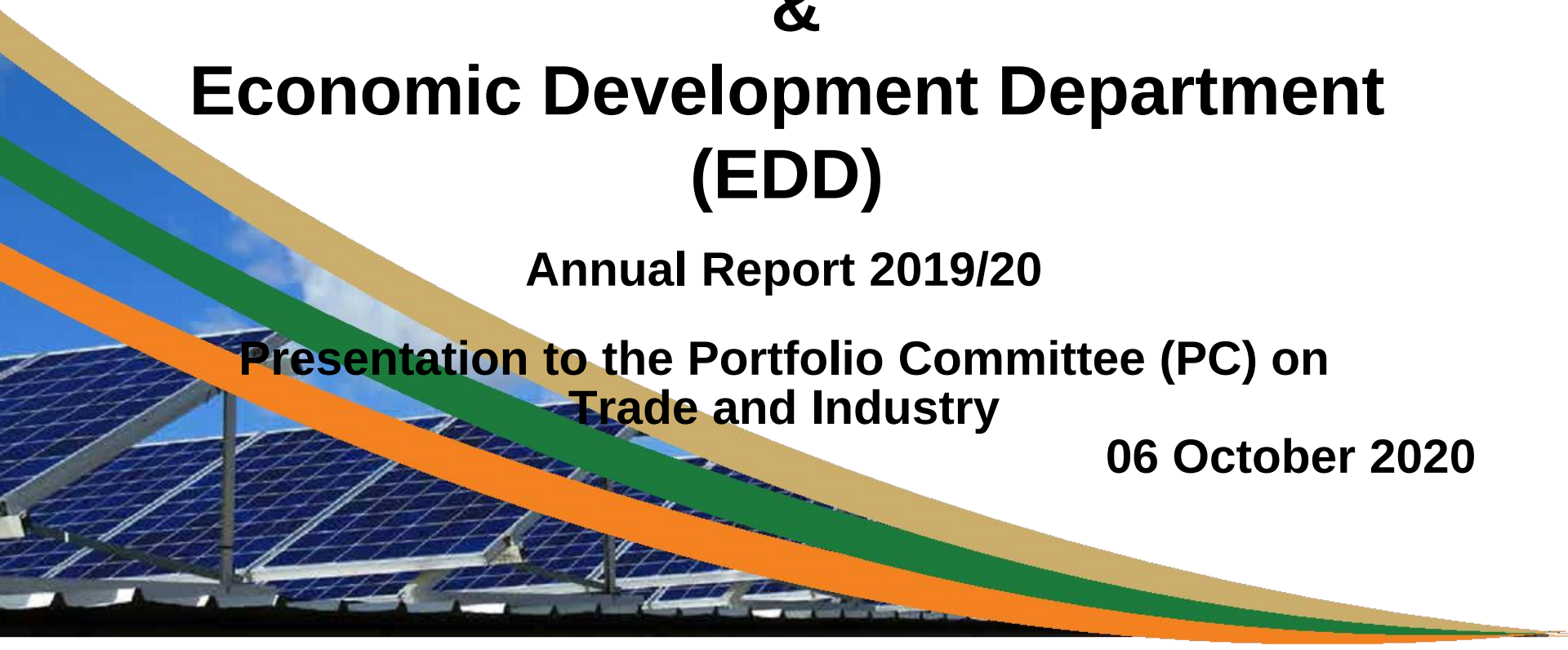
Department of Trade, Industry (the dti)
&
Economic Development Department (EDD)

Annual Report 2019/20

Presentation to the Portfolio Committee (PC) on Trade and Industry

06 October 2020

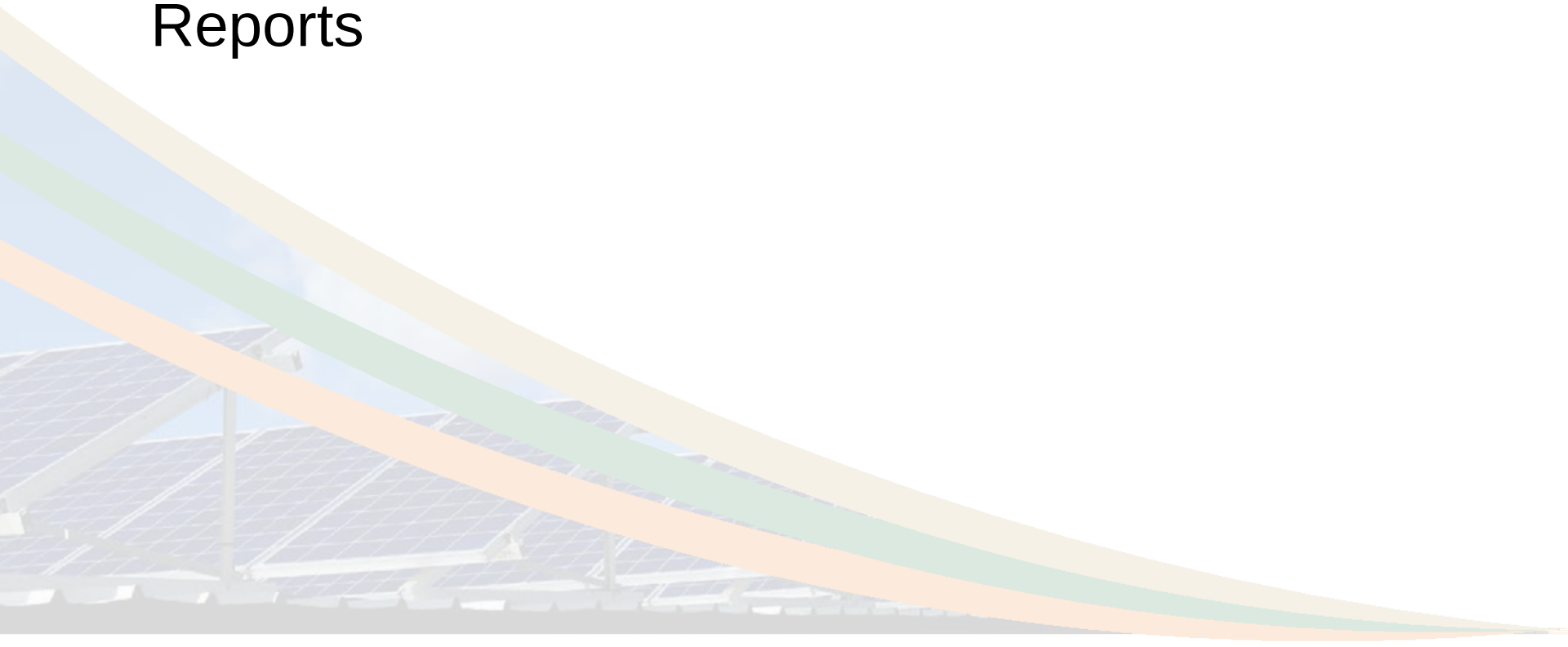


PRESENTATION OUTLINE

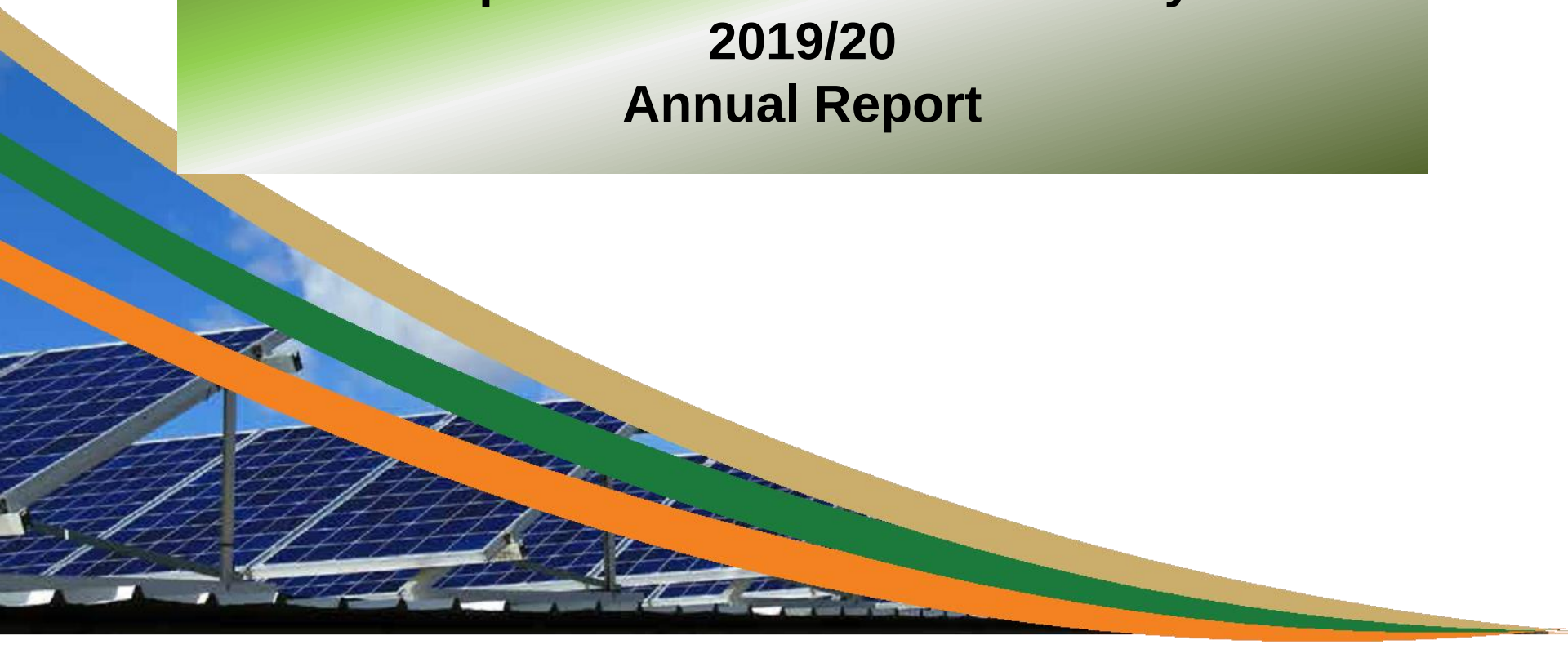
- **SECTION A** :the dti ANNUAL REPORT
- **SECTION B** : EDD ANNUAL REPORT

PURPOSE

- Note and discuss **the dti** and **EDD** Annual Reports



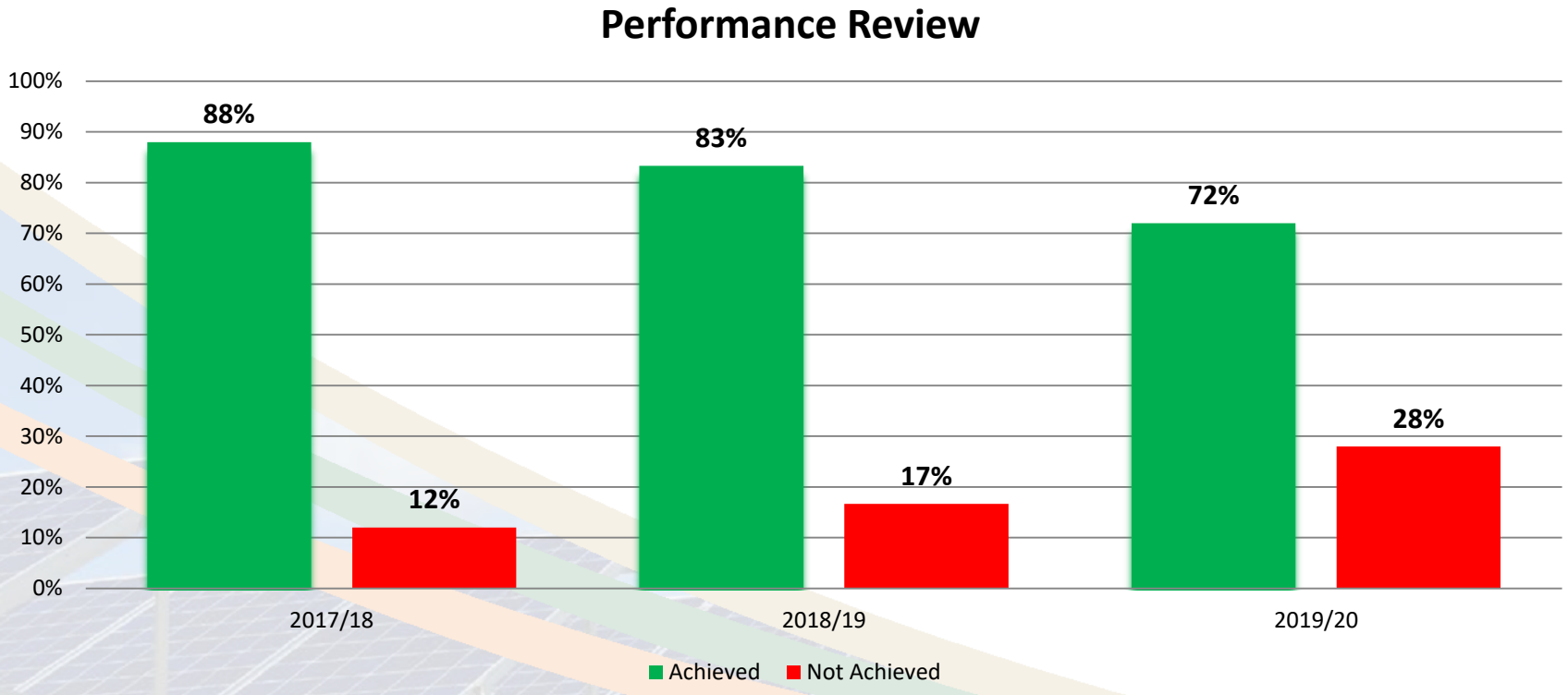
SECTION A:
Department of Trade & Industry
2019/20
Annual Report



STRATEGIC GOALS (SG)

- **SG 1:** Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation.
- **SG 2:** Build mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives.
- **SG 3:** Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth.
- **SG 4** Create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner.
- **SG 5:** Promote a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery.

THREE YEAR PERFORMANCE ASSESSMENT



INDUSTRIAL DEVELOPMENT

SG1:Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Agro-processing

- The Poultry Master Plan was launched at the Presidential Investment Conference in November 2019. Investment commitment by South African Poultry Association (SAPA) to the tune of R1.7 billion has been secured to invest in poultry productive capacity;
- A 62% bone-in chicken portions and 42% boneless portions import tariff was gazetted in March 2020 to curb poultry imports as per Master Plan agreement; and
- Cabinet endorsed the Biofuels Regulatory Framework which was subsequently gazetted in February 2020 and incorporates Sugarcane as a key feedstock. The Sugar industry has committed to a R1 billion five-year transformation plan, which is currently being implemented.

INDUSTRIAL DEVELOPMENT

SG1:Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Agro-processing

- Makhamisa Foods which created a local sustainable value chain and through its 95% locally sourced raw materials, 90% of its plant machinery being locally sourced, to having a mandate to employ staff that is majority youth. Through this company, 26 direct jobs and 59 indirect jobs were created – with 80% of its workforce youth and 60% of its management being youth

Makhamisa
A Taste Of Africa

INDUSTRIAL DEVELOPMENT

SG1:Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Automotives

- The Automotive Industry Transformation Fund was officially announced in November 2019. The key aim of the fund is to seed, develop and grow black-owned companies within the automotive supply chain. It is expected to be fully operational from 2021; and
- Atlantis Foundries won the sustainability award for Greenfield investment at the Presidential 2019 Investment Conference.

ATLANTIS (Pty) Ltd FOUNDRIES

INDUSTRIAL DEVELOPMENT

SG1:Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Automotives

- Ford Motor Company of Southern Africa (FMCSA) expanded its Struandale engine plant in Port Elizabeth, Eastern Cape, as part of a R3-billion investment in its South African operations;
- Mercedes Benz invested R10 billion into an expansion of its East London plant. The upgrade extended the production space of the existing plant by up to two-thirds to produce the next generation of the C-Class and also manufacture the GLC SUV.

Ford Motor Company

INDUSTRIAL DEVELOPMENT

SG1:Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Plastics

- Volkswagen Group South Africa has invested R70,9 million towards the development of black-owned component suppliers and one of the funded companies produce plastic automotive components;
- A new High-Density Polyethylene (HDPE) fuel tank manufacturing production for Mercedes Benz has been secured to supply tanks for the W206 Model (new C-Class); and
- The facility is well-positioned to meet global stringent automotive standards and thereby replacing imports. Through this partnership, two distinct export opportunities have been created: Potential exports of the chemical input material HDPE and local produced fuel tanks.

INDUSTRIAL DEVELOPMENT

SG1:Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Pharmaceuticals

- Biovac (local manufacturer of vaccines) was awarded 85% of Expanded Programme on Immunisation three year tender, a transversal health contract of Department of Health. This sustained the 318 specialised jobs in the manufacturing facility in Cape Town, preserved the technology transfer received from pharmaceutical multinational companies (Sanofi Pasteur and Pfizer) and maintained local production of vaccine; and
- In the transition of HIV treatment, local manufacturers were able to access technology to locally manufacture the new treatment called Tenofovir, Lamivudine, and Dolutegravir (TLD) and supply the health system. Less Active Pharmaceutical Ingredient (API) is needed for this treatment and therefore the cost of production should overtime be reduced.

THE BIOVAC INSTITUTE
The science of protecting life

INDUSTRIAL DEVELOPMENT

SG1:Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Primary Minerals Processing and Construction

- The construction of the first fuel cell manufacturing facility in SA at Dube Trade Port presenting opportunities for platinum beneficiation, new growing green industries. Vodacom already deployed 300 of their fuel cells with the potential for an additional R1 billion contracts with the telecoms (Vodacom, MTN) sector; and
- Export tax on Scrap Metals was announced by Minister Tito Mboweni during the 2020 Budget Speech, implementation modalities are being finalised.

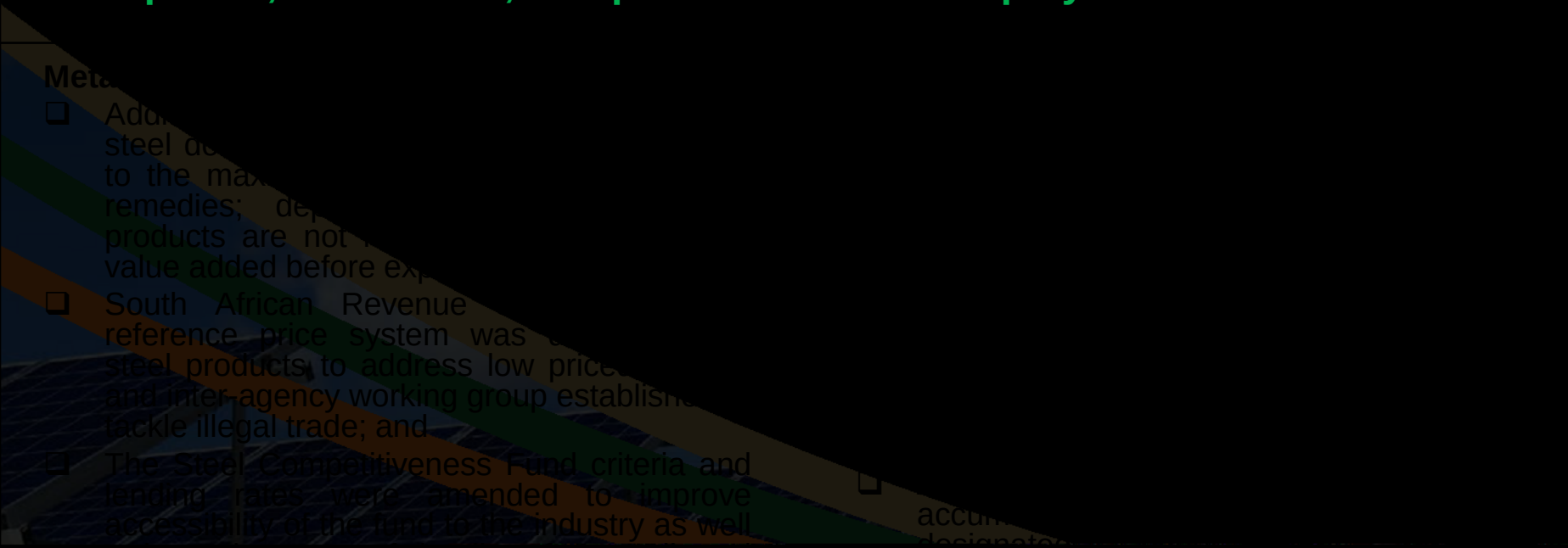
INDUSTRIAL DEVELOPMENT

SG1:Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation

Primary Minerals Processing and Construction

- National Treasury initiated the industry consultation processes, which will ultimately result in the publication of the Taxation Laws; Amendment Bills towards the end of 2020; and
- Komatsu SA invested R300 million in an engine remanufacturing plant in Rietondale. The plant is part of Komatsu's industrial campus in South Africa serving as the central hub from which the company manages its operational footprint across Southern Africa through supply of mining and construction equipment;
- The industrial campus also consists of a technical centre providing training to over 2300 people over the last three years as well as a distribution centre moving parts into Southern Africa. Komatsu employs 1250 people across Southern Africa.

SG1:Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation



SPECIAL ECONOMIC ZONES AND ECONOMIC TRANSFORMATION

SG3:Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth

Black Industrialist (BI)

- 67 interventions to support BIs in the IPAP Sectors (non financial were made);
- In partnership with Sandvik, led five (5) BIs to Finland for explore in mining opportunities in June 2019;
- The outcome was that the five BIs will be included on the Sandvik procurement database for business opportunities, through request for quotations from these suppliers and become suppliers to the Sandvik; and
- Approval of Pick n Pay Nedbank BI Program to assist Mini BIs that are in the agro-processing space with both financial and non financial support. This programme will cater for BIs that are below R30 million current threshold.

Black Industrialist (BI)

- Collaborations between Department of Trade and Industry (**the dti**), Industrial Development Corporation (IDC) and South African Diamond Precious Metals Regulator for them to support BIs who are processing diamond;
- Engaged with Sasol, purpose being opening up procurement opportunities for Black Industrialists in August 2019. Consideration to sign Memorandum of Understanding (MOU) are being explored by the two parties;
- The Deputy Minister, Nomalungelo Gina, launched the BIs Microsoft Digital Transformation Programme at the Isithebe Industrial Park in Mandeni, in November 2019 in KwaZulu Natal; and
- The launch signal the Microsoft on boarding process for **the dti** funded BIs from across South Africa to apply for the programme.

SPECIAL ECONOMIC ZONES AND ECONOMIC TRANSFORMATION

SG3:Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth

Industrial Parks

- Launch of Black Industrialist roofing solutions company, Malvilox in Krugersdorp by Deputy Minister, Fikile Majola in December 2019;
- Participated in the annual Consumer Goods Council Summit, that offers a unique opportunity to network with the Chief Executive Officers (CEOs) and top leaders from some of South Africa's most successful retailers and manufactures; and
- Participated at the third Coca Cola Bottling South Africa's Supplier Day at the Gallagher Estate in February 2020. The event was attended by Black Industrialists who exhibited their products.

Industrial Parks

- Invited and participated to the Waste Management Project by the Deputy Minister of Environment Forestry and Fisheries, Ms Makhotso Sotyu in Hartbeespoort North West in March 2020. The Department intends to implement Black Industrialists program in waste, and roll out throughout the country; and
- Met the German Chamber of Commerce to discuss participation of the of BI's in the 2020 plan.

LEGISLATION AND REGULATION

SG 4: Create a fair regulatory environment that enables investment, trade & enterprise development in an equitable & socially responsible manner

- Companies Amendment Bill 2018, is currently at National Economic Development and Labour Council (NEDLAC) and will be referred to Cabinet once the NEDLAC process concluded. Labour raised additional issues relating to giving labour more power to sit in the Boards and one of the Board Committee on Social and Ethics Committee; and
- The NEDLAC Secretariat through video conference meeting with all social partners adopted the draft NEDLAC report. However, the Bill still has to be signed off by the Conveners of NEDLAC for each constituency which had not happened by end of March 2020.
- Copyright Amendment Bill and Performers' Protection Amendment Bill were passed in the previous administration and are still waiting the President's signature;
- There has been several engagements from AGOA perspective concerning the Copyright Amendment Bill ; and
- International Intellectual Property Alliance (IIPA) participated at the public hearings in July 2019 and raised concerns such as South Africa is not aligned with International Intellectual Property (IP) obligations, it may hinder the market participation and the content of creators will be compromised

LEGISLATION AND REGULATION

SG 4: Create a fair regulatory environment that enables investment, trade & enterprise development in an equitable & socially responsible manner

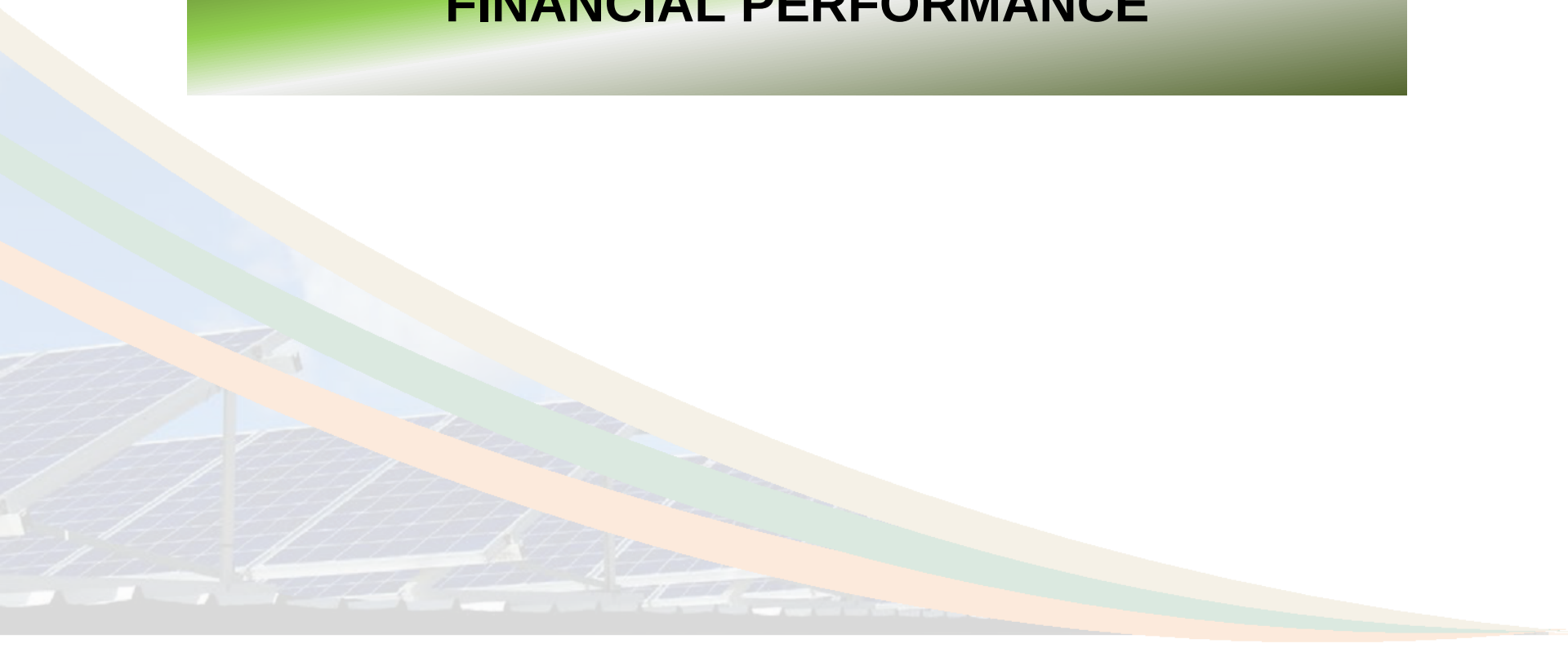
- National Credit Amendment Act, the Bill was assented to by the President as an Act of Parliament. Task team formed comprises of the dti, National Consumer Tribunal (NCT) and National Credit Regulator (NCR);
- Draft implementation plan was drafted and presented to Portfolio committee on Trade and industry in September 2019 for endorsement and Socio Economic Impact Assessment System (SEIAS) report noting; and
- National Gambling Amendment Bill is with the National Council of Provinces (NCOP) and briefing memorandum was prepared for Minister's noting. The Bill is amongst others providing for a restructuring of the National Gambling Board to become a National Gambling Regulator.
- The other key amendment is about the National Gambling Policy Council quorum to make decisions in the second meeting with members present if in the first meeting there was no quorum. The Bill in the Select Committee is a reduced Bill. The department was requested to produce a separate draft of the portion of the Bill that was reduced by the Portfolio Committee; and
- The portion of the Bill must be tabled at Cabinet for approval to publish for broader public consultation at Department level. Engagement was held with stakeholders who made inputs on the amendment to Regulations 2 and 8 (4).

ADMINISTRATION

SG 5:Promote a professional, ethical, dynamic, competitive & customer-focused working environment that ensures effective & efficient service delivery

- 100 % eligible creditor payments processed well within 30 days;
- Women in SMS at **54%** against annual target of **50%**;
- The number of people with **disabilities employed** at **3.9%** against the annual target of **3.7%**; and
- Staff turnover at **3%** against the annual target of **6.8%.**

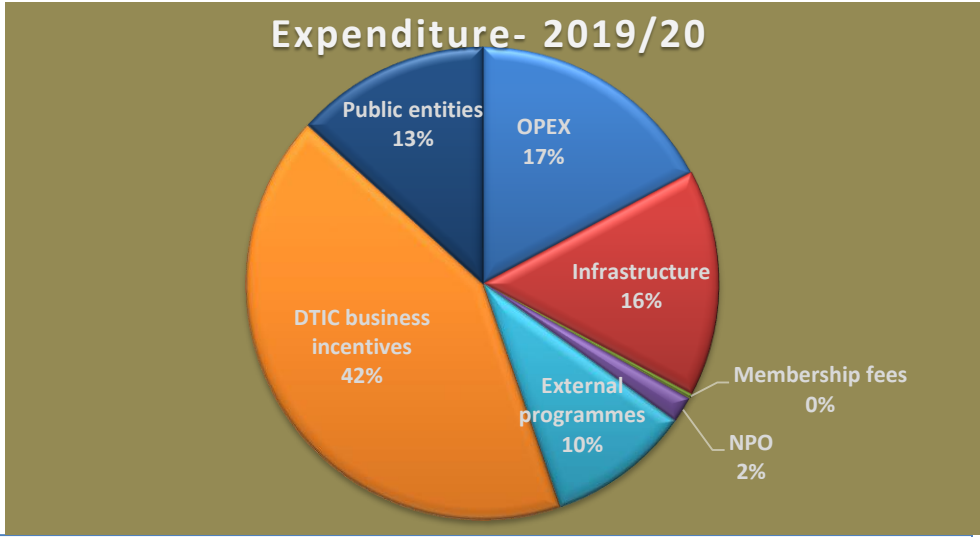
FINANCIAL PERFORMANCE



OVERVIEW OF FINANCIAL PERFORMANCE

1 April 2019 → 31 March 2020

Total dti budget	R10 084 727
Expenditure	R9 969 606
% spend	98.86%
Variance	1.14% or R115 121



- As at 31 March 2020, the department's spent ***R9.97 billion*** or ***98.9%*** of the allocated budget of ***R10 billion***.

- Of the R9.97 billion spent by the department, *R5.7 billion* or 57.6% was disbursed to the beneficiaries across the various incentive programmes (i.e. R3.2 billion to amongst others, beneficiaries in the Auto, Black industrialist, Agro processing and industrial loan for manufacturers under the manufacturing development incentives, whilst about R1.5 billion was financial support for bulk infrastructure, top structures and critical infrastructure to improve industrialisation, regional development, exports and employment, as well as attraction of foreign and domestic direct investment in the SEZs, Industrial Parks and in the economic areas of various municipalities).

- *R1.32 billion or 13.3% was transferred* to the public entities. Furthermore, *R982.4 million* or *9.9%* was disbursed to the external programmes, whilst non profit organisations as well as international organizations, which South Africa is a member, accounted for R208.5 million or 2.1%.

- Spending on operational costs was *R1.7 billion* or *17.2%.*

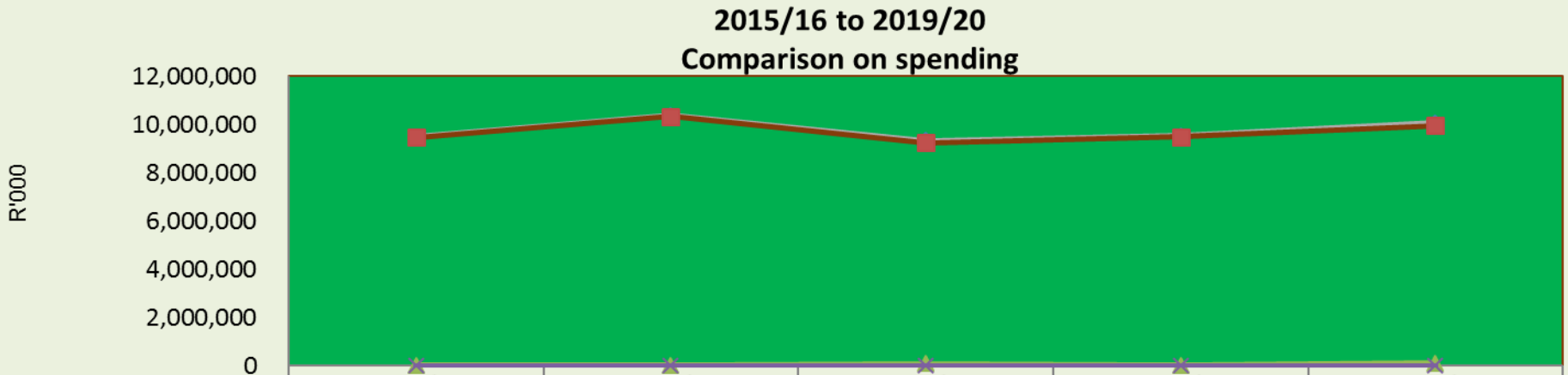
FINANCIAL PERFORMANCE ON PROGRAMME LEVEL

Programmes	Final Appropriation 2019/20	Actual Expenditure as at 31 March 2020	Variance	Expenditure as % of Final Appropriation
	R'000	R'000	R'000	
Administration	824,760	807,745	17,015	97.94%
International Trade and Economic Development	125,082	124,332	750	99.40%
Special Economic Zones and Economic Transformation	165,289	156,300	8,989	94.56%
Industrial Development	2,091,561	2,076,606	14,955	99.28%
Consumer and Corporate Regulation Division	336,215	329,908	6,307	98.12%
Incentives Development and Administration	5,937,323	5,902,929	34,394	99.42%
Trade and Investment South Africa	538,303	505,655	32,648	93.94%
Investment South Africa	66,194	66,131	63	99.90%
Total	**10,084,727**	**9,969,606**	**115,121**	**98.86%**

FINANCIAL PERFORMANCE ON ECONOMIC CLASSIFICATION

Economic classification	Final Appropriation 2019/20	Actual Expenditure as at 31 March 2020	Variance	Expenditure as % of Final Appropriation
	R'000	R'000	R'000	
Current payments, which consists of:	*1,766,109*	*1,684,263*	*81,846*	*95.37%*
Compensation of employees	1,046,769	995,215	51,554	95.07%
Goods and services	719,340	689,048	30,292	95.79%
Transfers and subsidies, which consist of :	*8,286,660*	*8,259,005*	*27,655*	*99.67%*
Incentives	5,764,671	5,740,166	24,505	99.57%
Departmental agencies	1,322,773	1,322,773	-	100.00%
Other transfers	1,199,216	1,196,066	3,150	99.74%
Payments for financial assets	*14,523*	*14,521*	*2*	*99.99%*
Payments for capital assets	*17,435*	*11,817*	*5,618*	*67.78%*
Total	**10,084,727**	**9,969,606**	**115,121**	**98.86%**

OVERVIEW OF THE 5-YEAR SPENDING



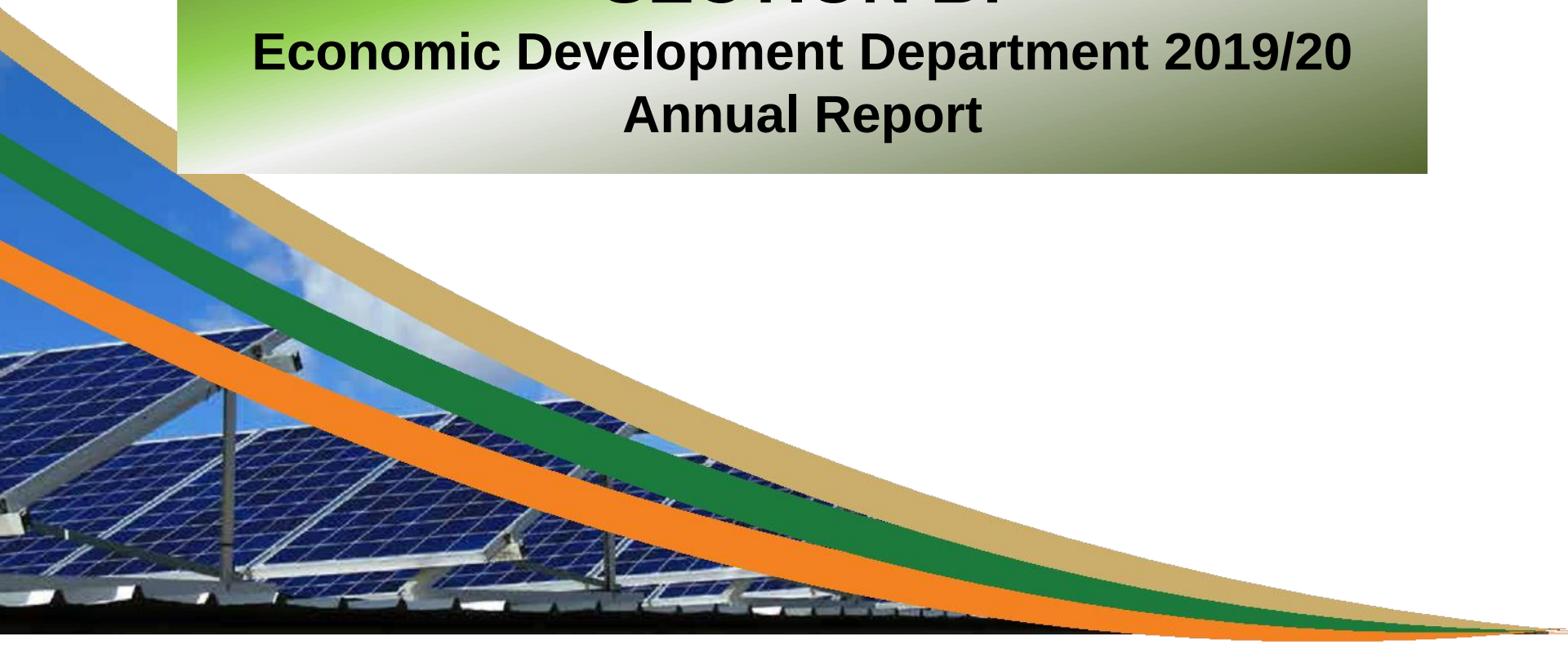
	2015/16	2016/17	2017/18	2018/19	2019/20
Budget	9,497,844	10,389,517	9,343,187	9,531,758	10,084,727
Expenditure	9,471,659	10,349,396	9,248,248	9,490,244	9,969,606
Unspent	26,185	40,121	94,939	41,514	115,121
% Unspent	0.28%	0.39%	1.02%	0.44%	1.14%

Spending for the 2019/20 financial year should be read within the context of the global pandemic of the coronavirus, which had an adverse impact on most of the G H S D U W P H Q W¶V activities. As depicted in the graph above, there has been consistency in the spending pattern of the department against its budgetary allocation over the past five years, where the under-spending has been below 2% of the allocated budget for each specific year.

2019-20 AUDIT REPORT

the dti achieved a financially **unqualified opinion with no findings**, commonly known as a "**clean audit**" opinion. This means that the Department's 2019/2020 financial statements were free from material misstatements and there were no material findings reported on performance objectives or non-compliance with legislation.

SECTION B:
Economic Development Department 2019/20 Annual Report



Economic Development Department 2019/20 Annual Report

Presentation to the Portfolio Committee

2020

economic development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

2030 NDP

EDD had 6 Strategic Objectives

- 16 KPIs
- 184 products planned
- **194** products achieved
- **98%** of allocated budget spent

REPORT ON KPIs

Q1 ±Highlight 9: Sale of Highveld Steel Mill

KPI 12

Unblocking sale of Highveld Structural Steel Mill

- Parties could not agree during negotiations, threatening the extended bloom supply agreement as well – 220 jobs at risk and resumption of imports of structural steel.
- Minister successfully acted as Arbitrator during April 2019 between parties involved in sale of Highveld Structural Steel Mill – leading to deal and saving the 220 jobs.

Q1 ±Highlight 10: Lekwa water supply unblocking

KPI 13

The Department unlocked the water supply challenges for Goldi Chickens in Lekwa Municipality

- EDD received a complaint from Goldi that water supply to their chicken processing plant was discontinued by the Lekwa Municipality which will result in serious environmental, financial and labour problems.
- After EDD held a meetings with stakeholders, and arranged the following:-
  - Municipality agreed to provide some of the required water
  - Water Affairs agreed that Goldi could extract water directly from the Vaal River, until such time that the municipal infrastructure is fully operational
  - MISA, COGTA and PICC are in discussion with the municipality to refurbishment of the water treatment plant
- EDD's intervention resulted in production resuming at the chicken processing plant and around 3 200 workers taken out of short-time.

26 July 2019: Minister of Communications issued Policy on high demand spectrum and policy direction on the Licensing of a wireless open access network

Data Market Inquiry

- The provisional **Data Market Inquiry** was released on the **24th April 2019**. The **Final Report** was released during **December 2019**.
- The inquiry was set up as a result of persistent concerns expressed by the public about the high level of data prices and the importance of data affordability for the South African economy and consumers.
- The purpose of the Inquiry is to understand what drives the cost of data.
- The EDD collaborated with DTPS in terms of providing funding for the inquiry as well as discussing the implications of the provisional recommendations.

Grocery Retail Market

- The Provisional report was released on the **29th May 2019**. The **Final Report** was released during **November 2019.**
- The purpose is to remove hindrances to SMEs and historically disadvantaged firms participation. The Inquiry also determine the impact of the expansion, diversification and consolidation of national supermarket chains on small and independent retailers in townships, peri-urban areas and rural areas and the informal economy.
- The EDD held a discussion of the draft recommendations with National Treasury in terms of their Townships and Villages programme in the Eastern Cape.

30 September 2019: Healthcare Market Inquiry Final Report issued

Q2 ±Highlight 7: Implementation of the Competition Amendment Act

KPI 16

- The Competition Amendment Act, No. 18 of 2018 was published in Government Notice No. 42231 of 14 February 2019
- Following completion of work by an independent panel into the state of readiness of the Competition Commission to implement the Amendment Act, EDD recommended its promulgation
- On 6 July 2019, the President promulgated certain sections of the Act to commence its implementation
- The Department prepared its presentation to the Portfolio Committee on the context and content of the Amendments

Q2 ±Highlight 8: Illicit Economy Task Team

KPI 3

- The **Inter-Agency Working Group on Illicit Trade** includes officials from the dtic and SARS, working with various agencies such as the National Joint Operational and intelligence Structure (NATJOINTS) and the South African Diamond and Precious Metals Regulator (SADPMR), to achieve the following:
  - ✓ Develop and Implement the Inter-Agency Strategy towards addressing Illicit Trade
  - ✓ Develop and roll-out the Action Plan with short, medium and long term actions for the Working Group, including:
    - ➢ High Impact Operations – e.g., Raid in Dragon City Mall, Fordsburg, Jhb on 11 Sept 2019 where 184 personnel from various agencies were involved – leading to detentions and seizures of items.
    - ➢ Conduct Policy Review involving key stakeholders – labour and business and includes supporting implementation of Export Tax on scrap metal.
    - ➢ Enhance international relations with regard to illicit trade

- The Ministers of Trade and Industry and of Finance identified CTFL*, scrap metal and gold as short-term focus areas

*Clothing, Textile, Footwear and Leather

Q3 - Highlight 6: BFI

Budget Facility for Infrastructure Bid Window 3

- As directed by Cabinet, NT is working jointly with the Presidential Infrastructure Coordinating Commission (PICC) secretariat, DPME and EDD to establish the BFI
- Aim of BFI is to support quality public investments through robust project appraisal, effective project development and execution to ensure
  - sustainable financing arrangements beyond the MTEF
- Joint Technical Committee (JTC) is a multi- stakeholder committee comprising of senior officials from NT, PICC, and DPME
  - manages detailed technical assessment process and makes recommendations to budget authorities (MTEC) and political decision makers (MINCOMBUD)
- Window 3 between March and May 2019

The BFI helps address:

1. Weaknesses in planning and project identification

2. No formalised authorisation environment

3. Incomplete and poor quality Project Preparation processes

Report on the promulgation of Government Notices regarding the COVID-19 pandemic

- DTIC Minister, in consultation with the Competition and Trade Authorities, and the Minister the following government notices were published:
  - Consumer and Customer Protection and National Disaster Management Regulations and Directions
    - Enables the joint work on Price Gouging between the CC and the NCC
  - COVID-19 Block Exemption for the Healthcare Sector, 2020
  - COVID-19 Block Exemption for the banking sector, 2020
  - COVID-19 Block Exemption for the retail property sector, 2020
  - COVID-19 Block exemption for the hotel industry, 2020
  - COVID-19 Export Control Regulation Government Notices

Impact: Implementation of the regulations and directions protected consumers from excessive, unfair, unreasonable or unjust pricing of goods and services and maintained security and availability of the supply of goods and services during the national state of disaster

Q4 - Highlight 2: PPS Extension/Export Tax

- Minister published Government Notice on 24 May 2019 which extended the PPS until 31 March 2020
  - This was to allow for the finalisation of a proposed export tax on ferrous and non-ferrous waste and scrap metal
- "…proposed export taxes will apply to ferrous metals at the rate of R1 000 per tonne, aluminium at R3 000 per tonne, red metals at R8 426 per tonne, and other waste and scrap metals at R1 000 per tonne…Consultation will begin today (26 Feb 2020), to be concluded by the end of May 2020, for consideration in the annual tax bills." (Minister of Finance: Budget Review 2020, National Treasury, 26 Feb 2020, p43) – Annual Taxation Laws Amendment Bill (TLAB)
  - It became necessary to further extend the policy directive on the PPS for another nine months until 31 December 2020, to allow the Technical Team to complete its work on a proposed export tax on ferrous and non-ferrous waste and scrap metal
- Public comments were sought via Government Notice No. 43058 dated 28 February 2020, on whether the Minister should grant an extension or not
  - Public comments received, were mostly in favour of an extension
  - On 20 March 2020, in Government Notice No. 43123, the Minister extended the PPS for a further period of nine months until 31 December 2020

Q4 - Highlight 3: Price Discrimination & Buyer Power Regulations

KPI 16

- In February 2019, President Ramaphosa signed the Competition Amendment Act, 2018 (Act No. 18 of 2018) and in July 2019 the Minister promulgated certain sections of the Competition Amendment Act, 2018
- Amendments seek to address persistent concentration and promote greater participation in the economy by SMMEs and companies owned by historically disadvantaged persons (HDP companies)
- Competition Amendment Act required that regulations be established on the definitions of small business and medium-sized business; buyer power; and price discrimination
- Purpose of these regulations is to:
  - provide for the benchmarks for determining the application of section 9(1)(a)(ii) to firms owned and controlled by historically disadvantaged persons; and
  - to set out the relevant factors and benchmarks for determining whether a dominant firm's action is price discrimination that impedes the participation of small and medium businesses and firms controlled or owned by historically disadvantaged persons
- The Minister published the final Buyer Power Regulations and the Price Discrimination Regulations in Government Gazette Notice No. 43018 dated 13 February 2020

Report on Social Economy Green Paper Project

- Background:
  - MoU signed between Government of South Africa, Government of Flanders and the ILO in 2017
  - SE Policy Draft Green Paper was launched by Minister Patel in February 2019
  - Consultation on the Green Paper took place between nationally between 27-28 February 2019 and provincially between August 2019 and November 2019 with over 1000 people consulted
    - Consultation sessions also involved provincial consultations as well as various stakeholders such in the legal and academic environments
- Status:
  - No-cost extension granted in February 2020 – project now to end March 2021
    - Upcoming key work: Implementation Plans, White Paper finalization
  - Process led by Deputy Minister Nomalungelo Gina: prior to the lockdown, the Free State and Northern Cape provincial administrations had been consulted,
    - post-COVID lockdown, North West and KZN were consulted virtually

Q4 - Highlight 5: Simba/Pioneer Merger

KPI 16

Simba (Pry) Ltd and Pioneer Food Group Limited (PepsiCo/Pioneer Group) merger

- 10 September 2019: merger notice to the Minister dated.
- 12 September 2019: EDD filed a Notice of Intention to Participate merger
- Primary acquiring firm: Simba (Pty) Ltd ("Simba"), an indirect subsidiary of PepsiCo Inc
- Primary target firm: Pioneer Food Group Limited ("Pioneer Foods"). Post-merger, Pepsico will exercise sole control over the Pioneer Group.
- Merger approved with conditions
  - **B-BBEE:** PepsiCo's common stock to the value of R1.6 billion to be issued to a South African, broad-based workers' trust. Stock in PepsiCo must, after 5 years, be converted into a direct shareholding in Pioneer of up to 13%
  - **Employment:** No merger-related retrenchments for a period of 5 years
  - **Location of Head Office And Tax Residency:** Merged company shall remain incorporated in South Africa and will remain a tax resident in South Africa
  - **Production:** Aggregate productive capacity and capabilities associated with production operations and related facilities in South Africa shall be kept in place. PepsiCo commits to expand the operations of the merged firm in South Africa over a 5-year period to the value of R1 billion
  - **Local supply chains:** Merging parties commit to expand the Pioneer Foods practice of maximising local production
  - **Downstream agreements:** Merged company shall maintain all sale and distribution agreements with companies controlled by historically disadvantaged persons and SMMEs for a period of 2 years
- **Development Fund**: R600 million for investment in : education, SMMEs, enterprise and agricultural development
  - R300 million will be invested in developing the capacity of emerging farmers and expanding emerging farmer participation in the supply chain of the merged company
  - R200 million in education which shall include funding scholarships for historically disadvantaged engineering, agronomy and nutrition science students
  - R100 million in SA entrepreneurs as part of an incubator fund

REPORT ON FINANCIALS

Financial Performance: Overview

For the year under review the department spent 98% (i.e. under spending of 2%) and achieved a 3rd consecutive Clean Audit.

Audit Outcome

- The department obtained a CLEAN AUDIT opinion
  (Unqualified audit opinion with no findings)

- This demonstrates the efforts that were put in place by management to ensure that the internal control system remained effective and was further enhanced in certain instances.

- All the assurance providers have demonstrated the high level of commitment in discharging their responsibilities.

Financial Performance: Per Programme

Programmes	2019/20				2018/19			
	Annual Budget	Expenditure	Variance		Annual Budget	Expenditure	Variance	
	R'000	R'000	R'000	% spend	R'000	R'000	R'000	% spend
Administration	85 164	81 432	3 732	96	87 759	86 619	1140	99
Growth Path and Social Dialogue	36 385	32 091	4 294	88	30 502	30 158	344	99
Investment, Competition and Trade	868 094	852 836	15 258	98	954 336	927 233	27 103	97
Total	**989 643**	**966 359**	**23 284**	**98**	**1 072 597**	**1 044 010**	**28 587**	**97**

Financial Performance per Economic Classification

Programmes	2019/20				2018/19			
	Annual Budget	Expenditure	Variance		Annual Budget	Expenditure	Variance	
	R'000	R'000	R'000	% spend	R'000	R'000	R'000	% spend
Compensation of employees	95 943	83 269	12 674	87	92 273	91 082	1 191	99
Goods & services	44 463	41 478	2 985	93	41 833	40 908	925	99
Transfers to Entities	848 241	840 741	7 500	99	937 295	910 942	26 353	97
Households	250	80	170	32	220	255	-35	116
Payments for capital assets	746	746	0.00	100	976	823	153	84
Totals	**989 643**	**966 314**	**23 329**	**98**	**1 072 597**	**1 044 010**	**28 587**	**97**

Transfers to Entities

Description	2019/20 R'000	2018/19 R'000
Competition Commission	295 438	281,788
Competition Tribunal	36 172	35 086
International Trade Administration Commission	111 428	106 584
Sefa	241 453	228 837
IDC *	156 250*	258 647*
Total	**840 741**	**910 942**

	2019/20	2018/19
*Tirisano Fund	R61 250	R213 647
Steel Fund	R35 000	R30 000
PICC	R60 000	R15 000
Total IDC Transfer	**R156 250**	**R258 647**

For the financial year under review 85% of the budget was transferred to the department's entities.

Financial Performance: Revenue

Description	2019/20	2018/19
	R'000	R'000
Sales of goods and services other than capital assets	28	32
Fines, penalties and forfeits (Construction Cartel Settlement Agreement)	61 250	96 247
Interest, dividends and rent on land	370	50 462
Transactions in financial assets and liabilities	19	14
Total	**61 667**	**146 755**

Penalties received

Name of entity	Amount received 5 ¶	Amount paid to Revenue Fund 5 ¶	Balance 5 ¶
Competition Commission	209 625	209 625	0.00
Total	**209 625**	**209 625**	**0.00**

- EDD no longer reports on penalties collected by the Competition Commission in line with reporting requirements reflected in the Accounting Manual issued by OAG.
- In 2019/20 R209,6 million was received and paid over to National Revenue Fund.

REPORT ON HR

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 54% women in Senior Management positions as at 31 March 2020.

EDD Personnel Expenditure by Programme

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	81 432	38 794	284	10 141	47.6%	746
Growth Path and Social Dialogue	32 090	30 469	-	-	94.9%	1 219
Investment, Competition & Trade	852 836	11 119	-	86	1.3%	556
Total	**966 358**	**80 382**	**284**	**10 227**	**8.3%**	**2 521**

Political Office Bearers are excluded

economic development
Economic Development Department
REPUBLIC OF SOUTH AFRICA

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	2 124	2.6%	8	266
Levels 6-8	10 872	13.5%	29	375
Levels 9-12	23 182	28.8%	32	724
Levels 13-16	44 204	55.0%	28	1 579
Total	**80 382**	**100%**	97	**829**

Political Office Bearers are excluded

Gender Equity

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

SMS	Male	Female	Total
Headcount	13	15	28
Percentage	46%	54%	100%

Non-SMS	Male	Female	Total
Headcount	24	45	69
Percentage	35%	65%	100%

EDD	Male	Female	Total
Headcount	37	60	97
Percentage	38%	62%	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	37	60	97
	2.7%	3%	3%

Internship Programme

Component	Number of Interns
Economic Policy Development	1
Economic Planning Development	1
Social Dialogue	0
PICC	0
Office of the Director-General	1
Security Management	0
Internal Audit	2
Office of the Chief Financial Officer	2
Legal Services	0
Information Technology	0
Planning & Reporting	0
Human Resources Management	0
Total	7

THANK YOU

SIYABONGA

Economic Development Department