

Report on Follow-up Questions from the Portfolio Committee on Higher Education, Science and Technology

1. TIA support to SMMEs

TIA measures the number of SMMEs receiving technology support (KPI 2.3), and also the number of PDI-owned SMMEs assisted as a percentage of total SMMEs supported (KPI 2.4). As reported in the 2018/19 Annual Report, the target for the number of SMMEs receiving technology support was 3,360, and the proportion of PDI-owned SMMEs assisted as a percentage of total SMMEs was 67%. TIA under-performed slightly in 2018/19, supporting 3,272 SMMEs at the Technology Stations Programme (TSP), but exceeded its target of percentage PDI-owned SMMEs supported at 74%.

The TSP support to SMMEs included 1,380 youth (42%), 1,481 women (45%) and 55 (2%) people living with disabilities in 2018/19. Of the SMMEs supported, 538 were formally registered businesses; the rest are un-registered entrepreneurs and innovators (87%). The TSP is TIA's primary SMME support intervention, with over 95% of SMMEs supported through the TSP.

The sectoral classification of TSP support to SMMEs is as follows:

Sector	Number of SMMEs supported
Agro-processing, chemicals and cosmetics	685 (20%)
Automotive, manufacturing and metal fabrication	1,000 (30%)
Electro-technical and electronics	184 (5%)
Marine, aerospace and defence	85 (3%)
Minerals beneficiation and green industries	329 (10%)
Plastics	275 (8%)
Textiles and clothing manufacturing	814 (24%)

The TSP provided technical support for a total of 804 product designs and processes (developed or improved), and facilitated the development and manufacture of 68 functional prototypes in 2018/19. Furthermore, SMMEs supported by Technology Stations secured 30 contracts for additional business across various sectors.

The number of clients supported by the individual Technology Stations in 2018/19 is as follows:

Name of Technology Station	Host and location	No. of clients supported
Agri-food Technology Station	Cape Peninsula University of Technology; Bellville, Western Cape	155
Limpopo Agro-food Technology Station	University of Limpopo; Mankweng, Polokwane	292
Downstream Chemicals Technology Station	Nelson Mandela University; Summerstrand, Port Elizabeth	82

Name of Technology Station	Host and location	No. of clients supported
Technology Station in Chemicals	Tshwane University of Technology; Ga-Rankuwa, Gauteng	54
Technology Station in Chemicals	Mangosotho University of Technology; uMlazi, Durban, KwaZulu-Natal	102
Process, Energy and Environmental Technology Station	University of Johannesburg; Doornfontein, Gauteng	315
Technology Station in Rural Sustainable Development	Vaal University of Technology; Upington, Northern Cape	232
Technology Station in Clothing and Textiles	Cape Peninsula University of Technology; Bellville, Western Cape	814
Technology Station in Electronics	Tshwane University of Technology; Pretoria, Gauteng	184
eNtsa Technology Station	Nelson Mandela University; Port Elizabeth, Eastern Cape	305
Technology Station in Material Processing Technologies	Vaal University of Technology; Sebokeng, Vaal Region, Gauteng	216
Technology Station in Reinforced Material and Plastics	Durban University of Technology; Durban, KwaZulu-Natal	59
Product Development Technology Station	Central University of Technology; Bloemfontein, Free State	150
Adaptronics, Advanced Manufacturing Technology Laboratory	Cape Peninsula University of Technology; Belville, Western Cape	85
Metal Casting Technology Station	University of Johannesburg; Doornfontein, Johannesburg	58
Institute for Advanced Tooling	Walter Sisulu University; East London, Eastern Cape	97
Institute for Advanced Tooling	Stellenbosch University; Stellenbosch, Western Cape	31
Institute for Advanced Tooling	Tshwane University of Technology; Soshanguve, Gauteng	127

Socially-relevant impacts of the TSP in 2018/19 included providing 124 university students the opportunity to work on industry projects, thereby giving them relevant experience. Additionally, 81 interns were hosted at Technology Stations, and 2,331 people accessed short learning programmes or tailor-made demonstrations.

Support was also provided by the TSP in the following rural or distressed municipal areas:

- Sarah Baartman district (Dr Beyers Naude municipality): Technology demonstration
- OR Tambo district (Port St Johns municipality): Joint community workshops
- Sedibeng district (Emfuleni municipality): Technical; train the trainer capacity building
- uThungulu district (uMlalazi municipality): Technical
- Sekhukhune district (Sekhukhune municipality): Technology demonstration; joint community workshops

In addition, 26 youth-led SMMEs received support under TIA's Youth Technology Innovation Programme in various forms (funds or vouchers for technology development, stipends for early-stage enterprise development, intellectual property support and support related to prototype development) – as reported in the 2018/19 TIA Annual Report.

The Commercialisation Support Fund ("CSF") supports the process of pre-commercialisation. The fund assists existing or potential individual entrepreneurs and SMMEs with funding for market testing and validation of the technology in the potential customer environment, as well as bridging finance in preparation for commercialisation. Other specific activities supported are the production of market samples, certification activities, regulatory approval, plant breeders' rights registration and business Plan development

The target for the number of innovation project outputs taken up in the market (KPI 1.2) was 11, and TIA achieved 14. In terms of spread across TIA's business units and programmes, 2 originated from Agriculture, 1 from Health, 3 from Advanced Manufacturing, 1 from Energy, 1 from Information and Communication Technology, 1 from Natural Resources, 2 from TPP and 3 from SFP (as per the 2018/19 TIA annual report).

2. Supporting the Research and Higher Education Sector (universities and science councils)

TIA's mission is to facilitate the translation of South Africa's knowledge resources into sustainable socio-economic opportunities, specifically bridging the 'innovation chasm' between promising local research and commercialisation in the local market via the provision of funding for technology development towards commercialisation, and also to enable access by entrepreneurs and enterprises to high-end technological infrastructure and expertise.

To this end, TIA has specific funds to support the development of technologies towards commercialisation, primarily the Seed Fund Programme (SFP), the Technology Development Fund (TDF) and the Commercialisation Support Fund (CSF) which supports pre-commercial activities. TIA's main initiatives concerning the provision of access to infrastructure and expertise are the Technology Stations Programme (TSP) and the biotechnology-focused Technology Platforms Programme (TPP).

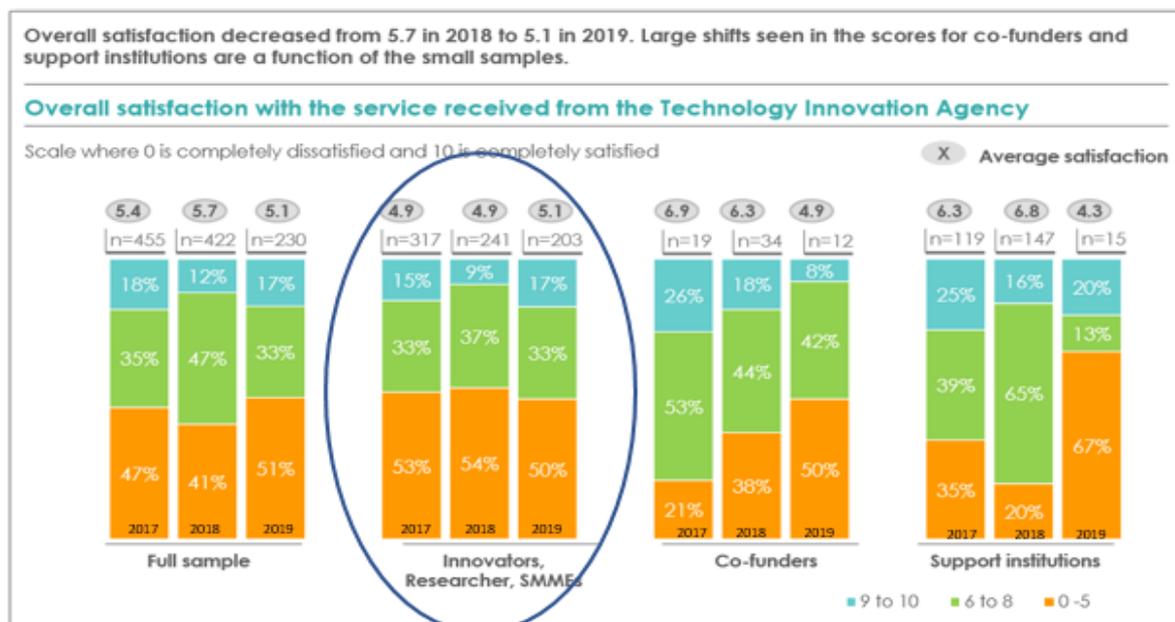
Good working relations between TIA and public-funded research organisations, where most of South Africa's new scientific knowledge is generated, are essential. Out of TIA's total funding in the 2015-2020 period, 57% of TIA's investments were to public-funded research organisations.

3. Addressing the Challenges of Grassroots Innovators

TIA will continue to implement programmes focused on grassroots innovators in support of national economic inclusion and development imperatives, particularly the District Development Model. TIA will also increase its geographic footprint via the establishment of new Technology Stations, Technology Platforms and Living Labs over the 2020-2025 strategic cycle.

4. Stakeholder Relations and Turnaround Times

The overall stakeholder satisfaction rating increased from 5.4 in 2017 to 5.7 in 2018 but decreased to 5.1 in 2019. For Innovators, Researchers and SMME's the rating increased from 4.9 in 2017 to 5.1 in 2019. Areas of concerns were raised with co-funders and Support Institutions. *Areas of concern related to delays and slow turnaround times, lack of communication, a painful and frustrating process, etc.*



To improve slow turnaround times TIA's application process was enhanced to only include one full application stage, a pre-investment unit will be established to assist entrepreneurs, with applications. legal agreements will be standardised, and the credit approval processes to be restructured and monthly investment pipeline review sessions were introduced,

To drive a culture of client centricity, the following initiatives were also implemented:

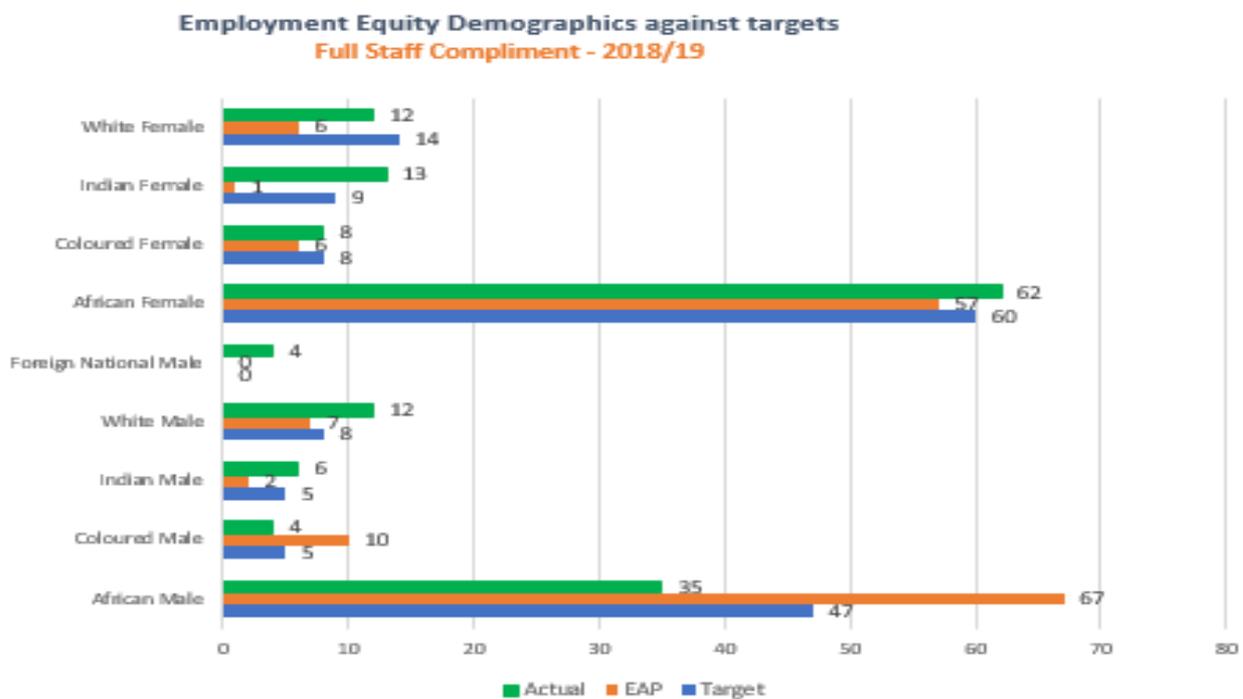
- Stakeholder engagement events by the Interim Chief Executive Officer and Senior Management;

- An IT-based Customer Relations Management (CRM) system has been built and recently piloted;
- A “complaints log” system was introduced to monitor and report on customer complaints.

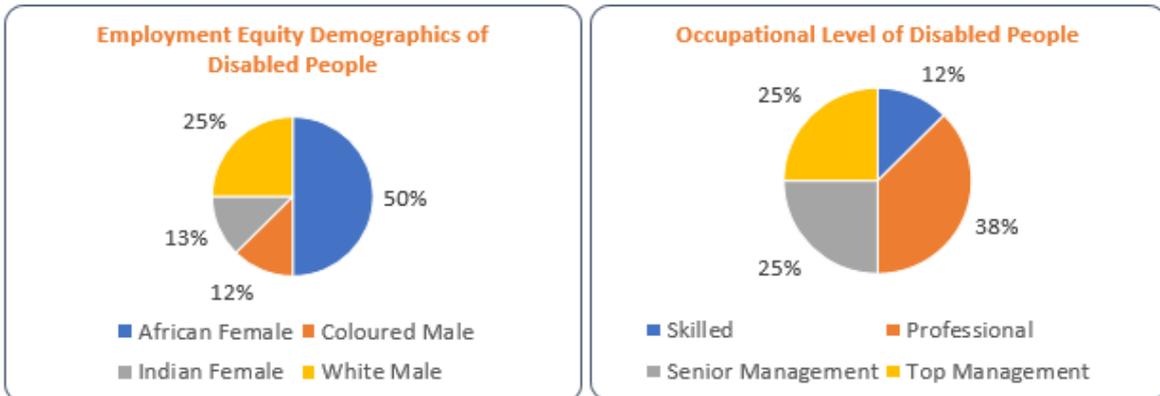
5. Human Resources

▪ Employment Equity Demographics

A request was raised to integrate the demographic graphs on the Human Resources figures for future reference. The amended graph for TIA’s full staff compliment includes the figures relating to each bar, but also reflects what the targets should have been if it was aligned with the Economic Active Population. Management is in the process of amending the Employment Equity Plan to be aligned with the Economic Active Population.

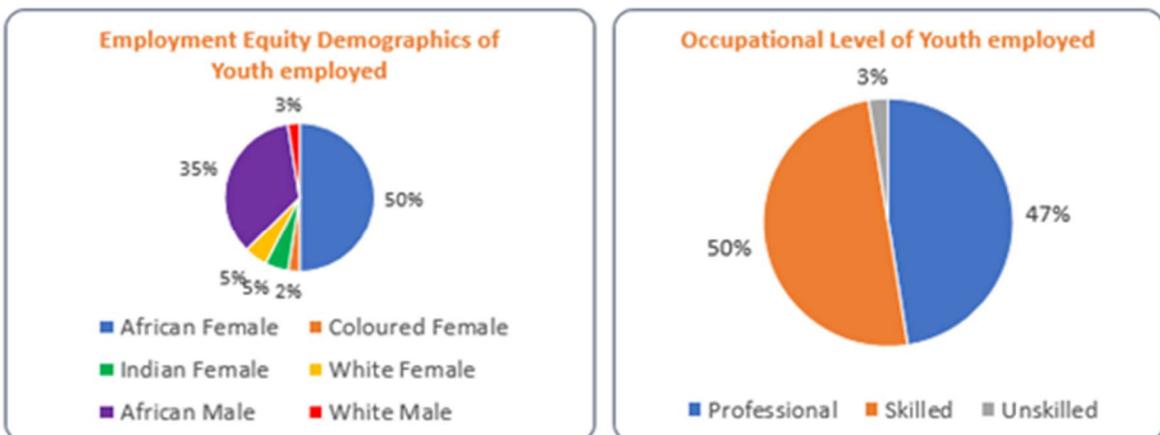


As at 31 March 2019, TIA employed 8 people with disabilities. This amounts to 5,1% of the staff compliment, against a target of 3%. African females represent 50% of staff with disabilities. In terms of occupational level, TIA appointed disabled employees on various occupational levels, ranging from skilled employees to top management.



As at 31 March 2019, 25,8% of the TIA staff compliment could be classified as youth, all between the age of 20 and 35 years. African females represented 50% of employees classified as youth, and African males represented 35% of employees classified as youth.

In terms of occupational levels, 50% of employees classified as youth were appointed in positions on a Skilled level and 47% were appointed in positions on a Professional level. These classifications are based on the guidance provided by the Department of Labour.



▪ **Filling of vacant Senior Management Positions**

Concerns were raised regarding the number of Senior Management Positions filled in acting capacity as at 31 March 2019. The Committee also requested the reason for the departure of the former acting Chief Financial Officer.

The former acting Chief Financial Officer resigned during May 2019 to pursue a career in New Zealand. With her departure, the Chief Financial Officer, who was appointed as acting Executive IFPCS at the time returned to the Chief Financial Officer position.

The position of Executive Corporate Services was filled from 1 April 2019.

The recruitment process to appoint the Chief Executive Officer is at final approval stage and it is anticipated that the prospective candidate will assume the role of TIA CEO during April 2020.

The recruitment process to fill the positions of General Manager: Bio-Economy and General Manager: Sector Funding was concluded. No suitable candidate was identified for the General Manager: Bio-Economy position and the candidate identified for the General Manager: Sector Funding position decided not to pursue the General Manager position. A headhunting process commenced for both these positions.

6. Baseline Funding

Due to the inadequate baseline, TIA had to look at other funding mechanisms to fund investments. Other income is one of the mechanisms, which includes contract-based project management, royalties and loan repayments from matured investments. Other efforts included reducing operational expenditure. For the current year, this included freezing of critical vacancies, freeing up R33 million. Support and infrastructure costs were also reduced through savings in IT, travel, training and marketing costs, freeing R10 million for the year to investments.

7. Kapa Biosystems

TIA, through its predecessor Cape Biotech Trust, entered into an agreement with Kapa Biosystems Inc (Kapa US) and Kapa Biosystems (Pty) Limited (Kapa SA) on 16 March 2006, pursuant to which TIA invested an amount of R24 million in Kapa SA. The investment primarily related to a research programme based on foundational technology developed by Kapa US aimed at developing novel protein based products for the biotechnology industry. It ultimately produced novel DNA polymerases that are engineered for clients' polymerase chain reaction applications and was much sought after by the year 2013, when TIA was approached by Kapa US to buy out its 49% shareholding in Kapa SA.

The initial offer that was made to TIA was an amount of R30 million. Ultimately, following negotiations with Kapa US, an amount of USD4,931m was accepted by TIA and a Sale of Shares Agreement was concluded on 26 March 2015. At the then exchange rate, this amount amounted to nearly R60 million.

TIA subsequently learned via the media that the shareholders of Kapa US had been bought out by Roche Group for USD445 million on 30 November 2015, some eight months after TIA had been bought out of both Kapa SA and its 10% entitlement in Kapa US. Upon TIA becoming aware of the Roche transaction with the shareholders of Kapa US, it immediately began to investigate whether it had been the victim of fraudulent misrepresentation via omission, i.e. whether a scheme had been designed and implemented to cheat TIA of 10% of the USD445 million i.e. USD44.5 million. As TIA had only received USD4,931 million, the loss was quantified at USD39,569 million (Thirty-nine million five hundred and sixty-nine thousand United States dollars).

In the end after an assessment of its legal position, TIA came to the conclusion that the shareholders and directors of Kapa US had withheld crucial information from TIA regarding the true value of Kapa SA and that it was likely that they were aware of an impending deal or interest from Roche. It accordingly concluded that it had suffered a loss and that it had a valid and reasonable basis to claim the payment of USD39,569m from Kapa US.

The Ministry of Science and Technology has been informed throughout the entire process set out above to date, including when a decision was taken to institute the requisite claim against Kapa US. The latter claim was launched on 28 August 2018. In accordance with the stipulations of the Sale of Shares Agreement, the dispute between the parties must be adjudicated by an arbitrator. The parties have since agreed on a senior counsel to adjudicate the matter in Cape Town.

At present the matter is scheduled to be heard by the arbitrator on 25 May to 12 June 2020.

8. Interim CEO Tender

TIA appreciates the opportunity to correct the misperception on the matter of the declaration of a conflict of interest on Ms Levy-Hassen. The view as reflected in the minutes is that the conflict was only declared when she was being considered for the ICEO role. In fact, the potential conflict of interest of Ms Levy-Hassen was declared on 28 February 2019, 3 months before the Board considered her for appointment as ICEO and recorded as such by the Company Secretary. She had at the time already declared her intention to resign as a Board Member should the conflict of interest become material. This risk was actively managed by both the Board and TIA processes to ensure no material conflict existed.

The Board has since approved a revision to the Board Charter to incorporate a code of conduct in terms whereof neither a board member nor their representatives nor their proxy may bid for TIA business. In addition, there is a one year 'cooling off' period which applies from the date that a member has ceased to be a Board member of TIA, within which ex Board Members may not bid for TIA business.