



# EDD Presentation on the 1<sup>st</sup> Quarter 2018/19

Presentation to the Portfolio Committee  
Economic Development

## 13 November 2018

The report covers the period from 1 April 2018 to 30 June 2018 unless otherwise stated. Quarter 1 refers to the same period



economic  
development

Economic Development Department  
REPUBLIC OF SOUTH AFRICA



Committee Version: 9 November 2018

- A. Highlights from the Department's report for the quarter:
  1. Regional trade analysis: Botswana
  2. Changing the Investment Narrative
  3. Scrap-metal Directive
  4. Stimulating investment: CISCO plant reopening
  5. Stimulating investment: MPACT factory opening
  6. Competition Amendment Bill
  7. Fourth Industrial Revolution
- B. Report on KPIs
- C. Report on human resources
- D. Report on finances

# ECONOMIC AND EMPLOYMENT OVERVIEW

- The Overview is covered in the 2<sup>nd</sup> Quarter 2018/19 Report

# A. HIGHLIGHTS FROM DEPARTMENT'S REPORT

1. Regional trade analysis: Botswana
2. Changing the investment narrative
3. Scrap Metal Directive
4. Stimulating investment: CISCO plant reopening
5. Stimulating investment: MPACT factory opening
6. Competition Amendment Bill
7. Fourth Industrial Revolution Debate

# Focus 1: Regional Trade: Botswana

## Economy of Botswana

### Background

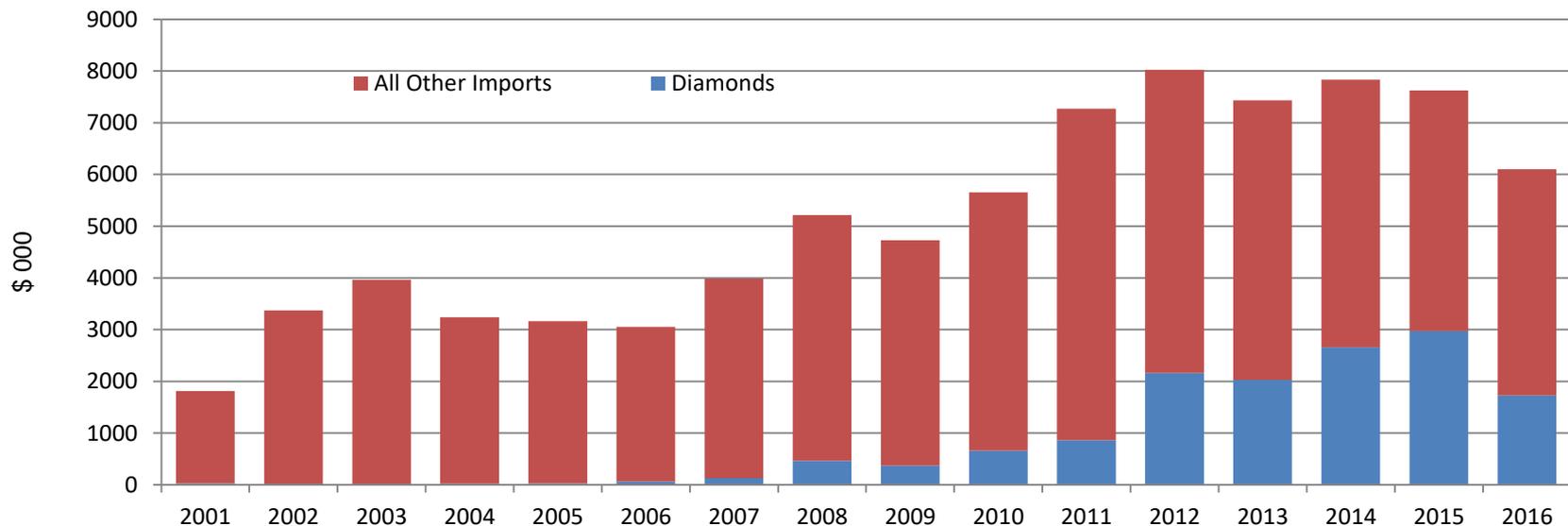
- Botswana is the world's 4<sup>th</sup> largest rough diamond producing nation and holds around 18% of global diamond reserves
- In 2016, rough diamond exports accounted for 88% of total Botswana exports
- Botswana's GDP has roughly doubled since 2001. South Africa's GDP is about 25 times that of Botswana's in 2016, roughly reflecting the difference in size of population.

### Various Indicators

	2001	2016
Agriculture % of GDP	2.8	2.2
Manufacturing % of GDP	6.3	5.7
Services % of GDP	48.7	63.1
Mining % of GDP	29%	20%
Exports % of GDP	48.7	55.4
Imports % of GDP	38.9	42.2
Population (Million)	1.8	2.3
GDP Constant 2010 US\$ Billion	8,6	16,8
GDP per capita (constant 2010 US\$)	4 892	7 483

# Botswana's Import from the World

- Botswana's diamond imports increased threefold after 2012, when De Beers took the decision to move their head office from London to Gaborone
- As a result, diamonds are now imported from key De Beers operating countries (South Africa, Namibia, Canada) before being re-exported to cutting and polishing centres in Belgium and India and to rough diamond selling centres in Israel

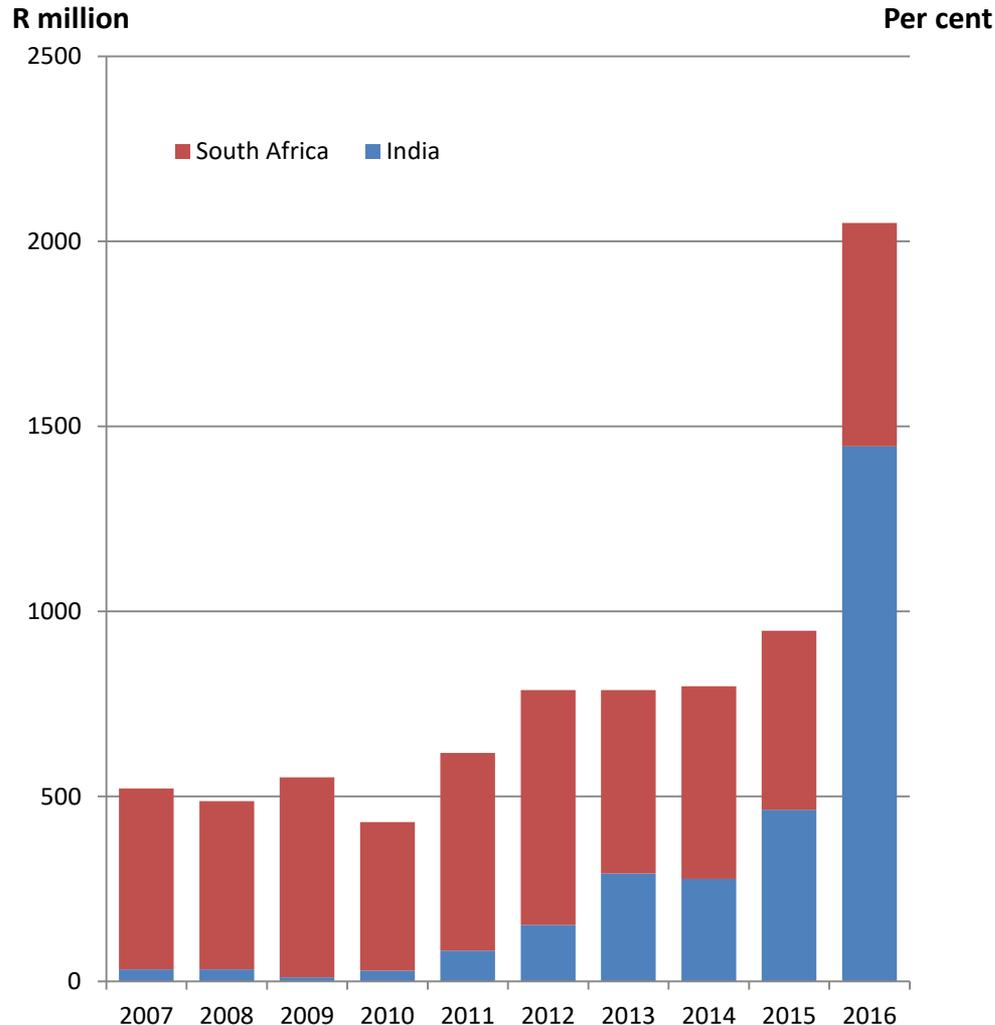


# Top Botswana Imports and Supplying Countries

		1.	2.	3.
1	Refined fuel	South Africa	Mozambique	Namibia
2	Medicines	India	South Africa	United Kingdom
3	Cars	South Africa	Japan	Singapore
4	Electricity	South Africa	Mozambique	Zambia
5	Trucks	South Africa	Japan	United Kingdom
6	Nickel	South Africa	Spain	Andorra
7	Mobile phones	South Africa	Hong Kong	China
8	Machinery	South Africa	USA	South Korea
9	Maize	South Africa	Zambia	Zimbabwe
10	Insulated cable	South Africa	Germany	China

- South Africa sustains a trade surplus with Botswana
- Over the past eight years, exports have averaged around R50 billion and imports have been around a tenth of this, typically about R5 billion, for an average trade surplus of around R45 billion.

# Botswana Selected Export Performance: Medicines

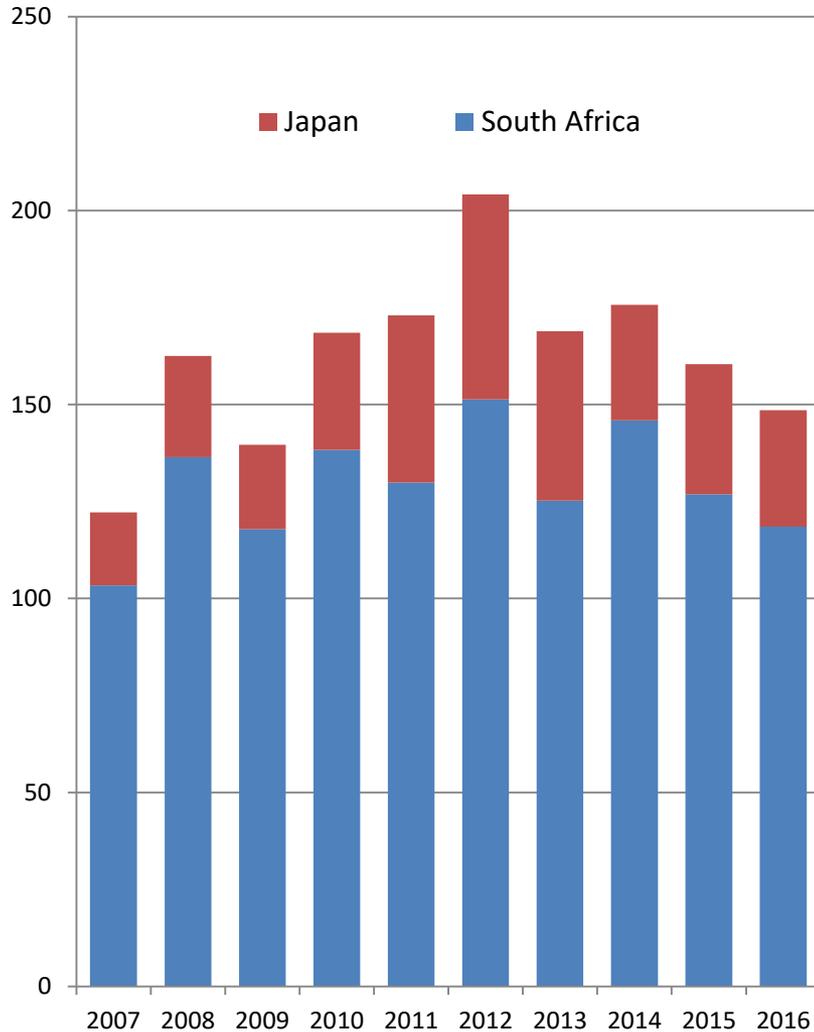


- South Africa dominated supply until 2015
- 2016 saw a large increase in import demand which was met to a large extent by India
- This then also meant that South Africa's share of total declined.
- Regain the market shares in excess of 50% that prevailed up to 2014 will not be an easy task

# Botswana Selected Export Performance: Cars

US\$ million

Per cent



- South Africa is able to compete with Japan in the car market in Botswana due to its geographical advantage.
- South Africa currently remains in a dominant position, and supplied over 90% of Botswana car's imports in 2016.

# SSA Export Performance: Mobile Phones and Computers

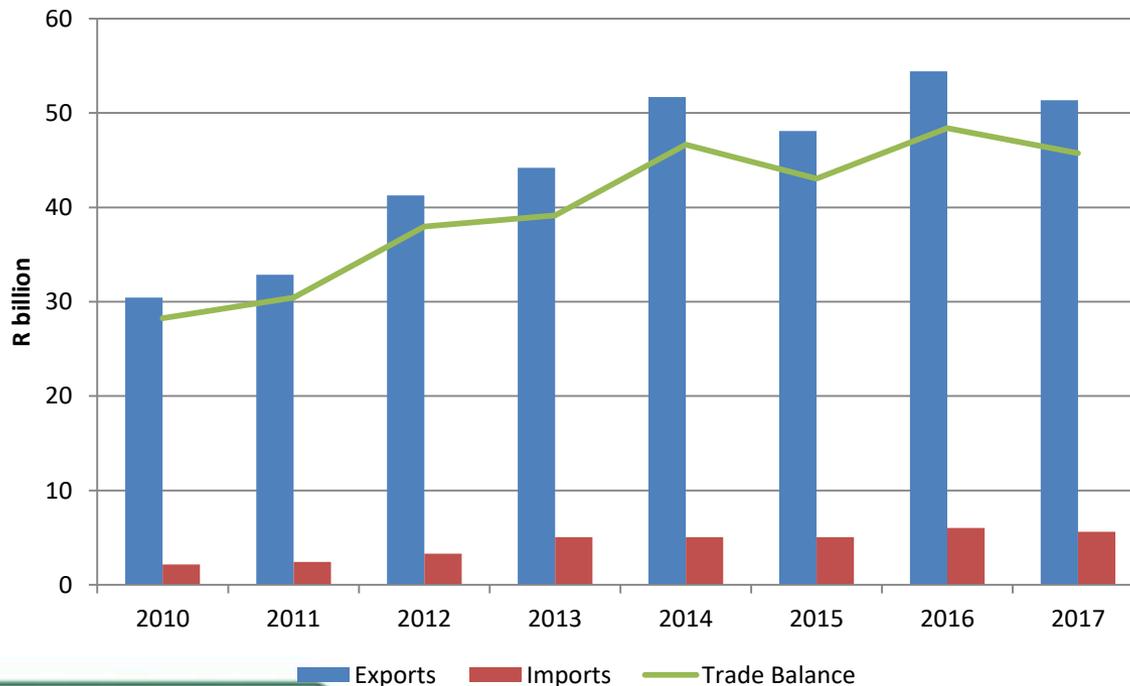
Mobile Phones		
	SA Rank	SA Share of Total Import by Value
Botswana	1	42%
Namibia	1	59%
Zimbabwe	2	21%
Mozambique	4	10%
Zambia	1	26%
Computers		
Botswana	1	73%
Namibia	1	85%
Zimbabwe	1	69%
Mozambique	1	43%
Zambia	1	33%

The stats on mobile phone and computer exports probably reflects items imported by SA and then re-exported to neighbouring countries, showing the potential for local manufacturing decisions.

# SA imports from Botswana

- SA imported R5.6 billion from Botswana in 2016
- SA has a growing positive trade balance (average of around R45 billion over the last 5 years)

SA trade balance with Botswana



## SA's top 5 imports from Botswana (2016):

1. Diamonds R1,8 bn
2. Insulated cable R1,6 bn
3. Carbonates R526 m
4. Cow meat R313 m
5. Plastic pipes & hoses R218 m

## Focus 2: Changing the Investment Narrative

**During the quarter, the Minister and Department engaged with a number of investors, corporations and business leaders to begin changing the investment narrative in South Africa, including:**

- A Business School (GIBS) round table event with business leaders
- Engagement with corporate CEO's, including Coca-Cola and Shoprite Checkers
- Engagement with the Presidential Investment Envoys and providing institutional support for their efforts
- Engagement with foreign investors e.g. World Economic Forum Roundtable, speech to Italian-South African businesses, professionals and investors, and address to visiting investors from China
- Engagement with the financial sector at an ABSA investment conference, and with Old Mutual
- Engagement with business sectors

# Focus 3: Scrap metal directive

## Extension of the PPS for Ferrous and Non-Ferrous Waste and Scrap Metal

- The Price Preference System (PPS) was fully introduced in 2013 with the provisions that:
  - ferrous and non-ferrous waste and scrap metal should not be exported unless offered first to domestic users of scrap at a price discount;
  - the type and quality of scrap metal intended for export are accurately reflected on applications for export permits; and
  - that it will be reviewed in 5 years.
- During Q1, the Ministry commenced a review of the impact of the PPS on the industry. This included discussions and consideration of extension of the PPS for a further period or its replacement with other mechanisms such as an export tax.
- Based on the work done, on 14 August 2018 the Ministry issued notice of intention to extend the PPS for a 9-month period, to enable the review process is completed. (Government Notice 41836 of 14 Aug 2018)

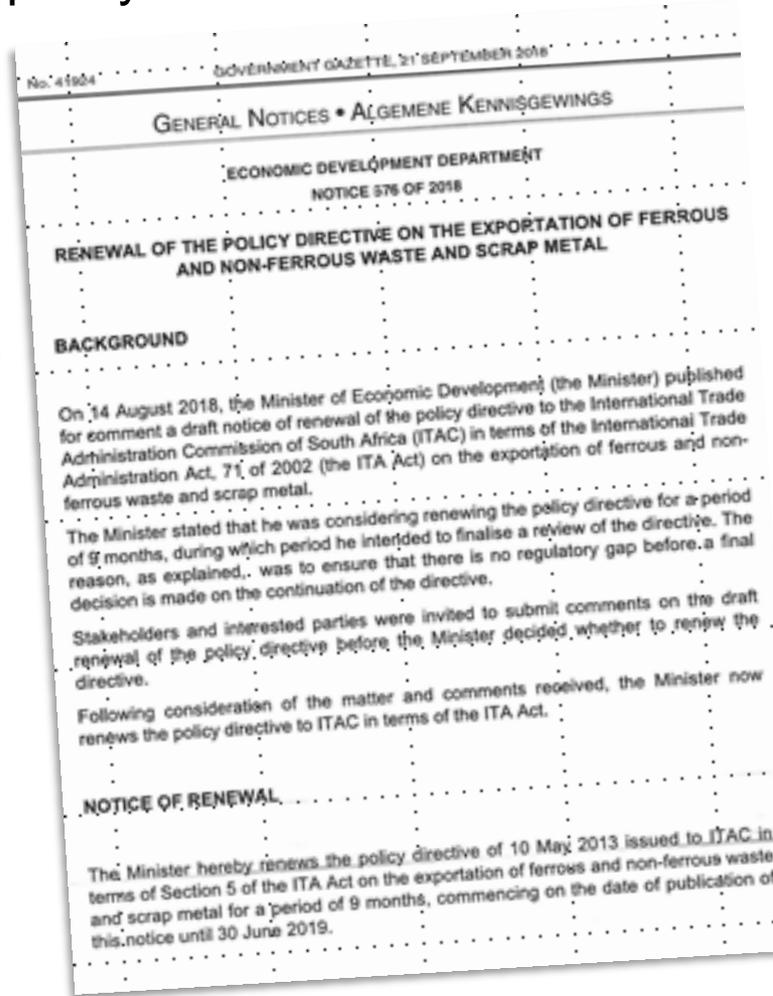
Note: work was done in Q1 and Q2

The Department received 15 written comments and 8 letters, the vast majority of which supported the renewal of the policy directive.

**AGNI Steel:** “the existence of Agni Steels SA and its 288 employees was solely due to the implementation of the PPS policy”

**CISCO Steel:** “After the startup of CISCO the PPS system started to work for Cisco and a lot of export permits were stopped – of which most of the scrap was made available to us”

**Cape Gate:** “Cape Gate is in support of the proposed renewal of the policy directive for 9 months as domestic consumers need to have some mechanism to try and secure Ferrous and Non-Ferrous materials for consumption”



- SEISA, the country's largest sector business association: "The PPS is fundamental to the success of Hulamin Used Beverage Can recycling project in Pietermaritzburg and Agni mini steel mill in Coega..... It is our firm belief that the elapsing of the PPS Guidelines, in the absence of some other support programme, will deal a serious – if not devastating – blow to the ailing local industry"
- Some submissions noted the means through which some exporters sought to subvert the intention and effectiveness of the PPS and called for either a closing of loopholes or replacement of the PPS with an export tax.

- Scrap metal exports had been increasing prior to 2013
  - From the implementation of PPS (2013) exports:
  - Dropped for Ferrous waste and scrap (-71%)
  - Dropped for Copper waste and scrap (-91%)
  - The rate of growth of Aluminium waste decreased, compared to the previous period

	2009	2012	2013	2014	2015	2016	2017	2013-2017	2013-2017 2017
	Exported quantity, Tons from SA							% change	
Ferrous waste and scrap	1 127 529	1 781 597	1 630 324	1 584 454	1 280 807	645 839	471 026	45	-71
Waste and scrap, copper waste	71 222	74 360	75 378	34 758	21 570	24 925	7 005	6	-91
Waste and scrap, Aluminium	35 992	47 613	53 081	51 115	64 229	63 514	57 074	47	8

Following due consideration, the Minister extended the PPS for a 9-month period (Government Notice 41924 21 September 2018)

# Focus 4: Stimulating investment - Cisco plant reopening

## Cape Town Iron and Steel Works (Cisco) plant reopening

- Minister Patel officially opened the Cape Town Iron and Steel Works (Cisco) plant in Cape Town during this quarter, on 30 May 2018
- Cisco produces steel from scrap using electric arc furnaces
- DHT, a Turkish company invested in the CISCO steel plant in 2012 and started production in September 2017 after EDD assistance with unblocking (reported in 2017/18)
- CISCO was supported with an IDC loan and Section 12i incentives, and was provided with assistance and advice by EDD over this time
- Currently CISCO is the second largest Turkish investment in South Africa

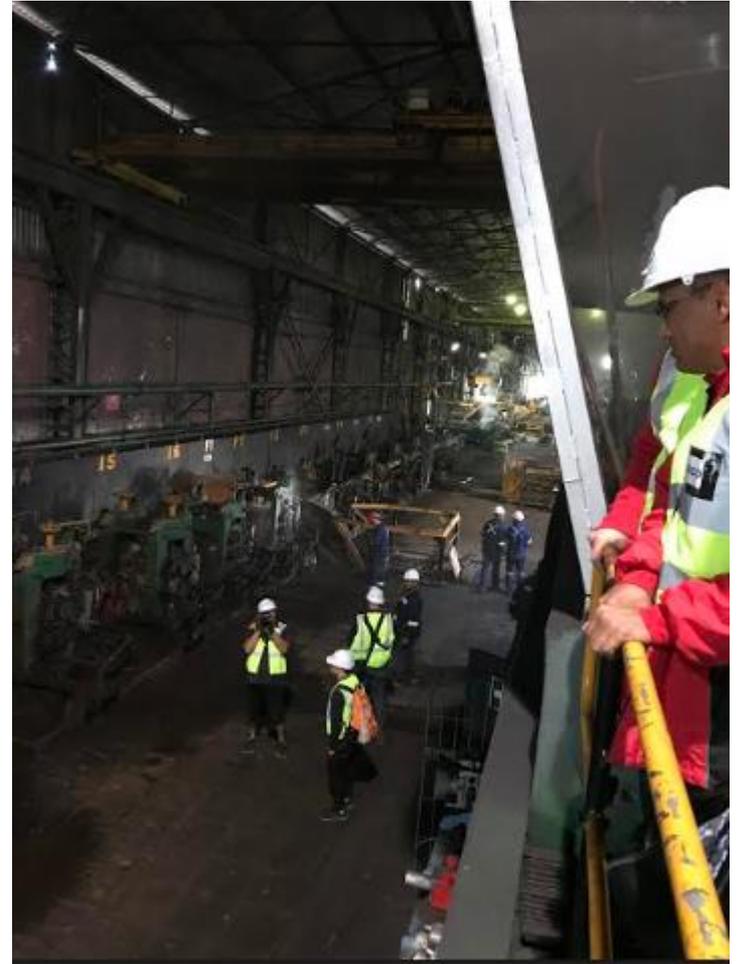
The side picture is a scene from the factory opening.



Pic: Engineering news

# CISCO STEEL – turning scrap into jobs!

- CISCO was a 50-year old factory that closed 8 years ago, with 360 jobs lost.
- Through the Scrap Metal Directive issued, a Turkish investor expressed an interest to reopen the factory.
- From September 2017 the factory has been producing, on average 8 800 tons
- Products are used in SA for the country's infrastructure programme
- Products are also exported to USA, Tanzania, Kenya, Mozambique, Namibia, Botswana, Zimbabwe and Uganda
- CISCO has a Worker Trust: with 15% of shares set aside for employees of the company



# Focus 5: Stimulating investment – the Piet Retief water license

- EDD reported to the Portfolio Committee on the Mpact's takeover of the Piet Retief paper mill previously where a water use license application (WULA) was required
- The Mpact Limited Board approved an investment strategy but this could not be implemented immediately as the project had been on hold for 4 years because a water use licence could not be obtained.
- The eventual release of the licence after EDD's intervention unlocked these investments of R254 million, thus highlighting the need to deal with regulatory requirements for investments swiftly

## Piet Retief Paper Mill

- Manufacturing division of Mpact Operations (Pty) Ltd
- Located in Mpumalanga
- Produces approximately 125 000 tons per annum of packaging paper
- 500 – 550 Employees including contractors

# Focus 6: Competition Amendment Bill

## Competition Amendment Bill

- During the Quarter, work on the Bill consisted of reviews of public submissions, engagement with legal advisors, discussions within government and with the competition authorities
- Engagements also took place with the business community and organised labour on the content of the Bill. These included bilateral discussions with BUSA, the Black Business Council, Business Leadership SA, COSATU, Nactu and Fedusa, as well as discussions at Nedlac . The Nedlac Task team on the Competition Amendment Bill met three times during the quarter and concluded its work, enabling a Report to be issued
- Different options were developed to take account of concerns and information was compiled for Ministerial review based on the submissions.

## **Competition Amendment Bill: some areas engaged in**

- Promoting investment through market opening and promotion of SMEs
- Yellow-card provisions in the Bill
- Penalty regime and the international experience
- National security issues during mergers involving foreign acquiring firms
- Price discrimination and SMEs
- Abuse of dominance and SMEs
- Merger processes, including access by the Executive to confidential information and the right to appeal decisions
- Exemption provisions in the Act
- Market Inquiry powers and mitigation of those powers through due process and proportionality
- Use of guidelines, characterisation and regulations

# Focus 7: Fourth Industrial Revolution Debate

## The Minister engaged with a Joint Committee of Parliament on the Fourth Industrial Revolution where he laid out the 14 major work streams:

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

# Focus 7: Fourth Industrial Revolution Debate

In the last five years, the IDC has approved more than R1 billion in funding that it classifies as 4IR projects

## Key technologies include:

Technology	Approval (R'mm)
Recovery of chemical products from waste plastic	255
Establishment of a highly advanced molybdenum isotope separation plant	254
Production of battery-grade nickel sulphate	181
Manufacture of aircraft components using 3D printing	167
3D printing of tooling for manufacturing companies	40
Biological chemical disinfectants	40
Manufacturing of a disposable microbial cell culture bioreactor system	36
Printing of electronic sensors – limited to temperature sensors at this stage but can be extended in the future	23
Manufacture of carbon nanotubes	9
Synthesis of nano-structured layered double hydroxides for incorporation into additives for polymer markets	7
Manufacture of carbon nanotubes from carbon-rich flue gasses	7
Production of Nano Precipitated Calcium Carbonate to be used as a cost effective additive and filler material	6
Small satellites	2
Interface between different sensors and software systems	0
<b>Grand Total</b>	<b>1 026</b>

## Sabi Nano Trading



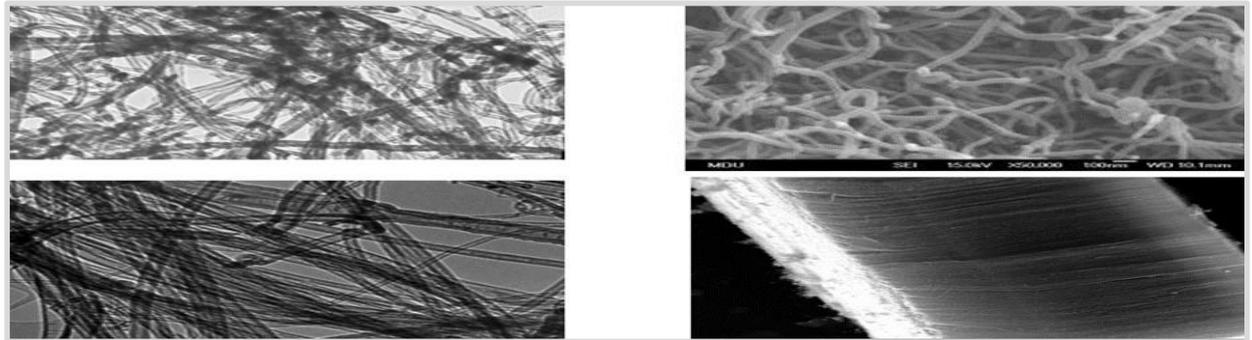
Prof Sabelo Mhlanga

**IDC Approved  
Funding:**

**R9m**

Location

Lanseria, Gauteng



### Carbon Nano Tube Technology

Carbon nanotubes (CNTs) are cylindrical carbon molecules that have extraordinary thermal, mechanical, optical and electrical properties. Due to these unique properties, CNTs are used to manufacture innovative high-tech materials.

Sabinano was founded in 2008 by Professor Sabelo Mhlanga to manufacture CNTs based on a standard production method known as catalytic chemical vapour deposition. The core of the technology was developed as part of Professor Mhlanga's and Professor Edward Nxumalo's doctoral studies at Wits. The team improved production efficiencies through proprietary process enhancements. Professor Nxumalo joined the company as a shareholder in 2010 when it began manufacturing CNTs in a lab at Wits.

**The IDC funding used to set up a manufacturing facility, scale-up their technology and market their product.**

# B. REPORT ON KPIS

# 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**

KPI 3: Analytical and public policy advocacy

KPI 4: NGP jobs drivers and coordination structures

KPI 7: Support to provinces

The focus areas above identify a number of Minister's engagements on policy advocacy. In this KPI we highlight two advocacy engagements:

#### **Volvo.**

- Minister went on a site visit at Volvo and then engaged with senior management (18 May).
- The Department then did further work to identify localisation opportunities
- EDD identified fuel tanks as an opportunity for localisation, and Volvo is currently working with a local supplier and conducting tests
- Minister met the new Volvo CEO. on 27 October 2018; where further localisation opportunities were discussed

#### **Community meeting in Atlantis**

- Minister met with the community in Atlantis on 7 June 2018 on the SEZ and the contribution it could make to economic development

Reporting as advocacy and dialogue now; may report under the KPI on localisation once the project has been finalised



**A report was produced on aspects of spatial economic development in South Africa.**

The Report analysed unequal spatial patterns of development across provinces, municipalities, cities and towns. The information will be used in engagements with provinces.

## Progress report on social economy

- Following the signing of the 3-year Memorandum of Understanding (MOU) between Republic of South Africa through the Economic Development Department (EDD), Government of Flanders and International Labour Organisation (ILO) on the development of a social economy policy, the **following activities have been undertaken:**
  1. Establishment of a functional Project Steering Committee, along with an Inter-governmental Advisory Committee
  2. Commissioning of work (case studies; policy briefs, concept notes and a draft discussion document) currently being produced and assessed/reviewed
  3. Key engagements with experts in the social economy arena, including the British Council, NEDLAC, SAB Foundation, IDC, Local academics and experts at the University of Pretoria, and University of Cape Town, International academics and experts from Belgian Social Enterprise Network EMES and the Social Innovation Fabrik, Rutgers University and University of Essex

**Progress reports will be provided regularly.**

# Programme 2: Growth Path and Social Dialogue

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

## **Key Performance Indicators**

KPI 6: Employment and entrepreneurship for black women and youth

KPI 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 cooperatives in eNtumbane, Pongola

- The project was initiated after a request from a non-profit organization (NPO) to EDD to assist in poverty stricken communities
- The NPO assisted eighteen cooperatives to register with CIPC. A further 7 cooperatives were not operational, they required further intervention to provide financial and non-financial support
- EDD facilitated interaction and workshops with SARS, DSBD and SEDA (e.g. sewing training) to take place
- EDD also arranged with SARS to deploy a mobile unit at eNtumbane and ensured that ordered machinery and materials were delivered



Sewing training with SEDA



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

### Report on cooperatives in eNtumbane, Pongola (cont.)

- The seven cooperatives operate in poultry (2), pig farming, catering, hairdressing, construction and sewing and were awarded funding from the Cooperative Incentive Scheme.
- Some of the structures and equipment facilitated are shown below:



Number of reports on social dialogue interventions to save and create jobs and reports on implementation of social accords

### **EDD recommendations following a review of the TLS Process**

- Introduce an easy to use an online system
- Develop capacity of:
  - TLS decision body through including key government departments and entities
  - Technical team e.g. experienced professionals to analyse financial and technical information
- Refine and clarify participation requirements for companies
- Qualifying companies work with Productivity SA Turnaround Solutions or other relevant government entities and departments to develop sustainability of the companies post the TLS assistance
- Increase the salary payment maximum levels
- EDD engaged in the task team at Nedlac that led to a number of agreements on the TLS which were taken to the Job Summit. The recommendations above were taken to the task team

Number of reports on social dialogue interventions to save and create jobs and reports on implementation of social accords

### **Agreement at Jobs Summit on Training Layoff Scheme (TLS)**

The Job Summit agreed to improve and revive the TLS including:

- The CCMA should manage the TLS – the structure will include representatives of the CCMA, Productivity SA, Department of Labour and the SETAs
- UIF will fund the CCMA for the cost of processing TLS applications
- A single set of qualifying criteria will be developed and apply to all applicants
- Payments on basic salary to be increased from R9 350 per month to R12 839
- CCMA will provide quarterly reports and the Presidential Jobs Committee at Nedlac will provide oversight
- The CCMA will provide a more efficient payment regime that will respond in 20 days
- CCMA will deploy a rapid response team on proposed large retrenchment
- The UIF will fund training not provided by the SETA where feasible

- Workers from GRI Wind and Steel and Atlantis raised a concern regarding the TLS, when Minister met with the community from Atlantis on 7 June 2018
- The company and unions had agreed to use the TLS to avoid retrenchments – however, it needed to be implemented speedily for maximum effect
- EDD helped to speed up the implementation of the TLS by working with the Merseta, UIF, DoL, the company and unions
- EDD also advised the company and unions on the process, information needed and how best to proceed
- The company's application was successful and it signed the agreement with UIF and Merseta in August 2018
- Training has commenced for 138 employees and the jobs of 140 employees have been secured

# Programme 3: Investment, Competition & Trade

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

## Key Performance Indicator

KPI 9: Quarterly Cabinet-level progress reports of infrastructure SIPs

KPI 10: Infrastructure projects evaluated, unblocked, fast tracked or facilitated

KPI 12: PICC meetings held and facilitated

KPI 13: Coordination actions to drive implementation of SIP 5 of the National Infrastructure Plan

KPI 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

- **17 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, funding and reporting** remains with the **relevant line Departments**.

Infrastructure projects evaluated, unblocked, fast tracked or facilitated

### Kuka Lion Ropeway (KLR)

- KLR is an aerial ropeway project that was co-developed by Kuka Mining Logistics (Pty) Ltd and the IDC.
- Traversing over mining land for 34km, transporting up to 150 000 tons of chrome ore per month from the Thornecliffe mine to the Lion Smelter, it is operated by Glencore and situated around Steelpoort, in Limpopo
- In December 2015, the IDC approved funding of R174,9 million for the implementation of the Project



Since approval, KLR has been in the process of fulfilling the various conditions under the IDC funding agreements, one of which is obtaining a servitude right.

Infrastructure projects evaluated, unblocked, fast tracked or facilitated

### KLR unblocking

- KLR required a letter from the DMR to confirm the applicability of certain regulations on the area of the ropeway
- DMR delayed to issue this letter which would have impacted negatively on the IDC funding
- The IDC approached the PICC to intervene in the unblocking. The PICC engaged with the DMR Limpopo and Head office, and secured the letter of confirmation on the 14th June 2018 that Kuka Lion Ropeway (Pty) Ltd had no obligation in terms of the rules to operate inside the servitude area.



Significance of Work: PICC intervention resulted in the continuation of the infrastructure project

Infrastructure projects evaluated, unblocked, fast tracked or facilitated

### **PICC construction industry investment**

- Engagement with the construction industry on challenges and opportunities for new investment
- IMC held with the Ministers of Transport and Public Works, to identify constraints to new investment

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 through the PICC Unit
- These structures prepared and finalized the submissions discussed by PICC Secretariat, PICC Manco and Cabinet
- PICC held eight meetings supported by the EDD
  - SIP Coordinators Forum [3]: 4<sup>th</sup> May 2018, 1<sup>st</sup> and 29<sup>th</sup> June 2018
  - PICC Secretariat meetings held [4]: 19<sup>th</sup> and 26<sup>th</sup> April 2018; 17<sup>th</sup> and 24<sup>th</sup> May 2018
  - Tirisano Construction Trustees meeting [1]: 21<sup>st</sup> June 2018

### Coordination of actions to drive implementation of SIP 5 of the National Infrastructure Plan

Two products on the implementation of SIP 5:

1. Technical project assessment of Clanwilliam Dam
2. Advisory meeting with senior management of DWs and decision to resume Clanwilliam Dam construction

### Coordination of actions to drive implementation of SIP 5 of the National Infrastructure Plan

#### Product 1: Technical project assessment of Clanwilliam Dam

- The Clanwilliam Dam project in the Western Cape entails raising of the full supply level of the dam by 13m, constructing a new inlet tower and spillway and strengthening the existing wall
- Project was delayed since 2015/16 due to several challenges
- The PICC conducted a technical site visit and made a presentation to the DWS offices in Paarl on the status and challenges.
- A further meeting was held with the Construction Project Manager in Clanwilliam
- The Minister of Water and Sanitation was also informed through a letter.



Source: [www.infrastructurene.ws](http://www.infrastructurene.ws)

### Coordination of actions to drive implementation of SIP 5 of the National Infrastructure Plan

#### Product 2: Advisory meeting with senior management of DWS

- The meeting was requested by the Minister of Water and Sanitation to discuss the findings of the PICC site visit, to highlight the main concerns and to outline his plans for the project.
- The Minister of Water and Sanitation subsequently visited Clanwilliam Dam with the PICC and announced to the media that the project will recommence this year with a target date of the last quarter of 2018
- On 22 May 2018, R300 Million was approved for the 2018/19 period for the project.

#### Representatives at the meeting:

- PICC
- Minister of DWS
- Deputy Minister of DWS
- Acting DG of DWS
- DDGs and senior officials in the department
- CEO of Rand Water
- Acting CEO of TCTA
- CEO of the Water Research Council (WRC)

#### Significance of Work:

Construction of the Clanwilliam Dam will secure water supply to residents and farmers in the Western Cape

Initiatives to increase of localisation in infrastructure and industrialisation programmes

## Increase localisation in industrialisation programme - Royal Bafokeng Properties

- The PICC and IDC investigated the viability of launching a platinum stacked fuel cell using the RBPlat's electrical heat tracing project known as Waterkloof Hills Estate.
- Following the work done, funding of R4m was approved by the IDC in June 2018 to cover:
  - Prefeasibility which will investigate the viability of the local manufacture of fuel cells buses at a competitive cost
  - Prefeasibility studies which will also investigate the viability of establishing the required hydrogen infrastructure to transport the hydrogen to the buses
  - Detailed marketing study which to obtain greater certainty on the market

# Programme 3: Investment, Competition & Trade

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

## Key Performance Indicators

KPI 15: Investment initiatives facilitated, fast tracked and /or unblocked

KPI 16: Funding allocations for township enterprises

KPI 17: Level and impact of industrial finance by DFIs and departments

KPI 18: Ministerial or departmental oversight engagements with the IDC

During this quarter 6 unblockings took place:

- Leong Jin Speciality Steel duty
- SA Calcium Carbide (Pty) Ltd
- B. Braun Project
- Brika South Africa
- Da Gama Textiles
- Sheraton

#### Action minute on Leong Jin Specialty Steel duty

- Leong Jin Specialty Steel (LJSS), a company from Singapore, uses imported specialty steel in their SA operations. The product was subject to safeguard duties on steel notwithstanding the fact that the product is not produced in South Africa.
- LJSS applied for an exemption from safeguard duties and there was a delay of about 10 months in getting an approval, notwithstanding the fact that the main SA steel producer supported the exemption - which put LJSS's business at risk and delayed its expansion plan.
- The High Commissioner of Singapore approached Government to assist in unblocking the duty exemption which was successfully completed.

### Fast tracking and unblocking of investment initiatives

#### Action minute on SA Calcium Carbide (Pty) Ltd

- SA Calcium Carbide (SACC) is a chemical plant based in Newcastle, with an IDC loan and is currently under business rescue
- The IDC requested a full payment from the Business Rescue Practitioner (BRP) due to a breach of contract, which would have effectively closed down the business undermining the very good chance of a turnaround and success
- Following a request from the BRP, EDD facilitated a discussion and proposed solution, based on a clear repayment proposal to the IDC. This was done and the IDC approved that the facility be restructured and a further loan of R20 million be advanced to SACC, secured against their debtors' book. As a consequence, the business will not be liquidated.
- Foreign shareholders agreed to invest an additional R15 million into the business to enhance the chances of success.
- The new business rescue plan was approved by 92% of creditors.

#### SA Calcium Carbide (Pty) Ltd:

- Only producer of Calcium Carbide on the continent;
- Offers employment to approximately 300 employees and contractors;
- Largest customer of the Newcastle Municipality

## Action minute on B. Braun Project and the 12i allowance

- B. Braun is a leading international manufacturer of medical technology and pharmaceutical products, with a level 4 BEE classification
- It plans to invest R300 million for a plant with state of art technology. This is expected to create 150 direct new jobs with significant import replacement as well as export penetration for infection control products
- The company expects to export 40% of disinfectants production to the rest of Africa and the EU
- B. Braun intends taking over a vacant IDC factory
- Its application for a 12i tax allowance was declined on 4 April 2018 as the scheme had run out of funding
- As a result, B. Braun decided not to invest in SA and chose to locate the proposed plant in either Argentina or Russia.
- IDC approached EDD to assist unblocking, which was successfully done

#### **Action minute on the Brika South Africa facilitation**

- Brika produces concrete slabs in Newcastle and requested EDD's assistance in securing supplies for their operation
- EDD official took a Brika representative for a site visit to AMSA where he was able to get samples of the slag
- The slag was tested as an input in producing concrete slabs, and given that the slag has no clay content Brika was able to reduce waste from 12% to less than 2% due to consistency of aggregates
- Brika then entered into a supply agreement to buy slag from AMSA on a monthly basis.
- As a result of the savings, Brika was able to take on an additional 13 employees and introduced their new interlocking brick plant which would have been difficult to introduce without the available slags from AMSA.

#### Action minute on the Da Gama Textiles

- Da Gama Textiles applied for a Production Incentive (PI) incentive administered by the IDC and dti.
- Discussions with the Department of Water Affairs on a water treatment plant that Da Gama needs to install in order to get a water license, delayed the application.
- The plan was to use the PI incentive to install the water treatment plant.
- PI incentive was not considered due to the delay, and this would have resulted in Da Gama closing down as they do not have internal funds to install the water treatment plant.
- EDD engaged officials of the relevant public entities and the application was then approved. Subsequently, the Water Use License Application was approved enabling Da Gama to continue operations.

## Action minute on the Sheraton Textiles

- Sheraton Textiles is a wholly owned subsidiary of the IDC and sell its textile ware to a number of chain stores and hotels, including @home, Edcon and Loads of Living, Sun International and Protea Marriot Group
- These businesses required Sheraton to be Black Economic Empowerment (BEE) compliant or risk losing their business
- Sheraton applied for their B-BBEE facilitator status but experienced delays
- Sheraton approached the EDD to facilitate the company's B-BBEE facilitator status
- EDD provided inputs on the background on Sheraton, the state of the company, and the implication of not getting the BEE status, namely, losing contracts
- BEE facilitator status was approved – in June 2018
- Sheraton will accordingly get approximately R94 million in orders that they would have lost without this intervention.

Report on the level and impact of industrial finance by DFIs and departments

### Report of IDC funding for the previous year and the quarter

During this quarter:

- IDC funding for the past financial year was highlighted in the EDD Budget Vote on 10 May 2018
- The final audited figures showed an increase in both approval levels and jobs created and saved
- IDC's funding approvals totaled R16.7 billion for 2018, an increase of 9% on 2017.
- Disbursements increased from R11.0 billion for 2017 to R15.4 billion.
- The IDC notes that the bulk of this funding is directed towards capacity expansions, projects and start-ups (72% in 2018), in line with its mandate of creating industrial capacity development.
- IDC information projects that 29 885 jobs will be created or saved as a result of this investment which includes 5 298 jobs which will be created from a R100 million funding approval outside of the IDC's priority approved sectors.

Report on the level and impact of industrial finance by DFIs and departments

## IDC Funding by provinces for 2018/19 : Quarter 1

### IDC Funding approved\* (gross) per Province

	R million	Jobs created / saved
<b>Gauteng</b>	578.7	1 549
<b>Western Cape</b>	7.6	-
<b>Limpopo</b>	25.9	53
<b>Eastern Cape</b>	0.5	-
<b>KwaZulu-Natal</b>	40.9	28
<b>Free State</b>	-	-
<b>Mpumalanga</b>	-	-
<b>North West</b>	-	-
<b>Northern Cape</b>	-	-
<b>SA Total</b>	<b>653.6</b>	<b>1 630</b>
<b>Rest of Africa</b>	379.7	-
<b>Gross Total</b>	<b>1 033.3</b>	<b>1 630</b>

Report on the level and impact of industrial finance by DFIs and departments

### IDC investment in sectors in Q1 2018/19

Top 6 Sectors for Approvals (net)			
		R million	% of total
1	Agro Processing & Agriculture	260.1	30%
2	New Industries	184.0	21%
3	Chemical Products & Pharmaceuticals	133.7	16%
4	Machinery and Equipment	92.5	11%
5	Clothing & Textiles	57.7	0.07%
6	Media & Motion Pictures	56.8	0.07%

Top 6 sectors for jobs created/ saved (net)			
		Jobs	% of total
1	Chemical Products & Pharmaceuticals	1063	89%
2	New Industries	244	20%
3	Heavy Manufacturing	113	0.09%
4	Media & Motion Pictures	49	0.04%
5	Basic & Speciality Chemicals	32	0.03%
6	Clothing & Textiles	28	0.02%

Ministerial or departmental oversight engagements with the IDC held

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

- Meeting held on 17 April with Board Chair to discuss strategy
- Meeting of the Economic Development Council on 20 April, including Board Chair, CEO, and members of the Exco
- Meeting held on 16 May 2018 to receive feedback on performance and identify measures to improve performance
- Meeting with CEO and members of Exco on 11 June to begin work on economic stimulus package
- Meeting of the Economic Development Council on 27 June, including Board Chair, CEO and members of Exco to discuss job centered stimulus package

# 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

KPI 20: Initiatives to enhance capacity, performance and outcomes of economic regulators held

KPI 21: Initiatives on mergers and acquisitions, market inquiries or abuse of dominance

KPI 22: Ensuring trade authorities and policies support industrialisation and employment

KPI 23: Oversight engagements with trade and competition authorities

## Report on mergers

### Pioneer Foods / Heinz Foods SA conditions

- EDD engaged the Competition Commission on a merger involving Pioneer and Heinz Foods, which led to a recommendation (and Tribunal decision) to place employment conditions on the merger.

### Robertson's Holdings (PTY) Ltd / Silver 2017 (PTY) Ltd merger

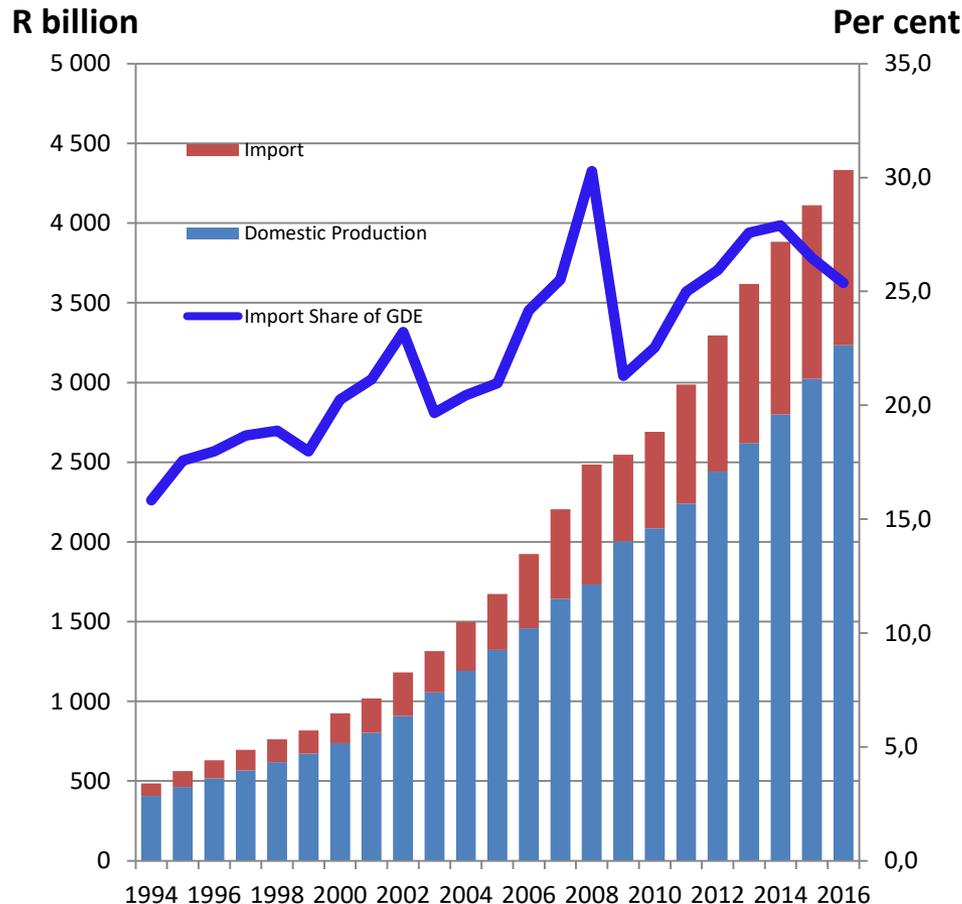
- EDD engaged with the Commission and the merger parties on the sale of Unilever's spread business (Rondo, Stork, Rama and Flora) to Robertson's to express its concerns relating to the possible retrenchment of workers due to the merger transaction. Following this, the merger was approved on condition no workers were retrenched.

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

### 3 Action Minutes

- 1 Action minute on Africa trade: Botswana
- 1 Action minute on import penetration and the retail sector
- 1 Action minute on the high growth episodes in African economies

# Import penetration and jobs



SA's aggregate import penetration ratio (IPR) has increased, standing at around 25% in 2016, compared with around 16% in 1994

Imports provide variety to domestic consumers, help keep domestic prices low, and provide dynamism and energizing competition to the local economy

But they can also reduce domestic production and innovation and thus also job creation

For example, if only 10% of 2016 imports were replaced by local production, the country could have created at least 520 000 additional jobs.

**The data above may be understated as illegal imports masks the extent of the problem. EDD has begun work to address illegal imports**

## Record of EDD's quarterly engagements with the ERBs

- EDD held a meeting with ERBs entities on the 30<sup>rd</sup> April 2018 to discuss their 4<sup>th</sup> quarterly reports. The assessment is based on both financial and non-financial performance against their approved APP for 2017/18
- EDD analysed quarterly reports of the Competition Commission, Competition Tribunal and ITAC
- The analysis reviewed financial performance of the entities in the quarter and monitored achievement of key indicator
- Minister also met with the ERBs on a number of occasions.

# C. REPORT ON HUMAN RESOURCES

# Human Resource Management

- The Department employs staff on a permanent basis, as well as through fixed term contracts for specific projects and secondments to access specific scarce skills and knowledge for its programmes, including the PICC Technical Unit.
- The EDD had a ratio of 46% women in Senior Management positions as at 30 June 2018.

# EDD Personnel Expenditure by Programme for Q1

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services expenditure (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
Administration	19 517	10 653	62	747	54.6%	159
Growth Path and Social Dialogue	7 589	7 153	-	0	94.3%	275
Investment, Competition & Trade	3 778	3 354	-	209	88.8%	152
<b>Total</b>	<b>30 884</b>	<b>21 160</b>	<b>62</b>	<b>956</b>	<b>68.5%</b>	<b>184</b>

*Political Office Bearers are excluded*

# EDD 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	483	2.3%	9	54
Levels 6-8	2 738	12.9%	30	91
Levels 9-12	6 435	30.4%	39	165
Levels 13-16	11 504	54.4%	37	311
<b>Total</b>	<b>21 160</b>	<b>100%</b>	<b>115</b>	<b>184</b>

*Political Office Bearers are excluded*

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

<b>SMS</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Headcount	20	17	37
Percentage	54%	46%	100%

<b>Non-SMS</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Headcount	28	50	78
Percentage	36%	64%	100%

<b>EDD</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Headcount	48	67	115
Percentage	42%	58%	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	48	67	115
	<u>2.0%</u>	<u>2.9%</u>	<u>2.6%</u>

# D. REPORT ON FINANCIALS

# Summary of expenditure for Q1

- As at 30 June 2018 the department spent **R225.9 million** out of an adjusted allocation of **R1.1 billion**, i.e., **21%** of the total allocated budget.
- As at 30 June 2018 expenditure excluding transfers amounted to **R30.9million (Core R11.4 million, Support R19.5 million)** out of an allocated budget of **R139.7 million** i.e. **22%** of the baseline allocation.
- For Q1 ending 30 June 2018 the Department spent **R225.9 million** made up of transfers of **R194.9 million** to entities and **R31.0 million** spent directly by the Department
- The department achieved a total expenditure of **98% (R225.9 million)** of the Q1 targeted spent of **R230.1 million.**
- The following tables reflect the expenditure against the budget per programme and per economic classification.

# Cumulative Financial Performance per Programme ending 30 June 2018

Programmes	2018/19 Budget	YTD actual Expenditure	Variance	Spent
	R'000	R'000	R'000	%
Administration	86 516	19 517	66 999	23
Growth Path and Social Dialogue	34 425	7 589	26 836	22
Investment, Competition and Trade	18 754	3 778	14 976	20
Transfers and Subsidies	932 902	194 980	737 922	21
<b>Total including Transfers</b>	<b>1 072 597</b>	<b>225 864</b>	<b>846 733</b>	<b>21</b>
<b>Total excluding Transfers</b>	<b>139 695</b>	<b>30 884</b>	<b>108 811</b>	<b>22</b>

# Cumulative Financial Performance per Programme ending 30 June 2018

Expenditure per Economic Classification	2018/19 Budget	YTD actual Expenditure	Variance	Spent
	R'000	R'000	R'000	%
Compensation of Employees	90 773	22 227	68 546	24
Goods and Services	44 436	8 469	35 967	19
Transfers to Entities	932 902	194 898	738 004	21
Households	-	82	-82	0
Payment of Capital Assets	4 486	188	4 298	4
<b>Total including Transfers</b>	<b>1 072 597</b>	<b>225 864</b>	<b>846 733</b>	<b>21</b>
<b>Total excluding transfers to entities</b>	<b>139 695</b>	<b>30 884</b>	<b>108 811</b>	<b>22</b>

# Quarter 1: Analysis of spending by Programme

Programme 1	Q1 Projected Spend	Q1 actual Expenditure	Variance	Spent
	R'000	R'000	R'000	%
Compensation of Employees	10 856	11 720	-864	108
Goods and Services	10 715	7 599	3 116	71
Payments for Capital Assets	914	187	727	20
<b>Total</b>	<b>22 485</b>	<b>19 506</b>	<b>2 979</b>	<b>87</b>

## 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 1: Analysis of spending by Programme

Programme 2 and Programme 3	Q1 Projected Spend	Q1 actual Expenditure	Variance	Spent
	R'000	R'000	R'000	%
Salary: Compensation of Employees	11 538	10 507	1 031	91
Non Salary: Goods and Services	1 138	870	268	76
Payments for Capital Assets	100	0	100	0
<b>Total</b>	<b>12 776</b>	<b>11 377</b>	<b>1 399</b>	<b>89</b>

# Quarter 1: Transfers to Entities

ENTITIES	Q1 Amount Budgeted	Q1 Amount Transferred to Entities	Variance	Spent
	R'000	R'000	R'000	%
Competition Commission	70 447	70 447	-	100
Competition Tribunal	11 695	11 695	-	100
ITAC	25 547	25 547	-	100
IDC:				
- Sefa	57 209	57 209	-	100
- PICC	15 000	15 000	-	100
- Steel Development Fund	15 000	15 000	-	100
- Tirisano Construction Fund	-	-	-	-
<b>Total</b>	<b>194 898</b>	<b>194 898</b>	<b>-</b>	<b>100</b>

# Q1 Financial Performance: Reasons for Variances

- **Compensation of employees:** Spending according to cash flow projections
- **Goods and services:** Spending according to projections
- **Transfers and Subsidies** – Spending according to projections
- **Capital assets** – Less funds spent than projected for this quarter, which is normal for capital spending.



# SIYABONGA



*Economic Development Department*