANCIALS

Summary of expenditure for Q3

- As at 31 December 2017 the department spent **R611.1m** out of an adjusted allocation of **R914.2m** i.e. **67%** of the total allocated budget.
- As at 31 December 2017 expenditure excluding transfers amounts to **R100.1m (Core R36.9m, Support R63.1m)** out of an allocated budget of **R140.9m** i.e. **71%** of the baseline allocation.
- For Q3 ending December 2017 the Department spent **R187.8m** made up of transfers of **R155.3m** to entities and **R32.5m** spent directly by the Department
- The department achieved a total expenditure of **85% (R187.8m)** of the Q3 targeted spent of **R220.7m.**
- The following tables reflect the expenditure against the budget per programme and per economic classification.

Cumulative Financial Performance per Programme ending 31 Dec 2017

Programmes	2017/18 Budget	Q1 Jun 2017 Expenditure	Q2 Sep 2017 Expenditure	Q3 Dec 2017 Expenditure	YTD actual Expenditure	Variance	Spent
	R'000	R'000	R'000	R'000	R'000	R'000	%
Administration	86 461	24 576	17 971	20 544	63 091	23 370	73
Growth Path and Social Dialogue	32 822	7 396	7 526	7 842	22 764	10 058	69
Investment, Competition and Trade	21 685	4 553	5 578	4 069	14 200	7 485	65
Transfers and Subsidies (including households)	773 269	185 312	170 382	155 362	511 056	262 213	66
Total including Transfers	914 237	221 837	201 457	187 817	611 110	303 126	67
Total excluding Transfers	140 968	36 525	31 075	32 455	100 055	40 913	71

Cumulative Financial Performance per Econ Classification ending 31 Dec 2017

Expenditure per Economic Classification	2017/18 Budget	Q1 Jun 2017 Expenditure	Q2 Sep 2017 Expenditure	Q3 Dec 2017 Expenditure	YTD actual Expenditure	Variance	Spent
	R'000	R'000	R'000	R'000	R'000	R'000	%
Compensation of Employees*	90 043	21 391	21 930	21 458	64 779	25 264	72
Goods and Services	49 218	14 772	8 939	10 779	34 490	14 728	70
Transfers to Entities	773 240	185 312	170 313	155 314	510 939	262 301	66
Households	29	0	69	48	117	-88	403
Payment of Capital Assets	1 707	362	206	218	786	921	46
Total including Transfers	914 237	221 837	201 457	187 817	611 110	303 126	67
Total excluding transfers to entities	140 968	36 525	31 075	32 455	100 055	40 913	71

* Political Office Bearers are included

Quarter 3: Analysis of spending by Programme

Programme 1	Q3 Projected Spend	Q3 actual Expenditure	Variance	Spent
	R'000	R'000	R'000	%
Compensation of Employees	11 114	10 424	690	94
Goods and Services	11 300	9 903	1 397	88
Payments for Capital Assets	443	217	226	49
Total	22 857	20 544	2 313	90

The main cost drivers in non-core functions are:

- Office accommodation costs in Corporate services
- Legal fees in Corporate services
- Travel and subsistence
- Audit costs in Financial management for Auditor General.

Quarter 3: Analysis of spending by Programme

Programme 2 and Programme 3	Q3 Projected Spend	Q3 actual Expenditure	Variance	Spent
	R'000	R'000	R'000	%
Salary: Compensation of Employees	10 784	11 033	-249	102
Non Salary: Goods and Services	2 203	876	1 327	40
Payments for Capital Assets	295	2	293	7
Total	13 282	11 911	1 371	90

Quarter 3: Transfers to Entities

ENTITIES	Q3 Amount Budgeted	Q3 Amount Transferred to Entities	Variance	Spent
	R'000	R'000	R'000	%
Competition Commission	64 589	64 589	-	100
Competition Tribunal	10 014	10 014	-	100
ITAC	24 766	24 766	-	100
IDC:				
- Sefa	55 945	55 945	-	100
- Tirisano Construction Fund	29 250	0	29 250	0
Total	184 564	155 314	29 250	84

Q3 Financial Performance: Reasons for Variances

- **Compensation of employees:** Critical posts advertised and to be filled in Q4.
- **Goods and services:** Projected spend less than expected as per demand plans.
- **Transfers and Subsidies** – Tirisano Construction Fund transfer to be effected once systems have been put in place. Significant progress was made.
- **Capital assets** – Less demand for capital assets during this quarter.

THANK YOU



SIYABONGA

REA LEBOHA!



Economic Development Department