

1. The Budgetary Review and Recommendation Report of the Portfolio Committee on Economic Development, dated 30 October 2018.

1. INTRODUCTION

The Portfolio Committee on Economic Development (hereinafter referred to as the Committee), which was established under Section 55 and 56 of the Constitution of the Republic of South Africa and in terms of the provisions that are contained in the Rules of the National Assembly, has considered the performance and expenditure reports of the Economic Development Department (the Department) and its entities for the 2017/18 financial year, and presents its Budget Review Recommendation Report (BRRR) for 2018 as follows:

2. STRUCTURE OF THE REPORT

The report will reflect on the state of our economy in relation to the mandate of the Department of Economic Development and its entities; assess progress made with regard to recommendations made in the 2017 Budget Review Recommendation Report; outline the purpose of the report as well as the mandates of the Portfolio Committee; the Department and its entities; namely, the Industrial Development Corporation (IDC), the Competition Commission, the Competition Tribunal and the International Trade Administration Commission of South Africa (ITAC), in terms of their financial and non-financial performance for the year under review.

The report will also include the audited opinions of the performance, entities and will conclude by providing recommendations for the Department and its entities for the coming financial year.

3. BACKGROUND

The term of the Fifth Administration is drawing to a close. The Portfolio Committee has been exercising its oversight role for nearly a decade. EDD took office during the 2008/09 global economic crises which began in the United States of America, when the country entered into a recession that led to massive job shedding. Still wet behind its ears EDD had to hit the ground

running. The Department began advocating for, the co-ordination of economic programmes and interventions for inclusive growth, the unblocking of blockages in the economy as well as the facilitation of dialogues with social partners.

The Minister of Economic Development was requested to lead a team that would formulate a response to the economic crisis. The IDC had to administer a Jobs Fund and develop measure to support distressed companies while ITAC worked on trade remedies. The Competition Commission had launched investigations into the bread cartel with a hope of providing ‘relief to families whose incomes were under pressure as a result of the recession¹’.

The Committee began its constitutional duties scrutinising the work of the Department with diligence. The then new Department tabled its first full-year annual report in 2011. The Department had already achieved many goals, including the Cabinet adoption of the EDD - developed New Growth Path. It had assumed responsibility over six entities, the competition authorities namely, the Competition Commission and Competition Tribunal, International Trade Administration Commission (ITAC) as well as three Development Finance Institutions (DFIs), namely the Industrial Development Corporation (IDC), Khula Enterprise Finance Limited, and South African Micro-finance Apex Fund (SAMAF).

For its first AG report the Department obtained an unqualified outcome with the following findings:

- Financial statements were not properly prepared.
- The Department did not have sufficient procedures in place to prepare accurate and complete annual financial statements.
- The Department’s three year Strategic Plan did not include targets as required by the National Treasury Regulations.
- The AG also noted that in some instances senior managers did not disclose their business interest to the executive authority as required by the Public Service Regulations.

Since then the PC has watched EDD grow and nearly ten years later EDD has received a clean audit. The Department has been consistently achieving all its targets. Nevertheless, its excellent

¹ EDD 2010

performance in operational matters has not translated into the required performance in economic indicators such as economic growth and unemployment rate.

This has, however, also been caused by the adverse economic conditions confronting the country. Although, the United Nations reports that in 2017, the world economy was much stronger than it was over ten years ago when global markets were rattled by the 2007/08 global financial crisis; South Africa is still on a slow growth path. There was a general improvement in global business confidence, investment conditions and global economic growth went up from 3.1 per cent in 2016 to 3.6 per cent in 2017².

Meanwhile the continent of Africa's average economic growth rate rose from 2.2 per cent in 2016 to reach a 3.6 per cent high in 2017. The continent's unemployment rate showed some improvements from 8 per cent in 2016 to 7.9 in 2017³.

The South African economy also grew from a 0.5 per cent in 2016 to 1.3 per cent growth rate in 2017⁴. Unemployment increased from 26.7 per cent to 27.5 per cent over the same period. Global unemployment rate fell slightly from 5.7 in 2016 to 5.6 per cent in 2017⁵. The IDC observed that there were weak demand conditions in local markets, household budgets were constrained and there were concerns over the economic climate as well as employment prospects.

Now and again the country sees glimmers of hope with average business confidence levels having improved marginally from 93.5 in 2016 94.4 per cent in 2017. And so the Department and its entities soldiered on as it navigated through turbulent economic waters.

4. MANDATE OF THE PORTFOLIO COMMITTEE ON ECONOMIC DEVELOPMENT

² https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/WESP2018_Full_Web-1.pdf

³ https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_541211.pdf

⁴ <http://www.statssa.gov.za/?p=10985>

⁵ https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_541211.pdf

The Committee derives its mandate from Section 55 and 56 of the Constitution of the Republic of South Africa and provisions that are contained in the Rules of the National Assembly. The Committee is mandated to:

- Consider, amend and/or initiate legislation that is specific to, or impacts on economic development as per the mandate of the (Economic Development Department);
- Monitor and oversee the activities and performance of the Ministry and the Economic Development Department (hereinafter referred to as the Department or EDD) and its public entities;
- Consider and review the budget of the Department and its public entities;
- Consider sector-related international treaties and agreements; and
- Provide a platform for the public to participate and present views on specific topics and/or legislation.

5. PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATION REPORT

The process for the budgetary review and recommendation is set out in Section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009). The Act sets out the process that allows Parliament's National Assembly, through its Committees, to make recommendations to the Minister of Finance to amend the budget of a national Department. In October each year, Committees reporting to the National Assembly must submit a Budgetary Review and Recommendation Report (BRRR) for each Department that falls under its oversight responsibilities, in this case, the Economic Development Department. The BRR Report:

- Must provide an assessment of the Department's service delivery performance given available resources;
- Must provide an assessment on the effectiveness and efficiency of the Department's use and forward allocation of resources; and
- May include recommendations on the forward use of resources.

The BRR Report may also act as a source document for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-term Budget Policy Statement (MTBPS).

5.1 Method

The Portfolio Committee on Economic Development compiled the 2017/18 BRR Report using, among others, the following documents:

- 2014-19 Strategic Plans of the Department and its entities.
- 2016/17 Annual Performance Plans of the Department and its entities.
- 2017/18 Annual Report of the Department and its entities.
- 2017/18 Auditor-General South Africa audit outcomes.

5.2 Outline of the contents of the report

This BRR Report consists of the introduction section and three parts. The introduction section briefly provides an overview of EDD's core functions, the mandate of the Committee, the purpose of this report and the method followed in preparing this report.

Part A: focuses on the assessment of the EDD's performance for the period under review. It provides a summary of the key performance recommendations of the Committee as captured in its previous BRR Report. In addition it contains a section on EDD's strategic objectives, outcome-orientated goals and key performance indicators.

It then looks at the EDD's financial and non-financial performance against its predetermined objectives for the 1 April 2017 to 30 June 2018 financial year.

Part B: considers the financial and non-financial performance of the entities, IDC, Competition Commission, Competition Tribunal and ITAC. This section reports on each entity's mandates, strategic objectives, as well as performance against its predetermined objectives on its financial and non-financial goals.

Part C: consists of the Committee's concluding remarks and closes with a note of appreciation.

PART A: FINANCIAL AND NON-FINANCIAL PERFORMANCE OF THE ECONOMIC DEVELOPMENT DEPARTMENT

6. OVERVIEW OF KEY POLICY FOCUS AREAS

6.1 Mandate of the Economic Development Department

The Department's core mandate is to:

- Identify priorities for job creation, inclusive growth and industrialisation;
- Support the alignment of the government departments around implementation;
- Oversee and provide strategic direction to development finance institutions and;
- Provide strategic direction on competition policy and trade administration matters through oversight of regulatory bodies.

Amongst its other key mandates, the EDD plays role of providing strategic coordination of the various efforts towards economic development at different levels of government. Some examples include the convening (together with the Department of Trade and Industry) the MinMec / Technical MinMec with Members of the Executive Council (MECs) and provincial economic development department. The EDD supports the dti as the custodian of the Service Delivery Outcome 4, Technical Implementation Forum. The Department is also a member of the Economic Sectors, Employment and Infrastructure Development Cluster.

The Department also provides support to the Presidential Infrastructure Coordinating Committee (PICC), by monitoring progress in the construction of infrastructure projects, preparing the Quarterly Construction Update, Intergovernmental Forums and Coordinating Agencies as well as providing oversight over the 18 Strategic Integrated Projects (SIP), in particular SIP 5 : Saldanha-Northern Cape development corridor, which is chaired by the Minister of the EDD.

The Department is responsible for the following entities;

- Industrial Development Corporation (IDC),
- Competition Commission,
- Competition Tribunal, and
- International Trade Administration Commission (ITAC).

6.2 Strategic Outcome Oriented Goals of the Department of Economic Development

The Department's strategic oriented goals are to:

- Promote decent work through meaningful economic transformation and inclusive growth; and

- Provide participatory, coherent and coordinated economic policy, planning and dialogue for the benefit of all South Africans.
- Ensure the implementation of the New Growth Path, a critical component of the National Development Plan, as economic government policy and conduct adequate oversight over its component parts.

The Department contributes directly to three of the national Government priority outcomes, namely:

- **Outcome 4:** Decent employment through inclusive economic growth.
- **Outcome 5:** A skilled and capable workforce to support economic growth.
- **Outcome 6:** Efficient, competitive and responsive economic infrastructure network.
- **Outcome 7:** Vibrant, equitable and sustainable rural communities.

6.3 Strategic Plan of the Economic Development Department 2014-19

The Department's activities reported herein were guided, primarily, by its 2014-19 Strategic Plan which aims to achieve the following strategic objectives through EDD's programmes.

PROGRAMME 1 : ADMINISTRATION	
Strategic Objective 1	Provide strategic guidance to the Department; and technical and administrative support to the Ministry to achieve the rest of the Department's strategic objectives.
PROGRAMME 2 : GROWTH PATH AND SOCIAL DIALOGUE	
Strategic Objective 2	Co-ordinate jobs drivers and the implementation of the National Growth Path economic strategy in support of the National Development Plan.
Strategic Objective 3	Facilitate Social Dialogue and implementation of social accords.
PROGRAMME 3: INVESTMENT COMPETITION AND TRADE	
Strategic Objective 4	Coordinate infrastructure Development and strengthen its positive impact on the economy and citizens.
Strategic Objective 5	Promote Investment, industrial financing and entrepreneurship for jobs and inclusive growth.
Strategic Objective 6	Promote competition, trade and economic regulation in support of job creation and social inclusion.

6.4 Annual Performance Plan 2017/18

The following policy frameworks, programmes and policy pronouncements continue to guide the Annual Performance Plan (APP) of the Department:

- a) State of the Nation Address (SONA) annually;
- b) National Development Plan;
- c) Medium Term Strategic Framework;
- d) New Growth Path;
- e) National Infrastructure Plan;
- f) Industrial Policy Action Plan;
- g) Delivery Agreements on Outcomes 4, 5, 6 and 7;
- h) Framework for South Africa's response to the international economic crisis.
- i) Finance and fiscal policy framework;
- j) Public Finance Management Act No. 1 of 1999;
- k) Municipal Finance Management Act No. 56 of 2003 and related bi-laws.

7. SUMMARY OF 2016/17 RECOMMENDATIONS FOR EDD

The Committee recommends to the National Assembly that the Minister of Economic Development and the Accounting Officer implement the following recommendations:

- a)** Expedite the filling of senior management posts in the Department. The filling of the DG position should take place before the end of the current financial year. A progress report on these must be provided to Parliament by the First Quarter of the next financial year.
- b)** Work with National Treasury and the Department of Trade and Industry to develop a plan to monitor the implementation of commitments on local procurement. The Department should brief the Committee on progress by the end of the Fourth Quarter current financial year.
- c)** Due to the fact that the market enquiries by competition authorities are legislated for, the Department should take the necessary steps to ensure that these are funded sufficiently.
- d)** The Department should address the matter of potential and actual conflict of interest cases of officials, as identified by the Public Service Commission, and report quarterly to the Committee on progress made.

- e) The Committee urges the Department to complete the process of appointing the Commissioner and the Deputy Commissioner of ITAC within six months from the date of the adoption of this report.
- f) The Department must fast-track the payment of invoices older than 30 days and implement controls to ensure that invoices are paid timeously, and briefs the Committee quarterly on this matter.
- g) The Department should brief the Committee quarterly on the organogram of the Competition Commission.

The Department should intensify the drive to develop and transfer skills among the youth in particular.

8. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT'S FINANCIAL AND NON-FINANCIAL PERFORMANCE FOR THE PERIOD 1 APRIL 2017 TO 31 MARCH 2018

This section provides a comparison between EDD's predetermined objectives as outlined in its Annual Performance Plan (APP) against its performance which is reported in EDD's Annual Report for the 2017/18 financial year. This includes non-financial and financial performance as well as the audit outcomes of the Auditor General's report. Lastly, it highlights the key issues raised during the Committee's deliberations with the Department and recommendations thereof.

8.1 Performance against predetermined objectives

As presented in the Strategic Plan, the Department had 23 key performance indicators and 180 targets in 2017/18. The Department met and exceeded some of its targets and delivered 15 additional outputs to achieve 195 in total for the year under review. Since the 2014/15 financial year, the Department has been consistent in meeting all its targets.

Overall, EDD reports that it produced 116 reports, 33 action minutes, 44 records of engagements, meetings and coordination, one audit outcome and one output on human resources. However, to a certain extent the numbers are inflated due to duplication in reporting

‘because some products belonged to more than one of the broad categories (EDD Presentation, 2018)

The Department’s strategic objectives are carried out through three programmes, namely, Administration, Growth Path and Social Dialogue; and Investment Competition and Trade.

8.1.1 Performance highlights per programme

Programme 1: Administration

The Department achieved the following;

- a) EDD exceeded its target of obtaining an unqualified audit opinion by getting a clean audit with no findings for the year under review.

Programme 2: Growth Path and Social Dialogue

For this programme the Department’s highlights include;

- a) Compilation of a research paper which shows that jobs grew by 2.73 million or 20 per cent since the adoption of the NGP. However, this growth was not enough to absorb the labour force which grew by 4 million over the same period. The disparity is reflected in the unemployment rate which grew from 25.4 per cent to 26.7 per cent instead of decreasing as per NGP of 15 per cent unemployment by 2020.
- b) Workshopping the Committee, on South Africa’s trade with other African countries such as Kenya, Mozambique, Zimbabwe and Tanzania. The presentations were well-received by the Committee.
- c) Hosting of two high level conferences on, the Inclusive Development and Fourth Industrial Revolution
- d) Participating, as part of the government team in the Youth Employment Service (YES) in initiatives that encouraged the promotion of youth empowerment.

Programme 3: Investment, Competition and Trade.

Under this programme, the Department accomplished the following;

- a) Fast tracked and facilitated the unblocking of eight infrastructure projects that form part of the National Infrastructure Plan.
- b) Participated in several mergers, including the re-domestication of Old Mutual and the sale of Chevron South Africa.

Old Mutual: The Minister engaged with Old Mutual on the re-domestication of the company. The Minister filed a notice of intention to participate in the merger⁶. Public interest conditions relating to the merger were negotiated and the parties, agreed that among others;

- Old Mutual's global headquarters would be moved to Johannesburg
- No jobs would be lost as a result of the merger and high-level finance jobs previously performed in London be brought back to South Africa.
- A R500 million fund be established for developing small business to support.
- Old Mutual's BEE share-holding levels would be increased from the current 21.5 per cent to 25 per cent of total equity within three years from the listing date.⁷.

Chevron South Africa: EDD participated in the merger between Chevron SA and a Chinese company, Sinopec. EDD concluded an agreement with the merging parties and the Tribunal conditionally approved the merged in March 2018. During the process, Off-the-Shelf (OTS) a B-BBEE minority shareholder (23 per cent) of Chevron SA, 'exercised a right-of-first refusal by bidding to match the Sinopec merger price'. OTS partnered with Glencore Energy UK Limited (Glencore). EDD came in and concluded a framework agreement on public interest conditions with the merging parties. The conditions include, among others;

- No retrenchments as a result of the merger and that current employment levels will be maintained for five years
- Continuation with CSA retirees' medical aid subsidy
- Ensuring that the head office remains in South Africa
- The establishment of a Development Fund focused on the development of small businesses and black-owned businesses; and a commitment to contribute R215 million to the Fund within two years.
- Making sure that local suppliers are not replaced with off-shore suppliers
- Funding commitment by OTS of certain rebranding-related costs after the merger;

The table below provides more information on the Department's performance in 2017/18 against predetermined objectives.

Table 1: EDD's Performance Indicators/Targets for 2017/18

⁶ <https://www.comptrib.co.za/assets/Uploads/LM179Sep17.pdf>

⁷ https://www.oldmutual.com/docs/default-source/investor-relations-files/plc/reports/2017/old-mutual-plc-annual-report-2017.pdf?sfvrsn=8ff67967_2

Programme/SOs	KPIs	Planned Targets	Achievement
Administration Strategic Objective 1:	KPI 1: Audit Opinion obtained in respect of the previous financial year	Unqualified Audit Opinion	Clean Audit Opinion
	KPI 2: G&A MPAT level obtained for previous year	Level two for G&A by MPAT	Level two for G&A by MPAT obtained
Growth Path And Social Dialogue Strategic Objective 2:	KPI 3: Number of reports and reviews on NGP framework, integration into economic policy and infrastructure programmes; and public policy advocacy on jobs and inclusive growth	4 Reports	4 Reports on: 1.Jobs performance in the economy 2.Analysing profile of the unemployed; and on public policy advocacy by the Minister on jobs/ inclusive growth 3.Inclusive Growth Symposium 4. Infrastructure input prices
	KPI 4: Number of reports on NGP jobs drivers and coordination structures	4 Reports	4 Reports on: -Agriculture value chain -Mining & metals value chain -4th Industrial Revolution – -Regional integration
Strategic Objective 3:	KPI 5: Number of initiatives to support the green economy and the implementation of the green economy accord	2 Reports	2 Reports on: 1.Implementation of the Green Economy Accord including a focus on the waste economy 2.Implementation of the Green Economy Accord - focus on renewables
	KPI 6: Number of reports on black women and youth with access to employment and entrepreneurship opportunities	3 Reports	3 Reports on: 1.Supporting women and youth to access employment and entrepreneurship 2.Progress on actions to give effect to the Youth Employment Accord

			3. Hosting youth entrepreneurship in Mangaung
	KPI 7: Number of reports on support provided to provinces	10 Reports	10 Reports on: -9 Provincial reports on supporting the alignment of provincial economic development APPs with MTSF (for all provinces). - 1 report on provincial coordination through MinMEC.
	KPI 8: Number of reports on social dialogue interventions to save and create on implementation of Social Accords	2 Reports	2 Reports on : -Implementation of the Local Procurement Accord to Nedlac Implementation of the Mining Accord – distressed towns
Investment Competition and Trade	KPI 9: Number of quarterly Cabinet-level progress reports of infrastructure Strategic Integrated Projects (SIPs)	64 SIP Reports	69 SIP reports
Strategic Objective 4:			
	KPI 10: Number of infrastructure projects unblocked, fast-tracked or facilitated	8 Action Minutes	8 Action minutes on: 1. Construction of Mbuqe Extension Senior Primary School 2. WULA on Berg Project 3. Borehole in Eastern 4. City of Cape Town intervention 5. Eastern Cape Provincial Heritage Resources Authority 6. De Hoop dam project

			unblocking in Jane Furse 7. Limpopo Academic Hospital 8. Butterworth emergency water scheme
	KPI 11: Number of Cabinet and PICC strategic decisions on infrastructure implemented	4 Action Minutes	4 Action minutes on: 1. Ministerial engagement with SALGA 2. Steel Development Fund 3. Registration of Tirisano Trust Fund 4. Raubex/WBHO/Stefanutti merger
	KPI 12: Number of PICC meetings held and facilitated	30 Records of meetings (Q1-Q4) Q1 – 7 records Q2 – 8 records Q3 – 7 records Q4 – 8 records	30 Records of meetings Q1 – 5 records (missed) Q2 – 9 records (exceeded) Q3 – 10 records (exceeded) Q4 – 6 records (missed)
	KPI13: Drive implementation of SIP 5 of the National Infrastructure Plan	4 Records on coordination	4 Records on: 1. SIP 5 Steering Committee Meeting 2. Launch of Sunrise Energy LPG import terminal facility

			3. Saldanha offshore supply base intervention 4. Vaal Gamara
	KPI 14: Number of reports on initiatives to increase localisation in the infrastructure and industrialisation programmes, including through the PPPFA, and local supplier development	4 Reports	4 Reports on: 1. Naledi Foundry (Benoni) 2. Cisco – building of local steel capacity 3. Developing railway capacity at Highveld Structural Steel Mill 4. Massmart Supplier Dev Program top-up
Strategic Objective 5	KPI 15: Number of investment initiatives facilitated, fast tracked and/or unblocked	14 Action minutes	14 Action Minutes on: Pelchem, Duty on structural steel, LKA Enterprise Green, Water Treatment Technology, Cofco International –Eskom, WULA for OSHO Cement (Pty) Ltd, Da-Gama Textiles, AB InBev, Transformer Designation, PP Excel, Telkom Southern Networking, Silicon Smelters, Varsity Bread Licence, Proudly SA/ Massmart, Glodina
	KPI 16: Number of reports produced on the funding allocations on township enterprises by DFIs and government departments	3 Reports	3 Reports on: 1. sefa funding allocation for township enterprises and jobs impact 2. Township enterprise case studies 3. DFI and government funding

	KPI 17: Number of reports on the level and impact of industrial finance by DFIs and departments	4 Reports	4 Reports on: 1. Level and impact of industrial funding by DFIs 2. Level and impact of IDC funding 3. IDC quarterly report 4. Level and impact of IDC funding
	KPI 18: Number of Ministerial or Departmental oversight engagements with the IDC held	4 Reports	4 Reports on: 1. Three Ministerial engagements with IDC and Departmental engagements 2. Record of engagement on Ministerial / Departmental engagement with IDC
	KPI 19: Number of economic development opportunities identified through infrastructure projects	1 Action Minute	2 Action Minutes on: 1. Scaw Metal 2. Eskom servitude over the Matla-Jupiter transmission line
Strategic Objective 6:	KPI 20: Number of strategic initiatives to enhance the capacity, performance & outcomes of economic regulators held	2 Action Minutes	3 Action Minutes 1. Amendment of Commission rules 2. Engagement by the Minister on capacity of the Commission 3. Competition Bill
	KPI 21: Number of reports on initiatives on mergers and acquisitions, market inquiries or abuse of dominance	4 Reports	11 Reports 1. Market inquiry in data costs 2. Market inquiry on LPG 3. Seven mergers; Barnes/ Scaw merger, Coca-Cola public interest (B- BBEE), Coca-Cola Bottling SA (CCBSA),

			Bayer/Monsanto, Chevron/ Sinopec, Old Mutual and others 5. Amendments to Act 6. Compliance assessments on previous mergers in which EDD had intervened.
	KPI 22: Number of initiatives to ensure trade authorities and policies support industrialisation, and employment	2 Action Minutes	2 Action minutes on: 1. Scrap metal 2. Changes in Automotive Production and Development Programme (APDP)
	KPI 23: Number of Ministerial/Departmental oversight engagements with trade and competition authorities held	5 Records	6 Records of engagement 1. Three quarterly reports and Departmental engagements 2. Two ministerial oversight Engagements 3. One record of engagement on Departmental engagements

8.2 Financial performance

At the beginning of the financial year, EDD had an appropriated budget of R797.2 million. The budget was adjusted and the final budget appropriation for the year under review was R914.2 million. The increase in the budget was as a result of transfers to the entities. Of that amount the Department spent R912 million or 99.8 per cent.

Although EDD is not a service delivery department, the bulk of its budget goes to its entities which are the department's frontline agents for inclusive economic growth and job creation. Consequently, the largest portion of about R797.2 million or 87 per cent of the budget was allocated to the Investment Competition and Trade programme which consists of transfers to

departmental agencies (Competition Commission, Competition Tribunal and ITAC) and public corporations (IDC and Sefa).

The second largest share at R85.1 million or 9.3 per cent of the budget was for the Administration programme which comprises mainly operational and governance functions. The least amount of R31.7 million or 3.5 per cent was for the Growth and Social Dialogue programme which is responsible for developing and reviewing the alignment of economic development policies. See Table below.

Table 2: Financial Performance by Programme

Programme name	2016/17 Actual expenditure (R'000)	2017/18				Under expenditure (%)
		Main Appropriation (R'000)	Final appropriation (R'000)	Actual expenditure (R'000)	Under expenditure	
Administration	90 416	80 674	85 117	83 666	1451	1.7
Growth Path and Social Dialogue	27 797	35 609	31 736	31 125	611	1.9
Investment Competition and Trade	546 869	680 954	797 384	797 259	125	0.02
Total	665 083	797 237	914 237	912 050	2 187	0.24

Source: EDD (2018a)

8.2.1 Expenditure per programme

Expenditure grew by about 37.1 per cent from R665 million in the previous financial year to R912 million in the year under review. Compared to the previous financial year expenditure on Administration decreased from R90.4 million in 2016/17 to about R83.7 million in 2017/18. Expenditure on the Growth Path and Social Dialogue as well as the Investment Competition and Trade programme 2017/18. Actual expenditure per programme was as follows;

- For **Programme 1:** Administration actual expenditure amounted to about R83.7 million or 98 per cent of the adjusted budget of R85 million for the year under review.
- For **Programme 2:** Growth Path and Social Dialogue actual expenditure was R31.1 million or 98.1 per cent of the adjusted programme budget of R 31.7 million in the 2017/18 financial year.
- For **Programme 3:** Investment Competition and Trade programme actual was approximately R797.3 million or 99.9 per cent of the adjusted programme budget of approximately R797.4 million in the year under review.

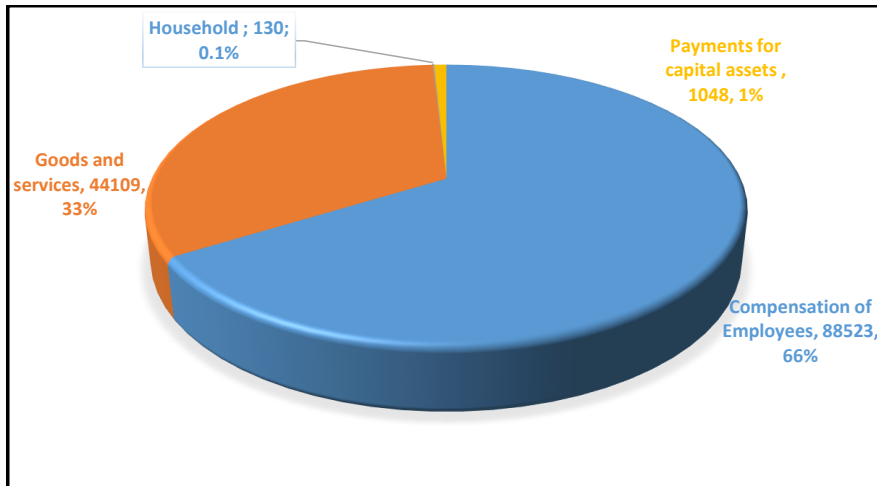
EDD reports that total under expenditure for the year was approximately R2.2 million or 0.24 per cent of the total adjusted budget of the department. The department attributes the under expenditure to the capping of the compensation of employees (CoE) budget by National Treasury mainly as a result of unfunded vacant posts.

8.2.2 Expenditure by economic classification

Out of the total budget expenditure, about R778.2 million or 85 per cent went to transfers to entities while the remaining R113.3 million or 14.7 per cent was EDD's operational functions.

Operational expenditure: The operational expenditure comprises of compensation of employees; payment of goods and services; payments for capital assets; and payments for financial assets. The figure below shows the EDD's expenditure by category.

Figure 1: Operational expenditure by category in the 2017/18 financial year



The two main expenditure items of the operational budget are the compensation to employees and, goods and services. About 66 per cent, which is the largest portion of the operations expenditure, went to compensation of employees. The adjusted budget for compensation of employees was approximately R90 million and actual expenditure was R88.5 million or 98.3 per cent.

The second largest portion of the operational budget expenditure at 33 per cent was for goods and services. The adjusted budget for this category was R44.2 million, of which R44.1 million or 99.8 per cent was spent.

Entity	Main appropriation '000	Adjustments '000	Actual expenditure '000	2016/17 expenditure '000
Competition Commission	258 354	5000	263 354	208 541
Competition Tribunal	30 041	0	30041	20115
ITAC	99 065	0	99065	87001
IDC	45000	117 000	162 000	0
Sefa	223 780	0	223780	213 124
Total	656 240	122000	778 240	528 781

Table 3: 2017/18 Transfers to EDD entities

Virements: EDD made different virements amounting to R5 million from all three departmental programmes to the Competition Commission ‘for the on-going market inquiries namely Health market inquiry, public transport market inquiry, grocery retail market inquiry and the recent data costs market inquiry’⁸.

Tirisano Fund: An amount of R117 million for the Tirisano Trust Fund was transferred to the IDC which administers on behalf of EDD. The fund was established in 2016 after EDD concluded a settlement agreement with seven construction companies that were fined for collusion relating to the construction of stadia for the 2010 FIFA World Cup. The objectives are ‘to develop, enhance and transform the construction industry, and promote social infrastructure for all South Africans’.

According to the construction settlement agreement, the companies are expected to make financial contributions of R1.5 billion for developmental projects (in addition to the R1.4 billion in competition penalties previously imposed by the Competition Tribunal). The R117 million was the second tranche of that payment⁹. The Fund was registered in the financial year under review, with the High Court issuing a letter authorising the registration of the fund.

8.2.1 Irregular Expenditure

Irregular expenditure incurred during the financial year under review amounted to R196 thousand. Of this, an amount of R31 thousand in relation to splitting purchase orders to avoid supply chain management processes was condoned by the accounting authority. The remainder, R165 thousand relating to a travel management contract was to be investigated.

8.3 Audit Outcomes

For the first time since it was established the Department received a clean audit. Except for the Competition Commission, all its entities (Industrial Development Corporation, and Competition Tribunal and ITAC) obtained clean audits.

EDD reports that in 2016/17 it received an unqualified report with 33 per cent less findings than the previous financial year. In 2017/18 the Department took its audit performance a notch higher obtaining a clean audit with no misstatements and no findings on compliance with legislation.

⁸ EDD (2018)

⁹ Ibid



	2012	2013	2014	2015	2016	2017	2018
Clean audit	No	No	No	No	No	No	Yes
Qualified/Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Findings:	Yes	Yes	Yes	Yes	Yes	Yes	No

Table 4: Summary of EDD audit outcomes

EDD attributes the improvement in audit outcomes to the effective implementation of its action plan called the 'Heat Map' which was reviewed fortnightly to monitor progress in addressing Internal Audit and AG findings.

8.4 Human Resources

For the year under review the Department's staff compliment increased marginally from 118 (at the end of March 2017) to 119 by the end of the year under review.

Table 5: Vacancies from 31 March 2011 to 31 March 2018

Year	Funded posts	Filled posts	Vacant posts	Vacancy rate	Terminations & transfer	Turnover rate
31-Mar-11	124	75	49	39.5%	13	68.4%
31-Mar-12	124	107	17	13.7%	25	27.5%
31-Mar -13	142	131	11	4.2%	16	13.91%
31 Mar -14	166	136	30	22.06%	43	32.08%
31 Mar-15	164	121	43	26.2%	30	22.1%
31 Mar- 16	140	116	21	17%	22	18%
31 Mar-17	133	118	15	11%	10	9%
31 Mar -18	133	119 ↑	14 ↓	10.5% ↓	20 ↑	8% ↓

Source: EDD Annual Reports (2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018)

- a) The Department exceeded the Employment Equity target of 50 per cent women employees. Nearly 60 per cent of the Department's total staff compliment is female. Regarding representation by occupational bands, women are underrepresented at Top and Senior Management levels and overrepresented at Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents level. Approximately 48.4 per cent of staff at the Senior Management level is female and there is no female staff member at Top Management level. At the Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents level, women occupy 31 out of 39 or 79.5 per cent of those posts.
- b) EDD maintained previous year's number (three) of people with disabilities. In percentage term however, performance has dropped slightly from 2.54 per cent in 2016/17 to 2.52 per cent in 2017/18. The Department exceeded the 2 per cent employment equity target for people with disabilities¹⁰.
- c) The vacancy rate improved marginally from 11 per cent in the previous year to 10.5 per cent in the year under review, which is very close to the national target of 10 per cent vacancy rate. However, the vacancy rate is still high at senior management level. Out of 44 funded posts at senior management level, 37 positions were filled and 7 or 16 per cent were vacant in 2017/18. This is an improvement compared to the previous financial year's senior management vacancy rate of 25 per cent which was exceptionally high according to the Public Service Commission.
- d) The Director-General's position has been vacant since 2014/15. Currently, there is an acting-Director-General, the third one in a row¹¹.

¹⁰Public Service Commission (2017) Presentation to the Portfolio Committee on Economic Development Performance of the Economic Development Department 3rd October 2017 Cape Town.

¹¹ EDD (2016)

9. The Portfolio Committee's Deliberations

a) On conducting empirical research on the impact of state capture to the economy, infrastructure development, jobs targets in the NDP and NGP

EDD acknowledged the importance of quantifying the impact of state capture in order to take the necessary measures to prevent it in future. However, given the elusive nature of corruption, EDD would need to wait for the outcomes of the judicial processes in order to get key information that would enable the Department to put a price on the extent of the damage caused to the GDP output, employment and investment levels.

b) The impact of the establishment of the new South Africa Infrastructure Fund on the work of the existing PICC and EDD's role as its Secretariat

As part of the economic stimulus and recovery plan, the President announced in September 2018 that government would establish a South African Infrastructure Fund to unlock the potential to create more jobs on a large scale. The PICC focuses mainly on coordinating and monitoring the public sector. The Fund is expected to enhance the role of the PICC. EDD explained that the intention is to create a broader Fund that would include both the private and public sector as well as technical skills to undertake feasibility studies, cost and evaluate projects. Government is still working on the modalities including where the Fund should be located.

c) Implication of fiscal consolidation and economic recovery on cutting down the size of the state and the implications thereof on jobs at Eskom Transnet and SAA.

EDD stated that there is a need to shift more investment to capital spending rather than consumption expenditure. There is also a need to ensure that consumption through staffing and goods and services does not reach unsustainable levels. More information on the sustainable fiscal path will be on the Medium Term Budget Policy Statement.

d) Status of the Price Preference System (PPS) Policy Guidelines and the Export Tax

In December 2015, ITAC published proposed amendments to the PPS Policy Guidelines which are aimed at curbing the high volumes of scrap metal exports which have led to scrap metal shortages in the local market. One of the proposals, was to designate Port Elizabeth as the sole port of export for all waste or scrap metal in order to focus on tightening port controls as

government does not have sufficient resources to implement such controls at different ports across the country.

EDD stated that the proposals were based on studies conducted by ITAC. The Trade Commission received public comments in that regard which are still under consideration. In the meantime EDD has identified that some companies are evading the PPS system. To respond to this challenge there is a proposals to implement an export tax which will be imposed on scrap metal exports to discourage PPS evasion and encourage companies to supply scrap metal to local foundries. EDD reported that the PPS which came to an end in September has been extended for 9 months to give government sufficient time to come up with an appropriate price system for the scrap metal exports.

e) Clarification on the transfers of funds from the Competition Commission

EDD reported that on a monthly basis the Competition Commission transfers penalty funds to the department which in turn transfers the funds to the National Revenue Fund (NRF). For the year under review the Competition Commission transferred to the department R523.9 million for fines and penalties imposed by the Competition Tribunal. However only R1.7 million was transferred to the NRF. EDD reports that due to financial constraints the Commission keeps the money to try and earn interest. On this occasion EDD received the funds at the very end of the financial year and therefore could not transfer the money on time to the revenue fund.

f) Process of filling critical posts at the IDC, Competition Tribunal and EDD

The CEO of the IDC resigned at the end of August 2018. EDD reported that the recruitment process is underway and the Corporation has sought the services of a head hunting agency to help fill the post. EDD has noted that the terms of office of more than half of the Members of the Tribunal including the Chairperson are coming to an end in July 2019. EDD also aware that the terms office mirror the election periods. Some appointment at ITAC are eminent and EDD will keep the Committee posted on other expected appointments. EDD also reported that it has extended the term of its Acting-DG to the end of the Fifth Administration.

g) Update on IDC Shiva Uranium Mine court case against Oakbay Resources and the condition of IDC's assets

EDD and the IDC are awaiting the court outcome of the judicial process on the case. EDD is aware of the difficulties that workers at the mine have been experiencing as a result of the court

case. EDD states that this case illustrates the damage that state capture causes on the workers and communities. Shiva Mine assets were ceded to the IDC and EDD promised to request an update from the IDC on the current condition of the mine and revert to the Committee on the matter.

h) Future plans in relation to the 4th Industrial Revolution

EDD has done some work to ensure that IDC increases its core investment funding on projects related to the 4IR. CSIR has done some work on the 4IR technologies. Furthermore, EDD has been actively encouraging universities to focus their research on the 4IR technologies, social implication and how societies adapt to it. EDD notes that data plays a significant role in the 4IR and as a result the department has been engaging Telkom on how to bring down data prices to stimulate the growth of small businesses.

i) Details of the beneficiaries of the Black Industrialist (BI) Programme

EDD made a commitment to brief the Committee extensively on the BI project before the end of the current calendar year.

j) More Collaboration between EDD and CSIR's Innovation Hub

The CSIR is helping local industry improve its competitiveness by providing access to specialised facilities and skills as part of the Industry Innovation Partnership Fund, supported by the Department of Science and Technology. EDD reported that it needs to prod the DFIs such as the IDC to work closely with the CSIR to help the institute access markets for its new technologies, quickly.

k) Update on merging the National Empowerment Fund (NEF) with the IDC

At the beginning of 2017 EDD and the Department of Trade and Industry announced that the National Empowerment Fund (NEF) was to become a wholly-owned subsidiary of the Industrial Development Corporation (IDC). A technical team was to be appointed to drive the process.

EDD explained to the Committee that the process of incorporating the NEF into the IDC is continuing however it is not easy to merge two different DFIs with overlapping but different mandates. For instance, the NEF deals with property development while the IDC only focuses industrial projects. The two DFIs are working on the details of integrating different business

activities to ensure that the DFIs are sustainable without compromising the financial stability of the IDC while at the same time trying to maintain the broader mandate of the NEF.

l) Cape Town Film Studios Film industry expansion and replicating CT Film Studios in other parts of the country.

EDD reported that in 2016, the IDC has supported the establishment of the Sky Rink Studio in Johannesburg at the former Carlton Centre. The Studio is operational and does soap operas and other in-studio production. The owners were planning on venturing into the rest of Africa to produce soapies for the continent. EDD stated that people in other cities have expressed interest in setting up film studios. Film making generates income and creates jobs and it is good marketing for tourism

m) Department's initiatives on Tourism and job creation

EDD believes that the new Visa regime ought to help boost the tourism sector, but it is not sufficient. Other factors include initiatives to improve safety and security for residents and tourists. Tourism infrastructure development is also crucial. EDD has had engagements with the Department of Tourism discussing ways of boosting tourism infrastructure in areas such as the Cradle of Humankind in Maropeng and Hole in the Wall in Port St. Johns, among others. Township tourism also needs to be uplifted. EDD has given the IDC to develop a broad-based tourism model for communities and smaller players in the sector.

n) African Continental Free Trade Area Agreement (AfCFTA) and its impact on EPA's with other countries

Having recognised that the size of the markets of individual Africa countries is too small to make an impact in the global economy, in 2012 the Heads of African States, adopted a decision to establish a Continental Free Trade Area. In March 2018, the African leaders signed the agreement establishing AfCFTA. The CAFTA creates a single market of over 1.2 billion people which therefore strengthens the Continent's power to negotiate terms for future Economic Partnership Agreements with other countries and regions.

o) Implementation of the Monitoring and evaluation of the Enterprise and Supplier Development Funds and impact on CSI

EDD reported that the development funds are an obligatory public interest conditions for large mergers, among others, as opposed to the CSI funds which are on a voluntary basis. EDD stated

that it has adopted a partnership rather than a monitoring model for ensuring that the development funds are utilised effectively. This means the department must become involved in the process of identifying opportunities instead of discovering issues after the fact through monitoring process.

EDD cited the example of the ABInBev supplier development fund in which EDD has a representative in the Board that manages the fund. The Competition Commission also receives an annual report on how the funds are spent. The Minister reported that he has instructed EDD to focus more attention on ensuring that the funds have a significantly positive impact in society. In addition, EDD is considering doing a review of all the enterprise and supplier development funds within its remit before the end of the Fifth Administration.

p) Ensuring the effectiveness of the Presidential Jobs Summit Framework Agreement

EDD reported that Cabinet is aware of the importance of the implementation for the Framework Agreement to be a success. A Presidential Jobs Committee, will be established which will receive quarterly reports on the implementation of action plans, monitor the status of employment and unemployment in the country and take remedial action where necessary.

9.1 The Committee's Observations

The Committee;

- a) Applauds EDD for achieving a clean audit outcome in 2017/18 and encourages the Department to maintain this level of performance annually.
- b) Expresses concerns over the regression of the audit outcomes of the Competition Commission due mainly to an increase in irregular expenditure. In addition the delays in transferring penalty funds to the EDD are troubling.
- c) Acknowledges the improvements in the filling of funded posts, particularly at senior management level. However, serious concerns remain about the Director-General's post which has been vacant for too long and the Committee is not pleased with the number of employees who are in acting positions in the Department.
- d) Notes that women are underrepresented at senior management level.
- e) Expressed displeasure at EDD's failure to finalise its organisational structure which is long-overdue.

- f) Notes that EDD published in the government gazette the long-awaited Competition Amendment Bill in 2017/18.
- g) Is cognisant of the fact that the term of office for six of the 11 Tribunal Members including the Chairperson is coming to an end on 31 July 2019 around the election period.
- h) Requested that an update be provided on progress made by EDD and the Department of Tourism as well as the Department of Arts and Culture in addressing the tourism infrastructure challenges and plans to take tourism at the Cradle of Humankind, Vilakazi Street in Soweto and Port St Johns to a higher level.

9.2 Portfolio Committee's Recommendations

The Committee recommends to the National Assembly that the Minister of Economic Development and the Accounting Officer implement the following recommendations:

- a) Consider recommendations of the Committee in the 2016/17 Budget Vote Report as outlined in sub-heading 7 of this report on the strengthening of institutional arrangements and provide a progress report on these to Parliament by the next Budget Vote cycle.
- b) EDD is urged to work expeditiously to ensure a smooth transition of leadership at the Tribunal. A progress report on these must be provided to Parliament by the Fourth Quarter of the current financial year.
- c) Requests EDD to conduct an extensive review of the enterprise development funds that are within its purview and brief the Committee on its outcomes by the fourth quarter of the current financial year.
- d) Facilitate collaboration between the IDC and the CSIR Innovation Hub to enhance the support for the CSIR projects.
- e) Monitor and support the Competition Commission in addressing issues raised by the AG in the regulator's financial statements.
- f) Enhance their oversight and scrutiny over the finances of the Competition Commission.

PART B: FINANCIAL AND NON-FINANCIAL PERFORMANCE OF IDENTIFIED ENTITIES

10. AN OVERVIEW OF THE PERFORMANCE OF THE DEPARTMENT'S ENTITIES

All the entities reporting to the Department obtained unqualified audit opinions. The IDC, the Competition Tribunal and ITAC obtained a clean audit. The Competition Commission obtained an unqualified audit opinion with findings which were mainly related to irregular expenditure.

11.1 INDUSTRIAL DEVELOPMENT CORPORATION

The Industrial Development Corporation of South Africa Limited (IDC) was established in 1940 by an Act of Parliament (Industrial Development Corporation Act, No 22 of 1940) and is fully owned by the South African Government.

Mission: The Industrial Development Corporation is a national development finance institution whose primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa and to the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens.

The IDC achieves this by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles.

Funding Model: IDC provides funding utilising retained earnings and borrowings, which it is able to obtain based on the strength of its balance sheet. Capital and interest repayments from loans provided to businesses are used to cover IDC's obligations to its own lenders.

Dividend payments from equity investments provide an annuity income for IDC and exits from mature equity investments provide capital for new equity investments. IDC also manages funds on behalf of third parties such as the Department of Trade and Industry. These funds can be used to co-invest with IDC and provide IDC with a fee income.

11.1.1 Performance against predetermined objectives for the 2017/18 financial year

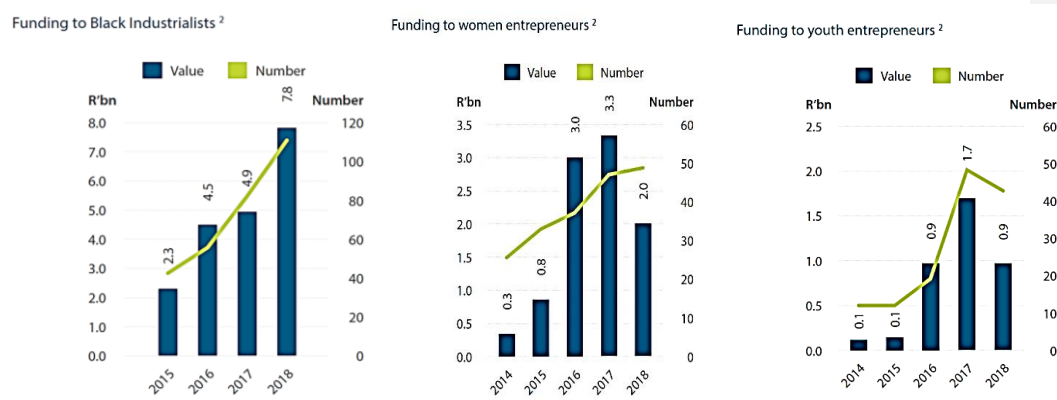
Performance Highlights 2017-2018

Investment Facilitated:	R176 billion
Cumulative Value Approved:	R72 billion
Value of Funding for Black Industrialist:	R20 billion
Value of Funding for Black-owned:	R21 billion
Value of Funding for Women-empowered:	R10 billion
Value of Funding for Youth-empowered:	R4 billion
Disbursements:	R60 billion
Total number of approvals:	965
Value of borrowings raised:	R52 billion
Direct and Indirect Jobs Impact:	389 000 (Direct -109 000, Indirect - 280 000)
Direct Jobs Created/Saved In Rural Areas:	32 833

The value of funding approvals has increased by nine per cent from R15.3 billion in 2017 to R16.7 billion in 2018. The number of approvals also increased by 15 per cent, from 175 in 2017 to 202 in 2018. The IDC saw a significant improvement in disbursements which increased from R11 billion in 2017 to R14.6 billion in 2018.

The largest portion, at 72 per cent of the funding in the year under review was for capacity expansions (39 per cent), projects and new start-ups (33 per cent). Funding to distressed businesses went up from 13 per cent in the previous year to 14 per cent of the total amount of funding in the year under review. Funding for projects and new –start-up however decreased in percentage terms from 46 per cent in the previous year to 33 per cent in the year under review.

Figure 2: Funding impact Black Industrialist, Women and youth empowered businesses



Source: IDC AR 2018

Funding approved for Black Industrialists from R4.9 billion in the previous year to R7.8 billion in 2018. However funding to women empowered businesses dropped from R3.3 billion in the previous financial year to R2 billion in 2018. The number of women-empowered businesses funded increased slightly but remained below 50 compared to the previous year.

Funding to youth empowered businesses also decreased from R1.7 billion to R900 million. This was worsened by the decrease in the number of youth owned businesses funded from more than 40 to below 30.

11.1.2 Performance against predetermined objectives

The IDC had 18 short term performance targets, of those 12 or 67 per cent were achieved and 6 or 33 per cent were not achieved. The targets missed are in relation to outside funding attracted, direct jobs, the profitability of Foskor and Scaw, and cost to income ratio.

The Table on the next page provides more information on the Corporations performance in relation to targets as set out in its corporate plan for the 2017/18 financial year.

Table 6: Performance targets by key focus area

Key Focus Area	Indicator	Base target	Target	Actual	Outcome
Funding activity	Value of funding disbursed	R14.5 billion	R18.5 billion	R14.6 billion ¹	base achieved
	Funding leveraged	2:01	2:01	0.87:1	not achieved
Jobs	Expected jobs created / saved	23 951	29 488	22 193	not achieved
	Expected direct jobs created	80%	80%	71%	not achieved
Economic Empowerment	Value of funding to black industrialists	R4 873 million	R7 383 million	R7811 million	achieved
	Value of funding approvals with signed agreements for black woman industrialists	R598 million	R598 million	R1290 million	achieved
	Value of funding for women empowered businesses	R1 200 million	R1 500 million	R1959 million	achieved

Key Focus Area	Indicator	Base target	Target	Actual	Outcome
	Value of funding for youth owned businesses	R770 million	R1 000 million	R919 million	base achieved
Localisation	Funding for localisation initiatives	R4 400 million	R5 100 million	R7009 million	Achieved
Impairments	Level of impairments	18.4%	16.4%	17.4%	base achieved
	Moderation of 10% on rating for indicator if rand value of cumulative impairments as per balance sheet exceeded	R15.4 billion	R15.4 billion	R14.2 billion	achieved
Cost and Income Management	Revenue generation from assets	3.9%	4.4%	5.3%	achieved
Customers	Customer Satisfaction Index	7.8	8.5	7.8	base achieved
Sefa	sefa balanced scorecard	sefa's performance rating	sefa's performance rating	3.3	base achieved
Foskor	Foskor profitability	(R216 million)	(R194 million)	(R763 million)	not achieved
Scaw	Scaw profitability	(R97 million)	(R87 million)	(R538 million)	not achieved
Efficiencies	Cost to income	35.7%	25.7%	39.2%	not achieved

11.1.3 Funding activity by major sector

a) Mining and Metals Value Chain: The IDC reports improvements in the value of net approvals from R8.5 billion in 2017 to R8.8 billion in 2018. Funds disbursed increased from R3.5 billion in the previous financial year to R7.5 billion in the year under review. The number of jobs expected to be created/saved also went up from 9250 to 13432 during the same time period. The challenges facing this sector among other is the slow pace of transformation due to significant entry barriers in some sectors, including economies of scale, technology, capital requirements and routes to market .

b) Agro-processing value chain: This sector saw a big jump in net approvals, from R55 million in the previous financial year to R980 million in the year under review. However, disbursements declined from R543 million to R448 million over the same period. The number of jobs expected to be created/saved nearly tripled from 1023 to 2942 in the year under review. The has been negatively affected by adverse climate, water rights, availability, quality and infrastructure, skills, including training and developing young farmers as well as the dominant position of large firms, among others.

c) Chemicals and Pharmaceuticals Value Chain: Net approvals increased from about R2.1 billion in 2017 to approximately R2.2 billion in 2018. Disbursements however dropped from R1.9 billion to R1.7 billion over the same period. Impairments as a percentage of portfolio at cost for this sector were very high. The figure increased from R8.6 billion or 24 per cent to R9.6 billion or 45 per cent over the same period. Jobs expected to be created increased from 1169 to 1434. IDC reports that challenges confronting this sector include; a need for greater clarity on gas role in energy mix and gas industrialisation as well as clarity on liquid fuels strategy, water scarcity, dependency on imported crude oil and gas, lengthy regulatory approval processes, domination by multi nationals and low levels of transformation.

d) Industrial Infrastructure: The IDC reports that net approvals decreased from R1.9 billion in 2017 to R1.4 billion in 2018. Disbursement were higher and but decreased marginally from R2.9 billion to R2.8 billion over the same time period. The number of jobs expected to be created/saved dropped significantly from 2864 in the previous year to 786 in the year under review. According to IDC the reduction came largely as a result of no significant new approvals being made for electricity generation during the year.

e) **Clothing, Textiles, Leather and Footwear:** For this sector in 2017, net approvals amounted to R434 million to approximately R595 million in the year under review. Disbursement also increased from R238 million to R257 million between 2017 and 2018. Jobs expected to be created/saved increased from 852 to 2609. The IDC reports that this sector remains a key role player in creating and preserving jobs in the South African manufacturing sector. However, it was negatively impacted by lower consumer consumption expenditure and a stronger rand which led to an increase in import penetration.

11.2 Financial performance

Table 7: IDC Income Statement 2017/18

Figures in Rand million	Group		
	2017 Actual	2018 Actual	% change
Revenue	17,372	14,223	(18)
Cost of sales	(9,010)	(6,226)	(31)
Financing costs	(2,607)	(2,433)	(7)
Gross profit after financing costs	5,755	5,564	(3)
Net capital gains	1,688	2,383	41
Other income	329	1,594	384
Non-administrative expenses	(740)	(160)	(78)
Impairments	(954)	(2,653)	178
Operating expenses	(5,462)	(4,304)	(21)
Operating profit	616	2,424	294
Income from associates and JV's	963	419	(56)
Profit before taxation	1,579	2,843	80
Taxation	621	381	(39)
Profit for the year	2,200	3,224	47
Other comprehensive (loss)/income	956	536	(44)
Total comprehensive (loss)/income	3,156	3,760	19

Source: IDC 2018 presentation

- *Group profits increased* from R2.2 billion to R3.2 billion
- *Group revenue for the year decreased* by 18% to R14 223 million from R17 372 million in 2017.

- **Interest income for the Group** of R3 374 million was 22% below the previous year.
- **Dividends** received **Debt to equity ratio** increased to 36.1% in 2018 up from 34% in 2017.
- The **impairment charge increased from R2.1 billion in 2017 to R4.9bn** in 2018,
- The ratio of **accumulated impairments** to the book at cost increased from 16.7% in 2017 to 17.4 % in 2018.were 65% higher compared to the previous financial year.

11.2.1 Impairments

Non-performing loans grew and the impairment levels increased from 16.7% 2017 to 17.4% in 2018. However, the IDC reports that ‘impairment level remains within the threshold of 20% as set by the Board.’

The IDC reports that it has ‘embarked on various initiatives to contain further increases in impairments. The Corporation is confident that these interventions will be effective in curbing growth in impairments, whilst continuing to play its counter-cyclical role in the economy’.

11.3 Audit Outcome

The IDC obtained a clean audit outcome in the 2018 financial year. During the year under review the corporation was audited by SizweNtsalubaGobodo Inc. and Ngubane and Company (JHB) Inc. SNG replaced Klynveld Peat Marwick Goerdeler (KPMG). The latter’s credibility has been in question for the following;

- 2015-2016: Compiling the controversial South African Receiver of Revenue (SARS) rogue unit report.
- 2018: More recently KPMG has been implicated in covering up irregularities in the Venda Building Society (VBS) bank’s Great Bank Heist scandal¹².

¹² https://www.corruptionwatch.org.za/vbs-bank-scandal-revealed-in-explosive-report/?gclid=EAIaIqobChMI2tT6hpei3gIVS77tCh3pQyCEAAyASAAEgLIeVD_BwE

11.4 Deliberations with the Portfolio Committee

a) Update on status of Shiva Uranium Mine

In April 2010, the IDC provided a company called Oakbay Resources and Energy with a loan of R250 million to fund the purchase of the Shiva Uranium Mine in Klerksdorp in North West. It had to be repaid by 2013. Oakbay listed on the Johannesburg Stock Exchange and the IDC's interest claim of R256 million for Shiva mine was converted into equity. The IDC learnt that the investment was allegedly based on false financial statements and the share price had been manipulated. Oakbay delisted and the IDC took legal action to recover its money from Oakbay. The IDC reported that Oakbay owed the Corporation R287 million comprising the outstanding capital amount of R37.5 million and the R250 million return. When the company went into business rescue, IDC perfected the security. The matter is in court.

b) National Empowerment Fund

After the incorporation of the NEF to the IDC was announced, the Corporation reported that it began the process by conducting a study, the outcome of which was presented to the shareholders EDD and the DTI. The IDC reported that consultations were then held at Cabinet level on the matter and a request was made for more work to be done on the project. In the meantime, the IDC proposed the establishment of a R500 million fund that would be administered by the NEF. The Corporation reported that the proposal is still awaiting approval from the EDD and the DTI. The IDC added that the NEF was not yet a subsidiary of the IDC.

c) Impairments

The impairments ratio increased from 16.7 per cent in the previous year to 17.4 per cent in 2018. The IDC reported that the increase was not due to a lowering of credit rating standards but was related to the financial difficulties at Foskor among others. The IDC reported that it had to raise a R1.8 billion impairment for Foskor as the company had been negatively affected by the stronger Rand. Furthermore, the IDC reported that it had ventured into riskier sectors such as the agro-processing, new industries and clothing and textiles sector which do not generate returns at the beginning. To add, the IDC also supported companies in distress due to the drought in the previous financial. The Corporation therefore had to raise more impairments for those sectors and companies.

The IDC is projecting a higher than 20 per cent impairments ratio going forward because of a new accounting standard, IFRS 9 which will come into effect next year. The IDC reported that the new accounting standard takes a different approach to impairments, as a result, the IDC reported it will have to charge a higher impairment rate on the existing book.

11.5 Findings of the Portfolio Committee

- a) The Committee remains concerned about the three subsidiaries namely, Scaw, Foskor and Sefa that are making losses.
- b) The Committee is concerned about the IDC's assets at the Shiva Uranium Mine after reports of property damage at the mine.
- c) The Committee noticed that the IDC has no targets and plans for providing support to businesses owned by people with disabilities.
- d) The Committee urges the IDC to do more to support Fourth Industrial Revolution initiatives.
- e) The Committee notes that the IDC has replaced KPMG with SizweNtsalubaGobodo
- f) The Committee will hold a special meeting for a briefing on the Black Industrialists programme.

11.6 Recommendations by the Portfolio Committee

The Committee, recommends that the IDC should;

- a) Develop plans and targets to support enterprises owned by people with disabilities.
- b) Provide detailed quarterly updates on plans and progress being made to protect Scaw, Foskor and Sefa from further losses.
- c) Develop a comprehensive strategy to ensure that IDC assets at the Shiva mine are not damaged by vandalism and provide the Committee with regular updates on the Shiva Uranium Mine court case, jobs and security at the mine. This should be done before the end of the current financial year.

12 COMPETITION COMMISSION

The Competition Commission is a statutory body constituted in terms of the Competition Act (No. 89 of 1998). In terms of the Act, the Commission is empowered to investigate, control and evaluate restrictive business practices, abuse of dominant positions and mergers to achieve equity and efficiency in the South African economy. The Commission has three strategic goals, namely;

- Effective competition enforcement and merger regulation
- Strategic collaboration and advocacy
- Building a high performance agency

The Commission carries out its functions and strategic goals through five core divisions, namely;

- ***Enforcement and Exemptions Division (E&E)***: investigating abuse of dominance, vertical restrictive practices and assessing exemption applications;
- ***Cartels Division (CD)***: investigating collusive practices;
- ***Mergers and Acquisitions Division (M&A)***: analysing and evaluating corporate consolidations;
- ***Legal Services Division (LSD)***: providing litigation services and legal expertise to the Commission and advisory opinions to the public; and
- ***Policy and Research Division (P&R)***: providing economic expertise to the organisation and enhancing the Commission's knowledge and understanding of market dynamics.

12.1 Non-Financial Performance

12.1.1 Performance Highlights by goals and core division

12.1.3.1 Performance highlights for the year by strategic goals

Strategic Goal 1: Effective competition enforcement and merger regulation

- 146 cartel cases investigated
- Three dawn raids conducted
- Net saving of 76 452 jobs
- Public interest conditions imposed on 32 mergers

- R354 million in administrative penalties levied

Strategic Goal 2: Strategic collaboration and advocacy

- At least 19 stakeholder engagement sessions conducted

Strategic Goal 3: A High-Performance Agency

- 6 percent decrease in staff resignations

12.1.3.2 Performance highlights by core division

Enforcement and Exemptions (E&E) Division : In 2017/18 E&E complaints received from the public increased by about 108 or 53 per cent from 205 in the previous financial year to 313 in the year under review. Through this division the Commission referred to the Tribunal the following cases among others;

- Rooibos Ltd, South Africa's largest processor of rooibos tea, for allegedly engaging in exclusionary conduct, by squeezing out rival companies and locking farmers into ;long term agreements.
- SA Airlink (Pty) Ltd for prosecution on charges of excessive and predatory pricing on the Johannesburg-Mthatha airline route.

Cartels Division (CDI): The number of cases handled increased by about 70 per cent from 86 in the previous year to 146 in the year under review. Out 146 cartel cases handled during the financial year under review, 63 or 43.2 per cent of cartel investigations were completed. Out of ten CLP applications four or 40 per cent were granted and six were not processed. CD also conducted three dawn raids as part of its investigations into alleged cartel conduct. Some of the cases include;

- Five boat operators, who ferry passengers between Robben Island Museum and the V&A Waterfront in Cape Town, on charges of price fixing and collusive tendering.
- Fresh produce market agents (FPMA's), an intermediary between farmers and buyers of fresh produce, on charges of collusion.
- A settlement agreement between Citibank N.A. and the Commission. Citibank N.A. agreed to pay a penalty of R69.5 million for its role in the foreign exchange cartel.

Mergers and Acquisitions (M&A) Division: The total number of mergers filed decreased by 10 per cent from 418 in the previous year to 377 in the year under review. Some of the cases dealt with included, among others recommending the following;

- Prohibition of a proposed large merger between Mediclinic Southern Africa (Pty) Ltd (Mediclinic) and Matlosana Medical Health Services).
- Approval with conditions for the proposed large merger between DowDuPont Inc. (DowDuPont) and Dow Chemical Company (Dow) and E.I. du Pont de Nemours and Company (DuPont).

Legal Services Division (LSD): The Commission's case load declined by about 38 per cent from 98 in the previous financial year to 61 in the year under review. The Commission imposed approximately R354.5 million in administrative penalties, concluded 29 settlement agreements (three without administrative penalties) and issued 15 advisory opinions.

Market Inquiries: Market inquiries during the 2017/18 financial year;

- Health care market inquiry - initiated in January 2014. A provisional report was released in December 2017. Expected completion date is March 2019.
- Liquefied Petroleum Gas Market Inquiry – Initiated in September 2014. Completed in April 2017.
- Grocery Retail Sector Inquiry –Initiated October 2015. Expected completion date is March 2019.
- Public Passenger Transport Market Inquiry (PPMTI) - Initiated in June 2017 Expected completion date June 2020.
- Markets for Data Service Market Inquiry – Initiated in August 2017. Expected completion date is March 2019.

Advocacy Division is responsible for three functions, stakeholder relations; communications and policy. Some of its activities during the financial year under review include, among others;

- Provided training on how to identify and detect bid-rigging to 50 senior provincial auditors of the Office of the Auditor- General (AG) in Pretoria in April 2017.

- Drafted a circular to assist the National Department of Education in promoting competitive bidding for the procurement of school uniform by schools in South Africa.
- Sharing competition perspectives with the International Trade Administration Commission (ITAC) on applications made for customs duties and rebates.

12.2 Non-financial performance

For the financial year under review, there were 35 targets. The Commission achieved its target in over 70 percent of the KPIs. This was a drop in performance compared to over 80 percent in the previous financial year. Some of the targets were not met due to capacity and financial constraints in the year under review and some were exceeded.

Table 8: Performance targets by KPIs

OUTPUT	KPI	TARGET	ACTUAL	OUTCOME
Merger & acquisition decisions.	Average turnaround time for Phase 1 merger investigations	≤ 20 days	20 days	Target met
	Average turnaround time for Phase 2 merger investigations	≤ 45 days	days	Target met
	Ave. turnaround time for Phase 3 intermediate and	≤ 60 days	58days	Target met

OUTPUT	KPI	TARGET	ACTUAL	OUTCOME
	small merger investigations			
	Ave. turnaround time for Phase 3 large merger investigations	≤ 120 days	153	Target not met Due to complexity.
Merger litigation.	% of merger decisions upheld by Tribunal and/or courts	≥75%	92%	Target met
Compliance - monitoring for merger conditions	% of imposed merger remedies and conditions monitored	100%	100%	Target met
Cartel investigations	Number of cartel cases initiated	14	28	Target exceeded Received more cases from the public. And Found new evidence in existing cases which required to be initiated
	% of cartel investigations completed within 12 months	≥80%	26%	Target not met 17 cases out of 64 cases were finalised within 12 months. Finalised the majority of old cases.
Cartel prosecutions.	% of cartel cases won at the Tribunal and the courts	≥80%	85%	Target met
Investigations of abuse of dominance and restrictive cases.	% of abuse of dominance investigations completed within 24 months	≥70%	93%	Target met
	No. of abuse of dominance conduct cases initiated in	3	5	Target exceeded Sufficient basis for initiation from information received through advisory

OUTPUT	KPI	TARGET	ACTUAL	OUTCOME
	prioritised sectors			opinion and market inquiry
Prosecution of abuse of dominance and restrictive cases.	% of abuse of dominance cases won at the Tribunal and the courts	≥50%	100%	Target met
Decisions on exemptions applications.	% of exemption applications completed within 12 months	≥75%	0	Target not met Negotiations on conditions took long, exemption ultimately abandoned.
External guidelines on the application of the Act.	Number of guidelines on the application of the Act issued to stakeholders	1	0	Target not met Guideline still to be finalised
Advisory opinions.	% of advisory opinions issued within 3 months	≥70%	87%	Target met
Industry scoping studies.	No. of industry scoping studies conducted in prioritised sectors	6	4	Target not met Due to prioritisation of Market inquiries and cases before the tribunal.
Market inquiries	No. of market inquiries initiated	2	2	Target met
	No. of market inquiries completed within 24 months	1	0	Target not met Owing to the complexity of issues under investigation.
Impact assessments on decisions or competition policy.	No. of impact assessment studies completed	6	4	Target not met Due to prioritisation of Market inquiries and investigations before the tribunal.

OUTPUT	KPI	TARGET	ACTUAL	OUTCOME
Working partnerships with relevant economic stakeholders.	No. of workshops or seminars on competition, trade/industrial policy & regulatory matters hosted	5	6	Target exceeded Hosted additional workshop for African Farmers Association of South Africa on agricultural matters
	Submissions or responses to policy or regulation	6	6	Target met
Working relationship with Criminal Justice counterparts on anti-cartel activities.	No. of training & capacity building initiatives hosted	1	2	Target exceeded There was a business need for an additional workshop.
Relationship building with BRICS and African competition agencies	No. of competition conferences and workshops with African & BRICS partners hosted or participated in	8	8	Target met
Thought leadership on competition & development issues.	No. of initiated media engagements	12	100	Target exceeded Multiple articles and interview per subject.
	No. of issues of newsletter published	4	4	Target met
Domestic outreach initiatives.	Annual competition conferences hosted	1	1	Target met
	Established university programs on competition law & economics	Implementation report of funded programs	1	Target met

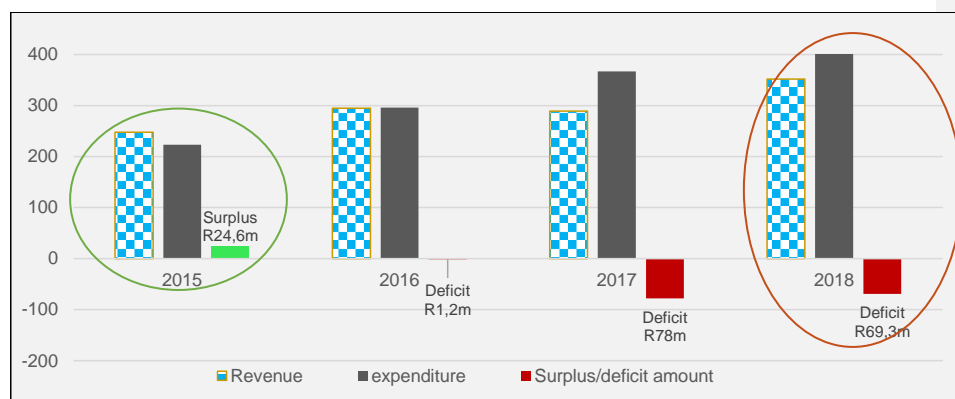
OUTPUT	KPI	TARGET	ACTUAL	OUTCOME
	No. of initiated training and education workshops	3	5	Target exceeded Special requests from the private sector.
	No. of forums with Business, Labour and Govt hosted	4	2	Target not met Due to financial constraints
	No of initiated outreach programmes	4	4	Target met
Integrated IT and Knowledge Management System (IMS)	Implemented IMS	Approved implementation report of the IMS	0	Target not met Project cancelled due to financial constraints.
Human Capital Management aligning individual, division & org performance.	A clean audit	A clean audit	Unqualified with findings	Target not met
	Completed re-design of the Performance Management Systems (PMS)	Approved implementation report of the PMS	Approved implementation report of the PMS	Target not met
	% retention rate of staff complement	≥85%	98%	Target met
Strategy relevant Organisational Structure (OS)	Organisational structure	Approved implementation report of the OS	0	Target not met Ministerial approval required.

12.3 Financial Performance

The Commission's total revenue was R353 million for the year under review. Of this amount R268 million or 75.8 per cent of the total revenue was a transfer from EDD. The Commission's budget expenditure exceeded its budget by R69.3 million to reach R422.1 million.

Compared to the previous year the deficit had improved by R8.7m decreasing from R79 million to R69.3 million in 2018. The Commission reports that the deficit was mainly due to high volumes and complexity of cases as well as Market Inquiries. Over three financial years the deficit incurred shot up from R1.2 million to R69.3 million. Over the same period the Commission collected approximately R2.3 billion in penalties.

Figure3: Summary of the Competition Commission's Financial Performance 2015-2018



Adapted from 2015-2018 Annual Reports of the Commission

Financial Challenges: According to the AG, ‘there is material uncertainty on whether the Commission will be able to investigate and prosecute all cases that require its attention’ because of financial challenges’. As a result the Commission reported it had to put some of its on hold and requested for additional financial support to make up for the 2017/18 shortfall.

Commented [GN1]: Cases or investigations not sure

Table 9: Operating expenses for 2017/18

OPERATING EXPENSES	2018 R'000	2017 R'000
Audit and Risk and Remuneration committee fees	430	614
Advertising	425	468
Internal audit fees	1,247	985
Consulting and professional fees	37,536	69,73
Case related costs - Legal	85,218	46,703
Research and development costs	1,532	4,05

Security	16,067	1,134
Subscriptions and membership fees	694	1,096
Training	1,203	1,549
Travel and accommodation	7,426	6,922
Education and awareness	12,552	14,288
Maintenance, repairs and running costs	4,187	3,285
Publications	2,958	4,705
Meeting Refreshments	956	511
Workshops	2,033	3,9
Other expenses	1,271	435
Total Operating Expenses	175,735	160,375

Source: Competition Commission (2018)

The Commission's expenses increased by about 8.7 per cent from R160.4 million in 2017 to R175.7 million in 2018.

- **Legal costs** accounted for the largest share of the total operating expenses. Expenditure on legal fees nearly doubled from under R46.70 million in the previous financial year to over R85.2 million in the year under review.
- **Consulting and professional fees**, which accounted for the second largest share of operating expenses decreased from R69.7 million in 2017 to R37.5 million in 2018. The two items i.e. legal costs and consulting fees make up about 70 percent of the money spent on operating expenses. See Table above.
- **Expenditure on security** increased 14 times, from R1.1 million in the previous financial year to R16 million in the year under review.

12.4 Audit Outcome

The Commission received an unqualified audit outcome with findings against its performance. The findings are as follows;

- **Irregular expenditure:** For the year under review irregular expenditure amounted to R86.1 million. Of that amount, about R51.4 million was for contravening the Supply Chain Management Regulation on forensic, economic and legal experts utilised on cases. R34.734 million was for spending above the allocated budget.
- **Misstatements:** The Commission submitted financial statements which had misstatements for current liabilities, revenue and expenditure and disclosure items – an indication that the regulator failed to prepare in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the

PFMA. The financial statements were corrected which helped the Commission in getting an unqualified audit opinion.

- **Restatement** of corresponding figures. Figures for 31 March 2017 were restated as a result of an error in the Commission's financial statements.
- **Repeat Findings:** Most of the findings in the year under review were unresolved findings from the previous year.
- **Procurement processes:** The Commission did not seek sufficient guidance from National Treasury for the procurement processes to be followed when conducting site visits (dawn raids) and utilisation of the expertise of legal counsel for prosecution of cases as part of their normal business operations. This resulted in numerous supply chain management irregularities in the year under review.
- **Action Plan:** According to the Audit Committee, 'Management has committed to put a comprehensive plan in place to rectify the control deficiencies and to address non-compliance with regulations. The Committee will be closely monitoring management's efforts and commitments to address these control gaps and non-compliance issues on an on-going basis'.

12.5 Human Resources

The Commission reported that its work has grown in numbers of cases and complexity. The growth has presented its own challenges by putting more pressure on current staff and demanding progressively higher levels of outsourcing. The staff complement has more than doubled from 99 approved positions in 1999 to 229 at the year under review.

The Commission reported that a new Organisational Structure has been developed, with an expected staff complement of 401 employees by 2020/21. The Commission adds that the new structure seeks invest in seniority in case execution and management, and in investing in new skills in forensic investigation and financial analysis.

For the year under review;

- There were 229 employees and since March 2015, the staff compliment has increased by 34 employees. Employee related costs increased from R178.9 in the previous financial year to R210.8 in the year under review.

- On employment equity targets, the majority of staff at 128 or 55.8% were female. However, as can be seen on page 135 of the annual report, women were under represented at executive management level. There were four females out of 12 (or about 33%) at executive management level during the year under review.
- The Commission achieved government's target, of ensuring that 2 per cent of employees are people with disabilities. Of the total number of employees 13 or 5.7 per cent were foreign nationals.
- The rate of resignations improved, decreasing from about 15.4% in 2017 to 9.2 % in 2018. The Commission attributes the decrease in turnover to efforts that it made to maintain a healthy staff retention rate.

12.6 Deliberations with the Portfolio Committee

a) High amount of irregular expenditure

The Committee stated that it was aware that the irregular expenditure pertained to non-compliance with the supply chain management processes as identified by the AG. The Commission reported that competition law is a highly specialised field with very few experts on the market. This makes it difficult to follow the National Treasury requirement of obtaining three quotations before procuring services. Furthermore, due to the nature of investigations, the inviting of public tenders could compromise the work of the Commission.

The Commission reported that National Treasury allowed them to deviate from the process by creating a database of available experts from which they can procure the services of experts. According to the Commission National Treasury required them to declare the deviations. The Commission stated that the deviations have been the norm for a number of financial years and the matter was not raised as a material finding by the AG in the previous financial year. However, for the year under review the AG was not happy about the Commission making deviations the norm and not an exception to the rule. The Commission reported that there were ongoing discussions with the AG and have also sought guidance from the National Treasury so as to prevent the incident from reoccurring.

b) Overspending and financial challenges

The Commission reported that sector-specific regulators get allocated more funds than it, as a general regulator. The Commission collected over R6.6 billion in penalties for the general fiscus. The Commission reported that it has made a proposal to EDD to change the funding model of the regulator. The Committee requested the more information, including outcomes of its cost-benefit analysis as well as the impact of the Commission's envisaged funding mode. The Committee also urged the Commission to strengthen its planning capacity in order to avoid overspending in future.

c) Interference with the work of the Commission

The Commission alleged that Members of Parliament are interfering with the work of the Commission. The Commission is a 'functionally--independent institution'¹³ which was established by an Act of Parliament. The Committee responded, that although it is not aware of any MPs who were interfering with investigations conducted by the Commission, it was taking the allegations seriously. That said it is the legislator's constitutional duty to exercise oversight over the regulator.

d) Competition Commission's study on market concentration in the South African market.

The study analysed over 2150 merger reports to identify product markets with dominant firms for the period 2009 to 2016 using the Herfindahl-Hirschman Index (HHI). The study found that nine sectors were highly concentrated. Among them are the Information Communication Technologies, Energy, Financial Services, Food and Agro-processing as well as Infrastructure and Construction. The Commission reported that there are very few research papers on market concentration in the SA. Institutions such the World Bank, IMF and OECD have conducted concentration studies looking at certain sectors. The Competitions Commission different approach that focused on market concentration based on merger information that is kept by the Commission. The Commission reported that it used data from mergers that it has processed. The Commission added that due to the confidential nature of some of that information, it will revert to the Committee on the question of making the data set publicly available.

¹³ <http://www.compcom.co.za/about/>

e) Database of service providers

The Commission reported on poor levels of transformation in the competition policy expert market. They reported that there are very few female service providers i.e. advocates, economists, dawn raids experts, who are experts in competition policy. The Commission reported that it took a while to train and develop black experts internally but the efforts have borne fruit as the regulator is no longer outsourcing but doing some of the work internally. The Commission reported that it has employed 20 interns but in response to the challenge of transforming the sector, the Commission has restructured its internship programme to accommodate about 40 interns in the next financial year.

The Commission provided the Committee with a list of about 36 service providers from its database that it worked with between 2017 and 2018. The regulator expressed concern over possibly exorbitant fees charged by some established firms in the competition policy sector. The Commission appoints service providers based on availability, absence of conflict, rate as well as experience. The Committee requested the Commission to do a comparative study of fees charged and procurement of service providers in the competition policy sector in other countries.

f) Focus on prosecuting small firms

The Commission reported there are many cases relating to small firms but it generally prioritises and deploys more resources to large cartel cases such as the banks' case. The Commission added that investigations into the majority of smaller firms are usually initiated by government departments such as the National Treasury and the government of the Western Cape not necessarily by the Commission. Given that it does not want to be seen to promote lawlessness, the Commission reported that its approach in this regard is to educate about competition policy rather than prosecute the small businesses.

g) Protection services following criminal acts against Members of the Commission

The Commission reported that expenditure on security increased 14 times from R1.1 million in the previous financial year to R16 million in the year under review. The Commission reported that the utilisation of protection services for its officials is a sensitive matter. The Commission experienced a number of criminal acts against some of its senior managers and the cases were reported to the State Security Agency (SSA). The Commission reported that it

used protection services as an interim measure and that it was awaiting the outcome of the case as well as, an SSA report on the assessment of the security needs of the Commission. The regulator added that when it charged only administrative penalties for competition law breaches it did not experience problems of criminal attacks against its employees. The Commission has noted however that the criminalisation of cartel conduct has raised the stakes for companies in breach of competition law, especially because during dawn raids the Commission uncovers a lot of criminal elements.

h) *Court Judgements on the Commission's handling of dawn raids.*

The Competition Commission reported that there is a dispute of facts between the Commission and Standard Bank in relation to the case in which Standard Bank and others are accused of cartel conduct. Another dispute of facts matter relates to edible oil companies Wilmar Continental Edible Oils and Fats and others that are accused of collusion. The Commission reported that the matters were at very sensitive stages and sub judice. The Commission urged politicians against interference with but to allow the judicial processes to reach their conclusions. .

i) *Success rate of the Commission*

The Commission reported that statistics on the Commissions successes were available and would be distributed to the Committee. The Commission added that all the dawn raids that have been conducted have been successful, only one case is still before the courts.

12.2.5 Portfolio Committee's Observations and Findings

The Committee raised concerns about the following:

- a) The irregular expenditure amounting to R126 million.
- b) Overspending and the budget deficit.
- c) Poor alignment between planning and budgeting capacity.
- d) The Memorandum of Understanding (MoU) between the Commission and the National Prosecuting Authority (NPA) that has not been finalised.

12.2.6 Portfolio Committee's Recommendations

- a) The Commission should take measures to improve its planning and budgeting capacity so as to align its expenditure demands with available financial resources.
- b) The Commission should do a presentation on its proposal for a sustainable funding model for the Commission.
- c) The Commission should brief the Committee on the outcome of its engagements with National Treasury and the AG on supply chain management processes and procedures that will be appropriate for the unique needs of the Commission. The briefing should take place before the end of the current financial year.
- d) The Commission should update the Committee on progress made in the finalisation of the MOU between the Commission and the NPA on how the two will work together to implement the criminal provisions of the Competition Act against hard core cartels and report to the Committee on progress before the end of the current financial year.
- e) The Commission should conduct a desktop benchmarking study on the fees charged by different competition experts in other countries.
- f) The Commission should come and present on the findings of the SSA in relation to the Commission's need for and the utilisation of protections services, as soon as the SSA finalises its report.

National Treasury should brief the Committee on the procurement processes that the Commission is expected to follow for its sector-specific needs. This should happen before the third quarter of the current financial year.

13 COMPETITION TRIBUNAL

The Competition Tribunal is one of three statutory bodies established by the Competition Act 89 of 1998, to regulate competition between companies in the market place. The Competition Tribunal, is a type of a court which adjudicates competition matters.

Its mission is to ‘develop credible competition law and to be an effective structure for administering the law’¹⁴

The Tribunal derives its legislative mandate from the Competition Act of 1998 (Act 89 of 1998) (“the Act”) and its purpose is to promote and maintain competition in the Republic in order to:

- Promote efficiency, adaptability and development of the economy;
- Provide consumers with competitive prices and product choices;
- Promote employment and advance the social and economic welfare of all South Africans;
- Expand opportunities for South African participation in world markets;
- Recognise the role of foreign competition;
- Ensure that small and medium-sized enterprises have an equitable opportunity to participate in the economy; and
- Promote a greater spread of ownership, in particular to increase the ownership stakes of historically disadvantaged people¹⁵.

13.1 Non-financial Performance

13.1.1 Mergers

Large merger clearance period required in the law

- 40 days –investigation (i.e. no extension granted)
- 10 days –for the Tribunal to set matter down
- 10 days –for the Tribunal to issue order

Actual clearance period achieved in the year

- 61.98 % cleared in less than or equal to 60 days (prior year –73.53%)
- 38.02% cleared in more than 60 days (prior year –26.47%)
- Average clearance period –70.66 days (prior year –54 days)

¹⁴ Competition Tribunal (2018)

¹⁵ Ibid

13.1.2 Prohibited practices

- 31 prohibited practice orders issued (prior year–31)
- Total penalties imposed was R354.5 million.
- 70.33% of penalties imposed on manufacturing sector.
- Highest penalty went to Autoliv, for collusion: R149.96million
 - The world’s largest automotive safety supplier admitted to dividing the market and bid rigging on tender for occupational safety systems for BMW and VW vehicles.

13.1.3 Challenges

- Increase in case load and complexity of matters
- Availability of part-time members to attend hearings

Table 10: Performance against targets

Strategic Objective	Performance Indicators	Annual Target	Actual	Outcome
Case Management Efficiency	% of large mergers to be set down for the beginning of a hearing or a pre-hearing within 10 business days of the filing of the merger referral.	75%	71.90%	Target not met matters set down late, due unavailability of parties, and due to late referrals due to the Tribunal’s calendar being full.
	% of intermediate and small merger considerations to be set down for the beginning of a hearing or a pre-hearing within 10 business days.	75%	70%	Target not met for year. 3 out of 10 matters were set down late as parties were not available on the earlier dates offered by the Tribunal.
Timeous Issuing of Judgments	% of large merger orders issued within 10 business days.	95%	100%	Target exceeded by 5% for the year
	% of large merger reasons issued to parties within 20 business days	70%	90.91%	Target for the year exceeded

Strategic Objective	Performance Indicators	Annual Target	Actual	Outcome
	% of intermediate and small merger consideration orders issued to within 10 business days	95%	75%	Target not met for the year. 1 out of 4 orders were issued late. The delay was due to the fact that the order and reasons were combined and issued at the same time.
	% of intermediate and small merger consideration reasons issued to parties within 20 business days of order being issued.	60%	100%	Target exceeded by 30% for the year.
	Reasons for prohibited practice cases issued to parties in accordance with the delivery timeframes per category: A,B or C.	A - 100 business days,	50%,	Target not met for the year as members were sitting on other matters as well as trying to write decisions 1 out of 2 simple matters was late by 75 business days.
		B - 125 business days,	100%,	Target met
		C - 150 business days	50%	No reasons issued therefore target cannot be measured.
	% of procedural matter orders issued within 20 business days	85%	56%	Target not met 22 out of 50 orders were issued late due to the because of new and complex and matters
	% of orders for consent orders and settlement agreements issued to parties within 10 business days	90%	84.6%	Target not met 4 orders were issued late. 2 matters were complex and had their order and reasons issued simultaneously. 2 matters the orders went

Strategic Objective	Performance Indicators	Annual Target	Actual	Outcome
				out late due to an administrative error.
	% of interim relief reasons issued within 20 business	100%		No reasons issued therefore target cannot be measured.
Effective Business Applications	CMS deemed to be sustainable	Sustainability of CMS confirmed.	CMS deemed sustainable in IT Admin report	Target met for year to date
	Models developed and implemented that generate statistics pertaining to the adjudicative process.	Develop and implement a model that generates reports based on statistics relating to adjudicative process.	New models developed to include statistics on turnover of merging parties, and number of extensions.	Target met
Ensure Relevant Communication to Stakeholders	Communication framework reviewed annually. Communication strategy and media coverage reported on quarterly.	Implement recommended changes to framework. Communication strategy and media coverage reported quarterly	The framework reviewed and changes have been made but still need to be implemented and the revised framework approved. All quarterly reports have included data on media coverage & strategy.	Target met
Maintain and Enhance The Presence and Profile of The Tribunal	% of press releases of final merger decisions communicated within 2 business days of order date.	75%	100%	Target is exceeded
	% of press releases of final prohibited practice decisions communicated within 2 business days of order date.	100%	60%	Target not met due to housekeeping issues that have been rectified

Strategic Objective	Performance Indicators	Annual Target	Actual	Outcome
Good Governance	Achieve an unqualified audit outcome year on year	An unqualified audit outcome year on year	Clean audit achieved	Target exceeded
Effective Oversight Structures	Achieve an unqualified audit outcome year on year	Unqualified audit – no findings	Clean audit achieved	Target exceeded
Effective Management Of The Budget	Achieve an unqualified audit outcome year on year	Unqualified audit-no findings	Clean audit achieved	Target exceeded
Financial Governance and Reporting	No material misstatements for May submission	No material misstatement on May submission	No material misstatements in May submission	Target met for year to date.
	Submission against annual deadline	Annual reporting submission dates met May and July	Annual reporting submission dates for May and July met	Target met for year to date.
	Achieve an unqualified audit outcome year on year	Clean audit	Clean audit achieved	Target exceeded - clean unqualified audit report.
Sustainable Capacity	Implementation of case management graduate internships against plan	Graduate internship targets meet plan requirements.	2 LT interns appointed for the period 1st January 2017 to 31st December 2017 4 vacation interns in July 2017	Target met

13.2 Financial Performance

Total revenue for the year under review amounted to about R47.1 million which was made up of;

- R30 million (64%) - government
- R16.3 million (34%) – merger filing fees
- R789 thousand (2%) - interest earned.

The largest portion (64%) of revenue is sourced from government.

Total expenditure for the year was R47.5 million comprising;

- R27.6 million (58.2%) – personnel
- R18.9 million (40%) – operating and administrative costs

Expenditure by objective

- 54.59% for Adjudicative excellence (Goal 1)
- 2.31% for Stakeholder awareness (Goal 2)
- 16.32% for Accountable, transparent and sustainable entity (Goal 3)
- 22.36% for Administrative expenses

Figure 4: Financial Statement (2017-2018)

	Note(s)	2018 R '000	2017 Restated* R '000
REVENUE			
Revenue from exchange transactions			
Fees earned	10	16,295	13,860
Other income		2	30
Interest income	11	787	935
Gain on disposal of assets	12	20	17
Total revenue from exchange transactions		17,104	14,842
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	13	30,041	20,115
TOTAL REVENUE		47,145	34,957
EXPENDITURE			
Personnel costs	14	(27,617)	(23,814)
Depreciation and amortisation	15	(1,029)	(899)
Finance costs	16	(10)	(38)
Administrative expenses	17	(9,889)	(6,389)
Loss on disposal of assets	12	(16)	(15)
Other operating expenses	18	(8,904)	(7,100)
TOTAL EXPENDITURE		(47,465)	(38,255)
Deficit for the year		(320)	(3,298)

Source: Competition Tribunal (2018)

Source: Competition Tribunal (2018)

Expenditure increased by about 24 per cent from about R38.2 million to R47.5 million between 2016/17 and 2017/18. Administrative expenses increased significantly. This was due mainly to increases in audit fees which nearly doubled from R561 thousand in the previous financial year to about R1.1 million in the current financial year. In addition,

the building occupation cost also went by 88.6 per cent from R3 million in 2016/17 to R5.75 million. The increase due to relocation to bigger office space.

For the year under review the Tribunal's deficit shrank from R3.2 million in 2016/17 to R320 thousand in 2017/18.

13.3 Human Resources

For the 2017/18 financial year the Tribunal's staff complement at the end of March 2018;

- 5 full-time members
- 6 part-time members
- 22 full-time employees and one unfunded post,
- 2 contract employees
- 5 interns

Out of the total of 22 full-time employees, 17 or 78% are female and 5 or 22 percent are male. The Tribunal is silent on the employment of people with disabilities.

13.4 Deliberations with the Portfolio Committee

a) Personnel Requirements

The Tribunal reported that all eleven positions of Tribunal Members have been filled. One of the Members who has not been available for a while due to a personal tragedy will become available from November 2018. The Tribunal reported that staff positions that were vacant such as the registrar and head of corporate services are being filled. The Tribunal added that that it was in the process of shortlisting for the Communication Officer position. The unfunded position is that of a receptionist which is in the organogram in case it would be needed in the future.

b) Criteria for selecting interns

The Tribunal reported that it sources its interns from the Harambee youth employment agency. The Tribunal hires different kinds of interns for different departments such as human resources but most are appointed in the case management unit as Judges Clerks. The requirements are a law or economics degree. The Tribunal hires final year students to work as interns during

vacation period who are then hired as one-year interns once they complete their studies. Thereafter, they would be offered a one year employment contract. After getting the experience at the Tribunal some become permanent staff members of the Tribunal and others become more marketable and get job offers in other firms. The Tribunal reported that it was doing a post-internship study to track the progress of past interns.

c) Dispute with Standard Bank around access to the investigation records in the Banks forex collusion case.

The Tribunal reported that it believes that the Standard Bank case has been misreported in the press. Standard Bank is one of the 21 banks that have been accused of collusion in relation to the South African Rand in Foreign Currency Market. The Tribunal reported that Standard Bank is the only one which applied to the Tribunal to get the Competition Commission records of the case. The Tribunal stated that there is a case precedent in the Appeal court which declares that ‘any member of the public can get the Commission’s record after the Commission has referred the Complaint within a reasonable time.’

The Tribunal ruled against granting Standard Bank access to investigation records because at the time the Bank had not given reasons for wanting the records. Furthermore, given the complexity of the case the Tribunal believed that the Bank had not given the Commission reasonable time to prepare the records for the investigation but the case was overturned by the Competition Appeal Court (CAC). The Tribunal reported that the Commission has appealed the CAC’s decision to the Constitutional Court.

d) On criticism levelled against the Commission for going after small firms

The Tribunal reported that prosecutions are the prerogative of the Commission and the Tribunal adjudicates on matters that are referred by the Commission. That said the Tribunal added the options are to settle or prosecute small cases to deter small firms from breaking the law. The Tribunal reported that the trend is for small firms to engage with large firms in bid rigging. The Tribunal gave the example of the Berg River Textiles and Eye Way Trading case where a large manufacturing firm is accused of working with a small BEE firm to rig a bid. The Tribunal believes that the Commission is correct to prosecute the firms because they allegedly undermined the government’s empowerment policy.

e) Possible impact of national security interest review, on the Tribunal

The Competition Amendment Bill 23 of 2018 which is before Parliament proposes the introduction of national security reviews when the authorities are considering inbound foreign mergers. The Tribunal reports that it will take longer for cases to reach the Tribunal because according to the proposed amendments the national security review process will take about 60 days to conclude. The Tribunal stated it will not be directly affected by the review process. However, there could be potential overlaps between the work of the Tribunal and the proposed National Security Interest Committee in relation to public interest conditions.

f) Effects of the delays on the merging companies

The Tribunal reported that 61.98 per cent of the 121 large mergers decided in the year under review were cleared in 60 days or less as opposed to 73.53% in the prior year. The Tribunal reported that companies need authorisation in order to implement a merger. The Tribunal reported that to minimise the impact on merging parties, it prioritises the urgent matters and brings out the order that clears mergers as timeously as it possibly can to enable the merging parties to proceed. Reasons for the Tribunal's decisions, which take longer to draft, are given out later.

g) The potential benefits of the Competition Amendment Bill

The Bill brings clarity on how to deal with excessive pricing matters but it also proposes the introduction of new aspects of the competition policy such as buyer power which could be contested. In addition, the Competition Amendment Bill also introduces clauses which provide for the appointment of additional Members and capacity to address the huge workload and capacity constraints of the Tribunal. The Tribunal added that the Bill aims to give market inquiries some teeth as it proposes to make the recommendations of the market inquiry binding. This implies that the Commission can impose remedial action to address deal with high levels of market concentration in the country. The Tribunal reports that this will be of benefit to the public as it will assist in creating a more competitive economy. The Tribunal reported that imposing legally enforceable remedies has been proved to be successful in the UK.

13.5 Portfolio Committee's Observations

- a) The Committee applauds the Tribunal for obtaining a clean audit opinion.
- b) The Committee notes that the Tribunal only met 64 per cent of its targets mainly due to capacity constraints.

- c) The Committee is satisfied with the report of the Tribunal on the internship programme.
- d) the Committee is happy appointment of additional Members has improved efficiencies at the Tribunal.

The Committee acknowledges the efforts of the Tribunal to shrink its budget deficit significantly from R3.2 million the previous financial year to R320 thousand in the current financial year.

13.6Portfolio Committee's Recommendations

The Tribunal should;

- a) Keep up the good work and carry on its tradition of obtaining a clean audit outcome.
- b) Closely monitor its performance against predetermined targets and is expected to reach at least 90 per cent when it gets additional capacity in accordance with the proposed legislation.
- c) Consistently strive to improve its internship and outreach programmes to help address transformation challenges in the competition policy sector.

14 INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

The International Trade Administration Commission of South Africa (ITAC) is a schedule 3A Public Entity established in terms of the International Trade Administration Act, No 71 of 2002, and came into force on 1 June 2003.

The aim of ITAC, as stated in the Act, is to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the Common Customs Union Area by establishing an efficient and effective system for the administration of international trade subject to this Act and the Southern African Customs Union (SACU) Agreement.

The core functions of ITAC are:

- a) Customs tariff investigations
- b) Trade remedies; and

- c) Import and export control.

In addition ITAC conducted impact assessments. ITAC reports that in the 5th Administration, it has placed more focus on measuring the outcomes of its interventions. Below are the details on the core functions and impact assessments together with accomplishments achieved under each function.

14.1 Performance against Predetermined Objectives

ITAC has three strategic objectives:

- To ensure contribution to employment creating growth and development through effective delivery of international trade instruments.
- To ensure strategic alignment with and continued relevance to the Economic Development Department, National Agenda and the New Growth Path.
- To ensure organisational efficiency and effectiveness of ITAC.¹⁶

Table 11: Performance against predetermined objectives

Strategic Objective	Performance Indicator	Target	Actual	Outcome
Ensure contribution to employment creating growth & dev through effective delivery of international trade instruments	Turnaround times of Customs Tariff Reduction Investigations.	80% of the final decision within 6 months.	11% of the final decisions were made within 6 months.	Target not achieved. Protracted engagements with applicants, interested parties.
	Turnaround times of Customs Tariff Increase Investigations.	80% of the final decision within 6 months.	40% of the final decisions were made within 6 months.	Target not achieved. Protracted engagements with applicants,

¹⁶ Ibid

Strategic Objective	Performance Indicator	Target	Actual	Outcome
	Turnaround times of Customs Tariff Rebate Investigations.	80% of the final decision within 6 months.	69% of the final decisions were made within 6 months.	Target not achieved. Protracted engagements with applicants,.
	Turnaround times of Customs Duty Rebate and Drawback permits	80% of the permits issued within 2 weeks.	97% of the permits issued were within 2 weeks.	Target achieved.
	Turnaround times of EPCs.	80% of the certificates issued within 10 days.	99% of the certificates issued within 10 days after visit.	Target achieved.
	Turnaround times of PRCCs.	80% of cert issued within 30 days.	99% of the certificates issued were within 30 days.	Target achieved.
	APDP verifications turnaround	80% of the verifications completed within 3 mo.	94% of the verifications finalised were completed within 3 months.	Target achieved.
	Turnaround times of Anti-dumping investigations.	80% of prelim determination within 6 months. of initiation. 80% of final determinations within 10 months of initiation.	No preliminary or final determinations were made.	No Anti-Dumping investigations from the previous financial year, and no new investigations in 2017/18
	Turnaround time from acceptance of properly documented application to initiation of Anti-Dumping investigations.	80% of properly documented application accepted, initiated within 2 months.	No new investigations were initiated during this period.	No investigations were initiated as no properly documented applications were received.

Strategic Objective	Performance Indicator	Target	Actual	Outcome
	Turnaround times of Countervailing investigations.	80% of prelim determination within 6 mo. 80% of Final determinations within 10 mo.	No preliminary or final determinations were made.	No Countervailing investigations from the previous financial year, no new investigations initiated in 2017/18.
	Turnaround time for initiation of countervailing investigation.	80% of initiated within 2 mo.	No new investigations were initiated during this period.	No investigations were initiated
	Turnaround times of Sunset Review investigations.	80% of final determinations within 10 months of initiation.	100% of final determinations were made within 10 months of initiation.	Target achieved. Unframed glass mirrors from Indonesia: initiated. Frozen bone in pieces of chicken from the USA:
	Turnaround time for initiation of Sunset Review investigation	80%, initiated within 2 mo.	100% initiated within 2 months of acceptance.	Target achieved.
	Turnaround times of Safeguard investigations.	80% of prelim determination within 6 mo. 80% of final determinations within 10 mo.	No preliminary determinations.	Target not achieved due to lengthy consultations
	Turnaround time for initiation of Safeguard investigation.	80% initiated within 2 mo.	No new investigations were initiated during this period.	No investigations were initiated.
	Number of import control permits issued.	16000	20192	Number of import control permits issued.
	Number of export control permits issued.	12000	13411	Target achieved.
	Number of Scheduled Import & Export Control	500	482	Target not achieved. Due increase of unscheduled inspections.

Strategic Objective	Performance Indicator	Target	Actual	Outcome
	Permit inspections.			
	No of unscheduled Import and Export Control Permit inspections.	500	3 309	Target achieved.
	Number of Import and Export Control Investigations.	20	19	Target not achieved. There were few contraventions detected in 2017/18.
To ensure strategic alignment with and relevance to the EDD, NGP and national agenda,	Input papers finalised and presented to the dti. Participation in the dti's multilateral engagements.	ITAC staff provides input into and attend 80% of the dti arranged multilateral engagements.	ITAC staff provided inputs into and attended 100% of the dti arranged multilateral engagements.	Target achieved. ITAC provided inputs into and attended all of the dti arranged multilateral engagements.
	Input papers finalised and presented to the dti. Participation in the dti's bilateral engagements.	ITAC staff provides input into and attend 80% of the dti arranged bilateral engagements.	ITAC staff provided inputs into and attended 100% of the dti arranged bilateral engagements.	Target achieved. ITAC provided inputs into and attended all of the dti arranged bilateral engagements.
	Participate in strategic departmental and agency meetings providing technical inputs as requested.	8 engagements for Tariff Investigations Unit. 8 engagements for Trade Remedies Unit. 8 engagements for Import and Export Unit.	8 engagements for Tariff Investigations Unit. 8 engagements for Trade Remedies Unit. 8 engagements for Import & Export Control unit.	Target achieved. No variance recorded.
To ensure organisational efficiency and effectiveness of ITAC.	Submission of the ITA Amendment Bill to the	ITA Bill submitted to the Minister for approval.	International Trade Administration Amendment Bill was submitted to the Minister for approval.	Target achieved. No variance recorded.

Strategic Objective	Performance Indicator	Target	Actual	Outcome
	Minister for approval.			
	Reviewed Policy and/or regulations submitted to Minister of EDD	Reviewed Anti-Dumping Regulations submitted to Minister	Reviewed Anti-Dumping Regulations were submitted to EDD for the Minister's approval.	Target achieved. No variance recorded.
	Reviewed Import and/or Export Control Policy Regulations submitted to EDD Minister	1 - target subject to policy directive from DD/Other National depart.	0 This target is subject to policy directive from EDD/Other National departments.	No directive or changes have been received.
	Finalised research papers submitted to Chief Commissioner for approval.	1 research paper finalised and submitted to the Chief Commissioner for approval.	1 research paper was finalised and submitted to the Chief Commissioner for approval.	Target achieved.
	Reports to relevant stakeholders & the final annual consolidated impact evaluation report submitted to EDD and dti.	5 product specific impact assessments.	2 product specific impact assessment reports were issued.	Target not achieved. Chief Economist resigned prior to the conclusion of the relevant work.
To ensure organisational efficiency and effectiveness of ITAC.	Annual and quarterly Trade Monitoring Reports.	Annual and quarterly Trade Monitoring Reports.	There were no Annual and quarterly Trade Monitoring Reports finalised in the period under review.	Target not achieved. The Chief Economist resigned prior to conclusion of.
	Bi-Annual report on performance of selected sector against reciprocal commitments	Bi-Annual report on performance of selected sector against reciprocal commitments	A report on the performance of the selected sector against reciprocal commitments by tariff adjustment beneficiaries on new	Target not achieved. One report was made to the Commission on concept of reciprocity and its

Strategic Objective	Performance Indicator	Target	Actual	Outcome
	by tariff adjustment beneficiaries on new investment, job creation and industrial expansion.	by tariff adjustment beneficiaries	investment, job creation and industrial expansion was issued.	linkage with tariff amendment instruments.
	Reviewed scrap metal regulations & guidelines to incorporate measures that contribute to better export risk management of scrap metal	Reviewed scrap metal Regulations and guidelines submitted to the Minister for approval.	Reviewed guidelines submitted to EDD in the previous financial year.	Target not achieved. Awaiting feedback on reviewed guidelines from EDD.
	Reports (Bi-Annual) on the admin of scrap metal PPS to achieve intended objectives, as well as litigation outcomes against the system.	Reports (Bi-Annual) the admin of scrap metal as well as litigation outcomes against the system.	Reports (finalised and submitted to Chief Commissioner. Litigation successfully finalised.	Target achieved. No variance recorded.

14.2 Human Resources

For the year under review ITAC had a staff complement of 119. Of that total number 57 per cent were female and 43 per cent were male. ITAC also had 14 contract employees. The vacancy rate for the period under review was 9.2%. By race group;

- African – 80 per cent
- Indian – 4per cent
- Coloured – 2 per cent

- White – 8 per cent

14.3 Auditor General

ITAC obtained a clean audit outcome which was an improvement compared to the previous financial year's unqualified report with findings.

The AGSA identified material misstatements in the annual performance report submitted for auditing in relation to Objective-3 (to ensure organisational efficiency and effectiveness of ITAC). ITAC corrected the misstatements, as a result the AG did not raise any material findings on the usefulness and reliability of the reported performance information. ITAC also developed an audit action plan to address the findings relating to performance information and contract management which will be monitored by management.

14.4 Financial Performance

ITAC received amount of R99 million from EDD transfers in the year under review which was an increase from the previous year's amount of R87 million. Total revenue also increased from R92.7 million in the previous financial year to R101.7 million in 2017/18. The Commission's expenditure also increased from approximately R104.3 million in 2016/17 to R109.2 million in the year under review. Of that amount, R85.2 million or 78 per cent was for employee costs. Compared to the previous year employee cost have increased from R79.7 to R85.2 million. The Commission incurred a deficit of R7.5 million a result the overspending. The deficit decreased in the year under review compared to the previous financial year' amount of R11.6 million.

14.5 Deliberation with the Committee

a) Expenditure on salaries

ITAC reported that salaries make up 78 per cent of its total expenditure and that they are taking away from the operations budget. When positions become vacant at the Commission they are not filled. The Commission reports that it pulls resources from other units to fulfil the work that needs to be done. For instance, because of financial constraints

the Commission has left the position of the Chief Economist vacant but has drawn from the current pool of staff members to carry out the job. A chief economist will be appointed when funds become available. ITAC reports that this reduces personnel cost while increasing the vacancy rate at the Commission. ITAC has engaged with EDD about possibilities of raising own revenue using the instruments to enable ITAC to restructure without having to retrench people that ITAC utilises to generate own revenue become more sustainable.

b) Import leakages

ITAC is conducting a risk analysis so as to assign resources to an area where it can make a difference. The idea is to bring together other relevant agencies such as SARS to conduct activities that are undermining border controls.

c) AGOA rebate

ITAC reported that the South African Poultry Association (SAPA) filed a lawsuit seeking to force the government to suspend the quota in response to the Trump administration's decision to impose tariffs on aluminium and steel imports from South Africa. ITAC reports if SAPA is successful, South Africa could be thrown out of the African Growth and Opportunity Act (AGOA) and lose its duty free access for its exports to the US. The Commission agreed with Committee that rebates should translate into more competitive prices but that does not always happen. The Commission reported that one way of dealing with the matter is by implementing the principle of reciprocity.

d) People with disabilities

ITAC reported poor performance on employing staff who are living with disabilities. In the past ITAC had two employees with disabilities, however both left the Commission. ITAC adds that there is a moratorium on new appointments making it difficult to employ people with disabilities in the near future.

e) International Travel

The Commission reported that expenditure on international travel increased by about 58 per cent from R162 thousand in the previous year to R257 thousand in the year under review. ITAC reported that expenditure on international travel is based on whether there is a need for international investigations on trade remedies. ITAC reported that

international travel expenditure would increase when there are a number of international investigations to be conducted and expenditure decreases if there were very few or none at all.

f) Maintaining Anti-Dumping duties on imports from Indonesia

During the year under review, the Commission's recommendation that the anti-dumping duty on unframed glass mirrors originating in or imported from Indonesia be maintained, was approved. ITAC reported that it conducted an investigation which found that there would be a risk of the recurrence of anti-dumping as a result the Commission maintained the duties to protect the local industry.

g) Proposal to make PE a sole port of entry for scrap metal

ITAC reports that it was advised against making PE a sole port of entry as the move could be challenged in court. Changes have been made to the PPS and ITAC will be inviting public comment on the proposals.

h) On Minister's directive on reciprocal agreements

In 2016 the Minister issued a trade directive on factors that ITAC had to take into consideration when implementing the reciprocity principle which requires beneficiaries of ITAC trade instruments to make commitments to support government's initiatives on employment and investment in the country. ITAC reported that it is doing an impact study to evaluate the implementation and success of reciprocal agreement. The Commission reported that it will use the findings from the study to chart a way forward.

i) Unspent conditional grant

ITAC reported it received the first amount of the scrap metal grant in the 2014/15 financial year. The scrap metal grant was for the appointment of inspectors, at ITAC, to improve enforcement of scrap metal for a period of 2 years from February 2016 to February 2018. ITAC adds that the conditional grant was ring-fenced for the salaries of PPS workers. The project has been extended to end in June 2019.

14.6 Portfolio Committee's Observations and Findings

- a) The Committee is concerned about the high wage bill at ITAC which makes up 78 per cent of total expenditure at the Commission.
- b) The Committee has observed that the Commission does not have a strategy for recruiting and appointing people with disabilities.
- c) The Committee notes the differences between EDD and ITAC's response on Port Elizabeth as a sole port of entry.

14.7 Portfolio Committee's Recommendations

- a) The Committee recommends that the Commission be intentional about employing people with disabilities.
- b) The Committee recommends that ITAC should report on progress made on the finalisation of the PPS recommendations. This should be done before the end of the current financial year.
- c) The Committee recommends that ITAC should report on the expenditure budget for its SACU operations.

PART C: CONCLUSION AND APPRECIATION

15. CONCLUSION

Nearly ten years in existence, EDD and its entities have been obtaining unqualified reports and no adverse findings or declaimers. Although its entities have been meeting most targets against

predetermined objectives, EDD has been meeting all its targets. The entities have been operating in a tough economic environment characterised by a protracted period of slow economic growth and high levels of unemployment. Except for the IDC, the entities were constrained financially and they incurred deficits.

With the guidance of the EDD the entities have played a vital role in the South Africa economy, advancing the key priorities of government through promoting competitiveness through competition and trade; and providing development finance focusing on uplifting the country in particular the previously marginalised.

16. APPRECIATION

The Committee would like to express its gratitude to the Minister, Mr Ebrahim Patel, MP; the Deputy Minister, Mr Madala Masuku, MP; the former Acting Director-General Mr Malcolm Simpson and the entire team at the Department for their commitment and contribution during the period covered by this report. The Committee looks forward to working with the current Acting Director-General Mr Monde Tom.

Appreciation is also extended to the dedicated entities of the Department, namely; ITAC; the Competition Commission led by Mr Tembinkosi Bonakele; the Competition Tribunal led by Norman Manoim and the IDC led by Mr Geoffrey Qhena, together with the Board Members and staff of all the entities, for their commendable endeavours towards the betterment of the lives of our people.

The Committee wishes to thank Mr Siyabulela Tsengiwe, the outgoing Chief Commissioner of ITAC for his commitment and dedication over the past ten years, and wishes him well in his future endeavours.

The Chairperson thanks all Members of the Committee for their active participation during the process of engagement and deliberations; and contribution to the observations and recommendations of this report.

Report to be considered.