



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

Economic Development Department Strategic Plan and Budget 2012/13

Presentation to the Select Committee on
Economic Development

8 May 2012

Outline

- Strategic Plan
2012/13 – 2016/17
- Budget
2012/13 – 2014/15
- Concluding remarks



Vision and Mission

Vision

- Decent work through meaningful economic transformation and inclusive growth

Mission

- EDD aims to:
 - Coordinate the contributions of government departments, state entities and civil society on economic development;
 - Contribute to efforts that ensure alignment between the economic policies and plans of the state and its agencies and government's political objectives and mandate; and
 - Promote government's goals of advancing economic development with decent work opportunities.

Values

EDD promotes all the Constitutional values and upholds the following values:

- Promotion of decent work for all citizens (opportunity to work and quality of employment)
- Social partnership and dialogue
- Equity and development
- Sustainability (environmental, social and economic).

Legislative Mandate

Administration of legislation:

- Industrial Development Corporation Act, 1940
- The Competition Act, 1998
- The International Trade Administration Act, 2002*.



Government Gazette

REPUBLIC OF SOUTH AFRICA

Vol. 451 Cape Town 22 January 2003 No. 24287

THE PRESIDENCY

No. 123 22 January 2003

It is hereby notified that the President has assented to the following Act, which is hereby published for general information:-

No. 71 of 2002: International Trade Administration Act, 2002.



AIDS HELPLINE: 0800-123-22 Prevention is the cure

* Save for item 2 of Schedule 2 administered by the Minister of Trade and Industry

Political and Policy Mandate

- Broad political mandate is derived from the electoral manifesto of the ruling party
- Policy mandate is derived from legislation, the decisions of cabinet, the adoption of policy frameworks and social agreements, including:
 - Framework for SA's response to the International Economic Crisis
 - The New Growth Path framework
 - Social Accords on Skills Development, Green Economy, Basic Education and Local Procurement.

Political Mandate

- Creation of decent work opportunities and sustainable livelihoods as primary focus of government economic policies;
- Macro-economic policy promotes creation of decent employment, economic growth, broad-based industrialisation, reduced income inequality and other developmental imperatives;
- Ensure that state-led industrial policy leads to the transformation of the economy;
- Implement special sector programmes embracing industrial, trade and other measures backed by adequate resources;
- Ensure that a comprehensive package of measures is introduced to promote beneficiation programmes;
- Develop and invest in programmes to create 'green jobs';
- Step-up a massive programme on expanded public works linked to infrastructure and meeting social needs.

Political Mandate (cont.)

- Mandates of development finance institutions are clear and truly developmental;
- Lead a massive public investment programme for growth and employment creation;
- Address quality of employment issues;
- Procurement policies that support local jobs
- Broad-based economic empowerment policies;
- Launch a much larger national youth service programme;
- Develop programmes to promote the important role of mining and agriculture in employment, meeting basic needs and community development.



Overview of development of Department

Ministry set up in May 2009 after election. The following sets out the broad phases (which overlap in part and some which continue to the end of the current political mandate period)

- Phase 1: establish a Ministry for policy integration work (2009)
- Phase 2: coordinate response to recession/global economic crisis (2009-2011)
- Phase 3: establish a functioning Department: EDD (2010-2012)
- Phase 4: transfer six public entities to EDD and begin process of mandate alignment on jobs (2010)
- Phase 5: complete development of a New Growth Path (NGP) (2010)
- Phase 6: Align work in government to NGP; start implementing Outcome 4: Jobs and Growth and launch work on infrastructure jobs driver (2011)
- Phase 7: dialogue to develop social accords on key NGP areas (2011-2012)
- Phase 8: Strengthen implementation of the NGP, infrastructure plan and reform of small business entities (2011-2012) .

Main focus

- **Integration**
 - Example 1: jobs and green economy: localising production of the solar water units
 - Example 2: jobs and mining: mineral policy, infrastructure, skills and beneficiation policy
 - Example 3: DFIs and jobs: connecting IDC activities with government investment and jobs goals
 - Example 4: competition policy and jobs: Walmart, Kansai, Pioneer
 - Example 5: jobs and African development: connecting the FTA talks with infrastructure and industrial policy
- **Coordination**
 - Example 1: EDD, with the dti and NT take responsibility for the implementation of the Outcome 4 Delivery Agreement: Decent Employment Through Inclusive Growth
 - Example 2: linking small business funding agencies in the Small Enterprise Finance Agency (SEFA) as first part of improved small business performance
 - Example 3: Infrastructure Plan of PICC
- **Implementation** of EDD Strategic Plan.

Policy Mandate: Framework Agreement

Framework Agreement for SA's response to the international economic crisis

- maintain high levels of public investment in infrastructure to support private and public job preservation and creation;
- deploy macroeconomic policies in combination and aggressively, where required, to address the economic crisis;
- utilise industrial and trade policies to rebuild local industrial capacity and avoid erosion of the country's manufacturing base;
- utilise measures on public employment, private sector initiatives, including training, to avoid massive job losses;
- scale up social interventions to address the jobs challenge and ensure social protection.

New Growth Path (NGP)

- The NGP sets jobs target of 5 million new jobs by 2020 and identify ten jobs drivers, led by infrastructure development
- The NGP key organising principles include:
 - improving the labour absorption capacity of the economy
 - decreasing carbon emission of the economy & identifying new opportunities in the green economy
 - improving coherence and linkages between different sectors and public institutions to ensure jobs and development opportunities are maximised
 - promoting social partnerships as critical instruments to drive the jobs goals
- Areas that are identified for particular focus, include:
 - promote African development as our platform for growth and jobs
 - strengthen competitiveness and tackling inherent problems of monopolies and price-fixing
 - support the growth of smaller businesses as well as cooperatives as a means of drawing more South Africans into entrepreneurial activities and improving job creation
 - strengthen rural development through the location of industrial activity as well as supportive infrastructure that can unlock opportunities for rurally based citizens
 - address the key development goals of women empowerment, BB-BEE, youth employment and local economic development
 - improve the performance of development finance institutions, including their jobs impact, cost of their services, turnaround times and the level of capital that they mobilise and deploy.

Social Accords

As an outcome of social dialogue on the NGP, Government and its social partners, Organised labour, Business and Community constituencies signed 4 accords in 2011

Basic Education Accord: Signed 13 July 2011

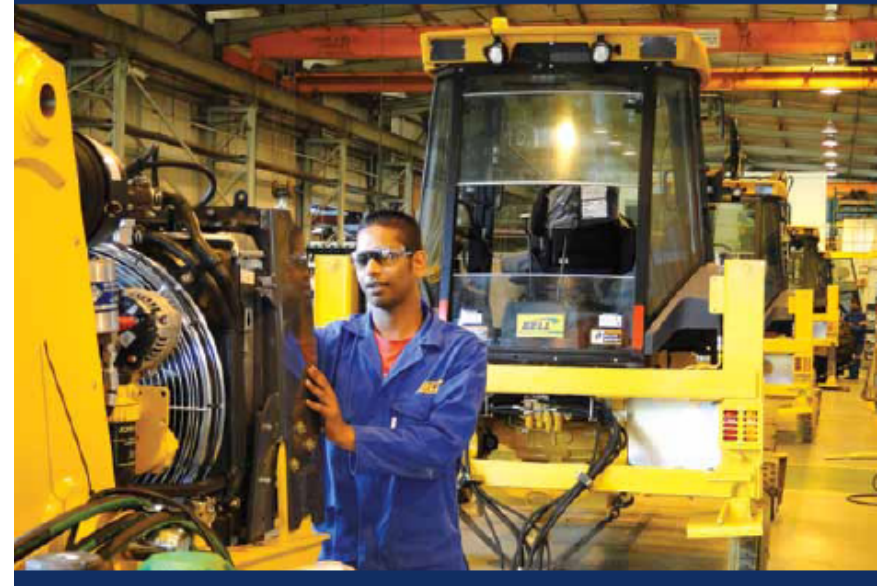
National Skills Accord: Signed 13 July 2011

Local Procurement Accord: Signed 31 October 2011

Green Economy Accord: Signed 17 November 2011.

NEW GROWTH PATH: ACCORD 3

LOCAL PROCUREMENT ACCORD



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Integrated practice

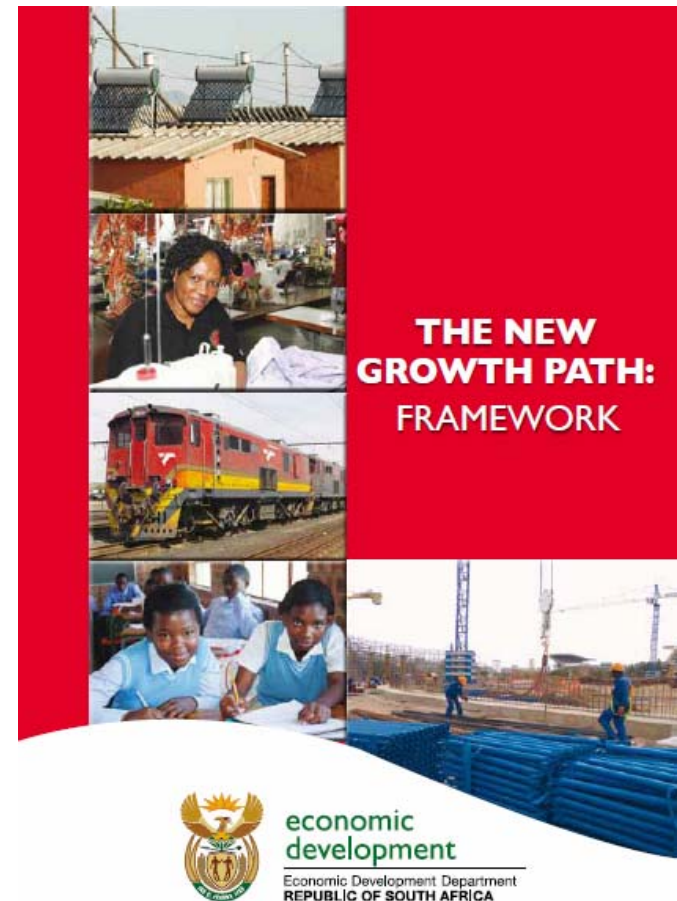
The Ministry and Department achieves its objectives through focusing existing public entities and processes on jobs and economic development, rather than on building a large new bureaucracy or large direct budget

- DFI oversight: IDC, SEFA (formerly Khula, Samaf)
- Economic regulatory body oversight: Competition authorities and ITAC
- Economic and Infrastructure Clusters: brings the jobs and economic development component to departmental work
- IPAP2: has specific commitments and work with the DTI
- Inter-Ministerial Committees:
 - Trade
 - Iron-ore and steel
 - Climate Change
 - Energy (IRP2010)
 - NHI
- PICC Secretariat, Manco and Council
- Presidency-led Councils
 - BBEE Council
 - HRD Council
 - Anti-poverty commission
- MINMEC with provinces
- Social dialogue on NGP.



Performance Environment

- Government focus on the target of 5 million jobs by 2020 as set out in the NGP
- In implementing the NGP, EDD will work with Economic Cluster of Departments to:
 - Introduce targeted measures to support job-creating activities
 - Refine & implement crosscutting package of macro & micro economic policies to ensure growth
 - Develop strategies to support African regional development & South-South relations
 - Promote social dialogue & partnerships for realistic measures and support implementation
- PICC will establish physical assets and facilitate higher level of industrialisation.



Organisational Environment

- 2010/11 - Unqualified Audit
- 2011/12 - Unaudited expenditure of R91m (an increase of 105% over 2010/11)
- Important governance structures in place: Internal Audit; Audit Committee; Bid Adjudication Committee; Supply Chain Management capacity; HR-related committees
- Funds for 142 posts in 2012/13 and 2013/14 financial years
- Over 100 staff and continues to recruit new staff (staff numbers increased by 26% during the 2011/12 year)
- Challenges: matters related to the operation of a newly - established department, expanding accommodation, securing appropriately-skilled staff and strengthening operational systems
- Mandate and work focus of EDD continues to evolve as government implements larger parts of its electoral mandate and in the light of the roll-out of NGP programmes.

EDD Goals

Strategic outcome-oriented goal

- Promote decent work through meaningful economic transformation and inclusive growth

Goal statement

- Provide participatory, coherent and coordinated economic policy, planning and dialogue for the benefit of all South Africans

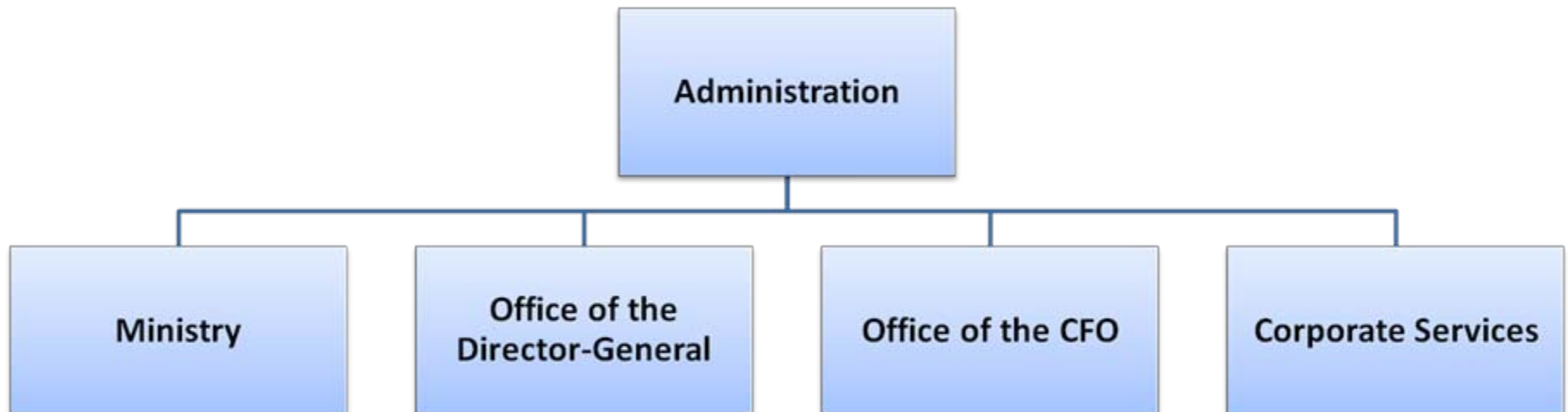
Key indicators

- Number of jobs created / reducing unemployment
- GDP growth
- Employment ratio or absorption rate
- Distribution of earned income
- Households in poverty.



Programme 1

Administration



Programme 1

Administration

- Strategic objectives:
 - Provide strategic support and administrative services to the Ministry
 - Engagements with Cabinet, Parliament, government at national, provincial and local level, government entities and SOEs
 - Engagements with international economic agencies, foreign economic representatives
 - Stakeholders including social partners, communities, the media and the public
 - Implementation of the work of the Presidential Infrastructure Coordinating Commission (PICC)
 - Provide strategic support and administrative services to the Director-General
 - Strategic advice and support on legislation, policies, policy alignment and coordination
 - Ensure compliance regarding planning and reporting requirements
 - Support the Department's participation in the Cluster system
 - Support to Ministry and branches on operational and administrative matters
 - Ensure effective document flow
 - Provide internal audit and risk management services
 - Provide operational and administrative support to the Department
 - Legal services, human resource management, information technology services, financial management and related services, communication and events management services.

Programme 1

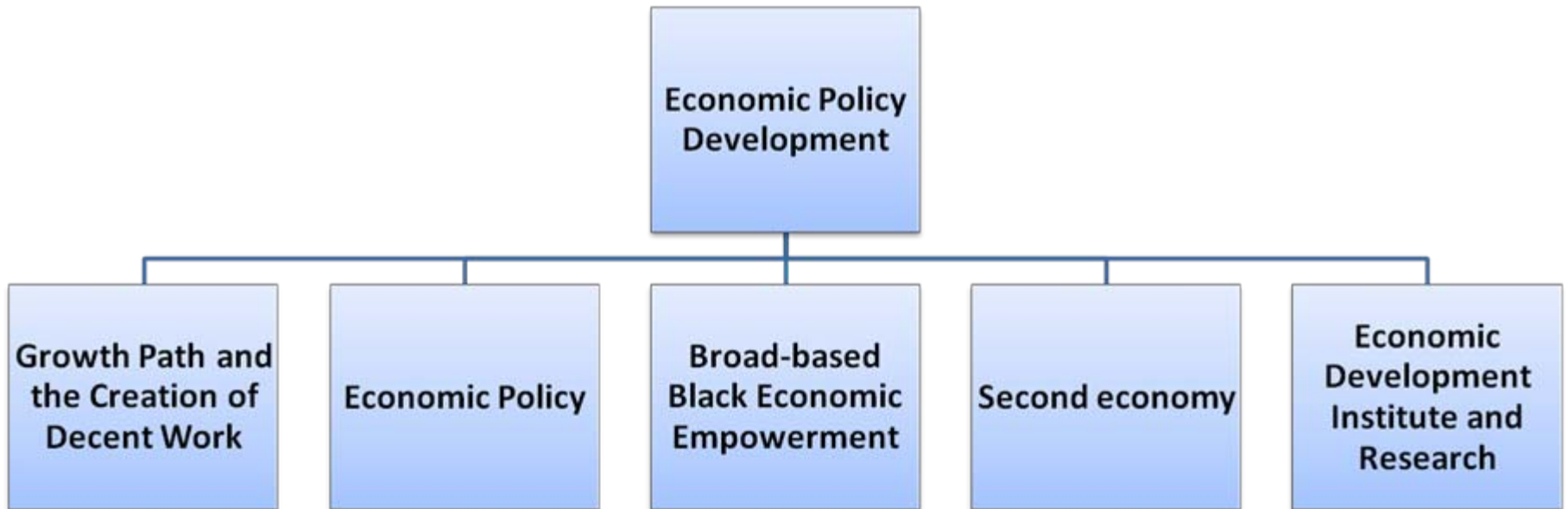
Administration

Programme 1	2012/13	2013/14	2014/15
Budget MTEF (R '000)	60,065	63,342	67,247
Projected personnel numbers	62*	62*	62*

*Maximum targeted numbers

Programme 2

Economic Policy Development



Programme 2

Economic Policy Development

- Strategic objectives
 - Coordinate and monitor the implementation of the New Growth Path
 - Develop papers and policy proposals, hold policy platforms
 - Assess the impact of the state on employment and equity
 - Develop and implement inclusive growth strategies
 - Ensure that BEE Codes are used to foster employment and broad equity
 - Develop strong policies to support inclusive growth through effective sector strategies
 - Implement measures for micro-enterprise/livelihood/social economy development
 - Develop strategies to improve employment for youth and women
 - Provide policy advice to Cluster
 - Provide policy advice and draft assistance as required and support to the Cluster and Outcome 4 Secretariats
 - Ensure Regular Engagement on Policy Issues
 - Ensure that Economic Development Conference is held annually
 - Preparatory work towards establishment of Economic Development Institute
 - Economic Advisory Panel available to support Ministry.

Programme 2

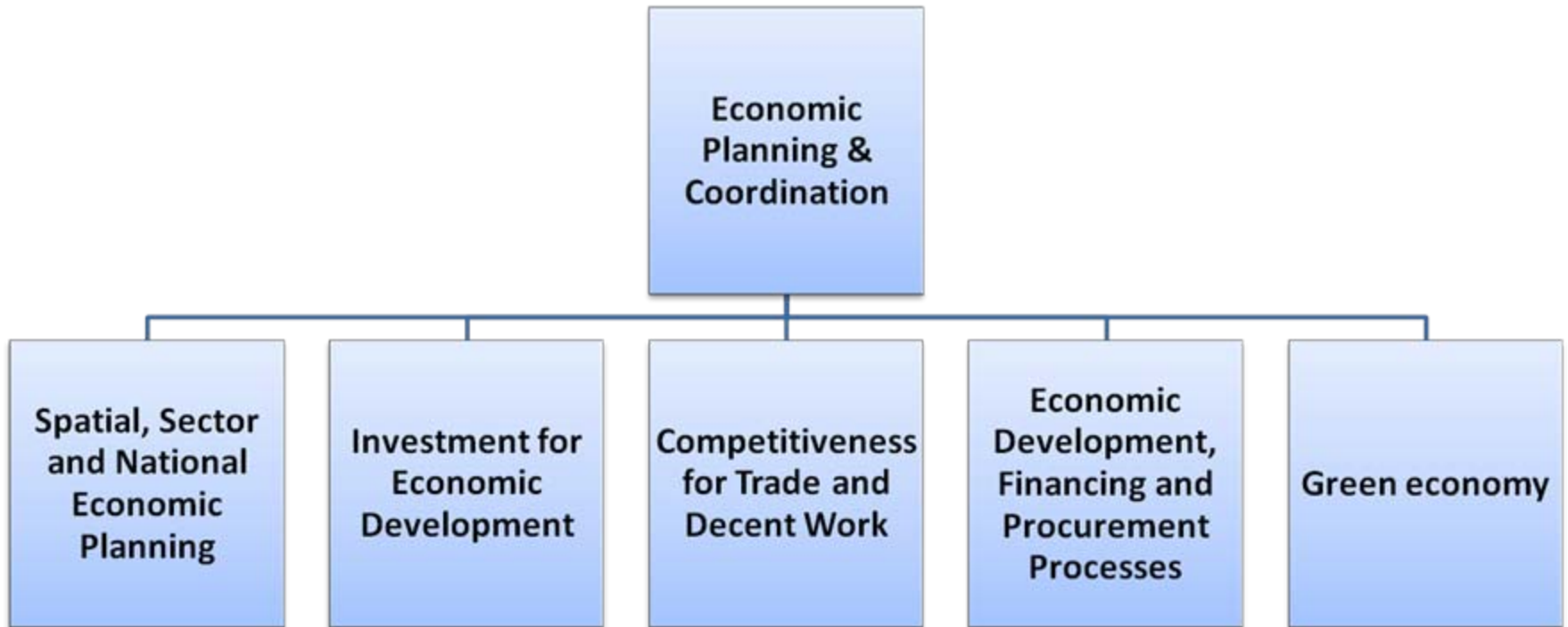
Economic Policy Development

Programme 2	2012/13	2013/14	2014/15
Budget MTEF (R '000)	29,056	30,657	32,554
Projected personnel numbers	26*	26*	26*

*Minimum targets set

Programme 3

Economic Planning & Coordination



Programme 3

Economic Planning & Coordination

- Strategic objectives
 - Develop sector, spatial, infrastructure and economic plans
 - Develop economic plans linked to infrastructure, industry, areas and/or sectors
 - Promote the development of economic development action plans, particularly for key and distressed areas
 - Build the coherence of provincial and local economic development plans
 - Promote economic development in the major sectors of the economy
 - Promote investment for economic development
 - Provide oversight and strategic direction to DFIs
 - Channel and direct public, and where feasible and appropriate, private investment into economic development.

Programme 3

Economic Planning & Coordination

- Strategic objectives, cont
 - Promote competitiveness for trade and decent work
 - Oversight of and policy and strategic direction to the ERBs
 - Promote African and regional economic development
 - Engage with international agencies and multilateral institutions
 - Pursue economic opportunities with major groupings including BRICS, EU and USA
 - Leverage financing and procurement processes
 - Identify opportunities for improving local procurement and production
 - Work with private sector to expand local industry.



Programme 3

Economic Planning & Coordination

- Strategic objectives, cont
 - Grow the Green Economy
 - Identify, develop and support projects, incentives and other measures to promote industries that create jobs and have lower or no carbon emissions in energy, agriculture, manufacturing and service sectors, especially tourism.



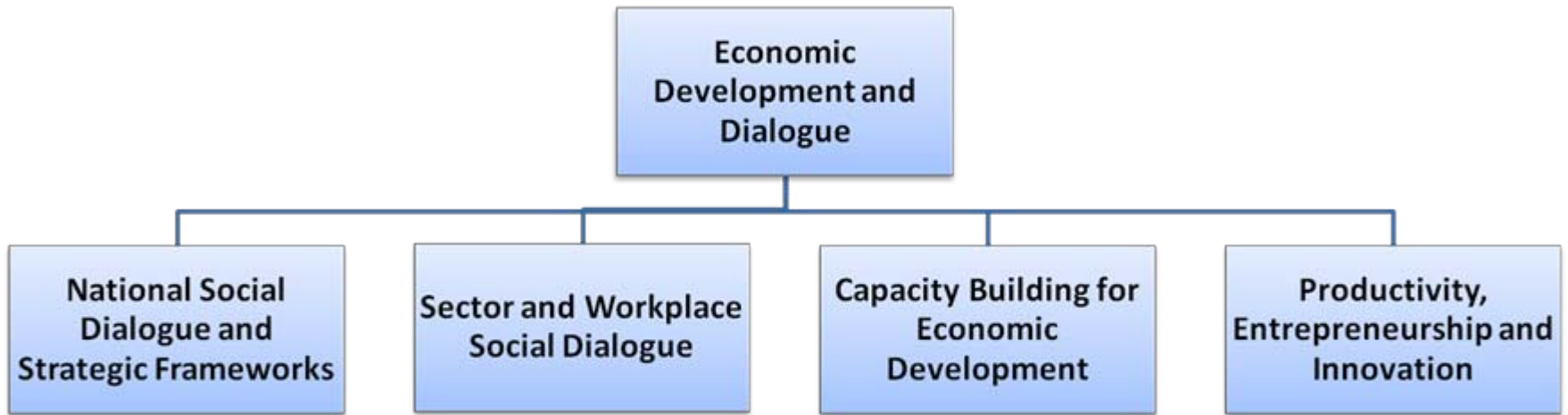
Programme 3

Economic Planning & Coordination

Programme 3	2012/13	2013/14	2014/15
Budget MTEF (R '000)	42,005	44,294	47,036
Projected personnel numbers	38	38	38

Programme 4

Economic Development & Dialogue



Programme 4

Economic Development & Dialogue

- Strategic objectives
 - Lead national social dialogue and implement strategic frameworks
 - Consult on and coordinate government's policy input and contributions to social dialogue on economic development matters
 - Negotiate national economic development and decent work pacts
 - Coordinate the implementation of framework agreements
 - Engagement in sector and workplace dialogue
 - Develop partnership agreements in key sectors and workplaces
 - Support capacity building for economic development
 - Promote research output and knowledge among social partners through the establishment and administration of a Social Partner Fund
 - Periodically convene an Economic Advisory Panel
 - Create and coordinate knowledge networks
 - Convene an annual Economic Development Conference
 - Foster productivity, entrepreneurship and innovation
 - Develop a policy framework for the increasing productivity, enhancing innovation and entrepreneurship.

Programme 4

Economic Development & Dialogue

Programme 4	2012/13	2013/14	2014/15
Budget MTEF (R '000)	18,149	19,137	20,324
Projected personnel numbers	16*	16*	16*

*Minimum targets set

Risk Management

Internal risks include:

- Recruitment & retention of skilled staff
- Organisational structure and governance documents
- Adequacy of internal controls
- Availability of office accommodation

External risks include:

- Coordination across government
- Engagement with social partners
- Global economic performance.

Presidential Infrastructure Coordinating Commission (PICC)

- Acceleration of infrastructure development is critical to goals of NGP
- PICC was established in second half of 2011
- Minister of Economic Development requested by President to chair Policy Secretariat of PICC and assemble technical team
- Technical team develop Infrastructure Plan and coordinate operational elements for its implementation
- This has required adjustments to EDD structure
- EDD will continue to support PICC in various ways.



Public Entities

Economic Regulatory Bodies



*competition*commission
south africa

- Competition Commission
 - Will continue to prioritise key sectors to create an improved competitive environment for economic activity
 - Has secured more resources but space is a challenge

- Competition Tribunal
 - Quasi-judicial body governed by the Competition Act
 - Sets efficiency targets as workload varies

- ITAC
 - Has aligned itself to government's developmental agenda
 - Key outputs are international trade instruments and technical advice.

Public Entities

Development finance institutions



– IDC

- Restructuring its operations to effectively support the NGP and the manufacturing jobs driver, IPAP
 - Key challenges: low levels of lending and investment, high costs of its facilities, lack of investment focus, slow project approvals, a reactive project-pipeline approach and weak measurement of development impact
- Increased its investment target to R102bn over five years, a substantial increase over past rates of investment
- Integration of small business in its focus through new small business development funding entity (SEFA) in short to medium term.

Public Entities

Development finance institutions



- Small Enterprise Finance Agency (SEFA)
 - Launched on 23 April 2012 as a subsidiary of IDC
 - Combines operations of Khula, Samaf, and small business operations on IDC
 - Will have R2bn available over the next three years for lending, through fiscal transfers, reserves and a shareholder loan from IDC
 - Further support available through IDC & China Development Bank loan agreement
 - Entity will increase availability of affordable finance to SMMEs by working through existing financial intermediaries and commercial financial institutions; and also by lending directly to small businesses.

Public Entities

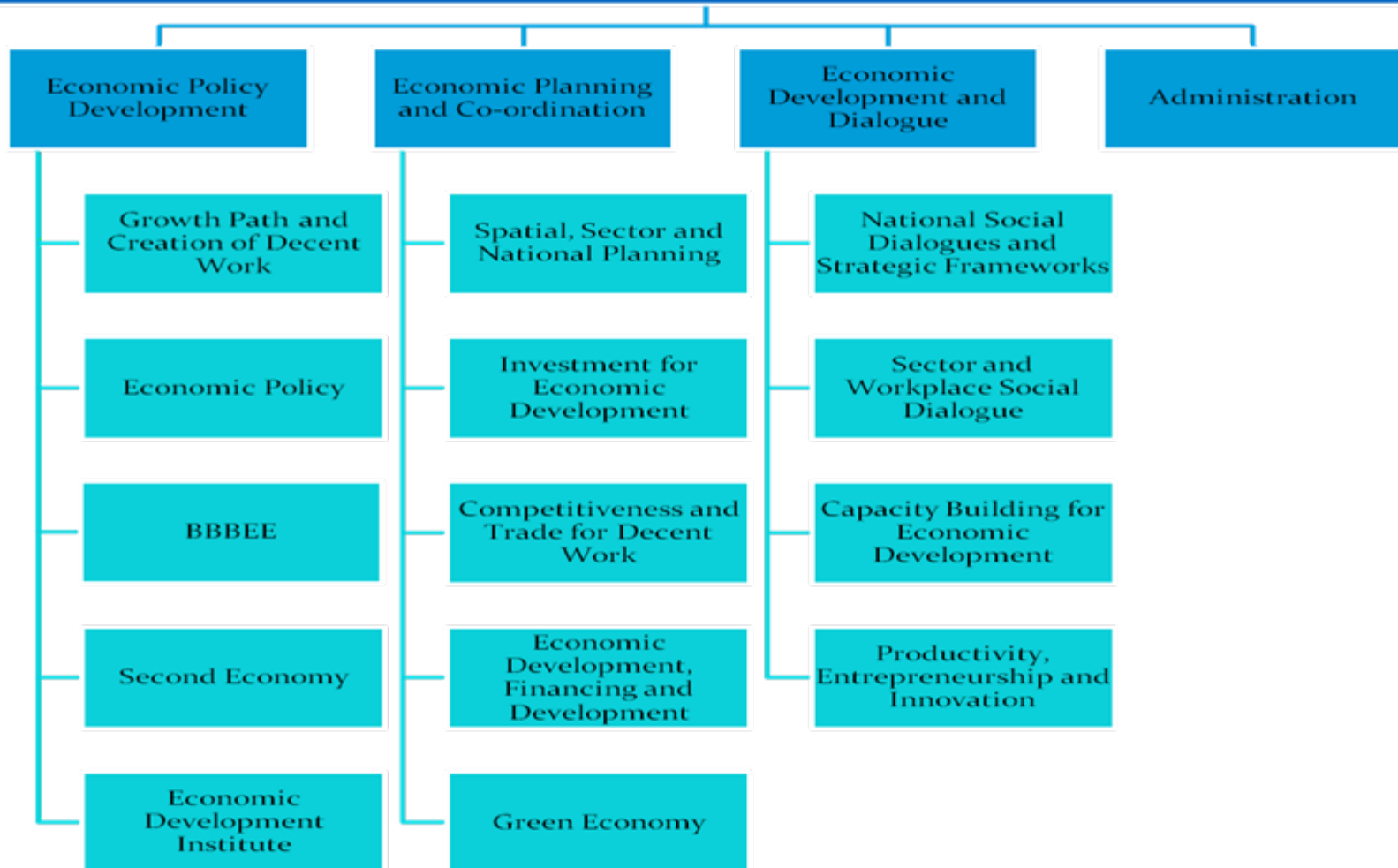
Transfers from EDD (R '000)	2012/13	2013/14	2014/15
Competition Commission	157,211	173,225	183,207
Competition Tribunal	15,600	16,458	17,446
ITAC	73,666	77,958	82,628
Khula *	75,908	80,083	84,888
Samaf *	93,072	98,191	104,082
IDC	108,000	108,000	-
Total	523,457	553,915	472,251

* Transfers earmarked for SEFA from 2012/13

EDD Budget 2012/13 – 2014/15

Programme Structure

Overview of Programme Structure



Budget

Programme	Audited outcome	Audited outcome	Audited outcome	Adjusted appropriation	Revised estimate	Medium-term	expenditure	estimate
R '000	2008/9	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14	2014/15
Administration	-	16,653	35,044	56,331	57,394	60,065	63,342	67,247
Economic Policy Development	-	-	6,647	23,500	15,865	29,056	30,657	32,554
Economic Planning and Coordination	220,361	297,992	358,527	502,071	486,778	565,462	598,209	519,287
Economic Development and Dialogue	-	-	456	16,457	7,560	18,149	19,137	20,324
Total	220,361	314,645	400,674	598,359	567,597	672,732	711,345	639,412
Change to 2010 Budget estimate				3,819	(26,943)	(1,973)	(1,989)	(2,241)

Transfers

Institution (R m)	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Competition Commission	44.0	80.7	117.7	126.6	157.2	173.2	183.2
Competition Tribunal	9.9	13.0	13.6	15.2	15.6	16.5	17.4
ITAC	58.4	60.9	64.3	69.6	73.7	78.0	82.6
Samaf *	38.1	77.3	82.8	90.5	93.1	98.2	104.1
IDC	-	-	-	34.0	108.0	108.0	-
Khula *	69.9	66.0	73.2	37.4	35.9	40.1	42.5
Khula (capital) *	-	-	-	40.0	40.0	40.0	42.4
Khula Direct pilot*	-	-	-	55.0	-	-	-
Wits University	-	-	-	5.5	-	-	-
University of Jhb	-	-	4.8	-	-	-	-
Proudly South African	-	-	-	8.0	-	-	-
SA Institute of CAs	-	-	-	6.0	-	-	-

* Transfers earmarked for SEFA from 2012/13

Expenditure Trends

- Expenditure expected to increase from R598.4m to R639.4m over the medium term
 - Increases mainly towards compensation of employees and transfers and subsidies:
- The Budget sets out additional funding of R225.3m over the medium term as follows:
 - R6.1m for improvement in conditions of service to be included in compensation of employees expenditure for the department;
 - R216m (R108m in 2012/13 and 2013/14) for the Industrial Development Corporation, earmarked for the capitalisation of the Agro-Processing Competitiveness Fund;
 - Reprioritisation of an amount of R15.9m (R5m, R5.3m and R5.6m) to Programme 3: Economic Planning and Coordination for IDC youth employment strategy fund; and
 - R1m, R1.1m and R1.1m to finance improvement of conditions of service in the International Trade Administration Commission of South Africa.

Selected Performance Indicators

- 41 indicators across 4 programmes; highlight 9 here

Indicator	2011/12	2012/13	2013/14	2014/15
Number of regulatory impact assessments on key NGP outcomes per year	-	1	1	1
Number of sector strategies produced reviewed or monitored per year	2	2	2	2
Number of interventions promoting economic development through leveraging off state expenditure and procurement per year	7	12	15	15
Total value of special financing facilitated for small businesses, targeted NGP sectors and/or companies in distress	R5bn	R5bn	R5bn	R5bn
Number of spatial / infrastructure plans produced or reviewed per year	12	15	15	17
Number of reports on implementation of the Green Economy Strategy per year	2	2	2	2
Number of interventions to save or create new jobs per year	4	4	4	4
Number of social dialogue and capacity building engagements per year	15	10	10	10
Number of economic development agreements (sectoral, workplace and national) facilitated with social partners per year	10	10	10	10

Objectives and Measures: Programme 1

- Provide strategic and operational support to principals
- Undertake planning and reporting
- Support management meetings and administrative processes
- Review organogram to align it with available budget
- Implement recruitment plan
- Implementation strategy to disengage from dti support
- Entrench sound internal controls, financial management and supply chain management
- Establish legal and communications support services.

Objectives and Measures: Programme 2

- Monitor implementation of the NGP and produce quarterly reports
- Issue policy papers
- Convene policy platforms
- Provide analytical data on the real economy
- Establish an economic development index
- Develop a formal and quantified framework (model)
- Develop BBBEE policy frameworks
- Establish Economic Development Institute
- Develop, implement, monitor and evaluate strategies for youth employment and second economy.



Objectives and Measures: Programme 3

- Submit proposals to Cabinet, the NPC and the provinces
- Coordinating and developing sector and infrastructure plans for key sectors
- Developing proposals for harmonising national, provincial and local economic development plans
- Development spatial economic development action plans
- Exercising policy, strategy and budgetary oversight over DFIs and ERBs
- Develop a strategy to enhance investment for economic development.

Objectives and Measures: Programme 3

- Leverage procurement and expenditure to enhance government's developmental priorities
- Promote South Africa's international relations strategy and economic development by engaging with regional and international agencies and multilateral institutions
- Grow the Green Economy through coordinating government and private sector players, including by establishing a dedicated fund
- Grow the agro-processing sector by coordinating government and private sector players, including by establishing a dedicated fund to support enhanced competitiveness.



Objectives and Measures: Programme 4

- Convene national social dialogue forums
- Facilitate social pacts in the workplace, sectors and at national level
- Facilitate, monitor and report on the implementation of framework agreements and social pacts
- Host learning events for economic development learning networks
- Host an annual Economic Development Conference
- Convene the Economic Advisory Panel.



Key priorities – 2012/13

- Roll-out Infrastructure Plan with a focus on implementation and consensus-building, working closely with provinces and local government
- Strengthen institutional capacity:
 - EDD staff
 - IDC proactive project pipeline
 - Competition authorities investigate market abuse
 - ITAC monitor impact of trade flows
 - Provincial and local economic development skills
- Monitor employment impact of policies
- Improve small business performance:
 - SEFA roll-out
 - Increase disbursements
 - Study on improving economic impact of small business
- Finalise further support for cooperatives with the dti
- Strengthen links with provinces, through better coordination via MINMEC
- Ensure improved value for money in the spending by EDD and strengthen systems of oversight.

Concluding Remarks

- In less than 3 years EDD has established itself and built its initial capacity
- It has played a key role in the development of key strategic frameworks, the NGP, Outcome 4, and the development of an infrastructure plan
- Focused social dialogue, coordinated by EDD, has resulted in four key social accords
- EDD has made good progress in implementing its previous Strategic Plans, considering capacity constraints
- New impetus on coordination, monitoring, evaluation and reporting on the implementation of the NGP
- EDD's evolving mandate and work focus, e.g. PICC work

Siyabonga