**Report of the Portfolio Committee on Trade, Industry and Competition on its oversight visit to Gauteng and Limpopo from 31 January to 3 February 2023, dated 3 May 2023**

The Portfolio Committee on Trade, Industry and Competition having visited the South African Revenue Service (SARS) and the National Regulator for Compulsory Specifications (NRCS) to engage on trade facilitation and on efforts to combat illicit trade; the Limpopo Department of Economic Development, Environment and Tourism (LEDET) and the Limpopo Economic Development Agency (LEDA) to oversee how funding granted by the Department of Trade, Industry and Competition (DTIC) under the Industrial Parks Revitalisation Programme (IPRP) has been spent, as well as on progress in the development of the Seshego and Nkowankowa Industrial Parks; and the National Lotteries Commission (NLC) to oversee the progress made by the NLC with regard to the challenges facing the institution, reports as follows:

# Introduction

In terms of section 42(3) of the Constitution of the Republic of South Africa, 1996, the National Assembly must scrutinise and oversee Executive action. The National Assembly through the Portfolio Committee on Trade, Industry and Competition oversees the work of the DTIC and its entities to ensure that national priorities such as economic transformation, spatial integration, the development of rural economies, and the creation of decent employment are met. The DTIC’s main mandate is to facilitate the creation of an environment conducive to industrialisation and regional economic development that facilitates economic transformation. Furthermore, it facilitates regional and international trade and investment, promotes exports, regulates companies and ensures consumer protection. In terms of the latter, it regulates lotteries and sports pools through the NLC, which also administers the investment and distribution of funds in the National Lotteries Distribution Trust Fund to support good causes.

## Purpose of the visit

There had been three purposes for the oversight visit. Firstly, the Committee visited Beitbridge Border Post to engage the NRCS and the SARS on matters relating to the facilitation of trade across borders, with a specific focus on the Beitbridge Border Post. The key focus areas included the facilitation of the movement, release and clearance of goods, and the removal of non-tariff barriers (NTBs) to ease the movement of goods to and from other African countries. These are critical to achieve South Africa’s objective of increasing its continental exports to advance regional development and integration under the African Continental Free Trade Area (AfCFTA), and to meet its international obligations as a signatory to the World Trade Organization’s (WTO) Trade Facilitation Agreement (TFA), which aims to facilitate trade globally.

Secondly, the Committee focused on industrialisation and the expansion of the manufacturing base to ensure economic development, transformation opportunities, and job creation in the Limpopo province. In this regard, it visited the Nkowankowa and Seshego Industrial Parks, which are owned and managed by the LEDA. These Parks had received support through the DTIC’s IPRP. Furthermore, the Committee engaged on the developments and plans for these two Parks, and the progress made since the Committee’s last engagement with LEDET and LEDA in September 2022. The visit included walkabouts to a few tenants located within the Parks to ascertain the level of support provided by LEDA and challenges facing tenants regarding infrastructure among others. In addition, the Committee had an unannounced visit to the northern site of the Musina-Makhado Special Economic Zone (MMSEZ) and engaged the LEDET on the status of the court case related to the Environmental Impact Assessment for the MMSEZ and their subsequent engagements with various relevant stakeholders in this regard.

Thirdly, it visited the NLC and focused on progress made by the NLC in addressing the challenges facing it. The Committee also made a number of unannounced visits to past projects funded by the NLC.

## Delegation

The following Members of Parliament participated in the oversight visit:

* Mr Z Burns-Ncamashe (African National Congress (ANC)),
* Mr M Cuthbert (Democratic Alliance),
* Ms J Hermans (ANC) (Chairperson),
* Mr C Malematja (ANC),
* Mr S Mbuyane (ANC),
* Ms R Moatshe (ANC),
* Ms N Motaung (ANC),
* Mr J Mulder (Freedom Front Plus), and
* Dr M Tshwaku (Economic Freedom Fighters).

The Committee was supported by the following members of staff:

* Mr A Hermans, Committee Secretary;
* Ms Y Manakaza, Committee Assistant; and
* Ms M Sheldon, Content Advisor.

## Purpose of the report

This report captures the substantive discussions the Committee had during the oversight visit. The Committee Secretary can be contacted for access to the detailed presentations from the SARS, the NRCS, the LEDET, and the NLC.

# Engagement with the South African Revenue Service with regard to trade facilitation and the combat of illicit trade

## Background

South Africa has 19 commercial border posts (used for the movement of goods between South Africa and other African countries).[[1]](#footnote-1) According to the Cross Border Road Transport Agency (C-BRTA), most of the trade between South Africa and its neighbouring countries (Botswana, Eswatini, Lesotho, Mozambique, Namibia, and Zimbabwe), as well as among the Southern African Development Community (SADC) member states, takes place across these border posts. In 2021, these border posts facilitated South Africa’s exports of approximately 27,2 billion units of goods to its neighbouring countries.[[2]](#footnote-2)

In 2021, South Africa exported goods to the value of approximately R272,3 billion via border posts of which R98,1 billion (36%) was exported to Botswana, R73,1 billion (26,8%) to Mozambique, and R70,2 billion (25,8%) to Zimbabwe.[[3]](#footnote-3) The Beitbridge Border Post in Musina, Limpopo, connects South Africa to Zimbabwe. In terms of export volumes, the Beitbridge Border Post handled 12% of South African goods exported by road, making it the second largest commercial border post after Lebombo Border Post (Mozambique) (which handled 50% of exports).[[4]](#footnote-4)

In terms of South African imports from other African countries by road, the Beitbridge Border Post handled the third largest share of volumes at 12%. The largest import volumes were handled by Oshoek Border Post – Eswatini (18%) followed by Lebombo Border Post – Mozambique (15%).[[5]](#footnote-5) The volumes of goods handled by the Beitbridge and Lebombo Border Posts shows that there are large traffic volumes, as a result there may be delays in the processing of goods across these borders.

The C-BRTA stated that the “Beitbridge is the only land crossing from South Africa to Zimbabwe that operates 24 hours a day. It is one of the heaviest trafficked border crossings in the SADC. Because of heavy traffic movements, delays at this border are a common phenomenon. Approximately 75% of the northbound traffic through Beitbridge is transit traffic en route to Zambia, the Democratic Republic of Congo and Malawi”[[6]](#footnote-6). This could negatively impact South Africa’s efforts of facilitating trade to the African continent and of regional integration.

### SARS’ mandate in relation to customs administration

In support of its strategic intent, the SARS has nine strategic objectives, which are to[[7]](#footnote-7):

* Provide clarity and certainty to taxpayers and traders of their obligations,
* Make it easy for taxpayers and traders to comply with their obligations (trade facilitation),
* Detect taxpayers and traders who do not comply, and make non-compliance hard and costly (dealing with illicit trade),
* Develop a high performing, diverse, agile, engaged and evolved workforce (enablement),
* Increase and expand the use of data within a comprehensive knowledge management framework to ensure integrity, drive insight and improve outcomes,
* Modernise its systems to provide digital and streamlined online services,
* Demonstrate effective resource stewardship to ensure efficiency and effectiveness in the delivery of quality outcomes and performance excellence,
* Work with and through stakeholders to improve the tax ecosystem, and
* Build public trust and confidence in the tax administration system.

A key objective of the Customs Administration, a division of SARS, is the facilitation of movement of goods and people entering or exiting the borders of South Africa. Its mandate and priorities are to:

* Provide border control management, community protection and industry protection;
* Administer trade policy measures and industry schemes; and
* Collect revenue from the import of goods.[[8]](#footnote-8)

## Trade Facilitation

### Trade Facilitation Agreement

Trade facilitation is defined as “the simplification, modernisation and harmonisation of import and export procedures”[[9]](#footnote-9). In a recent report on Trade Facilitation in Africa, the United Nations noted that addressing the high trade costs of African countries is critical to achieve their greater integration into global trade and global value chains and increasing competitiveness. Consequently, ensuring economic development in Africa. Furthermore, it stated that trade facilitation is the best tool for reducing trade costs for African countries, particularly for the many landlocked, developing countries in sub-Saharan Africa.[[10]](#footnote-10)

At a global level, South Africa is party to the WTO’s TFA. This Agreement came into force on 22 February 2017 when more than two-thirds of the WTO members, including South Africa, ratified the Agreement.[[11]](#footnote-11) Its purpose is to facilitate the ease of movement, the release and clearance of goods across borders, and, provides for measures to promote effective cooperation among customs and other relevant authorities on customs compliance issues.[[12]](#footnote-12) As a signatory to this Agreement, South Africa committed itself to facilitate trade as required in Article 1 to Article 12 of the TFA.[[13]](#footnote-13)

### Role of SARS in Facilitating Trade

The import, export and transit of goods are governed by national and international regulations. Compliance with these regulations are checked and enforced at ports of entry, such as cross-border crossing, among others. This can be a lengthy or speedy process depending on management and the procedures in place. The process at the border involves multiple agencies, therefore coordination is key in reducing waiting times at border crossings. SARS through its Customs Administration Division, as one of the agencies, plays a critical role in the facilitation of trade.

Time taken to process trade at border crossings is used as an indicator of trade facilitation performance and regular delays are hence an indicator of poor/inefficient trade facilitation. Therefore, the measures implemented by SARS are critical to reduce time to process trade at the borders. SARS informed the Committee that its legislative mandate is to collect all revenues due, ensure optimal compliance with tax and customs legislation, and to provide a customs service to optimise revenue, border protection and facilitate legitimate trade. In this regard, the SARS Customs Authority acknowledged its critical role to ensure that through its processes and actions, it contributes to the promotion and development of the South African economy.

### Measures to Facilitate Trade

Over the past 25 years, SARS has re-orientated itself from the practice of gatekeeper to a data-driven risk management approach to improve the balance between facilitation of legitimate trade and ensuring compliance. In this regard, the Customs declaration and inspection processes have been reengineered to be fully automated, as a result, improving its risk detection capability through its sophisticated case selection methodology. It draws on available data from statutory declarations by traders, and data from third party providers, as well as other sources.

In the context of Beitbridge or any land border, all clearance and risk processes are completed prior to the goods arriving at the border, and the control at borders are restricted to high-risk intervention or the management of exceptions, and are aligned with the availability of capacity and resources. This technically means that approximately 95% of all trade crosses the border without any further Customs intervention, other than for a “mark for arrival and exit” process that takes a few seconds to complete by Customs.

SARS recognised that the level of automation and risk management capabilities of neighbouring local border entities and government agencies are limited. Neighbouring countries often still deploy manual control processes that impacts on traders and transporters being delayed on the South African side of the border while waiting to cross the border.

It is for this reason, in line with SARS Vision 2024, that the SARS’ Customs Modernisation Programme (CMP) focuses on:

* Implementing the concept of a Single Window to provide local entities with automated data exchange and workflow capability, and similarly engaging with neighbouring Customs administrations to integrate declaration data.
* Curbing the scourge of illicit trade by leveraging the Secure, Measurable, Automated, Risk Management-based, and Technology-driven (SMART) border programme that introduces technology solutions such as SMART track and trace solutions, in-line scanning technology, automated in-border flow control, etc., powered by big data and enabling technologies such as artificial intelligence that would fundamentally increase the opportunity for detecting illicit trade.

SARS informed the Committee that the CMP was intended to drive the SARS Compliance Philosophy, Strategic Objectives, and to achieve the SARS 2024 Vision in respect of Customs Border Operations, Ports of Entry, and Customs Compliance. It further aimed to improve SARS’s capabilities in relation to revenue collection, tax leakage, trade facilitation, supply chain security, risk management, and client segmentation through the following specific initiatives (projects)[[14]](#footnote-14):

* *Advance Import Payments*: Preventing the underpayment of customs duties and taxes, as well as illicit financial flows in respect of the importation, or non-importation, of goods following advance foreign exchange payments, in cooperation with the South African Reserve Bank and the Banking Association of South Africa representing authorised dealers in foreign currency and exchange.
* *Data Analytics for Valuation, Origin and Tariff*: Detecting customs under-valuation, tariff, and origin mis-declaration using predicative data analytical tools, aided by artificial intelligence.
* *SMART Borders (Non-stop borders)*: SMART Borders is a 2019 World Customs Organisation (WCO) concept for transforming traditional borders by encouraging WCO members to use technology to find solutions to facilitate the flow of people, goods and conveyances at borders while following the guiding principles for SMART borders. In the South African context, it means simplified, centrally managed and automated port of entry and exit processes that will increase the speed of border crossing through the use of technology, to reduce turnaround time, enable joint agency inspections, and make the best use of resources.
* Single Window.
* *Customs Connectivity with Botswana, Eswatini, Lesotho, and Mozambique*: Connectivity requires the exchange of real-time customs clearance data sharing which SARS has already implemented with all of its Southern African Customs Union (SACU) partners, starting with the Swaziland (Eswatini) Revenue Authority on 14 June 2018. For the full trade benefits to accrue as envisaged under the AfCFTA, legitimate cross-border trade must be facilitated to the greatest extent possible. The exchange of customs transactional clearance data plays an important role in this regard.
* *Cross-Border E-commerce*: The project aims to implement the provisions of the WCO “Cross-Border E-commerce Framework of Standards” and the “Guidelines for the Immediate Release of Consignments by Customs” which provides member customs administrations with the global standards and best practices to manage cross-border E-commerce goods.
* Single Government Authorised Economic Operator (AEO).
* Registration, Licensing and Accreditation.
* Automated Refunds and Drawbacks.
* Automated Bonds.
* Air Passenger Tax.
* Customs Cadet Programme.
* Business as Usual Improvements, such as Acquittals, ePenalty, etc.

To date, SARS has fully established connectivity and near real-time data exchange with all SACU partners, SARS electronically communicates a status on a pre-clearance submission of customs declaration within seven seconds, and border crossing times, despite the challenges illustrated above, is within hours (at the end of February 2023 for Beitbridge this was less than two and a half hours).

SARS has introduced a formal Trade Facilitation Indicators (TFIs) Survey that will be distributed to a select group of traders. This survey seeks to measure the traders’ experience with TFIs that are administered by the Customs and Excise Division. It also seeks to measure the extent to which the Division is effective and efficient towards trade facilitation across the following areas: Information availability, Involvement of the Trade Community (Consultations), Advanced rulings, Appeal procedures, Fees and charges, Formalities (documents, automation and procedures), Internal and External co-operation, Governance, and Impartiality to provide enhanced Trade Facilitation.

#### Financial Requirements

The basic cost to develop SMART Borders is estimated at between R1,5 billion and R2 billion, as the required equipment is relatively expensive and all border posts should be covered for the SMART border concept to be implemented effectively.

SARS reported that the infrastructure can be implemented in a phased approach with an initial investment of R462 million to procure the following:

* Scanner image analysis centre for all scanners (R5 million);
* National Targeting and Operations Centre (NTOC) infrastructure and network capacity (R5 million);
* Inland main corridor inspection facilities (including number plate recognition (NPR), SMART Seals and Seal Readers, traffic management tools, high resolution closed circuit television, inspector assist on-line cameras and other mobile tools) (R26 million);
* Three specialised 1000mm cargo scanners (R100 million per unit) and two mobile high speed X-Ray scanners (R60 million per unit) on targeted cargo (R420 million); and
* System integration and other development costs to automate existing systems further (R5 million).

To effectively utilise the technology, Customs Specific Skills, namely Audit, Risk and Data Analytics, etc., is being invested in through the Cadet Programme. Currently, 110 cadets are engaged in the Programme at a cost of R52 million. An additional 190 cadets over a four year intake period (50 per intake) is planned and would cost approximately R114 million including funding the salary difference between the Graduate and 4A level salaries.

In terms of the Single Window systems to implement South Africa’s international obligations in relation to the FTA, the cost is approximately R185 million for the full solution. It had a budget of R10 million for the 2022/23 financial year.

For the full SMART Border Requirements, SARS estimated that the full cost would be R7,5 billion, as part of the Border Management Agency’s infrastructure for six primary border posts, namely Beitbridge, Kopfontein, Oshoek, Lebombo, Maseru Bridge, Ficksburg, Grobler’s Bridge. These would include the procurement of:

* Eleven in-line high speed Scanners (R1,5 billion);
* Traffic Infrastructure and technology to conduct non-stop electronic border processing (NPR, Radio Frequency Identification readers, booms and communication systems, high-definition cameras) (R5 billion); and
* High risk inspection areas, including observation platform for NTOC (including inspector assist on-line cameras and other mobile tools) (R1 billion).

Beitbridge, specifically, required a minimum of four scanners. This was expected to reduce the number of manual physical inspections per day by 25. The cost of the manual inspections was R500 000 per day vs scan costs of R80 000 per day.

SARS administers a number of tax Acts, in terms of which taxes, duties and levies are collected and paid into the National Revenue Fund. SARS is the central revenue collecting agency that collects the majority of government’s revenue. Revenue collected over the last two years has increased significantly, underpinned by the rebuilding of SARS’ capabilities. Notwithstanding its revenue collection capabilities, the Committee noted that SARS, as a revenue collection agency, remained underfunded and required additional funding to improve its capabilities in relation to revenue collection, tax leakage, and trade facilitation, among others. The Commissioner of SARS is charged with building an efficient and effective administration of the revenue collecting system of South Africa[[15]](#footnote-15). The continued trend of underfunding SARS, now for eight consecutive years, was considered to be materially undermining this legal mandate.

SARS informed the Committee that despite making an appeal since 2019 (initiating the rebuilding of SARS journey), through the annual Medium-Term Expenditure Framework (MTEF) and Estimates of National Expenditure processes, engagements with National Treasury, Minister of Finance and the Parliamentary Oversight Committees, the funding situation had not been addressed. In fact, according to SARS the situation had worsened. This has meant a continued decline in the employee value proposition, rendering the organisation unable to retain and attract the requisite specialist skills needed. This also placed the modernisation programme at risk, at a time when a modern platform drawing on big data, artificial intelligence, and advanced technology, was indispensable to give effect to the intention of the SARS Act. The impact of the historic underfunding resulted in a delay in the modernization programme, minimum investment in information and communication technology and other infrastructure, resulting in an ageing infrastructure and a significant loss of both capacity and critical skills that could not be augmented to date.

The underfunding experienced over the past years and that has continued to occur has impeded SARS’ ability to effectively perform its compliance related work that gives effect to its legal mandate, and in turn severely impacts the fiscal integrity. The funding trend for SARS since the 2014/15 financial year has declined by 28,6% cumulatively. With regard to SARS’ requested MTEF allocation over the 2023/24 to 2025/26 financial years, the cumulative decline was projected to be 36,9%. This implied that SARS at present received barely more than 70% of its 2014/15 funding and projected that this would be less than two-thirds by the 2025/26 financial year. If the year-on-year cost of inflation since the 2013/14 allocation had been incorporated, the 2022/23 financial year allocation should have been above R15,98 billion compared to the actual allocation of R11,5 billion. The Organisation for Economic Co-operation Development (OECD) recommend that the cost to revenue collection for developing countries should be one percent. Therefore, the inflation-adjusted R15,98 billion would have compared well against a printed revenue collection estimate for the 2022/23 financial year of R1,598 trillion.

The unpredictability of the funding cycle precluded SARS from adequately doing any forward planning, in terms of medium to long term recruitment, capital investments, and modernisation, as these were all multi-year programmes. This was despite the financial return on any investment in SARS being significantly higher than in any other area in Government and also being the lowest opportunity cost for sustainable fiscal stability. This has been demonstrated over the past two financial years whereby SARS collected more than the projected estimates set by the Minister of Finance, R182 billion more for the 2021/22 financial year and R38 billion more for the 2020/21 financial year.

#### Impact of load-shedding on the implementation of SMART Borders

The SARS indicated that it was implementing SMART Borders to improve efficiencies at the border by improving monitoring of goods passing through the borders while minimising the incidents of corruption. In this regard, technology would be deployed at the border including scanners and body cameras to relay real-time information from the border to the SARS head office or other off-site facility. Given the ongoing risk of load-shedding and its possible impact on connectivity, the Committee enquired about the ability of SARS to mitigate this to maintain the integrity of a SMART Border. SARS informed the Committee that as per its business continuity procedures, auxiliary power supplies were in place (namely generators and inverter/uninterrupted power supply solutions) to ensure the continuity of its operations. Through the SARS National Command Centre, it has 24-hour monitoring and management of its country-wide infrastructure ensuring that SARS systems and infrastructure are functional and where required, it appropriately responds to expeditiously resolve any outages. In addition, SARS is also planning to install solar-powered systems in a phased approach aligned to the roll out plan of SMART borders and its vision of a Smart Modern SARS.

#### Skilled Customs workforce

In terms of facilitating the movement of goods and people entering and exiting South Africa, Customs officials are either involved in trade facilitation activities, processing and auditing or border control and enforcement. Currently, SARS Customs has only 2 200 employees to do this work, compared to the Australian Border Force which has approximately 5 800 employees without any inland borders.

This capacity must be augmented in line with SARS Vision 2024, which necessitates an increase in data, risk detection systems, enabling tools and capabilities that would require a highly skilled workforce to operate and implement these capabilities. Although costly, this would have a significant return on investment for both trade facilitation and combatting illicit trade, and would greatly reduce the opportunity for bribery and corruption. This would exploit the exponential and innovative opportunities provided by increased access to data (big data), machine learning algorithms, artificial intelligence, as well as augmenting human effort with insights from data, whilst automating repetitive and routine activities.

In this regard, the effective implementation of Vision 2024 requires a breed of Customs officials with auditing and data analysis skills to identify trends from the analysis of data sets received to effectively detect non-compliance. Therefore, it must develop a high performing, diverse, agile and engaged workforce, and not merely expand its staff complement. Furthermore, it must expand its post-clearance audit capacity to apply assurance on the 95% of cross-border trade that is facilitated within seconds and cleared prior to the border.

The total SARS headcount has been on a declining trajectory over recent years. Since 2014, it has decreased by about 16% or 2 500 positions. The main job functions that have been impacted within the Customs Administration Division are the specialist skilled areas such as: Audit and Risk; Investigations; Debt Collection; Legal; Customs and Excise; Data Analytics/Science and Information Technology jobs. The primary reason for the reduction was attributed to the funding constraints experienced due to grant allocation reduction and SARS’ ability to attract the required specialist skills. Over the MTEF period (2023/24 to 2025/26), SARS would require a minimum of 3 000 additional customs officials.

### Implementation of the AfCFTA

The AfCFTA is the world’s largest free trade area bringing together the 55 countries of the African Union (AU) and eight Regional Economic Communities to create a single market for the continent. The aim is to enable the free flow of goods and services across the continent and boost the trading position of Africa in the global market. The AfCFTA also has the potential to both boost intra-African trade by 52,3% by eliminating import duties and could double this trade if NTBs are also reduced. Therefore, collaboration among member states is essential to develop the necessary customs systems to enable harmonisation and the real-time exchange of information, and to ensure that the necessary systems are in place to give effect to the Agreement.

According to SARS, the implementation of the AfCFTA certainly enhances the existing collaboration among member states in the Region when it comes to real-time information exchange. The International Customs community, as members of the WCO, is well advanced in the development of instruments, tools and standards that drive standard processes, a uniformed data model and tools for data integration, such as the Globally Networked Customs (GNC) concept.

In this regard, SARS has implemented a data exchange capability with its SACU partners, steering one of the GNC building blocks named “Your Export becomes my Import”. In SACU, there are three technology systems amongst member states that includes the Automated System for Customs Data, Crimson Logic and the SARS InterFront system. Through this initiative, SACU Customs administrations demonstrated that data can be exchanged through these tools and without all parties needing to be on a common system. SARS takes this experience into account and plays a leading role at the AU and specifically on programmes such as data exchange and AEO that supports the implementation of the AfCFTA.

## Illicit Trade

Preliminarily, illicit trade has been defined by the OECD as an exchange in the control or possession of a good or service that a lawmaker (national or international) deems illegal, because the object of the exchange is dangerous or morally repugnant[[16]](#footnote-16).

The WCO defines illicit trade as any commercial practice or transaction related to the production, acquisition, sale, purchase, shipment, movement, transfer, receipt, possession or distribution of any illicit product defined as such by international law, or any licit product for non-licit purposes as defined by international law, as well as any conduct intended to facilitate such activities. [[17]](#footnote-17)

### Estimates of illicit trade within South Africa

The following sectors have contributed to illicit trade, as follows[[18]](#footnote-18):

* Pharmaceuticals, Trade Misinvoicing estimates: $61,2 million outflows
* Petroleum, Trade Misinvoicing estimates: $7,7 billion outflows
* Pesticides, Trade Misinvoicing estimates: $300 million outflows
* Precious metal and gems, Trade Misinvoicing: $5,2 billion outflows
* Tobacco, Trade Misinvoicing: $760 inflows
* Seizures estimated at $190 million (2019)
* Miscellaneous, Trade Misinvoicing: $33 billion (2013)
* Illicit rhino horn estimated at $785 million.

### Illicit Trade of Scrap Metal

The broader economic impact due to the loss of public infrastructure through theft cannot be underestimated. There has been an increase in theft of non-ferrous metals, which is then melted down into billets, and exported undetected. This has become a serious problem in South Africa. This sharp increase in theft can be attributed to the high international demand for copper and aluminium, as well as a sharp increase in prices for the materials, amongst other factors.

The sectors mostly affected by theft of non-ferrous metals are Communication, Rail Transport, Energy (Eskom) and other utilities. The Committee enquired what measures had been introduced or implemented by SARS to combat the illicit export of scrap metal. SARS informed the Committee that, in keeping with its strategic objective 3, it endeavours to detect taxpayers and traders who do not comply, and to make non-compliance hard and costly. Therefore, SARS continues towork with the steel industry and other government departments through the Metal Trade Task Force, chaired by the DTIC, as well as the Inter-Agency Working Group (IAWG) on Illicit Trade, chaired by SARS, maintaining effective collaboration in addressing developing areas of non-compliance. SARS informed the Committee that it uses a data-driven risk management approach, and, at a transactional level, the outcomes of the inter-agency engagements contribute to the development of risk rules, and documentary and physical intervention responses to address prevalent risks.

According to SARS, through its risk and inspection efforts, such collaborations and partnership resulted in the inclusion of specific tariff headings in the interim control of export of scrap metal. In response to the identified risks, it activated automated risk rules to detect and respond to suspected non-compliance, and in addition, at entity levels,SARS deploys audit-based controls.

### Progress Made in Combatting Illicit Trade

According to SARS, the customs frontline teams recorded 33 190 seizures cumulatively with a total estimated value of R17,9 billion over the 2016/17 to 2021/22 financial years. Most of the seizures involved miscellaneous goods, followed by cigarettes, narcotics, alcohol, medicaments, and clothing and textiles. These goods accounted for 90% of all the goods seized.

For April – December 2022, 4 285 seizures had been recorded for various commodities with an estimated value of R2,4 billion. The majority of narcotics seizures (74%) had been reported by the OR Tambo International Airport to the amount of R445,4 million. Some of the concealment methods included books, bottles, boxes, clothing, computer equipment, envelopes, folders, footwear, frames, jewellery, luggage, and makeup. There had been 21% more seizures conducted as compared to the first three quarters in the previous financial year.

In terms of cigarette seizures, Beitbridge had reported 62% of cigarette seizures to the value of R28,2 million. Cigarette seizures to the estimated value of R431 100 and R220 300 had been reported by Lebombo and Free State respectively. Concealment methods included luggage, light vehicles, cargo vehicles and local premises.

In terms of counterfeit Clothing, Textiles, Leather and Footwear (CTFL) seizures, 71% of seizures had been reported by OR Tambo International Airport to the value of R734 million. This was followed by Lebombo with seizures to the value of R9,1 million. From April 2021 until December 2022, 27 customs licences had been cancelled, and three licences had been suspended as a result of proven customs non-compliance.

#### Illicit Trade Unit and the National Rapid Response Team

SARS reports to the Customs National Rapid Response Team (CNRRT). The CNRRT and Illicit Trade Unit recorded a cumulative of 18 849 risk-based tactical interventions linked to illicit trade and customs fraud. This resulted in 4 232 detentions and 4 393 seizures with a total estimated value of R1,7 billion from the 2018/19 financial year to December 2022. Furthermore, R270 million in enforcement revenue linked to these interventions had been raised and collected. This was additional revenue, which would not have been collected without the improved detection and execution enforcement capability.

Seizures mainly involved high risk commodities such as tobacco and cigarettes, CTFL, illicit fuel and liquor, and cobalt. This work is mostly done through inland joint raids and special operations in collaboration with other law enforcement agencies in line with the SARS strategic objectives to detect non-compliance and to collaborate with stakeholders to improve the tax ecosystem.

#### Criminal and Illicit Economy Activities Division

According to SARS, the Division completed 239 investigations, resulting in assessments to the value of R13,96 billion being raised for income tax and Value-added Tax (VAT) in the 2021/22 financial year. Letters of demand for Customs payments to the value of R1,75 billion had also been issued. The revenue recovered from these actions had been R8,22 billion for the 2021/22 financial year and R1,9 billion for the 2020/2021 financial year. Furthermore, the Division finalised 326 preliminary investigations, 212 profiles and 369 enquiries. The focus areas included fuel, tobacco, alcohol, CTLF, VAT Carousels – specifically relating to the gold sector, phoenixism[[19]](#footnote-19), abusive liquidation and business rescue practices, illicit financial flows, and tax evasion.

There had been 43 illicit economy related projects comprising of 547 active investigations, with an estimated prejudice value of R2 billion related to 42 investigations. Also, the Focused Investigative Audit Unit had 68 cases in progress (12 advance import payment, 50 transfer pricing adjustment cases and 6 voluntary disclosure programmes). Fifty-six cases had been finalised with an approximate revenue amount of R1,2 billion.

#### Collaboration with Other Government Agencies

The IAWG on Illicit Trade, which includes SARS, the DTIC, the International Trade Administration Commission of South Africa, and other law enforcement agencies, was running a campaign to discourage the public from buying illegal imports.

SARS enforcement highlights for the CTFL Goods work stream for September 2019 to September 2022:

* Additional revenue collection.
* Seizure values increased from R282,7 million in 2019/20 to R414,5 million in 2021/22.
* Additional revenue raised from 208 finalised audits including integrated audits on Customs, Corporate Income Tax and VAT triggered by undervaluation with an overall 56% success rate. This included a 71% success rate across frontline CTFL technical enforcement interventions to undervaluation and misdeclaration of CTFL imports.
* Thirty-eight cases referred for criminal prosecution, three cases litigated and won, with eight licences cancelled/suspended by the SARS Licensing, Registration and Cancellation Committee.

SARS enforcement highlights for the Steel and Gold work stream from April to September 2022:

* With respect to corrugated material and galvanised coil, SARS had worked on three cases. It reported for entity 1, R9,6 million had been raised on the under-declaration of values and prejudices on the duties and VAT. For entity 2, R4 million had been raised on the under-valuation of the values and prejudices on the duties and VAT. SARS would be initiating collection steps to recover the debt. For entity 3, helical wire matter, revised letters of findings had to be issued for incorrect tariff headings that had been utilised.
* With respect to the gold work stream, SARS indicated to the Committee that it had successfully defended various legal applications received from role-players within the gold industry and were busy executing ongoing enforcement tools, which should impact behaviour in the gold industry. The number of ongoing cases in civil investigations was 129, with 1 IEA (Tax) case finalised, with an assessment of about R33,9 million. Total VAT refunds stopped to date amounted to approximately R49,6 million until October 2022. Total assessments raised to date amounted to R62,5 million capital VAT on three cases.

The collaboration between SARS and other law enforcement agencies have yielded positive results in the pursuit of justice. SARS reported that there had been 49 cases referred for criminal prosecution, of which three cases had been won. SARS informed the Committee that the 49 Customs and Excise related cases were a combination of cases linked to the illegal importation of CTFL, the breakdown of these cases were:

* Thirty-eight cases were at varying stages of investigations, and once investigations were concluded, they would be referred to the National Prosecuting Agency (NPA) for prosecution.
* Three cases had been taken through the litigation process with the outcome in SARS favour.
* In eight cases, licences of traders had either been cancelled or suspended because of respective traders’ non-compliance with the Customs and Excise Act (Act No. 91 of 1964).

Noteworthy, as highlighted in SARS’ 2021/22 Annual Report, SARS had achieved a 97,7% success rate in the number of cases it had taken to court (via the NPA) for prosecution across all tax types and duties administered by SARS.

### Education and Awareness Programmes to Reduce Illicit Trade

Communities around border areas within the country could play a critical role in combatting illicit trade and act as a first defence against illicit trade.Therefore, investment in education and awareness programmes, especially among these communities, about the risks associated with participating in and facilitating illicit trade and its impact on the broader economy could be a critical tool to combat illicit trade. The Committee enquired what education and awareness programmes the SARS had embarked on in relation to illicit trade, and whether any of these were targeted at these communities.

SARS informed the Committee that it had established the Taxpayer and Trader Education Division that drives this objective through the application of behavioural science, advanced research and knowledge management initiatives – that include surveys, outreach programmes, webinars, workshops, and educational products. In relation to creating public awareness around illicit trade, this past year SARS sought to provide clarity by hosting a webinar via the SARS TV channel on the subject of the economic impact of illicit trade. The audience was mainly stakeholders from the broader trading industry. The webinar was well received based on the level of engagement and feedback from the attendees. This webinar is also publicly accessible via YouTube.

SARS noted the Committee’s concern regarding a targeted education campaign directed towards the associated communities and in the next financial year it would include this as part of its Taxpayer and Trader Education Programme activities in the following ways:

* Focussed interventions would be developed based on research and data in particular areas with a high incidence of illicit trade.
* Multiple interventions to heighten awareness raising such as webinars; pamphlets; workshops; and a media campaign, etc.
* Strengthening partnerships with civil society organisations that are interested and affected by illicit trade in the country.

# Site visits to Nkowankowa and Seshego Industrial Parks

The Committee originally planned to visit the Nkowankowa and Seshego Industrial Parks in August 2022, as part of its oversight programme. However, due to changes to the Parliamentary Programme, the visit had to be postponed. Notwithstanding the postponement of the visit, the Committee engaged the LEDET and its entity, the LEDA, owners of the two Industrial Parks, on 21 September 2022. The virtual engagement was two-fold: first, the Committee was briefed by the LEDET on the development and plans for the MMSEZ, followed by the LEDA on the development and plans for the Seshego and Nkowankowa Industrial Parks, as these industrial parks had received funding from the DTIC, as part of the IPRP. Therefore, the visit to these Industrial Parks in 2023 was a continuation of the oversight started in 2022.

## Background

The IPRP was introduced in 2015 with the aim of reviving Industrial Parks that existed prior to 1994. At the time, the Industrial Parks brought some economic activities closer to townships and rural areas, thereby, creating employment opportunities in the surrounding areas. Businesses that were located within the Industrial Parks were heavily incentivised and when such incentives were discontinued post-1994, they relocated to cities or even other countries. The IPRP aims to facilitate broader economic and industrial development in townships and rural areas where the Industrial Parks are located. The revitalisation programme includes security upgrades for the parks, improving critical infrastructure and factory refurbishments, as required.

The Seshego (Polokwane) and Nkowankowa (Tzaneen) Industrial parks are two of the five Industrial Parks in the Limpopo Province. These two Industrial Parks were among the thirteen Industrial Parks that had been revitalised since the inception of the IPRP in 2015. The DTIC had funded the two Parks for approximately R125,5 million, in turn the Parks have attracted investments of approximately R238,5 million with 2 466 employment opportunities.

## Nkowankowa Industrial Park

In the engagement with the Committee on 21 September 2022, LEDA reported that the R40 million investment which was injected by the DTIC through the IPRP had been utilised to install security features in the Park. The security features worth approximately R23 million included the following:

* Installation of clear-view fencing and pedestrian gates and boom gates;
* Installation of closed circuit television (CCTV) and control room;
* Guard houses; and
* Refurbishment of High Mast Lights.

The remaining R17 million was used to refurbish three factories.

During the refurbishment of the Park, a total of 11 Small, Medium and Micro Enterprises (SMMEs) had been appointed, the refurbishment projects created 125 jobs. LEDA further reported that new tenants will move into the factories once ESKOM completed the electricity connections. Furthermore, LEDA was in the process of applying for additional funding for the second phase of the refurbishment.

LEDA also reported that following the refurbishment of the Industrial Park, it was able to attract both national and international tenants, including Peppadew and BS Dried Fruit. They also reported that as of September 2022, the Nkowankowa Industrial Park was at 73% occupancy and as a result 3 708 job opportunities had been created in the Park.

The Committee visited the following three companies as part of its walkabout:

### Miya Roofing Manufacturers/Integrate Now (Pty) Ltd

Miya Roofing Manufacturers is a black-owned, South African manufacturer servicing hardware stores, developers and the public directly, among others. It manufactures high quality inverted box rib and corrugated roof sheeting, as well as ridges and flashing, in galvanised steel, colour, stainless steel or polycarbonate materials.

The company occupies a 1 169 m² factory in the Industrial Park and started its operations in 2021. It has created 37 jobs and is currently training 100 students in Metal and Manufacturing Engineering levels II, III and IV learnerships, as accredited by the Manufacturing, Engineering and Related Services Sector Education and Training Authority. It intends to absorb about ten students at the end of the learnership dependent on the electricity situation, among others.

The factory has the capacity to manufacture 30 000 metres of sheeting per day but manufacture based on orders received; therefore, it does not store ready-made stock. It is currently ISO 9001 certified and is in the process of obtaining ISO 45001 certification.

The company received funding from the Small Enterprise Finance Agency (SEFA) for two machines. Subsequently, the company purchased a third machine from the profit generated and built a machine in-house to manufacture flashings and barge boards. Its future plan is to move into a bigger factory, acquire more machinery and create more jobs.

The company reported that the local supply of steel had been negatively affected by load-shedding. This consequently impacted on its productivity due to a shortage of material.

### P and J Food Supply

P and J Food Supply is a black-owned company manufacturing wholesale and retail mango atchar and also distributing food to schools. It is one of three atchar producing companies in the Industrial Park. The factory started its operation in 2015 and occupies a 1 335 m² factory in the Industrial Park. The atchar is mainly sold to wholesalers within the Limpopo and Mpumalanga Provinces. At full capacity, the factory can produce 20 000kg of atchar per day. The company employs 28 people, of which 18 are female.

The company noted that it had a challenge with accessing appropriate weighing equipment. Thus, it used the weighbridge to determine the weight of green mangoes that it purchases. Furthermore, the Committee observed that the roller door for the storage area had been damaged and was unable to close. LEDA reported that the damage was due to an accident and the door had been in this condition for quite some time. The Committee requested LEDA to fix the door as a matter of urgency, as its tardiness in resolving the matter affected the security of the tenant, and the reputation of the Industrial Park.

The Committee was also concerned that P and J Food Supply was not able to upscale its production to effectively compete with the large commercial producers due to economies of scale and lack of quality assurance certification.

### Peppadew (Pty) Ltd

Peppadew (Pty) Ltd manufactures about 38 sweet piquanté pepper based products; and a range of spices for local, national and international distribution. In South Africa, it supplies chain stores including Spar, Woolworths, Checkers, Pick n Pay, as well as private accommodation and restaurants. About 70% of its products are exported to about 29 countries, of which the United States of America and a number of European countries are its biggest importing countries. Therefore, the company is subject to a number of additional international quality standards to maintain these trade relationships.

It operates from 14 factories in the Industrial Park covering an area of 33 140m². It started its operations in 1995. It is one of the largest employers in the Nkowankowa area. It has 188 permanent employees (59 African males and 129 Females), 543 annual rotational employees (128 African males and 415 African females), and 1 969 seasonal employees. Seasonal employment was so high, as the seeds of the peppers are removed manually for the fruit to be processed within 24 hours thereafter.

It receives its fresh produce from local farmers, of which 39 black farmers have been exclusively contracted to supply Peppadew. It supports the black farmers by providing seedlings upfront, as well as extensive agricultural services. In terms of the agricultural services provided, subject matter specialists assist them with land preparation, preparation for planting, fertiliser and chemical regimes, and harvesting. The cost of the seedlings is subtracted from the proceeds of the harvest received about five to six months after planting. This cost is also provided interest-free.

There have been several issues with the supply of water from the local municipality to the general Nkowankowa area. Loadshedding had exacerbated the situation, in particular the ability of the municipality to pump water and the cost of diesel to supplement electricity shortages. To mitigate the supply shortages, Peppadew has built a number of water reservoirs and purchases water from private suppliers at 20 times the municipal rates. The Committee enquired whether Peppadew had considered using boreholes or sourcing its water from the Letaba River directly. The company responded that the Lepelle Northern Water Board was already exclusively sourcing its water from the Letaba River. However, only one pump was effectively working to provide water to the Nkowankowa region. Therefore, Peppadew was already receiving its water from the river and assisted the Water Board with diesel when there was a shortage to run their generators. Furthermore, it had drilled boreholes; however, the quantity and microbial quality of the water was not suitable for the production of agricultural products at international standards.

It reported that the most recent supply challenge had occurred since the preceding Saturday with some water supply having been restored that morning. During this time, it had depleted its storage capacity. As a result of this, the company had to send 2 000 employees home without pay, as it was unable to provide the necessary facilities to all employees in terms of personal health and hygiene requirements. It also had to determine whether it needed to cancel production for the foreseeable period until its reservoirs had reached capacity again, which also negatively impacted on emerging black farmers who would be unable to sell their harvested fruit to Peppadew if production was halted indefinitely.

The mayor of the local municipality indicated that the bulk water supply was a district municipality responsibility, and the development of a reservoir could assist in resolving the water supply challenge. Therefore, the matter should be escalated to the district municipality level. This matter had also been raised with a delegation from the Presidency visiting the Nkowankowa Industrial Park in October 2022. The Deputy Minister of Planning, Monitoring and Evaluation, Ms P Kekana, had encouraged Peppadew to remain in Nkowankowa Industrial Park given its employment contribution to the area.

In terms of alternative energy supply during loadshedding, Peppadew was operating three 600-800kVA 10-cylinder diesel generators. The company’s production costs were significantly impacted by the costs to mitigate the energy and water supply.

The Committee enquired what worker and community upliftment and empowerment projects, including worker ownership programmes, Peppadew was involved in. Peppadew responded that 85% of its management consisted of previously disadvantaged individuals. Furthermore, it was considering a worker-ownership model in its value-added productive areas. Franchises were an option; however, before it empowered smaller businesses to produce its products, it needed a successful business with access to adequate and secure basic services.

Furthermore, it indicated that it had engaged one of the community groups, the Dan/Nkowankowa Concerned Group (DANKOW), to ensure that seasonal labour was recruited from the surrounding areas, especially where there was high unemployment. It also supported local feeding schemes at schools, built facilities for a local orphanage for AIDS orphans, and requested DANKOW to supply it with information of local schools that required assistance in building classrooms.

Peppadew reported that it had a good cooperative relationship with LEDA and the DTIC. It was also assisting LEDA to improve the conditions of buildings in the Industrial Park. In terms of its relationship with the DTIC, it had received support and attended several international trade pavilions over the last 20 years, as a heritage brand.

## Seshego Industrial Park

The Seshego Industrial Park, in Polokwane, consists of 154 hectares, with occupation at approximately 123 hectares. The Park has a total of 77 factories and 57 tenants; thus, an occupancy rate of 79%. The tenants’ profiles span across a number of sectors, which include manufacturing (20 tenants), agro-processing (2 tenants), services (36 tenants), and waste management (3 tenants). According to LEDA, the manufactured products produced at the Park were being sold locally, nationally and internationally. The employment contribution of the Park amounted to 1 059 direct jobs. The gender breakdown of the tenants was 49 males and eight female tenants, of which 48 were black and nine white, with one non-South African occupying space inside the Park. The majority of tenants at the Seshego Industrial Park were SMMEs, and a small percentage of the Seshego Industrial Park is used by different Government Departments for storage including the Pharmaceutical Depot of the Limpopo Province.

Its revitalisation programme had been divided into four phases. The phases are described below:

* Phase 1 of the Programme covers security infrastructure upgrades, fencing, street lighting, top structures, and critical electricity requirements.
* Phase 2 deals with engineering designs and construction of new and existing roads, bulk water supply and sewerage treatment plants or industrial effluent control.
* Phase 3 deals with upgrades of electricity infrastructure and to build new top structures that were in line with the expansion programme of the industrial parks.
* Phase 4 deals with the development of sustainable industrial clusters in industrial parks.

The LEDA informed the Committee that phase 1 of the Seshego revitalisation programme had been completed in two phases, phase 1A and phase 1B, with the support of the DTIC to the value of R35 million. The Phase 1 project mainly covered the construction of perimeter fence, installation of CCTV cameras, construction of two Guard houses and a control room, installation of high mast lights, construction of concrete culvert and renovation of one factory unit.

According to LEDA, the completion of phase 1 attracted 14 new tenants, namely, Muffama Beleggings (Agro-processing), Matidi Holdings (Recycling), Premier Piping (Manufacturing), SEDA (Small Enterprise Development Agency) Limpopo Jewellery Incubator (Manufacturing), and Unicode Industriale (Manufacturing), among others. This reflects a total investment of R41,74 million within the Seshego Industrial Park since the completion of Phase 1.

It should be noted that Phase II of the revitalisation of the Seshego Industrial Park had not yet commenced. LEDA informed the Committee that the DTIC had approved the budget amount of R49,97 million to fund Phase 2 for the refurbishment of 11 warehouses (factories). One of the units had been identified to be converted into a Digital Hub. According to LEDA, Phase 2 would also include cleaning of storm-water channels and submission of As-Built-Drawings for approval by the municipality.

The Development Bank of Southern Africa (DBSA) had been appointed as the Implementing Agent. LEDA informed the Committee that the DBSA appointed SRSQS Quantity Surveyors as Principal Agents to monitor and control Phase 2. Furthermore, that once the DBSA finalised the procurement of a contractor, it would commence with work on Phase 2, and would regularly report on its progress.

The Committee visited the following three tenants within the Seshego Industrial Park:

### Supported Employment Enterprises

The Supported Employment Enterprises (SEE) (formerly known as Sheltered Employment Factories) is reportedly a state-owned entity under the Department of Employment and Labour. It started operating in 1943 in Gauteng after World War II to assist war veterans that had become disabled as a result of the war. The SEE manufactures office furniture, home furniture, school furniture, hospital linen, uniforms and hospital linen. The factories seek to offer people with disabilities short to long term employment. The SEE now has 13 factories across South Africa, with the factory in Limpopo having been established in September 2019. The entity received R166,5 million towards its operations from the fiscus for the 2022/23 financial year[[20]](#footnote-20).

The Limpopo factory occupies a 2 667 m² floor area in the Seshego Industrial Park and trades in textile products, mainly hospital linen. Currently, it supplies Groote Schuur and Tygerberg Laundry Hospitals, in the Western Cape, with theatre lotions. The raw material was purchased from Da Gama (Pty) Ltd, which is based in the Eastern Cape. It employed 46 permanent staff, of which 27 were female and 19 were male. Forty-two of the employees were youth living with disabilities and one was an adult living with disabilities.

However, the factory raised concerns about limited work available, which appeared to be managed centrally from its Head Office in Tshwane.

### Limpopo Jewellery Business Incubator

The Limpopo Jewellery Business Incubator (LJBI), previously known as the SEDA Limpopo Jewellery Incubator, was established in 2009, in partnership with the European Union, to contribute towards creating economic opportunities by developing and supporting emerging businesses from historically disadvantaged communities. Following its 12 years of existence, the LJBI seeks to reposition itself as a centre of excellence that is recognisable and has a strong brand in Limpopo, across the country, the SADC and internationally.

The LJBI focuses on generating sustainable small to medium enterprises drawn from different sectors, including Clothing, Leather and Textiles, Beauty and Cosmetics, with jewellery manufacturing remaining part of its core mandate. It transfers practical jewellery design and manufacturing skills, and offers business mentorship and coaching to ensure the availability of properly skilled young South Africans both in manufacturing and entrepreneurship. Other services it offers includes market access facilitation and funding for SMMEs. It was currently supporting 49 SMMEs. The SMMEs can sell their products at a kiosk run by the LJBI in Polokwane. Most of them also sell their products directly to the public.

It offers an in-person level III learnership programme over a period of 12 to 18 months offering three qualifications, a National Certificate in Jewellery Manufacturing, and Further Education and Training Certificates in Jewellery Designing and Goldsmith. Through the learnership, it provides theoretical and practical workplace training and industry outings. Learners who reach the artisan level are also given an opportunity to go for a trade test. It currently has around 100 learners.

It relies on funding from the SEDA, the NLC, the Department of Social Development (DSD), the Department of Public Works and Infrastructure through its National Youth Skills Programme, and the Mining Qualifications Authority. The NLC had funded some technical equipment for the learnerships, as well as the parking area and pause area for the learners.

During its visit, the Committee also visited two in-house SMMEs, Tlotlego Handcraft, a shoe, leather belt and bag manufacturer; and House of Kay Master, a clothing designer and manufacturer.

Tlotlego Handcraft is a small business using leather, wood and fabric to manufacture its handcrafted products. It designs and manufactures the products in-house, and sells its products at national and international fairs, as well as directly to the public. Currently, the products are entirely handmade, which takes a significant amount of time. One of its needs is to obtain machinery to assist in manufacturing shoes to increase its economies of scale, and to reduce damage to the material.

During the visit, the Committee was informed that Tlotlego had been given notice by LJBI to vacate the premises by 31 January 2023, as LEDA had indicated that the SMME no longer qualified to be incubated on the LJBI’s premises. This was particularly challenging, as the SMME was busy preparing for an international exhibition and did not have an alternative venue to move to, and was unable to afford the LEDA rates at alternative facilities within the Seshego Industrial Park due to the size of the facilities required and cash flow challenges. LJBI indicated that it had attempted to set up a meeting with LEDA since December 2022 to explain why the SMME was based at its premises. LEDA had committed to engage the LJBI and the SMME that day to resolve the matter. The Committee requested that the tenant be given at least three months to prepare for such a move.

The House of Kay Master designs and manufactures baby, children, women, men, traditional, and corporate clothes. Its vision was to grow to be able to supply the retail sectors. However, this would require more efficient machinery. It had submitted an application to SEFA with the assistance of SEDA. However, it had not received any response in this regard at the time.

The LJBI indicated that loadshedding and water challenges posed a challenge for the incubation hub, its learners and supported SMMEs. It had sourced water to avoid having to send the learners home during the day. The Committee enquired what measures LEDA was taking to assist its tenants with electricity generation during loadshedding. LEDA indicated that it was in the final phase of procurement for the provision of electricity in its Industrial Parks through power stations.

LEDA was working on an investment drive to support SMMEs and assist them to grow and access larger markets. LJBI was also receiving funding from SEDA to upgrade the facility to house more SMMEs. However, it would need to clarify the ability to sublet to SMMEs with LEDA before upgrading the facility.

### Zastronet

The company, owned by black industrialists, started setting up in November 2022 in a 700m² factory, which is being leased from LEDA for three years. It manufactures plastic-related products, e.g. food-grade plastic bags, refuse bags and other related products. The products would be supplied to local retailers, and cash and carries, as well as waste material companies and to local municipalities. It had officially started production on 1 February 2023, and expected to be fully operational within the next six months.

The company had about 16 employees including operators, office staff and managers. Eight of the employees were locally based, three females and five males. It had also brought two employees from its Johannesburg company to train its operators on the use of the machines and to upskill them. It intended to increase the staff complement up to 32 employees as demand for the products increased.

The company was self-funded thus far. One of its key challenges was that it was using older technology to manufacture the plastic bags. The machines were sourced from its Johannesburg factory but would need to be upgraded in time to improve its production efficiencies. However, it would only seek funding once it had grown the market in Limpopo and proven that it was a functional manufacturer with a viable business case. This was also to determine the demand for the product and to be able to service the market immediately as the orders came in.

Currently, its market consisted of municipalities, hospitals, and the hospitality sector in the Limpopo province but it had been supplying these from its Johannesburg company thus far. The Committee indicated that the company should consider applying to the National Empowerment Fund (NEF) or the Industrial Development Corporation (IDC).

Furthermore, loadshedding impacted the daily production time negatively, as the machines had to be reheated for two hours once the electricity was restored.

## Challenges of the Industrial Parks

LEDA, in the engagement with the Committee highlighted the following challenges in respect of the two Industrial Parks:

* Communities up-rising against illegal foreign nationals being employed in the Industrial Parks;
* The security of investors within the parks;
* Insufficient funds to recapitalise the portfolio;
* Low rental income, due to the pricing model, attributable to legacy pricing models that had been based on subsidisation; and
* Property being used as storage, which increased the occupancy level and rental income but had no direct impact on unemployment reduction.

## Issues raised by the Committee

The following issues were raised during the engagement with LEDET and LEDA:

* ***Return on Investment:*** The Committee was of the view that the amount of money invested into the Industrial Parks had not been translating into the expected number of jobs opportunities. In response, it was noted that the industrial parks had been inherited from the previous dispensation and as such, most of them had to be revitalised and revamped to attract and retain tenants. The investment was mainly for refurbishment, which may not directly translate to a large number of jobs. However, the investments have helped sustain the jobs created and secure new tenants into the Industrial Parks.
* ***Job creation potential of Industrial Parks:*** The Committee had observed that the Industrial Parks tended to attract investors in sectors that were not labour-intensive. LEDA noted that it was difficult to control the type of tenants the industrial parks attracted while also sustaining the park with rental incomes.
* ***Challenges of water and electricity within the Industrial Parks:*** Industrial Parks that the Committee had engaged with all had challenges with water and electricity supply. Similarly, with the Seshego and Nkowankowa Industrial Parks, there was a challenge of water and electricity, hence the Committee noted this as a concern. LEDA stated that to resolve the electricity issue, which had been exacerbated by loadshedding, alternative energy solutions were being explored, including solar plants.
* ***State of other Industrial Parks in Limpopo:*** The Committee also enquired about the dilapidated factories in the Thulamela Municipality and Thohoyandou, which housed a number of black industrialists. The Committee particularly requested if there were plans to revive the areas so that they could strive for economic growth again. In response, LEDA said that Thulamela and Thohoyandou were different industrial parks in the province and that almost all the former Bantustan states had some form of industrial park. In addition, it stated that an application had been made to the DTIC for further funding for revitalising of other industrial parks in the province through the IPRP. Further, it suggested that the Committee be given a report on the activities of the other industrial parks in the province.

There were a number of impediments or challenges with respect to the Industrial Parks managed by the LEDA. Due to the high unemployment levels, community unrest, especially in relation to foreign nationals working or being tenants, was common. Although the country was just recovering from the impact of the Covid-19 pandemic, LEDA had identified a number of challenges facing it, such as:

* Tenants failing to uphold their rental agreements. This, according to LEDA, was an ongoing challenge.
* Factories requiring ongoing building infrastructure maintenance with high maintenance costs.
* High costs associated with registration of deeds of properties built on “Permission to Occupy” basis.
* The mismatch between maintenance needs and historically low rental rate charged.
* Continuous load-shedding.
* The impact of rental debt on securing an unqualified audit.

Notwithstanding these challenges, LEDA informed the Committee that a number of opportunities emerged as a result of the IPRP, such as:

* Gradual rental rate increases, with some tenants entering into long-term leases, while supporting SMMEs with low rentals.
* Multiple developing towns creating new opportunities for Industrial Parks.
* Building strategic relationships with other government departments and Development Finance Institutions.
* Entering into strategic partnerships with the private sector.
* Investing in and building energy generating plants to counter loadshedding and improve the sustainability of LEDA.
* ***Funding of LEDA***: The Committee enquired whether rental income was LEDA’s only source of revenue or whether it received any form of financial support from the Limpopo Provincial Government. LEDA informed the Committee that it should receive approximately R140 million from rental income. However, the amount received was around R120 million due to various reasons. Annually, LEDA also received a grant, and over the last five years it had been funded by the provincial government in the excess of R500 million. LEDA, an amalgamation of various agencies within the provincial government, was the vehicle to provide the necessary services from cradle to grave for enterprises, industrial and economic development, as well as support for entrepreneurship. However, as a Schedule 3D public institution in terms of the Public Finance Management Act (Act No. 1 of 1999), LEDA should become sustainable and become profitable in the future. Current funding provided to LEDA was used to facilitate the revitalisation of Industrial Parks to ensure its sustainability, as well as to promote trade and investment on behalf of the province. During the year, LEDA continued with the refurbishment of the Seshego and Nkowankowa Industrial Parks. This accomplishment would not have been possible without the continuous support of the DTIC, who provided financial resources towards this process through its Critical Infrastructure Programme.
* ***Low Rental Rate/Lease agreements***: Low rental income contributes to the inability of LEDA to maintain the bulk infrastructure within the Industrial Parks. Providing the necessary financial assistance to tenants within the Industrial Park is essential as they are the sources for job creation, especially within communities with high unemployment levels. Therefore, the provision of rental payment holidays, among others, could provide the catalyst that would ensure the sustainability of the tenant in the long-run. However, some of these negotiated lease agreements with tenants were long term and were legally binding. LEDA was negotiating, especially with new tenants, rental slightly below market price, correlating with the requirement of maintenance, and the payment of rates and taxes, on the properties. LEDA noted that some tenants had been facing challenges paying their leases; however, it did accommodate tenants when they were facing certain challenges. Despite these compromises, some tenants were issued with Letters of Demand, with 20 tenants evicted due to non-payment, as this impacted on the revenue stream of the Industrial Parks.
* ***Support for SMMEs***:Support offered to SMMEs to ensure their sustainability in the long-run was of critical importance to the Committee. SMMEs located within the Industrial Parks were critical vehicles for job creation, therefore, providing the necessary critical infrastructure and financial support was essential. LEDA recognised the importance of financial and non-financial support for SMMEs located within the Industrial Parks. It has been mandated to provide and secure the necessary funding, hence it made more provision for such support. However, because of funding challenges facing many developmental agencies, it has sought the support of other agencies such as SEDA, the NEF and the IDC operating in the province and have entered into collaboration agreements or Memoranda of Understanding. SMMEs within the Industrial Park requiring financial support were referred to these agencies to secure the necessary financial support that would ensure their sustainability as well as meeting their obligations in terms of the lease agreement.
* ***Funding for Phase 2***: It was not clear from the presentation whether funding for the commencement of Phase 2 of the revitalisation programme at the Nkowankowa Industrial Park had been secured. Bulk infrastructure remained a major impediment to the success of the Industrial Parks and its ability to retain and attract new investors. According to the LEDA, the application for funding for Phase 2 of the IPRP was 99% complete. Furthermore, support from LEDA to initiate the revival of previously active economic areas, within the Thulamela Local Municipality, was critical for economic development of the greater Thohoyandou. With regard to Thohoyandou, the application had been submitted in 2021; however, it had not been approved due to a compliance issue related to the level of participation of the Province and the Municipality. LEDA was in the process of addressing all these concerns and intended to submit a new application by the end of February 2023.
* ***Audit findings***: LEDA had received a qualified audit opinion on its consolidated financial statements and an unqualified opinion on the separate financial statements. These issues around the audit outcomes remained a concern for the Committee for the current financial year. The Committee enquired whether any steps had been implemented to mitigate against the current audit status. LEDA explained that the basis for the qualified opinion was that one of its subsidiaries’ financial statements had been materially misstated. Therefore, the Auditor-General was unable to obtain sufficient appropriate evidence relating to the completeness of the assets in question.
* ***AfCFTA***: LEDA had made reference to business opportunities provided for foreign nationals, especially within the Industrial Parks. This should be illustrated in the context of the AfCFTA and SADC as foreign national participation in the Industrial Parks may be perceived as compromising the domestic economy, especially in terms of illicit trade. On the trade opportunities offered by AfCFTA, LEDA was entering into an agreement with the South African Local Government Association (SALGA) to open chapters in those provinces and districts that are close to the borders. The province was also linked to the Maputo Development Corridor through the Ba-Phalaborwa Spatial Development Initiative, a network of road and rail corridors connecting to the major seaports set to open up Limpopo and the surrounding regions for trade and investment. It was LEDA’s intention to establish one-stop-shop facilities to give access to those precincts, district and municipalities to facilitate exports of products produced in the surrounding areas. To effectively use the benefits associated with the AfCFTA, it would become imperative to initiate capacity building programmes to professionalise the operation and management of Industrial Parks so that the tenants achieved maximum benefits from it. It should be noted that South African companies were already benefiting from the SADC Free Trade Area. LEDA supported a number of SMMEs through various pavilions and trade fairs on the African continent.
* ***Low occupancy rate in Industrial Parks***: A concern for the Committee remained the failure of the Industrial Parks to have optimal occupancy. Addressing these impediments would lead to an increase in tenants and could potentially contribute to local economic development, growth, and employment creation. The Committee enquired to what extent there was transformation at senior management level, particularly for black people and women, within the Industrial Parks. LEDA/LEDET informed the Committee that the majority of properties, including the Industrial Parks, had been inherited. Many of these properties, such as shopping centres, had not been well maintained, which included the lack of maintenance of bulk infrastructure within the Industrial Parks. As a result of this failure and the ageing of properties, and with the competition with the development of new shopping centres, it had been difficult to attract new tenants. LEDA/LEDET recognised that failures to attract new tenants was also associated with ineffective promotion, as well as the lack of upgrading and refurbishment of facilities on these properties. A further challenge was that the upgrading of facilities could not happen in isolation, as it was not possible to know who the occupant or manufacturer of a particular factory would be. In overcoming this challenge, LEDA/LEDET was negotiating an agreement with new tenants that required upfront investment in the property through the provision of payment holidays, among others. It should be noted that properties were not normally readily available for particular tenants.
* ***Municipal and Community support and outreach***: Support from the municipality and the local communities was necessary for the success of Industrial Parks. Therefore, the Committee was of the view that the relationship with the municipality is a critical component in addressing the infrastructural challenges facing the Industrial Parks. Furthermore, having an effective communication model to ensure ongoing engagement with communities around the development and challenges facing the Industrial Parks is an important vehicle to obtain buy-in. It is important when considering the creation of Industrial Parks within a specific regions or to revitalise Industrial Parks that the issue of land or access to land is modelled on sound principles that take ownership and the impact on surrounding communities into account.

LEDA acknowledged that community involvement was a critical component in the development and success of a SEZ. Agreement among the national, provincial and local government, especially the hosting municipalities, was also essential. Municipalities’ involvement was fundamental as they provided the necessary basic services to the SEZ. In terms of the governance structure, the SEZ Steering Committee in the province, involved all players, in particular the LEDET, as well as state-owned enterprises and agencies. Municipalities are included but only as observers. With respect to direct community participation, the SEZ has regular stakeholder engagements to update the community around developments. With respect to communal land, traditional leaders were part of the consultative process and only once communal land was released could development commence.

It was the objective that once the MMSEZ was fully operational it would act as the Industrial Gateway to Africa. Also it would become a source of significant investment, income and economic growth within the area. As a result of this, it would be important to ensure easy access to the MMSEZ and region. Therefore, it would be critical to revive the old airport between Makhado and Lamella, which falls under the Vhembe District Municipality. The airport referred to belonged to the Venda Government, which had been mostly used as a Civilian Airport. However, together with the provincial Department of Transport and Community Services, consideration has been given to the revival of this airport to ensure greater connectivity with Polokwane, and OR Tambo in the future.

* ***District Development Model (DDM)***: The DDM had been initiated to address the “silo operation” that led to incoherence in planning and implementation that resulted in ineffective monitoring and oversight of government’s programmes. This lack of oversight led to limited service delivery and the failure to address the triple challenge of poverty, inequality and employment. The DDM was a new integrated district-based approach that aims to address service delivery challenges, localise procurement, facilitate job creation, promote and support local businesses, and contribute to the revival of rural economies. Therefore, the impact of the DDM and the role of municipalities in determining the impact of the DTIC’s IPRP is important. According to the LEDA/LEDET, the DDM objective was to crowd-in resources from all spheres of government, including agencies and municipalities, towards a particular development objective. Annually, at a provincial level, departments identified specific projects that have high value-addition within a particular municipality, whether at a district or local level. Through planning committees, a final list of projects was determined for a particular district with a clear understanding of its role in implementing the project. It should be noted that national and provincial governments were an integral part of the planning process.

In addition, the Integrated Development Plan process was integral to the success of the projects. It should be acknowledged that there had been some teething problems; however, with the current mega industrialisation projects one could see the impact of the involvement of district and local municipalities, especially in relation to the provision of bulk infrastructure. However, it should be noted that most district and local municipalities may not have the necessary capital to support a big project, such as an SEZ. It is therefore clear, that through the DDM, it may not be able to provide the necessary support or have the necessary technical skills, but through engagement with sector specific departments and agencies, such as the Department of Water Affairs and Sanitation, SALGA and the Department of Cooperative Governance and Traditional Affairs, it gets the support to deliver on their mandate.

# Musina-Makhado Special Economic Zone

The Committee embarked on an impromptu/unplanned visit to the MMSEZ’s northern site office. The SEZ consisted of two sites, one in Musina (northern side) and the other in Makhado (southern side). The northern side of the SEZ consists of 320 hectares, as gazetted, and cuts across a number of farms. It will be used for light manufacturing.

The overall budget for the first phase of construction was approximately R1,25 billion for roads, water, sewerage, electricity, and fencing. The team was currently constructing/installing bulk infrastructure on the northern side of the SEZ, and employed 16 people to do so. However, some of the work was being delayed by permissions being sought to move certain trees that have cultural significance.

The budget for the roads project was R300 million. Engineers had been appointed to upgrade the main road and develop the internal road infrastructure over a 24-month period. Work had started in December 2022. Thus far, the project was 18% complete and R25 million had been spent.

Other projects were expected to start in March 2023. The establishment of the northern side was expected to create almost 500 construction jobs for bulk infrastructure.

The SEZ Operator reported that it had good relationships with the surrounding communities, as there was an understanding of their roles in terms of SMME involvement and job opportunities. For example, SMMEs were given an opportunity to rent machinery to the contractors. There were also efforts being made to ensure employment absorption across the wards, including rural areas in Musina. In this regard, the calls for SMMEs and employment opportunities were communicated across all the wards through the ward councillors. It has also secured office space in Musina for a liaison office to assist in maintaining these relationships with the community. Councillors and traditional leaders were being engaged to facilitate the employment of people

The MMSEZ Operator reported that the Environmental Impact Assessment for the Makhado site had been approved.

# National Lotteries Commission

## Mandate

The NLC was established in terms of the Lotteries Amendment Act (Act No. 32 of 2013) to replace the former National Lotteries Board. In terms of the Act, the NLC’s core mandate covers the following:

* Ensuring that the National Lottery and sports pools are conducted with all due propriety and in accordance with the relevant legislation and licence for the National Lottery, to protect the interests of all participants;
* Conducting research on worthy good causes that may be funded without lodging an application prescribed in terms of the Act (for so-called proactive funding);
* Inviting applications for grants from worthy good causes; and
* Promoting public knowledge and awareness about the lotteries and provisions of the Act, as well as educating the public regarding the process, requirements and qualifications relating to the application for grants in terms of this Act.

In addition, the responsibilities of the board of the NLC includes:

* Advising the Minister on the issuing of the licence to conduct the National Lottery;
* Ensuring that the net proceeds of the National Lottery are as large as possible, and managing and administering the National Lotteries Distribution Trust Fund;
* Monitoring, regulating and policing lotteries incidental to exempt entertainment, private lotteries, society lotteries and any relevant competition;
* Advising the Minister on the percentages of money to be allocated for application-based good causes for sports, arts, charities, and miscellaneous purposes;
* Advising the Minister on the efficacy of legislation pertaining to lotteries and ancillary matters;
* Advising the Minister on establishing and implementing a social responsibility programme in respect of lotteries;
* Making arrangements as may be specified in the National Lottery licence for the protection of prize monies and sums for distribution;
* Ensuring the proper governance of the NLC;
* Reviewing decisions of the distributing agency regarding applications for grants;
* Consulting with the Minister to determine categories of applications for grants that are excluded from funding; and
* Recovering any amount in relation to a grant which has been withdrawn, prohibited or reduced in terms of the legislation.

## Background

The Committee’s recent oversight focus on the NLC has been as a result of a presidential proclamation authorising the Special Investigating Unit (SIU) to probe alleged corruption and maladministration involving the NLC. This proclamation was signed and gazetted on 20 October 2021 by the President, Mr MC Ramaphosa.

In terms of the proclamation, the President authorised the SIU to investigate:

* Serious maladministration in connection with the affairs of the NLC;
* Improper or unlawful conduct by employees or officials of the NLC;
* Unlawful appropriation or expenditure of public money or property;
* Unlawful, irregular or unapproved acquisitive acts, transactions, measures or practices having a bearing upon state property;
* Intentional or negligent loss of public money or damage to public property;
* Offences in terms of the Prevention and Combating of Corrupt Activities Act (Act No. 12 of 2004); and
* Unlawful or improper conduct by any person, which has caused or may cause serious harm to the interests of the public - “or any category thereof”.

Subsequent to this proclamation, the Committee engaged and received updates from the SIU on 2 March and 20 September 2022 on its investigation into alleged corruption and maladministration involving the NLC.

While the investigation had still been ongoing, it had uncovered substantive evidence of corruption and mismanagement linked to certain former board members and senior officials of the NLC, as well as certain non-profit organisations and individuals outside the NLC. Furthermore, a number of governance concerns had been highlighted in relation to the operation of the NLC. Subsequently, a new board and Commissioner had been appointed.

The purpose of the oversight visit to the NLC was to receive a progress report on measures taken by the new NLC board to address governance concerns within the NLC. Furthermore, on measures to close the loopholes within the grant application and proactive funding processes to prevent further corruption and maladministration of National Lottery funds earmarked for social upliftment.

## Discussion

The NLC briefed the Committee on the following key areas:

* The status of the fourth National Lottery Request for Proposal;
* An update on its operations;
* The revised grant funding model;
* The status on internal investigations; and
* The status on key vacant positions.

It informed the Committee that, as a regulator of the National Lottery, together with other lotteries and sports pools, it also has the responsibility of advising the Minister in terms of policy and matters relating thereto. Furthermore, the distribution of the funds, that it received from the National Lottery and sports pools to good causes was a critical responsibility of the NLC. According to the NLC, for the last financial year, R1,2 billion was distributed for good causes in line with the vision as outlined in the National Development Plan and the UN Sustainability Development Goals, as well as the vision for the AU. The NLC informed the Committee that the Board had appointed Ms J Scholtz as Commissioner with effect from 1 February 2023.

### Status of SIU investigations

The NLC informed the Committee that the SIU investigations into allegations of maladministration and fraud at the NLC was still in progress. It was receiving regular updates from the SIU and the SIU had indicated that the next scheduled progress report on these investigations would be at the end of the 2022/23 financial year. The NLC indicated that it was continuing with its collaboration and providing the necessary information and documentation to the SIU, if, and when requested to do so.

With regard to the SKX investigation into allegations of fraud, the NLC stated that the investigation had been completed and the necessary disciplinary action against the identified employee had commenced. A draft report had been under consideration for the forensic investigation, conducted by TSU, that had been instituted into allegations of fraud. This had been expected to be completed by 28 February 2023.

During the external audit for the 2021/22 financial year, the Auditor-General highlighted irregular expenditure. In line with National Treasury Regulations, the NLC was required to do an assessment, determination and investigation following this disclosure. Therefore, with regard to the Fundudzi and Maphosa investigations, the NLC indicated that these investigations around irregular expenditure had been completed. As a result of these investigations, five employees had been suspended, with one resigning, and disciplinary action had been instituted against the other four employees with the outcome still outstanding.

The recommendations made by the SIU with respect to maladministration and fraud were critical tools to ensure that the NLC moved towards becoming a reputable institution again. The Committee enquired whether these recommendations had been implemented and whether these recommendations had the desired outcome. The NLC reported that it had implemented the recommendations proposed by the SIU, which was reflected in the decision to place a moratorium on pro-active funding to close the gap around the continued access to funds. With regard to the identification of implementing organisations for proactively funded projects, it remained a challenge as the information around these projects was incomplete.

As a result of the SIU investigations, a number of projects, based on the recommendation from the SIU, had not received further funding. Where funding had been approved but only a small percentage had been utilised for the intended purpose, it was not clear from the NLC’s presentation how it would recover the funds that had been fraudulently acquired and whether the outstanding funds would be allocated to complete legitimate projects, in future, once all investigations had been concluded.

The NLC also noted the slow pace of the SIU investigations, which impacted on suspended employees. The matter had been raised by the NLC and it needed to further engage the SIU so as to ensure faster progress with regard to the turnaround time with respect to those investigations.

### Status of the Fourth National Lottery Request for Proposal

Section 13 of the Lotteries Act (Act No. 57 of 1997) requires that the Minister issues a Request for Proposal (RFP) before issuing a licence to conduct or operate the National Lottery. While the most recent RFP to appoint a new Lottery Operator had not yet been concluded, the NLC indicated that an initial proposal had been drafted and submitted to the Minister of Trade, Industry and Competition for his consideration. Following consultation with the Minister, the Board had subsequently revised the Fourth National Lottery Strategy.

It noted that it was important to prevent future litigation post-appointment of the fourth operator, as the RFP was inherently susceptible to the risk of litigation. The documentation of lessons learnt from the previous RFP process, together with the assessment of the subsequent litigation between the National Lottery Licence holder and one of its funding partners, were considered in drafting the current RFP.

The following mitigating controls were put in place to address this risk:

* The NLC to engage with development funding institutions to discuss how access to funding of the preferred and reserved RFP bidders can be managed;
* Bidders shall be restricted from issuing preferential shares as part of the capital structure;
* Bidders shall be restricted from having a clause in their agreement that allows for a take-over or the management of the National Lottery Licence and its operations;
* Bidders shall be required to disclose all agreements in existence with other parties at the time of submission of the RFP, who shall disclose financial interest to be derived from the awarding of the National Lottery Licence; and
* A panel of legal advisors shall be appointed to advice the NLC Board on potential litigation risks.

### Update on operations

As at 31 December 2022, sales of lottery and sport pools tickets amounted to R4,72 billion, coupled with the contribution to the National Lotteries Distribution Trust Fund of R1,3 billion that indicates an increase of 6,2%. This increase reflected a return to pre-Covid levels in terms of the ability of the NLC to generate revenue from lottery sales.

The NLC informed the Committee that it had received 9 419 applications as a result of the initial call for applications, which had been suspended in August 2022. This was to allow for processing of the applications that had been received. According to the NLC, the intention had been to reopen the call for applications in November 2022. However, due to the high volume of applications received, which was in excess of R1,4 billion, it had resolved to close the call for applications for the 2022/23 financial year to process these applications.

The NLC informed the Committee that of the 9 419 applications received, it had adjudicated 7 834 applications, with 2 584 of these being approved. The remaining 1 585 applications would be adjudicated before the end of the 2022/23 financial year.

The Committee raised a concern regarding the composition of the Distributing Agencies and whether these reflected the necessary expertise required to ensure that applications related to Sport, Arts and Culture, or Charities were being adjudicated fairly. The NLC reported that currently only two distributing agencies’ positions had been filled, with the distributing agency for charity’s positions being vacant. With respect to whether the requisite expertise resided within the Sport and Recreation, and the Arts, Culture and National Heritage agencies, it should be noted that specialists within the specific areas were appointed to adjudicate applications.

### Revised Grant Funding Model

The NLC, acknowledging the challenges around grant funding, informed the Committee that it had refocused and agreed on impactful and sustainable funding where one could see tangible results from the funding allocated to applicants.

As a result of the allegations and challenges associated with proactive funding, over the last few years, the Board had resolved to place a moratorium on all proactive funding. However, the only proactive funding released in the 2022/23 financial year had been in relation to flood relief for affected provinces.

With regard to application-based funding, the NLC informed the Committee that because of irregularities in relation to fraud and mismanagement of the allocated funds, the grant funding model had to be enhanced and strengthened. The NLC had thus embarked on process to strengthen its internal controls through the following:

* Physical verification of all approved organisations, prior to funds being released. The NLC informed the Committee that funds were being withheld from some approved applicants because of concerns raised by RMB. This related to patterns of behaviour that had been identified where an immediate transfer would take place into an individual’s bank account once funds were deposited into a beneficiary’s account.
* Signing of affidavits by director(s) and management of the organisation prior to funding to ensure that the funds would be used for its intended purpose.
* Submission of bank statements to verify project spending. Although some organisations submit progress reports with some invoices, it did not reflect the actual use of funds. This would allow the NLC to verify actual spending through stamped bank statements on how much of the allocated funds had actually been used by an organisation at any given time.
* Regular monitoring of all projects. Previously this had been done on a sample basis, but the NLC had subsequently resolved that all funded projects would be monitored to ensure the implementation of these projects.

In order to protect NLC applicants and beneficiaries, a decision was taken to formalise activities regarding the assistance offered to prospective applicants by appointing and accrediting a panel of service providers. This was to ensure that programmes of the NLC, relating to funding reached the most marginalised communities by assisting with all the support and capacitation of prospective applicants. The Committee noted that a number of people serving on panels and those providing services to the NLC, such as legal and media, have been implicated in alleged lottery fraud and unethical behaviour. It, therefore, enquired whether the panels had been reconstituted in light of these allegations. Also whether any of the alleged perpetrators of fraud and corruption were still serving on these panels, and whether measures had been put in place to remove those service providers. According to the NLC, the panel of Legal Firms had been declared irregular and all new procurement had subsequently been terminated with immediate effect in September 2022. As an interim measure, the NLC had applied National Treasury Regulation section 16A6.6, namely that “*The accounting officer or accounting authority may, on behalf of the department, constitutional institution or public entity, participate in any contract arranged by means of a competitive bidding process by any other organ of state, subject to the written approval of such organ of state and the relevant contractors”*. The same would apply to the procurement of media services which had been predominately single source deviations. The practice was no longer permitted and all procurement was being handled in line with National Treasury prescripts. The Service Level Agreement with Roadshow Marketing was terminated with immediate effect since the SIU’s finding and report.

#### Revised Research-Based (Proactive) funding

Section 2A(3) and (4) of the Lotteries Act (Act No. 57 of 1997), as amended, provided an opportunity for the NLC, its Board and the Minister to proactively fund worthy good causes that are aligned to the broader developmental agenda of the country such as the National Development Plan. This, according to the NLC, would assist it to support innovative projects with a greater impact, as well as emergency support for natural and other disasters, amongst others.

As a result of recent developments, the NLC informed the Committee that proactive funding would only be activated after in-depth research. The Board would approve the strategic areas for such research. Once the research was completed, it would approve funding for strategic projects which would then be allocated a percentage of the budget approved by the Board. The current Chairperson of the Board expressed that food security and gender-based violence were possible strategic areas for proactive funding, following the necessary due processes.

The NLC informed the Committee, that it intended, through its next call, to issue an expression of interest where it would identify strategic partners, with proven track records, to implement these projects. However, these identified strategic partners must be assessed and undergo a probity check, to ensure that they have sound governance and financial management control, prior to their appointment. This would ensure greater transparency with the funding process and close the gap pertaining to the identification of implementing organisations. According to the NLC, this would go a long way in achieving its outcomes of sustainable and impactful funding and minimising the negative perception around proactive funding.

Furthermore, there was a need to close legislative loopholes in terms of the process around proactive funding, as there were currently no regulations in this regard.

#### Grant funding model

The NLC informed the Committee that it had introduced measures, such as an inspectorate function that would focus on due diligence and compliance, once an application was received. In addition to pre-screening, the NLC would undertake a verification of directors and membership of non-profit companies, through the CIPC and the DSD respectively. Furthermore, the NLC would enhance its monitoring and evaluation capabilities by visiting organisations to verify their existence, credibility and ability to implement the project. The NLC acknowledged that it had previously failed to effectively monitor and evaluate projects, particularly proactively funded projects.

Notwithstanding the existing education and awareness programme across all provinces, there would also be a stronger focus on capacity building and development of grant holders. In the NLC’s observation, there appeared to be a disjuncture/disconnection in terms of the understanding by grant holders of certain required processes, such as reporting, and regulations around deviation of agreements, once applications were approved and funds disbursed. The expanded programme would thus aim to close this gap.

A further key area of concern was its ability to detect and identify fraudulent trends. Currently, individuals are able to register multiple non-profit organisations and then apply to the NLC for funding with the intention to misuse the funds. The NLC was therefore embarking on a trend analysis to identify those individuals in future applications. The NLC further acknowledged that it was currently severely under-resourced with regard to its forensic investigative capacity but that it needed to strengthen its internal audit control mechanisms to ensure that it could account for money transferred to grant holders. It was of the view that the abovementioned changes would enhance and strengthen their internal controls over the medium term; however, there was still room for improvement.

The NLC informed the Committee that it was moving towards a more automated validation process in the grant funding system, in partnership with the CIPC and the Department of Home Affairs, from paper registration to online registration. This would also include the submission of progress reports for compliance purposes. Furthermore, with the DSD, it would seek to strengthen its verification of application information received.

With the 2013 Lotteries Amendment Act, less onerous requirements for small grants up to R500 000 had been introduced. However, the NLC was of the view that these grants should be more impactful and the organisations funded should be sustainable. An impact assessment should be conducted to determine whether these small grants were actually impactful or whether the funding was only used to keep these organisations afloat given that they would be unable to apply for funding annually. The NLC also informed the Committee that it was reviewing the minimum requirements for accessing funding.

Although the Lotteries Act and regulations require that financial records be submitted, this requirement was not strictly enforced. Therefore, the NLC recognised that in light of the allegations of maladministration and fraud it must enforce legislative obligations to strengthen the organisation.

The NLC further recognised that enhanced and regular communication with its stakeholders would be a key element in rebuilding the reputation of the institution as it would enhance transparency in relation to its functioning and operations.

The Committee noted that the NLC had not utilised ward councillors, traditional leaders, local organisations and other public representatives to verify the existence of an organisation, and whether the land was available for a particular project’s pre-approval. It enquired what measures the NLC would be implementing to ensure that these important role-players were incorporated into its verification process. The NLC indicated that it had recognised that the respective ward councillors, traditional leaders, and community leaders should be informed about the projects as part of the pre-verification of projects, thereby ensuring accountability.

### Status on internal investigations

#### Status of infrastructure projects

The NLC informed the Committee that of the 14 proactively funded infrastructure projects, eight had been completed, and four were still in progress, with two projects placed on hold. The NLC reiterated that all these projects were currently under investigation by the SIU. However, it was working in partnership with the DSD to provide assistance from social workers and for operational costs. A list of these projects are provided in the table below:

|  |  |
| --- | --- |
| **Status of projects** | **Name of the organisations funded** |
| Completed | Caiphus Semenya Foundation (arts centre)Hlayisani Centre of Hope (Gender-based violence and disability centre)Matieni Community Centre (old age home)Zibsilor (drug rehabilitation centre)Nunnovation (multipurpose hall)Southern African Youth Movement (old age home)Southern African Youth Movement (drug rehabilitation centre)Abrina (drug rehabilitation centre) |
| Incomplete | WAR RNA (old age home)Ubusu Non-Profit Company (NPC) (old age home)Big Fish Arts (arts centre)Motheo Foundation (sports combo court) |
| On hold | Mushumo Ushavha Zwanda (old age home)Lethabong Old Age Home (old age home) |

The Hlayisani Centre of Hope in Mpumalanga had initially been funded to the amount of R13 million. However, an additional amount of R3,6 million had been allocated to complete the project. This project had been handed over by the DSD to the beneficiary and was operational at the time of reporting.

With respect to the Matieni Community Centre, the NLC informed the Committee that the organisation initially funded had not been able to implement the project, and with additional funding, the total spend to complete the project had been R38,3 million. Currently, the project was being managed by the local Catholic Church.

The NLC informed the Committee that as a result of the allegations against the institution, many NPCs that had initially been funded, were no longer interested to manage the projects. Therefore, a drug rehabilitation centre in Gauteng, initiated by Zibsilor, had a new implementing organisation with a total amount of R40,6 million having been made available to complete this project.

The NLC had received a request from a local municipality based in the Eastern Cape to take ownership of a completed multi-purpose centre, which had received funding to the amount of R36,3 million. The municipality had also requested additional funding in this regard. However, the amended Act of 2013 and its regulations prohibited funding for municipalities. Subsequently, the NLC had agreed that the municipality may have rights of use.

With regard to the drug rehabilitation centres in Mpumalanga and the old age home in Free State, the NLC informed the Committee that it was engaging the DSD to find suitable organisations to hand these facilities over to. With respect to the Northern Cape drug rehabilitation centre, the NLC informed the Committee that there were governance issues associated with the operation of the centre. However, it was in negotiations with the DSD to identify a NPC that could take over the facility. The NLC recognised that one of its weaknesses had been the lack of involvement by the DSD with regard to the infrastructure projects, as its involvement would have ensured that the right type of infrastructure had been funded given the local needs.

The four incomplete projects had received initial funding, with additional funding also being made available. The NLC recognised that in order to proceed with these projects, an independent structural integrity assessment must be completed to determine whether to complete these and the cost implications associated with completion of the projects. Credible engineers were required in this regard. The NLC had been engaging the IDC to assist it through its panel of engineers to determine the viability of the projects. These projects were also under investigation by the SIU on how monies had been utilised.

The two projects on hold were the Old Age Home projects in Mpumalanga and the Northern Cape valued at R30,4 million and R41,1 million, respectively. Both projects were under investigation by the SIU and based on its recommendation, funding was being withheld. With respect to the Northern Cape project, the community had informed the NLC that an Old Age Home was not required in the area.

#### Reported Allegations of Fraud from the anti-fraud hotline

The NLC informed the Committee that, during the tenure of Mr L October as Acting Commissioner, a credible anti-fraud hotline had been introduced, with the support of the DTIC. The hotline had received 151 reported allegations of fraud, corruption, and maladministration between the first and third quarters of the 2022/23 financial year.

Between October and December 2022, eight cases had been reported, with preliminary assessments concluded. These allegations had been assessed and investigated by the internal audit unit through the necessary resources allocated by the DTIC. The NLC informed the Committee that the two matters reported in October related to the recruitment of two NLC officials. The matter had subsequently been referred to the NLC management for further action to be taken.

In November 2022, three cases related to fraud had been reported and had been referred for forensic investigation. One of the cases related to internal control improvement on its supply chain management processes.

The two cases reported in December had also been referred for forensic investigation, as it related to fraudulent incidents in relation to procurement. The investigations on all these cases should be completed by the end of this financial year. In its investigation, the NLC discovered that accurate recording of funding was a challenge, and, in some instances, no proof of funding could be found. The NLC informed the Committee that its internal forensic audit unit was severely under resourced and some cases had been referred to the South African Police Service (SAPS) for criminal investigations.

### Status on key vacant positions

The NLC reported on four key senior positions that had been vacant, namely the Chief Financial Officer, the Chief Audit Executive, the Chief Operations Officer, and the Executive Legal Services.

With respect to the Chief Financial Officer, the Commissioner informed the Committee that interviews had been concluded and the name of the preferred candidate had to be submitted to the Board for its consideration. The projected date of appointment had been 1 March 2023, subject to the conclusion of all the necessary processes.

The interviews for the Chief Audit Executive had been concluded, with three preferred candidates having undergone competency assessment. The Commissioner informed the Committee, that once she was in receipt of those reports, she would submit the recommendation to the Board for its consideration.

The Commissioner informed the Committee that the NLC had received a number of applications for the position of Chief Operating Officer through an open and transparent process. However, she had consulted with the Board to broaden the pool, and, thus, the NLC had also been embarking on a head-hunting exercise for a suitable candidate.

Given the scrutiny around the NLC, its processes and procedures around filling of vacancies should remain beyond reproach. Therefore, the process of head-hunting for a senior executive should be done with caution and only if the resultant recruitment process did not lead to an appointment that would justify such an approach. The NLC assured the Committee that headhunting would only be initiated following the traditional process of placing adverts, and the preliminary vetting of applications. Once this process had been completed and there was a view that the pool should be expanded, headhunting would commence.

With respect to the position of Executive Legal Services, the Commissioner informed the Committee that an advert would be placed on 5 February 2023 to call for applications. It expected an appointment to be made in this regard by 1 April 2023.

The Committee further enquired whether there had been any critical vacancies at a junior level that would impede the NLC from achieving its mandate. The NLC reported that a number of vacancies existed, especially at junior level. Furthermore, more resignations had occurred at senior levels such as the risk specialist, senior manager in finance, the internal audit IT specialist, and regulatory compliance manager. Currently, the necessary processes had been underway to fill these positions.

The Committee noted that, following the internal investigations by the NLC, as well as the SIU investigations, a number of senior managers and executives at the NLC had resigned either with immediate effect or during the process of internal disciplinary action being instituted. It enquired whether these individuals left the organisation with a ‘golden handshake’ or what measures were in place to prevent them from finding employment in the public sector. The NLC confirmed that a number of Executives had resigned before disciplinary action could be instituted against them. It indicated that the pension of Mr P Ledwaba, the former Chief Operating Officer, had been frozen at the request of the SIU.

## Unannounced visits to NLC projects

As part of its oversight visit, the Committee had intended to embark on unannounced visits to a number of NLC funded projects that had been approved between the 2019/20 and 2021/22 financial years. The selection of these projects had initially been based on lists of projects requested from the NLC for the Limpopo and Gauteng provinces. The initial lists had been limited in providing infrastructure-based projects given the ongoing SIU investigations, and identified projects tended to be more operational in nature or relatively small in scope.

### Musina Arts Development

As part of its objective to do unannounced visit to NLC funded projects, the Committee visited the Musina Arts Development Project in Louis Trichardt, Limpopo. The project had received R1,65 million from the NLC for a festival, and other operational costs in the 2020/21 financial year. When the Committee arrived at the physical address provided, there had been no signs that the project had operated from that address. However, when approaching the owner of the business located at the address, he confirmed that he had assisted with the application for funding, and that the beneficiary had rented a portion of the property at the time to conduct business from there.

The owner had also contacted the beneficiary, who confirmed receipt of the funding and the utilisation thereof for the intended purposes. However, there had been no way that the Committee could verify this as there was no tangible evidence of these activities. As a result, on the first day of oversight, it became apparent that it would be difficult to verify whether any funded activities associated with arts and culture, such as festivals, among others, had indeed spent their funding appropriately.

In light of the above, the Committee revisited its approach and agreed to specifically request the NLC to only provide infrastructure-based projects in the areas where it would continue to undertake its other oversight. It received an updated list, which included educare facilities close to the Nkowankowa area and en route to Polokwane, as well as a list of SIU investigated projects. In terms of the educare facilities, most of these did not have specific addresses and given the time limitations would have been hard to locate.

It then opted to visit the Denzhe project in Tshwane, House Regeneration, on the third day of the oversight visit, and had requested the DTIC official in charge of Lotteries to visit an educare facility, Ntekuma Creche, in Mankweng, Limpopo, to verify that it existed and how it had utilised the NLC funding received, as its time constraints prohibited it from undertaking this visit.

### Denzhe Primary Care Project

Denzhe Primary Care had been allocated proactive funding of R27,59 million for the construction of a new drug rehabilitation facility in Tshwane, Gauteng. However, the majority of the funds had not been used for the intended purpose and the matter had been independently investigated by the NLC and the results were shared with the SIU to investigate further. In addition, the matter had been reported to the SAPS for criminal investigation.

The founder of House Regeneration reported that he had approached the NLC, and the SAPS when it became apparent that his organisation had been used as a front to fraudulently access funds from the NLC. However, no action had been taken at the time. He had also written to the Minister of Trade, Industry and Competition and the Presidency, and the matter formed part of the SIU’s investigations.

Based on an assessment by a certified engineer, the estimated expenditure on the buildings had been about R4,8 million and another R13 million would have been needed to complete the project and meet the required building standards. During the Committee’s visit to the drug rehabilitation facility, it had engaged with the founder of the facility and viewed the buildings that had been constructed. It found that there had been shoddy workmanship, as most buildings appeared to have structural cracks, and one building had evidence of rising damp, lifting tiles and a part of its roof appeared to be caving in. The contractors had been appointed by Denzhe Primary Care and had not returned to fix any of the issues. Furthermore, it had been reported that equipment that had been promised had not been delivered as part of the allocated funding. House Regeneration has spent a substantive amount of money to attempt to complete and correct issues with the buildings.

### Ntekuma Creche

The Crèche received funding of R3,8 million from the NLC for infrastructure development. In addition, the NLC had organised training for staff on Early Childhood Development. The funding had been utilised to construct the building for the crèche; to drill a borehole; for the sewerage system; and various furniture and equipment for the office and the children. It also covered staff salaries for a year. The DTIC official had indicated that based on her observations and the walkabout, the facility had been fully functional and professionally managed.

# Concluding remarks

Based on its deliberations, the Committee drew the following conclusions:

6.1 In light of South Africa’s commitment to the World Trade Organisation’s Trade Facilitation Agreement and the recent African Continental Free Trade Agreement, the Committee was concerned by the under-funding of the South African Revenue Service, and its limited human resources. This under-resourcing undermined the ability of the South African Revenue Service to implement its mandate, especially in relation to facilitating trade and combatting illicit trade.

6.2 The Committee noted that the nature of the South African Revenue Service’s mandate was for it to collect revenue for the State and, therefore, it should not purely be treated as a cost centre. Therefore, government should invest in efficiency improvements to optimitise the South African Revenue Service’s ability to collect revenue to benefit the fiscus, and to detect and address non-compliance.

6.3 Given the South African Revenue Service’s modernisation drive, the Committee appreciated the need for technological upgrades to its infrastructure to improve its efficiency and to reduce corruption. This would require the upskilling/reskilling of existing customs officials and the recruitment of highly skilled staff, such as auditors and data analysts.

6.4 The Committee welcomed the progress the South African Revenue Service has made in combatting illicit trade in spite of its limited resources. However, it was concerned that communities adjacent to borders may be complicit in enabling illicit trade. It therefore encouraged the South African Revenue Service to continue investing in education and awareness programmes targeting these communities to ensure that they understand the broader socio-economic implications of illicit trade. In addition, the Committee encouraged the South African Revenue Service to build partnerships with these communities to combat illicit trade.

6.5 Furthermore, it implored the South African Revenue Service to strengthen its co-ordination efforts with other government departments and entities that play an active role in facilitating trade, such as the Border Management Authority, the Department of Home Affairs, the National Regulator for Compulsory Specifications and the Department of Trade, Industry and Competition.

6.6 One of the key facets to enabling the sustainability of industrial parks is the ability to increase the occupancy rate and to earn rental income. However, this would require the Limpopo Economic Development Agency, as the owner of these industrial parks, to improve, maintain and invest in top structures of the factories/warehouses and bulk infrastructure, such as water, electricity and waste management, within its Industrial Parks. Thus, it could attract further investors, charge higher rents in proportion to the improved infrastructure, and could also have greater discretion to apply its developmental mandate in relation to start-ups. In this regard, funds should be ring-fenced by Limpopo Economic Development Agency for the maintenance and improvement of its Industrial Parks infrastructure, as well as the provision of security services.

6.7 The Committee noted that the Limpopo Jewellery Incubator Hub incorporated work space that it sub-let to small, medium and micro enterprises, as part of its incubation programme. This was to train small, medium and micro enterprises about the associated operating costs and to bridge the rental affordability gap, as the cash flow of most small, medium and micro enterprises that it housed was irregular; thus affecting their ability to afford rentals in the Industrial Parks. The Committee encouraged the Limpopo Economic Development Agency to review its rental model for small, medium and micro enterprises, to include smaller spaces for small, medium and micro enterprises and possibly sub-letting options to assist, in particular start-ups, with the affordability of rentals.

6.8 Furthermore, there was a call for the various stakeholders, such as the Department of Trade, Industry and Competition, the Department of Small Business Development, the Small Enterprise Finance Agency, the National Empowerment Fund, and Provincial Governments to find a sustainable solution in this regard.

6.9 in addition, the Committee was concerned by the negative impact of municipal service delivery challenges, in particular the supply of water, on the operation of small, medium and micro enterprises within the industrial parks, and the broader local economy, particularly on the ability to retain business investment in rural areas.

6.10 The Committee welcomed the visit by the Deputy Minister from the Department of Planning, Monitoring and Evaluation in the Presidency to the Nkowankowa Industrial Park last year.

6.11 In this regard, the Committee requested the DTIC, the Local Authorities and the Limpopo Economic Development Agency to engage with Peppadew to see how they could assist to resolve the bulk water supply challenge for Peppadew and the broader Industrial Park. Failure to do so could result in the closure of Peppadew and the loss of thousands of jobs.

6.12 The Committee commended Peppadew for its commitment to transformation and the upliftment of the surrounding communities. It encouraged Peppadew to pursue the proposed franchise model to expand production through smaller black manufacturing plants.

6.13 The Committee encouraged better coordination between all spheres of government to ensure the viability of industrial parks.

6.14 The Committee welcomed the progress made in the development of the northern side of the Musina-Makhado Special Economic Zone. It would continue its monitoring of the development bi-annually. It also welcomed the efforts by the Musina-Makhado Special Economic Zone Operator to involve local communities in the development of the Special Economic Zone.

6.15 With regard to the National Lotteries Commission, the Committee was of the view that notwithstanding the call to expedite the investigation process, the Special Investigating Unit should follow due processes and take the necessary time to conclude its investigations. As investigations were being concluded, the Special Investigating Unit should refer matters to the National Prosecuting Authority for prosecution.

6.16 With the proposed Revised Research-Based (Pro-active) Funding Model, the Committee supported the approach that the Board identifies specific strategic areas to be researched to inform the relevance of funding such projects. It was also important to consider how pro-active funding could assist with the triple challenges of poverty, inequality and unemployment in this regard.

6.17 While the Committee welcomed the Commission’s process to adopt a new approach with regard to pro-active funding, it emphasised that any policy changes around the proactive funding should be accompanied by the necessary legislative amendments. This would provide the necessary legal certainty for future decisions around proactive funding. However, the Committee remained concerned about the indefinite timeframe for the moratorium on pro-active funding.

6.18 The Committee welcomed the recognition by the Commission that its due diligence with respect to pre- and post-monitoring of grant-funded projects had been flawed. It acknowledged the proposed changes to strengthen monitoring including the consideration of geographical markers to improve the location of projects, particularly in rural areas. Furthermore, it welcomed the Commission’s commitment to move from “sample” monitoring to monitoring of all projects and to build its monitoring and auditing capacity.

6.19 Notwithstanding the progress report around the filling of vacancies, the Committee expressed its concern around the continued failure to fill these critical positions. Given the negative perceptions by most South Africans regarding the Commission, it was imperative that the appointment processes regarding these senior executives were expedited.

# Acknowledgements

The Committee would like to thank the management and senior officials of the South African Revenue Service, the National Regulator for Compulsory Specifications, the Limpopo Department of Economic Development, Environment and Tourism, the Limpopo Economic Development Agency, the National Lotteries Commission, and the DTIC for their cooperation and transparency during this process.

The Committee also wished to thank its support staff in particular the committee secretary, Mr A Hermans; the content advisor, Ms M Sheldon; the researcher, Ms Z Madalane; and the committee assistant, Ms Y Manakaza, for their professional support and conscientious commitment and dedication to their work. The Chairperson wished to thank all Members of the Committee for their active participation during the process of engagement and deliberations and their constructive recommendations reflected in this report.

# Recommendation

Informed by its deliberations, the Committee recommended that the House requests that the Minister of Trade, Industry and Competition should consider determining a timeframe, in consultation with the National Lotteries Commission, for ending the moratorium on proactive funding. This should also include legislative amendments (i.e. legislation or regulations) around the process in considering proactive funding.

Report to be considered.

**References:**

Cross Border Road Transport Agency (2021). Statistics on Trade Volumes and Value Flowing Through South African Commercial Border Posts and Destination Countries March 2022. Internet. Available from: https://www.cbrta.co.za/resources/trade-volumes-and-values-report-march-2022

Department of Trade, Industry and Competition (2022). Status Update on the Implementation of Special Economic Zones and Industrial Parks. Presentation to the Portfolio Committee On Trade and Industry. Virtual Platform. 2 May 2022

Limpopo Enterprise Development Agency (2022). Presentation to the Portfolio Committee on Trade, Industry and Competition. Parliament. Virtual Platform, 21 September 2022.

Ramaphosa, C. (2022). State of the Nation Address 2022. Parliament, Cape Town. 10 February 2022.

Southern African Development Community (n.d). Protocol on Trade in the Southern African Development Community. Internet. Available from: https://www.sadc.int › file › download. (Accessed 23 January 2023)

South African Revenue Service (2021). Border Posts. Internet. Available from: https://www.sars.gov.za/customs-and-excise/customs-offices-and-contacts/border-posts/. (Accessed 26 January 2023)

South African Revenue Service (2023). Customs Border Operations. Presentation to the Portfolio Committee on Trade, Industry and Competition. Beitbridge Border Post, 31 January 2023.

Tralac (2019). Trade facilitation and the African Continental Free Trade Area. Internet. Available from: https://www.tralac.org/documents/events/tralac/2740-tralac-brief-trade-facilitation-and-the-african-continental-free-trade-area-march-2019/file.html. (Accessed 23 January 2023)

United Nations (n.d). Implementation of the Trade Facilitation Agreement. Internet. Available from: (Accessed 23 January 2023)

World Trade Organisation (2022). Trade facilitation. Internet. Available from: https://www.wto.org/english/tratop\_e/tradfa\_e/tradfa\_e.htm. (Accessed 23 January 2023)

1. SARS (2021) [↑](#footnote-ref-1)
2. C-BRTA (2022: 54) [↑](#footnote-ref-2)
3. Ibid [↑](#footnote-ref-3)
4. C-BRTA (2022: 56) [↑](#footnote-ref-4)
5. Ibid [↑](#footnote-ref-5)
6. C-BRTA (2022: 49) [↑](#footnote-ref-6)
7. SARS (2023) presentation [↑](#footnote-ref-7)
8. Ibid [↑](#footnote-ref-8)
9. TRALAC (2019) [↑](#footnote-ref-9)
10. United Nations (n.d.) [↑](#footnote-ref-10)
11. WTO (2022) [↑](#footnote-ref-11)
12. TRALAC (2019) [↑](#footnote-ref-12)
13. WTO (2022) [↑](#footnote-ref-13)
14. SARS (2023) [↑](#footnote-ref-14)
15. SARS Act (Act No. 34 of 1997) [↑](#footnote-ref-15)
16. SARS (2023) [↑](#footnote-ref-16)
17. Ibid [↑](#footnote-ref-17)
18. Ibid [↑](#footnote-ref-18)
19. The process of making a business insolvent in order to evade paying debts and then setting the business up again under a new name. (online Collins Dictionary) [↑](#footnote-ref-19)
20. National Treasury (2022: 575) [↑](#footnote-ref-20)