



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

Annual Report 2019/20

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

10 November 2020

PRESENTATION OUTLINE

INTRODUCTION

SECTION A : the dti ANNUAL REPORT

SECTION B : EDD ANNUAL REPORT

INTRODUCTION

- ❑ The 2019/20 annual performance of **the dti** and EDD was presented to the Portfolio Committee on Trade and Industry on 05 October 2020.
- ❑ On 05 November 2020, the **Minister of Trade, Industry and Competition** tabled:
 - ❑ The Report and Financial Statements of Vote 34 – Department of Trade and Industry for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information of Vote 34 for 2019-20; and
 - ❑ The Report and Financial Statements of Vote 25 – Economic Development Department for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information of Vote 25 for 2019-20.
- ❑ Following the tabling of **the dti** and EDD Annual Reports, PC is requested to note the updated report on the department’s annual performance for 2019/20.
- ❑ **the dti** and EDD achieved unqualified audit opinions with no findings, commonly known as a “**clean audit**” opinion.
- ❑ The presentation provides a summary of the reported financial and non-financial performance, audit outcomes for both departments and its entities.



SECTION A:

Department of Trade and Industry (the dti) 2019/20 Annual Report

the dti STRATEGIC GOALS (SG) AND PROGRAMMES

Strategic Goals (5)

- ❑ **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.

Programmes (8):

- ❑ Programme 1: Administration
- ❑ Programme 2: International Trade and Economic Development
- ❑ Programme 3: Special Economic Zones and Economic Transformation
- ❑ Programme 4: Industrial Development
- ❑ Programme 5: Consumer and Corporate Regulation
- ❑ Programme 6: Incentive Development and Administration
- ❑ Programme 7: Trade Investment South Africa
- ❑ Programme 8: Investment South Africa

PERFORMANCE HIGHLIGHTS

PROGRAMME	ACTUAL ACHIEVEMENTS
International Trade and Economic Development	<ul style="list-style-type: none"> • Two status reports produced on progress for Tripartite Free Trade Agreement (TFTA) negotiations • Four status reports produced on progress for Continental Free Trade Area (C-FTA) negotiations • Two reports on implementation of SADC-EU Economic Partnership Agreement (EPA) • 16 status reports produced on engagements in global for a (BRICS, G20, AGOA, UK Brexit)
Special Economic Zones (SEZ) and Economic Transformation	<ul style="list-style-type: none"> • Two SEZs submitted to Minister for designation • Two implementation reports on Industrial Parks submitted to Minister • Two implementation reports on the B-BBEE Amendment Act and Regulations submitted to the Minister • 67 interventions to support BIs in the IPAP Sectors (non-financial support)
Industrial Development	<ul style="list-style-type: none"> • Four designation requests prepared for the Minister, i.e. Plastic pipes and fittings products; Bulk material Handling (conveyor System equipment). Ester oil; and Instrument transformers. • One IPAP implementation report was prepared • The Re-imagined Industrial Strategy was approved by Cabinet Lekgotla in June 2019 • Two Master Plans (i.e. the R-CTFL value chain and Poultry sector) were launched at the President's Investment Conference as part of the implementation of the Reimagined Industrial Strategy and Implementation in progress through the establishment of Executive Oversight Committees (EOCs) and Technical Task Teams

PERFORMANCE HIGHLIGHTS

PROGRAMME	ACTUAL ACHIEVEMENTS
Consumer and Corporate Regulation	<ul style="list-style-type: none"> • Companies Bill - SEAIS report revised and certified by the Department of Planning, Monitoring and Evaluation (DPME) for submission of the Companies Bill to the National Economic Development and Labour Council (NEDLAC) on 16 May 2019. SEIAS report revised based on the changes made to the Bill during the NEDLAC process • Four progress reports on the development of the Companies Amendment Bill developed for Minister's approval • 27 Education and awareness workshops on policies and Legislation conducted and report produced for Minister's approval
Incentive Development and Administration	<ul style="list-style-type: none"> • R32,208 Billion projected investments leveraged from projects/ enterprises approved • 18 242 Projected number of new jobs supported from Enterprises approved • 24 247 Projected number of jobs to be retained from approved enterprises • 510 Enterprises/ projects approved for financial support across all incentives
Trade Investment South Africa	<ul style="list-style-type: none"> • R2.672 Billion of export sales generated • 828 Companies financially assisted through EMIA
Investment South Africa	<ul style="list-style-type: none"> • R220 852 Billion investment projects facilitated in pipeline

FINANCIAL PERFORMANCE



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



OVERVIEW OF FINANCIAL PERFORMANCE

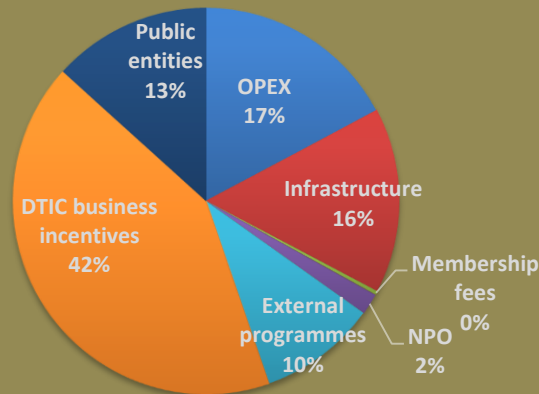
1 April 2019



31 March 2020

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

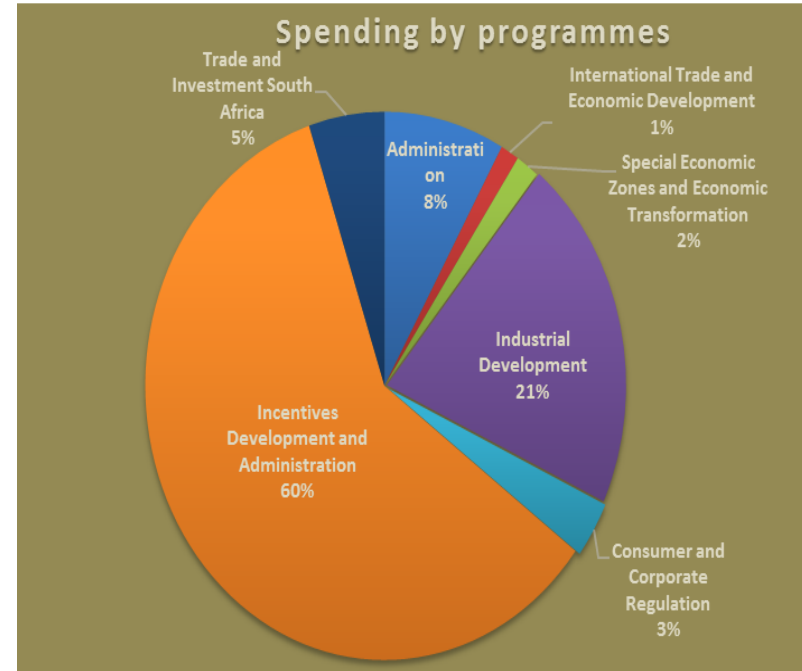
Spending by categories



- 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%.

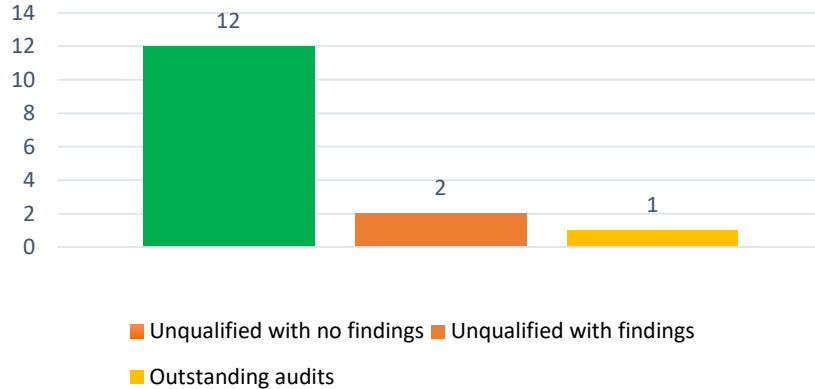
FINANCIAL PERFORMANCE PER PROGRAMME AND ECONOMIC CLASSIFICATION

Description	Budget 2019/20	Actual expenditure 2019/20	Expenditure as % of budget	Unspent 2019/20	
	R'000	R'000		R'000	%
Programme 1: Administration	824,760	807,745	97.94%	17,015	2.06%
Programme 2: International Trade and Economic Development	125,082	124,332	99.40%	750	0.60%
Programme 3: Special Economic Zones and Economic Transformation	165,289	156,300	94.56%	8,989	5.44%
Programme 4: Industrial Development	2,091,561	2,076,606	99.28%	14,955	0.72%
Programme 5: Consumer and Corporate Regulation Division	336,215	329,908	98.12%	6,307	1.88%
Programme 6: Incentives Development and Administration	5,937,323	5,902,929	99.42%	34,394	0.58%
Programme 7: Trade and Investment South Africa	538,303	505,655	93.94%	32,648	6.06%
Programme 8: Investment South Africa	66,194	66,131	99.90%	63	0.10%
TOTAL	10,084,727	9,969,606	98.86%	115,121	1.14%
Economic classification					
Current payments	1,766,109	1,684,263	95.37%	81,846	4.63%
Compensation of employees	1,046,769	995,215	95.07%	51,554	4.93%
Goods and services	719,340	689,048	95.79%	30,292	4.21%
Transfers and subsidies	8,286,660	8,259,005	99.67%	27,655	0.33%
Incentive payments	5,764,671	5,740,166	99.57%	24,505	0.43%
Department entities	1,322,773	1,322,773	100.00%	-	0.00%
Other transfers	1,199,216	1,196,066	99.74%	3,150	0.26%
Payments for capital assets	17,435	11,817	67.78%	5,618	32.22%
Payments for financial assets	14,523	14,521	99.99%	2	0.01%
TOTAL	10,084,727	9,969,606	98.86%	115,121	1.14%



2019/20 AUDIT REPORT

the dti & its entities



the dti and 11 entities achieved financially **unqualified opinions with no findings**, commonly known as a “**clean audit**” opinion.

The audit reports are therefore noted.

SABS and SANAS obtained unqualified audit opinions with findings.

Entity	Findings
South African Bureau of Standards (SABS)	<ul style="list-style-type: none">- Material adjustments to the financial statements- Non compliance with treasury regulations 29.2.2
South African National Accreditation System (SANAS)	<ul style="list-style-type: none">- Material adjustments to the financial statements

2019/20 AUDIT REPORT

Audit outcome	Institution
Unqualified with no findings	Department of Trade and Industry
	Companies and Intellectual Property Commission
	Companies Tribunal (CT)
	National Consumer Commission (NCC)
	National Consumer Tribunal (NCT)
	National Credit Regulator (NCR)
	National Gambling Board (NGB)
	National Empowerment Fund (NEF)
	Export Credit Insurance Corporation (ECIC)
	National Metrology Institute of South Africa (NMISA)
	National Lotteries Commission (NLC)
National Lottery Distribution Trust Fund (NLDTF)	
Unqualified with findings	South African Bureau of Standards (SABS)
	South African National Accreditation System (SANAS)
Outstanding audit	National Regulator for Compulsory Specification (NRCS)



HUMAN RESOURCE PERFORMANCE



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



HUMAN RESOURCE PERFORMANCE

National Macro Organisation of Government (NMOG)

- Effective Planning and Governance of the project.
- Successful negotiations with Organised Labour on the matching and placement of staff in the organisational structure of new Department of Trade, Industry and Competition (**the dtic**).
- Seamless merger of **the dti** and EDD into the new **the dtic**.

Turnover Rate

- Recorded as 3% cumulative i.r.o Q1 to Q4 against the annualised target of 6.8%. Retention rate at 97%.

Women In SMS

- Recorded at 54% against the target of 50%, above Cabinet target of 50%.

People With A Disability

- Recorded at 3.9% against the target of 3.7%, above Cabinet target of 2%. 70 employees trained since May 2018 in Sign Language

Vacancy Rate

- 6.1% against the target of 5.1%, below the target due to hold on filling of positions due to NMOG.

HUMAN RESOURCE PERFORMANCE (Continued)

Youth Empowerment

- 45 Interns provided with experiential training. Of the 69 appointed, 24 found external employment.
- Recruitment and selection of new 54 Interns completed for placement.

Leadership Development (Coaching Programme)

- Target group: 48 SMS employees. Completed since 2018 to 31 March 2020: 48 employees.
- SMS Leadership Coaching completed and progress report submitted.

Capacity Development

- 214 bursary holders: 136 Undergraduate, including Honours qualifications, 68 Masters Degree qualifications and 10 Doctorate Degree qualifications.
- 85 new bursary applications approved for the 2020 intake, 43 employees already made use of the opportunity by registering for their studies.

Grievances

- Level 1 – 12 Grievances: 30 cases handled within an average period of 86 days, 77%% of these were resolved.
- SMS Grievances: 8 cases handled within an average of 90 days, 50% of these were resolved.

Discipline

- Informal discipline: 35 cases handled within an average of 34 days.
- Formal cases: 10 cases dealt with in a period of 542 days – GPSSBC matters as well as suspensions.



SECTION B:

Economic Development Department (EDD) 2019/20 Annual Report

EDD had 6 Strategic Objectives



16 KPIs



184 products
planned



194 products
achieved



98% of allocated
budget spent



KPI HIGHLIGHTS

Highlight: Provisional Market Inquiries Reports – Data and Grocery Retail Market Inquiries

30 September 2019: Healthcare Market Inquiry Final Report issued

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.

Update

- Major agreements struck with mobile network operators – to bring down the cost of data down by approx. 30%.
- Grocery retailers to end Exclusive Lease Agreements – which keep SMMEs out of shopping malls.

Highlight: Implementation of the Competition Amendment Act

- The Competition Amendment Act, No. 18 of 2018 was published in Government Notice No. 42231 of 14 February 2019.
- On 6 July 2019, the President promulgated certain sections of the Act to commence its implementation.
- Implementation work was accelerated:
 - Various sections of the Amendment Act were promulgated on 12 July 2019 and 13 Feb 2020, respectively;
 - Buyer Power (Sec: 8) Regulations;
 - Price Discrimination (Sec: 9) Regulations;
 - COVID Block Exemptions (Sec: 10(10)).

Highlight: PepsiCo/Pioneer Merger

- Primary acquiring firm: Simba (Pty) Ltd (“Simba”), an indirect subsidiary of PepsiCo Inc. .
- Primary target firm: Pioneer Food Group Limited (“Pioneer Foods”).
- 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.

Highlight: 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.
- Minister of Finance: Budget Review 2020, National Treasury, 26 Feb 2020, p43) – Annual Taxation Laws Amendment Bill (TLAB) announced work on the Export Tax:
 - 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.
- ITAC finalised their investigation into the introduction of an Export Tax Scrap Metal, and has worked with National Treasury on its implementation, expected during the next financial year.

Highlight: IDC Funding

- In financial year under review, the IDC Disbursed R11.7 billion.
- While year-on-year investment activities have declined, the five-year trend shows IDCs countercyclical role over the longer term to make funding available to entrepreneurs.
- Over the past five years, IDCs strong track record in facilitating economic transformation has been exhibited by:
 - R24.5 billion funding support to Black Industrialists – R42.6 billion if all Black-empowered firms were collated.
 - R11.7 billion committed to women-empowered enterprises.
 - R6 billion to youth-empowered enterprises.
- IDC has a significant role to play in the economic recovery post COVID-19, with opportunities presenting themselves in:
 - “Strategic vulnerabilities” exposed by the disruptions in supply-chains, which may present opportunities in specific sectors as well as in import replacement, strategic localisation and integration into regional and global value-chains.
 - Opportunities that will arise from the African Continental Free Trade Agreement (AfCFTA) will need partnerships with the private sector.

REPORT ON FINANCIAL PERFORMANCE

Financial Overview & Auditor–General Report

Financial Overview

- For the year under review the department spent 98% (i.e. under spending of 2%).

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	1 140	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	2018/19
	R'000	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.

Public Entity Audit Outcomes



Unqualified
with no findings
(Clean Audit)



Unqualified
with no findings
(Clean Audit)



Unqualified
with no findings
(Clean Audit)



Unqualified
with Findings

- The Department, Competition Commission, Competition tribunal and ITAC obtained **clean audit** outcomes.
- The audit opinion for the IDC was due to corrected material misstatements on the financial statements.

Human Resource Management

- The Department had a staff complement of 97 at year end.
- EDD employed 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.

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
	<u>2.7%</u>	<u>3%</u>	<u>3%</u>

Gender Equity

- The Department has exceeded the target of 50% in the filled and funded posts overall.
- The EDD had a ratio of 54% women in Senior Management positions as at 31 March 2020.

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

THANK YOU