# 1. Report of the Portfolio Committee on Trade and Industry on Budget Vote 39: Trade, Industry and Competition, dated 11 May 2022

The Portfolio Committee having considered Budget Vote 39: Trade, Industry and Competition, reports as follows:

1. **Introduction**

In the State of the Nation Address (SONA) in February 2022, the President emphasised the need to build on initiatives of economic reconstruction and recovery, and to improve the business environment for all companies by reducing red-tape across all spheres of government. The key priorities for the Department of Trade, Industry and Competition (DTIC), in this regard, is to contribute to growing the economy, consequently creating jobs, and reducing poverty and inequality. This will be done by (i) attracting and retaining investment; (ii) facilitating increased localisation; (iii) increasing exports; and (iv) supporting regional integration, particularly capitalising on opportunities brought by the African Continental Free Trade Area (AfCFTA). The sectoral master plans, localisation and beneficiation, spatial industrial development, regional integration, promotion of global trade, and the creation of a conducive business environment are some of the mechanisms that the DTIC plans to implement to achieve this. There will also be a programme to reduce red-tape across the DTIC and its entities in support of the Presidency’s initiative on red-tape reduction.

The DTIC’s 2022/23 Annual Performance Plan (APP) builds on the joint key performance indicators (J-KPIs) introduced in 2021 to improve integration of the work of the DTIC and its entities. Three succinct outcomes are introduced in 2022, namely (i) industrialisation to promote jobs and rising incomes, (ii) transformation to build an inclusive economy, and (iii) a capable state to ensure improved impact of public policies. Each programme’s key performance indicators (KPIs) are therefore linked to one of these three outcomes.

The DTIC’s allocated budget remains under pressure due to fiscal constraints and the slow economic recovery. However, the three outcomes are expected to focus its activities and ensure that non-financial policy tools and support measures across the DTIC are used effectively to maximise its impact. Furthermore, the DTIC will continue to leverage the balance sheets of the development finance institutions (DFIs) to expand off-budget financing opportunities and to increase resource efficiencies.

* 1. **Constitutional Mandate of the Committee**

Portfolio Committees exercise oversight over their respective departments and agencies in line with their Constitutional mandate set out in section 55(2) of the Constitution of the Republic of South Africa, 1996, and section 27(4) of the Public Finance Management Act (Act No. 1 of 1999). In addition, the Money Bills Amendment Procedure and Related Matters Act (Act No. 9 of 2009) also requires committees to consider and report on their department’s strategic plan and APP. Portfolio committees may also recommend possible amendments, within a budget vote, for the Standing Committee on Appropriations in the National Assembly consideration.

* 1. **Purpose**

The purpose of this report is for the Portfolio Committee on Trade and Industry to report on its deliberations and consideration of the DTIC’s APP and budget vote. Furthermore, to make recommendations regarding the approval, amendment or rejection of Budget Vote 39, as well as any other recommendation regarding the implementation of the APP of the DTIC.

* 1. **Process**

The Committee’s consideration of Budget Vote 39 involved an engagement with Mr E Patel, the Minister of Trade, Industry and Competition, Mr F Majola, the Deputy Minister of Trade, Industry and Competition, and Ms M Mabitje-Thompson, the Acting Director-General of the DTIC, on 19 April 2022. Mr Patel engaged the Committee on the implications of the 2022 SONA and the 2022/23 Budget on the mandate of the DTIC. The Acting Director-General, together with the Chief Financial Officer, proceeded to present on the DTIC’s Strategic and APPs and provided an overview of Budget Vote 39.

1. **Policy priorities for the 2022/23 financial year**

The DTIC’s Strategic Plan for 2020 – 2025 and the APP for the 2022/23 financial year is informed by both the country’s imperatives to address high unemployment, poverty and inequality; and the urgent need to improve economic performance, and achieve inclusive growth. It builds on the innovation introduced in 2021, namely that of greater integration of the work of the Department, through J-KPIs.

In the 2022/23 financial year, the idea is taken further through the introduction of three succinct outcomes that replace the 17 previous outcomes, bringing greater coherence to the work of the DTIC. The three outcomes are (i) industrialisation to promote jobs and improve incomes; (ii) transformation, to build an inclusive economy; and (iii) a capable state to ensure improved impact of public policies. The national policy priorities that the DTIC contributes to are unpacked below.

* 1. **State of the Nation Address**

In his SONA on 10 February 2022, President M C Ramaphosa highlighted the following key priorities relevant to the DTIC’s mandate, as these will contribute to growing the economy, consequently creating jobs, and reducing poverty and inequality:[[1]](#footnote-1)

* Attracting and retaining investment;
* Facilitating increased localisation;
* Increasing exports; and
* Supporting regional integration, particularly capitalising on opportunities brought by the AfCFTA.

***Attracting and retaining investment:*** In line with this priority, a significant share of the budget, in the form of incentives, has been allocated to supporting businesses investing in South Africa. The Industrial Financing Programme, which hosts the allocation, accounts for approximately 46,1 per cent (or R5,0 billion)[[2]](#footnote-2) of the total budget. Through this programme, the DTIC supports the implementation of the Economic Reconstruction and Recovery Plan (ERRP) and the Re-imagined Industrial Strategy (RIS) by providing incentives through the Automotive Incentive Scheme, Black Industrialist Programme, Agro-Processing Support Scheme, Strategic Partnership Programme, Aquaculture Development and Enhancement Programme, and Clothing and Textiles Competitiveness Programme.

While Industrial Financing remains one of the DTIC’s core mandates and accounts for a significant share of the total budget, in the 2022/23 financial year, its allocation decreased by R1,79 billion[[3]](#footnote-3). This does not appear to be in alignment with the priority of attracting and retaining investment. However, this would also be dependent on the effectiveness of the DTIC’s Inward Investment Attraction, Facilitation and After-care Programme, as well as its ability to reduce the administrative burden of over-regulation on business through its red-tape reduction efforts across its programmes during the financial year.

***Facilitating increased localisation:*** The second largest programme of the DTIC, the Industrial Policy Programme (formerly known as the Industrial Competitiveness and Growth Programme), supports the development and implementation of policies that facilitate diversifying the manufacturing sector, and promoting local production. The R1,79 billion allocated to this programme is 2 per cent more than in the previous financial year[[4]](#footnote-4).

In addition, the Industrial Development Corporation (IDC) (an entity of the DTIC) through its funding vehicles will continue to support businesses that produce locally. In the 2022/23 financial year, the IDC aims to facilitate localisation worth R7,5 billion[[5]](#footnote-5).

Over the medium-term, key focus areas include:

* The implementation of interventions that support the RIS and the ERRP such as sector support through Sectoral Master Plans, providing industrial financing and developing industrial infrastructure.
* The implementation of interventions that support regional integration and the implementation of the AfCFTA.
	1. **Medium-term Strategic Framework**

The Medium-term Strategic Framework for 2019 – 2024 outlines seven priorities of government for the five-year term which are anchored in three pillars, namely; “driving a strong and inclusive economy, building and strengthening capabilities of South Africans, and achieving a more capable state”[[6]](#footnote-6). These priorities are as follows[[7]](#footnote-7):

* Priority 1: Economic Transformation and Job Creation,
* Priority 2: Education and Skills Development,
* Priority 3: Consolidating the Social Wage through reliable and quality Basic Service,
* Priority 4: Spatial Integration, Human Settlements and Local Government,
* Priority 5: Social Cohesion and Safe Communities,
* Priority 6: Building a capable, ethical and developmental State, and
* Priority 7: A better Africa and World.

The DTIC is the coordinating department in the implementation of interventions in Priority 1: *Economic Transformation and Job Creation* and a supporting department in Priority 7: *A Better Africa and World*. It is also implementing and supporting Priority 6: *Building a capable, ethical and developmental State*,and Priority 4: *Spatial Integration, Human Settlements and Local Government*. These are priorities from which the mandate of the DTIC is derived, in particular; facilitating the creation of an inclusive economy, broadening economic participation, contributing to regional integration, and creating a fair regulatory environment that enables investment, trade, enterprise development, and competition.

* 1. **Sustainable Development Goals**

The DTIC would be primarily responsible for the second target of Sustainable Development Goal (SDG) 9: *Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation*, namely to “promote inclusive and sustainable industrialization and, by 2030, significantly raise industry’s share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries”[[8]](#footnote-8). In this regard, one of the DTIC’s core mandates is to facilitate structural transformation of the economy to promote dynamic industrial development, investment, competitiveness and employment creation. It develops industrial strategies and provides incentives to improve the competitiveness of the manufacturing sector and increase market access and demands for locally manufactured goods.

Furthermore, in terms of SDG 8: *Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*[[9]](#footnote-9), the DTIC can support the improved access of black women and youth to employment and entrepreneurship opportunities. In addition, in terms of SDG 10: *Reduce inequality within and among countries*[[10]](#footnote-10), the DTIC through its trade negotiations, initiatives to promote and facilitate investment, and the role of the International Trade Administration Commission of South Africa’s (ITAC) tariff line investigations and determinations plays a critical role to achieve this goal.

* 1. **Agenda 2063**

The work of the DTIC is aligned to aspiration 1 of the African Union’s (AU) Agenda 2063: “*A prosperous Africa based on inclusive growth and sustainable development”[[11]](#footnote-11).* In line with this aspiration, the African continent committed to “eradicating poverty in one generation and build shared prosperity through social and economic transformation….”[[12]](#footnote-12). One of the DTIC’s mandates is to facilitate structural transformation through broad-based economic participation and spatial industrial development. It implements this mainly through Programme 3: Spatial Industrial Development, and Programme 6: Industrial Financing. Programme 3 has been allocated a budget of R189 million[[13]](#footnote-13). Incentives have also been allocated towards this for the development of Special Economic Zones (SEZs) and for black participation. However, the DTIC’s incentives also have transformation criteria, which further facilitates this at a broader level.

* 1. **Re-imagined Industrial Strategy and the Southern African Development Community Industrialisation Strategy**

The Southern African Development Community (SADC)Regional Infrastructure Development Master Plan (RIDMP) aims to “catalyze industrial development and reduce current high costs of doing business, including those related to Non-Tariff Barriers and local procurement of inputs for infrastructure development”[[14]](#footnote-14). As a Member of SADC, South Africa has to align its national policies and strategies to complement that of the regional community. The National Development Plan 2030 and the RIS therefore are broadly complementary policies to the SADC industrialisation strategy. The RIS is the country’s plan involving the development of Master Plans for 12 priority sectors. This sets out commitments and actions by government, organised business and organised labour in these sectors. Similar to the SADC-RIDMP, the RIS aims to ensure industrialisation through its interventions, one of which is developmental tariff reform. In the current budget, the DTIC provides for the development and implementation of seven Master Plans that it is the lead on.

1. **Department of Trade, Industry and Competition’s Strategic Plan, Annual Performance Plan and Budget**

The DTIC, as the lead department on economic development in South Africa, is the custodian of economic development policy formulation and planning.[[15]](#footnote-15) The DTIC’s mission is to[[16]](#footnote-16):

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

In its 2022/23 APP, the DTIC has sought to strengthen its strategic focus to bolster its implementation and impact in alignment with government’s priorities as set out above. This builds on and improves the seven J-KPIs introduced in its 2021/22 APP. These seven J-KPIs served as a stand-alone checklist to guide the work of the DTIC and its entities. This APP thus sets three all-encompassing Outcomes within which the work of the DTIC and its entities will be placed and evaluated, namely industrialisation, transformation and capable state in terms of implementation or effective delivery. These are described below[[17]](#footnote-17):

* ***Outcome 1: Industrialisation*** – The goal is to build dynamic firms in the South African economy through a combination of efforts in partnership with the private sector, focusing on growth opportunities in the domestic market (through localisation, sector partnerships, beneficiation, promoting the green economy and fostering higher levels of investment) and building a wider export market (particularly in Africa) to assist with scale; and combining demand-creation with supply-side reforms at economy, sector and firm level to build industrial competitiveness and support job-creation. It comprises of the following five focus areas:
	+ Sector partnerships and social compact through master plans and firm/sector level initiatives;
	+ Localisation, beneficiation and COVID industrial production initiatives;
	+ Increased and diversified exports with African countries and to other global markets;
	+ Green economy initiatives to shift to a less carbon-intensive industry; and
	+ Investment initiatives to increase the level of investment.
* ***Outcome 2: Transformation*** – The goal is to build economic inclusion through transformation programmes in three broad areas: (i) addressing structural challenges to growth through active competition policies, particularly where concentration levels in the market limit new entrants and small and medium businesses; (ii) policies that promote spatial transformation, enabling more balanced growth between rural and urban and between provinces; and (iii) strengthening inclusivity/transformation in the quality of growth, including broadening ownership and more inclusive corporate governance models. This comprises the following three focus areas:
	+ Ownership transformation: Promoting a greater spread of ownership in the economy and worker empowerment;
	+ Structural transformation: Addressing economic concentration and supporting small, medium and micro enterprises; and
	+ Spatial transformation: Promoting equitable spatial development through District Model Reporting and integration of work into 52 spatial units; and developing a new model for district spatial industrial initiatives and promoting the township economy.
* ***Outcome 3: Capable State*** – The goal is to build greater capacity to ensure that national objectives are achieved through a new culture of partnership in the economy, characterised by greater responsiveness and nimbleness by the DTIC and its entities, which includes promoting smart regulation and working closely with other parts of government to forge a social compact with business and labour. It comprises the following five focus areas:
	+ Building strong capacity in the DTIC and streamlining its work;
	+ Building the entity staffing, governance capacity, quick-response; developing shared services; and rationalisation of functions and integration of work between entities and with the DTIC;
	+ Addressing red-tape and compliance in internal processes and in legislation and regulations; enable fit-for-purpose regulations;
	+ Ensuring effective support functions from other public entities to achieve the DTIC’s outcomes; and
	+ Contributing to social compact with other social partners.

Each of the DTIC’s 10 programmes’ performance indicators are linked to one of these outcomes to ensure greater coordination within the DTIC to effectively contribute to the achievement of the outcomes.

The DTIC’s 10 programmes are collectively responsible for administering 45 pieces of legislation mainly in the areas of consumer protection, companies (corporate regulation), competition, industrial development, black economic empowerment, and international trade; and overseeing 16 entities, as well as the Broad-based Black Economic Empowerment (B-BBEE) Commission.

* 1. **Performance targets for the 2022/23 financial year**

The section below details the purpose of each programme and its planned performance for the 2022/23 financial year as set out in its APP. For the financial year, the DTIC has a total of 151 Output Indicators[[18]](#footnote-18). In the previous financial year, it had 80 KPIs. Therefore, most of the targets for the 2022/23 financial are new or amended.

* + 1. **Programme 1: Administration**

The Administration Programme is responsible for providing strategic support and management to the DTIC and its entities[[19]](#footnote-19). For the 2022/23 financial year, the Programme has set itself 26 indicators/targets. In the previous financial year, there had only been six targets under this programme. Of the six targets, three remained, namely[[20]](#footnote-20):

* 3,5 per cent representation of employees are people with disabilities (PWD);
* 50 per cent representation of women in senior management; and
* The appointment of 31 interns.

A total of 23 new targets have been introduced in the year under review. These are as follows[[21]](#footnote-21):

* Twenty-five per cent of procurement approved in favour of businesses owned by women, youth, and PWD;
* Sixty per cent of fraud cases received to be completed up to the final report stage, by the end of the financial year;
* Fifty Media stories on the work of the DTIC published;
* Seven Factsheets on the DTIC services produced;
* Two analysis plans identifying improvements to Information Technology (IT) performance developed;
* Action Minutes outlining steps taken to improve the performance of the Monitoring and Evaluation Unit;
* Finalisation, approval, and implementation of the oversight framework;
* A Proposal for the operation and staffing of an Entity Oversight Unit and implementation of improved oversight;
* A Proposal for rationalisation of entities submitted to the Minister for consideration; and
* Reports on the following:
	+ Recommendations to improve the structure of the DTIC;
	+ The optimisation of financial resources that actively supports the work of the DTIC;
	+ Implementation of the Organisational Structure and Annual Skills Development Project Plan;
	+ Achievement of specified turnaround times for Contracts/Memoranda of Agreements/Service Level Agreements, Opinions and Litigation;
	+ The annual client satisfaction survey conducted and a corrective action plan produced;
	+ Availability of stable, fast backed-up internet connectivity and the facilities for the use of virtual communications tools;
	+ Implementation of the Reporting Tool Project Plan to improve oversight of IT performance;
	+ The capacitation and consolidation of anti-fraud measures into a fully functional anti-corruption unit;
	+ The effectiveness of the DTIC communications in communities and in industry;
	+ Support of Cabinet and Parliamentary processes;
	+ Red-tape reduction in the internal and external systems and processes of the DTIC;
	+ The implementation of the Shared Services Framework covering the DTIC and selected entities;
	+ Cluster participation and provincial engagement, and District Spatial Industrial Initiatives; and
	+ Implementation of social compact commitments; and engagements with National Economic Development and Labour Council (NEDLAC).
		1. **Programme 2: Trade Policy**

The Programme was previously known as the Trade Policy, Negotiations, and Cooperation Programme; however, it has been renamed to the Trade Policy Programme in this financial year. The purpose of the Programme is to facilitate the building of an equitable global trading system by strengthening trading and investment relations with key markets globally and fostering African development. The sub-programmes are International Trade Development (bilateral and multilateral trade relations and agreements) and African Multilateral Economic Development (multilateral African trade relations for deepening regional integration).[[22]](#footnote-22)

There are 24 outputs/targets for the current financial year from six in the previous financial year. All 24 targets are new, and are as follows:[[23]](#footnote-23)

* A tariff offer approved by the Southern African Customs Union (SACU) covering 90 per cent of tariffs submitted to the AfCFTA and implemented;
* Finalisation and submission of the South African services offer in five priority sectors;
* Three country-proposals on Draft Protocols on Investment, Competition and Intellectual Property;
* One country-proposal on Rules of Origin (ROO) for clothing products and automobiles;
* A progress report on bilateral engagement with 10 countries on Services Offer in five priority sectors;
* A progress report on the Review of the SADC-European Union (EU) Economic Partnership Agreement (EPA);
* Two progress reports on the African Growth and Opportunity Act;
* Two progress reports on bilateral initiatives with selected Asian, Latin American, and Middle Eastern trading partners;
* One progress report setting out support for State Visits and other international engagements;
* Eight reports setting out progress in the engagements in the World Trade Organization (WTO), G20, and Brazil, Russia, India, China and South Africa Group (BRICS);
* An evaluation report on tariff recommendations made by the ITAC;
* A report on social compacts developed to promote the DTIC’s strategic objectives, such as competitiveness and jobs;
* A report on legal support provided on issues of relevance to trade and international law;
* An action brief to the Executive Authority on trade flows to identify challenges of illegal imports;
* A report to the Executive Authority setting out progress in engagements at SACU;
* A report on engagements with social partners at NEDLAC and sector level on trade offers;
* Three draft regulations on anti-dumping, safeguard measures and tariff investigations;
* Two reports on the red-tape reductions and streamlining processes;
* A report setting out progress in review of the International Trade Administration Act;
* A report evaluating the impact of trade policy on industrialisation and transformation;
* A report on the contribution to trade policy strategy in emerging areas like the Green Economy;
* A report considering the impact of trade policy decisions on firms located in different Districts and SEZs, townships, and industrial parks;
* A Draft Bill on Patents and full Explanatory Memoranda submitted to the Executive Authority and taken through the Economic Cluster; and
* A Draft Amendment Bill on Designs and full Explanatory Memoranda submitted to the Executive Authority and taken through the Economic Cluster.

While all the targets under this Programme are cited as new targets, similar targets existed in the previous financial year in relation to reports on South Africa’s negotiating position and engagements in meetings of BRICS, G20, and the WTO. In addition, in the previous financial year, the DTIC had a target on Border interceptions and other measures to reduce illegal imports in collaboration with the South African Revenue Service (SARS) and the ITAC. This target is similar to the target of “An action brief to the Executive Authority on trade flows to identify challenges of illegal imports”.

* + 1. **Programme 3: Spatial Industrial Development**

This Programme was previously known as the Spatial Industrial Development and Economic Transformation Programme. The purpose of the Programme is to promote inclusive economic transformation and to industrialise the economy through developing and funding SEZs, Industrial Parks, and the Black Industrialists Programme. The sub-programmes are Enterprise Competitiveness, Equity and Empowerment, and Spatial Industrial Development.[[24]](#footnote-24)

A total of 17 targets are set for this financial year. In the 2021/22 financial year, this Programme aimed to achieve eight targets. All targets set for this financial year are new, namely:[[25]](#footnote-25)

* Draft Framework Documents on reforms to the SEZ and Industrial Park models;
* Document mapping the township economy and opportunities for support;
* A report setting out progress with the development of the spatial industrial development framework;
* Two reports on support provided to SEZs and Industrial Parks;
* Two proposals for new SEZ designations, together with business plans, governance arrangements, and budget implications, assessed and submitted for consideration;
* An Annual Report on SEZs and Industrial Parks;
* A submission on SEZ and Industrial Parks funding prepared for National Treasury;
* Two progress reports setting out progress on strengthening the governance and performance of SEZs and Industrial Parks, including their attraction of private investment;
* Four reports classifying the work of the DTIC at District level and work across 52 Districts/Metros;
* Four reports identifying private sector industrial nodes at District level across 52 Districts/Metros;
* A report on the review of the B-BBEE Framework, together with recommendations, submitted to the Executive Authority;
* An annual report on the participation of B-BBEE beneficiaries in the economy including workers, women, PWD and youth;
* Four reports setting out progress on monitoring and implementation of Equity Equivalent Investment Programmes, Sector Charters and BEE Codes;
* A progress report on facilitating the participation of firms from different Districts, SEZs and Industrial Parks in trade and investment promotion initiatives;
* A report identifying and facilitating localisation opportunities for Districts, SEZs and Industrial Parks;
* A report on initiatives developed to support the Green Economy through SEZs and Industrial Parks; and
* Two progress reports on red-tape reduction.
	+ 1. **Programme 4: Industrial Policy**

The Industrial Policy Programme, formerly known as the Industrial Development Programme, is responsible for the design and implementation of policies, strategies, and programmes to develop the manufacturing and related sectors of the economy to contribute to the creation of decent jobs, add value to manufactured products, and enhance competitiveness in the domestic and export markets.[[26]](#footnote-26) The Programme has 18 targets for the year under review, namely:[[27]](#footnote-27)

* A total of 30 progress reports on the implementation of the Master Plans including the (i) Automotive Sector; (ii) Poultry; (iii) Sugar Value chain; (iv) Steel and Metal Fabrication; (v) Furniture, and (vi) Clothing, Textiles, Footwear, and Leather Master Plans. A similar target existed in the previous year but only one progress report was to be produced on the six Master Plans;
* Thirty reports setting out progress against priority sectors not covered by a Master Plan, namely (i) Aerospace and Defence; (ii) Agro-processing and Resource; (iii) Electrotechnical Industries and White Goods; (iv) Chemicals, Cosmetics, Plastics and Pharmaceuticals; (v) Capital and Rail Transport Equipment; and (vi) Construction;
* Inputs on the Draft Procurement Bill submitted to the Minister;
* Two progress reports on engagements with Organs of State on an aligned Preferential Procurement Policy;
* A Cabinet Memorandum with Localisation Dashboard compiled;
* Two reports setting out progress on monitoring and evaluating the localisation impact of the DTIC initiatives;
* Four reports on key beneficiation opportunities within identified value-chains and actions taken to promote the opportunities;
* Two reports setting out progress in ensuring industrial capability and security of supply in strategic medical products required particularly for the COVID-19 virus;
* Publish the New Energy Vehicle roadmap;
* Publish Green Hydrogen Commercialisation Strategy;
* Two reports setting out progress in greening of industrial sectors;
* Develop a register of industrial projects and Programme initiatives by District;
* Four reports setting out progress to foster greater spatial equity through industrial initiatives;
* Four reports on building staff capability on industrialisation;
* Two reports on red-tape reduction;
* Four reports on improved efficiency of Technical infrastructure institutions, and sector desks;
* A report on providing capacity building support to entities in supported sectors; and
* Two reports on the development of partnerships and social compacts with entities inside and outside of the DTIC.
	+ 1. **Programme 5: Consumer and Corporate Regulation**

The Consumer and Corporate Regulation Programme is aimed at “developing and implementing coherent, predictable and transparent regulatory solutions that facilitate easy access to redress and efficient regulation for economic citizens”[[28]](#footnote-28).

The ten targets under this Programme are:[[29]](#footnote-29)

* Two approved reports setting out the work completed on the Companies Amendment Bill towards corporate governance and worker protection;
* Two reports on the development of the Companies Amendment Bill;
* Two approved reports setting out the work completed on the National Credit Amendment Bill;
* Two approved reports setting out progress on the development of proposed measures against alcohol abuse;
* Two reports setting out the work completed on the National Gambling Amendment Bill;
* Report setting out a proposal on legislation to be migrated;
* Two reports on red-tape reduction;
* A report on key legislation under review and preliminary proposals;
* A report approved setting out steps taken on ease of compliance; and
* A report setting out steps taken and the results thereof, on evaluating and improving the impact of the DTIC regulations on localisation, jobs, exports and investment.
	+ 1. **Programme 6: Industrial Financing**

The Industrial Financing Programme is responsible for, stimulating and facilitating “the development of sustainable and competitive enterprises, through the efficient provision of effective and accessible incentive measures that support national priorities”[[30]](#footnote-30).

For the financial year, 11 targets are planned, there had been nine targets in the previous financial year under this Programme. Of the 11 targets, 10 are new targets. The one target that existed in the previous financial year relates to the leveraging of investment from approved projects and enterprises, of approximately R24 billion worth of investment. However, the target had been R23 billion in the previous financial year.

The new targets are:[[31]](#footnote-31)

* Support packages to the value of R5 billion disbursed;
* Two Social Compact Documents on commitments by firms on local industrial outputs, export promotion, employment and transformation;
* Two approved reports setting out progress with support packages developed/amended for the new master plans in collaboration with the DFIs;
* Five reports on red-tape reduction including action minutes setting out progress on developing shared services model for the IDC, the National Empowerment Fund (NEF) and the DTIC, and on leveraging support packages with assistance provided by provincial and local government;
* Two reports setting out progress on support provided to 30 Districts/Metros;
* Two reports setting out progress in achieving R500 million per annum of industrial financing support towards black industrialists, women- and youth-owned enterprises, through the processing of at least 100 applications;
* Two reports on the value of projected local procured goods and services across all approved support packages and disbursement including evaluation of localisation;
* Five approved enterprises or projects supporting green economy initiatives;
* Ten local productions of films and documentaries telling South African stories received, adjudicated, and approved; and
* Ten approved implementation reports, setting out progress against the actions identified in the two Master Plans, namely Film Animation, and Global Business Services.
	+ 1. **Programme 7: Trade and Investment South Africa**

The Trade and Investment South Africa Programme is aimed at increasing export capacity and supporting direct invest flows through targeted strategies. It also manages a network of foreign trade offices responsible for promoting value-added South African exports and South Africa as an investment destination.[[32]](#footnote-32)

The targets under this Programme increased from six in the previous financial year to 13 in the current financial year. The thirteen targets, mainly reports, are detailed below:[[33]](#footnote-33)

* Four progress reports on targeted marketing efforts to African markets;
* An impact report on successes with increased exports and data on exports to selected African markets;
* The development of a framework document on the work of Foreign Economic Representatives;
* An impact report on the work of the export networks;
* Four reports on hosting business forums in support of state visits;
* An impact report on export partnerships;
* Four progress reports on export council compacts;
* Four Export Action Plans developed and approved for priority sectors and markets;
* Four reports setting out progress with export promotion and capacity development support to 200 black-, women-, and youth-owned enterprises;
* A report on progress on the development of a Cooperation Agreement with the Export Credit Insurance Corporation (ECIC), IDC, and NEF to provide structured support to emerging exporters;
* Four reports setting out progress in undertaking targeted export promotion and capacity building activities in under supported Districts;
* An impact report on red-tape reduction; and
* Two reports setting out progress with reducing red-tape in the processes of the ECIC and Export, Marketing and Investment Assistance programme.

The targets under this Programme became mainly reports rather than the actual activities of the DTIC. For example, the targets for the previous financial year were actual activities such as supporting 50 companies participating in export promotion initiatives including Women, Youth, and PWD; 300 individuals participating in training and capacity building initiatives to support the development of Women, Youth, and PWD; and processing of 60 barriers by the Export Barriers Monitoring Mechanism.

* + 1. **Programme 8: Invest South Africa**

The purpose of the Programme is to “support foreign direct investment flows and domestic investment by providing a one-stop-shop for investment promotion, investor facilitation and aftercare support for investors”[[34]](#footnote-34). The sub-programmes are Investment Promotion, Investment and Interdepartmental Clearing House, and Investor Support and Aftercare.

A total of 12 targets are planned under this Programme. In the previous financial year, there had been five planned targets. The Programme’s 12 outputs are:[[35]](#footnote-35)

* The facilitation or coordination of investment project pledges to the value of R120 billion. In the previous financial year, the target was R50 billion;
* Four reports on the value of pledged investment implemented by companies through construction, procurement of equipment, or similar activities;
* Forty unblocking and fast-tracking of investor issues to provide post-commitment support to investors. In the previous financial year, the target was to unblock and fast-tracking 24 investor issues;
* Two reports on red-tape reduction;
* A report setting out progress on the BizPortal enhancements and improved company registration process;
* Four reports setting out progress on the selected regulatory reforms identified;
* A report setting out progress on support to the Presidency Red-tape Reduction Office;
* A report setting out progress on the evaluation of localisation, jobs, and export values created by supported investment projects;
* A report setting out progress against the development of investor compacts that support black industrialists, women- and youth-owned enterprises, and small enterprises;
* A report setting out progress against the investment promotion support provided to SEZs, industrial parks, district policymakers and for township enterprises;
* A report setting out progress on support for and work with the Presidency Investment and Infrastructure Office; and
* A report setting out progress on work undertaken with provinces and local government on investment promotion.
	+ 1. **Programme 9: Competition Policy**

The Programme focuses on developing and implementing policy interventions that promote competition. The sub-programmes are Economic Planning and Advisory, Implementation and Coordination, Investment and Development, and Competition Oversight. The implementation of this Programme would result in nine outputs.[[36]](#footnote-36) The targets for the output indicators are:[[37]](#footnote-37)

* Five reports setting out progress with public interest conditions in mergers and acquisitions;
* Five reports setting out progress in the implementation of merger commitments made in the past five years;
* A report on the portfolio of sectors to be considered by the Executive Authority for market inquiries;
* Two reports setting out progress with the recommendations and findings of Past market inquiries, the Economic Concentration Report, and in securing inputs from firms and government entities in market inquiries;
* Two reports setting out progress with mainstreaming competition work in master plans, AfCFTA negotiations, green economy, exports and spatial development;
* A report setting out the results of the Review of the Competition Policy framework and regulatory reforms;
* Two reports on red-tape reduction;
* Four reports setting out progress with oversight of competition entities; and
* A report on implementation of the Social and Solidarity Economy policy framework.
	+ 1. **Programme 10: Economic Research**

The purpose of the programme is to “(u)ndertake economic research, contribute to development of trade and industrial policies and guide policy, legislative and strategy processes to facilitate inclusive growth”[[38]](#footnote-38). The sub-programmes for this programme are Economic Research and Policy Coordination, Macroeconomic and Microeconomic Policy Development and Implementation, and Growth Path and Decent Work.[[39]](#footnote-39)

For the financial year, the programme has 11 output targets, which are all new targets. The targets for the output indicators are:[[40]](#footnote-40)

* Seventeen research reports or factsheets produced on Investment, Master Plan sector profiles, Localisation and Exports;
* The development and maintenance of one Worker Ownership Register;
* One localisation and jobs impact monitoring system supported;
* Three policy research briefs produced at the request of the DTIC branches or the Executive Authority on areas such as the green economy, digital economy, and rationalisation of the DTIC entities;
* Two reports on red-tape reduction;
* Three impact assessments produced at the request of branches or the Executive Authority providing feedback on the efficacy and impact of the DTIC initiatives and measures;
* The development and maintenance of 52 District-level dashboards of the DTIC and its entities’ interventions;
* Two reports on work completed on integration of the DTIC efforts on industrialisation and transformation at district levels;
* Three Knowledge Networks for capacity building of staff in relevant analytical fields convened;
* Publish 10 opinion pieces; and
* A Programme agreed with higher education institutions.
	1. **Budget Vote 39: Analysis of the 2022/23 – 2024/25 financial period**

The allocated budget for the DTIC has decreased to approximately R10,9 billion in the 2022/23 financial year from R11,8 billion in the 2021/22 financial year. While the budget has decreased by 8,1 per cent in nominal terms, the decrease is even greater in real terms at 12 per cent (adjusted for projected inflation of 4,5 per cent[[41]](#footnote-41)). Over the medium term, the DTIC’s budget is expected to decrease from R10,4 billion in the current financial year to R10,0 billion and R9,3 billion in the 2023/24 and 2024/25 financial years respectively in real terms.[[42]](#footnote-42) Figure 1 below shows the DTIC’s budget for the medium-term both in nominal and real terms (inflation-adjusted)[[43]](#footnote-43).

**Figure 1: Medium Term Budget Allocation of the Department of Trade, Industry and Competition**

**Source:** National Treasury (2022a: 803) and Madalane (2022)

Over the strategic five-year period from 2020 to 2025 and for the 2021/22 financial year, the DTIC’s budget is focused on the implementation of policies, strategies, programmes, and incentives aimed at promoting industrial development and broadening participation in the economy. These are mainly implemented through Programme 6: Industrial Financing, Programme 4: Industrial Policy, and Programme 9: Competition Policy, as these programmes account for the largest shares of the allocated budget. For the financial year under review, the three above-mentioned programmes account for more than 78 per cent of the total DTIC budget with Programme 6 accounting for 46,2 per cent, and Programmes 4 and 9 accounting for 16,6 per cent and 16 per cent respectively.

The Administration Programme is the fourth largest programme with 8,7 per cent of the budget. The smallest programmes are Economic Research, Invest South Africa, and Spatial Industrial Policy Development, all accounting for less than 2 per cent each of the total budget. The breakdown of each programme’s share of the total budget is shown in figure 2 below.

**Figure 2: Share of Allocated Budgets per Programme for the 2022/23 Financial Year**

**Source:** National Treasury (2022a: 803) and Madalane (2022)

* + 1. **Programme Analysis[[44]](#footnote-44)**

The decrease in the budget from the 2021/22 financial year to the 2022/23 financial year is R953 million in nominal terms. This decrease has filtered through to the Industrial Financing Programme. The Industrial Financing Programme’s budget decreased by R1,2 billion compared to the previous financial year. While the Economic Research Programme decreased by R10 million and the Trade Investment South Africa Programme decreased by R2 million. All other programmes’ budgets increased.

Table 1 below shows the budget for the 2021/22 and 2022/23 financial years as well as changes in each of the programmes in both nominal and real terms. The largest budgetary increase is in the Administration Programme where the budget will increase by R88 million or 10,3 per cent of the Programme’s budget. This is followed by an increase in the Competition Policy Programme (R87 million); the Industrial Policy Programme (R36 million); and the Spatial Industrial Development Programme (R21 million).

**Table 1: Budget Allocation by Programme (R’ million)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Percent change in 2022/23** | **Real Percent change in 2022/23** |
| **2021/22** | **2022/23** |
| 1. Administration | 856 | 944 | 10,31% | 5,56% |
| 2. Trade Policy | 227 | 241 | 6,38% | 1,80% |
| 3. Spatial Industrial Development | 168 | 189 | 12,42% | 7,58% |
| 4. Industrial Policy | 1 763 | 1 799 | 2,05% | -2,34% |
| 5. Consumer and Corporate Regulation | 332 | 351 | 5,80% | 1,24% |
| 6. Industrial Financing | 6 230 | 5 011 | -19,56% | -23,02% |
| 7. Trade and Investment South Africa | 443 | 441 | -0,42% | -4,71% |
| 8. Invest South Africa | 69 | 80 | 15,84% | 10,86% |
| 9. Competition Policy | 1 655 | 1 742 | 5,26% | 0,73% |
| 10. Economic Research  | 70 | 61 | -13,52% | -17,25% |
| **TOTAL** | **11 812** | **10 859** | **-8,1**% | **-12,02**% |

**Source:** National Treasury (2022a: 803) and Madalane (2022)

* + 1. **Economic classification[[45]](#footnote-45)**

In terms of the economic classification, of the total budget of R10,85 billion for the 2021/22 financial year, approximately R1,9 billion (18 per cent of the total budget) is the operational budget of the DTIC and the bulk of the budget, R8,9 billion (82 per cent of the total budget), is allocated to transfers and subsidies to departmental entities, private enterprises, and other institutions. The operational expenditure mainly accounts for the compensation of employees (R1,0 billion or 55,5 per cent of the operational budget or 9,3 per cent of the DTIC’s total budget) and the procurement of goods and services (R876,6 million). It is worth noting that the compensation of employees’ budget will decrease by 2 per cent between the 2022/23 and the 2023/24 financial years due to the estimated reduction in the number of employees. It is estimated that employees will decrease by 27 employees, from 1 346 employees in 2022/23 to 1 319 in 2023/24. The DTIC’s budget by economic classification is shown in the table below.

**Table 2: Budget Allocation by Economic Classification (R’ million)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Economic Classification** | **Revised estimate 2021/22** | **Appropriation 2022/23** | **Share of the 2022/23 Appropriation** |
| **Current payments** | **R1 735,9** | **R1 923,9** | **17,7%** |
| Compensation of employees | R1 023,6 | R1 047,3 | 9,6% |
| Goods and services | R712,4 | R876,6 | 8,1% |
| **Transfers and subsidies** | **R9 954,7** | **R8 911,6** | **82,1%** |
| Departmental agencies and accounts | R1 290,5 | R1 320,7 | 12,2% |
| Foreign governments and international organisations | R40,5 | R41,3 | 0,4% |
| Public corporations and private enterprises | R8 464,6 | R7 392,5 | 68,1% |
| Non-profit institutions | R157,9 | R156,2 | 1,4% |
| Households | R1,3 | R1,0 | 0,0% |
| **Payments for capital assets** | **R36,4** | **R23,8** | **0,2%** |
| Machinery and equipment | R20,7 | R20,1 | 0,2% |
| Software and other intangible assets | R15,7 | R3,7 | 0,0% |
| **Total**  | **R11 727,0** | **R10 859,3** | **100,0%** |

Source: National Treasury (2022a: 803)

The transfers and subsidies will decrease from R9,9 billion in the previous financial year to R8,9 billion in the 2022/23 financial year. This results mainly from the decrease in transfers and subsidies to public corporations and private enterprises. The R8,9 billion of transfers and subsidies will be distributed as follows:

* Public corporations and private enterprises (83 per cent or R7,4 billion);
* Departmental agencies and accounts (14,8 per cent or R1,3 billion);
* Non-profit institutions (1,8 percent or R156,2 million);
* Foreign governments and international organisations for membership fees (0,5 per cent or R41,3 million); and
* Households will be R1,0 million.
	+ - 1. **Transfers to Entities**

The DTIC has 16 entities. Of these, three are self-funded, namely the Companies and Intellectual Property Commission, the NEF, and the National Lotteries Commission (NLC). Approximately R3,6 billion is for transfers to the DTIC’s entities, as shown in the table below:

**Table 3: Transfers to entities (R’million)**

| **Entity** | **2021/22** | **2022/23** |
| --- | --- | --- |
| Companies Tribunal  | R20,3 | R24,5 |
| Competition Commission | R439,5 | R449,5 |
| Competition Tribunal  | R36,9 | R42,3 |
| Export Credit Insurance Corporation of South Africa  | R208,1 | R213,9  |
| International Trade Administration Commission | R112,5 | R108,6 |
| National Consumer Commission  | R58,5 | R59,4 |
| National Consumer Tribunal | R53,5 | R54,7 |
| National Credit Regulator  | R82,6 | R83,2 |
| National Gambling Board  | R35,9 | R36,5 |
| National Metrology Institute of South Africa (NMISA): Capital  | R140,6 | R145,7 |
| NMISA: Operations | R121,1 | R122,8 |
| National Regulator for Compulsory Specifications  | R144,1 | R147,5 |
| South African Bureau of Standards  | R328,8 | R336,2 |
| South African National Accreditation System  | R32,9 | R33,8 |
| Industrial Development Corporation  |
| * Industrial financing
 | R1 800,0 | R0 |
| * Sector programmes
 | R587,4 | R599,5 |
| * Regional Industrial Development
 | R0 | R15,0 |
| * Downstream steel industry competitiveness fund
 | R37,7 | R39,5 |
| * Tirisano construction fund trust
 | R51,2 | R53,7 |
| * Social employment fund
 | R800,0 | R861,6 |

**Source:** National Treasury (2022a: 804)

The NMISA has been receiving additional funding for its infrastructure upgrades. This was approved in the 2016/17 financial year. In the current financial year, NMISA has been allocated R145,7 million in this regard.

The IDC receives transfers for incentives for various activities and incentives. It administers some of the incentive programmes on behalf of the DTIC.

1. **Key issues raised by the Committee during its deliberations**

The Committee raised a number of concerns during its deliberations, including:

* 1. ***An integrated approach:*** President M C Ramaphosa in his 2022 SONA, identified three pillars that formed the foundation for addressing unemployment, poverty, and inequality, and ensured improved economic performance and inclusive growth. These three pillars are industrialisation that would stimulate job creation and increase income levels, transformation through building an inclusive economy, and building a capable state through an integrated social compact to improve better outcomes with regard to public policies. Although the Committee welcomed the new approach, it cautioned against focusing on only one of the pillars at the expense of the others. The Committee enquired what measures are in place to ensure greater synergy between the three core pillars. The DTIC informed the Committee that the deliverables in the APP centre around the three pillars, which are: Industrialisation, Transformation and Capable State. It is of the view that all of its outputs collectively are designed to ensure that Industrialisation, Transformation and Capable State outcomes are realised. This, in its opinion, would also be achieved, through integration between the work of the Department and its Entities. Furthermore, its APP provides a clear outline on how each of the outputs link to the three pillars.
	2. ***The realisation/actualisation of investment pledges:*** The government’s recognition that the scarcity of financial resources in the South African economy was impeding sustained economic growth, prompted an initiative from President M C Ramaphosa to raise funds to inject much needed capital into the South African economy. To date, these investment conferences had resulted in pledges of investment to the amount of R773 billion. The most recent investment conference held in March 2022 resulted in pledges of R336,8 billion in new investment. However, not all previous pledges had been honoured due to the recent economic challenges facing the world. In this regard, the Committee enquired what measures the DTIC were implementing to ensure that investment pledges were realised and resulted in new operational projects. The DTIC informed the Committee that 79 entities had made new investment announcements to the value of R332,2 billion at the Conference. Since the first South African Investment Conference (SAIC) in 2018, a number of companies have expanded on or increased their original announcements to the value of R47,6 billion. However, due to the impact of the COVID-19 pandemic and economic conditions, some companies have also had to cancel their projects or reduce the original investment value, this amounted to an investment value loss of R12,9 billion. The final tally for SAIC 2022 is thus R366,8 billion.

Furthermore, of these new announcements, a number were from companies that had already made commitments in previous years and were now expanding on those investments including Proctor & Gamble (2018, 2020); Teraco (2019, 2020); SA Steel Mills (2020); Aspen (2018); Telkom (2019, 2020); Scaw Metals (2019, 2020); Renergen (2019); Anglo American (2018); Ivanhoe Mines (2019, 2020); and Defy (2019). Therefore, after the 2022 SAIC, the 5-year investment mobilisation drive commitments stood at R1,14 trillion; 95 per cent of the investment value target of R1,2 trillion. Of the 231 announcements, 57 projects to the value of R69,3 billion had been completed and were fully implemented, and had created 22 548 jobs.

* 1. ***Export promotion activities***: The promotion of goods and services of South African companies abroad is vital to ensure a good trade balance and the overall growth of the economy. In its 2022/23 APP, the DTIC identified that there was a weak export promotion connection in relation to industrialisation, which required a new innovative approach to ensure maximum benefits to the South African economy. Furthermore, a concern had been raised about the impact of Russia’s invasion of Ukraine on South Africa’s exports. The Committee enquired how the DTIC intended to navigate this export challenge given the current global economic environment, worsened by the Russian invasion into Ukraine. The DTIC informed the Committee that Russia’s war with Ukraine presents inherent risks for the world economy, which has not yet fully recovered from the impact of the COVID-19 pandemic. The impact of the war on the overall global economy appears to be relatively minimal, since Russia and Ukraine are not economic powerhouses. The DTIC recognised the importance of both countries as exporters of energy, precious metals, wheat and other commodities; however, they only accounted for less than 2 per cent of the world’s gross domestic product. Although the DTIC acknowledged that South African exports to these specific markets might be affected, it was of the view that at a broader level the 2022/23 APP aims to improve the total value and composition of South African exports by supporting firms to reach strategic export markets.

Furthermore, the DTIC informed the Committee that in this regard, the priority would be to unlock the opportunities in Africa linked to the AfCFTA. At the same time, a more targeted approach would be adopted to access opportunities in the United States, Asia, Europe, the Middle East, and Latin America. In support of these objectives, dedicated plans and networks would be developed to create a framework for companies to succeed in complex markets, while making it easier for companies to access export finance, marketing avenues, and a flexible basket of advice and support suited to their unique needs.

* 1. ***Need for synergy and intergovernmental cooperation:*** Given the importance of industrialisation to develop and grow the economy, cooperation and alignment among the relevant government departments and entities would be critical to address structural reforms needed to attract and retain both foreign and local investment. Therefore, a seamless, inter-governmental approach across the three spheres of government was critical. The Committee enquired what measures are in place to facilitate this degree of cooperation. The DTIC responded that, after the 2019 election, government had introduced the RIS to drive industrialisation, investment and job creation. The RIS is effected through the development and implementation of master plans. The master plans adopt the co-creation methodology where all relevant social partners such as government agencies - across all spheres of Government - business, labour and academic institutions, all work together to develop and implement sector specific strategies. In the view of the DTIC, the master plan methodology cements inter-governmental and inter-sectoral co-operation; where all relevant stakeholders would be part of the solution and contribute to the development of their respective sectors. In this regard, the DTIC has championed the development of Master Plans for the Automotive; Retail-Clothing, Textiles, Footwear and Leather (CTFL); Steel and Metal Fabrication; Furniture; Poultry and Sugar industries.

Furthermore, the DTIC informed the Committee that the District Development Model (DDM) plays a significant role in fostering inter-governmental co-operation where all Government Departments and Entities work together to develop and implement the District One Plans (DOPs) for each district. These DOPs effectively serve as joint Programmes of Action by government agencies from all the three spheres of Government for the 52 districts including the eight Metros.

* 1. ***Municipal support:*** SEZs and Industrial Parks are important vehicles implemented by government to contribute to the development of local and rural economies. These vehicles are intended to stimulate local and regional economies by creating economies of scale and jobs, particularly for the surrounding areas/communities. A major challenge to the success of these initiatives is the inability of local government to consistently provide the necessary basic infrastructure support for these initiatives at a competitive price. The Committee enquired what measures were being considered by the DTIC to address these challenges that would fundamentally affect the success of these initiatives. The DTIC informed the Committee that pursuant to the enactment of the SEZ Act (Act No. 16 of 2014), it provides a funding mechanism under its Industrial Financing Branch, called the SEZ Fund. Together with the Industrial Parks Revitalisation Programme, these funding units aim to catalyse the development of pro-industrialisation platforms (such as bulk infrastructure and top structures); which are critical for enabling the crowding-in of private sector investments within SEZs and Industrial Parks.

The adopted collaborative implementation framework of the DDM seeks to further address various challenges by promoting efficiencies in planning, construction and delivery of infrastructure systems. The DTIC, through both the SEZs and Industrial Parks Programmes, co-ordinates various technical support platforms that plan and monitor implementation and performance of these projects, especially through its Industrial Project Management Unit based at the IDC.

Furthermore, the DTIC informed the Committee that it also introduced social compacts or agreements with the other two spheres of Government on the delivery of SEZs. These agreements help clarify roles and responsibilities as well as making sure that commitments are secured from all partners. To this end, two agreements have already been developed for the Tshwane Automotive SEZ (already signed) and the proposed Fetakgomo Tubatse SEZ (ready to be signed).

* 1. ***Industrial financing:*** The provision of financial support to qualifying enterprises in support of core national priorities are key for economic growth and the creation of new sustainable jobs. The role of the Industrial Financing Branch at the DTIC is to provide such support that would stimulate economic activity among various sectors of the economy. While Industrial Financing remains one of the DTIC’s core mandates and accounts for a significant share of the total budget, its allocation will decrease by R1,79 billion in the 2022/23 financial year compared to the previous financial year. This, according to the Committee, does not bode well for attracting and retaining investment. The Committee enquired what the impact of the reduced allocation would be on the DTIC’s ability to leverage investment and economic growth. In response to the current economic climate, the DTIC informed the Committee that it would review current industrial financing interventions for all sectors to maximise impact. Even though the current allocation is under considerable pressure, it would seek to reprioritise funds for the implementation of economic recovery packages, as well as to increase support of other pressurised programmes.
	2. ***Review of the SADC-EU EPA*:** Currently, the SADC-EU EPA is being reviewed. While the current non-reciprocal tariff lines are expected to be maintained, government aims to expand on the possible trade benefits within this Agreement. The Committee enquired whether South Africa’s neutral position on the Russian invasion into Ukraine could compromise its ability to achieve the best possible outcome for South Africa during the review process. According to the DTIC, the review of the SADC-EU EPA is a formal process, provided for under the terms of the Agreement. South Africa, as part of the SACU would advance proposals to improve its terms in ways that support increased exports to the EU. These would include agreement on the electronic certification of wine exports; increases in tariff rate quotas for wheat, wine, and sugar; agreement to cumulate with: Botswana, Lesotho, Namibia, Eswatini and the United Kingdom, in exporting to the EU; and addressing undue constraints on export taxes. The DTIC informed the Committee that it anticipates that the EU would also advance issues in its interests that, together with South Africa, would constitute a work program and agenda for negotiation.
	3. ***Scrap metal***: The importance of ensuring the supply of affordable scrap metal to the domestic steel industry cannot be underestimated. Regulatory measures have been introduced to curtail the export of scrap metal. However, the recent rise in public infrastructure theft has once again amplified the call for a total ban on the export of scrap metal as a measure to address this challenge. Although prudent regulation with regard to scrap metal is important, it is not clear whether the enforcement authorities at ports and borders have the ability to determine whether illicit scrap metal is being exported. The Committee enquired whether the DTIC has considered any other measures, including a possible collaboration with the South African Police Service (SAPS), to combat this. The DTIC indicated that government is concerned with the pillaging of public infrastructure for sale as scrap metal. The DTIC was engaging with other State authorities such as the Department of Public Enterprises; the SAPS; the National Intelligence Co-ordinating Committee; and National Treasury to ensure an adequate policy response. It would, therefore, only be in a position to provide more details in this regard once the evaluation of the situation has been concluded.
	4. ***Outstanding matters regarding the AfCFTA:*** The underlying principles of the AfCFTA is to accelerate intra-African trade and boost Africa’s trading position in the global market by strengthening Africa’s common voice and policy space in global trade negotiations. Furthermore, it seeks to reduce tariffs among members and to cover policy areas such as trade facilitation and trade in services, as well as regulatory measures such as sanitary and phyto-sanitary standards, and technical barriers to trade. The President in his 2022 SONA stated that trading can now begin under the AfCFTA and encouraged South African companies to take up these new business opportunities. However, the Committee enquired what the remaining issues with regard to ROO and draft rules with respect to localisation were, and what benefits South Africa had derived from the implementation of the AfCFTA. The DTIC informed the Committee that it leads South Africa’s negotiations on ROO at the AfCFTA on the basis of the mandate obtained through consultations in the NEDLAC. Its overall objective would be to preserve and enhance the African produced content of products traded under preferential AfCFTA trade. Furthermore, South Africa would advance product specific rules that aim to protect and encourage the expansion of the South African and Continental industrial base.

According to the DTIC, 87,7% of all tariff lines have been agreed to in terms of the ROO. However, negotiations with regard to textiles and clothing, sugar and the automotive sectors are ongoing.

The SACU is close to finalising its own tariff phase down offer on 90% of its tariff lines. Once the tariff offer has been submitted and verified by the AfCFTA Secretariat, and provided the conditions set by the December 2020 Extraordinary Summit have been met, SACU would be able to trade on preferential terms with other AfCFTA parties that also meet the requirements. South African exporters would obtain new market access opportunities in the markets of East, West and North Africa, as Southern African countries already trade amongst themselves on preferential terms under the SADC Trade Protocol.

* 1. ***Status of the Special Investigation Unit (SIU) report on allegations at the NLC***: At a meeting held on 2 March 2022 with the SIU, the Committee resolved that once the SIU has submitted its Phase 1 report to the Presidency, the Committee would enquire whether the report may be made available to it. If the report is available, the Committee would schedule a further briefing on the report. The Committee enquired whether the interim report of the SIU with regard to alleged maladministration and corruption at the NLC had been submitted to the Office of the Presidency, and when the report would be shared with the Committee. The DTIC informed the Committee that it had not yet received the report and was not aware whether it had already been submitted to the Presidency. The It endeavoured to keep the Committee abreast of any new developments in this regard.
	2. ***Innovation and technology:*** The Support Programme for Industrial Innovation (SPII) as one of the programmes of the DTIC, is designed to promote technological development in South Africa’s industry, through the provision of financial assistance for the development of innovative products and/or processes. The Committee enquired whether the DTIC has considered increasing its budget to support innovative and technologically advanced industries, notwithstanding that the current focus is on absorbing unskilled and low skilled workers into the economy. In addition, whether the DTIC has considered investing in these industries in order to create the economic growth and jobs required. The DTIC reported that, through its Industrial Financing Branch, it offers support under the following programmes to encourage innovative and technologically advanced industries:
* *Technology and Human Resource for Industry Programme*aims to boost South African industry by supporting the development of technologies and increasing skilled technical labour; and
* *SPII* aims to promote technological advancements through the provision of financial assistance to develop innovative products and processes.
	1. ***Re-imagined Industrial Strategy*:** After the 2019 election, Government outlined the RIS that seeks to focus on the development of competitive industries. This would involve the development of competitiveness plans across key industries – known as Sector Master Plans – to create resilient and dynamic businesses able to compete in the global marketplace. The Committee enquired whether the current iteration of industrial policy would contribute towards structural transformation and whether it would secure inclusive growth, and if not, what were the reasons for not achieving these objectives. The DTIC confirmed that the current Industrial Policy iteration is the RIS endorsed by Cabinet in 2019. The RIS re-emphasises the role of the State in changing the growth trajectory of the South African economy by supporting improved industrial performance, dynamism and competitiveness. It identifies five areas that will drive growth in the economy and these engines of growth include: (i) industrialisation, (ii) investment and infrastructure, (iii) innovation, (iv) integration, and (v) inclusion. A key pillar of the RIS is the development of Master Plans where each social partner commits to implement concrete interventions to transform and build the economy. According to the DTIC, the Master Plans would be key drivers to attract investment, build capable local industries and create jobs. Implementation of these Master Plans cannot happen without strong financial support from a range of DFIs such as the IDC and the NEF, and various incentive schemes offered by the DTIC, as well as loan and equity financial support. Other policy measures that are in place include trade policy; export and investment promotion; competition policy and business regulation.

Further, the ERRP, launched by the President in 2020, reinforces industrialisation and thus seeks to place the economy on a new path by supporting massive growth in local production that would make South African exports much more competitive. In the view of the DTIC, together, all these measures support and reinforce one another in their efforts to foster structural transformation and also bring dignity to millions of South Africans through the creation of job opportunities.

* 1. ***Impact of the Black Industrialist Programme:*** Since 1994, Government, through various policy initiatives, has invested in a systematic effort to transform the South African economy with the objective of achieving an inclusive economy within the strategic framework of black economic empowerment. The introduction of the Black Industrialist Policy placed specific emphasis on the need to strengthen and increase black participation in the mainstream economy. Therefore, the Committee enquired whether the DTIC was measuring the impact/contribution of the Black Industrialist Programme on the transformation of the economy. The DTIC informed the Committee that it monitors the impact/contribution of the Black Industrialist Programme on the transformation of the economy. Preliminary data (inclusive of the 2021/22 financial year) shows that the DTIC disbursed approximately R2,5 billion to 111 Black Industrialists to start new projects or expand existing projects. These Black Industrialists operate across all nine provinces and in 19 municipalities, including 12 district municipalities. It is expected that progress in the supported projects would create a ripple effect with growth and employment being catalysed in more rural areas and outside of the urban hubs. A range of sectors were supported including automotive parts, chemicals and plastics, renewables, the health economy, steel and metal fabrication, and clothing and textiles. This is indicative of a manufacturing sector that is not only moving towards a diversified range of industries but also one that is racially transforming the ownership and management of these sectors. The Black Industrialists have reported the retention and/or creation of approximately 19 000 jobs of which 50 per cent are black employees.
	2. ***Status of outstanding legislation***: The DTIC highlighted a number of pieces of legislation in its 2022/23 APP that it was either in the process of developing and/or reviewing. Some of this legislation, such as the Liquor Amendment Bill and the Companies Amendment Bill, are longstanding and are yet to be tabled to Parliament after a number of years. The Committee requested the DTIC to provide it with a status update on the various pieces of legislation that it was dealing with and when the Committee could expect these to be tabled in Parliament. The DTIC informed the Committee that the first Companies Amendment Bill was looking at amendments to remuneration disclosures, disclosures of shares in company ownership, and other amendments including to address red-tape to update the Companies Act (Act No. 71 of 2008) that came into effect in 2011. The Bill was published for public comment in October 2021. However, it had been delayed because there had been several areas of disagreements among stakeholders within NEDLAC at the end of its processes in 2020, so the Bill was being reviewed and there had been further consultations at NEDLAC in 2021. There had been substantive issues that emanated from the consultations and the Bill had to be re-advertised for public comment. The dates for introducing the Bill to Parliament are not determined currently, however, the plan is to introduce it in this current financial year.

The focus of the second Companies Amendment Bill is on worker participation in the board structures of companies. It looks at how workers could benefit from being part of decision-making in companies’ board structures. The Bill would ensure the inclusion of labour and workers in the board structures of companies so that they could enjoy participation and benefit from their roles in companies. The Bill would be developed in the 2022/23 financial year.

The Liquor Amendment Bill had been developed prior to the pandemic, but during the pandemic, the DTIC recognised the massive abuses of liquor in the country and realised that the magnitude of the challenge is much greater than initially anticipated. As a result, it had determined that the current provisions in the draft Bill may be insufficient. Therefore, the Bill is currently being reviewed with the aim to strengthen its provisions. It was also considering a coordinated government approach with other government departments to review and consider inter-governmental issues within the Bill and consider other approaches. Through the Minister of Trade, Industry and Competition, the aim is to consult other relevant Ministers in Cabinet to bring their respective Departments on board on measures to address this challenge. The aim of these consultations would be to find a solution and address the liquor abuse situation in South Africa, which requires a more comprehensive approach from Government.

* 1. ***Concentration in the economy***: Recent research by the Competition Commission had found that the economy remained highly concentrated 15 years since the Competition Act (Act No. 89 of 1998) was promulgated. As a result of continuous high levels of concentration, the Competition Amendment Act (Act No. 18 of 2018) was promulgated in 2019 with the specific aim of adequately equipping the Commission to address “two persistent structural constraints on the South African economy, namely; the high levels of economic concentration in the economy; and the skewed ownership profile of the economy”[[46]](#footnote-46). The Committee enquired what measures were being considered by the DTIC to address the high level of concentration in the economy as it continues to be an impediment for its structural transformation. In addition, it enquired what progress had been made in implementing the recommendations made in the report on the levels of concentration of the economy. The DTIC informed the Committee that the Competition Commission’s Report, which measured increasing levels of concentration over 80 sectors of the economy, had been published in November 2021. It affirms the case made in 2018 for the amendments to the Act, which actively promote reducing concentration in the economy; broader participation and a greater spread of ownership; and improvements in competition. Key amendments include strengthened provisions to address abuse of dominance; addressing dominant firm conduct that undermines the participation of small and medium-sized enterprises and firms owned by Historically Disadvantaged Persons in addition to merger control; and actively promoting transformation of the economy using exemptions. A second area of implementation is the work being done on the Online Intermediation Platform market inquiry, which would be concluded this year. The Commission has also published terms of reference for a market inquiry into Fresh Produce for public comment.

The Competition Commission’s Concentration Report has been presented to various departments and structures in government for information and discussion to assist with the development of a more co-ordinated approach. This would be further developed in the 2022/23 financial year as part of the DTIC’s APP.

* 1. ***Unemployment*** ***and job creation efforts*:** High levels of unresolved unemployment and poverty create high risks for economic stability, as seen in the July lootings in KwaZulu-Natal and Gauteng. In this regard, the official unemployment rate had reached 35,3 per cent in the fourth quarter of 2021[[47]](#footnote-47). The Committee enquired the reasons why the number of jobs being created was not one of the DTIC’s key performance targets in its APP, as this was critical for the stability of the country. The DTIC informed the Committee that its primary mandate is industrialisation and transformation of the economy and whilst these contribute to job creation, it is of the view that it could not have targets relating to number of jobs created in its APP as these are outside its mandate and control.
	2. ***Creation of new industries:*** The President in his 2022 SONA highlighted the significant employment potential of the hemp and cannabis industries. However, the regulatory framework must ensure that an inclusive approach is adopted that would ensure equal access for all at the primary level and throughout the value chain. The Committee enquired what the DTIC’s role would be in ensuring a transformational approach in the development of these industries. The DTIC indicated that it forms an integral part of the team tasked with the development of a national cannabis master plan for South Africa. This plan would serve as a broad framework for the development and growth of the South African Cannabis industry in order to contribute to economic development, job creation, inclusive participation, rural development, and poverty alleviation. In relation to the DTIC’s role in improving the regulatory framework on cannabis, it has been tasked to develop a policy and legislation to guide regulation on cannabis commercialisation as part of this Master Plan that is being developed. To date and in order to give effect to the above, the DTIC has consulted key stakeholders, who are also members of the Inter-Departmental Committee on Cannabis, on key policy principles that should be included in the cannabis commercialisation policy. A policy discussion document on cannabis commercialisation is currently being prepared by the DTIC for consultation. Furthermore, potential cannabis investors are being introduced to different DTIC funding schemes including those under the IDC. In light of the above, the role of the DTIC wouldbe to ensure that there is a transformation plan, which is integral to the Master Plan, and would be guided by transformation policies including the B-BBEE policy; the Black Industrialist Programme; the consultation process; as well as available information about the industries. The main objective would be to enable meaningful participation of previously disadvantaged individuals and marginalised groups throughout the entire value chain.
	3. ***Reduction in illegal imports:*** During the Committee’s quarterly engagement with respect to the financial and non-financial performance of the DTIC, it had indicated that it had a target on reducing illegal imports in collaboration with the SARS. The Committee enquired what the target was, and whether the DTIC and SARS had been able to significantly reduce illegal imports into South Africa. The DTIC informed the Committee that it works, together with the SARS and the ITAC, in an Inter-Agency Working Group to combat illegal imports and under-invoicing. The work focuses on textiles and clothing, scrap metal, poultry meat, and gold; but is not limited to these sectors. Progress has been made thus far and this work continues. The SARS had reported that over the last year there had been a significant increase of declarations in the CTFL sector that were above the reference prices. During this period, almost 99% of CTFL lines monitored had been imported at prices above the reference prices. In the most recent months, goods monitored below the reference prices declined further to less than 1% of consignments. This reflected significantly improved compliance by traders. In the CTFL sector, according to the DTIC, the SARS conducted 545 interceptions and 83 seizures for the period April 2021 to March 2022.
	4. ***Intangible targets***: The 2022/23 APP refers to the development of progress reports as a target for industrial financing for black industrialists, as well as for women- and youth-owned businesses. The Committee enquired what the reasons were that the impact of this industrial financing could not be quantified in terms of outcomes related to job creation and economic growth. The DTIC informed the Committee that the progress reports would provide information about the number of Black Industrialists as well as women- and youth-owned businesses. The information provided would also include the number of jobs created and maintained by those funded businesses.
	5. ***Efforts to address the burden of over-regulation and unnecessary bureaucracy:*** In his 2022 SONA, the President highlighted the creation of dedicated capacity with the Presidency to focus on reducing red-tape across government and improve the business environment for all companies; as this is considered an impediment to business and economic growth. This team had been specifically tasked to unblock specific impediments to investment and business growth and to simplify processes that would promote investments across all departments and government agencies. The Committee enquired what measures had been taken by the DTIC to address unnecessary red-tape in all its entities and its practices, and to provide concrete examples of such new practices. The DTIC indicated that all its programmes are expected to reduce red-tape within its scope of work and produce reports in this regard during the 2022/23 financial year.
1. **Conclusions**

Having considered the information shared and reports from the DTIC with respect to its budget, and strategic and annual performance plans, the Committee has reached the following conclusions:

* 1. The Committee welcomed the government’s strengthened three-pronged approach to address the challenges facing the country. The focuses on industrialisation, transformation, and building a capable, ethical and developmental State are key to unlocking the potential of the South African economy. However, the Committee recognised that greater cooperation among all spheres of government is essential to achieve this desired outcome.
	2. The success of the Re-imagined Industrial Strategy is central to achieving the government’s objectives of reducing unemployment, poverty and inequality. The Committee welcomed the focus on Sectoral Master Plans in the development of globally competitive industries. The process of developing these plans also highlights the challenges with regard to transformation and provides an opportunity to overcome these challenges within specific industries.
	3. The Committee welcomed government’s support for the creation of new innovative industries, especially in the hemp and cannabis sectors, and encouraged the DTIC to work in collaboration with relevant sister departments to ensure that the regulatory framework enables broad participation across the entire value chain.
	4. The Committee recognises that investment, both by government and the private sector, as well as the development of a regulatory environment that would attract investment is critical to address South Africa’s economic challenges. Therefore, it encourages government to work towards realising the recent investment pledges and continually assess that the impact thereof translates into job creation.
	5. The development of Special Economic Zones and Industrial Parks are key components of government’s approach in developing local, regional and rural economies. The Committee welcomed the gains made in certain Special Economic Zones, such as the Tshwane Automotive Special Economic Zone, among others. However, it remains concerned by the inconsistent and/or poor service delivery from some provinces and municipalities to support the achievement of these objectives. It encourages the DTIC to fast-track the development and implementation of the new model to strengthen the coordination among all spheres of government.
	6. The Committee supports government’s initiatives such as the Black Industrialist Programme that seeks to structurally transform the economy through increased black participation in the mainstream economy. It highlighted that the DTIC and its entities should ensure that there is adequate ongoing non-financial support to ensure that the Black Industrialists remain sustainable.
	7. The Committee welcomes the review of the Economic Partnership Agreement with the European Union and supports the maintenance of the current tariff lines, but would welcome greater trade benefits for the Southern African region.
	8. The Committee noted that the DTIC had identified a weak export promotion alignment with its industrialisation efforts as a major concern. It therefore urged the DTIC to ramp up its promotion initiatives in line with its industrialisation drive. The Committee also noted that exports of South African goods and services were vital to ensure a healthy trade balance and the overall growth of the economy.
	9. A decrease in the Industrial Financing Programme’s budget is of major concern to the Committee, as this Programme provides financial support to stimulate economic activity within various sectors of the economy. In the Committee’s view, this budgetary cut may compromise the DTIC’s ability to leverage investment and stimulate economic growth. Given the fiscal constraints, the Committee encouraged the DTIC to find innovative ways to continue to provide the necessary support to stimulate economic activity.
	10. The Committee welcomed that trading under the African Continental Free Trade Agreement had commenced with its concomitant benefits to both South Africa and countries on the African continent. This represents significant growth opportunities for the African market, provides for the elimination of 90 per cent of tariff lines over time, and encourages industrial development through diversification. According to the Committee, this would enhance Africa’s competitiveness both regionally and globally.
	11. The Committee recognises the importance of scrap metal, as a resource into the manufacturing process for steel products that plays an essential part in construction or downstream manufacturing. Given the recent rise in infrastructure being stolen and sold as scrap metal, the Committee urged the DTIC to utilise all measures at its disposal, including engaging National Treasury and law enforcement agencies, to ensure that the illegal export of scrap metal is significantly reduced. In addition, it was of the view that the scrap metal export regulations should also be efficiently enforced to ensure the sufficient availability of scrap metal for the local industry at an affordable price.
	12. The Committee remains concerned about the increasing levels of economic concentration and its implications for the participation of small and medium enterprises in the long-run, and as an impediment to structural transformation of the economy. It encourages the DTIC to work with other departments to ensure that the recommendations of the Competition Commission’s Report on *Measuring Concentration and Participation in the South African Economy: Levels and Trends* is effectively implemented.
	13. The Committee recognises that over-regulation and unnecessary bureaucracy adds an administrative burden on business; thus, impeding investment and economic growth. Therefore, it welcomes the President’s commitment to ease the regulatory burden by simplifying processes that would promote investments across all departments and government agencies. While the Committee acknowledges the DTIC’s targets to reduce red-tape across all its programmes, it is concerned that specific practices and/or measures have not yet been identified that should be addressed in this regard.
	14. The Committee was concerned that most of the DTIC’s output indicators and targets were in the form of reports or action minutes being produced and not targeting specific outcomes such as the amount of financial support aimed at specific incentives, value of disbursements or jobs created. The lack of quantification creates a challenge in effectively holding the DTIC accountable and measuring its impact.
1. **Acknowledgements**

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1. **Recommendations**

The Portfolio Committee on Trade and Industry, having considered the 2022 proposed Budget Vote 39: Trade, Industry and Competition, recommends that the House adopts Budget Vote 39: Trade, Industry and Competition.

The Democratic Alliance, the Economic Freedom Fighters, the Freedom Front Plus and the African Christian Democratic Party abstained.

Report to be considered.

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