REPORT OF THE SELECT COMMITTEE ON TRADE AND INDUSTRY, ECONOMIC DEVELOPMENT, SMALL BUSINESS DEVELOPMENT, TOURISM, EMPLOYMENT AND LABOUR ON BUDGET VOTE 39: TRADE, INDUSTRY AND COMPETITION AND ON STRATEGIC PLAN AND 2022/2023 ANNUAL PERFORMANCE PLAN OF THE DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION, DATED 18 MAY 2022

1. Background

The Select Committee on *Trade and Industry, Economic Development, Small Business Development, Tourism and Employment and Labour* (the Select Committee), having considered the request of the *National Council of Provinces* to analyse and report on *the Strategic Plans, Annual Performance Plans and budget allocations of the Department of Trade, Industry and Competition* (the Department), tabled by the *Minister of Trade, Industry and Competition* (the Minister), and in terms of the *Public Finance Management Act of 1999* (PFMA), as well as the *Money Bills Amendment Procedure and Related Matters Act, 2009*, reports as follows:

2. Committee Process

The Select Committee considered the Strategic Plans for the 2022 medium term period and the *Annual Performance Plan of the Department of Trade, Industry and Competition* (the Department) on 19 April 2022. The Committee has further considered the adequacy of financial resources deployed for the implementation of the plans.

3. Introduction

It was reported that the domestic economy made remarkable gain in 2021. After delivering strong growth in the first two quarters of 2021 (1.0 per cent and 1.3 per cent respectively), the economy contracted in the third quarter. The *South Africa Reserve Bank's Monetary Policy Review, April 2022* outlined that the third-quarter contraction was induced by civil unrest (KwaZulu-Natal and Gauteng) and the more mobility restrictions associated with the third wave of COVID-19 infections. It was emphasised that the economy needs to grow faster to meet the Country's developmental outcomes. The *International Monetary Fund* (IMF) including the South Africa Reserve Bank have revised the growth prospects downwards for the 2022 reporting year. Further, the global economy is expected to perform below expectations, the resultant will be slower economic growth rates both in advanced economies, and emerging market economies including the developing countries.

The global political and economic environment would have a negative impact to the domestic economic growth. It was further reported that the geopolitical conflict between Russia-Ukraine poses risk to the global and domestic economy. Although commodity prices remain elevated, and support South Africa exports revenues. National Treasury indicated in the 2022 Budget Review Covid-19 variants would pose risk to the economy. Hence the vaccination programme needs to be accelerated. Further, rising global and domestic inflation and continued disruptions of to power supply would have a negative impact to the economy. Further, a broader slowdown in Chinese economy will affect global prospects, principally via spill overs to commodity exporters and emerging markets.

Unemployment remains one of the key challenges facing South Africa. The most recent Quarterly Labour Force Survey (QLFS) released by Statistics South Africa (StatsSA) reported that unemployment in the fourth quarter of 2021 increased to 35.3 per cent from 34.9 per cent in the previous quarter (2020). These results show that the number of employed persons increased by 262 000 to 14.5 million, and the number of unemployed persons also increased by 278 000 to 7.9 million in the fourth quarter of 2021 compared to the third quarter of 2021.This was the highest level since the start of the Quarterly Labour Force Survey in 2008. The youth unemployment rate (65,5 per cent) remains one of the primary risks that has the potential to create social instability.

Formal sector employment increased by 143 000 jobs between quarter three and quarter four of 2021 while the informal sector shed by 48 000 jobs in the same period. Between the third quarter and the fourth quarter of 2021, a net increase in employment of 262 000 was reported, it was mainly attributed to an increase in recorded private households (129 000), trade (118 000) and community and social services (73 000). Decreases were observed mainly in manufacturing (85 000), followed by construction (25 000).

It was highlighted that policy interventions such as skills development, reforming the core infrastructure sectors of energy, transport and logistics. In addition, improving business regulatory regime (ease of doing business), and fiscal consolidation, and including tackling crime and corruption will support higher investment and enhance domestic growth and job creation. Further, it was advocated that if AfCFTA is successfully implemented could positively impact on the domestic economy.

The Department emphasised that the focus on improving fixed investment in the economy is pivotal, and has shown some successes but will need to be sustained and scaled up further to help shift the growth trajectory. The Department further reported that South Africa's international trade in 2021 registered the largest surplus in two decades, at R448 billion. This is driven, in part by an increase of the value of net gold and merchandise exports. Imports increased to R1.4 trillion in 2021, from a COVID depressed value of R1.1 trillion in 2020; while exports reached an all-time high of R1.8 trillion.

4. Overview of the Legislative and Policy Mandate of the Department

The aim of the Department is to foster a dynamic industrial, globally competitive South African economy, characterised by meaningful economic transformation, inclusive growth and development, decent employment and equity, built on the full potential of all citizens. Apart from the Constitution of the Republic, the legislative framework which informs the work of the department constituted by the following legislative Acts:

- Companies Act (2008);
- Manufacturing Development Act (1993);
- Broad-Based Black Economic Empowerment Act (2003);
- Consumer Protection Act (2008);
- Industrial Development Corporation Act (1940);
- Competition Act (1998), as amended;
- International Trade Administration Act (2002).

Over the medium term, the Department and its entities will focus on the following policy mission:

- Promote structural transformation, towards a dynamic industrial and globally competitive economy;
- Provide a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development;
- Broaden participation in the economy to strengthen economic development;
- Continually improve the skills and capabilities of the Department to effectively deliver on its mandate and respond to the needs of South Africa's economic requirements;
- Co-ordinate the contributions of government departments, state entities and civil society to effect economic development; and
- Improve alignment between economic policies, plans of the state, its agencies with the overall government's political and economic objectives.

The Department has 16 public entities over which it performs oversight, namely:

- Companies and Intellectual Properties Commission (CIPC);
- Export Credit Insurance Corporation (ECIC);
- National Consumer Commission (NCC);
- National Consumer Tribunal (NCT);
- Companies Tribunal (CT);
- National Credit Regulator (NCR);
- National Empowerment Fund (NEF);
- National Gambling Board (NGB);
- National Lotteries Commission (NLC);
- National Metrology Institute of South Africa (NMISA);
- The International Trade Administration Commission (ITAC);
- National Regulator for Compulsory Specifications (NRCS);
- South African Bureau of Standards (SABS);

- South African National Accreditation System (SANAS);
- The Competition Commission (CC);
- The Competition Tribunal (CT);
- The Industrial Development Corporation (IDC).

Of the 16 public entities reporting to the Department, three are self-funded, namely – Companies and Intellectual Properties Commission (CIPC); National Empowerment Fund (NIF) and National Lotteries Commission (NLC). The Department further makes transfers to the Industrial Development Corporation (IDC) which administers some of the incentive pro
The Department's vision is to support the development of a dynamic, industrialised South African economy, characterised by meaningful economic transformation, inclusive growth and development, decent employment and equity. Further, the Department aims to build South African citizens to realise their full potential.

Over the medium term, the work of the Department will continue to focus on the implementation of the *Economic Recovery and Reconstruction Plan, New District Development Model, Re-imagined Industrial Strategy, and priorities identified by the President in his 2022 State of the Nation Address (SONA).* In order to effectively delivery the policy priorities, the Department will continue to focus on building capacity, and capability as a response to the government policy commitment to building a capable state as articulated in the government MTSF.

The Department reported that it will actively support red tape reduction actions, especially where these impact external stakeholders. It was further indicated that red tape can also constrain the ability of the Department and its Programmes to work effectively and efficiently. To this end, the Department will undertake a red tape reduction exercise with a view to improving its flexibility and agility to respond to dynamic external economic factors.

5. Budget Policy Area

The Department reported that over the medium term, the Department will continue with development and implementation of various sectoral master plans that form a key component of the *Re-imagined Industrial Strategy*, which presents a multipronged approach to industrial development with emphasis on building partnerships with the private sector to secure job-creating investment. This will entail a focus on providing industrial finance, developing industrial infrastructure, and enhancing competition oversight to support the implementation of key interventions in South Africa's *Economic Reconstruction and Recovery Plan* (ERRP).

The 2022/23 Estimates of National Expenditure reflects that the Department was expected to spend R2.1 billion in 2021/22, which was an additional allocation. Of this amount R800 million was anticipated to create work opportunities through the *Presidential Employment Initiative*, and R1.3 billion was to respond to the social unrest in July 2021 and the negative impact of the Covid-19 pandemic. It was indicated that as a result of this high baseline, over the 2022 medium term spending on the Industrial Financing Programme is expected to decrease at an average annual rate of 4.8 per cent, from R6.2 billion in 2021/22 to R5.4 billion in 2024/25. Allocations to the programme account for an estimated 49.3 per cent (R15.5 billion) of the Department's expenditure over the MTEF period, mainly to fund incentive programmes. The Department's total expenditure is expected to decrease at an average annual rate of 3.7 per cent, from R11.8 billion to R10.6 billion in 2024/25.

Providing industrial finance
In support of the ERRP, initiatives in the Industrial Financing programme are aimed at growing sustainable and competitive enterprises through the provision of direct or indirect industrial financing. The 2022/23 Estimates of National Expenditure outlined that over the medium term, the Department will continue to provide financial support to the automotive incentive scheme, black industrialist programme, the agro-processing support scheme, the strategic partnership programme and the aquaculture development and enhancement programme. Further, the allocations to the Manufacturing Incentives sub programme account for an estimated 51.6 per cent (R7.6 billion) of the Industrial Financing programme's budget over the medium term. The Through the Industrial Policy programme, the Department will provide financial assistance or support through the clothing and textiles competitiveness programme, which is anticipated to spend R1.8 billion over the medium term.

Further, the Department expects to provide financial assistance or support to 404 clothing and textile firms.

Developing industrial infrastructure

The Department highlighted the need to invest on industrial infrastructure to boost economic growth, attract private sector investments and improve productivity and competitiveness. The spending in industrial infrastructure is aligned to the ERRP. Support for infrastructure investment is provided mainly through the Industrial Financing programme and includes subsidies for bulk infrastructure and structures in special economic zones; and for the rollout of infrastructure within industrial parks, with 12 parks set to be revitalized over the medium term in support of the district development model. The Infrastructure Investment Support subprogramme is expected to spend R5.3 billion over the medium term, increasing at an average annual rate of 0.4 per cent, from R1.76 billion in 2021/22 to R1.79 billion in 2024/25. Of this, R4.6 billion is allocated for special economic zones, R359.6 million for critical bulk infrastructure such as water, electricity and sewerage connections, and R424.6 million for industrial parks. The Department's 2022/23 APP is informed by both the country's imperatives to address high unemployment, poverty and inequality and the urgent need for speedy economic recovery. Further, the Department has committed to provide cross-cutting support to the ERRP, and to provide a leading role in terms of localisation initiative, industrialisation and export promotion work

Over the 2022 medium term period, the Department decided to revise the departmental policy outcomes. As a result, the 20-2025 departmental strategic plan has been revised to reflect the current departmental policy outcomes. The strategic policy outcomes have been reduced from 17 outcomes to three outcomes, namely industrialisation to promote jobs and rising incomes, transformation to build an inclusive economy, and a capable state to ensure improved impact of public policies. Table 1 shows the revised strategic policy outcomes.

Table 1: New Strategic Policy Outcomes

Outcomes, Strategic Plan 2020 – 2025	Revised Outcomes
Increased intra-Africa trade to support Africa regional development	Industrialisation to promote jobs and rising incomes
Industrialisation, localisation and exports	
Increased industrialisation through the development of Master Plans in National Priority sectors	
Increased localisation through the designation of products	
Increased accessible industrial finance measures to support investment in priority sectors in line with approved masterplans	
Promote the growth exports in the economy as a generator of jobs and contributor to GDP growth	
Diversify the export bundle, by promoting export growth in priority sectors	
Increased strategic investment	
Outcomes, Strategic Plan 2020 – 2025	**Revised Outcomes**
Implement transformation through EE and B-BBEE	Transformation to build an inclusive economy
Youth Empowerment	
Increased and enhanced instruments for spatial development of targeted regions and economic transformation	
Investing for accelerated inclusive growth	

Improved regulatory environment conducive for consumers and companies as well as providing access to redress	
Promote a professional, ethical, dynamics, competitive and custom focused working environment that ensures effective and efficiency service delivery	Capable state to ensure improved impact of public policies
Policy tools and implementation strategies which contribute to an efficient, competitive economic environment, balancing the interests of workers, owners and consumers and focused on economic development	
Socio-, macro- and micro-economic policy options developed and assessed to promote inclusive growth	
Policymakers and stakeholders have access to policy-relevant, high quality economic analysis	

**Source: Department of Trade, Industry and Competition 2022 APP*

6. Changes to the Department's Strategic Outcomes

Changes to the Strategic Plan will see outcomes reduced from 17 to an integrated set of three, allowing for a more coordinated and focussed department. The Department submits that in the 2022/23 APP, joint KPI's were taken further through the introduction of three succinct outcomes that replaces the sprawling 17 previous outcomes, bringing greater coherence to the work of the Department.

The APP reflects the strengthened strategic focus of the Department, aimed at bolstering its implementation and impact in contributing to the priorities of the Sixth Administration. It was noted that KPI's have been significantly rewritten and expanded addressing key weaknesses in relation to:

- Local economic development (special economic zones and industrial parks)
- Bilateral trade policy and export promotion connected to industrialisation
- Coordination with other parts of Government

Outcome 1: Industrialisation
The Industrialisation outcome consists of five priority areas, namely:

- Sector partnerships and social compact through masterplans and firm/sector level initiatives;
- Localisation, beneficiation and Covid-19 industrial production initiatives;
- Increased and diversified exports with African countries and to other global markets;
- Green economy initiatives to shift to a less carbon-intensive industry;
- Investment initiatives to increase the level of investment.

Outcome 2: Transformation
The Transformation outcome consists of three priority areas, namely:

- Ownership transformation: Promoting a greater spread of ownership in the economy (black industrialists, women and youth) and worker empowerment – including through a review of the impact of the current policy;
- Structural transformation: Addressing economic concentration and supporting Small Medium and Micro Enterprises (SMME's);
- Spatial transformation: Promoting equitable spatial development through District Model reporting and integration into 52 spatial units; and developing a new model for district spatial industrial initiatives (including special economic zones and industrial parks model) and promoting township economy.

Outcome 3: Capable State
The Capable State outcome contains five priority areas, namely:

- Department: Building strong capacity within the Department and streamlining its work;

- Entities: Building the entity staffing; governance capacity; quick- response; developing shared services; rationalisation of functions and integration of work between entities and the Department;
- Smart regulation: Address red tape and compliance in internal processes and in legislation and regulations; enable fit for purpose regulations;
- Coordination with other parts of the state: Ensuring effective support functions from other public entities in order to achieve departmental strategic policy outcomes;
- Contribute to social compact with other social partners.

The Department highlighted that its work seeks to contribute towards growth and job creation, by pursuing inter alia the following:

- Increase the level of investment in the economy, by securing pledges for fresh investment for South Africa of at least R120 billion largely from the private sector, during the 12-month period and work with private firms to enable pledged investment to be realised;
- Improve industrialisation of the economy, through contributing during the financial year in selected projects, to the target of R200 billion additional local industrial output over a five-year period;
- Support for structural transformation of firms and sectors through customised packages of support of R22 billion by the Department and its entities (comprising industrial financing, competitiveness and enhancement programmes or working capital for SMME's);
- Maintaining South Africa's share of manufacturing global exports, worth about R600 million through its support and risk-cover on transactions valued at R8.2 billion, expected to be issued;
- Improving composition of exports (with more value-addition), and further improving the representation of the previously excluded demographic groups;
- Tackling challenges in terms of spatial distribution of exporting firms.

The Department indicated that it has attempted to align the budget with three strategic outcomes as follows:
Industrialisation

- R4.4 billion over the medium term (R1.3 billion in 2022/23) towards the Auto-motives;
- R1.8 billion over the medium term (R599 million in 2022/23) towards the Retail-Clothing, Textile Footwear Leather (R-CTFL) for the labour-intensive sector with predominantly women workers and entrepreneurs;
- R197.5 million funding support housed at the Industrial Development Corporation (IDC) towards the Furniture Growth Fund to assist enterprises in the furniture industry to improve their competitiveness, as well as to assist companies in distress with bankable turnaround strategies in order to grow the industry and enable businesses to survive the current economic downturn;
- R121 million over the medium term (R39.5 million in 2022/23) allocated towards the Downstream Steel Industry Competitiveness Fund of the IDC;
- R1.1 billion over the medium term of which R365.6 million would support the growth and development of the Business Process Services.

In terms of Transformation the Department is anticipating to spend over the medium term R1.3 billion (R374 million in 2022/23) to support the Black Industrialists Programme. R4.9 billion is expected to be spent towards spatial work through the special economic zones and industrial parks.
Capable State
In building greater capacity to ensure that national objectives are achieved. It is estimated that about R1.9 billion will be allocated towards OPEX in the 2022/23 financial year. The Department reported that it will stream-line its work, and further build the internal capacity and capability of staff and developing shared services. Over the medium term, the Department highlighted that it will rationalise the departmental functions and integrate the work between entities with the departmental functional responsibility.

7. Departmental Spending Over 2022 Medium Term

The Department emphasised that the 2022 spending plans builds on the innovation introduced in 2021, namely that of greater integration of the work of the Department, through 'Joint KPIs'. As stated in this report, the Department highlighted that its work over the medium term will focus on the three

strategic policy outcomes; industrialisation to promote jobs and rising incomes, transformation to build an inclusive economy, and a capable state to ensure improved impact of public policies.
As part of the work on industrialization to promote jobs, the Department reported that it will continue to provide support through the clothing and textiles competitiveness programme, which has a budget of R1.8 billion over the medium term. It expects to provide financial support to 404 clothing and textile firms.

- Expenditure in the *Industrial Financing* programme is expected to decrease at an average annual rate of 4.8 per cent, from R6.2 billion in 2021/22 to R5.4 billion in 2024/25.
- Allocations to the *Industrial Financing* programme account for an estimated 49.3 per cent (R15.5 billion) of the department’s expenditure over the MTEF period, mainly to fund incentive programmes.
- Allocations to the Manufacturing Incentives subprogramme account for an estimated 51.6 per cent of R7.6 billion of the Industrial Financing programme’s budget over the medium term
- Spending in the programme’s *Infrastructure Investment Support* sub programme is expected to increase at an average annual rate of 0.4 per cent, from R1.76 billion in 2021/22 to R1.79 billion in 2024/25.
- The 2022/23 allocation to the special economic zones is R1.6 billion, followed by R135 million for industrial parks and R116.5 million for critical infrastructure.

Over the medium term period, the Department is expected to spend approximately R10.86 billion in 2022/23; R10.89 billion in 2023/24, and R10.55 billion in 2024/25. When compared to the 2021/22 financial year, the Department’s total expenditure is expected to decrease at an average annual rate of 3.7per cent, from R11.8 billion to R10.55 billion in 2024/25 (see Table 2).

Table 2: Medium Term Expenditure Outlook

Programmes
1. Administration
2. Trade Policy
3. Spatial Industrial Development
4. Industrial Policy
5. Consumer and Corporate Regulation
6. Industrial Financing
7. Trade and Investment South Africa
8. Invest South Africa
9. Competition Policy
10. Economic Research

Programme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
R million	2018/19	2019/20	2020/21	2021/22	2018/19 - 2021/22		2022/23	2023/24	2024/25	021/22 - 2024/25	
Programme 1	862.3	889.2	814.1	855.7	-0.3%	8.1%	944.0	920.2	965.3	4.1%	8.4%
Programme 2	228.7	235.8	199.2	226.8	-0.3%	2.1%	241.2	240.3	248.8	3.1%	2.2%
Programme 3	122.9	156.3	128.2	168.4	11.1%	1.4%	189.3	198.2	207.4	7.2%	1.7%
Programme 4	2 018.6	2 076.6	1626.3	1762.6	-4.4%	17.7%	1798.8	1782.6	1859.1	1.8%	16.3%
Programme 5	323.8	329.9	288.5	331.7	0.8%	3.0%	350.9	351.6	365.2	3.3%	3.2%
Programme 6	5 559.8	5 902.9	4 898.5	6 229.6	3.9%	53.5%	5 011.1	5 145.1	5 378.4	-4.8%	49.3%
Programme 7	460.2	505.7	377.8	443.1	-1.3%	4.2%	441.3	434.5	451.7	0.6%	4.0%
Programme 8	69.4	66.1	56.7	69.0	-0.2%	0.6%	79.9	81.9	86.9	8.0%	0.7%
Programme 9	805.6	681.4	617.6	1654.8	27.1%	8.9%	1741.9	1674.0	926.7	-17.6%	13.6%
Programme 10	68.0	32.1	32.9	70.5	0.0	0.0	60.9	59.4	63.8	(0.0)	0.0
Total	**10 519.3**	**10 876.0**	**9 039.7**	**11 812.0**	**3.9%**	**100.0%**	**10 859.3**	**10 887.7**	**10 553.3**	**-3.7%**	**100.0%**
Change to 2021 Budget estimate				2 075.4			879.5	787.9	–		
Economic classification											
Current payments	**1 826.0**	**1 809.1**	**1 568.9**	**1 820.9**	**-0.1%**	**16.6%**	**1 923.9**	**1 877.5**	**1 961.1**	**2.5%**	**17.2%**
Compensation of employees	1073.2	1078.5	1017.9	1064.6	-0.3%	10.0%	1047.3	1031.2	1045.8	-0.6%	9.5%
Goods and services1	752.8	730.5	551.0	756.4	0.2%	6.6%	876.6	846.2	915.4	6.6%	7.7%
of which:											
Computer services	*36.1*	*18.0*	*56.6*	*50.6*	*12.0%*	*0.4%*	*106.6*	*67.4*	*67.4*	*10.0%*	*0.7%*
Consultants: Business and advisory services	*43.3*	*57.3*	*37.8*	*59.8*	*11.3%*	*0.5%*	*64.0*	*69.7*	*83.8*	*11.9%*	*0.6%*
Legal services	*23.2*	*29.3*	*18.5*	*34.0*	*13.6%*	*0.2%*	*36.2*	*39.7*	*41.2*	*6.7%*	*0.3%*
Operating leases	*355.7*	*366.1*	*342.2*	*320.9*	*-3.4%*	*3.3%*	*365.7*	*379.4*	*392.2*	*6.9%*	*3.3%*
Travel and subsistence	*118.7*	*114.1*	*12.9*	*95.1*	*-7.1%*	*0.8%*	*120.7*	*120.5*	*136.3*	*12.8%*	*1.1%*
Operating payments	*24.4*	*27.6*	*22.5*	*28.9*	*5.9%*	*0.2%*	*27.3*	*28.5*	*27.1*	*-2.2%*	*0.3%*
Transfers and subsidies1	**8 674.0**	**9 039.8**	**7 427.2**	**9 954.7**	**4.7%**	**83.1%**	**8 911.6**	**8 986.3**	**8 565.5**	**-4.9%**	**82.6%**
Departmental agencies and accounts	1091.0	1144.2	1043.0	1290.5	5.8%	10.8%	1320.7	1338.9	1399.1	2.7%	12.1%
Foreign governments and international organisations	27.7	29.6	30.7	40.5	13.5%	0.3%	41.3	41.7	43.5	2.5%	0.4%
Public corporations and private enterprises	7 348.8	7 681.8	6 215.1	8 464.6	4.8%	70.3%	7 392.5	7 450.9	6 961.1	-6.3%	68.6%
Non-profit institutions	202.4	178.9	134.3	157.9	-8.0%	1.6%	156.2	153.9	160.7	0.6%	1.4%
Households	4.2	5.2	4.1	1.3	-32.7%	0.0%	1.0	1.0	1.1	-6.1%	0.0%
Payments for capital assets	**18.9**	**12.6**	**42.7**	**36.4**	**24.4%**	**0.3%**	**23.8**	**23.8**	**26.7**	**-9.8%**	**0.3%**
Machinery and equipment	17.8	10.0	42.7	20.7	5.2%	0.2%	20.1	20.7	21.7	1.5%	0.2%
Software and other intangible assets	1.1	2.5	–	15.7	144.4%	0.0%	3.7	3.1	5.0	-31.6%	0.1%
Payments for financial assets	**0.5**	**14.5**	**0.9**	**–**	**-100.0%**	**0.0%**	**–**	**–**	**–**	**0.0%**	**0.0%**
Total	**10 519.3**	**10 876.0**	**9 039.7**	**11 812.0**	**3.9%**	**100.0%**	**10 859.3**	**10 887.7**	**10 553.3**	**-3.7%**	**100.0%**

Source: 2022/23 Estimates of National Expenditure, National Treasury

The purpose of *Programme 1: Administration* is to provide strategic leadership, management and support services to the Department. The Administration is responsible for providing strategic support and management to the Department and its entities. The programme accounts for approximately 9 per cent of the total budget, and in 2022/23 it is anticipated to spend approximately R944 million. The Department reported that the overall budget baselines were increased as follows: 1.6 per cent in 2022/23; 1 per cent in 2023/24 and 4.49per cent in 2024/25. These allocations are below inflation rate. Over the medium term, the Department has planned to request R62.4 million, mostly to invest on critical Information Communication Technology (ICT) elements. Key new additions for the targets for this programme include:

- Set aside twenty-five percent of procurement for women, youth and persons with disabilities owned businesses;
- Fifty percent representation of women in senior management;

- The implementation of transformation through Employment Equity and Black Economic Empowerments by ensuring 3.5 per cent representation of people with disabilities;
- Reports on the Organisational Structure and Annual Skills Development Project Plan;
- Improvements to the stability of IT platforms including the resilience of web infrastructure and the use of virtual communications tools.

In terms of *Programme 2: Trade, Policy, Negotiations and Cooperation*, aims to facilitate the building of an equitable global trading system by strengthening trading and investment relations with key markets globally. This programme accounts for 2.2 per cent of the total budget of the Department. For 2022/23 financial year, the Department under this programme is expected to spend approximately R241 million. The Sub-programmes under Programme 2 include International Trade Development and African Multilateral Economic Development.

For the 2022/23 financial year, the Trade Policy programme aims to unlock new markets for South African products, to enable greater industrialisation and to create jobs. It will do so through advancing negotiations on the African Continental Free Trade Agreement, whilst securing South Africa's market access and policy space through strategic engagements with trading partners and at multilateral focus. The Department highlighted that the indicators for the programme reflect a targeted programme of work for negotiations and economic diplomacy, and an expanded focus on streamlining South African firms' access to the benefits of these international engagements. The Trade Policy Programme is expected to strengthening International Trade Administration Commission of South Africa (ITAC) processes in its engagements and working with companies to align trade policy with their strategic imperatives.

The 2022 Estimates of National Expenditure outlined that over the medium term Trade Policy Programme expected to promote African economic integration and development at the bilateral, regional and continental levels by:

- Advancing development integration in the Southern African Customs Union and the Southern African Development Community free-trade area through the implementation of the Africa regional development programme;
- Finalising negotiations on the tripartite free-trade area involving the Southern African Development Community, the East African Community and the Common Market for Eastern and Southern Africa to advance South African trade, industrial policy and economic development objectives through cooperation with key economies to address tariff and non-tariff barriers that inhibit South Africa's value-added export.

Some of the key targets for this programme include:

- Contribute to an enabling domestic trade environment for industrialisation through:
  - Coordinating and evaluating ITAC tariff recommendations and engagements with stakeholders;
  - Developing social compacts that promote the Department's strategic objectives, such as competiveness;
- Reducing red tape and streamlining processes to improve the accessibility and reliability of trade policy instruments through:
  - Simplifying and strengthening ITAC procedures
  - Monitoring regulations related to anti-dumping and safeguard measures and ITAC investigations
- Improve the impact of trade policy by mainstreaming policy objectives in the trade work of the Department:
  - Evaluating the impact of trade policy on industrialisation and transformation
  - Contributing to trade policy strategy in emerging areas like the Green Economy
  - Considering the impact of trade policy decisions on firms located in different districts and in special economic zones, townships and industrial parks
- Develop legislative amendments to the Patents Bill and Design Amendment Bill, to contribute to an enabling intellectual property environment.

The purpose of *Programme 3: Spatial Industrial Development and Economic Transformation* is to promote inclusive economic transformation and to industrialise the economy through developing and funding Special Economic Zones and Black Industrialists. Sub-programmes include Enterprise Competitiveness; Equity and Empowerment and Regional Industrial Development. Key sub-programmes include Enterprise Competitiveness; Equity Empowerment and Spatial Industrial Development. The Department noted that Spatial Industrial Development and Economic Transformation are two key strategies to promote a more inclusive economy. Spatial Industrial development has been pursued in the past principally through special economic zones and industrial parks. Currently, these spatial industrial development initiatives are a provincial responsibility with limited managerial input from national government. This approach has not yielded the desired results. The Department reported that new approach introduced for the Tshwane SEZ has shown significant positive outcomes. To make a difference the Department proposed reforms and changes to the SEZ and industrial park model. These will be complimented by a wider effort to map out and improve the impact of Departmental measures in all 52 districts and metros. Key indicators of planned performance include:

- Development and implementation of Special Economic Zone Action Plans which seek to:
  - Strengthen the governance and performance of SEZ's and industrial parks, including their attraction of private investment;
  - Provide support to all five SEZ's;
  - Support investment in physical infrastructure in selected Industrial Parks;
  - Prepare SEZ and Industrial Park support for the transition to the District Spatial Industrial Initiatives Model;
  - Provide technical support for the SEZ and Industrial Parks Budget Submission to National Treasury;
- Integrate work across 52 districts/ metros; including by:
  - Classifying all Departmental interventions across the District Development Model;
  - Identifying key private sector industrial nodes and initiatives at the District Development Level;
- Improve the impact of Spatial Policy and Broad Based Black Economic Empowerment (BB-BEE) compacts, agreements and legal instruments;
- Improve the impact of Spatial Policy and BB-BEE on the overall objectives of the Department through:
  - Facilitating the participation of firms from different Districts, SEZs and Industrial Parks in trade and investment promotion initiatives;
  - Identifying and facilitating localisation opportunities and jobs for Districts, SEZs and Industrial Parks;
  - Developing initiatives that support the Green Economy through SEZ and Industrial Parks;
  - Identifying measures to reduce red tape and streamline compliance with BB-BEE policies.

For the 2022/23 financial year the programme is expected to spend R189.3 million of which R83.5 million is for Compensation of Employees, R50.9 million for Goods and Services, R54.4 million for Transfer Payments and R500,000 for Payment for Capital Assets. The programme needs to urgently address capacity constraints. So far it has been unable to fill some of the strategic positions, which includes the position of Director: Black Industrialists.

Programme 4: Industrial Policy, formerly Industrial Competitiveness and Growth, is the second largest functional policy programme of Department, accounting for 16.6 per cent (R1.89 billion) of the total budget. It is responsible for the design and implementation of policies, strategies and programmes to develop the manufacturing and related sectors of the economy to contribute to the creation of decent jobs, adding value to manufactured products and enhancing competitiveness in the domestic and export markets. Sub-programmes include Industrial Competitiveness and Customised Sector Programmes. During the 2022/23 financial year, the Programme will implement six Master Plans and related support packages (Auto-motives, Poultry, Sugar, Furniture, Steel and Metal Fabrication, R-CTFL) in order to support growth in local output, exports (particularly in Africa), local procurement, jobs, investment and transformation. It will furthermore provide support to priority sectors not covered by a Master Plan; through advocacy and implementation of support packages:

- Promoting growth of local output and jobs in the sectors;
- Support to identify and realise export opportunities, particularly in Africa;
- Attraction and facilitation of investment opportunities;
- Support to black industrialists, women- and youth-owned enterprises, and the transformation objectives of other firms;

The Department has reported that will continue to support emerging sectors like the Green Economy, while coordinating efforts to localise R200 billion in additional value over a five-year period. Further, the Department will support and promote reforms related to public procurement. It will engage with other organs of the state to use public procurement as an instrument to drive transformative initiatives.

Other key programmes priorities for this programme include the identification and support of beneficiation opportunities in industrial value chains, support the local production of strategic medical products to ensure industrial capability and security of supply particularly for Covid-19 industrial goods for South Africa and other African countries.

The Masterplans will continue to be used as key instruments for igniting economic growth. To-date 8 masterplans have been approved and implementation has commenced. These Plans finds expression in the Economic Reconstruction and Recovery Plan (ERRP) and have a large focus on increasing local production, improving the industrial dynamism and overall competitiveness in key sectors, job creation and inclusion. The Department will continue to drive and sharpen implementation of the approved Plans and other sector strategies to stabilise the industries and protect jobs. Priority will also be placed on developing one new health masterplan in the pharmaceutical sector which can meaningfully contribute to industrial development while continuing to place greater emphasis on partnerships and collaboration.

Programme 5: Consumer and Corporate Regulation is responsible for the design and implementation of policies, strategies and programmes to develop the manufacturing and related sectors of the economy to contribute to the creation of decent jobs, adding value to manufactured products and enhancing competitiveness in the domestic and export markets. For the 2022/23 financial year this Programme is expected to spend approximately R350.9, which accounts for 3.2 per cent of the total budget. Spending on Compensation of Employees expenditure item is anticipated to be approximately R62,6 million in 2022/23, for Goods and Services, approximately R23,3 million is expected to be spent in 2022/23 financial year. In 2022/23 financial year, this Programme is anticipated to spend R264,8 million in relating to Transfer Payment and R20 thousand Payment for Capital Assets. The Programme Branch implements its mandate through regulatory agencies such as National Credit Tribunal (NCT), National Credit Regulator (NCR), National Gambling Board (NGB), National Consumer Commission (NCC) and Companies Tribunal (CT), hence 17 per cent and 77 per cent of the budget is allocated to Compensation of Employees and Transfers Payment respectively.

- Over the medium term, the Department submitted that it will focus on the following areas: Development of the Companies Amendment Bill on the Worker Participation Model;
- Support provided to the Copyright Amendment Bill and the Performers' Protection Amendment Bill in Parliament;
- Reviewing regulations (Companies and Liquor) to reduce red tape for the ease of doing business;
- Producing an investment report on the review of the Companies Act to assess constraints to investment; and
- Review of the Liquor Amendment Bill and liquor policy, the development of the National Credit Amendment Bill.

Programme 6: Industrial Financing seeks to stimulate and facilitate the development of sustainable and competitive enterprises, through the efficient provision of effective and accessible incentive measures that support national priorities. This programme account the bulk of the budget allocation of the Department (46.2 per cent), and it anticipated to spend approximately R15.53 billion over the medium term. In 2022/23 financial year, this Programme is expected to spend approximately R5 billion. In the 2022/23 financial year, the Programme and its partners, Industrial Development Corporation (IDC) and National Empowerment Fund (NEF), will seek to provide support in the form of grants, loans and equity to the value of R22 billion. Indicators for the Programme reflect core financing work, while focussing on expanding the reach of industrial finance to black industrialists, women and youth owned enterprises, and further regional economies and enterprises. Further, the Department indicated that over the medium term it will reduce red tape and improve turnaround times for applications requiring funding and financing. The Department emphasised that it will improve coordination and cooperation with the provincial and local government to enhance the reach of its services. The Sub-programmes under *Industrial Financing* include the following:

- Broadening Participation and Industrial Innovation Incentives;
- Manufacturing Incentives;
- Services Investment Incentives;
- Infrastructure Investment Support;
- Product and Systems Development;
- Strategic Partnership and Customer Care.

Other responsibilities of the Department over the medium term is to support the growth and development of the green economy. Financing of projects will also pay particular attention in supporting the 'Greening' of industrial sectors.

Programme 7: Trade and Investment South Africa, formerly Export Development, Promotion and Outward Investments seeks to increase export capacity and support direct investment flows through targeted strategies, and an effectively managed network of foreign trade and investment offices. Under this Programme the Department is anticipating to spend R441 million for the 2022/23 financial year which is 4.4 per cent of the overall budget. Key sub-programmes include:

- *Trade Invest Africa* which facilitates deeper and broader bilateral African trade and investment relations with African economies and supports the deepening of regional integration through an outward investment led trade approach.
- *Export Promotion and Marketing* promotes exports of South African value-added goods and services to increase market share in targeted high-growth markets and sustain market share in traditional markets.
- *Trade and Investment Foreign Services Management Unit* promotes trade and investment, and administers and provides corporate services to the department's foreign office network of foreign economic representatives to enable South African businesses to access global markets.
- *Export Development and Support* manages the National Exporter Development Programme, which is designed to contribute to positioning South Africa as a reliable trade partner, and, improve and expand the country's exporter base.

Targets in this Programme have increased from six in 2021/22 to thirteen in 2022/23. The priority will be to unlock the opportunities on the African market so that export efforts complement the Trade Policy work on the African Continental Free Trade Area. At the same time, the bilateral trade policy shift will include more targeted work to obtain opportunities on markets in the United States, Asia, Europe, the Middle East and Latin America. More partnerships will be developed with South African based firms and specific sectors, to align export-marketing with South Africa industrial capacity. Indicators for the programme reflect the need to develop dedicated plans and networks to create a framework for companies to succeed in complex markets, while making it easier for companies to access export finance, marketing avenues, and a flexible basket of advice and support suited to their unique needs.

Programme 8: Investment, formerly Inward Investment Attraction, Facilitation and Aftercare seeks to support foreign direct investment flows and promote domestic investment by providing a one-stop shop for investment promotion, investor facilitation and aftercare support for investors. For the 2022/23 financial year, this Programme is anticipated to spend R80 million which is 0.7 percent of the total departmental budget. The sub-programmes under this Programme include:

- Investment promotion;
- Investment and Interdepartmental Clearing House;
- Investor Support and Aftercare.

Targets have been increased from five planned targets in the 2021/22 financial year to twelve planned targets in 2022/23. The Invest South Africa programme aims to attract and facilitate R120 billion of new investment in the South African economy, as part of the President's Investment Mobilisation Drive target of attracting R1.2 trillion in new investment over five years. Indicators the programme reflect a continued focus on facilitating and promoting investment, including through the annual South African Investment Conference, while working to reduce red tape and reduce barriers to investment, and targeting the types of strategic investments that secure employment, local value, and global export opportunities.

Programme 9: Competition Policy, formerly Competition Policy and Economic Planning seeks to develop and roll-out policy interventions that promote competition issues, through effective economic planning, spatial implementation and aligned investment and development policy tools. For the 2022/23 financial year, this Programme is expected to spend approximately R1.7 million. The sub-programmes under this Programmes composed of the following:

- Economic Planning and Advisory;
- Implementation and Coordination;
- Investment and Development;
- Competition Oversight.

The Programme endeavours to improve the developmental impact of Competition Policy, by ensuring mergers and acquisitions are accompanied by appropriate commitments on those public interest matters set out in the legislation; by working with Competition authorities to address heavily concentrated sectors and by supporting the development of the Social and Solidarity Economy. The Department highlighted that the indicators for the programme reflect the centrality of development considerations in the Department's approach to Competition issues, and efforts to respond to persistently high levels economic concentration. The Department further reported that given the reduction in the number of staff in the Programme, staff have reallocated work where possible to ensure delivery of the indicators. However, this has placed the branch under considerable strain, and reduced specialist skill and knowledge in the branch. Filling of essential positions will thus continue to be pursued.

The purpose of *Programme 10: Economic Research and Coordination* is to undertake economic research, contribute to development of trade and industrial policies apex, guide policy, legislative and strategy processes to facilitate inclusive growth. For the 2022/23 financial year, this Programme is anticipated to spend approximately R61 million which is 0.6 per cent of the total budget. Funding for the Social Employment Fund has been extended for an additional two years at a value of R1.65 billion. The sub-programmes under this Programme include the following:

- Economic Research and Policy Coordination;
- Macroeconomic and Microeconomic Policy;
- Growth Path and Decent Work.

The Department indicated that this Programme has eleven new targets compared to the previous financial year. The Programme aims to create an enabling environment for the work of the Department, furnishing officials with the market intelligence and coordination mechanisms they need to deliver. The Department highlighted that the indicators for the Programme reflect a focus on building systems to better understand priority sectors and the Department's own work, with an expanded focus on impact assessment aiming to help guide reforms and improvements across the work of the department. Further, the Department reported that the spending in 2022/23 will contribute significantly towards achievement of the planned work which includes development of impact reports on departmental contributions at NEDLAC, Economic Cluster and assessment report on the impact of the Department and entity programmes on employment including economic growth, exports, imports and investment which are critical areas and central to the ERRP. The programme will also continue to focus on providing high quality research geared towards growing the economy and contributing towards development of strategies to facilitate inclusive growth. Through its Strategic Research Partnership, the Programme will continue to support the development of those Master Plans which are not led by the Department as part of implementing the Re-imagined Industrial Strategy of 2019. In addition**,** the Programme will continue to support Branches within the Department in commissioning research. Further, the Programme will also continue to champion the District Development Model work, through continuous development of a data portal which will collate municipal socio-economic data, geo-locate industrial districts and enterprises, identify development opportunities, and create research sharing opportunities.

8. Planned provincial interventions

The Department noted its planned provincial interventions across all its 10 programmes, examples of these are reflected as follows:

Table 3: Summary of the Departmental Provincial Interventions

Programme	Planned Interventions

Programme 2: Trade Policy	• Provide support to Exports Branch on their AfCFTA District Dashboard. Trade Policy will provide updates once the AfCFTA is fully operational. Advise companies of opportunities which arise from the AfCFTA in their provinces • Report on the impact of trade policy decisions (ITAC) at provincial level
Programme 3: Spatial Industrial Development	• Establishment and support to SEZ and Industrial Parks, and Digital hubs • Identification of the township opportunities for support • Report identifying private sector industrial nodes at District level
Programme 4: Sectors (Industrial Policy)	• Master Plans implementation in various districts • Sector support interventions across all 9 Provinces
Programme 5: Consumer and Corporate Regulation	• Contribution to the district economy through the registration of liquor licences for distributors and macro manufacturers • Education and awareness of various legislation administered by the Branch in the provinces
Programme 6: Industrial Financing	Targeted industrial financing support in the nine provinces as well as at a metropolitan and district level to determine which regions have low uptake
Programme 7: Export (Trade and Investment SA)	Targeted export promotion and capacity building activities will be undertaken in under-supported districts during the 2022/23 financial year
Programme 8: Investment (Invest South Africa)	• Participate in the investment mobilization drive • Launch the Eastern Cape and Limpopo One Stop Shops
Programme 9: Competition Policy	• Participate in district model road show together with the Competition Commission on the Groceries Market Inquiry • Work with Gauteng Provincial Government on the Township Economic Bill with a focus on developing Distribution Centres in Townships • During 2022/23 the Tirisano Trust funds will support small construction businesses in the construction of schools and TVET Colleges in the following provinces: Eastern Cape; KwaZulu-Natal; Gauteng; Western Cape; North West; Free State • The Fund will also provide funds for Training of artisans in KwaZulu-Natal and Gauteng
Programme 10: Economic Research	• Coordinate the integration of interventions by the Department and its entities into the District One Plans • Develop dashboards of interventions by the Department and its entities for all 52 districts • Compile reports on the impact of work completed by the Department and its entities at district levels

8.1 Transfers to entities

Transfers to entities for the 2022/23 financial year are reflected as follows:

Table 3: Summary of Departmental Transfers to Entities

Entity	2021/22 (R'million)	2022/23 (R'million)
Companies Tribunal	R20,3	R24,5
Competition Commission (CC)	R439,5	R449,5
Competition Tribunal	R36,9	R42,3
Export Credit Insurance Corporation of South Africa (ECIC)	R208,1	R213,9
International Trade Administration Commission (ITAC)	R112,5	R108,6

National Consumer Commission (NCC)	R58,5	R59,4
National Consumer Tribunal (NCT)	R53,5	R54,7
National Credit Regulator (NCR)	R82,6	R83,2
National Gambling Board (NGB)	R35,9	R36,5
National Metrology Institute of South Africa (NMISA): Capital	R140,6	R145,7
National Metrology Institute of South Africa (NMISA): Operations	R121,1	R122,8
National Regulator for Compulsory Specifications (NRCS)	R144,1	R147,5
South African Bureau of Standards (SABS)	R328,8	R336,2
South African National Accreditation System (SANAS)	R32,9	R33,8
Industrial Development Corporation (IDC)		
– Industrial financing	– R1 800,0	– R0
– Sector programmes	– R587,4	– R599,5
– Regional Industrial Development	– R0	– R15,0
– Downstream steel industry competitiveness fund	– R37,7	– R39,5
– Tirisano construction fund trust	– R51,2	– R53,7
– Social employment fund	– R800,0	– R861,6

Source: National Treasury

The Department has 16 entities**,** of which, three are self-funded, these are the Companies and Intellectual Property Commission (CIPC), the National Empowerment Fund (NEF), and the National Lotteries Commission (NLC). Approximately R3,6 billion is for transfers to the DTIC's entities are as shown in the table above.

The Companies and Intellectual Property Commission (CIPC), it expects to generate 96.3 per cent (R2.1 billion) of its own revenue over the medium term through fees charges to register companies, cooperatives, trademarks, patents and copyrights. Revenue is expected to increase at an average annual rate of 5.4 per cent, from R664 million in 2021/22 to R776.8 million in 2024/25 mainly due to increases in interest in invested funds.

For the 2022/23 financial year, the National Metrology Institute of South Africa (NMISA) will receive an additional R145.7 million, over the past four financial years, this entity has received additional funding for infrastructure upgrades which continued for the year under review.

The Competition Commission over the medium term will continue to focus on strengthening its internal capacity to enable the execution of its expanded mandate, which includes the prosecution and criminalisation of certain offences, such as abuse of dominance, in terms of the Competition Amendment Act of 2018. One of the key mechanisms in place to do so is by reviewing its organisational structure to ensure that it is aligned with its expanded mandate in terms of the amendment to the act. The Competition Commission expects to derive 87.8 per cent (R1.4 billion) of its revenue over the medium term through transfers from the Department and the remainder through fees paid by external parties, mainly for transactions for filing of mergers and acquisitions. Revenue is expected to increase in line with expenditure.

The Industrial Development Corporation (IDC), over the medium term plans continue to contribute to job creation and inclusive economy by facilitating investment of more than R100 billion. Of this amount, R48.7 billion will be provided directly to black industrialists; R12.9 billion is earmarked for companies owned by historically disadvantaged groups, particularly women and young entrepreneurs. This funding is aimed at supporting businesses operating in targeted industries and special economic zones that enable localisation. The IDC expects to bring in a strategic equity partner to take over some of the equity of its major subsidiaries, resulting in a significant decrease in expenditure and revenue as the operational activities of subsidiaries shift to the partner. The IDC expects to generate 69.5 percent (R38 billion) of its revenue over the medium term through interest income from loans and other revenue streams.

9. Issues Arising from Engagement

The following are the key issues raised by Members and responses from the Department during deliberations:

1. The Committee welcomes the Department's alignment with the SONA priorities as it relates to climate change. In this respect, Members raised concerns regarding the feasibility of electric cars given the current crisis in relation to the energy supply in the country.
2. In terms of the R366.8 billion pledged in relation to investment, Members queried the extent to which these had been turned into actual investment.
3. In terms of the operationalising investment pledges, the Department submitted that the aim was to finalise specific commitments by June 2022, after having negotiated specific commitments and after having undergone the formal approval process.
4. Following concerns raised by Members regarding the delay with social compacts the Department noted the concern and acknowledged that the pace needs to be increased that so that these can be finalised. The Department further indicated that progress was slow due to the low trust levels which needs to be addressed.

5. Members raised serious concerns regarding the lack of progress regarding SEZs and Industrial Parks, in particular, the Nkomazi SEZ in Mpumalanga which has seen little progress to date.
6. In respect of the Nkomazi SEZ, the Department submitted that this has highlighted the weaknesses in the SEZ model. The Department is currently working on a new model for SEZ's and Industrial Park's which it intends to table during the course of the 2022/23 financial year. Currently, spatial industrial development interventions are a provincial responsibility with limited managerial input from national government; this approach has not yielded the desired results. In addressing this, the Department introduced a new approach, which includes the creation of the Special Economic Zone Unit within the Industrial Development Corporation which is headed by the former Director General of the Department. Further changes include reforms and changes to the SEZ and Industrial Park model. These will be complemented by a wider effort to map out and improve the impact of the Department measures in all 52 district municipalities and metros. Delays in progress at the Nkomazi SEZ relate to lack of capacity and coordination with the province. The Department has deployed the SEZ Project Management Unit (PMU) which falls under the IDC. The primary challenge in respect of Nkomazi SEZ related to the capacity to implement and with the assistance of the Department the SEZ has been able to establish a company and deployed the former Deputy Director General of the Department who is chairing the board, which consist of all three spheres of government. Further assistance involves working with the Mpumalanga Provincial Government to assist with infrastructure, and R64 million has been allocated for the current financial year for operating costs associated with the Nkomazi SEZ. The PMU deployed by the Department have been instructed to operationalise some of the investments which have been attracted for the project which includes a logistics firm from Dubai which is planning to establish operations at the Nkomazi SEZ and intend to utilise own funds for infrastructure. Further challenges relate to the location of the Nkomazi SEZ, as the Department noted the need to be closer to the railway line. This presented challenges in respect of Environmental Impact Assessments (EIA's). The Department noted challenges with the application to the South African National Roads Agency (SANRAL), in which the agency anticipated high traffic congestion and declined the application. A traffic engineer has since been appointed to work with SANRAL to resolve this issue.
7. Members raised concerns regarding the ongoing changes to the organisational structure of the Department and the high potential for anxiety this can create for personnel.
8. Members noted the 25 percent procurement target in respect of women and queried why this differed from the President's SONA target of 40 percent.
9. The Department submitted that it was working towards the 40 percent target for procurement for women and indicated that this would be done incrementally, it noted that the work was being done with the Department of Women, Children, Youth and Persons with Disabilities and National Treasury as to how best this could be implemented.
10. The Department submitted that measures in place to assist small businesses in respect of red tape include the improving of productivity and investment in ICT infrastructure to assist the Department in improving turnaround times. Further improvements include changes to the legislative and policy areas.

11. In respect of economic diplomacy, the Department submitted that the Department of International Relations and Cooperation launched a mechanism for economic diplomacy particularly in the African continent to ensure that the whole of government coordinates to attract more foreign direct investment. The Department acknowledged that it does need increase its footprint across South African Missions and further acknowledge the need for appropriate personnel with the requisite skills to attract investment and to open markets for exports and is working with the Department of International Relations and Cooperation in this regard.
12. In response to concerns raised regarding the delay in finalising the Companies Amendment Bill which has been ongoing since 2019. The Department submitted that to date there several areas of disagreement. This resulted in further consultation with stakeholders which highlighted substantive issues which relate to issues of disclosure; the inclusion of workers on board structures; red tape and modalities of board governance. The revised amendment bill was published in 2021 and the Department intends to introduce the legislation to Cabinet by the end of the 2022/23 financial year.
13. In respect of the Liquor Amendment Bill, the Department submitted that the pandemic highlighted serious challenges in respect of liquor within the country. The legislation is therefore under review taking into consideration lessons learnt and a coordinated approach across government. The Department is considering putting measures in place in a more comprehensive and sustainable manner and have begun engagements with other departments in this regard with a view to strengthening measures in a holistic manner.
14. In respect of the changes to its organisational structure, the Department submitted that changes were necessitated in order to optimize its resources in order to ensure impact. However, the Department acknowledged that it is cognisant of the anxiety this has the potential to cause its personnel.
15. In respect of the reduction of red tape, the Department highlighted the establishment of a unit within the Presidency to reduce red tape in order to unleash investment and growth for companies of all sizes. This unit will create mechanisms to ensure that suppliers are paid within 30 days and work with government departments to unblock specific obstacles to investment and business growth. It will furthermore support current initiatives to simplify processes Further ongoing measures include changes to the legislative and regulatory environment to ensure the ease of doing business. This is important work that needs to be collaboratively across all of government.

10. Recommendations

Following the engagements with the Department, the Committee proposed the following recommendations to the Minister to be implemented *over the 2022 medium term*:

1. The Committee has identified the over concentration of economic activities and employment opportunities in three provinces such as Gauteng, Western Cape and KwaZulu-Natal. To this end, the Committee proposes the creation of the *National Regional Economic Development Fund* to support regions (districts) that are lagging behind in terms of economic development. Over the 2022 medium term the Minister should engage the Minister of Finance on the establishment of the *National Regional Economic Development Fund* to support economic growth, investment, enterprise development and employment in other 6 provinces.
2. Given the vital role of the Department in implementation, and coordination of the *Re-imagined Industrial Strategy*, which complements the ERRP including the *National Development Plan* it is critical that the capacity and capability of the Department is strengthened and enhanced. Over the medium term, the Minister through the Department should ensure that critical positions in the core functional programmes are filled. Further, if a need arises for the creation of new positions aligned to the need to accelerate the implementation of the *Re-imagined Industrial Strategy*, such positions should be urgently filled.
3. Over the medium term the Minister through the Department should accelerate the implementation of the Industrial Parks Revitalisation Programme. Further, a *joint initiative t*ogether with the *Minister of Finance* through *the National Treasuring's City Industrial Parks Programme* should be formed, which should include other spheres of government to enhance the implementation of Industrial Parks Revitalisation Programme.
4. South Africa has high numbers of unemployment, and with surplus of unskilled labour. There is a growing concern that the *Special Economic Zones* should also prioritise labour intensive sector. Over the medium term, the Minister should explore opportunities that could enable the Coega SEZ to also cover textile, clothing and leather industry to support exports.

5. The Minister should over the medium term ensure that all planned SEZs in other provinces are operational. To this end, the Committee would expect the Minister to submit each year a mid-term progress report in relation to the implementation of the SEZs.
6. Research and Development (R&D) remains a pivotal element in efforts to boost productivity and competitiveness of the economy. Over the medium term the Minister, working jointly with the Minister responsible for Science and Innovation, should develop an action plan with necessary funding requirements to invest in R&D in the provinces, in particular those which are lagging in terms of economic development. The Committee is expecting to receive the report by the end of the 2022/23 financial year.

Report to be considered.