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DEPARTMENT OF TRADE, INDUSTRY, AND COMPETITION: THIRD QUARTER PERFORMANCE FOR THE 2020/21 FINANCIAL YEAR

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1. INTRODUCTION



This paper provides a summary of the Department of Trade, Industry and Competition's (DTIC) financial and non-financial performance for the third quarter of the 2020/21 financial year. The Portfolio Committee on Trade and Industry (thereafter referred to as the PCTIC or Committee) in line with its mandate is required to oversee the performance of the DTIC against the Department's set targets on a quarterly basis. The DTIC is expected to present its quarterly performance to the PCTIC on the 17th of February 2021.

Therefore, for the third quarter, it is important for the Committee to follow-up on progress on these issues, as well as, assess the performance of the DTIC against its set targets. Consequently, this brief analyses the quarterly non-financial performance of the DTIC against the targets set in the 2020/21 Annual Performance Plan as well as the quarterly financial performance against the appropriated budget.

It should be noted that the DTIC is in its first financial year of existence resulting from the merger of the Economic Development Department (EDD) and the Department of Trade and Industry (DTI). Therefore, this is its first third quarterly performance of the merged department and therefore no comparisons can be made with that of the third quarter in the previous financial year.

2. NON-FINANCIAL PERFORMANCE¹

As per the Annual Performance Plan, a total of 28 targets were planned, 3 of which were not achieved. This represents 89 percent of the targets that were achieved during the quarter under review. In the previous quarter, the Department achieved 87 percent of its targets, where 82 of the 32 targets were achieved.

Detailed below is performance for each of the DTIC's programmes.

(a) Programme 1: Administration

Programme 1 had six targets for the quarter; five were fully achieved while one was not achieved. These are detailed in the table below.

The target to have 3,5 percent of people with disabilities in the employ of the DTIC was achieved and exceeded. The DTIC had achieved 3,8 percent in the third quarter. This was 1 percent more than the previous quarter. This is reported in a percentage form so it is unclear whether the number of people with disabilities increased or whether there were changes in the rest of the employment figures that affected this percentage. It may be useful to report this in both percentage and in real numbers.

Another target in relation to employment is the employment of women in senior management. The target of 50 percent of women in senior management was exceeded, 54 percent of

¹ Information in this and the next section are taken from the DTIC's verified third quarter performance report unless indicated otherwise.



women were employed at the senior management level. This was because of appointments and promotions of females exceeding that of males.

The payment of all eligible creditors within 30 days target was also achieved. In the quarter, of the 1 398 creditors that were paid, 70 percent were paid within 15 days while the rest were paid within 30 days.

The DTIC produced three COVID-19 compliance reports in the quarter.

The target that was not achieved was on the appointment of a service provider for the National Macro-Organising of Government (NMOG) process (*See Second Quarter Analysis*). In the second quarter, the DTI reported that phase 1 of the project had been closed and Terms of Reference (ToR) were developed for the appointment the service provider. However, it was not clear what the role of the service provider would be in this process. In the third quarter, the DTIC reported that a different approach had been decided in December 2020 and that the structure of the Department would be finalised by 31 January 2021.

(b) Programme 2: Trade Policy, Negotiations, and Cooperation

In Programme 2 there were five targets; all were fully achieved. The outputs were status reports on the following:

- i. Engagement in the World Trade Organisation (WTO),
- ii. Engagement in the Brazil, Russia, India, China, and South Africa (BRICS),
- iii. Engagement in the G20²;
- iv. Implementation of SACU-Mozambique Economic Partnership Agreement with the United Kingdom; and
- v. Tariff and trade related matters under the African Continental Free Trade Area (AfCFTA)

(c) Programme 3: Spatial Industrial Development and Economic Transformation

Under this Programme, there were three targets in the second quarter, all of which were achieved. The outputs were:

- i. Implementation report on Special Economic Zones (SEZ) and the National SEZ Capacity Support;
- ii. Implementation report on the economic transformation; and
- iii. Implementation report on the Industrial Parks

(d) Programme 4: Industrial Competitiveness and Growth

² G20 Member countries are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States, and the European Union.



In this Programme, there were three targets. All targets were achieved. The targets were:

- The report on the implementation of Master Plans;
- The report on measures implemented to support industry to increase localisation of PPE and other products; and
- Two designation requests on poultry and cement were prepared for approval.

(e) Programme 5: Consumer and Corporate Regulation

Under this Programme, the target and output was a progress report on the development or review of legislation of the Companies, Liquor and National Gambling legislation. In the previous quarter, the DTIC reported that the Companies Amendment Bill and Liquor Amendment Bill are still under consideration for tabling in Cabinet. In this quarter, it is reported that the Companies, Liquor and National Gambling legislation had been developed for approval by the Minister.

(f) Programme 6: Industrial Financing

Under this programme, there were two targets both which were achieved. One target was for the implementation report of the Economic Recovery Programme. In this regard, the DTIC reports that the interest make-up scheme criteria was approved for implementation with commercial banks through this programme. The interest make-up scheme is grant funding by the government which will assist companies in distress to offset interest of up to R2 million on their borrowed working capital. The purpose of the scheme is to assist companies that had been affected by COVID-19 in the productive sectors of the South African economy.³

In terms of leveraged investment, DTIC had targeted to attract R1,7 billion in investment for the quarter, however, it over achieved on this target, leveraging investment of over R11,3 billion because of large investment projects which were approved for funding under the Automotive Incentive Scheme, Critical Infrastructure Programme, and Business Process Services Incentive Programme.

(g) Programme 7: Export Development, Promotion and Outward Investments

All of the three targets under this programme were achieved. These include:

- A total of 44 barriers were processed during the quarter;
- Made two applications on the SACU Export Scoping Engine, and Trade Logistics Monitoring System;
- One report was produced on Export Infrastructure.

(h) Programme 8: Inward Investment Attraction, Facilitation, and Aftercare

³ Department of Trade, Industry, and Competition (2021b)



In this programme, all three targets were achieved. In particular, approximately R31,8 billion was facilitated in pipeline investments against a target of R25 billion. This was possible because of the Investment Conference that took place in November 2020 where a number of investors made commitments.

Furthermore, the DTIC assisted 11 companies with regulatory matters and produced a report on company registration.

(i) Programme 9: Competition Policy and Economic Planning

In this programme, there were three targets, all of which were achieved. The targets are as follows:

- A report on Participation in Mergers and Acquisitions;
- A report on public Interest Conditions Implementation Quarterly Review Report; and
- A report on policy and statutory initiatives in support of Ministry.

(j) Programme 10: Economic Research and Coordination

Two targets were set under this programme, none of which was achieved. The first target was to produce three analytical reports which was not met, however, the DTIC produced two reports an Investment Analysis Report on COVID-19 and the South African Manufacturing Sector: Impact assessment and recovery options.

The other target was to produce two research reports. This target was not achieved. A Report on the Fourth Industrial Revolution (4IR) Technological Indicators was produced, however a report on post COVID-19 South Africa's traditional and prospective export markets was not produced. A research study was only commissioned in the third quarter.

3. BUDGET OVERVIEW

The DTIC's budget was R9,31 billion for the financial year under review. The DTIC's work and budget will be divided among its ten (10) programmes as depicted in table 1 below. In the third quarter, this budget was adjusted down by R37,4 million to R9.21 billion.

This adjustment affected all programmes. The Administration, Industrial financing, and Export Development, Promotion and Outward Investments programmes' budgets were adjusted upwards while other programmes were adjusted down. Depicted in the table below are the adjustments by programme.

Table 1: Budget Allocation for the DTIC (2020/21 Financial Year)



PROGRAMMES	ORIGINAL BUDGET (R' 000)	ADJUSTED BUDGET (R' 000)	VARIANCE (R' 000)
Administration	R857 590	R862 936	↑ R5 346
Trade Policy, Negotiations, and Cooperation	R128 449	R115 412	↓ -R13 037
Spatial Industrial Development and Economic Transformation	R159 943	R115 325	↓ -R44 618
Industrial Competitiveness and Growth	R1 653 246	R1 647 484	↓ -R5 762
Consumer and Corporate Regulation	R312 766	R297 696	↓ -R15 070
Industrial Financing	R4 860 006	R4 932 806	↑ R72 800
Export Development, Promotion and Outward Investments	R410 889	R418 801	↑ R7 912
Inward Investment Attraction, Facilitation, and Aftercare	R55 699	R55 220	↓ -R479
Competition Policy and Economic Planning	R789 398	R776 430	↓ -R12 968
Economic Research and Coordination	R82 724	R51 162	↓ -R31 562
Total	R9 310 710	R9 273 272	↓ R37 438

Source: National Treasury, (2020)

3.1 Financial Performance

By the end of the third quarter, the DTIC had spent approximately R5,09 billion of its R9.27 billion annual budget. This accounts for 55 percent of the total annual budget. The DTIC had planned to have spent R5,5 billion by the end of the this quarter, an under expenditure of R425,1 million or 7,7 percent of the budget..

There was under expenditure in all programmes, however, the main contributors to under expenditure by programme were:

- Programme 6 - Industrial Financing: R169,3 million underspending* which represents **9,5 percent** of this programme's year to date budget.
- Programme 1 - Administration: R87,4 million underspending* which represents **13,2 percent** of this programme's year to date budget.
- Programme 7 - Export Development, Promotion and Outward Investments: R40,9 million underspending* which represents **12,2 percent** of this programme's year to date budget.

In the report and information submitted by the DTIC, the reasons for underspending in all programmes are not stated. It is important for the Committee to get an understanding of those reasons as well the implications of the underspending on the last (upcoming) quarter of the financial year.



The table below provides a detail of the budget, expenditure, and the remaining budget for each of the programmes.

Table 2: Financial Performance by Programme (third quarter 2020/21 Financial Year)

PROGRAMMES	ADJUSTED BUDGET (R' 000)	Q3 BUDGET	Q3 EXPENDITURE	VARIANCE	VARIANCE (%)	AVAILABLE BUDGET
Administration	R862 936	R658 406	R571 001	R87 405	13,28%	R291 935
Trade Policy, Negotiations, and Cooperation	R115 412	R78 127	R62 320	R15 807	20,23%	R53 092
Spatial Industrial Development and Economic Transformation	R115 325	R102 004	R75 660	R26 344	25,83%	R39 665
Industrial Competitiveness and Growth	R1 647 484	R1 556 122	R1 554 689	R1 433	0,09%	R92 795
Consumer and Corporate Regulation	R297 696	R284 726	R261 255	R23 471	8,24%	R36 441
Industrial Financing	R4 932 806	R1 775 033	R1 605 729	R169 304	9,54%	R3 327 077
Export Development, Promotion and Outward Investments	R418 801	R334 420	R293 474	R40 946	12,24%	R125 327
Inward Investment Attraction, Facilitation, and Aftercare	R55 220	R37 935	R35 136	R2 799	7,38%	R20 084
Competition Policy and Economic Planning	R776 430	R637 384	R617 608	R19 776	3,10%	R158 822
Economic Research and Coordination	R51 162	R58 379	R20 502	R37 877	64,88%	R30 660
Total	R9 273 272	R5 522 536	R5 097 374	R425 162	7,70%	R4 175 898

Source: Department of Trade, Industry, and Competition (2021c)

In terms of economic classification, there was also underspending in most of the expenditure items. The exceptions are transfers to external programmes and transfers to households.

- (a) *External programmes*: **R16 million over spending**, which is **2,2 percent** of the year to date of the goods and services budget.
- (b) *Transfers to households*: **R2,4 million over spending against budgeted transfers of R441 000**.

Table 3: Financial Performance by Economic Classification (third quarter for the 2021 Financial Year).



PROGRAMMES	TOTAL ALLOCATION PROPOSED (R' 000)	Q3 BUDGET	Q3 EXPENDITURE	VARIANCE	VARIANCE (%)	AVAILABLE BUDGET
Current payments	R1 757 833	R1 406 137	R1 112 637	R293 500	20,87%	R645 196
Compensation of employees	R1 093 049	R863 928	R740 354	R123 574	14,30%	R352 695
Goods and services	R664 784	R542 209	R372 283	R169 926	31,34%	R292 501
Transfers and Subsidies	R7 498 710	R4 089 058	R3 972 973	R116 085	2,84%	R3 525 737
Incentives	R4 257 665	R1 623 149	R1 493 055	R130 094	8,01%	R2 764 610
Departmental Agency Transfers	R1 661 081	R1 601 924	R1 601 292	R632	0,04%	R59 789
External Programmes	R1 398 050	R728 049	R744 121	-R16 072	-2,21%	R653 929
Non-Profit Organisations (Partnership with business associations, NEDLAC)	R140 882	R130 502	R129 077	R1 425	1,09%	R11 805
Membership Fees (International Organisations)	R39 854	R4 993	R2 492	R2 501	50,09%	R37 362
Households	R1 178	R441	R2 936	-R2 495	-565,76%	-R1 758
Payment of Capital Assets	R16 729	R27 341	R11 763	R15 578	56,98%	R4 966
Total	R9 273 272	R5 522 536	R5 097 373	R425 163	7,70%	R4 175 899

Source: Department of Trade, Industry, and Competition (2020)

4. ISSUES FOR CONSIDERATION BY PARLIAMENT

- (a) The DTIC should explain to the Committee what is contained in the Covid-19 monthly reports and how they are beneficial to the department.
- (b) The DTI should explain to the Committee the NMOG process (both phase 1 and phase 2). Why did a service provider need to be appointed for this phase of restructuring? What would have been the role of the service provider? Why has the Department now decided against the appointment of the service provider? How will this affect the time lines for completion of phase 2 of the project?
- (c) Is the DTIC working with Department of Public Service and Administration (DPSA) and National Treasury in its restructuring process?
- (d) The DTIC has been reporting significant investments in the pipeline. On average, how long does it take to turn commitments into actual investments?
- (e) What has been the impact of COVID-19 on foreign direct investment in South Africa?



- (f) The DTIC should explain why the budgeted was adjusted down by R37,4 million as well as the adjustments in each of the programmes.

5. REFERENCES

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