20081106 p.c Trade + Industry

PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

RESEARCH UNIT

PO Box 15 Cape Town 8000 Republic of South Africa
Tel: 27 (21) 403 8273 Fax: 27 (21) 403 8118
www.parliament.gov.za

September 2008

ANALYSIS OF THE 2007/08 ANNUAL REPORT: TRADE AND INDUSTRY

1. Introduction

Since democracy in 1994, the South African economy has undergone a process of structural transformation. Policies seeking to promote economic growth, employment, domestic competition and increase in the outward orientation have been implemented. As a result, economic growth has accelerated from 4.8 per cent in 2004 to 5.1 per cent in 2007 compared to the average annual growth rate of less than 1 per cent between 1994 and 2003. However, during the year 2008, the economy faced a series of challenges. These included rising local interest rates, the global economic slowdown, the sub-prime crisis in the US, rising input costs, rising oil prices and electricity crisis.

During the course of 2007, food prices increased by over 10 per cent driven mainly by, among others, global factors.[1] Poor weather conditions in South Africa also worsened the situations. For instance the 2006 and 2007 drought resulted in depleted vegetation and caused irreversible crop damage.[1] This impacted on the prices of commodities. For example, the price of a 12.5 kg bag of mealie meal, the staple diet for most South Africans, went from about R37 to R49 (32.4 per cent increase in the price of one commodity). This is also a global problem. The prices of basic foodstuffs such as maize, wheat, soya beans and rice have increased as a result of changing climatic conditions and rising demand. Supply constraints for goods such as cement and refined petrol and diesel added to inflationary pressures, pushing up inflation to 8.6 per cent in December 2007 and an average of 6.5 per cent in 2007. At the end of August 2008, inflation had risen to 13.6 per cent[2] and this, as always, hits hard on the poor.

South Africa has become the favoured staging post for investment in Africa south of the Sahara and provides opportunities for trading with Africa. Southern Africa as a whole, rich as it is in minerals and natural resources, is becoming a strong economic force to the benefit of everyone involved in this region, including overseas investors.[3] Contributing factors to this enormous potential lie within the exchange rate making South Africa as one of the least expensive countries for foreigners to live and do business in, energy costs are still among the lowest in the world, telecommunications costs show a downward trend, unit labour costs are lower than those of other key emerging markets, including Mexico, Hungary, Malaysia and Singapore and corporate tax rate has come down to 28 per cent for 2008/09.[4] Despite these opportunities, the country still faces high inflation rate leading to high interest rates, scarce skills resulting in high rates of unemployment, slow pace of services delivery and the capacity constraint with regard to energy supply.

In an effort to deal with the economic challenges that South Africa face, the Department of Trade and Industry (DTI) has been effective in the implementation of its initiatives. The department's initiatives

[1] A severe El Niño drought caused irreversible crop damage in southern Africa, especially for the countries of South Africa, Swaziland, Lesotho, Botswana, Namibia, Southern Mozambique and Southern Zimbabwe

range from, inter alia, an increase in the registration of new businesses, a modern and an extensive infrastructure contributing to the efficient network of the ports, favourable conditions in terms of cost of doing business to improve support to Small, Medium and Micro Enterprises (SMMEs). These initiatives are aligned to the objectives of the Government, that is, further accelerate economic growth to a level above 6 per cent in 2010, halve employment to a level of 15 per cent and reduce poverty from one third to one sixth by 2014 through the Accelerated and Shared Growth Initiative of South Africa (ASGISA).

1.2 The vision and purpose of the DTI

The vision of the DTI is that of working towards a vibrant South African economy characterised by growth, employment and equity that is built on the full potential of all citizens. The department strives to lead and facilitate access to sustainable economic activity and employment for all South Africans through its understanding of the economy, its knowledge of the economic opportunities and potential, and its anticipation of the future.[5] The DTI also aims to speed up economic transformation and development, provide an environment that is conducive for investment, create a competitive economy, and promote equity and sustainable social responsibility. In this way, the DTI, guided by its vision and mission, will be able to achieve its long term goals of generating growth, employment and equity by 2014.To give effect to a more focused approach, the DTI seeks to achieve the following five key strategic objectives:

- The promotion and co-ordination of ASGISA.
- The promotion of direct investment and growth in the industrial and service economy.
- Increasing exports and the promotion of equitable global trade.
- The promotion of broader participation and equity in the economy.
- The further development of regional integration of Africa in the context of the NEPAD framework.

The DTI seeks to achieve these key objectives through its seven programmes. These are:

- Administration
- International Trade and Economic Development (ITED)
- Enterprise and Industry Development (EID)
- Consumer and Corporate Regulation (CCR)
- The Enterprise Organisation (TEO)
- Trade and Investment South Africa (TISA)
- Marketing

2. Summary of the department's overall budget for the financial year 2007/08

The actual expenditure for the year under review was R5 295 351 billion compared to R3 804 720 billion spent in 2006/07. The budget increased by 39 per cent for the financial year 2007/08. A further breakdown of the budget is shown in table 1.

Table 1 Appropriation statement for the financial years 2006/07 and 2007/08

Programmes	2007/08 Adjusted Appropriation R'000	2007/08 Actual Expenditure R'000	2006/07 Actual Expenditure R'000	% change in Actual Expenditure between 2006/07 & 2007/08	% of spending	% under spending
1. Administration	343 879	310 843	278 914	11.45	94.5	5.5
2. ITED	140 680	133 522	123 872	7.79	99.1	0.9
3. EID	1 808 022	1 793 292	1 534 321	16.88	99.4	0.6
4. CCR	154 969	148 525	149 515	-0.66	95.6	4.4
5. TEO	2 704 238	2 563 105	1 430 512	79.17	94.8	5.2
6. TISA	258 494	284 547	221 744	28.32	99.4	0.6
7. Marketing	69 151	61 517	65 842	6.57	91.0	9.0
TOTAL	5 479 433	5 295 351	3 804 720			

Table 1 show the actual expenditure and the percentage change between the two financial years 2006/07 and 2007/08. Six of the seven programmes, that is, the administration (11.45 per cent), ITED (7.79 per cent), EID (16.88 per cent), TEO (79.17per cent), TISA (28.32 per cent) and marketing (6.57 per cent) spent more in the financial year 2007/08 than the previous financial year 2006/07 with the exception of the CCR programme (-0.66 per cent).

Performance of the DTI programmes

1. Administration

The purpose of this division is to provide strategic leadership to the department and its agencies and facilitate the successful implementation of the Department's mandate through supportive systems and services. The adjusted appropriation for the administration programme was R 343 879 million for the financial year 2007/08. The actual expenditure was R310 843 million less by R18 008 million from the final appropriation of R328 851 million. Other adjustments such as virements amounted to R15 028 million.

The programme boasts of its year-on-year unqualified audit reports. This shows the departments continued progress to maintain high standards of financial management. Further, the department has a robust risk management system in place, high levels of compliance with respect to disclosure and a zero tolerance of fraud.

The department still face the challenge of a high vacancy rate despite efforts made to fill 160 of the 329 vacancies (48.6% filled). One reason attributed to this vacancy rate is around skills. The department's activities require the recruitment of professionals which, in this regard, considering the South African economic structure, lacks the capacity to produce such professional. The other reason, with regard to the existing staff that has been trained by the department (through training and development programmes and awarding of bursaries), their skills are sought after in the labour market.

2. International Trade and Economic Development (ITED)

ITED division has its purpose to develop trade and investment links with key economies globally, and promote economic development through negotiating preferential trade agreements, supporting a strong and equitable multilateral trading system, and fostering economic integration in Africa within the NEPAD framework. The adjusted appropriation for ITED for the financial year 2007/08 was R140 680 million. After adjustments such as, virements and shifting of funds (a total of R6 004 million), the final appropriation was R134 676 million. The actual expenditure amounted to R133 522 million with a variance of R1 154 million from the final appropriation. In other words, the expenditure as a percentage of the final appropriation was 99.1%.

Achievements

- Completion of fifteen trade agreements through bilateral and multilateral trading systems.
- Trade promotion, development and integration in Southern Africa leading to the launch of a free trade area in SADC. By 2008, 85 per cent of goods traded were duty free and it is anticipated that by 2012, 99 per cent of the goods traded will be duty free.
- Spatial Development Initiatives (SDIs). SDIs are cross border infrastructure development in Maputo, Walvis Bay, Tanzania, Democratic Republic of Congo, Trans-frontier Parks Angola and Namibia.
- Doha round negotiations (provided leadership in forming the Non-Agricultural Market Access, NAMA II), Southern African Development community- European Union Economic Partnership Agreement (SADC-EU EPA), Mercosur, 2007 EU-SA deal on automobiles and additional protocol for Bulgaria and Romania.
- Implementation of India, Brazil and South Africa (IBSA) initiative with respect to trade facilitation, small and medium enterprise (SME) co-operation and strengthening business-to-business linkages. Implementation of the Partnership for Growth and Development (PGD) with China aimed at promoting value added South African exports to China and increase inward investments in projects for beneficiation.

Challenges

- Ensuring that trade policy is more closely aligned to the South Africa's industrial and other policies that aim to promote balanced and equitable economic growth and development.
- Establishing policy positions that link trade with services, investments, competition, intellectual property, labour and environment.

- With regard to Africa and Southern Africa, ensuring that trade integration is complimented with policies that build the region's and continent's production capacity and rehabilitate infrastructure.

3. Enterprise and Industry Development (EID)

EID is responsible for the provision of leadership in the development of policies and strategies that promote and foster competitiveness, enterprise development, empowerment and equity in the economy. The adjusted appropriation for EID for the financial year 2007/08 was R1 808 022 billion. Adjustments amounted to R 4 450 million with a final appropriation amount of R 1 803 572 million. The actual expenditure was R1 793 292 million varying by R10 280 million from the final appropriation. The actual expenditure as a percentage of the final appropriation for EID was 99.4%.

Achievements

- The finalisation and launching of the National Industrial Policy Framework (NIPF) and Industrial Policy Action Plan (IPAP). The IPAP serves as a mechanism to speed up the implementation and development of four led sectors which have been identified
- The completion of the first phase of the Motor Industry Development Programme (MIDP). The first phase of the MIDP includes the objectives for trade promotion, employment stabilisation/creation and ensuring affordability of vehicles to the local consumer. The second phase dealing with aligning the MIDP to the South Africa's multilateral trade obligations and taking the industry on the path of higher growth and job creation. In addition, is the achievement in the Business Process Outsourcing and Offshore (BPO&O) with a total investment value of over R820 million and a commitment to create at least 9000 jobs.
- The development of targeted industrial financing (e.g. SAMAF with a network of 43 service points in South Africa, 36 of which cover poverty nodes), enhancement of innovation and technology, protection of intellectual property and reducing input costs through competition policy.
- Progress made with regard to Broad-Based Black Economic Empowerment (B-BBEE). The National Empowerment fund (NEF) was designated as the BEE Facilitator in terms of the Codes of Good practice.

Challenges

EID faced the challenge of recruiting skilled professional in sector desks to enable effective management of sector strategies.

4. Consumer and Corporate Regulation (CCR)

The CCR programme is mainly responsible for the development and implementation of coherent, predictable and transparent regulatory solutions that facilitate easy access to redress and efficient regulatory services. The actual expenditure by CCR for the financial year 2007/08 was

R148 525 million. The CCR spent 95.6 per cent of its final appropriation of R155 369 million. The adjusted appropriation of R154 969 million was adjusted by R400. 000 (representing virements).

Achievements

- Completion of Competition Amendment Bill
- Completion of Consumer Protection Bill
- Completion of Companies Bill

Challenges

- Difficulty in monitoring and evaluating the impact of legislature and policies developed
- capacity and expertise to undertake such monitoring and evaluation is lacking
- Difficulty in the alignment of targets with consultation and legislative processes

5. The Enterprise Organisation (TEO)

The core purpose of TEO is to provide efficient administration of enterprise support measures. The adjusted appropriation for TEO for the financial year 2007/08 was R2 704 238 billion. After adjustments such as, virements and shifting of funds (a total of R1.0 million), the final appropriation was R2 703 221 million. The actual expenditure amounted to R2 563 105 million with a variance of R140 116 million from the final appropriation. The expenditure as a percentage of the final appropriation was 94.8%.

Achievements

- Successful implementation of 8 Business Process Outsourcing and Offshore (BPO&O) incentive schemes. These BPO&O (7 of them are offshore and 1 complying with the DTI's guidelines on designated high unemployment areas) are expected to create over 9 132 jobs in the next three years.
- Broadening of the Film Incentive schemes and 4 local productions were approved.
- Evaluation of Small Enterprise Development Programme (SMEDP) projects.
- Near completion of the Enterprise Investment Programme (EIP) under the framework of the National Industrial Policy Framework (NIPF). EIP replaces the SMEDP.
- Enhanced Export Marketing Schemes for emerging enterprise
- Investments secured for the Industrial Developemnt Zones (IDZ); Coega (R4.7 billion), East London (R850 million) and Richards Bay (R2.3 billion).

Challenges

As stated in the annual report, the information given does not specify the challenges. Rather, the report recommends, with regard to the EIP, what it required for further improvements.

Assumptions:

1. IT infrastructure remains a challenge since the EIP was initiated
2. The monitoring and evaluation of incentive schemes seem to be lacking.

6. Trade and Investment in South Africa (TISA)

TISA is responsible for the provision of strategic vision and direction to key growth sectors in the economy, increase the level of direct investment and develop South Africa's capacity to export to various markets.

Achievements

- Growth in the manufacturing sector from 18.75 per cent in 2006 to 25.1 per cent in 2007.
- Growth in exports from 19.6 per cent in 2006 to 24.6 in 2007
- The development of an electronic Export Portal and a national Exporter Database
- TISA supported 37 trade missions, 21 national pavilions and 2 international trade initiatives in 2007/08.
- The completion of the Investment Promotion and Facilitation Strategy (IPFS). R171 billion of R206 billion worth of investment projects were initiated in fiscal 2007/08.

Challenges

As stated in the annual report, the information given does not specify the challenges. Rather, TISA provides recommendations on what needs to be done to ensure that the exporter base grows markedly and improve the export climate.

Assumptions:

1. Failure to recognise and capitalise on exports and investment opportunities
2. Lack of coordination between the DTI and DFA in terms of networking with foreign stakeholders

7. Marketing

Marketing is an essential division for the department. Its main task is to promote greater awareness of the DTI's products and services. The adjusted appropriation for the division was R69 151 million. Adjustments amounted to R1 565 million with a final appropriation amount of R67 586 million. The actual expenditure was R61 517 million varying by R6 069 million from the final appropriation. The actual expenditure as a percentage of the final appropriation for marketing was 91.0%.

Achievements

- Successful organisation of events to promote the DTI brand. The events totalled 102 and took the form of conferences, exhibitions, programme launches and izimbizos.
- Successful outreach campaign called 'Taking the DTI to the people'. The aim of the campaign was to create awareness and educate rural and peri-urban communities about the DTI and COTII's products and services.
- Improved media relations with key media houses
- 68 publications focusing on strategic outputs of the DTI
- Customer Contact Centre handled 691 573.

Challenges

- Difficulty in achieving appropriate co-ordination of marketing activities across the DTI.
- Need to effectively respond to media enquiries
- Visibility of multiple sub-brands with the potential to dilute the DTI mother brand

3. Human Resource/Employment

Table 3.1 Employment and vacancies by programme between 2006/07 and 2007/08

Programme	No. of posts		No. of posts filled		Vacancy Rate	
	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08
1. Administration	335	338	255	252	23.9	24.4
2. ITED	158	158	85	101	46.2	36.1
3. EID	218	221	152	168	30.3	24
4. CCR	114	118	98	90	14	23.7
5. TEO	164	164	126	138	23.2	15.9
6. TISA	122	122	101	106	17.2	13.1
7. Marketing	71	70	36	36	49.3	48.6
TOTAL	1 182	1 191	853	891	27.8	25.2
Percentage change (%)	0.76		4.5		-2.6	

3.1. Number of posts

The number of post between the two financial years (2006/07 and 2007/08) increased by 0.76 per cent from 1 182 to 1 196.

3.2 Number of posts filled

The number of posts filled increased by 4.5 per cent between the financial years 2006/07 and 2007/08.

3.3 Vacancy rate

There was a drop of 2.6 per cent in terms of the vacancy rate from 27.8 per cent in 2006/07 to 25.2 per cent 2007/08.

4. The Council of Trade and Industry Institutions (COTII)

The DTI has a number of agencies. These agencies and institutions form the Council of Trade and Industry Institutions (COTII). This is part of the DTI strategy to ensure a coordinated approach to national economic priorities. One of the aims of COTII is to build an integrated team that can address the challenges inherent in ensuring competitiveness and equity in a global economy. These agencies are divided in the following categories:

Regulatory bodies

- Companies & Intellectual Property Registration Office (CIPRO)
- Competition Commission
- Competition Tribunal
- National Gambling Board (NGB)
- National Lotteries Board (NLB)
- National Credit Regulatory (NRC)
- EAAB
- ITAC

Development Finance

- Export Credit Insurance Corporation (ECIC)
- Industrial Development Corporation (IDC)
- Khula Finance
- National Empowerment Fund (NEF)
- The South Africa Micro Finance Apex fund (SAMAF)

Enterprise development support

- Small Enterprise Development Agency (Seda)

Specialists services

- South African Bureau of Standards (SABS)
- South African National Accreditation System (SANAS)
- NRCS
- NMISA

4.1 Analysis of the COTII agencies

4.1.1 Khula Enterprise Finance LTD[6]

Khula Enterprise Finance Ltd (Khula) is an independent agency of the Department of Trade and Industry. Khula's vision is to be the development finance partner of first choice in Small Medium Enterprise (SME) development. Its mission is to provide finance, mentorship services and small business premises to SMEs through a network of partnerships and to encourage the sustainable development of SMEs whilst ensuring that Khula remains financially viable.

Key performance areas set for 2007/08

- SME financing activity 50%
- Brand value – Customer focus/satisfaction 10%
- Human capital 10%
- Financial sustainability 15%
- Process optimisation 5%
- Strategic initiatives 10%

Performance

Table 4.1 General funding requirements

Activities	Amount
Business activities Capital expenditure Operational needs	R184 million R1.1 million R35.6 million
Total funding	R220.7 million

Achievements

- 30% growth in disbursement (i.e. from R343 million in 2007 – R443 million in 2008) during the 2008 financial year
- Successful Khula credit indemnity product which approved R516 million in 2008 versus R365 million in 2007.

4.1.2 The South Africa Micro Finance Apex fund (SAMAF)

The South Africa Micro Finance Apex fund (SAMAF) is a wholesale funding institution established in April 2006. Prior to its establishment the wholesale funding concept was incubated at KHULA enterprise Finance Limited. SAMAF's vision is to be a leader in the developmental microfinance and provide best practice models in South Africa. Its' mission is to provide competitive microfinance services by going deeper and broader to that target market.

Medium strategic goals

- increasing access to micro-finance through wholesale funding to developmental Financial Intermediaries (FIs)
- Increasing capacity building and thus sustainability of FIs which provide savings and/or credit
- Supporting development of effective micro-finance networks, strategic alliances and partnerships
- Participation in policy making and creating a Centre of Learning for micro-finance
- Building a strong and capable Apex fund towards its establishment as an incorporated legal entity

Budget allocation between 2006/07 and 2007/08

Table 4.2 Budget allocation

	Year			
	2006/07		2007/08	
	Allocation	Expenditure	Allocation	Expenditure
Loan Capital	R31.3 m	R 9.2 m	R47 m	R18.5 m
Capacity building and operations	R98.7 m	R34.6 m	R37 m	R49.7 m
TOTAL	R130 m	R43.5 m	R84 m	R68.2 m
No. of Financial Intermediaries	31		37	

R84 million was allocated in 2007/08 less by 35% from the previous year. Despite the decrease in allocation, SAMAF's expenditure for the year 2007/08 increase by 57%. During the year under review, SAMAF disbursed funds to 37 FIs compared to 31 of the previous year. On-lending funds increased from R9.2 million in 2006/07 to R18.5 million in 2007/08 (an increase of just over 100%).

Achievements

- Improvement in the repayment rate from 14% to 70%
- Increase in the number of end borrowers from 4 346 to 17 554
- Increase in the number of savers (saving excess cash) from 14 353 to 18 133
- Successful '*SAMAF talking to the people*' programme reaching remote areas in the KZN, Eastern Cape and Northern Cape provinces.

Challenges

- Difficulties in securing and maintaining experienced general managerial and specialist micro-development finance skills
- Community based FIs lack the extensive capacity building interventions. This constraint limits the quick disbursement of funds to the enterprising poor communities
- Inappropriate IT/MIS financial reporting systems

4.1.3 Small Enterprise Development Agency (Seda)

The Small Enterprise Development Agency (Seda) was established in December 2004 in terms of the National Small Business Act. This law merged the previous small enterprise development agencies Ntsika Enterprise Promotion Agency, NAMAC Trust and the Community Public Private Partnerships (CPPP) into a single small enterprise support agency. The mandate of Seda is to design and implement a standard national delivery network that must uniformly apply throughout the country. Its role includes the support and promotion of co-operative enterprises, particularly those located in rural areas. The work of Seda is carried out in line with the Department of Trade and Industry's Integrated Small Enterprise Development Strategy, which aims to:

- Strengthen support for SMME's access to finance
- Create an enabling regulatory environment
- Expand market opportunities for specific categories of small enterprises
- Localise small business support through a grid of Seda-coordinated information and advice access points
- Initiate a national entrepreneurship drive and expand education and training for small business
- Co-fund minimum business infrastructure facilities in local authority areas across the country

Seda Funding

Source of funds	**2007**	**2008**
DTI	374 173	337 209
Finish government	1 154	24 245
Other government departments and entities	40 706	14 107
Internally generated funds (e.g. interest received)	25 808	9 286
TOTAL REVENUE	**441 841**	**384 847**
TOTAL EXPENDITURE	**(405 082)**	**(448 227)**
Profit (sale of equipment and furniture)	180	
Surplus / (- Deficit)	**36 939**	**- 63 380**

The funding for the financial year was mostly from the DTI (87.6% of the total funding about 2.9% more from the previous year), with additional funding from the Finish government (6.3%) and from other government departments (3.7%). Funding from the DTI as well as from other government departments decreased in 2008 resulting in a deficit of R63 380 million compared to the profit of R36 939 made in the previous year. The increase in total expenditure by 11% from R405 082 million to R448 227 million was due to cost pressures on services and upward salary adjustments.

Achievements

- As part of capacity development, 200 practitioners were trained to implement diagnostic tools for assessing small enterprises and other methodologies used to work with entrepreneurs.
- Initiatives were undertaken to determine the expectations of the clients and the services that they require. This resulted in the consolidation and repackaging of four brands; Seda Business Talk; Seda Business Start; Seda Business Build and Seda Business Grow.
- In terms of service delivery, Seda Technology Programme supported 642 clients resulting in 6 289 jobs being created.
- New Enterprise Information Centres (EIC) were established in more rural parts of the country in partnership with the Alfred Nzo, Nelson Mandela, Modimolle and Sekhukhune Municipalities.
- Implementation of the Shintsha programme in partnership with eight Further Education and Training colleges (FETs).
- Established partnership with Productivity South Africa (PSA) to escalate the Productivity Capacity Building Project.
- Forged international partnerships include Belgium (UNIZO), SEBRAE and CACB of Brazil, NSIC of India
- SBC of South Korea of technology transfer, Finnish government on funding, Technonet Africa (a UNDP) and Trade Point (a UNCTAD).

Challenges

- Complexity of meeting the needs and requirements of small enterprises
- Lack of financial resources, shortage of skilled staff and strong leadership
- Difficulty in securing funding for Seda activities

4.1.4 National Empowerment Fund (NEF)

The National Empowerment Fund (NEF) is an agency of the DTI. NEF is a pivotal role player in driving and implementing broad-based BEE through the Codes of Good Practice. The agency is also a conduit for government to demonstrate its financial commitment to broadening participation in the economy. The NEF goes further in supporting the ASGISA objectives through its focus on reducing financial barriers to entry for black entrepreneurs thereby supporting job retention and creation. The objectives of NEF include the following:

- To foster and support business ventures pioneered and run by black enterprises.
- To improve the universal understanding of equity ownership among black people.
- To contribute to the creation of employment opportunities.

- To encourage the development of a competitive and effective equities inclusive of all persons in South Africa.
- To encourage and promote savings, investments, and meaningful participation by black people.
- To provide black people with opportunity of, directly or indirectly, acquiring shares or interest in state allocated investment (SAIs) that are being restructured or in private business enterprises.
- To generally employ schemes businesses and enterprises as may be necessary to achieve the objectives of the NEF Act.

Table 4 NEF Investment Activity Performance in the 3-year period (KPA 7)

	2006/07	2007/08
Value Approved in Period	R187m	R352
Number Approved in Period	23	26
Cumulative Value Approved	R579m	R932m
Cumulative Number Approved	94	124
Value Disbursed in Period	R219m	R203m
Number Disbursed in Period	23	31
Cumulative Value Disbursed	R496m	R699m
Cumulative Number Disbursed	86	117

NEF has cumulatively approved 124 transactions at an investment cost of R932 million. Of these transaction, 117 of them were disbursed by the end of the 2007/8 financial year at a cost of R699 million. This represents a 94% disbursement in 2007/08 compared to 91% of the previous year. In terms of the NEF invested portfolio (R699 million) by region, Gauteng received 335.9 million (48.1%); Western Cape, R143.8 million (20.6%); Eastern Cape, R131.0 Million (18.7%); KwaZulu Natal, R57.1 million (8.2%); Mpumalanga, R26.7 million (3.8%); Limpopo, R2.9 million (0.4%); Free State, R1.6 million (0.2%); Northern Cape and North West, R0 (0.0%).

Achievements

- Meeting the Asset Management mandate of promoting a culture of saving among Black people under the Asonge Share Scheme

- Development of innovative finance products ranging from R250 000 up to R100 million for Black entrepreneurs
- Mobilisers reached 10 000 groups and 150 000 individuals through one-on-one education efforts,
- Collaboration with Stokvel associations,
- Further education around investing and financial markets was done through TV and radio, features and drama,
- A dedicated Call Centre assisted with all queries in all languages,
- Print and electronic advertising in all languages amounting to more than R5 million, as well as advertising inside and outside taxis on all major national and local routes,
- News coverage value estimated in excess of R6 million,
- Over 1 million leaflets and posters distributed nationwide at Post Offices and street corners,
- Thousands of people were reached by 9 regional road shows with KZN and the Free State exceeding expectations with multitudes attending.

QUESTIONS AND COMMENTS

DTI

1. Under-spending can be consistent with good financial management where it reflects a decision by the department to carry forward funds for future years or where a department has secured efficiency savings. Under-spending could also be the result of poor forecasting. Forecasting can be difficult for some departments.
2. What is the position of the DTI with regards to EPAs and the fact that most nations within SADC have initialled. And to what extent will this not affect the existing agreement with EU -TDCA

SAMAF

1. SAMAF –there is 0 disbursements in Northern Cape what could be the possible reasons for this?
2. SAMAF – Qualified report and an amount of R1 315 827 was written off. This amount includes Suppliers without orders (R980 360); interest charged for late payments (R8 511) and lost computers (R21 353). No disciplinary action could be taken.

Seda

1. Basis for a Qualified report
- no evidence was brought forward to verify accounts payable amounting to R36 million
- Investigation on procurement transaction to the value of R19 million in still pending
- Irregular expenditure of R3 627 290 was incurred

NEF

1. In terms of the NEF invested portfolio by region, there were no funds disbursed to North West and Northern Cape during the financial year 2006/07 and 2007/08. Are there any particular reasons unique to these two regions that result in funds not being disbursed?

References

[1] Manuels, T., (2008). Budget speech. Parliament of the Republic of South Africa

[2] Statssa, (2008). Inflation rate August 2008 y/y. Available: www.statssa.gov.za

[3] Deneys and Reitz Attorneys, (2007). Doing business in South Africa. Deneys Reitz Inc, August 2007.

[4] SAinfo, (2008). South Africa: Open for business. Available: www. www.southafrica.info/business/investing/open.htm#cost

[5] National Treasury, 2008

[6] Khula Enterprise Finance Ltd (Khula) 2008 Annual report