ANNUAL REPORT



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Economic Development Department

economic development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

20 YEARS OF FREEDOM

ANNUAL REPORT | 2013/2014

Economic Development Department – VOTE 28

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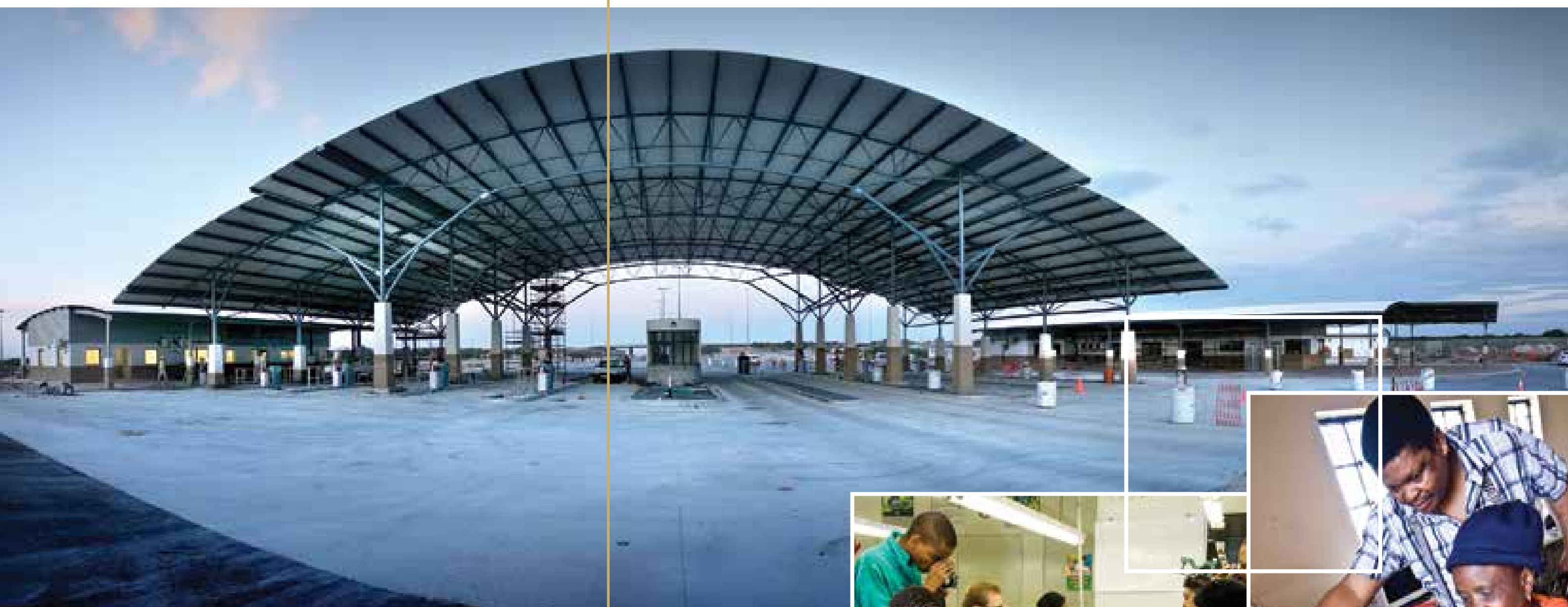

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LIST OF ABBREVIATIONS / ACRONYMS

AGSA	Auditor General of South Africa
ASIDI	Accelerated School Infrastructure Delivery Initiative
BBBEE	Broad Based Black Economic Empowerment
BRICS	Brazil, Russia, India, China and South Africa
CFL	Compact fluorescent lightbulb
CFO	Chief Financial Officer
CSIR	Council for Scientific and Industrial Resource (under the dti)
DAFF	Department of Agriculture, Forestry and Fisheries
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DHET	Department of Higher Education and Training
DPME	Department of Performance Monitoring and Evaluation
dti	Department of Trade and Industry
ECSP	Economic Competitiveness Support Programme
EDD	Economic Development Department
ERB	Economic Regulatory Body
FET	Further Education and Training
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IDZ	Industrial Development Zone
MANCO	Management Committee
MEC	Member of the Executive Council (of a province)
MinMEC	Committee of Minister and Members of Executive Councils
MPAT	Management Performance and Assessment Tool
MSP	Master Systems Plan for information and communications technology
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NCOP	National Council of Provinces
NDP	National Development Plan
NEDLAC	National Economic, Development and Labour Council
NGP	New Growth Path
PERSAL	Personnel Salary system of the public service
PTFE	Polytetrafluoroethylene
PVC	Polyvinyl chloride
SACU	Southern African Customs Union
SALGA	South African Local Government Association
SDIP	Service Delivery Improvement Plan
seda	Small Enterprise Development Agency (under the dti)
sefa	Small Enterprise Finance Agency
SMME	Small, medium and micro enterprises
SMS	Senior Management Service of the public service
VAT	Value Added Tax
WTO	World Trade Organisation

ECONOMY HIGHLIGHTS

Employment grew by	**496 000 (March 2013 to March 2014)**
Total employment	**15,1 million (as of March 2014)**
Growth in women's employment	**300 000 (March 2013 to March 2014)**
Jobs held by women	**6,7 million (March 2014)**
Growth in jobs for youth aged 18 to 34	**150 000 (March 2013 to March 2014)**
Jobs held by youth aged 18 to 34	**6,0 million (March 2014)**
GDP annual growth	**1,9% (2012/3 to 2013/4)**
Size of GDP	**R3,5 trillion (March 2013 to March 2014)**
Investment grew by	**R73 billion (nominal, year on year, 2012/3 to 2013/4)**
Infrastructure spending (estimate)	**R233 billion (2013)**
Manufacturing production grew by	**R4,1 billion or 1.4% (2012/3 to 2013/4)**
Agricultural production grew by	**R400 million or 0,9% (2012/3 to 2013/4)**
Employment growth since adoption of New Growth Path in October 2010	**1,4 million (October 2010 to March 2014)**

EDD AND AGENCY HIGHLIGHTS

PICC monitored infrastructure projects (value, March 2013)	**R 1 trillion**
Jobs on PICC projects, March 2013	**200 000**
IDC funding approvals, 2013/4	**R13,8 billion**
IDC funding approvals for BBBEE companies, 2013/4	**R5,2 billion**
IDC funding disbursements, 2013/4	**R11,2 billion**
IDC funds set aside for youth over coming 3-5 years	**R1,0 billion**
Jobs created/saved through IDC funding, 2013/4	**19 230**
sefa facilitated funding approvals, 2013/4	**R1,1 billion**
sefa funding set aside for youth over coming 3-5 years	**R1,7 billion**
Penalties imposed by the competition authorities, 2013/4	**R2,6 billion**
Mergers where employment and other public-interest conditions imposed by Tribunal, 2013/4	**4**
ITAC tariff increases, 2013/4	**7 industrial products**
ITAC tariff rebates, 2013/4	**6 industrial products**
Major youth events facilitated by EDD	**2 (Signing of Youth Employment Accord; Presidential Youth Indaba)**
EDD staff numbers, March 2014	**139**
EDD budget spent (incl. transfers)	**R771,4 million**
Frontline KPIs achieved	**97%**

Mr Ebrahim Patel
Minister of Economic Development

1. FOREWORD AND OVERVIEW BY THE MINISTER

It is my pleasure to table this Annual Report of the Economic Development Department (EDD), which sets out its key activities against its Annual Performance Plan (APP). The EDD is also publishing a more in-depth Annual Report to Citizens this year as this Report largely deals with management indicators for the APP, the budget and human resources. The Annual Report to Citizens will provide a more comprehensive, contextual and detailed overview of EDD's achievements in the 2013/4 financial year.

The EDD was established at the start of the fourth Administration in 2009. That Administration saw economic recovery from the international financial crisis of 2008/9, with the creation of over 1,4 million new jobs from the low point in late 2010, an increase in investment to almost 20% of the GDP in 2014, and steady economic growth. The GDP grew by R1,1 trillion and investment by R131 billion over the five years from 1 April 2009.

Some major economic achievements of the Administration included:

- Job creation and inclusive growth became the core criteria for economic policy. The New Growth Path (NGP) was adopted and became the operational plan to achieve the economic vision of the National Development Plan (NDP);
- Infrastructure investment by the public sector was just over R1 trillion, more than double what was spent in any previous five-year administration over the past 40 years;
- The National Infrastructure Plan and the Presidential Infrastructure Coordinating Commission (PICC) were established, with an emphasis on infrastructure priorities to stimulate the economy and support existing and emerging enterprises, rural development and industrialisation;
- The Industrial Policy Action Plan was established as a rolling plan to support industrialisation;
- Industrial financing increased for innovative projects to diversify the economy and to support emerging and smaller enterprises, increasingly aligned with the New Growth Path and with set asides for youth entrepreneurs. Approvals and disbursements by the Industrial Development Corporation (IDC) doubled compared to the previous administration;
- The competition authorities became more active and strategic, helping to combat cartels and monopolies. The value of the fines and remedies they imposed on uncompetitive behaviour or mergers climbed ten-fold compared to the previous administration, reaching R5,7 billion over the five years to February 2014;
- Social Accords were signed by the NEDLAC constituencies on, amongst others, Youth Employment, Local Procurement, the Green Economy, Skills and Basic Education, and to improve labour relations in mining.

The EDD's work in support of the PICC, its oversight over key development finance institutions and regulatory agencies, efforts to support economic diversification and job creation, and work on the Youth Employment Accord provided effective support for inclusive growth.

These achievements have laid a solid foundation for our work in the fifth Administration, which took office at the end of the financial year under review. The economic vision of the National Development Plan, which encompasses inclusive growth and job creation, is operationalised especially through the New Growth Path, the National Infrastructure Plan and the Industrial Policy Action Plan. The new Medium Term Strategic Framework (MTSF) identifies the practical actions required in the coming five years to create an environment for radical economic transformation.

In this context, the mandate of the EDD is:

- To identify priorities for inclusive growth and especially employment creation, in line with the NDP target of 11 million new jobs by 2030;
- To support the alignment of the state around achievement of these priorities, which is necessary because economic

functions spread across spheres, departments and agencies; and

- To oversee the IDC and its subsidiaries as well as the competition authorities and the International Trade Administration Commission of South Africa (ITAC).

The EDD's work in the past year was shaped by a complex economic environment.

On the plus side, job creation remained strong. Total employment grew by 500 000 from March 2013 to March 2014, exceeding the level before the 2008/9 downturn. Moreover, jobs growth for young people accelerated markedly during the 2013/4 financial year.

GDP growth was positive at 1,9% for the year as a whole. Strike action, energy constraints and a weak global economy meant it was slower than in the previous two years. In contrast, both public and private investment climbed substantially. Total investment reached 19,7% of the GDP for the full financial year, the highest level since 2009. Public investment rose by 2,1% in the 2013/4 financial year compared to 2012/3. It reached 7,3% of the GDP in March 2014, up from a low of 6,9% in March 2011. Private investment rose by almost 6% in the same period, reaching 12,4% of the GDP in March 2014.

Let me review some EDD achievements against this background.

1.1 Infrastructure

As in the previous year, the work in support of the Presidential Infrastructure Coordinating Commission (PICC) has proven particularly important and rewarding. Infrastructure is crucial for inclusive growth in South Africa, both to sustain expansion in the formal sector and because apartheid left severe backlogs in public investment in historically black communities, which in turn hinders economic development.

I have witnessed the impact of the PICC's work on the daily lives of the people of the country, ranging from scholars who have access to modern learning facilities, to improved bus transport in our cities, mothballed power stations being returned to services, port upgrades and expansion, new hospitals being built and housing being provided with electricity and hot water for the first time. This is progress. The PICC will continue to accelerate the build programme in ways that are affordable, upgrade living standards and increase economic opportunities for our people, green the economy and support industrialisation.

SOME INFRASTRUCTURE ACHIEVEMENTS OVER THE PAST FIVE YEARS

Two new large dams were built near De Hoop in Limpopo and the Spring Grove Dam in KZN that will bring 126 million cubic meters of new water into our water systems. Two water pipelines that cover almost 200 kilometres were completed to transport water from dams to power stations and industrial sites. The Mzimvubu Scheme, which will provide water to approximately 224 000 people, will commence land clearing by April 2014.

An additional 176 million litres of drinkable water per day was available for South Africans to consume, through new or expanded water treatment works that were completed. This is almost equal to a glass of water per day for every person in sub-Saharan Africa. The storage capacity of drinkable water increased by 39 million litres through expansion of reservoirs and tank facilities.

From June 2012, the previous high levels of acidic water discharging from mines in the Western Basin have been controlled through the upgraded treatment plant at Tweelopiespruit.

To expand road transport, 1 476 kilometres of new roads and lanes were built and more than 25 000 kilometres of roads were maintained and potholes fixed.

Construction has started on the first large new rail lines since the 1980s, in Mpumalanga to help to shift transport of coal from roads to rail in order to protect the road network. Over the past four years (to September 2013), we have bought more than 9 880 new train coaches or wagons (all manufactured locally) and more than 329 locomotives (of which 319 were locally assembled), to create jobs and expand industrial capacity.


A major programme of construction is under way to integrate urban centres through integrated public transport systems, with funding provided through national government to metros for implementation. Rea Vaya in Johannesburg and MyCiti in Cape Town have already completed parts of their network. Already, over 100 000 people use the Rea Vaya system. Some 333 new buses were assembled locally for the new integrated transport system for Johannesburg and Cape Town. Of these, 112 also had 80% of their bus bodies made locally. Moreover, by the end of March 2014 some 20 800 new taxis had been assembled in new factories in eThekwini and Springs.

Significant progress has been made with the largest new power station build programme in South African history, with the simultaneous construction of three major power stations that will bring a vast increase to the country's energy supply. Once completed, the full energy-build programme is expected to bring 15 000 Megawatts of green and traditional energy onto the grid in the next five years. Some 3 200 kilometres of new transmission power lines were laid to take energy to more parts of the country and ensure that rural communities increasingly have access to electricity.

We initiated Africa's largest green energy programme during this administration, with approval of green energy plants that will generate solar and wind energy equal to roughly twice the electricity demand of Johannesburg. In addition, to conventional forms of generation, 328 megawatts of renewable energy will be brought onto the grid by March 2014 and 2460 megawatts by 2015. A treaty was signed between South Africa and the Democratic Republic of the Congo in which South Africa has an option to purchase 2 500 MW of hydro-energy from the first phase of Inga 3, a major dam on the Congo River.

Just over one million new households were connected to electricity, with benefits to more than four million South Africans over the past five years. In the 104 years between 1892 and 1996, only 5,2 million households were connected to electricity. In the 20 years of democracy, a further 7 million households were connected. Democracy has done more in 20 years than colonialism and apartheid in over a century.
37 000 kilometres of fibre-optic cable for broadband were laid. This has provided the basis for a massive expansion in the ICT sector and for significantly greater access to the internet by millions of South Africans through fixed-line and mobile connections.

A new 700-kilometre fuel pipeline from Durban to Gauteng was completed. It can transport 4 billion cubic litres of petrol, diesel and jet fuel a year.

Existing universities have added 10 700 beds to the existing stock of student accommodation, and about 500 new lecture theatres, laboratories and other facilities. Moreover, two new universities and 12 new campuses for Further Education and Training (FET) colleges are due for or under construction, marking the biggest post-secondary school build in the past 30 years.

Ten new hospitals were completed, in five provinces, with 2 770 patient beds.

One of the largest new housing projects in recent years has started outside eThekwini with the building of 482 houses in Cornubia. They form part of an eventual 24 000-house estate that will accommodate more than 100 000 people. Preliminary estimates suggest more than 630 000 houses were built nationally over the past five years.

Without ignoring the continuing challenges, we can safely say that the PICC has made great strides in coordinating public investment across departments and agencies, supporting local procurement for these projects, ensuring that new infrastructure supports the growth of both existing and emerging investors, dealing with blockages to construction, and addressing corruption and underspending on infrastructure.

The EDD provides the technical unit to the PICC, while I chair the Secretariat. In addition, the IDC has established a localisation office to support local procurement for the build programme.

A central task of the EDD is to monitor progress for the PICC so that blockages and opportunities can be timeously identified and addressed. It actively monitors 18 Strategic Integrated Projects (SIPs), each of which contains a number of major projects. Currently it has mobilised a team of more than 70 officials in the public sector (located in EDD or in

public agencies) to assist the PICC in actively tracking project delivery on projects worth approximately R1 trillion.

The magnitude of this work can be seen, amongst others, from the extent of site visits undertaken. In the past 18 months, the President launched more than 20 PICC projects while Cabinet Ministers launched over 30. For its part, the EDD conducted more than 55 technical site visits over the past 18 months. In the past year, I undertook 12 site visits, ranging from power stations and dams to schools to mines, renewable energy projects and equipment manufacturers. Site visits have proven to be the most effective and fastest tool in assessing the actual issues on the ground and have been invaluable in bringing the real issues to the table to resolve.

The PICC has appointed state agencies as co-ordinators for each of the 18 SIPs, which provide staff and budget that represent a major support for the EDD and the PICC. With the support of the SIP Coordinators, the EDD integrates, coordinates and aligns the technical work of the PICC. On a quarterly basis, all projects in construction phase are monitored to ensure effective construction progress, localisation and job-creation, with reports to Cabinet using dashboards. Cross-cutting work streams such as funding, industrialisation, infrastructure spending, maintenance, state capacity, unblocking and more effective authorisations and regulatory approvals are managed and toolkits have been developed, which has resulted in more effective analysis and decision-making.

The PICC's localisation office at the IDC has identified extensive opportunities for local procurement and industrialisation. Products affected include transmission lines, cables and conductors, grinding elements, metering pumps and valves for Eskom, and locomotives, port facilities, wagons, machinery and pipelines for Transnet. The local manufacture of this equipment will boost investment and employment, and add to the sophistication of South African industry in the longer run.

The EDD also developed frameworks for ensuring more efficient and effective resource use across the build programme. The PICC mobilises experts in the state to address issues of operations, maintenance, funding, refurbishment, procurement and technical expertise. It has worked with the Human Resources Development Council of South Africa on a skills plan for infrastructure projects and with SALGA, the National Treasury and other departments on ways to overcome under-spending on infrastructure budgets, which is a particular problem at provincial and local level.

The EDD also unblocked and co-ordinated many infrastructure projects. For instance, the Department was directed by the Presidency to analyse the challenges around the water supply in the university town of Grahamstown and to collaborate with the municipality and other national government departments and organs of state to accelerate repairs. The lessons learnt in this process have been taken into a special water and sanitation task team that looks at the ten most affected municipalities in the country.

It has been my experience that the practical issues that arise in major infrastructure projects require greater coordination across state agencies. Often agencies such as SANRAL, Eskom or Transnet or the government itself must provide assistance or prioritise and align their projects to finish a build programme.

The EDD is responsible for communicating the work of the PICC to the public. Since December 2013 it has placed some 70 full-page inserts in the press; commissioned 66 billboards; and provided 531 minutes of radio coverage and 397 minutes of TV coverage to report on the PICC's successes in infrastructure and how they have changed the lives of our citizens.

The adoption of the Infrastructure Development Act of 2014 was an important step towards improving coordination around the build programme, reducing unnecessary regulatory delays, and institutionalising the PICC and the National Infrastructure Plan. I am grateful to the Parliamentary committees overseeing the EDD, the members of government, my officials and the public for their hard work and inputs in this process.

THE INFRASTRUCTURE DEVELOPMENT ACT, 2014

The Infrastructure Development Act (Act No. 23 of 2014) was assented to by the President in the first quarter of 2014/15. The Act aims to strengthen the capacity of government to rollout infrastructure and is thus at the heart of our efforts to improve the lives of citizens. It builds on the successes of the infrastructure

programme to date while providing new procedures to overcome challenges especially around prioritisation, coordination of state agencies and unnecessary regulatory delays.

The Act establishes in law the coordination structures of the PICC. The PICC is led by a Council that includes executive authorities from across the spheres of the state. It has a number of substructures to ensure political coordination and technical collaboration on priority projects.

The Act provides for a planning framework for infrastructure, with a long-range plan that moves beyond the work of a single administration, in line with the NDP and the New Growth Path. This ensures that government moves beyond a stop-start pattern of infrastructure; it allows universities and FET colleges to tool up to produce the skills that will be needed for the next 20 to 30 years; and it gives investors the certainty that they need to commit to long term investment in the domestic economy.

As part of the planning framework, the Act provides for the designation of SIPs through the National Infrastructure Plan. To date, the Cabinet has approved 18 SIPs that bring together hundreds of construction projects. They include, for instance, improving schools across the country, opening the northern mining belt, and developing the south eastern coastal regions. These SIPs allow for clear prioritisation as well as better integration of connected projects and improved monitoring of implementation. The Act provides that each SIP has a forum of the relevant executive authorities that is chaired by a Cabinet Minister.

The Act includes a number of provisions aimed at reducing unnecessary delays in the build programme, while permitting time for extensive public consultation where required. It sets timeframes for key regulatory decisions, which should run concurrently wherever possible. This ensures that the state works to a common deadline. In addition, it sets out processes of coordination that require regulators and departments to work closely together through SIP Steering Committees. The work of each SIP will also be monitored on a quarterly basis through an integrated dashboard that has been developed in the PICC.

Because many infrastructure projects require land, the Act provides for the PICC to expropriate land directly. This power is subject to the Constitution and governed by the regulations of the existing legislation on expropriation.

The Act contains clear mechanisms to avoid conflicts of interest by SIP Steering Committee members as part of government's anti-corruption drive. It provides for tough penalties for non-disclosure by members, including imprisonment of up to five years.

Finally, the Act sets out the mechanism through which the Minister of Economic Development can set developmental targets for SIPs, covering areas such as local industrialisation, job-creation, youth employment, greening the economy, skills development, rural development and broad-based empowerment.

1.2 Industrial finance

The IDC and sefa remain central to efforts to diversify the South African economy while supporting long-run growth.

The IDC's approvals and disbursements in the past five years were twice as high as in the previous five years. This trend continued in the year under review, with IDC approvals reaching the highest-ever level at R13,8 billion. That is equal to 2% of total annual investment in South Africa, and leveraged an estimated 6% of investment for the year. Disbursements were R11,2 billion. This was below the very high level of 2012/3, but still 70% above the three years before that (2009/10 to 2011/2).

The IDC continues to structure its lending to support more job-creating and diversified industrialisation, including allocating R1 billion for youth-empowered enterprise over the coming five years, as discussed in more detail in the following section. In 2013/4, to give just three examples of many:

- Projects with IDC funding were awarded contracts worth over R6 billion in the Department of Energy's third round of bidding for Renewable Energy Independent Power Producers. The IDC has financed major wind and concentrated solar projects, largely in underdeveloped regions in the Eastern Cape, often assisting local communities to obtain shares.
- A major soya processing plant in Bronkhorstspruit came on stream early in 2014, 18 months after construction began.

The project comprises the development of a green-fields soya crushing facility in the Bronkhorstspruit Industrial Area. The plant will convert around 240 000 tons of soya beans annually into high quality oil cake, hulls, and crude soya oil for distribution into the animal feed and industrial sectors. It will replace imported soya cake and provide a market for dry-land cultivation of over 100 000 hectares with soya, which is an important rotational crop. The plant itself provides 48 permanent jobs, but at a conservative estimate will raise agricultural employment by over a thousand.

- Local demand for insulated copper cable is set to grow on the back of Eskom's transmission and distribution expansion programme. The IDC is a partner in a plant to manufacture low to medium voltage insulated copper cable in Germiston. The plant will manufacture cables in the 6KV to 33 KV range for use in the utility, building and industrial sectors. The IDC is contributing R169 million to the project, which will create 147 jobs.

The Small Enterprise Finance Agency (sefa) was established in 2012 through the consolidation of two other national credit agencies for small and micro enterprise. In 2013/4, the organisation was consolidated and its activities grew rapidly, providing significant support to smaller and emerging producers.

In the year under review, sefa's disbursements, both direct and indirect (that is, wholesale lending through intermediaries), climbed to R549 million, up from R200 million in the previous year – an astonishing improvement, reflecting its organisational development following its establishment two years ago. Sefa increased its disbursements by R349 million and its approvals by R627 million in the year under review. The strongest growth was seen in direct lending disbursements as part of its new initiatives in this area, with growth of 542% to R261 million. In the past year, sefa has supported 46 407 enterprises, with R363 million disbursed to women-owned businesses and R157 million to young-owned enterprises.

Two examples underscore the role of sefa in helping create new opportunities for our people.

Allgreen Biopellet is a newly formed and 100% women-owned company, established in George to manufacture and supply coal-replacement wood pellets. The pellets substitute for coal peas in cheese and dairy processing plant boilers and wood pellet stoves. The product has carbon neutral emissions, clean fuel and minimal ash with no waste. The company has secured an agreement with PG Bison Southern Cape to collect its waste material and use it as an input and with Ladysmith Cheese to supply the wood pellets to it. This will see 21 permanent jobs being created in George.

Sefa is currently assisting Zakhe Engineering, a small Khayelitsha-based business in the telecommunications business, which lays fibre optic cables for businesses and for infrastructure projects. Zakhe has done work for Neotel and Siemens and has also trenched cable for a shopping centre in Cape Town. More recently, it laid bicables for Transnet. The project involved the trenching of about 11 kilometres of fibre optic cable from Transnet's Voorbaai station to the harbour in Mossel Bay. Sefa's support allowed the business to grow the number of people it employs from 40 to 80.

During the financial year, sefa hosted 25 road shows throughout the country to inform SMMEs about its products and services.

Sefa Roadshows, 2013/4

2013	April	Alexandra
	May	Vredendal, Vredenburg
	June	Hammanskraal, Diepkloof, Polokwane, Thohoyandou, Pietermaritzburg
	July	Rustenburg
	August	Kuruman, Kimberley, Umtata, Bizana
	September	East London, Uitenhage
	October	Nelspruit, Bushbuckridge/Ermelo
	November	Bloemfontein/ Mangaung, Welkom, QwaQwa, KwaDukuza, Durban/Umlazi
2014	March	Mitchell's Plain, Randfontein, Klerksdorp

1.3 The competition authorities

The competition authorities form a key instrument for achieving a more inclusive economy. They have a particularly important role in light of the high levels of concentration that characterise the South African economy, in part due to the way apartheid limited access to opportunities and in part because it is relatively small by world standards.

The competition authorities – the Competition Commission and the Competition Tribunal – have for several years adopted a strategic approach to the economy that targets sectors with a strong impact on economic and social development. At the same time, I have worked with them to improve implementation of the requirement in the Competition Act that mergers take public interest criteria, including employment, into account.

The success of this twin strategy can be seen in one simple number: the value of fines and remedies for abuse of market power and collusive behaviour rose from around R580 million in the third administration (2004 to 2009), to R5,7 billion – almost ten times as high – in the fourth administration (2009 to 2014).

The competition authorities had several notable accomplishments in 2013/4.

The Competition Commission finalised the construction fast-track settlement process, which uncovered a cartel amongst major players in the construction industry. As a result, it imposed penalties totalling R1,46 billion on 15 companies. The organs of the state affected by the cartel included municipalities, departments and various agencies. EDD is working to co-ordinate further action to compensate for the losses suffered by the government and the public, while maintaining the capacity of the construction industry as a whole.

THE COMPETITION CARTEL

In 2013, the Competition Commission concluded its investigation of collusive behaviour by major construction companies, many but not all involved in government's build programme, including some of the 2010 World Cup preparations. The cartel included meetings to divide markets and agree on margins, with companies combining to co-ordinate tenders for different projects. They would create the illusion of competition by submitting sham tenders ("cover pricing") to enable another company in the conspiracy to win a tender. In other instances, firms agreed that whoever won a tender would pay the losing bidders a "loser's fee". Sub-contracting was also used to compensate losing bidders.

The construction investigation took an innovative form, with a "fast-track" process that incentivised firms to make full and truthful disclosures of bid rigging in return for penalties lower than the Commission would seek if it prosecuted these cases. The Commission initiated the fast-track process in 2011 and concluded it in 2013 with fines totalling R1,46 billion imposed on 15 companies. The specific fines are shown in the table below. In 2013, the Commission also began to pursue allegations against companies that chose not to settle during the fast-track process. In addition, EDD is working with other state agencies and municipalities to explore additional financial claims for the companies concerned.

Company	Amount
1. Aveng	R306,576,143
2. Basil Read	R94,936,248
3. Esorfranki	R155,850
4. G Liviero	R2,011,078
5. Giuricich	R3,552,568
6. Haw & Inglis	R45,314,041
7. Hochtief	R1,315,719
8. Murray & Roberts	R309,046,455
9. Norvo	R714,897
10. Raubex	R58,826,626
11. Rumdel	R17,127,465
12. Stefanutti	R306,892,664
13. Tubular	R2,634,667
14. Vlaming	R3,421,662
15. WBHO	R311,288,311
Total	**R1,463,814,392**

The Commission also reached a substantial settlement agreement with Telkom for abuse of dominance that resolved a series of cases lodged against Telkom from 2005 to 2007. Under the settlement, Telkom must reduce the price of products implicated in the case for the three years from 2014 to 2016 in the value of at least R875 million.


The Competition Commission approved the purchase of Afgri, an agricultural company with major storage interests as well as involvement in poultry production and other agricultural activities, by a foreign investor. The approval included employment guarantees for its workers and an agreement with the government on funding and support for smallholder farmers, and discounted prices to emerging farmers for storage facilities. EDD, together with **the dti** and the Department of Agriculture, Forestry and Fisheries (DAFF), engaged with Afgri to reach these commitments, under which Afgri will provide R90 million over four years to support smallholders.

An Advisory Board will be established by government and Afgri for the funds, which will be used:

- To enrol emerging farmers in a development programme based on a programme already initiated by Afgri that provides intensive training and mentoring;
- For a "Poultry Farmer Assistance" programme that includes funding of veterinarian services to emerging farmers as well as access to laboratory service and technical and nutritional support; and
- For any other programmes approved by the Advisory Board.

Afgri also agreed to take on most of the risk on R125 million in loan facilities that it would provide to emerging farmers based on capital secured from the Land Bank. It will also give a 40% discount on grain storage to emerging farmers that store less than ten tonnes a season.

On 1 April 2013, amendments to the Competition Act came into force that empower the Commission to undertake market inquiries – that is, pro-active investigations into markets where the outcomes indicate a lack of effective competition.

In its first market inquiry under the new provision, the Commission appointed a panel to lead a market inquiry into the private healthcare sector. The panel is chaired by retired Chief Justice Sandile Ngcobo with Professor Sharon Fonn, Dr Ntuthuko Bhengu, Dr Lungiswa Nkonki and Mr Cornelis (Cees) van Gent as panellists. It will preside over the market inquiry, oversee public hearings, review submissions, draft the inquiry report and produce its final recommendations. It will be supported by a team of investigators comprising the Commission's economists and lawyers and expert consultants. The inquiry is expected to last between 18 and 24 months.

1.4 Trade policy

The EDD also oversees ITAC, which is responsible for trade remedies, including tariff amendments, rebates and similar measures. A central challenge in this regard has been to integrate its work with broader sectoral industrial strategies, which may take several years to reach fruition. In this way, trade interventions will contribute increasingly to sustainable growth and diversification.

As an example of this approach, ITAC provided temporary protection against a surge of low-cost imports into the poultry industry, which threatened local processing capacity and thousands of jobs. At the same time, the EDD, **the dti**, DAFF and the IDC developed a strategy to support longer-term development in this industry, which is critical for rural livelihoods and food security as well as job growth.

In the past few years, concerns have been raised that high international scrap metal prices have led to excessive exports, undermining local foundries and effectively incentivising theft of cables, manhole covers and similar equipment. For this reason, after extensive engagements with stakeholders in the metals industry, I issued a trade policy directive to ITAC on the export of scrap metal, requiring the introduction of a price preference system. Under this system, scrap metal may only be exported after it has first been offered to domestic smelters and other manufacturers at an acceptable cost. EDD successfully defended this policy against legal challenges by scrap exporters.

In this financial year, ITAC increased the duty on specific kinds of hardware to help revitalise this important sector in our manufacturing industry. The products - screws, bolts and nuts - all face serious import competition and companies manufacturing these products had closed down.

The Commission also recommended an increase in the dollar-based reference price for sugar, providing support to a sector that employs 100,000 South Africans. The measure addressed increasing imports that affected the sustainability of the domestic sugar industry.

In terms of trade remedies, ITAC concluded safeguard and anti-dumping investigations on potato chips, hand tools and mirrors, amongst others.

1.5 Unblocking investment and facilitating growth

The EDD itself has also taken the initiative to facilitate major private investment projects especially where they face delayed decisions by agencies of the state. Amongst others, it assisted enterprises to obtain land and leases from government agencies and municipalities in order to expand their operations; arranged for some vacant sefa premises in Mitchells Plain to be used as a training facility; and facilitated water and mining licences for new investors.

The EDD's work in Atlantis illustrates its approach to supporting and unblocking investment. The town was set up under apartheid as an industrial centre, but in recent years has faced de-industrialisation. To revitalise its manufacturing sector, the EDD worked with **the dti** to attract two major new electronic goods companies by providing incentives and engaging the Chinese government. In June 2013, a Chinese company, Hi-Sense, launched a factory that provides 300 jobs. The company makes fridges and TVs. This followed the opening of another factory that makes TVs and decoders, employing 100 workers, in March 2013. In addition, the IDC has provided R276 million in loans and equity for five leather, blanket and textile factories in Atlantis. Eight textile factories in Atlantis have also received R58 million in grants from the government's Production Incentive Fund over the past five years.

1.6 The Youth Employment Accord

A central element of the EDD's work has been to forge accords with stakeholders inside and outside of the state to achieve developmental aims. In the past year, key achievements in this regard have been around the Youth Employment Accord. The Accord was signed in April 2013 by the NEDLAC constituencies and leading youth organisations. It reflects a common commitment to raising the share of young people in employment, training and education. The six pillars of the accord are education and training; work exposure; youth brigades based on existing public employment programmes; set-asides for youth employment in growing industries; youth entrepreneurship and co-ops; and private-sector initiatives.

EDD provided detailed quarterly reports on progress in implementation to Cabinet as well as to the NEDLAC stakeholders. It also supported implementation of the public-sector commitments in the Accord, which included, amongst others, increasing the share of young people in public employment schemes, as well as monitoring and growing the number of public-sector internships to a targeted 5% of total employment. That would increase public-sector internships by tens of thousands. These elements are particularly important because young people often find that they cannot get employment due to a lack of experience. In addition, the Youth Employment Accord targeted a higher share of youth for public employment programmes. By March 2014, youth accounted for around half of all participants in these programme, with a total of around 500 000 youth participants taking part in public employment schemes during the course of the year under review.

The PICC has also prioritised youth employment. The national infrastructure build programme has become a significant source of employment for young workers. For the period ending March 2014, the EDD recorded 27 000 job opportunities for youth in just 22 major infrastructure projects included in the National Infrastructure Plan. Over half of all workers on the Medupi and Kusile production sites are youth.

In addition, as noted earlier, both the IDC and sefa set aside substantial resources to support youth-owned enterprises. The IDC has committed R1 billion and sefa R1,7 billion for companies and co-operatives that are youth empowered. Together they have already approved financing worth R150 million under these programmes.

In March 2014, the EDD helped organise the Presidential Youth Indaba in partnership with the Presidency, the National Youth Development Agency, the South African Youth Council and various other stakeholders. The Indaba provided a platform for the participants to consider ways to strengthen implementation of the Accord, and they adopted a set of resolutions to that end. It included an expo where young participants could find out about job-placement, entrepreneurship, education and training opportunities. The

national Youth Indaba will be followed by roadshows, with the first held in the Western Cape in April.

ADDITIONAL ACHIEVEMENTS UNDER THE YOUTH EMPLOYMENT ACCORD

In addition to the programmes and policies that EDD supports directly, the Youth Employment Accord has given rise to a number of initiatives across the state.

The government supported a number of youth entrepreneurs and co-operatives through its new Youth Enterprise Development Strategy. It also set a target of 80% youth for future beneficiaries of its Business Process Services support programme.

Overall, government expects a 10% increase in the number of university places by the end of next year, and an even larger expansion in further education and training. Over the past two years, accommodation for more than 4 200 students has been completed at universities, and 500 lecture theatres, labs and other facilities were built in the past administration. In addition, two new universities and 12 new campuses for FET colleges are under construction - the biggest new university and FET build in the past 30 years.

In February 2014, government launched the Decade of the Artisan, and DHET is working with business to help increase workplace experience for both recent graduates and FET lecturers. In 2013/4, almost 11 000 young people entered artisan programmes, and 13 000 completed their training. According to Sector Education and Training Authority reports, a further 21 000 youth entered learnerships in the fourth quarter of the 2013/4 financial year, and 12 000 FET as well as 3 700 University of Technology graduates were placed for work experience.

Young people faced sharper job losses in the 2008/9 financial crisis, and a slower recovery. This position has now reversed. In the year to March 2014, youth employment climbed by 150 000 or 2,6%, to six million. Largely because of this, the share of youth who are not in employment, education or training fell from 46% to 44%. The main sectors generating employment for young people are construction, retail and business services.

1.7 The Green Economy

The New Growth Path points to the importance of the green economy as a jobs driver. The EDD has undertaken a number of initiatives in this regard in addition to the work with the IDC, noted above, to finance renewable energy projects.

The EDD convenes the government task team with Eskom and the Department of Energy that is charged with providing solar water heaters, particularly to low-income households. As at March 2014, more than 434 000 solar water heaters had been installed on roof tops throughout the country, giving most of these households access to hot water for the first time. The current programme offers a rebate depending on whether a high or low pressure system was installed. The roll out target has been increased to 1,75 million, which created the opportunity for local manufacturing. Government has designated 70% of the system for local manufacturing. Eskom, as the Department of Energy's agent, will follow a bulk procurement process to ensure that solar water heaters will be manufactured locally and installed and maintained using youth cooperatives.

I directed the IDC to support the development of the Green Economy through green funding strategies. In the past year, bids supported by the IDC obtained R6 billion in the third round of the Renewable Energy Independent Producer Process, which is crucial for reducing emissions.

The EDD also convenes a committee of officials from national departments to engage on policies related to the green economy, including the proposed carbon tax, mitigation strategies and energy issues. In this context, in collaboration with the United Nations' Global Green Growth Institute (GGGi), it initiated a major study on the impact of rising electricity prices on the mineral value chain. The study should be finalised in mid-2014.

1.8 Work with coordinating structures and to improve policy development

A final accomplishment that I wish to mention here has been the work of EDD in supporting alignment of government departments

and agencies to achieve the targets set in the Medium Term Strategic Framework (MTSF) for Decent Employment for Inclusive Growth. The MTSF identifies a number of high-level outcome targets. Objectives around inclusive growth and job creation are grouped under Outcome 4.

The EDD has worked with **the dti** and the National Treasury to prepare quarterly reports to Cabinet on progress toward the targets set in Outcome 4, as well as providing in-depth reviews of economic progress to Cabinet makgotla. These regular analyses have assisted in identifying the interventions required for government to improve the environment for growth and job creation.

I also convene the Economic Development MinMEC together with the Minister of Trade and Industry. The MinMEC brings together the MECs for economic development of the provinces as well as representatives of the municipalities. The MinMEC itself is supported by a meeting of senior officials from the relevant departments and municipalities to prepare the key issues under discussion.

In the year under review, the Economic Development MinMEC met twice, with four meetings of the technical team. It adopted a common strategy on support for small and medium enterprise and on the Special Economic Zones, including agreement on the designation of ten such zones.

A central role of EDD in supporting policy alignment is to develop networks and hold platforms where political leaders, government officials, business and labour leaders and academics can exchange ideas, clarify debates and identify how they can do more to support inclusive growth.

With support from the International Labour Organisation, the EDD has developed a model that enables it to simulate the impact on employment of some kinds of state policies as well as economic developments. The aim is to support evidence-based decision-making around how best to support employment creation. Currently the model is being used to evaluate the impact of various options for generating electricity.

In 2013, together with the United Nations Department of Economic and Social Affairs (UN-DESA), the EDD held a major conference on financialisation. It developed an in-depth research paper on financialisation in South Africa, which underscored the rapid growth of the financial sector in some ways at the cost of industrialisation. The Department also hosted a number of platforms and developed research inputs to support the alignment of policies with the New Growth Path and inclusive growth. Amongst the topics covered in this way in 2013 were broad-based BEE; gender and the New Growth Path; the township economy; and smallholder development. EDD officials also helped draft the economics chapter of the 20-year review published by the Presidency.

1.9 The EDD's future work

In short, EDD can be proud of its achievements in the past year. But major challenges remain. Above all, we as government must redouble our efforts to achieve the NDP's vision of a more equitable, inclusive, dynamic and job-creating economy. The new Medium Term Strategic Framework lays out the key steps and measures to achieve this objective.

Infrastructure remains a key tool for the state to support growth, job-creation and improved equality. A particular challenge, as the Medium Term Strategic Framework points out, is to ensure that the build programme encourages productive investment both by suppliers and through off-take agreements, and that it provides affordable as well as higher quality services, especially for energy.

A further core challenge is to improve the environment for new investment, especially in ways that will generate employment in line with the New Growth Path. The EDD will work on establishing more action-oriented monitoring and evaluation for the Jobs Drivers, to ensure that government agencies act timeously on new risks, opportunities and blockages as they arise. It will continue to work with the agencies it oversees as well as with other state agencies to increase industrial financing, support local procurement and investment, encourage job creation and expanded training, and reduce unnecessary regulatory obstacles and delays.

Finally, as the recent mining strike demonstrated, workplace conflict has become a significant challenge to inclusive growth. The roots of that conflict lie in persistent inequality

and poor communication in many workplaces. Moreover, more can be done to ensure that the social wage reduces pressures on the workplace. This is an area where the EDD, in collaboration with other key departments and stakeholders, will focus its attention in the coming administration.

Let me end by thanking the former Deputy Minister, Ms Hlengiwe Mkhize. I also want to express my gratitude to my Director General, Ms Jennifer Schreiner, the EDD staff, the senior managers of the IDC, sefa, the competition authorities and ITAC, and EDD's various partners in the public and private sector for their hard work and collaboration in the past year. Finally, I would also like to warmly welcome the new Deputy Minister, Mr Madala Masuku, to the Department.

Mr Ebrahim Patel
Minister of Economic Development
31 July 2014

2. STATEMENT BY THE DEPUTY MINISTER

Mr Madala Masuku
Deputy Minister

In the fourth term of the democratic government, remarkable progress has been registered with regard to putting in place policy frameworks and programmes aimed at ensuring creation of decent jobs and inclusive economic growth in our country.

The New Growth Path provides an economic policy framework and the Industrial Policy Action Plan developed by **the dti** provides implementation guidelines for the industrialisation of the country's economy. The National Development Plan provides a long-term vision of the country.

Through the guidance of the policy framework and action plan above, eight Jobs Drivers were identified; included in them is the delivery of socio-economic infrastructure.

The success in infrastructure delivery co-ordination in the fourth term has brought some interesting lessons. It highlighted the importance of integration within departments, state agencies, civil society and business; the critical role of continuous monitoring and evaluation of progress in order to review action; as well as the use of experience to anchor any intervention at the legislative, policy, planning and implementation level.

A number of such interventions have been made during the fourth term of the democratic government. I personally had first-hand experience while still serving as the MEC for Finance and a chairperson of the economic cluster in the Mpumalanga Executive Council. The intervention involved an investment in a soya beans value-adding project. It had been stalled for years because the Lekwa Municipality could not resolve a few obstacles, some of which required action from other spheres of government. Within less than a year the investment was unlocked by the EDD's interventions.

The implementation of the National Infrastructure Plan has also demonstrated rapid implementation can be solicited through a dedicated focus on a Strategic Integrated Project area, as demonstrated in the foreword of the Minister. Underlined in the robust sustainable inclusive growth is the issue of skills, empowerment and employment of the youth, women and other vulnerable groups.

To this end, the Ministry conducted visits to many vulnerable communities in the 2013/4 financial year and a commitment was made to visit more in the subsequent years.

In the past financial year, the Department's capacity-building workshops have been hosted and facilitated at, amongst others, the Ruth Mompati District Municipality (North West); Gert Sibande District Municipality (Mpumalanga); and John Taolo Gaetsewe District Municipality (Northern Cape).

The Department also committed to focus on strengthening social accords through social dialogue. The Youth Employment Accord was signed with the NEDLAC constituencies involving also the main youth organisations on 18 April 2013. The accord focuses on six areas - education and training; work exposure; youth brigades; youth target set asides; youth entrepreneurship; and co-ops and private sector initiatives.

The Department facilitated the implementation of this Accord and as a result to date a register of key youth initiatives has been established as the basis for monitoring and driving progress in the future. The development finance institutions dedicated an amount of R2,7 billion in funds to support youth enterprises and enterprises that employ youth. The department is facilitating work to improve alignment of the baseline of youth employment in the infrastructure programme as the basis for initiating targets for youth set asides. It is also assessing progress toward the target of employing interns equal to 5% of public sector employment.

The Department has implemented the Student Innovation and Entrepreneurship initiative. The purpose of this is to

cultivate a culture of innovation and entrepreneurship in students particularly from FET colleges by giving them a platform to discover their own creative, innovative and entrepreneurial potential.

There has been work done with the IDC to identify opportunities for localisation for both Transnet and Eskom, with products ranging from transmission lines, cable and conductors, grinding elements, metering, pumps and valves for Eskom and locomotives, port facilitations, wagons, machinery and pipelines for Transnet.

This 2013/4 Annual Report gives an account of the work that has been performed by the Department throughout its fulfilment of its strategic objectives, set plans in the annual performance plan and mandate as a department.

Mr Madala Masuku
Deputy Minister of Economic Development
31 July 2014

Ms Jennifer Schreiner
Director-General

3. REPORT OF THE ACCOUNTING OFFICER

This Annual Report bears testimony to the journey the EDD has taken since it was founded five years ago. In this relatively short period, the department has gone far toward implementing key elements of economic and infrastructure development. Its successes bear witness to its fast-track organisational development as well as the importance of its core mandate, which is to encourage and facilitate alignment of economic policies, regulations and projects around inclusive growth.

EDD's progress is reflected in its achievements under the APP. In 2013/4, its frontline programmes achieved 253 APP deliverables, compared to a target of 206. It overfulfilled on 11 KPIs, fully achieved 21, and failed to achieve one KPI.

The Annual Report relates principally to compliance to the main regulatory frameworks of the state – that is, the APP as well as budgetary and personnel requirements. This by-the-numbers view of the EDD's achievements is being supplemented this year for the first time by an EDD Annual Report to Citizens, which explains our work in greater detail.

This chapter first reviews the key organisational achievements of the past year, specifically around completion of APP targets, governance and staffing. It then provides a detailed report on the EDD's management of its budget.

3.1 Organisational developments

In the past year, EDD took forward the economic objectives that have shaped government policy since the inception of democracy in 1994, namely job creation, the elimination of poverty and the reduction of inequality. As the Minister noted, we are particularly proud of strong achievements in support of the PICC and the National Infrastructure Plan; improving the contribution of the agencies that the EDD oversees to national development, in line with the New Growth Path; initiatives to support and unblock major investments; and our work around the social accords and in particular, in the year under review, the Youth Employment Accord.

These achievements depend on hard work, but also on ensuring good governance and dedicated and skilled staff. For EDD, the process of organisational development is particularly necessary because, at just over four years old, it is still relatively young. We have seen major gains in this regard in the past year.

The Department established a number of structures to facilitate improved governance, including an ICT Steering Committee and a Risk Management Committee. Existing structures, notably the Management Committee and the Bid Evaluation Committees, were strengthened and met more regularly.

These improvements in management systems and practices meant the EDD scored better on the Management Performance and Assessment Tool (MPAT), which is conducted by the Department of Performance Monitoring and Evaluation as a way to evaluate departmental administrations.

Central to organisational development is ensuring appropriate human resources. The EDD's mandate does not include much in the way of routine administration. Instead, it requires high-level professionals and managers who are able:

- to analyse economic developments and propose sustainable and practical responses,
- to work constructively with stakeholders inside and outside the state, and
- to oversee and support major regulatory and development finance institutions.

Overall, the EDD's approved post establishment is 166 posts. Parliament, however, endorsed the APP for 2013/4 with a target for staffing of 146. The aim for setting this APP target was to allow the Department time to source high-quality staff each year and to progressively achieve its full approved post establishment over a three-year period. Accordingly, the Department's actual target for staffing in 2013/4 was 146.

This target faced challenges. As it had become clear that the department needs to undergo some restructuring, it was decided to exercise caution in filling posts. Furthermore, one of the mechanisms to achieve savings so as to improve funding for sefa was to only fill very high priority posts in the last quarter. Finally, the shortage of skills in the market impacted on the filling of posts. The line functions of the department are dominated by very high-level professionals and managers with relatively scarce skills such as economics and spatial planning that cannot be filled overnight. Instead, the Department has been engaged in a slow and painstaking process of identifying the right people for the job.

To help deal with these challenges, the Department utilised staff provided by other agencies for the PICC work. Currently, about 70 people across the government assist the EDD in overseeing and supporting the build programme. This approach has mobilised expertise from all spheres of the state. It is a very helpful arrangement, but it is not sustainable in the longer run. In future, therefore, the EDD will have to bear some of the staff requirements on its own budget structure.

The EDD was also able to secure short-term secondments of staff from the Independent Development Trust (IDT) and sefa for special projects, and from other departments for activities requiring specific skills. As a result, although the Department only filled 139 of the targeted posts, it was able to realise its mandate effectively in each of its core areas of work. Since the staffing model relies on both short-term contract employees and secondments as well as permanent positions, the turnover rate is unusual compared to departments that are able to rely more on permanent staff.

Going forward, the EDD will focus on filling the remaining managerial and professional positions. Every senior position that is advertised will be subject to a simultaneous headhunting process. Again, while we need to make haste, we cannot afford to employ placeholders.

EDD is responsible for oversight over four major economic agencies – the IDC, sefa, the competition authorities and ITAC. From an organisational standpoint, the main development in the past year in this area was the rapid expansion in sefa's activities. Its lending and approvals more than doubled in 2013/4. This success reflected organisational consolidation as well as support from the IDC after sefa was established by a merger between three formerly separate agencies – Khula, samaf and the IDC's small lending facilities.

In short, the EDD made considerable progress in terms of organisational development over the past year. This lays the basis for us to fulfil the increased responsibilities that fall to us under the new MTSF adopted by the in-coming fifth Administration.

3.2 The budget

The EDD's budget in the 2013/4 financial year came to R771 million. That sum represented an increase of 11% over 2012/3.

The EDD substantially reduced underspending in the year under review. In 2012/3, it spent 96,6% of its budget; in 2013/4, the ratio rose to 99,9%, with underspending of just R71 000. The ability to utilise resources reflects the organisational development achieved over the past year.

Of EDD's total budget, some 80%, or almost R625 million, was transferred to support the competition authorities, ITAC and sefa. These funds were recorded as part of the budget for the Economic Planning and Coordination programme, as reflected in the table below. All agencies and entities that received transfer payments from the EDD complied with s38 of the PFMA, which lays down the requirements for accountability and reliability in utilising transferred funds. The necessary checks and balances were established to ensure that money was used effectively for its intended purposes.

The EDD Budget, 2013/4 compared to 2012/3 and 2013/4 compared to 2012/3

	2013/2014			2012/2013		
Programme Name	**Final Appropriation**	**Actual Expenditure**	**(Over)/ Under Expenditure**	**Final Appropriation**	**Actual Expenditure**	**(Over)/ Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Administration	91,342	91,301	41	62,931	55,394	7,537
Economic Policy Development	23,891	23,886	5	19,197	11,575	7,622
Economic Planning and Coordination	644,515	644,511	4	601,824	597,523	4,301
Social Dialogue	11,718	11,697	21	12,565	8,981	3,584
Total	**771,466**	**771,395**	**71**	**696,518**	**673,473**	**23,045**

EDD did not request rollovers to the 2014/5 financial year from National Treasury.

Virements refer to the re-direction of resources among divisions of the budget vote. In the year under review, National Treasury approved a total of R15,5 million virements at EDD's request. The bulk of this sum resulted from an additional transfer payment to sefa to supplement the Economic Competitiveness Support Programme (ECSP) allocation in order to offset the 2014/5 budget cut by National Treasury. This virement required stringent savings in other parts of the department's work, including leaving non-critical posts vacant and eliminating some large-scale research, as well as continuing to rely on secondments and outside support for the PICC. These savings are not sustainable over the longer run, however, and cannot be replicated in the coming year.

Virements approved in 2013/4

Virements from Programmes	Virements to Programmes	Virement Amounts	Reason
		R'000	
Administration; Economic Policy Development; Economic Development and Social Dialogue	Transfer Payment to sefa	15,000	Generated savings to fund sefa's ECSP allocation due to 2014/15 budget cut by National Treasury.
Economic Policy Development; Economic Planning and Coordination	Machinery and Equipment	476	Generated savings to cater for under resourced capital budget
Total		**15,476**	

In terms of Supply-Chain Management, the EDD has continued to improve its systems and procedures. Supply-Chain Management uses the standard operating procedures provided to ensure compliance to the legislative framework. A check list is used by officials when processing transactions. There were no unsolicited bids in the Department for the past financial year. Where irregular expenditure is incurred an investigation is undertaken and the transgressing official is disciplined in line with the recommendations approved by the Accounting Officer.

The Department had 23 instances of irregular expenditure amounting to R592 000 in 2013/4. In these cases, goods and services were procured without fully complying with the National Treasury and Public Service requirements. Still, in every case the EDD received value for money.

The Department has functioning Bid Committees – that is, the Bid Adjudication Committee, Bid Evaluation Committee and Bid Specification Committee. This system complies with the National Treasury, PFMA, PPPFA, and Treasury Regulations for all procurement needs that amount to R500 000 and above. Procurement needs below R500 000 are processed after the budget manager has considered competitive quotations. Deviations from normal procurement procedures were undertaken for urgent and unforeseeable requests that did not allow for sufficient time to test the market.

Gifts and donations received in kind by staff and the Department from non-related parties, 2013/4 (excluding the Ministry)

Name of Organisation	Nature of gift, donation or sponsorship	Value
		R'000
Stationery for Africa Stationery for Africa	Sweet container (Christmas gift) Toffees	100 (a)
Ramaisela Trading	2 water jugs	180
Office National	Tin of sweets	50
Grant Thornton	Christmas cake	(a)
Republic of Turkey Republic of Turkey	Johnny Walker Red Label (1 bottle) Box of Turkish Delight	350 78
Total value		**758**
Notes: (a) Estimated value under R300.		

In conclusion, the Department did well in achieving its targets and plans for the financial year under review. Expenditure was in line with the budget, and there was no fruitless or wasted expenditure.

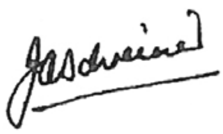
3.3 Future plans

The coming financial year will provide the Department an opportunity to consolidate and intensify its efforts and work in harmonising the economic policies of the country to achieve decent jobs, economic growth and bettering the lives of the people.

The new MTSF lays out a number of key tasks for the EDD. To achieve these ambitious goals, we will undertake a significant re-organisation to ensure that our limited resources are focused on national priorities. In particular, the MTSF requires continued support for the PICC as well as efforts to facilitate and encourage productive investment; stronger monitoring and support for implementation of the New Growth Path, in particular around the Jobs Drivers; interventions to improve the regulatory framework, reducing red-tape and avoiding unnecessary increases in administered prices while increasing the effectiveness of the state; continued support for the Youth Employment Accord, the Skills Accord, the Green Economy Accord and the Local Procurement Accord; and work with stakeholders to strengthen social dialogue and reduce workplace conflict.

Achieving these strategic objectives will require some shifts in emphasis in the department. In particular, we expect a stronger emphasis on monitoring and evaluation of economic developments at the sectoral level; increased integration of spatial and economic planning; and stronger emphasis on social dialogue geared to addressing the factors behind workplace conflict. All of these activities will require some revision to programme functions as well as on-going collaboration with other state agencies. The budget structure may be adjusted to reflect them.

I wish to thank my staff as well as the staff of the agencies that EDD supervises for their hard work in the past year.



Ms Jennifer Schreiner
Accounting Officer
Economic Development Department
31 July 2014


4. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent.

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by the National Treasury.

The Accounting Officer is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the department for the financial year ended 31 March 2014.

Ms Jennifer Schreiner
Accounting Officer
31 July 2014

5. STRATEGIC OVERVIEW

5.1 Vision

Creating decent work for all through meaningful economic transformation and inclusive growth.

5.2 Mission

The EDD aims to:

- Coordinate the contributions of government departments, State entities and civil society to effect economic development;
- Improve alignment between economic policies, plans of the State, its agencies, government's political and economic objectives and mandate; and
- Promote government's goal of advancing economic development via the creation of decent work opportunities.

5.3 Values

The Economic Development Department promotes the Constitution, with special reference to the chapters on human rights, cooperative governance and public administration, including these key basic values and principles governing public administration (Section 195(1)).

The EDD 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; and
- Sustainability (environmental, social and economic).

6. LEGISLATIVE AND OTHER MANDATES

The EDD was established in 2009 when the state conducted a macro-reorganisation of state institutions under Schedule 1 of the Public Service Act of 1994 (as amended by the Public Service Amendment Act 30 of 2007). It acts in accordance with the following legislation, government policies and strategies, and social accords.

The EDD administers the following legislation:

- The Industrial Development Corporation Act (Act 22 of 1940);
- The Competition Act (Act 89 of 1998);
- The Competition Amendment Act S16 (2008) s16 promulgated 1 April 2013; and
- The International Trade Administration Act (Act 71 of 2002).

From 2014, the EDD will also have responsibilities under the Infrastructure Development Act of 2014.

The following policy frameworks guide the APP of the Department:

- State of the Nation Address
- National Development Plan
- New Growth Path
- National Infrastructure Plan
- Industrial Policy Action Plan
- Delivery Agreement on Outcome 4: Decent employment through inclusive economic growth;
- Delivery Agreement on Outcome 5: Skilled and capable workforce to support inclusive growth;
- Delivery Agreement on Outcome 6: Efficient, competitive and responsive infrastructure;
- Delivery Agreement on Outcome 7: Vibrant, equitable, sustainable rural communities; and
- Framework for South Africa's response to the international economic crisis (2010).

Accords that the Department facilitated and monitors:

- Basic Education Accord
- National Skills Accord
- Local Procurement Accord
- Green Economy Accord
- October 2011 Social Accord
- Youth Employment Accord.

The following entities report to the EDD:

- Development Finance Institutions – IDC and sefa; and
- Economic Regulatory Bodies – Competition Commission, Competition Tribunal; and International Trade Administration Commission of South Africa (ITAC).

The EDD participates in, supports or convenes the following coordinating structures:

- The EDD coordinates, integrates and provides technical support, monitoring and evaluation functions, secretariat services and inter-governmental coordination to the PICC.
- The EDD, together with **the dti**, convenes the MinMEC/ Technical MinMEC with provincial Members of the Executive Council (MECs) and economic development departments.
- The EDD convenes the Outcome 4 Technical Implementation Forum and is one of the three Coordinating Departments of this outcome.
- The EDD was a member in the period under review of the Economic Sectors and Employment Cluster and the Infrastructure Development Cluster. In the coming year these structures will be combined in the Economic Sectors and Infrastructure Development Cluster.

7. ORGANISATIONAL STRUCTURE

MINISTER

DEPUTY MINISTER

DIRECTOR-GENERAL

Security Management

Internal Audit

Programme 1: Administration

- Office of the DG
- Office of the Chief Financial Officer
- Corporate Management: Planning and Reporting; Communications; Human Resource Management; Auxiliary and Facilities Management

Programme 2: Economic Policy Development

- Growth Path and Creation of Decent Work
- Economic Modelling
- Macro Economic Policy
- Micro Economic Policy
- Broad-Based Black Economic Empowerment
- Economic Development Capacity Building

Programme 3: Economic Planning and Coordination

- Economic Planning
- Economic Development, State Budgeting and Financial Processes
- Development Finance Institutions
- Economic Regulatory Bodies
- Procurement and Development
- Investment and Development
- Domestic Economic Development, Continental and International Interface

Presidential Infrastructure Coordination Committee

Programme 4: Economic Development and Social Dialogue

- Social Partnering and National Social Dialogue
- Implementation of Strategic Frameworks
- Productivity, Entrepreneurship and Innovation
- Sector and Workplace Dialogue and Capacity Building

7.1 Entities Reporting to the Minister

Three regulatory bodies – the Competition Commission, the Competition Tribunal and ITAC - and two development finance institutions (the IDC and sefa) report to the Minister.

Agencies overseen by the Minister

Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
The Competition Commission	The Competition Act, 1998 (Act 89 of 1998)	The Department transfers money to the entity for it to be able to fulfil its mandate.	The Competition Commission is the investigative and enforcement arm of the Competition Act. It investigates mergers and/ or anti-competitive conduct and refers its findings to the Competition Tribunal for a decision.
The Competition Tribunal	The Competition Act, 1998 (Act 89 of 1998)	The Department transfers money to the entity for it to be able to fulfil its mandate.	The Tribunal adjudicates on mergers and prohibited practice cases. Prohibited practice cases involve anti-competitive outcomes achieved either through co-ordinated conduct between competing firms or through unilateral conduct by a dominant firm.
The International Trade Administration Commission of South Africa (ITAC)	The International Trade Administration Act, 2002 (Act 71 of 2002), save for item 2 of Schedule 2 of this Act read with section 4(2) of the Board on Tariffs and Trade Act 107 of 1986, which is administered by the Minister of Trade and Industry.	The Department transfers money to the entity for it to be able to fulfil its mandate.	ITAC aims to create fair trade conditions that will boost South Africa's economic development and growth.
Industrial Development Corporation (IDC)	The Industrial Development Corporation Act (Act No. 22 of 1940)	IDC generates the bulk of the funding required for investment through internal profitability and borrowing funds. It manages some funds on behalf of the EDD (e.g. Agro-processing Competitiveness Scheme) and **the dti** (e.g. Manufacturing Competitiveness Enhancement Scheme, Clothing and Textiles Competitiveness Programme, etc.)	IDC's main activities focus on the provision of industrial financing to support sustainable industrialisation, job creation and empowerment. In addition, it develops projects in priority industries, provides non-financial support to businesses, manages funds on behalf of government, and undertakes economic research.
Small Enterprise Finance Agency (sefa)	sefa is established in terms of the Industrial Development Corporation Act (Act No. 22 of 1940)	sefa receives an annual grant from EDD. The grant is channelled via the IDC.	sefa provides financing for medium, small and micro enterprise through wholesale and direct lending; providing credit guarantees; supporting financial intermediaries; creating strategic partnerships for sustainable SMME development and support; as well as innovative financing mechanisms.

7.2 Highlights of Agency Performance in 2013/4

7.2.1 Competition Authorities

The competition authorities are responsible for addressing abuse of market dominance and for ensuring that the public interest is protected in major mergers. In this context, the Competition Commission conducts investigations and the Competition Tribunal hears the evidence and finalises the decision and penalties where warranted. In recent years, the Commission has taken a strategic approach that focuses on industries that provide key intermediate inputs or consumer necessities. It has also built up one of the strongest and biggest team of economists in South Africa.

The coming into operation of the market inquiry provisions in the amendments to the Competition Act from 1 April 2013 bolstered this strategic approach by enabling the Commission to initiate an investigation pro-actively where the market outcomes point to uncompetitive behaviour. Previously it could only act on complaints from the public.

The Commission's strategic approach in the past administration was associated with a considerable expansion in its effectiveness. This was reflected in the almost ten-fold increase in fees and penalties levied in the fifth Administration compared to the five preceding years. From March 2013 to February 2014, the Competition Commission imposed penalties valued at R2,6 billion, compared to an average of R800 million a year for the previous four years. Of the total, R875 million arose from a settlement with Telkom over abuse of market position, and R1,46 billion from fines out of the settlement with the construction cartel.

Fees and penalties levied by the competition authorities, 2004/5 to 2013/4

Year (a)	Fines for cartel conduct	Fines for vertical prohibited practices, abuse of dominance as well as prior implementation of mergers	Remedies	Total
2004/2005	26,672,400	12,700,000		39,372,400
2005/2006	13,900,000	73,525,000		87,425,000
2006/2007	28,578,500	15,212,100		43,790,600
2007/2008	99,284,870	100,000		99,384,870
2008/2009	308,519,545	500,000		309,019,545
5-year subtotal	**476,955,315**	**102,037,100**		**578,992,415**
2009/2010	487,263,138	-		487,263,138
2010/2011 (c)	793,190,704	1,000,000	310,000,000	1,104,190,704
2011/2012	548,494,066	-		548,494,066
2012/2013 (d)	278,338,786	452,065,451	200,000,000	930,404,237
2013/2014 (e)	1,567,834,407	200,000,000	875,000,000	2,642,834,407
5-year subtotal	**3,675,121,101**	**653,065,451**	**1,385,000,000**	**5,713,186,552**

***Notes:** (a) The reporting period ends in March each year. (b) Contraventions as set out in the Competition Act no 89 of 1998. (c) The fines for cartels for the year 2010/2011 include a R500 million fine imposed on Pioneer Foods for the involvement in bread, milling and poultry cartels. Of this amount R180 million would be used to set up an Agro-Processing Competitiveness Fund administered by the IDC. The remedies of R310 million relate to the agreement that Pioneer Foods would adjust its pricing of flour and bread to reduce its gross profit margin by R160 million and to increase their capital expenditure by R150 million. (d) The remedy in 2012/2013 relates to a ruling by the Competition Appeal Court that Massmart should establish a R200 million Supplier Development Fund for a five year period to incentivise the merged entity to purchase products from South African producers. (e) Year to 26 February 2014. Of the cartel fines, R1,47 billion (including interest of R10 million charged to Stefanutti) relates to fines imposed on construction firms following the Commission's Construction Fast Track Settlement Project. The remedies relate to a ruling that Telkom would reduce the prices of products implicated in the conduct in the financial years 2014, 2015 and 2016 by a value of at least R875 million.*

The settlement with Telkom, reached in June 2013, resolved a series of complaints lodged against Telkom from 2005 to 2007 by internet service providers that were referred to the Competition Commission in 2009. The settlement package included the following:

- An admission of guilt
- A financial penalty of R200 million
- Functional separation between Telkom's retail and wholesale divisions along with a transparent transfer pricing programme to ensure non-discriminatory service provision by Telkom to its retail division and internet service providers
- Effective monitoring arrangements for Telkom's future conduct
- Wholesale and retail pricing commitments for the next five years estimated to yield R875 million in savings to customers.

A further major settlement package involved 15 construction firms for collusive tendering in contravention of section 4(1)(b) of the Competition Act. The settlements were finalised in mid-2013. They were reached in terms of the Commission's construction fast-track settlement process, which was launched in February 2011. The fast-track process incentivised firms to make full and truthful disclosures of bid rigging in return for penalties lower than those the Commission would seek if it prosecuted the cases. The following table gives the penalties per company.

Settlement fines for the construction cartel

Company	Amount
1. Aveng	R306,576,143
2. Basil Read	R94,936,248
3. Esorfranki	R155,850
4. G Liviero	R2,011,078
5. Giuricich	R3,552,568
6. Haw & Inglis	R45,314,041
7. Hochtief	R1,315,719
8. Murray & Roberts	R309,046,455
9. Norvo	R714,897
10. Raubex	R58,826,626
11. Rumdel	R17,127,465
12. Stefanutti	R306,892,664
13. Tubular	R2,634,667
14. Vlaming	R3,421,662
15. WBHO	R311,288,311
Total	**R1,463,814,392**

The responses to the construction fast-track settlement offer revealed various ways in which firms historically determined, maintained and monitored collusive agreements. These included meetings to divide markets and agree on margins. Different combinations of firms coordinated tenders over different projects. Firms colluded to create the illusion of competition by submitting sham tenders ("cover pricing") to enable a fellow conspirator to win a tender. In other instances, firms agreed that whoever won a tender would pay the losing bidders a "loser's fee" to cover their costs of bidding. Sub-contracting was also used to compensate losing bidders.

Following the settlement with companies in the construction cartel, the Commission commenced a second phase of the process, which will see it pursue allegations against firms which chose not to settle during the first fast-track process.

The competition authorities are also responsible for ensuring that major mergers do not undermine competition or harm the public interest. As the following chart shows, in 2013/4 the Competition Tribunal approved 97 mergers, of which 17 had conditions with four of these cases aiming to protect the public interest and the rest designed to ensure more competitive outcomes.

Large Mergers decided by the Competition Tribunal, 2013/4

Mergers	2013/4	Percent	2012/2013	Percent
Decided	97	100,0%	76	100.0%
Approved	80	82.5%	56	73.7%
Approved with conditions	17	17.5%	20	26.3%
Prohibited	0	0.00%	0	0.00%
Approved with public interest conditions	4	23.5%	7	35.0%

On 6 February 2014, the Commission recommended that the Competition Tribunal approve the acquisition of the grain storage company Afgri by a foreign investment consortium named AgriGroupe. The recommendation was linked to an agreement between Afgri and the government that ensured stronger support for small and emerging farmers.

The Commission's investigation of the proposed merger found that there was no competitive overlap in the activities of the merging parties. However, following concerns raised by various stakeholders, it conducted an in-depth analysis of the effect of the proposed transaction on the public interest and in particular smallholder farmers and employment. The Commission found that AgriGroupe would not have the incentive or the ability to direct or control the trading of grain from South Africa to other countries as it might not be economically feasible to do so and because in any event it did not trade in commodities.

The merger was associated with an agreement initiated by the EDD and other governmental departments with Afgri. Under the agreement:

- Afgri established a fund to support small and emerging farmers with R90 million over the coming four years, which will be overseen by an Advisory Board comprising government and Afgri representatives. The fund will be used to enrol emerging farmers in Afgri's intensive development programme; to assist emerging poultry farmers by funding veterinarian services to emerging farmers for technical and veterinary skill development, access to laboratory service and technical and nutritional services; and for any other programmes approved by the Advisory Board.
- Afgri will also take on the bulk of the risk on loan facilities to emerging farmers for a total amount of R125 million secured from the Land Bank.
- Afgri will provide a 40% discount to make available grain storage facilities for emerging farmers that store less than 10 tonnes of grain per season in Afgri's storage facilities.

On 3 September 2013, the Commission prohibited the acquisition of Juta Bookshops by Van Schaik. The Commission found that the proposed merger was likely to result in a substantial prevention or lessening of competition in the market for academic books.

This merger constituted a "small merger" in terms of the Competition Act. While small mergers are not subject to compulsory notification, the parties voluntarily notified the Commission of the transaction. Van Schaik forms part of the Times Media Group, whereas Juta Bookshops is a division of Juta & Company Ltd.

During the course of the year, five cases appeared before the Competition Appeal Court and two matters before the Supreme Court of Appeal. They are summarised in the following table:

Appeals from the Competition Tribunal

Competition Appeal Court Judgements	
1. Videx Wire Products v Competition Commission 124/CAC/Oct12	Decision 14 March 2014: Competition Commission Appeal upheld
2. MacNeil Agencies v Competition Commission 121/CAC/Jul12	Decision 18 November 2013: Decision by Competition Tribunal upheld but penalty was reduced against the appellant.
3. Cross appeal; Reinforcing Mesh Solutions & Vulcania Reinforcing v Competition Commission and Competition Commission v Aveng (Africa) Ltd t/a Steeldale, Reinforcing Mesh Solutions, Vulcania Reinforcing & BRC Mesh 119/120/ CAC/May 2013	Decision 15 November 2013: Decision by Competition Tribunal regarding merits against Vulcania was upheld. Decision by Competition Tribunal regarding penalties against Vulcania & RMS also upheld. The Commission's cross-appeal was dismissed.
4. Competition Commission v Computicket 118/CAC/Apr 12	Decision 20 September 2013: Application for leave to appeal to Supreme Court of Appeal by the Commission was dismissed. The Commission petitioned the Supreme Court of Appeal directly. Oral arguments are due to be heard in 2014.
5. Competition Commission v Pioneer Hi-Bred International Inc, Pannar Seed & African Centre for Bio safety 113/CAC/Nov 11	Decision 12 April 2013: Commission's leave to appeal to the Constitutional Court was granted.
Supreme Court of Appeal Judgments	
1. Competition Commission v Yara (South Africa), Omnia Fertiliser Ltd & Sasol Chemical Industries Ltd 784/12	Decision 13 September 2013: Commission's appeal was upheld.
2. Competition Commission v Arcelormittal South Africa Limited, Cape Gate, Scaw South Africa & South African Iron & Steel Institute 680/12	Decision 31 May 2013: Commission's appeal was dismissed; Commission to disclose its record of investigations including corporate leniency policy documents to Cape Gate and Mittal.

In 2013, the Competition Commission welcomed the commencement of section 6 of the Competition Amendment Act 1 of 2009, which provides the Competition Commission with formal powers to conduct market inquiries. The Competition Amendment Act was signed and assented to by the President on 28 August 2009. The President issued a proclamation on 8 March 2013 declaring the market inquiry provisions, as contained in section 6 of the Competition Amendment Act, no. 1 of 2009, to come into effect on 1 April 2013.

The Commission will conduct its first formal market inquiry into the private healthcare sector in terms of Chapter 4A of the Competition Act, 89 of 1998 as amended. Chapter 4A allows the Commission to conduct a formal inquiry into the general state of competition into a market. It allows the Commission to examine markets in instances where market outcomes indicate a lack of effective competition or where there are concerns regarding the extent, nature and effectiveness of competition. The market inquiry will delve into the drivers of price changes in private healthcare in South Africa. The inquiry will also enable the Commission to reflect on its own interventions in the market and to assess the impact of its enforcement actions and merger control in healthcare markets. The healthcare inquiry commenced in January 2014 and will be completed by 30 November 2015.

On 30 January 2014, the Competition Commission appointed retired Chief Justice Sandile Ngcobo; Professor Sharon Fonn; Dr Ntuthuko Bhengu; Dr Lungiswa Nkonki and Mr Cornelis (Cees) van Gent as chairman and panellists respectively, to lead the market inquiry into the private healthcare sector in South Africa. The five-member panel will preside over the market inquiry, oversee public hearings, review submissions, draft the inquiry report and produce final recommendations. The panel will be supported by a team of investigators comprising of the Commission's economists and lawyers as well as expert consultants.

The inquiry will probe the private healthcare sector holistically to determine the factors that restrict, prevent or distort competition and that underlie increases in private healthcare prices and expenditure in South Africa. The panel will gather evidence and insights into private healthcare through public hearings, reviews of secondary material, information requests, consultations and summons, as required.

The Commission is committed to understanding the effects of its decisions. An in-depth impact assessment study on the concrete pipes cartel, reviewed by Professor Davies of the Centre for Competition Policy at the University of East Anglia in the United Kingdom, demonstrated the positive effects of its interventions.

The Competition Commission plays a leading role in engagements on competition policy and approaches globally. In August 2012 the Commission won the bid to host the International Competition Network Cartel Workshop in October 2013. The Commission successfully hosted the workshop in Cape Town with more than 200 participants representing competition authorities from over 50 countries. They included competition agencies from 12 African countries and one regional competition agency, the Competition Commission of the Common Market for Eastern and Southern Africa (Comesa).

Next year the Commission has been selected to host the BRICS International Competition Conference, which takes place every two years and is hosted by competition authorities in BRICS countries. The BRICS Competition Conference aims to provide a forum for participants from competition agencies and non-governmental advisors from the BRICS countries to exchange views on matters of common interest, and to strengthen the personal links that lead to better international cooperation between these members.

The Competition Commission continued its active role in the African Competition Forum, providing administrative, management and intellectual support to the nascent organisation. In this context, it participated in a six-country research study of key commodity markets and in capacity building workshops for member countries. The Commission also hosted secondments from its counterparts in Singapore and Swaziland, conducted study visits to share methodologies with Botswana and Zambia, and provided practical training to the staff of its counterparts in Tanzania and Mauritius.

The Commission appointed the Chief Economist and Manager of the Policy and Research Division and the Enforcements and Exemptions Division, and the Chief Financial Officer. The new officials bring with them a wealth of experience and expertise in their respective fields, enhancing the analytical and investigative rigour of the work of the Commission. During the year the Competition Commissioner resigned and EDD has replaced him with Tembinkosi Bonakele.

7.2.2 ITAC

As enunciated in the New Growth Path and the Trade Policy and Strategy Framework, ITAC follows a developmental or strategic approach to tariff setting with the objective of promoting domestic manufacturing activity, employment retention and creation, and international competitiveness. An increase in customs duties is considered, on a case-by-case basis, to support domestic producers, particularly those that are important from an employment or value-addition perspective, that are experiencing threatening import competition. Similarly, on a case-by-case basis tariffs for mature resource-based capital-intensive upstream industries may be reduced or removed in the interest of lowering input costs for labour-intensive downstream activities.

The tariff amendments recommended by ITAC in 2013/4 resulted in commitments by companies to create 3 764 jobs and sustain 114 793 jobs. ITAC will monitor and evaluate the commitments by beneficiaries with respect to both increases and rebates.

Company job commitments in response to tariff changes

Tariff change	Jobs created	Jobs saved / Sustained
Tariff increase	1 644 net jobs • 1 571 in poultry/chicken processing • 43 in heat exchange unit manufacturing • 30 in wire and nails manufacturing	111 532 net jobs • 110 739 in sugar processing • 143 in heat exchange unit manufacturing, • 205 in screws, bolts and nuts manufacturing • 39 in PTFE Tape manufacturing • 406 in coated fine paper production.
Rebates	2 120 net jobs • 170 in aluminium slugs for aerosol cans • 1 880 through amendment of the rebate for IDZ to allow the entities in the Cutoms Controlled Area (CCA) to use Schedule 3 rebate provisions • 25 in palm oil processing for oil and fat • 30 in the fluorescent lamps assembly • 15 in dusk masks manufacturing	3 261 net jobs • 115 in aerosol manufacturing • 536 in production of washing preparations • 405 in fluorescent lamp assembly • 24 in palm oil processing • 2 181 in upholstered furniture manufacturing

7.2.2.1 Tariff amendments

The following tariff changes were made by ITAC. In applying for a tariff change, the applicant must explain how the change in duties will affect it and provide a developmental plan that spells out the implications of the proposal for its production and employment.

Poultry products: The South African Poultry Association, on behalf of its members, applied for an increase in the rate of customs duty on carcasses, other whole bird, boneless cuts, offal and other bone-in portions classifiable. Producers in the South African Customs Union (SACU) were in a distressed financial state and their business was threatened mainly by a large and rapid increase in the volume of imports of extremely low priced frozen poultry meat. This state of affairs forced some small and medium sized producers to shut down, while some large producers reduced their workforce and forecast further job losses. Low priced imports also had a negative impact on further investment in the poultry industry and associated industries, adversely affecting both commercial and emerging broiler producers, as well as SACU production capacity and food security.

In South Africa, broiler farming has a national footprint but production is concentrated in the North West, Western Cape, Mpumalanga and Kwa Zulu–Natal. Together, these provinces account for almost 80% of total production. The South African poultry industry directly employs at least 48 000 workers, with a further 60 000 indirectly employed in support industries that depend on the poultry industry. These figures exclude employment in the rest of SACU – that is, Botswana, Lesotho, Swaziland and Namibia.

In terms of the developmental plan submitted to demonstrate a sustainable response to the tariff increase, the broader industry will retain current employment, production and investment levels. Individual commitments were made by each of the companies concerned, as set out in the table below.

Poultry company commitments to increase investment, production and employment

	Investment			Production (tonnes)			Employment		
Company	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
	R'000	**R'000**	**R'000**						
Afgri Poultry	122,179	225,271	39,508	124 919	133 039	133 039	2 264	2 572	2 880
Astral	85,000	315,000	160,000	339 788	356 403	376 389	8 822	8 972	9 022
Rainbow	159,000	125,000	214,000	440 083	440 083	464 083	6 019	6 177	6 292
Sovereign Foods	65,000	35,000	35,000	95 000	95 000	95 000	2 500	2 000	2 000
Supreme Poultry	56,860	185,128	161,604	179 890	193 277	202 941	3 721	4 347	4 703

On 30 September 2013, subsequent to the approval by the Minister of Trade and Industry, duties on various poultry products were increased as shown in the table below. The duties will be reviewed after a period of five years to determine the impact on domestic production, investment and employment.

Tariff subheading	Product	Previous duty	New duty
0207.12.90	Whole bird	27%	82% bound rate
0207.14.10	Boneless cuts	5%	12%
0207.14.90	Bone-in portions	18% (220c/kg)	37%
0207.14.20	Offal	27%	30%
0207.12.20	Carcasses	27%	31%

Nails: Dunrose Trading 57, trading as Abracon, applied for an increase in the general rate of customs duty on round wire nails and roof nails (screws) from 5% *ad valorem* to 15% through the creation of three new eight-digit tariff subheadings. The imports of the relevant products have increased substantially since 2009. In addition, the cost of the raw material had also increased and the local industry had lost a substantial number of its clients to imports. In terms of the developmental plan, the applicant estimated that its annual tonnage will be increased to about 8400, from the approximately 5350 tonnes realised in 2012. This anticipated increase in volumes would result in an increase in employment of 30 people.

The Commission's investigation revealed that three local manufacturers had already ceased manufacturing the affected hardware, mainly due to low-priced imports. The applicant's production and sales of round wire nails and roof screws had been on a downward trend from 2009 to 2011. In addition, the applicant's capacity utilisation had declined and it experienced a significant price disadvantage against imports. Having considered all the information at its disposal, the Commission recommended that the customs duty be increased to the WTO bound rate of 15% *ad valorem*.

Paper: Sappi Southern Africa applied for an increase in the general rate of customs duty on coated fine paper from free of duty to the WTO-bound rate of 5% ad valorem. The main reasons stated by the applicant for the application was to enhance the competitive position of Sappi Southern Africa against producers in low-cost countries, especially in Asia. Due to over-capacity in these markets and consequent price-undercutting, Sappi was losing significant market share. This situation had led to significant job losses through the closure of Sappi's Enstra pulp plant at the end of February 2012 and the Adamas Mill.

According to the Industrial Policy Action Plan, the forestry industry has the potential to contribute significantly to rural and economic development by contributing to GDP and creating job opportunities and income in poor rural communities. In 2009, 69,9% of the yield of the forestry industry went to the pulp industry. The forestry industry is worth R40 billion a year with total direct employment of 96 500 in 2009.

Sappi submitted that the total number of factory workers employed at the time was 1597. Sappi Forest Division, which supplies all the timber, employed 733 people. Sappi also submitted that in 2009 Sappi Southern Africa had to retrench 141 staff because of the closure of a paper machine at the Tugela mill and a pulp machine at the Ngodwana mill. At the time, the total number of employees at Sappi's Stanger mill was 406. The company said it had already suffered significant job losses through the closure of its Enstra, Tugela and Usutu pulp mills and Adamas paper mill, which affected 1500 positions.

An increase in the tariff on coated fine paper would enable Sappi to improve its competitive position against low-priced imported products. It would also assist the forestry industry in South Africa to achieve its developmental goals in terms of the Industrial Policy Action Plan.

ITAC recommended an increase the rate of customs duty on coated fine paper to 5% ad valorem, as requested, due to the fact that the applicant experienced price disadvantages against similar imported products. It further decided that the duties be reviewed after a period of three years to determine the impact on domestic production, investment and employment.

Screws, bolts and nuts: CBC Fasteners applied for an increase in the general rate of customs duties on certain screws, bolts and nuts, from 10% ad valorem to 30%. The applicant is based in Krugersdorp and is a major producer of fasteners in the SACU region. One reason for the application was that imported products from Asian countries enjoyed a price advantage in the domestic market and increasing the customs duties to the bound level would level the playing field for SACU manufacturers.

CBC Fasteners invested over R135 million between 2010 and 2012. The company employs 205 people. In terms of the developmental plan, the company indicated that it would maintain the current level of investment in plant and machinery, increase capacity utilisation and aggressively pursue export markets. In line with the increases in volumes, the company expected employment levels to also climb.

ITAC found that price disadvantages were experienced by

the domestic producers and that support for the industry at the level of 20% ad valorem would improve its price competitive position in the face of stiff import competition. The Commission therefore recommended that the rate of customs duty on the subject products be increased to 20%. It further decided that the duties be reviewed after a period of three years to determine the impact on domestic production, investment and employment.

Sugar: The South African Sugar Association, on behalf of its members, applied for an increase in the dollar-based reference price for sugar from the existing US$358/tonne to US$764,34/tonne. This price is used to set duties on imported sugar.

As reason for the application, the Sugar Association submitted that it needed a fair level of protection, based on the importance of the industry in the South African economy and its contribution to sustainable socio-economic development. It submitted that increasing imports were affecting the financial sustainability and competitive position of the domestic sugar industry.

Four of the 14 South African mills are owned by Illovo Sugar; four mills are owned by Tongaat-Hulett Sugar; and three mills by TSB Sugar RSA. UCL Company, Gledhow Sugar Company and Umfolozi Sugar Mill each operate one mill. Two of the TSB Sugar RSA mills are located in Mpumalanga and the remaining mills are all in KwaZulu Natal.

The domestic sugar industry has considerable levels of production - R10,8 billion in South Africa and R4 billion in Swaziland; employment - 105 739 in South Africa and 5000 in Swaziland; and investment worth R3.6 billion in South Africa. In terms of its developmental plan, the Sugar Association submitted that the South African sugar industry has the potential to produce sugar, electricity and ethanol to ensure sustainable contributions to Government's objectives of reducing poverty, inequality and unemployment. The current contributions of the industry with regard to employment, production and investment would be maintained from 2013 to 2016. It was submitted that the effect of a tariff increase should be almost immediate, as imports would fall away and losses would decrease through reduced exports resulting in revenue per tonne increases for all small growers and small millers.

On 4 April 2014, ITAC recommended that the domestic dollar-based reference price for sugar be increased from US$358/tonne to US$566/tonne based on the four-year average London No. 5 settlement price of sugar at US$558/tonne, plus an adjustment for the distortion factor evident in the international sugar market of US$39/tonne, less the average ocean transport cost of sugar to a South African port of US$31/tonne.

The initial duty on sugar will be calculated as the difference between US$566/tonne and the price of sugar on the London sugar exchange on 3 January 2014, which amounted to US$440,40/tonne at an exchange rate of R10,47 to the US$ as follows.

Calculation of sugar tariff following ITAC determination of dollar-based reference price

RSA domestic reference price	US$566/ton
Minus: London No. 5 settlement price of sugar on 3 January 2014	US$440,40/ton
Dollar duty on sugar	US$125,6/ton
Effective rand duty on sugar	132c/kg (equals 26% ad valorem)

Heat exchange units: GEA Air-cooled Systems applied for an increase in the rate of customs duty on heat exchange units, classifiable under tariff subheading 8419.50, from free of duty to the WTO bound rate of 15% ad valorem. The applicant is based in Germiston. It manufactures and supplies heat transfer equipment to the power and petrochemical industries. The applicant cited the following as major reasons for the application:

- Local engineering project contractors are increasingly sourcing the product from Asian countries which offer bargain prices
- Tariff support will enable the domestic manufacturer to be competitive against low priced imports, subsequently assisting in job retention and job creation in the domestic industry
- Other countries apply tariffs on heat exchangers and this affects South African exports.

The applicant has invested approximately R28 million over the years in its manufacturing facility and currently has 143

employees, down from 152 in 2010. The applicant indicated that subject to the market conditions, should the support be granted the decommissioned line would be put back into operation and it would re-employ 43 workers that had been laid off.

ITAC found that increasing imports of heat exchange units have eroded the domestic industry's market share; that price disadvantages were experienced by the domestic producers; and that considerably under-utilised production capacity had affected the industry's profitability. It concluded that tariff support for the industry would improve its price-competitiveness and enable it to utilise its production capacity and achieve economies of scale. The Commission recommended that the rate of customs duty on the subject products be increased to 15% ad valorem.

Polytetrafluoroethylene (PTFE) tape: RIC Manufacturing lodged an application for an increase in the rate of customs duty on PTFE tape, which is a non-stick coating used in pans, cook-wear and other applications and classifiable under tariff subheading 3920.99.25, from 10% ad valorem to the WTO bound rate of 20%.

The manufacturer is based in Johannesburg. The reasons provided for the application were that the applicant is the only manufacturer of PTFE in the SACU region, the manufacturer has been under tremendous strain from low cost imports, the required level of customs duty will protect the industry against a flood of low priced imports, and they were unable to compete as a result of the fluctuation of key input costs.

The applicant had a staff complement of 39 employees which it will be able to retain with the customs duty increase. Investments made from 2009 to 2011 amounted to R102 800 and further investments for process re-engineering were projected.

In terms of the developmental plan, RIC Manufacturing committed to further investment to re-engineer the production process and reduce electricity consumption. This would entail obtaining a slit-spool machine to ensure the correct density of output and eliminating a certain process in the manufacturing process. The applicant maintained that the gradual regain of the market share of at least 3% to 4% annually would result in an increase in production and ultimately growth in the number of employees, given the applicant's labour-intensive model. The applicant will also consider exploring opportunities to diversify its export destinations, especially in regions where SACU has free trade agreements. Finally, the applicant will explore the possibility of accessing government grants for export initiatives by smaller companies.

The relevant **dti** sector desk was consulted for possible additional interventions to support this industry in light of the significant price disadvantage and very low market share. It proposed the following developmental interventions:

- Engagements with the National Regulator for Compulsory Specifications for quality assurance purposes and possible minimum standard setting
- The National Cleaner Production Centre of South Africa - a programme at the Council for Scientific and Industrial Research (CSIR) under the supervision of **the dti** - would conduct a diagnostic plant audit in order to enhance manufacturing efficiency and cost reduction strategies, at no cost to RIC Manufacturing
- The Small Enterprise Development Agency (seda), **a dti** agency, would be engaged to conduct a business analysis to identify internal management inefficiencies and challenges.

ITAC found that the applicant is the only SACU manufacturer of the product and had been experiencing huge price disadvantages. Imports had surged by 1364%, with imports from China constituting 99,6% of total imports. The applicant's market share in terms of volume had drastically declined from 63,1% in 2009 to approximately 5% in 2012. ITAC therefore recommended that the customs duty increase to 20% ad valorem. It further decided that the duties be reviewed after a period of three years to determine the impact on domestic production, investment and employment.

Aluminium slugs for aerosol tins: DivFood, a division of Nampak, applied for a reduction in the general rate of customs duty on aluminium slugs for impact extrusion, classifiable under tariff subheading 7616.99.30, from 10% *ad valorem* to free of duty. The applicant is based in Durban. It submitted that there are no local manufacturers of aluminium slugs for impact extrusion in SACU. Since the slugs are

used in the manufacture of aerosol cans, a reduction in the rate of customs duty would reduce the production costs for aluminium aerosol cans, enhancing local competitiveness and the ability to grow export markets and face the threat of low-priced imported cans.

Investment in capital equipment and machinery by the local industry for aerosol can production was approximately R74 million. DivFood employs 419 people with 115 workers involved in the distribution or processing of aluminium aerosol cans.

The Commission found that although there are no longer local manufacturers of aluminium slugs for impact extrusion, Mthonjeni Trading intends to manufacture the product in the Richards Bay Industrial Development Zone, which is at an advanced stage. Based on this, the Commission found that a reduction in the general rate of customs duty on aluminium slugs would have a detrimental effect on the planned project to manufacture aluminium slugs in SACU and, as a result, rejected the application.

The Commission decided to investigate the possibility of a rebate provision for imported aluminium slugs so as not to disadvantage DivFood during the interim period whilst encouraging the investment by Mthonjeni Trading. In terms of the developmental plan, Mthonjeni Trading indicated that it would establish an aluminium slug plant in the Richards Bay Industrial Development Zone by mid-2014. Mthonjeni Trading submitted that, having completed the viability study for its R100 million ‘Mthonjeni Aluminium Products’ project, about 170 people would be employed during the construction phase. Once in full operation, the plant will employ 36 to 42 people.

The Commission approved the creation of a rebate provision on aluminium slugs for the manufacture of aluminium aerosol cans of a capacity not exceeding 500ml. The Commission further recommended that the relevant project be monitored on a quarterly basis.

Palm oil: Sime Darby Hudson & Knight applied for the creation of a rebate provision for refined palm oil, bleached and deodorised but not fractionated, classifiable under tariff subheading 1511.90 used as oil blend in the manufacture of edible fats or oils. The applicant is a wholly owned subsidiary of Sime Darby Berhad, a Malaysian conglomerate. It is located in Boksburg.

As motivation for the application the applicant indicated that all palm oil is imported and no substitute products are produced in the SACU region; the volatility and high price of vegetable oils had put severe pressure on the cost of manufacturing; and the rebate provision would allow the applicant and Unilever to reduce the price of the final products, and invest in more training and the upgrading of facilities and job creation.

The total investment in plant and machinery of the applicant was approximately R50 million in 2012. The applicant indicated that it was not possible to apportion the relevant investment to palm oil products alone. The same plant and machinery are used to process other products, including frying mediums, pastry margarines, bakery fats, speciality oils and shortenings. The plant employs 106 people, with 24 employees directly involved in the processing of the palm oil.

In the developmental plan, Sime Darby indicated that it is a major supplier to Unilever. The creation of a rebate provision and the expected increase in consumption of margarine, spreads and baking fats would lead to expansion of its refining and blending capacity. Sime Darby estimated that it would make additional investment worth R250 million and employ 25 more people.

The Commission found that refined palm oil is a major input into the manufacture of edible oils, and there are no local producers of palm oil or its substitutes in SACU. As a result, the Commission recommended the creation of a rebate facility for palm oil, refined, bleached and deodorised but not fractionated, classifiable in tariff subheading 1511.90, for the manufacture of edible fats or oils, classifiable in tariff subheading 1517.90, in order to provide tariff relief and improve the competitive position and production capacity utilisation of the domestic industry manufacturing edible oils and fats.

Fluorescent lamps: ITAC considered an application by Eveready in Port Elizabeth for the amendment of rebate item 316.08/8504.10/01.06 to amend the minimum power

rating of electronic ballasts for the manufacture of compact fluorescent lamps (CFLs) from 8 to 5 watts. As reason for the application, Eveready stated that it assembles CFLs in small quantities in its factory in Port Elizabeth and that the creation of a rebate provision would enable it to assemble the final product competitively, instead of importing it.

At the time, the applicant employed 355 employees, of whom 44 were directly involved in the processing, sales and distribution of the CFLs. It had made a total investment of R1,3 million allocated to CFLs. The company manufactures approximately three million CFLs per annum and currently holds a market share of between 6% and 9%.

Another local manufacturer, Philips Lighting Southern Africa, with a manufacturing plant based in Lesotho, has made a total investment of close to R140 million and employs 361 employees who are directly involved in the manufacture of CFLs. The company manufactures approximately 12 million CFLs per annum and holds a market share of between 30% and 40%.

Eveready's commitment in the developmental plan is to create employment opportunities for 30 more people and increase its production utilisation at its plant in Port Elizabeth to full capacity.

ITAC supported an amendment to rebate item 316.08/8504.10/01.06 to include electronic ballasts with a power rating between 5 and 8 watts for the manufacture of CFLs, as these electronic ballasts are not manufactured domestically. It also recommended that the description of rebate item 316.08/8504.10/01.06 be amended as follows: "Electronic ballasts, for the manufacture of fluorescent discharge lamps (excluding ultra-violet lamps) of tariff subheading 8539.31.90, with a power rating of 5W or more but not exceeding 23W."

Textiles for upholstered furniture: Bravo Group Manufacturing, situated in Gauteng, applied for rebate of duty on woven impregnated fabrics and rubberised textile fabrics used for the manufacture of upholstered furniture. As reasons for the application, the company stated that:

- There are no local manufacturers of the product in question within the SACU region;
- The rebate will provide all upholstered furniture manufacturers with an opportunity to reduce input material costs; and
- It would support competitive prices on household items via retailers to the consumers, thereby creating a level of job security.

The applicant has made an investment of R20,7 million, consisting of property, plant and machinery. It employs 2299 employees, with 2181 directly involved in the manufacture of upholstered furniture. It had reduced its workforce by 1000 owing to closure of a factory in GaRankuwa and the consolidation of two factories in the Johannesburg region.

Bravo Group's commitments in the developmental plan were that, as a labour-intensive sector, employment and investment would be increased but it could not supply specific numbers. As a result of reduced manufacturing costs, the industry would increase its production and domestic market share.

ITAC recommended the creation of rebate provisions for products classifiable under tariff subheadings 5407.61, 5907.00.90 and 5903.20.90 for the manufacture of upholstered furniture, subject to a permit issued by ITAC and in consultation with the domestic industry before a permit is issued. Moreover, the industry will submit investment, production and employment figures annually in order to determine the impact on the sector concerned.

Dust masks: 3M South Africa applied for rebate of duty on inputs for dust masks, specifically polyurethane flat shapes classifiable under tariff subheading 3919.10.07, silicone elastomeric classifiable under tariff subheading 3926.90.90 and natural rubber straps with a length not exceeding 315mm and a width not exceeding 7mm classifiable under tariff subheading 4016.99.90. As reasons for the application, 3M South Africa stated that it wanted to re-introduce local manufacturing. The rebate would reduce the cost of production to the market and allow it to be competitive against imports of the end product. 3M indicated it had made an investment estimated at R14,5 million, which comprises property, plant and machinery.

Currently dust masks are imported as a complete consumer article and as a result there are no employees directly

involved in their manufacture. The applicant indicated that in the event that ITAC approved the rebate, 16 employees would be hired as 3M plans to operate 24-hour shifts. The applicant's commitments in the developmental plan are to increase its labour force from 130 to 145 and to increase investment by 2015.

ITAC found that the products for which the rebate was asked are not manufactured in the SACU. It therefore recommended the creation of rebate provisions for products classifiable under tariff subheadings 3919.10.07 and 4016.99.90 used for the manufacture of dust masks, subject to the same conditions as the rebate for furniture textiles described above.

Detergents: The Commission received an application from Unilever South Africa for a rebate of duty on methyl ester sulphate, classifiable under tariff subheading 3402.11, for the manufacture of washing preparations (detergents), classifiable under tariff heading 34.02. The applicant is based in KwaZulu Natal. Unilever said methyl ester sulphate is not manufactured in SACU so the duty has a cost-raising effect. Unilever South Africa currently uses linear alkyd benzene, which is also imported, but it is environmentally unfriendly. The company is in a process of adjusting its manufacturing process to allow the use of methyl ester sulphate in the manufacture of laundry detergent and washing preparations.

Unilever employs a total number of 2 519 employees, of which 536 are directly involved in the production of washing preparations. Unilever has invested approximately R83 million in the domestic manufacture of washing preparations.

In terms of its developmental plan, Unilever South Africa gave the assurance that the end consumer would benefit from the rebate; a decrease in cost would allow an increase in brand investment; and increased consumption would lead to the already planned capital investment in additional production capacity and increased employment opportunities.

ITAC found that methyl ester sulphate is not manufactured in SACU and that the existing duty has an unnecessary cost-raising impact. It therefore recommended that a rebate of duty provision be created for methyl ester sulphate classifiable under tariff subheading 3402.11, for the manufacture of washing preparations (detergents), classifiable under tariff heading 34.02.

Industrial Development Zones (IDZ): The dti requested ITAC to amend Schedule 3 to allow enterprises in a Customs Controlled Area of an IDZ to enjoy customs duty rebates and VAT exemption on imported inputs used to manufacture products for the domestic market. As part of the motivation, **the dti** stated that companies located in a Customs Controlled Area that intend to import intermediate inputs are currently at a disadvantage because they are required to pay duties on the imported content when the manufactured goods are declared for domestic use. Under Schedule 3 rebates, applicable outside the Customs Controlled Area, manufacturers qualify for a rebate of customs duty but pay VAT if they choose to supply their finished products to the domestic market.

In terms of reciprocity, the amendments will assist the Coega Industrial Development Zone to secure substantial investment and employment. According to **the dti**, First Auto Works, a Chinese auto manufacturer, will invest approximately R200 million and create 1 000 jobs over a period of three years. In addition, Great Wall Motors, another Chinese manufacturer, committed to invest approximately R1 billion and create over 880 jobs.

The Commission recommended that Schedule 3 be amended. The amendment would assist IDZs in their efforts of attracting additional investment with employment opportunities and linkages to the domestic market, by placing IDZ investors in a Customs Controlled Area on a competitive footing in the SACU market similar to other firms in the SACU market manufacturing.

7.2.2.2 Trade Remedies

ITAC is responsible for conducting trade remedy investigations (for anti-dumping, countervailing and safeguard measures) in accordance with policy, domestic law and regulations and consistent with WTO rules. Applications to ITAC, in the main, are for anti-dumping action. Anti-dumping action is a critical trade instrument to protect jobs and industries against unfair competition from international companies.

The Trade Remedies Unit conducted the following investigations.

Potato chips – safeguard investigation: The investigation started in March 2013 and was finalised in this financial year. A safeguard investigation is conducted when it is determined that there is a surge of imports causing or threatening to cause a serious negative impact to a SACU industry. It is considered a fair trade action taken to given the domestic industry time to adjust. The investigation has been completed and a recommendation has been made to the Minister of Trade and Industry, which will be finalised in the 2014/5 year.

Hand tools (picks, spades and shovels) – sunset review: ITAC made a final determination that the expiry of the duties would likely lead to the continuation or recurrence of dumping and injury. The Commission recommended that duties be imposed on hand tools originating from China.

PVC rigid – exclusion review: An investigation into the exclusion of PVC strips, used in the furniture manufacturing industry, imported from China, from applicable anti-dumping duties was conducted. The exclusion was approved and implemented in the year under review.

Soda Ash – anti-dumping: An investigation on behalf of the Government of Botswana was initiated in June 2013. ITAC made a preliminary determination in December 2013 and imposed provisional measures for the duration of the investigation. The investigation is on-going.

Frozen Potato Chips – anti-dumping: ITAC initiated an anti-dumping investigation into frozen potato chips originating in or imported from Belgium and the Netherlands on 21 June 2013. Provisional duties were imposed on 20 December 2013. McCain is the applicant in the investigation and Lambert's Bay and Nature's Choice supported it. The investigation continues.

Frozen Chicken – anti-dumping: An anti-dumping investigation on frozen chicken originating in or imported from Germany, the Netherlands and United Kingdom was initiated on 25 October 2013. The South African Poultry Association (representing the domestic industry in this investigation) lodged the application. The investigation continues.

7.2.2.3 Sunset reviews

Duties are set for a limited period. Before one expires, the affected parties may approach ITAC claiming that the condition that were prevalent at the time of imposing the duties are still relevant, which requires the extension of the period of duties. Three new sunset review investigations were initiated, relating to imports of welded link chain; tall oil fatty acid; and wire ropes and cables.

Welded Chain Link: The applicant, Scaw Metals Chain Products, lodged a sunset review application claiming that if anti-dumping duties on welded link chain from China were removed there was a likelihood of continuation or recurrence of material injury to the SACU industry. The investigation was initiated on 26 April 2013. The Commission recommended to the Minister of Trade and Industry that the anti-dumping duties be terminated as the Commission could find no evidence of a likelihood of dumping.

Tall oil fatty acid: Industrial Oleo Chemical Products lodged a sunset review application claiming that if anti-dumping duties on tall oil fatty acid originating in or imported from Sweden were removed there would be a likelihood of a continuation or recurrence of dumping or material injury to the SACU industry. The investigation was initiated on 22 November 2013. The investigation is on-going.

Wire ropes and cables: A sunset review of anti-dumping duties on wire ropes and cables imported from or originating in UK, Germany, South Korea, China and India was initiated on 13 January 2014. The investigation is on-going.

In addition, two investigations, related to dumping of mirrors and a sunset review for PVC, were initiated in the previous year but completed in the year under review. In July 2013, a 40,22% duty was imposed on glass mirrors. In May 2013, it was decided to maintain the anti-dumping duties on PVC rigid.

7.2.2.4 Import and export control

ITAC administers an import and export control regime in terms of the provisions of the International Trade Administration Act. It controls the cross-border movement of certain goods in terms of a permit system for the purpose of complying with international agreements such as, inter alia, the 1998 United

Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the Montreal Protocol in Substances that Deplete the Ozone Layer.

Control measures are also applied to enforce compliance to technical standards, health, safety and the environment. ITAC also enforces export control measures on ferrous and non-ferrous waste and scrap in terms of a price preference system that aims at placing an appropriate and reasonably priced quality and quantity of ferrous and non-ferrous waste and scrap at the disposal of the scrap metal consuming industry.

In the administration of the regulatory regime, it is imperative for ITAC to have formal as well as informal relationships with other government departments and agencies such as the South African Police Service, the Departments of Environmental Affairs, Mineral Resources and Agriculture, Forestry and Fisheries, Customs and Excise and the National Regulator for Compulsory Specification. Import and export permits are issued and submitted electronically to Customs and Excise, where the South African Revenue Service national data base is populated with the information.

During the reporting period, 17 332 import and 10 013 export permits were issued.

A total of 3443 import permits were issued for machinery and mechanical appliances, equipment and parts thereof (chapter 84 of the Harmonized Customs Tariff) and 833 for electrical machinery and equipment and parts thereof (chapter 85). A further 2423 import permits were issued for the importation of vehicles and parts thereof (chapter 87), 1453 for marine resources (chapter 03), 2026 for rubber and rubber articles including tyres (chapter 40), 1 394 permits for arms and ammunition (chapter 93), 862 permits for metals under chapters 71 to 81, 1 089 for mineral fuels, mineral oils and products of their distillation (chapter 27), and 504 were issued for organic and inorganic chemicals (chapters 28 and 29).

Of export permits, 4 208 were issued for the exportation of ferrous and non-ferrous waste and scrap under chapters 71 to 81 of the Harmonized Customs Tariff. A further 1 731 were issued for the exportation of organic and inorganic chemicals (chapters 28 and 29), 3 536 for used motor vehicles (chapter 87), and 412 for the exportation of mineral fuels and products of their distillation (chapter 27).

Enforcement activities entailed scheduled as well as unscheduled or surprise inspections and investigations. In 2013/4, 710 scheduled inspections were conducted, as well as 519 unscheduled inspections and 17 investigations. Industry sectors inspected were clothing, ferrous and non-ferrous scrap metals, automotive, pneumatic tyres and machinery and equipment. Investigations conducted were based on prima facie evidence of contraventions of the International Trade Administration Act and import and export control regulations. The enforcement unit also successfully participated in enforcement activities with other agencies such as the Revenue Services.

7.2.3 The IDC

The IDC continued to authorise higher levels of funding in the year under review, with a record R13,8 billion approved. It disbursed R11,2 billion. Disbursements were lower than in 2012/3, but higher than any of the preceding three years from 2009/10 to 2011/2.

Summary of IDC activities, 2009/10 to 2013/4

Indicator	2013/4	2012/3	2011/2	2010/1	2009/10
Funding approvals	R13.8 billion	R13.1 billion	R13.5 billion	R8.7 billion	R9.4 billion
Funding disbursed	R11.2 billion	R16.0 billion	R8.4 billion	R6.3 billion	R5.1 billion
Number of approvals	197	238	293	221	213
Jobs expected to be created and saved through approvals (direct employment only)	19 593	22 872	45 956	31 316	25 072
Funding for youth-empowered enterprises (>25% shareholding by youth)	R105,3 million	R39.7 million	R57.8 million	R111.0 million	R513.7 million

Over the period of the fourth Administration, from 2009/10 to 2013/4, the IDC's approvals and disbursements were double the level of the third Administration, from 2004/5 to 2008/9.

IDC approvals and disbursements, 2004/5 to 2013/4, in millions of current rand

Financial Year	Value of Approvals	Value of Disbursements
2004/5	3,665	2,156
2005/6	4,197	3,783
2006/7	5,888	2,823
2007/8	8,457	3,793
2008/9	10,762	7,623
5-year total	**32,969**	**20,178**
2009/10	9,420	5,139
2010/1	8,720	6,279
2011/2	13,485	8,385
2012/3	13,074	16,023
2013/4	13,835	11,171
5-year total	**58,535**	**46,997**

Renewable energy projects constituted 40% of the funding approved during the year, with the IDC playing a major part in support of government's Renewable Energy Independent Power Producers Programme, especially concentrated solar projects. Mining and minerals beneficiation and upstream chemicals received 18% of funding approved. More labour-intensive industries such as downstream chemicals, metal products and clothing and textiles received 23%.

The IDC expected that 19 593 jobs would be created and saved as a result of its financing. Most of the jobs were new, since improved economic stability meant that fewer jobs were under threat so that IDC funding did not save as many positions as in previous years. The IDC expected only 1334 jobs expected to be saved through funding approvals, compared to a high of 11 656 in the immediate aftermath of the 2008/9 global financial crisis.

In the year under review, the IDC approved funding for two projects that will affect the recycling of plastics and aluminium. These projects are expected to create an additional 3300 income-generating opportunities for people gathering waste.

As part of the Youth Employment Accord signed during the year, the IDC has earmarked R1 billion of the Gro-E scheme to businesses owned by young people. During the year, R98,5 million was approved to youth-empowered businesses. This figure is expected to increase as the partnership between IDC, sefa and the National Youth Development Agency (NYDA) to develop youth-owned businesses starts to bear fruit.

7.2.4 sefa

Sefa markedly improved its levels of approvals and disbursements in 2013/4. It implements loan programmes through a hybrid of direct lending (regional offices) and wholesale lending (financial intermediaries). Overall approvals increased by 142% to over R1 billion from 2012/3 to 2013/4, while disbursement increased 175% to R549 million. The table below provides a high level summary of sefa's performance with regard to approvals and disbursements.

Disbursements and approvals by sefa, in R millions

	2013/2014		2012/2013		% Change	
Type	**Approved**	**Disbursed**	**Approved**	**Disbursed**	**Approved**	**Disbursed**
	R'000	**R'000**	**R'000**	**R'000**		
Wholesale lending	293.5	159.3	699.3	287.8	138%	81%
Director lending	145.1	40.7	366.1	261.3	151%	543%
Total	**438.6**	**200.0**	**1,065.4**	**549.1**	**142%**	**175%**

sefa was able to achieve the following developmental impact.

Indicators of developmental impact for sefa in 2013/4

Number of SMMEs financed	46 407
Number of jobs created	46 402
Disbursements to youth-owned enterprise (18-35 years old)	R157,387,090
Disbursement to women-owned enterprise	R362,755,938
Disbursement to black-owned enterprise	R599,602,180
Facilities disbursed to end users under R250 000	R253,440,775

The success of sefa's organisational performance in 2013/4 can be attributed to the consolidation of the organisation following the merger between Khula Enterprise Finance, SAMAF and the IDC's small lending operations, and the development of a healthy business pipeline.

PART B | PERFORMANCE INFORMATION

Economic Development Department ANNUAL REPORT | 2013/2014

8. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) had conducted audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to as Part E on Financial Information for the Auditor-General's report.

9. OVERVIEW OF DEPARTMENTAL PERFORMANCE

9.1 Service Delivery Environment

EDD as a coordinating department is tasked with catalysing the transformation of the South African economic landscape with the New Growth Path (NGP) as the key policy in this regard. A key feature of the NGP is that economic growth needs to be underpinned by employment creation and greater equity in the distribution of socio-economic benefits and opportunities.

Over the 2013/4 financial year, employment and investment grew strongly although economic growth internationally showed renewed instability and domestic growth slowed, as noted in the Minister's foreword.

In this context, 2013/4 saw continued strengthening of policy coherence, centred on the implementation of the NDP with the NGP as its operational component for the economy. The Outcomes system, and in particular Outcomes 4 and 6, provided an increasingly important framework for managing economic transformation. In this context, the Economic Development MinMEC lays the basis for collaboration across the spheres of the state to drive economic development.

On this basis, the on-going implementation of the National Infrastructure Plan, driven by the PICC, constitutes a central tool in building a more efficient and inclusive economy. The NGP identifies infrastructure development as a key Jobs Driver and a catalyst for economic growth. That laid the basis for the adoption of the National Infrastructure Plan in 2012. The PICC's work to coordinate and prioritise infrastructure development has led to job creation for youth, the development of skills development plans, focused attention on localisation opportunities and unblocking of infrastructure projects.

The Industrial Policy Action Plan, backed by increasing industrial finance largely through the IDC, also forms a central component of the national development strategy. During the year, the Department of Agriculture, Forestry and Fisheries (DAFF) began work on a similar Agricultural Policy Action Plan. A more coordinated approach to smaller and emerging businesses and to the social economy was initiated with agreement on a common strategy through the Economic Development MinMEC. This will align initiatives across the state as well as supporting the continued consolidation of sefa as the premier small business lending agency of the state.

Successful implementation of the NGP depends on support from the main economic stakeholders, and in particular organised business and labour. In 2013/4, the work of the EDD was shaped in large part by the social accords on skills, the green economy, basic education, local procurement, interventions to support distressed mining communities and youth employment.

9.2 Service Delivery Improvement Plan

The Service Delivery Improvement Plan (SDIP) was developed and published in the EDD Strategic Plan in March 2012, in compliance with the Public Service Regulations. The SDIP focuses on the controls over quantity and the timeousness, quality and public acceptance of policy documentation and reports, planning and social dialogue processes.

The EDD will review, amend and implement a new SDIP for the next budget cycle in 2014/15. More attention will be placed on implementing service delivery mechanisms that include service standards and a service delivery charter. In the process of developing the SDIP, beneficiaries of the department were identified and what services are to be delivered were also identified. That said, it is important to recognise that the EDD does not deliver services directly to the public. Rather, it facilitates economic growth and enhances economic participation through policy interventions, projects and programmes.

Main services and beneficiaries

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
Economic policies and reports	Economic Cluster, Cabinet, provincial departments and the public	Reports and policies produced and submitted to cabinet Consultation took place at cluster and ministerial level	Well researched documents, policy proposals and reports	Cabinet memos were approved and submitted to cabinet on time Extensive consultation was conducted in compiling reports and policy proposals
Economic Plans	National departments, provincial governments, municipalities, social partners and the public	Targets (quantity and time) are met on plans Reports generally of good quality Time constraints may limit consultation	Submit reports on time for considerations	Reports and policies submitted on time Reports have been of a high standard and well received by both external and internal stakeholders
Social Dialogue	National departments, provincial governments, municipalities and social partners	All accords are of very good standard Extensive consultation conducted with social partners	Awareness created on all Accords with social partners	Extensive consultation occurred and social partners have received the Accords well

Batho Pele arrangements with beneficiaries

Current/actual arrangements	Desired arrangements	Potential customers	Actual achievements
Engagement with stakeholders	Ministers, MECs and legislatures	Provincial departments	Provincial economic development plans were reviewed
	Economic Cluster	Economic Cluster Departments	Meetings with Economic Cluster departments took place and addressed issues
	Sectoral networks/ Platforms	Government stakeholders, NEDLAC constituencies (Business, Labour, Community) and the general public	Amongst others, network sessions were held on Small Business, Infrastructure, Youth Development, financialisation and Youth Indaba which were well received by our social partners Network sessions and platform engagements increased and attended by stakeholders and constituencies
	The public	Vulnerable groups	Engagements with youth, women, people with disabilities and historically disadvantaged groups

Service delivery information tool

Current/actual information tools	Desired information tools	Actual achievements
Electronic (website)	To put on the website information related to departmental information, ERBs and DFIs	Real time usage was generated through monthly reports. The webmaster monitored user searches to optimise ease of user experience
Brochures (Accords)	Distribute brochures on Accords to all potential clients and stakeholders	Brochures on the various Accords were produced and distributed at various forums, meetings and workshops
Policy Documents	Policy documents were submitted as proposals to cabinet	Policy proposals were submitted to cabinet for consideration and adoption into policies

Complaints mechanism

Current/actual complaints mechanism	Desired complaints mechanism	Actual achievements
Telephonic, electronic, website personal interfaces	Direct complaints on the departmental website and email address dedicated to complaints	A dedicated email address (complaints@economic.gov.za) has been introduced. In respect of infrastructure, issues are monitored through the reports to the PICC
		Projects unblocked by the department include: Noble Resources; assisting the IDC to establish an inter-departmental task team; MKBOLT, a new trucking company; supported South African film and TV production; water crisis addressed in Makana; distribution of solar water heaters; ASIDI School-Build Program; PICC Skills Plan

9.3 Organisational environment

The EDD is a relatively new department, which means that it is still undergoing organisational development in a number of ways. In the year under review, considerable progress was made in strengthening the department's organisation, but experience to date points to the need for substantial changes in the approved organisation. A review of the organisational structure is underway, which will be concluded in the new financial year. The structure as originally approved has not yet been formally changed, however.

A core challenge remains filling high-level positions that require substantial technical skills and experience. In part to address this issue, the APP target for 2013/4 was to achieve staffing levels of 146, compared to the approved post establishment of 166. In the year under review, the EDD embarked upon a recruitment drive that increased its staff establishment to 139 by 31 March 2014. It recruited 52 personnel during the 2013/4 financial year, and experienced 13 resignations and transfers over the course of the year.

It is anticipated that the new organisational structure will involve a consolidation of management functions while maintaining high-level specialist positions. A consequence of this rethinking of the organisational design was a deliberate decision not to advertise managerial posts that may be rationalised through the restructuring process so as to avoid permanent appointments into posts that may not continue to exist. In addition, delays in hiring non-priority staff formed part of the measures to generate savings for sefa.

The EDD's employment model is based on permanent appointments, contract appointments and secondments. The contract appointments and secondments are project focussed and time bound. During this financial year the department improved on its management of contract appointments. The EDD had 27 contract staff at the end of 2013/4 as opposed to 41 at the end of 2012/3, with many of the contract staff successfully applying for permanent positions.

In addition, the EDD was able to rely on support from around 70 public servants across the state to support its work around the PICC.

A PERSAL clean-up process was embarked upon in the year under review. This entailed critical maintenance work on the approved 2009 organisational structure, which had

been consulted with the Minister for Public Service and Administration. The approved maintenance work was successfully implemented on PERSAL.

The EDD's provisional results on MPAT for 2013/4 improved over the previous year. On the overall assessment of the process, including how well the MPAT self-assessment was done and the improvements implemented, the Department scored 3 out of a potential 4. Comparison of the past financial years reflects a department maturing in its management performance, as the following table shows.

EDD MPAT scores, 2011/2 to 2013/4

KPA	2011/12	2012/13	2013/14
1. Strategic management	2,7	3,0	3,0
2. Governance and Accountability	2,2	1,6	2,5
3. Employees, Systems and Processes	1,7	1,8	2,2
4. Financial Management	2,3	3,0	2,1
Average	2,2	2,4	2,6

The EDD was assessed as fully compliant and as doing things smartly in the following areas:

- Functionality of management structures;
- Strategic Management;
- Delegations - for public administration in terms of the Public Service Act and Public Service Regulations; and
- Pay sheet certification.

The Department is housed on **the dti** campus. This has been done to promote coordination between **the dti** and EDD. The total office space allocated to the Department expanded from 2056 square meters to 3329 square meters in the 2013/4 financial year. The staff is housed on selected floors of four buildings on the campus.

The EDD currently depends on **the dti** for some Information and Communication Technology (ICT) services and infrastructure. The EDD is on **the dti** network and **the dti** provides services such as network, email system, backup, ICT security, telephony, applications, etc.

The EDD is responsible for its own information technology desktop support services. In 2013/4, September, the EDD took a decision that EDD will continue to be reliant on **the dti** for ICT support and this will be approached as a shared service. This means that EDD will continue to be hosted within **the dti**'s ICT network; **the dti** provides or extends all its ICT services to EDD; **the dti** ICT staff will be available to assist in EDD, and EDD ICT staff will assist **the dti**.

Following the decision by the EDD Executive Management, during March 2014, a letter and a Service Level Agreement on provisioning of ICT Services was finalised, signed by the EDD and sent to **the dti**.

An audit on ICT was conducted from 1 June to 19 July 2013. The objective of the audit was to assess ICT governance and risk management as well as the adequacy of the internal control environment to enable the EDD to meet its business objectives.

In response to the Auditor-General's recommendations on ICT Governance in the Public Service, and the ICT audit that was conducted internally, the EDD did the following:

- Established an ICT Steering Committee, with Terms of Reference approved on 31 March 2014. The main function of the Steering Committee is to enhance the governance of ICT and to promote the concepts of good governance of ICT amongst EDD members.
- Developed a Corporate Governance of ICT Framework in March 2014. The Corporate Governance of ICT Framework is still to be reviewed by the ICT Steering Committee. The purpose of the framework is to institutionalise ICT governance as an integral part of corporate governance within EDD. ICT governance consists of structures and processes that ensure that EDD ICT covers the organisation's strategies and objectives.

From 14 February to 12 March 2014, an ICT needs analysis was conducted and concluded, in consultation with all the business units within EDD. The assessment was done

through a questionnaire which required business units to specify their information and ICT system needs. The purpose of the analysis was to gather information to ensure that business needs are properly addressed and met.

The findings and the information gathered from the needs analysis provided input into the EDD ICT Strategy which was drafted in March 2014 and it is still to be reviewed by the ICT Steering Committee.

9.4 Key policy developments and legislative changes

9.4.1 The Infrastructure Development Act

Following public hearings by the Portfolio Committee, which led to considerable changes in the original draft, the Infrastructure Development Bill was passed by the NCOP on 26 March 2014. The Bill was agreed to in terms of Section 65 of the Constitution.

The Infrastructure Development Act aims to strengthen the capacity of government to implement the rollout of infrastructure and is thus at the heart of our efforts to improve the lives of citizens. The Act builds on the successes of infrastructure roll-out, and provides legal tools to strengthen coordination across the state and address unnecessary bureaucratic delays to priority infrastructure projects.

The main elements of the Act are as follows:

- First, the Act establishes in law the coordination structures of the PICC. Members of these structures are nominated by the President from the three spheres of government. The PICC is charged with identifying infrastructure priorities and overseeing their implementation.
- Second, the Act provides for a planning framework for infrastructure, with a long-range plan that moves beyond the work of a single administration, in line with the NDP and the NGP. This ensures that government moves beyond the stop-start pattern of infrastructure, it allows universities and FET colleges to tool up to produce the skills that will be needed for the next 20 to 30 years, and it gives investors the certainty that they need to commit to long term investment in the domestic economy.
- Third, the Act provides for the designation of SIPs through the National Infrastructure Plan. To date, the Cabinet has approved 18 SIPs that bring together hundreds construction projects, from improving schools across the country to opening the Northern mining belt and improving municipal infrastructure. The SIPs set clear priorities for the build programme, lay the basis for integrating infrastructure and economic functions, and set a framework for more integrated oversight and unblocking. The Act provides that each SIP has a forum of executing authorities, chaired by a designated Minister, to provide strong and coordinated political leadership on infrastructure priorities.
- Fourth, the Act sets timeframes for the approval of regulatory decisions affecting the implementation of infrastructure projects. The timeframes provide for extensive public consultation. Instead of sequential approval processes, the Act provides for processes to run concurrently wherever possible. This ensures that the state works to a common deadline.
- Fifth, the Act sets out processes of coordination based on the establishment of a steering committee for each SIP that includes all the relevant departments, agencies and spheres of the state. The steering committees are expected to oversee SIP plans, ensure efficient management of regulatory requirements, and report regularly to the PICC through an integrated dashboard.
- Sixth, the Act provides for the PICC to expropriate land directly as required for SIP projects, but makes such power subject to the Constitution and the regulations in the existing legislation on expropriation.
- Seventh, the Act contains strong mechanisms to prevent conflicts of interest by Steering Committee members in relation to the project, as part of government's anti-corruption drive. It provides for tough penalties for non-disclosure by members, extending to imprisonment of up to five years.
- Eighth, the Act empowers the Minister of Economic Development to set targets and guidelines as well as regulate to enhance the developmental impact of SIPs. The Minister may guide areas such as local industrialisation, job creation, youth employment, greening the economy, skills development, rural development and broad-based empowerment.

9.4.2 Commencement of Section 6 of the Competition Amendment Act 1 of 2009

In 2013 the Competition Commission welcomed the commencement of section 6 of the Competition Amendment

Act 1 of 2009, which provides the Competition Commission with formal powers to conduct market inquiries. A market inquiry means a formal inquiry in respect of the general state of competition in a market for particular goods or services, without necessarily referring to the conduct or activities of any particular named firm. The Competition Amendment Act was signed and assented to by the President on 28 August 2009. The President issued a proclamation on 8 March 2013 declaring the market inquiry provisions, as contained in section 6 of the Competition Amendment Act, (Act no. 1 of 2009), to come into effect on 1 April 2013.

The Commission will conduct its first formal market inquiry into the private healthcare sector in terms of Chapter 4A of the Competition Act (Act no. 89 of 1998) as amended. Chapter 4A allows the Commission to conduct a formal inquiry into the general state of competition into the market, thus allowing the Commission to examine markets in instances where market outcomes indicate a lack of effective competition or where there are concerns regarding the extent, nature and effectiveness of competition. The market inquiry will delve into the drivers of price changes in private healthcare in South Africa. It will also enable the Commission to reflect on its own interventions in the market and to assess the impact of its enforcement actions and merger control in healthcare markets.

The healthcare inquiry commenced in January 2014 and be completed by 30 November 2015. On 30 January 2014, the Competition Commission appointed retired Chief Justice Sandile Ngcobo; Professor Sharon Fonn; Dr Ntuthuko Bhengu; Dr Lungiswa Nkonki and Mr Cornelis van Gent as chairman and panellists respectively, to lead the market inquiry into the private healthcare sector in South Africa. The panel will preside over the market inquiry, oversee public hearings, review submissions, draft the inquiry report and produce its final recommendations.

The inquiry will probe the private healthcare sector holistically to determine the factors that restrict, prevent or distort competition and underlie increases in private healthcare prices and expenditure in South Africa. The panel will gather evidence and insights into private healthcare through public hearings, reviews of secondary material, information requests, consultations and summons, as required.

10. STRATEGIC OUTCOME ORIENTED GOALS

The EDD's strategic outcome-oriented goals are:

- To promote decent work through meaningful economic transformation and inclusive growth
- To provide participatory, coherent and coordinated economic policy, planning and dialogue for the benefit of all South Africans.

These goals have been given greater detail through the various Outcomes that the Presidency introduced, which include Outcome 4 (decent employment through inclusive growth). Other outcomes that are also relevant to the goals of the Department include Outcome 5 (a skilled and capable workforce to support inclusive growth); Outcome 6 (efficient, competitive and responsive economic infrastructure); and Outcome 7 (vibrant, equitable, sustainable rural communities).

The EDD, as one of the three coordinating departments for Outcome 4, works with **the dti** and National Treasury to manage the monitoring system of the outcome and provide analysis of the impact achieved by the Cluster departments.

10.1 Performance Information by Programme

10.1.1 Programme 1: Administration

10.1.1.1 Purpose, structure and strategic objectives

Purpose: Coordinate and render an effective, efficient, strategic support and administrative service to the Minister, Deputy Minister, Director General, the Department and its agencies.

The sub-programmes of Programme 1 are:

1. Ministry
2. Office of the Director General
3. General Management Services.

The strategic objectives of Programme 1 are:

- To provide strategic support and administrative services to the Minister and the Deputy Minister
- To provide strategic support and administrative services to the Director General
- To provide operational and administrative support to the EDD.

10.1.1.2 Strategic objectives, performance indicators, planned targets and actual achievements

Programme 1 had five indicators with 21 targets to be achieved in the 2013/4 financial year. The department achieved four of its indicators and delivered a total of 22 targets, exceeding its targets by one.

The programme met its targets for compliance with service standards and administrative systems, management meetings, audits reports and establishment of an ICT strategy. It met 95% of its recruitment target for the year.

The target for recruitment for the year was 146; the department reached 139, falling 4,8% short of the target.

The Department established a rhythm of regular Manco meetings to deal with management issues and to provide strategic leadership and direction to the department. This assisted in the department being able to meet its APP targets and indicators.

As part of the departmental Internal Audit plan, the audits were performed on supply chain management, non financial performance, facilities management, petty cash, appointment of personnel, project transfers, integrated planning and reporting and review of risk management processes and minimum anti corruption capacity requirements within the financial year. This assisted the Department in being able to review its performance and improve the work of the Department.

An ICT Steering Committee was established that developed an ICT strategy and Master Systems Plan (MSP) in line with the APP target.

Programme 1: Administration

Performance Indicators	Actual Achievement, 2012/2013	Planned Target, 2013/2014	Actual Achievement, 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
KPI 1. Percentage compliance with service standards and administrative systems	New indicator	100%	100%	-	-
KPI 2. Number of management meetings	24	12	14	+2	Additional meetings were needed to deal with strategic issues such as MPAT
KPI 3. Audit reports submitted	6	6	6	-	-
KPI 4. Percentage (%) of posts to be filled	24 posts	146 (88% of funded staff complement of 166)	139 (95,2% of annual target of 146 and 88% of funded posts)	-4,8%	Scarcity of skills and declining of offers by potential candidates due to counter offers
KPI 5. An approved ICT Strategy	New indicator	An approved ICT Strategy and MSP	Approved ICT strategy and MSP	-	-

10.1.1.3 Strategy to overcome areas of underperformance

The EDD has put in place measures to engage on an aggressive recruitment process, and will also be intensifying the implementation of its retention strategy to make sure that it meets its target of the number of posts to be filled.

10.1.1.4 Changes to planned targets

There were no changes to indicators and targets during the period under review.

10.1.1.5 Linking performance with budgets

From the departmental final appropriation of R91,3 million for Administration in the year under review, 99,99% of the programme budget was spent.

Budget and expenditure for Programme 1: Administration

	2013/2014			2012/2013		
Programme	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Ministry	21,067	21,030	37	19,533	16,321	3,212
Office of the Director General	10,792	10,792	0	10,976	10,975	1
General Management Services	59,483	59,479	4	32,422	28,098	4,324
Total	**91,342**	**91,301**	**41**	**62,931**	**55,394**	**7,537**

10.1.2 Programme 2: Economic Policy Development

10.1.2.1 Purpose, structure and strategic objectives

Purpose: Strengthen the economic development policy capacity of government; review, develop and propose the alignment of economic policies; and develop policies aimed at broadening participation in the economy and creating decent work opportunities.

The sub-programmes of Programme 2 are:

1. Growth Path and Creation of Decent Work
2. Economic Policy
3. Broad Based Black Economic Empowerment
4. Second Economy.

Its strategic objectives are:

- To coordinate the implementation of the NGP
- To develop economic policies and sector strategies
- To promote Broad-Based Black Economic Empowerment (BBBEE)
- To promote a more inclusive economy.

10.1.2.2 Strategic objectives, performance indicators, planned targets and actual achievements

In 2013/4, through the Economic Policy Development (EPD) programme, the Department continued to focus on strengthening monitoring and evaluation of economic policies as well as alignment around the state. This was achieved through the outcomes-based mechanism; improved technical analysis and engagement with other state agencies directly and through various forums; support for the implementation of the National Infrastructure Plan and the Youth Employment Accord; selected policy interventions, notably around financialisation, the construction cartel, and the energy/mining nexus; proposals to enhance economic opportunities for historically marginalised groups, in particular women, rural people and smaller and township producers; and work on strengthening demand-side planning for skills in collaboration with the Department of Higher Education and Training (DHET) and other economic cluster departments.

To improve monitoring and evaluation, three technical instruments were developed. In collaboration with the Presidency and the National Treasury, the Socio-Economic Impact Assessment System (SEIAS) was developed and piloted. It aims to improve the assessment of regulations and legislation from the standpoint of inclusive growth. With the ILO, in 2013/4 a macro-economic model known as DySAM was developed, which assists in simulating the employment impact of government investments. Finally, an Economic Development Index for South Africa (EDISA) was piloted that permits tracking of inclusive growth rather than the GDP alone through a dashboard of key indicators.

Quarterly reports to Cabinet were compiled against the targets set for Outcome 4: Decent Employment through Inclusive Growth, in collaboration with National Treasury and **the dti**. These reports noted key trends and the resulting opportunities and risks and proposed responses, as well as tracking progress in terms of employment, equity, growth and investment. In addition, the Department prepared in-depth reports of progress against the New Growth Path for the bi-annual Cabinet Lekgotla.

The Department continued to engage with other state agencies to analyse and evaluate their impact on employment and inclusive growth. To this end, it assisted in a review of the jobs evaluation mechanisms of the Development Finance Institutions.

The EDD participated in a number of forums that aim to improve coordination around economic strategies across the state. In particular, it convenes the Outcome 4 Secretariat and supports the department's engagement on the Industrial Policy Action Plan (IPAP) and the Agricultural Policy Action Plan, as well as the Productive Sectors Forum.

In 2013/4, the Infrastructure Development Bill and its passage through Parliament was facilitated. To this end, a SEIAS analysis was finalised, public submissions were reviewed and Parliamentary hearings were attended.

The Department managed the process of responding to the Competition Commission's finding that major construction companies had manipulated the tender processes for major infrastructure projects. Meetings were convened with all the affected agencies of the state to develop appropriate coordinated responses.

With UN-DESA and the Centre for Industrial Policy Development at the University of the Witwatersrand, research was sponsored and a high-level workshop on financialisation in the South African economy was hosted. The research pointed to the risks posed by the extremely rapid growth in financial markets and instruments in the South African economy, and indicated ways to manage them. The research will be published in the coming financial year.

Major research was also conducted into the impact of rising energy prices on the mining value chain, in collaboration with Trade and Industrial Policy Studies and the Global Green Growth Institute. The research backed up departmental engagement on the role of the aluminium smelters in South Africa's energy economy.

The department is committed to ensuring that historically marginalised groups, especially youth, women and small producers, enjoy greater and more diverse economic opportunities.

Substantive work to support the Youth Employment Accord included quarterly reports to Cabinet on progress as well as the development of plans and engagements with relevant state agencies on the implementation of the Youth Brigades and the achievement of the target set for public-sector internships.

The Department developed an in-depth research report on the social economy and township economies, and an analysis of key rural development initiatives from the standpoint of the NGP was drafted. In consultation with **the dti** and other relevant departments, a framework for assessing the impact of Broad-Based Black Economic Empowerment initiatives on inclusive growth was developed.

The implementation of the Skills Accord was monitored, in order to initiate mechanisms to strengthen the relationship between FET colleges and employers. Regular meetings with DHET and other economic departments were held to strengthen demand-side planning of skills. Key research needs were identified for engagement with the Labour Market Intelligence Project. The Department of Home Affairs was engaged on managing the importation of skills.

Programme 2: Economic Policy Development

Performance Indicators	Actual Achievement, 2012/ 2013	Planned Target, 2013/ 2014	Actual Achievement, 2013/ 2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
KPI 6. Number of technical instruments on economic development refined per year	New indicator	3	3	-	-
KPI 7. Surveys and reports on the implementation of the New Growth Path	New indicator	4	5	+1	20-year review of the economy was conducted as an additional product.
KPI 8. Number of platforms held to communicate and discuss issues related to the New Growth Path	New indicator	2	2	-	-
KPI 9. Training workshops held on assessing employment impact of state institution	New indicator	2	2	-	-

Programme 2: Economic Policy Development continued

Performance Indicators	Actual Achievement, 2012/ 2013	Planned Target, 2013/ 2014	Actual Achievement, 2013/ 2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
KPI 10. Policy interventions identified and/or policy platforms held to support inclusive growth	New indicator	4	5	+1	Consulted with the mining sector, national departments and Global Green Growth Institute on the impact of energy price increases on selected mining sector and smelting value chains
KPI 11. Sector interventions aligned, evaluated and improved	New indicator	3	3	-	-
KPI 12. Monitoring of Competition Act implementation and proposals as required	New indicator	1	6	+5	Additional engagements and research required primarily around the Construction Cartel and the Afgri takeover, and promulgation of the market-inquiry section of the Act.
KPI 13. Number of policy platforms held or reports completed on the impact of BBBEE	New indicator	4	4	-	-
KPI 14. Number of reports on the impact of NGP on women, youth and rural people evaluated and improved per year	New indicator	3	3	-	-
KPI 15. Strategy on micro enterprises, livelihoods and the social economy adopted and reviewed	New Indicator	1	1	-	-
KPI 16. Skills development proposals in the NGP and skills accord implemented	New Indicator	1	1	-	-

10.1.2.3 Changes to planned targets

There were no changes to indicators and targets during the implementation period under review.

10.1.2.4 Linking performance with budgets

Expenditure for Programme 2 amounted to R23,9 million or 99,97% of the final programme budget.

Budget and expenditure for Programme 2: Economic Policy Development

	2013/2014			2012/2013		
Programme	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Growth Path and Creation of Decent Work	2,257	2,255	2	5,936	3,898	2,038
Economic Policy	19,913	19,911	2	9,262	7,677	1,585
BBBEE	1,160	1,159	1	3,317	-	3,317
Second Economy	561	561	0	682	-	682
Total	**23,891**	**23,886**	**5**	**19,197**	**11,575**	**7,622**

10.1.3 Programme 3: Economic Planning and Coordination

10.1.3.1 Purpose, structure and strategic objectives

Purpose: Promote economic planning and coordination through developing economic planning proposals; provide oversight and policy coordination of identified development finance institutions and economic regulatory bodies; and contribute to the development of the green economy.

The sub-programmes of Programme 3 are:

1. Spatial, Sector and Planning Economic Policy
2. Competitiveness for Trade and Decent Work
3. Economic Development Financing and Procurement Processes
4. Green Economy.

The Programme's strategic objectives are:

- To develop sector, spatial and national economic plans, economic policies and sector strategies;
- To promote competitiveness and trade for decent work;
- To leverage state budgeting and financing and procurement processes; and
- To grow the Green Economy.

10.1.3.2 Strategic objectives, performance indicators, planned targets and actual achievements

The Economic Planning and Coordination branch promotes economic planning and coordination by developing economic planning proposals; providing oversight and policy coordination for DFIs and ERBs; and supporting the PICC. The programme provided support to the Minister's engagements with key agencies such as the IDC, sefa, ITAC, Competition Tribunal and the Competition Commission.

The activities of the DFIs and ERBs in the year under review are included in Part A of this report.

The Minister of Economic Development heads the secretariat of the PICC, which was established to coordinate and oversee the implementation of the infrastructure plan. Infrastructure development is critical and is pivotal to economic development and growth strategies across the world. In South Africa, infrastructure development is the key to reverse the spatial patterns of apartheid and to address the legacies of under-development. The PICC has taken steps to implement the commitment to improve infrastructure planning and implementation during this administration.

The Department was instrumental in a number of unblocking initiatives during the year, some of which are listed below:

- Facilitated the signing of a lease agreement for Sunrise Energy and Storage Terminal in Saldanha Bay with Transnet
- Assisted Noble Resources acquire land from Lekwa Municipality for a truck parking facility
- Assisted Monastery Mining in the Free State to get a mining license
- Arranged vacant premises owned by sefa to be used by Mitchells Plain Skills Centre as a training facility for unemployed youth
- Facilitated a water license application for Mamba Cement.
- Worked with Eskom to achieve the supply of additional energy to Graininvest to expand their production of sunflower oil in Bethlehem in the Free State

- Worked with the Provincial Government of Mpumalanga to obtain R20 million towards Lekwa Municipality's electricity deposit to Eskom in order to increase the municipal energy capacity to supply newly established industries
- Facilitated **the dti** film incentive and IDC loan for the One Humanity film production.

The Department provides technical support for the implementation of the National Infrastructure Plan through its work with the Secretariat and Technical Task team of the PICC. In particular:

- The PICC compiled the quarterly construction updates provided to Cabinet with an analysis of expenditure trends, construction progress, number of jobs created and local procurement percentages against targets, as well as identification of key constraints and blockages
- The PICC technical unit assisted in obtaining water quality information from municipalities in order to determine the technical feasibility of rolling out of the Solar Water Heaters program in 132 municipalities
- The PICC technical unit together with the Development Bank of Southern Africa (DBSA) and IDT enhanced the roll-out of the ASIDI school-build program through the preparation of a document for all implementation agents, including key lessons from past experiences to overcome delays
- The PICC skills plan for infrastructure projects for the Human Resources Development Council laid the basis for fast tracking infrastructure projects and ensured the availability of required skills at the appropriate time
- The PICC technical team engaged SALGA, DPME, DPSA and National Treasury on funding flows to overcome under-spending patterns
- The PICC assisted Makana Local Municipality to provide water to Grahamstown that was previously experiencing water disruptions.

In supporting localisation of industries, the EDD supported the following projects.

- The PICC technical team together with the IDC's localisation unit identified opportunities for localisation at both Transnet and Eskom which includes transmission lines, cables and conductors, grinding elements, metering pumps and valves for Eskom and locomotives, per ways, port facilities, wagons, machinery and pipelines for Transnet
- The EDD assisted a South African company to secure an IDC loan to purchase a pipe manufacturing company which was likely to have been relocated to Nigeria. Through an EDD intervention that introduced the client to the IDC, the plant was sold to a South African operator
- The EDD supported an international investor to secure a loan from the IDC to purchase a steel factory that was mothballed in the Western Cape.

In support of the green economy, the EDD provided support to Mainstream Renewable Power South Africa. This process involved a joint intervention with the Department of Water Affairs (DWA), after they discovered an erosion channel whilst constructing in De Aar. Prior to construction, a full Environmental Impact Assessment (EIA) was conducted and no water permit was required.

In collaboration with the CSIR, the EDD developed a Spatial Economic perspective for Functional Economic Regions, which will enable improved planning for economic development within regions.

Programme 3: Economic Planning and Coordination

Performance Indicators	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
KPI 17. Number of economic development initiatives facilitated and unblocked per year	New indicator	18	18	-	-
KPI 18. Number of economic development plans completed	New indicator	2	2	-	-
KPI 19. Number of spatial economic plans produced and or reviewed per year	9	2	3	+1	Integrated urban development report was developed for SIP 7
KPI 20. Number of Strategic Integrated Projects construction progress reviews per year	New indicator	60	71	+11	More reports were required and completed than anticipated.
KPI 21. Number of infrastructure projects unblocked and/ or fast tracked	New indicator	8	8	-	-
KPI 22. Number of ministerial oversight engagements with the DFIs per year	8	6	6	-	-
KPI 23. Road shows marketing the products of sefa to SMMEs	New indicator	12	25	+13	Decision was made to expand the programme as resources and time permitted
KPI 24. Value of financing facilitated for small businesses, targeted growth sectors and companies in distress	R19,84 billion	R5 billion approvals	R18 billion approvals	+ R13 billion approvals	Additional resources were available, mostly from the IDC.
KPI 25. Evaluative Reports on jobs targets achieved by EDD agencies (IDC, sefa, Competition Commission and ITAC)	New indicator	4	4	-	-
KPI 26. Number of ministerial strategic engagements with the ERBs reporting to the Ministry of Economic Development	8	6	7	+1	Additional engagements were required on governance issues.
KPI 27. Number of interventions in relation to ERBs	New Indicator	4	12	+8	More interventions were undertaken than anticipated, largely due to major competition and trade cases requiring EDD engagement

Programme 3: Economic Planning and Coordination continued

Performance Indicators	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
KPI 28. Number of interventions to promote regional integration (research studies produced or company or sector support)	New indicator	4	4	-	-
KPI 29. Actions and meetings to implement Local Procurement Accord	10	4	4	-	-
KPI 30. Number of interventions to grow the green economy or reports on the implementation of the green economy strategy and green accord	2	6	6	-	-

10.1.3.3 Strategy to overcome areas of under performance

The programme has met or exceeded all targets.

10.1.3.4 Linking performance with budgets

Actual expenditure for Programme 3 and its sub-programmes amounted to R644,5 million or 100,0% of the final programme budget for the 2013/14 financial year. Spending in this programme consists mainly of transfer payments to the departmental entities and agencies.

Budget and expenditure for Programme 3: Economic Planning and Coordination

	2013/2014			2012/2013		
Programme	**Final Appropriation**	**Actual Expenditure**	**(Over)/ Under Expenditure**	**Final Appropriation**	**Actual Expenditure**	**(Over)/ Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Spatial Sector and Planning	19,351	19,351	0	38,108	37,908	200
Economic Development Financing and Procurement	390	388	2	3,727	1,840	1,887
Investment for Economic Development	347,320	347,320	0	308,701	307,379	1,322
Competitiveness and Trade for Decent Work	277,036	277,035	1	251,289	250,396	893
Green Economy	419	418	1	-	-	-
Total	**644,515**	**644,511**	**4**	**601,825**	**597,523**	**4,302**

10.1.4 Programme 4: Economic Development and Dialogue

10.1.4.1 Purpose, structure and strategic objectives

Purpose: Promote social dialogue; implement strategic frameworks; build capacity among social partners; and promote productivity, entrepreneurship and innovation in the workplace.

The sub-programmes of Programme 4 are:

1. National Social Dialogue and Strategic Frameworks
2. Sector and Workplace Social Dialogue
3. Capacity Building for Economic Development
4. Productivity, Entrepreneurship and Innovation.

The programme's strategic objectives are:

- To lead national social dialogue and implement strategic frameworks
- To engage in sector and workplace social dialogue
- To support capacity building for economic development
- To foster productivity, entrepreneurship and innovation.

10.1.4.2 Strategic objectives, performance indicators, planned targets and actual achievements

The main objectives of this programme are to promote social dialogue and implementation of strategic frameworks through platforms such as social dialogue engagements, awareness of the Accords and knowledge network sessions. The programme had eight indicators for the financial year. It acieved all targets with 44 outputs.

On 18 April 2013, the Youth Employment Accord was signed with the NEDLAC constituencies, including the main youth organisations. The Youth Employment Accord was a commitment to raise the levels of youth in jobs, training and education as well as support youth owned enterprises and cooperatives. The accord focuses on six main areas for work: education and training; work exposure; youth brigades; youth target set asides; youth entrepreneurship and co-ops; and private-sector initiatives.

In March 2014, more than 800 young people from all nine provinces gathered for the Presidential Youth Indaba. It was organised in partnership with the Presidency, National Youth Development Agency (NYDA), South African Youth Council (SAYC), state owned entities and key government departments, such as the Presidency, Department of Performance Monitoring and organised labour and business. The Indaba was a platform to give effect to the Youth Employment Accord as the country grapples with finding solutions to the high unemployment rate especially among young people.

The Indaba provided a platform for young people to empower themselves with the tools available to obtain employment and develop appropriate skills. An expo was held to help connect youth to job opportunities, career information, scholarships, bursary programs and enterprise development support. The topics discussed at the Indaba included youth entrepreneurship and cooperatives, education and training, and the green economy and the youth. The Indaba produced a declaration with resolutions on how, together with young people, all stakeholders should address the issue of youth unemployment.

The Department implemented the Student Innovation and Entrepreneurship Initiative. The purpose of this initiative was to cultivate a culture of innovation and entrepreneurship in students, more so those from FET colleges, by giving them a platform to discover their own creative, innovative and entrepreneurial potential.

Social dialogue also allows for the New Growth Path (NGP) and the Accords to be understood by local and provincial stakeholders and to promote a more inclusive approach to the implementation of various initiatives. Since the adoption of the 17 such capacity building initiatives have been conducted with social partners. In the year under review, the EDD held 11 platforms that provided capacity building and training to its social partners on accords and policies such as the NGP.

The EDD coordinated Knowledge Network sessions, providing important platforms for critical discussions with partners. As themes for Knowledge Networks, it identified youth development, small business, African development, the green economy, competition policy, spatial planning, and infrastructure development. These themes indicate areas where impact will be created through the development and

maintenance of a knowledge network. This approach aims at broadening the participation and representation of all social partners, as well as consolidating knowledge and resources that enhance dialogue on economic issues. A memorandum of understanding has been signed with the National Business Initiative (NBI), Development Bank of Southern Africa (DBSA) and DPME with regards to the Infrastructure dialogue.

The EDD has identified various initiatives to assist small scale farmers in KwaZulu Natal to be more productive in their chicken farming and flock management processes. More than 70% of rural households in KwaZulu Natal have indigenous chickens, with an average of between three and ten per household. The initiatives ranged from assisting small scale chicken farmers to be more formally structured and organised as small scale operators to facilitating skills training as well as access to finance in order to obtain necessary facilities to rear their chickens. About 200 small scale chicken farmers received training in Jozini and Enkwalini areas of KwaZulu-Natal. The attempt was to equip small scale farmers to become self-sufficient in poultry and egg production so as to generate income through selling their poultry produce. This has further spin-offs for local industries that provide equipment, feed and vaccines.

Programme 4: Economic Development and Dialogue

Performance Indicators	Actual Achievement, 2012/2013	Planned Target, 2013/2014	Actual Achievement, 2013/ 2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
KPI 31. Number of social dialogue engagements held to increase awareness of accords and other economic issues among social partners	New indicator	10	10	-	-
KPI 32. Number of monitoring reports and strategies developed to improve implementation of accords per year	New indicator	4	4	-	-
KPI 33. Number of sectoral and workplace economic development agreements facilitated with social partners	6	2	2	-	-
KPI 34. Number of engagements at company or industrial cluster level to save or create new jobs	8	4	4	-	-
KPI 35. Number of knowledge network sessions and/or publications to enhance public policy and strategy	New indicator	6	8	+2	Extensive involvement in the infrastructure dialogues, in collaboration with the Development Bank of Southern Africa
KPI 36. Number of capacity building projects for social partners on the New Growth Path per year	14	8	8	-	-

Programme 4: Economic Development and Dialogue Continued

Performance Indicators	Actual Achievement, 2012/2013	Planned Target, 2013/2014	Actual Achievement, 2013/ 2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
KPI 37. Number of workplace interventions on productivity and/or innovation facilitated	New indicator	6	6	-	-
KPI 38. Number of advocacy initiatives on productivity, entrepreneurship and innovation at a sectoral and national level implemented	New indicator	2	2	-	-

10.1.4.3 Strategy to overcome areas of underperformance

The programme has met or exceeded all its targets.

10.1.4.4 Changes to planned targets

There were no changes to the planned targets and indicators in the period under review.

10.1.4.5 Linking performance with budgets

Spending for Programme 4 for the year 2013/4 was R 11,7 million or 99,82% from the final programme budget.

Budget and expenditure for Programme 4: Economic Development and Dialogue

	2013/2014			2012/2013		
Programme	**Final Appropriation**	**Actual Expenditure**	**(Over)/ Under Expenditure**	**Final Appropriation**	**Actual Expenditure**	**(Over)/ Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
National Social Dialogue and Strategic Frameworks	6,001	5,985	16	9,667	6,692	2,975
Sector and Workplace Social Dialogue	2,844	2,844	0	288	-	288
Capacity Building for Economic Development	-	-	-	1,521	1,521	-
Productivity, Entrepreneurship and Innovation	2,873	2,868	5	1,089	768	321
Total	**11,718**	**11,697**	**21**	**12,565**	**8,981**	**3,584**

10.2 Transfer Payments

10.2.1 Transfer payments to public entities

All entities reporting to the Minister provided EDD with the necessary s38 (PFMA) assurances that they have efficient, effective and transparent systems for financial and risk management and internal controls in place before transfers were paid. All budgeted transfers to entities for the period 1 April 2013 to 31 March 2014 were effected.

Name of public entity	Service rendered by the public entity	Amount transferred to public entity	Amount spent by public entity	Achievements of public entity
Competition Commission	Implements competition policy	R176,9 million	R176,9 million	Included in Part A, Section 9.2
Competition Tribunal	Adjudicates competition matters	R16,9 million	R16,9 million	
ITAC	Administers international trade	R79,8 million	R79,8 million	
IDC	Development finance institution	R108,0 million	R82,7 million	
Sefa	Development finance institution	R245,9 million	R245,9 million	

10.2.2 Transfer payments to all organisations other than public entities

No other organisations received transfer payments from EDD in 2013/4.

10.3 Conditional Grants

10.3.1 Conditional grants and earmarked funds paid

The department does not offer any conditional grants.

10.3.2 Conditional grants and earmarked funds received

The department did not receive any conditional grants.

10.4 Donor Funds

10.4.1 Donor Funds Received

The EDD did not receive any donor funds in 2013/4.

10.5 Capital Investment

10.5.1 Capital investment, maintenance and asset management plan

The Department's register shows a net increase of R2,56 million. New acquisitions amounted to R3,59 million and disposals to R1,03 million.

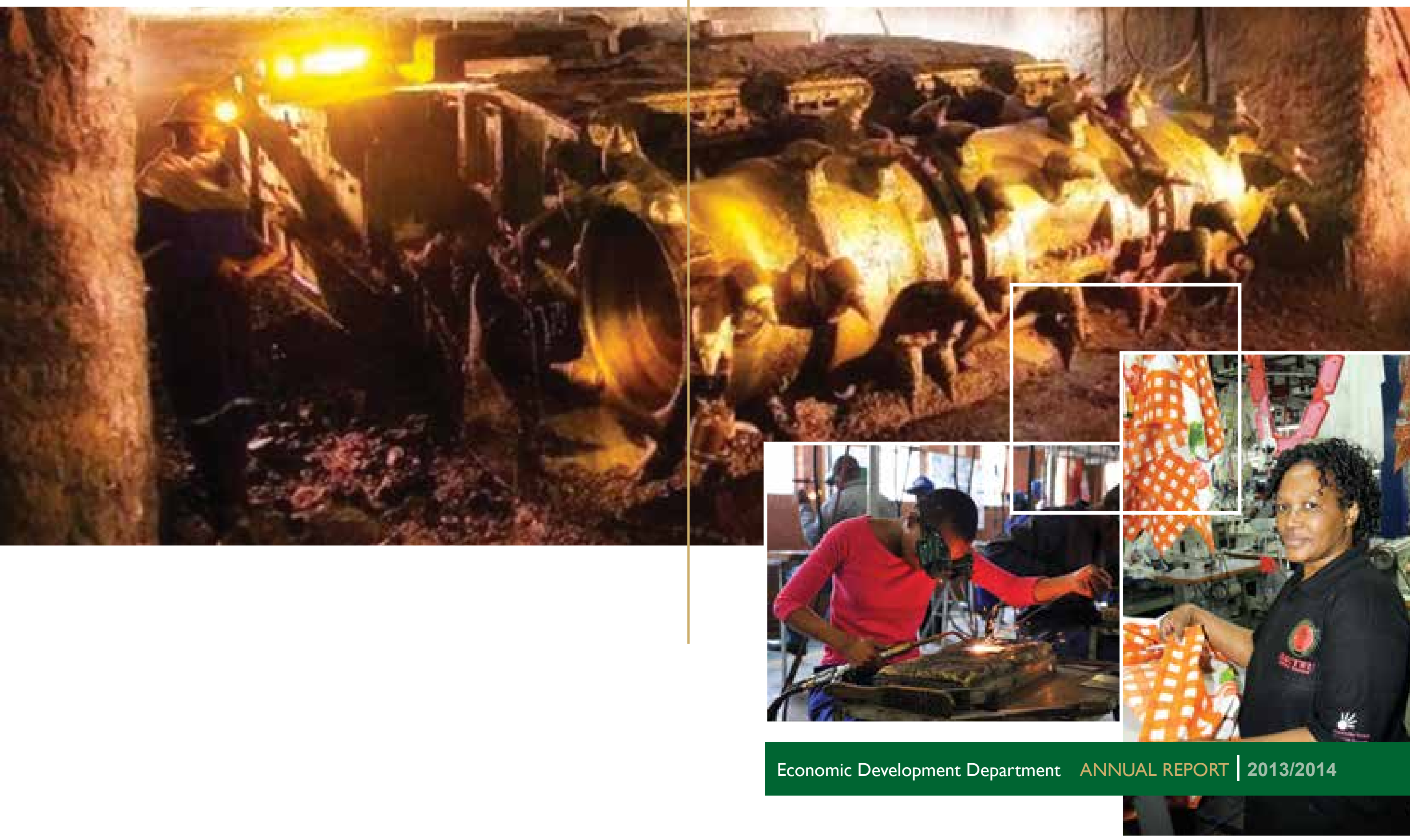
The Department conducts quarterly assets verifications and discrepancies are updated as and when they are identified. Losses are reported within 24 hours to the Asset Management Team/Security Unit and to the South African Police Services.

All 477 assets with the exception of 39 pieces of equipment (27 printers, 9 laptops, one desktop computer and two lost cell phones) are in good condition.

New and replacement assets

	2013/2014			2012/2013		
Assets	**Final Appropriation**	**Actual Expenditure**	**(Over)/ Under Expenditure**	**Final Appropriation**	**Actual Expenditure**	**(Over)/ Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
New and replacement assets (total)	**3,599**	**3,595**	**4**	**5,506**	**1,806**	**3,700**

PART C GOVERNANCE



Economic Development Department ANNUAL REPORT | 2013/2014

11. INTRODUCTION

Corporate governance is all those structures, systems, processes, procedures, and controls within an organisation, at both oversight/monitoring level and within the management structures of the department, that are designed to ensure that the department achieves its business objectives within sensible risk management parameters; and efficiently, effectively, ethically and equitably. Corporate governance is not only about the requirements prescribed by the legislation which the department operates under, but is also a pledge to the taxpayers that the department operates in an ethical manner.

The Department acknowledges that comprehensive and robust governance framework is essential to improving and maintaining governance practices in the department. Even though there may still be room to improve, governance, risk management, internal control and assurance are fundamental dimensions that have been put in place within the department.

The Department has established management and governance structures to facilitate information sharing, planning and decision making, policy formulation and review, performance monitoring and review. These structures also facilitate engagements on strategy formulation. The structures that are central to the functionality of the department are the following: Management Committee (MANCO), Audit Committee, Risk Management Committee, ICT Steering Committee, Branch Management Committee meetings, finance and supply chain structures such as the bid evaluation committee and bid adjudication committee. In addition to these, supplementary structures have been established to facilitate operational performance reporting, information sharing and coordination between EDD management, staff, and its agencies. A system of monthly reporting and review of performance and budget expenditure has been instituted.

12. RISK MANAGEMENT

The Department has a Risk Management Strategy that was approved by the Accounting Officer on 6 March 2013. It started the process of developing the Risk Management Policy in the third quarter of the 2013/4 financial year. The policy will be finalised towards the end of the first quarter of 2014/5 financial year.

The Risk Management Implementation Plan, incorporating the detailed risk management activities for the financial year, with the purpose of improving the risk management maturity level in the Department, has been approved by the Accounting Officer on 5 July 2013.

The Department also conducted Strategic and Operational Risk Assessments including new and emerging risks during the financial year, to determine the effectiveness of the risk management strategy. The Strategic Risk Assessment report was approved by the Accounting Officer on 11 April 2013, and Operational Risk Assessment report was approved by the Accounting Officer on 1 November 2013, respectively. During the financial year, risk management issues were discussed at MANCO meetings as part of risk management integration within other management processes. The risks are monitored through monthly and quarterly reporting on an on-going basis.

The Department has established the Risk Management Committee and members of the Committee have been formally appointed. The Committee will operate within its Terms of Reference approved by the Accounting Officer on the 20 March 2014. The first Risk Management Committee meeting is anticipated to convene in the first quarter of the 2014/5 financial year. The Committee will provide an oversight role in providing an assurance to management on the overall system of risk management within the department. The Audit Committee has also been effective in advising the department on risk management and independently monitors the effectiveness of the systems of risk management.

The Department established the risk management sub-directorate in the 2012/3 financial year, and the risk management system is continually maturing. This will be achieved through the effective involvement of both management and all officials of the department.

13. FRAUD AND CORRUPTION

The Department has a Fraud Prevention Strategy and Plan inclusive of control strategies and procedures for investigations approved by the Accounting Officer on 23 September 2013.

There is a Fraud Prevention Policy in place, having been signed by the Accounting Officer on 18 February 2014.

14. MINIMISING CONFLICT OF INTEREST

When commencing employment at the EDD, all employees are required to complete a conflict of interest register, which is lodged with the Public Service Commission. In addition, all employees are also required to complete a financial disclosure form and sign a code of conduct, which clearly states that staff must recuse themselves from any decision or action that may result in improper personal gain. Employees involved in tender adjudicating committees must complete a declaration of interest and a confidentiality form at each sitting. Should any employee be found guilty of abusing their position for financial gain, steps will be taken to recover funds, and employment could be terminated if an individual is found guilty of contravening the requirements.

15. CODE OF CONDUCT

All employees are required to sign a code of conduct form when they join the Department. In so doing, they pledge to:

- deal professionally and equitably with all stakeholders irrespective of colour, gender or creed;
- be honest, transparent and cost-effective and professional in all interactions with internal and external stakeholders;
- honour confidential information;
- provide honest and impartial advice, based on available and relevant information; and
- report to the appropriate authorities all incidences of fraud, corruption, nepotism, and maladministration transpiring in the workplace.

To date no violation of the code of conduct has been reported. Responses to a violation would include an internal disciplinary action that could lead to the termination of employment.

16. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The Department participates in **the dti** campus health and safety programme. Programmes include regular occupational health and safety inspections.

The EDD remains a tenant on **the dti** campus and adheres to the waste management requirements of the dti. All maintenance and safety and hazardous issues are attended to by **the dti** through the Experience Delivery Company (EDC).

17. PORTFOLIO COMMITTEES

The EDD had ten interactive session with Parliament in the course of 2013/4, eight of which with the National Assembly Portfolio Committee and two with the NCOP Select Committee. In addition, entities overseen by the EDD had five interactive sessions with the Portfolio Committee and the Select committee in the course of the year. This prompted a study tour by the Portfolio Committee in January 2014 to the IDC and sefa, and an oversight visit to the EDD offices.

Also of importance were the Parliamentary engagements on the Infrastructure Development Bill by Minister Patel, former Deputy Minister Mkhize and Director-General Schreiner during the legislative process.

The EDD replied to 78 Parliamentary questions in the 2013/4 financial year, of which 18 oral were replies and 60 written. The department complied with Parliamentary regulations by replying to all parliamentary questions at the end of the Fourth Parliament.

18. SCOPA RESOLUTIONS

There were no SCOPA resolutions related to the Department.

19. PRIOR MODIFICATIONS TO AUDIT REPORTS

The Department through the leadership of the CFO compiled and conducted heat map meetings on a fortnightly basis to discuss progress made on the Auditor-General's findings for the previous year.

This assisted the EDD in expediting its actions in terms of addressing all the issues that were contained in the report of the Auditor-General.

Managers report in these meeting on what they have done and present evidence. This evidence is verified by the Chief Risk Officer of the Department.

20. INTERNAL CONTROL UNIT

The Department does not have an Internal Control Unit.

21. INTERNAL AUDIT AND AUDIT COMMITTEES

The Internal Audit Unit reported to the Accounting Officer administratively and to the Audit Committee functionally as required. The unit follows a risk-based internal audit approach. The three-year and annual internal audit plans were based on an assessment of the risk of the Department. The Audit Plan was discussed with MANCO before approval by the Audit Committee.

The Internal Audit unit performed a wide range of operational, financial, compliance and information-technology audits. In addition to these planned audits, the unit also attended to certain management requests.

Using the risk assessment as a basis, audit reviews for the year included regulatory, compliance, performance and follow-up reviews. According to the 2013/4 APP, the unit targeted six audits, which it has conducted.

The Audit Committee comprises of independent non-executive members, who operate in accordance with their approved charter. The Audit Committee had four sittings during the year under review. The audit committee plays an essential part of the department's corporate reporting process in relation to both financial and performance reporting.

Audit Committee member's profiles

Name	Qualifications	Internal or external	If internal, position in the department	Date appointed	Date Resigned	No. of meetings attended
Mr Sakhiseni A Simelane	MBA	External	N/A	28 February 2011	Active member	4
Mr Mohammed Dukandar	CA	External	N/A	28 February 2011	Active member	4
Dr Daniels P van der Nest	PhD	External	N/A	28 February 2011	Active member	4
Ms Rene van Wyk	CA	External	N/A	28 February 2011	Contract ended 28/02/14	2
Ms Matsotso Vuso	CA	External	N/A	28 February 2011	Contract ended 28/02/14	3

22. AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2014.

22.1 Audit Committee Responsibility

The audit committee has adopted formal terms of reference, approved by the Accounting Officer, as its Audit Committee Charter. The audit committee has discharged its responsibilities in terms of its charter as contained therein, in line with the requirements of section 38(1)(a) of the PFMA and Treasury Regulation 3.1. as follows:

- reviewed the interim and Annual Financial statements and performance reports
- took appropriate steps to ensure the financial statements were prepared in accordance with applicable standards in the manner required by the PFMA
- considered and made recommendations on internal controls

- reviewed the internal audit charter
- reviewed and approved the internal audit plan
- reviewed internal audit and risk management reports and, where relevant, made recommendations to the Accounting Officer
- evaluated the effectiveness of risk management, controls and governance processes
- noted the audit fees and engagement terms of the Auditor-General of South Africa (AGSA).

22.2 The Effectiveness of Internal Control

The system of internal control within the department and the control environment was reasonably effective as could be seen from the various reports of internal audits and AGSA. The Committee has noted the few areas as noted in the Interim management report of the AGSA that requires certain improvements.

Further on, the Audit Committee notes the progress made by management in addressing prior year audit findings raised both by the internal audit and the AGSA as these issues had an impact on the reliability of the system of internal control within the department.

The following internal audit work was completed during the year under review:

1. Review of risk management processes and minimum anti-corruption capacity requirements
2. Information technology systems review (assess IT governance systems)
3. Petty cash audit review
4. Facilities management review
5. Review of appointment of personnel
6. Supply chain management review
7. Quarterly performance information verification
8. Integrated planning and reporting review
9. Project transfers and subsidies review.

The following were areas of concern:

- The maturity and understanding of risk management as a whole in the department is still at an infancy/developmental stage, however significant work has been done on the risk management
- Managers are to own risks and to properly identify significant risks to its strategic objectives and to implement appropriate controls to monitor these risks. Internal audit focuses on key risks as well as basing its audit plan on those critical departmental risks
- The quality of performance information reporting still requires substantial work though there is a huge improvement compared to previous years. The high staff turnover in respect of officials in the planning and reporting unit could be a contributing factor
- The department is susceptible to the same ICT risk exposures with the department of trade and industry because of the ICT shared service arrangement, the establishment of the ICT Steering Committee will assist in driving the process of an ICT strategy and monitoring the SLA with **the dti**.

22.3 In-Year Management and Monthly/ Quarterly Report

The audit committee reports that, during the year under review, it was presented with regular quarterly management reports to enable it to:

- Monitor the integrity, accuracy and reliability of the performance of the department
- Review the disclosure in the financial reports of the department and the context in which statements on the financial health of the department are made, and
- Review all material information presented together with the management accounts.

The reports were discussed with Department officials. Progress has been made in the development and quality of these management reports and the department has been reporting monthly and quarterly to the Department of National Treasury as required by the PFMA.

22.4 Evaluation of Financial Statements

The Audit Committee reviewed the annual financial statements prepared by the department.

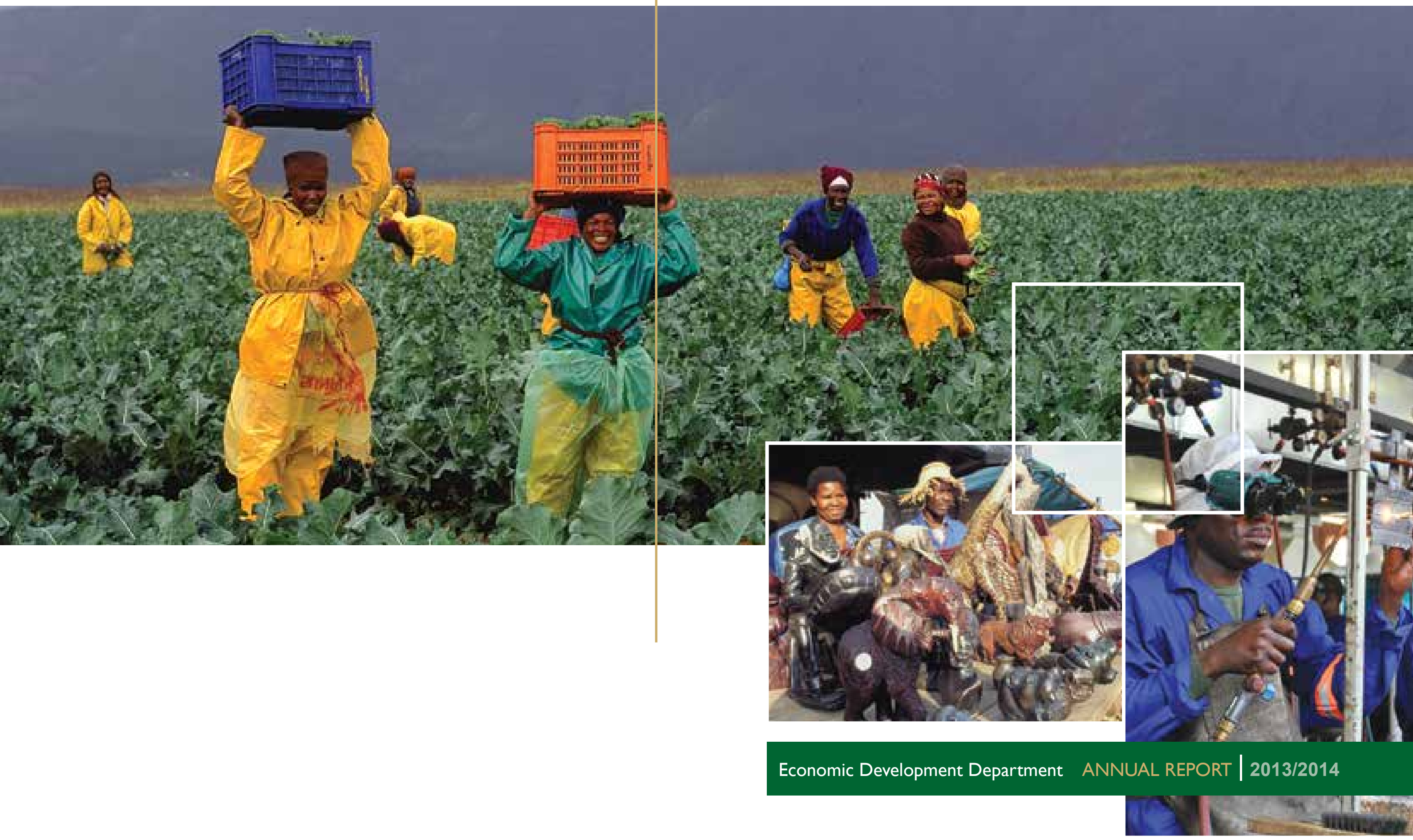
22.5 Auditor-General's Report

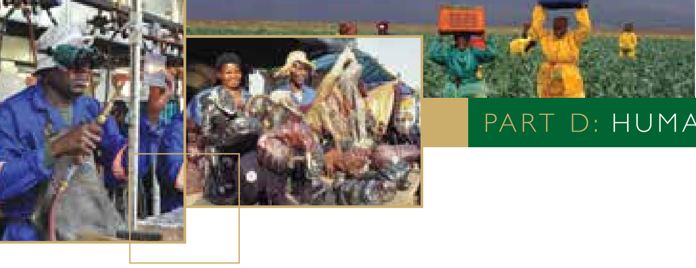
The Audit Committee has reviewed the department's implementation plan for audit issues raised in the previous year and is satisfied that the matters have been adequately resolved except for the following:

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Mr Sakhiseni Simelane
Chairperson of the Audit Committee
Economic Development Department
31 July 2014

PART D | # HUMAN RESOURCE MANAGEMENT





23. INTRODUCTION

The statistics and information presented in respect of Human Resource Management are in line with the requirements applicable to all government departments as outlined in Regulation J3/III/1 of the Public Service Regulations, 2002, as amended.

24. OVERVIEW OF HUMAN RESOURCES

As noted above, the APP target for EDD employment in 2013/4 was 146. The Department employs staff on a permanent basis, as well as through fixed term contracts for specific projects and secondments to access specific scarce skills and knowledge in relation to, for example, the PICC technical unit. Staff members were seconded from the IDT and sefa during 2013/4. This staffing model aimed to enable the mobilisation of specialised skills as required for specific projects. It is, however, associated with a relatively high level of turnover for contract and seconded staff.

Growing the employment numbers of the Department through recruitment in terms of the Human Resource Plan over the MTSF remained high on the agenda for 2013/4. On 31 March 2014, 139 posts were filled. The annual targets over the medium term are 146 in 2013/4, 151 in 2014/5 and 166 in 2015/6, which means the Department would meet its full establishment.

The implementation of the recruitment strategy was prioritised to enable the Department to achieve the targets listed in its Strategic and Annual Performance Plans. Branches were consulted to provide inputs to fill key posts on the approved organisational structure. The EDD encountered difficulty in attracting staff with specialised and critical skills and embarked upon headhunting initiatives.

It should be noted that the EDD employs both managers and specialists in the levels of the Senior Management Service (SMS), which covers salary levels 13 to 16. The majority of these positions are specialists. Thus vacancies at that level are largely professional positions.

The Department has in the past relied to a significant extent on obtaining specialised skills, especially for short-term projects, through a combination of secondments and contract appointments. This model has enabled a relatively young department to meet targeted short-run needs, especially to work with sefa and the PICC. Of the 17 secondments in 2013/4, eight were seconded from sefa for a few months to help develop the small-business strategy, and two from the IDT over somewhat longer periods to support the PICC. The use of contracts was more varied, ranging from procuring high-level technical skills, to strengthening IT functions, to food-service aides.

Important maintenance work was performed in relation to the Department's approved organisational structure.

The EDD maintained the ratio of employing women in senior management positions at 50% for the 2013/4 financial year. The target of 2% for appointment of persons with disabilities was also maintained.

The EDD enrolled 18 interns during the 2013/4 financial year on its year-long Internship Programme, which met the target set for the financial year. It continued with training programmes, including the induction of newly-appointed employees. A workplace skills plan was developed, submitted to the Public Service SETA, and monitored on a monthly basis.

The collective bargaining and consultative structure (the EDD bargaining chamber) was fully functional.

The Employee Assistance Programme was continued in the 2013/14 financial year with the rendering of 24-hour support services to all the EDD employees and their family members. Through the Health Promotion Programme, the HIV/AIDS counselling and Testing Campaigns were conducted in partnership with GEMS.

About 70,5% of employees on senior management levels (salary levels 13 to 16) signed their performance agreements on time. The Director General's performance agreement was submitted to the Public Service Commission. Quarterly and annual assessments were conducted during the 2013/4 performance year. The annual assessments of non-SMS employees were moderated and pay progression and performance bonuses implemented.

The Human Resources component strives to be a strategic partner in achieving the strategic goals of the department and by promoting the Batho Pele principles.

25. HUMAN RESOURCES OVERSIGHT STATISTICS

25.1 Personnel-related expenditure

The following tables summarises the final audited personnel related expenditure by programme and by salary bands. In particular, it provides an indication of the following:

- amount spent on personnel
- amount spent on salaries, overtime, homeowner's allowances and medical aid.

Table 3.1.1. Personnel expenditure by programme for the period 1 April 2013 and 31 March 2014

Programme	Total Expenditure	Personnel Expenditure	Training Expenditure	Professional and special services expenditure	Personnel expenditure as a % of total expenditure enditure	Average personnel cost per employee
	R'000	R'000	R'000	R'000	%	R'000
Programme 1: Administration	91,301	38,106	322	3,269	42	280
Programme 2: Economic Policy Development	23,886	6,950	-	320	29	51
Programme 3: Economic Planning and Coordination	644,511	15,077	-	0	2	111
Programme 4: Socio Economic Development and Social Dialogue	11,697	10,789	-	53	92	79
Total	**771,395**	**70,922**	**322**	**3,642**	**9**	**521**

Table 3.1.2 Personnel costs by salary band for the period 1 April 2013 and 31 March 2014

Salary Bands	Compensation of employees cost including transfers	Percentage of total personnel cost for department	Average compensation cost per employee	Total personnel cost for department including goods and services	Number of employees
	R'000	R'000	R	R'000	
Skilled (Levels 3-5)	1,193	1,7%	132,556	70,922	9
Highly skilled production (Levels 6-8)	8,117	11,4%	261,839	70,922	31
Highly skilled supervision (Levels 9-12)	14,739	20,8%	421,114	70,922	35
Senior management (Levels 13-16)	31,069	43,8%	970,906	70,922	32
Contract (Levels 3-5)	605	0,9%	302,500	70,922	2
Contract (Levels 6-8)	339	0,5%	169,500	70,922	2
Contract (Levels 9-12)	9,285	13,1%	663,214	70,922	14
Contract (Levels 13-16)	4,766	6,7%	433,273	70,922	11
Periodical Remuneration	217	0,3%	43,400	70,922	5
Abnormal Appointment	592	0,8%	32,889	70,922	18
Total	**70,922**	**100,0%**	**446,050**	**70,922**	**159**

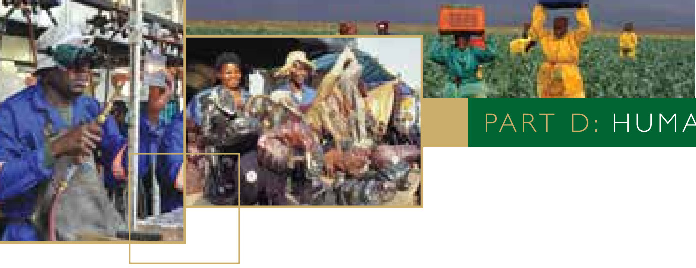


Table 3.1.3 Salaries, Overtime, Home Owners Allowance and Medical Aid by programme for the period 1 April 2013 and 31 March 2014

	Salaries		Overtime		Home Owners Allowance		Medical Aid	
Programme	R'000	% of personnel costs	R'000	% of personnel costs	R'000	% of personnel costs	R'000	% of personnel costs
Administration	36,114	94,8%	566	1,5%	618	1,6%	791	2,1%
Economic policy development	10,631	98,4%	68	0,6%	13	0,1%	96	0,9%
Economic planning and coordination	14,744	97,8%	37	0,2%	43	0,3%	251	1,7%
Economic development and dialogue	6,734	96,9%	79	1,1%	32	0,5%	105	1,5%
Total	**68,223**	**96,2%**	**750**	**1,1%**	**706**	**1,0%**	**1,243**	**1,8%**

Table 3.1.4 Salaries, Overtime, Home Owners Allowance and Medical Aid by salary band for the period 1 April 2013 and 31 March 2014

	Salaries		Overtime		Home Owners Allowance		Medical Aid	
Programme	R'000	% of personnel costs	R'000	% of personnel costs	R'000	% of personnel costs	R'000	% of personnel costs
Skilled (Levels 3-5)	1,008	84,5%	20	1,7%	75	6,3%	90	7,5%
Highly skilled production (Levels 6-8)	7,110	86,8%	361	4,4%	327	4,0%	391	4,8%
Highly skilled supervision (Levels 9-12)	14,141	95,9%	229	1,6%	76	0,5%	306	2,1%
Senior management (Levels 13-16)	30,565	97,9%	0	0,0%	228	0,7%	435	1,4%
Contract (Levels 3-5)	567	93,7%	38	6,3%	0	0,0%	0	0,0%
Contract (Levels 6-8)	326	88,1%	44	11.9%	0	0,0%	0	0,0%
Contract (Levels 9-12)	9,152	99,1%	58	0,6%	0	0,0%	21	0,2%
Contract (Levels 13-16)	4,762	100%	0	0,0%	0	0,0%	0	0,0%
Periodical Remuneration	0	0%	0	0,0%	0	0,0%	0	0,0%
Abnormal Appointment	592	100%	0	0,0%	0	0,0%	0	0,0%
Total	**68,223**	**96.2**	**750**	**1.1%**	**706**	**1,0%**	**1,243**	**1.8%**

25.2 Employment and Vacancies

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment.

This information is presented in terms of three key variables:

- Programme
- Salary band
- Critical occupations.

By 31 March 2014, 136 employees had been appointed and a further three had accepted offers of employment from the Department.

The vacancy rate calculated against the annual target of 146 amounts to 5.04%. The vacancy rate is exaggerated

by the inclusion of posts for two special advisors, which are a discretionary option for the Minister. The EDD also employed three people additional to the establishment who did not count against filled posts. If these special cases are taken into account, the number employed was 139, while the establishment posts to be filled were 146. Using these figures, the Department fell short of its target by 4,8% against the APP target. It had a vacancy rate of 15,2% against the approved establishment excluding special advisor positions.

Table 3.2.1 Employment and vacancies by programme as at 31 March 2014 (a)

Note: *(a) The Department set a target for 2013/14 of 146 filled posts. This target was not broken down to targets per budget programme. Calculated against that target, the vacancy rate was 5,04%.*
The number of fixed-term contracts additional to the establishment was reduced as part of the PERSAL clean-up project. Seven fixed-term contract appointments are held against permanent positions.
The vacancy rate calculated excluding special advisors, who are appointed at the discretion of the Minister, and employees additional to establishment was 15,2%. By this measure, the Department fell short of its annual target by 4,8%.

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate against approved establishment	Number of employees additional to the establishment	Vacancy rate against APP target (a)
Programme 1: Administration	77	73	5.48%	3	
Programme 2: Economic Policy Development	24	18	33.33%	0	
Programme 3: Economic Planning and Coordination	49	31	58.06%	0	
Programme 4: Economic Development and Dialogue	16	14	14.29%	0	
Total	**166**	**136**	**22.06% (b)**	**3**	**5,04%**

In the EDD organogram, 46% of positions on levels 13 to 15, which are normally senior management positions, were allocated to professionals employed as senior specialists. These positions did not entail normal responsibilities for budgets or human-resource management.

Table 3.2.2 Employment and vacancies by salary band as on 31 March 2014

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy rate against approved establishment	Number of employees additional to the establishment	Vacancy rate against APP target of 146
Lower skilled (1-2)	0	0	0.00%	0	
Skilled(3-5)	12	11	9.09%	0	
Highly skilled production (6-8)	35	33	6.06%	1	
Highly skilled supervision (9-12)	47	47	0.00%	2	
Senior management (13-16) (a)	72	45	60.00%	0	
Total	**166**	**136**	**22.06%**	**3**	**5,04%**

Table 3.2.3 Employment and vacancies by critical occupations as on 31 March 2014

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy rate against approved establishment	Number of employees additional to the establishment	Vacancy rate against APP target of 146
Administrative Related	25	25	12.50%	2	
Financial and Related Professional	15	14	7.14%	0	
Head of Office/CEO	1	1	0.00%	0	
Human Resource Clerks	6	6	0.00%	0	
Human Resource Related	7	7	0.00%	0	
IT	4	3	33.33%	1	
Other admin and related clerks and organisers	3	3	0.00%	0	
Secretaries and other keyboard operating Clerks	7	6	16.67%	0	
Messenger Services	6	5	20.00%	0	
Legal Services	2	2	0.00%	0	
Senior Managers	44	26	76.00%	0	
Economists & Other related Professionals	46	39	17.95%	0	
Total	**166**	**136**	**24.81%**	**3**	**5,04%**

25.3 Filling of Posts on Levels 13 to 16

The tables in this section provide information on employment and vacancies as it relates to employees on salary level 13 to 16. As noted above, in the EDD 46% of these employees were actually employed as professionals, not as senior managers. The tables also provide information on advertising and filling of posts on these salary levels, reasons for not complying with prescribed timeframes and disciplinary steps taken.

Table 3.3.1 Information on filling of posts on salary levels 13 to 16 as at 31 March 2014

SMS Level	Total number of funded posts	Total number of posts filled	% of posts filled	Total number of posts vacant	Average personnel cost per employee
Director-General	1	1	100%	0	0,0%
Salary Level 16 (a)	2	0	0,0%	2	100,0%
Salary Level 15	5	2	40,0%	3	60,0%
Salary Level 14	31	21	67,7%	10	32,3%
Salary Level 13	33	21	63,6%	12	36,4%
Total	**72**	**45**	**62,5%**	**27**	**37,5%**

(a) These posts are allocated to special advisors, which are a discretionary option available to the Minister. They do not form part of the normal complement of the EDD.

Table 3.3.2 Reasons for not having complied with the filling of funded vacant positions on levels 13 to 16 - advertised within six months and filled within 12 months after becoming vacant for the period 1 April 2013 and 31 March 2014

	Advertising	Filling of Posts	
SMS Level	Number of vacancies per level advertised in 6 months of becoming vacant	Number of vacancies per level filled in 6 months of becoming vacant	Number of vacancies per level not filled in 6 months but filled in 12 months
Director-General	0	0	0
Salary Level 16	0	0	0
Salary Level 15	0	0	0
Salary Level 14	2	0	0
Salary Level 13	0	0	0
Total	**2**	**0**	**0**

Table 3.3.3 Disciplinary steps taken for not complying with the prescribed timeframes for filling posts on levels 13 to 16 within 12 months for the period 1 April 2013 and 31 March 2014 – not applicable.

25.4 Job Evaluation

Table 3.4.1 Job Evaluation by salary band for the period 1 April 2013 and 31 March 2014

				Advertising		Filling of Posts	
Salary band	Number of posts on approved establishment	Number of posts filled	% of posts evaluated by salary bands	Number	% of posts evaluated	Number	% of posts evaluated
Skilled (Levels 3-5)	12	0	0%	0	0%	0	0%
Highly skilled production (Levels 6-8)	35	0	0%	0	0%	0	0%
Highly skilled supervision (Levels 9-12)	47	1 (a)	0%	1	2.13%	0	0%
SMS and Professionals - Band A	33	0	0%	0	0%	0	0%
SMS and Professionals - Band B	31	0	0%	0	0%	0	0%
SMS and Professionals - Band C	5	0	0%	0	0%	0	0%
Senior Management Service Band D	3	0	0%	0	0%	0	0%
Total	**166**	**0**	**0%**	**0**	**0%**	**0**	**0%**
Note: *(a) The job was re-evaluated as the suitable candidates could not be attracted at the advertised job level*							

The following mandatory table provides a summary of the number of employees whose positions were upgraded due to their post being upgraded. In EDD's case, no posts were upgraded in the course of the year.

Table 3.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2013 and 31 March 2014

Gender	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**
Employees with a disability					**0**

The following table summarises the number of cases where remuneration bands exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

Table 3.4.3 Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2013 and 31 March 2014

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Financial and related professionals	1	11	13	Counter offer was made to retain the skills and institutional memory in the Department
Total	**0**	**0**	**0**	**0**
Total number of employees whose salaries exceeded the level determined by job evaluation				1
Percentage of total employed				1

The following table summarises the beneficiaries of the above in terms of race, gender, and disability.

Table 3.4.4 Profile of employees who have salary levels higher than those determined by job evaluation for the period 1 April 2013 and 31 March 2014

	African	Asian	Coloured	White	Total
Male	1	0	0	0	1
Total	**1**	**0**	**0**	**0**	**1**
Employees with a disability	0	0	0	0	0

25.5 Employment Changes

This section provides information on changes in employment over the financial year. The following tables provide a summary of turnover rates by salary band and critical occupations.

By 31 March 2014, 136 employees were in positions, and a further three had accepted offers of employment from the Department, for a total staff of 139.

The Department appointed a total of 25 new permanent staff in 2013/4, together with 17 people on secondments and 10 on fixed-term contracts. The majority of the secondments were for under a year. In addition to some high-level employees in the PICC Technical Unit and specialised administrative functions, they included seven sefa employees seconded to EDD to help develop a strategy to strengthen and align initiatives to support smaller producers across the state.

Of the total number of terminations, just eight represent resignations or transfers to another department by permanent public-service employees. A further four employees resigned before their contracts came to an end, having successfully competed for permanent appointments in the Department.

The employees concerned are counted both as resignations and as new appointments, although they never actually left the EDD. Eighteen employees left because their contracts came to an end, and 13 because their short-term secondments finished (including the seven from sefa).

Table 3.5.1 Annual turnover and termination rates by salary band for the period 1 April 2013 and 31 March 2014

Note: The turnover rate for permanent staff was 14,4%, compared to 43,9% for workers on short-term contracts or secondment, who were mostly hired for projects lasting under a year. In addition, the termination figures include four officials who had been on contract but successfully applied for permanent positions, which means they are counted as both appointments and terminations.

Salary band	Number of employees at beginning of period - 1 April 2013	Total appointments and transfers into the department	Of which:		Total terminations and transfers out of the department	Of which:		Turn-over rate (b)
			Permanent appointments and transfers	Secondments and contract appointments		Resignations and transfers	Secondments and contract expiries	
Skilled (Levels 3-5)	11	1	0	1	2	0	2	18.2%
Highly skilled production (Levels 6-8)	29	11	7	4	5	1	4	17.2%
Highly skilled supervision (Levels 9-12)	48	20	9	11	18	4	14	37,5%
SMS and Professionals - Band A	17	9	7	2	5	2	3	29.4%
SMS and Professionals - Band B	22	11	2	9	12	4	8	54.5%
SMS and Professionals - Band C	2	0	0	0	0	0	0	0.0%
SMS - Bands D	2	0	0	0	1	1	0	50.0%
Total	**131**	**52**	**25**	**27**	**43**	**12**	**31**	**32.8%**
of which: on contract	**41**	**10**	**0**	**10**	**19**	**0**	**18**	**43.9%**
Of which: permanent	**90**	**42**	**25**	**17**	**24**	**12**	**13**	**14.4%**

Table 3.5.2 Annual turnover and termination rates by critical occupation for the period 1 April 2013 and 31 March 2014

Note: The turnover rate for permanent staff was 14,4%, compared to 43,9% for workers on short-term contracts or secondment, who were mostly hired for projects lasting under a year. In addition, the termination figures include four officials who had been on contract but successfully applied for permanent positions, which means they are counted as both appointments and terminations.

Critical Occupation	Number of employees at beginning of period - 1 April 2013	Total appointments and transfers into the department	Of which:		Total terminations and transfers out of the department	Of which:		Turn-over rate (b)
			Permanent appointments and transfers	Secondments and contract appointments		Resignations and transfers	Secondments and contract expiries	
Administrative related	24	16	10	7	10	7	3	41,7%
Financial and related professional	14	0	0	0	0	0	0	0,0%
Head of office/CEO	1	0	0	0	0	0	0	0,0%
Human resource clerks	8	1	1	0	1	0	1	12,5%
Human resource related	5	0	0	0	1	1	0	20,0%
Information technology	4	0	0	0	0	0	0	0,0%
Other admin and related clerks and organisers	3	1	0	1	2	2	0	66,7%
Secretaries & other keyboard operating clerks	4	2	0	2	1	1	0	25,0%
Messenger services	4	0	0	0	0	0	0	0,0%
Legal services	1	1	1	0	0	0	0	0,0%
Senior managers	22	12	6	5	10	6	4	45,5%
Economists & other related professionals	41	19	7	12	17	15	3	43,9%
Total	**131**	**52**	**25**	**27**	**43**	**32**	**11**	**32,8%**

Table 3.5.3 Reasons why staff left the department for the period 1 April 2013 and 31 March 2014

Note: 74% of all terminations resulted from expiry of contract or secondment. Just under 5% involved a transfer to another department, usually for a promotion. 20%, or nine people, were resignations. Of the nine resignations, four were contract workers who resigned their contract because they successfully applied for permanent positions.

Termination Type	Number	% of Total Terminations
Expiry of contract	19	44,2%
Expiry of secondment	13	30,2%
Transfer to other Public Service Departments	2	4,7%
Resignation	9 (a)	20,9%
Total	**42**	**100,0%**
Total number of employees who left for any reason as a % of total employment		**32,8%**

Table 3.5.4 Promotions by critical occupation for the period 1 April 2013 and 31 March 2014

Occupation	Employees 1 April 2013	Promotions to another salary level	Salary level promotions as a % of employees	Progressions to another notch within a salary level	Notch progression as a % of employees
Administrative related	24	5	20,8%	10	41,7%
Financial and related professional	14	1	7,1%	11	78,6%
Head of office/CEO	1	0	0,0%	0	0,0%
Human resource clerks	8	1	12,5%	2	25,0%
Human resource related	5	1	20,0%	3	60,0%
Information technology	4	0	0,0%	0	0,0%
Other admin and related clerks and organisers	3	0	0,0%	0	0,0%
Secretaries & other keyboard operating clerks	4	1	25,0%	2	50,0%
Messenger services	4	0	0,0%	0	0,0%
Legal services	1	0	0,0%	0	0,0%
Senior managers	22	4	18,18%	0	0,0%
Economists & other related professionals	41	3	7,32%	3	7,3%
Total	**131**	**16**	**12,21%**	**31**	**23,7%**

Table 3.5.5 Promotions by salary band for the period 1 April 2013 and 31 March 2014

Salary Band	Employees 1 April 2013	Promotions to another salary level	Salary bands promotions as a % of employees	Progressions to another notch within a salary level	Notch progression as a % of employees
Lower skilled (Levels 1-2)	0	0	0,0%	0	0,0%
Skilled (Levels3-5)	11	0	0,0%	2	18.2%
Highly skilled production (Levels 6-8)	29	6	20.7	15	51.7%
Highly skilled supervision (Levels 9-12)	48	5	10.4	14	29.2%
Senior management and professionals (Levels 13-16)	43	5	11.6	0	0.0%
Total	**131**	**16**	**12.2**	**31**	**23.7%**

25.6 Employment Equity

Half of employees on levels 13 to 16 – senior managers and professionals – were women, and 71% were black.

Table 3.6.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2014

	Male				Female				
Occupational category	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Senior managers and professionals (Level 13-16)	12	1	3	6	13	2	1	7	**45**
Professionals (Levels 9-12)	20	0	0	1	24	2	1	1	**49**
Technicians and associate professionals (Levels 6-8)	7	0	0	0	25	2	0	0	**34**
Clerks (Levels 1-5)	5	0	0	0	6	0	0	0	**11**
Service and sales workers	0	0	0	0	0	0	0	0	**0**
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	**0**
Craft and related trades workers	0	0	0	0	0	0	0	0	**0**
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	**0**
Elementary occupations	0	0	0	0	0	0	0	0	**0**
Total	**44**	**1**	**3**	**7**	**68**	**6**	**2**	**8**	**139**
Employees with disabilities	1	0	0	0	1	0	0	0	**2**

Table 3.6.2 Total number of employees (including employees with disabilities) by occupational band as on 31 March 2014

	Male				Female				
Occupational category	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top management	0	0	1	0	0	0	0	2	**3**
Senior management	12	1	2	6	13	2	1	5	**42**
Professionally qualified and experienced specialists and mid-management	19	0	0	1	25	2	1	1	**49**
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	7	0	0	0	27	0	0	0	**34**
Semi-skilled and discretionary decision making	5	0	0	0	6	0	0	0	**11**
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	**0**
Total	**43**	**1**	**3**	**7**	**71**	**4**	**2**	**8**	**139**

Table 3.6.3 Recruitment for the period 1 April 2013 to 31 March 2014

	Male				Female				
Occupational category	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top management (Level 15-16)	0	0	1	0	0	0	0	0	**1**
Senior management (Level 13-14)	5	1	1	3	5	0	1	3	**19**
Professionally qualified and experienced specialists and mid-management (level 9-12)	9	0	0	0	9	1	1	0	**20**
Skilled technical and academically qualified workers, junior management, supervisors, foreman and super-intendents (Level 6-8)	1	0	0	0	9	1	0	0	**11**
Semi-skilled and discretionary decision making (levels 3-5)	0	0	0	0	1	0	0	0	**1**
Unskilled and defined decision making	0	0	0	0	0	0	0	0	**0**
Total	**15**	**1**	**2**	**3**	**24**	**2**	**2**	**3**	**52**
Employees with disabilities	0	0	0	0	0	0	0	0	**0**

Table 3.6.4 Promotions for the period 1 April 2013 to 31 March 2014

	Male				Female				
Occupational category	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top management (Level 15-16)	0	0	0	0	0	0	0	0	**0**
Senior management (Level 13-14)	1	0	0	0	2	1	0	1	**5**
Professionally qualified and experienced specialists and mid-management (level 9-12)	4	0	0	0	1	0	0	0	**5**
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents (Level 6-8)	1	0	0	0	5	0	0	0	**6**
Semi-skilled and discretionary decision making (levels 3-5)	0	0	0	0	0	0	0	0	**0**
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	**0**
Total	**6**	**0**	**0**	**0**	**8**	**1**	**0**	**1**	**16**

Table 3.6.5 Terminations for the period 1 April 2013 to 31 March 2014

As noted above, the figures here include as terminations three individuals who left contract appointments because they successfully applied for permanent positions in EDD.

	Male				Female				
Occupational category	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Top management (Level 15-16)	0	0	1	0	0	0	0	0	**1**
Senior management (Level 13-14)	6	4	0	0	2	0	1	1	**14**
Professionally qualified and experienced specialists and mid-management (level 9-12)	4	0	0	0	6	3	1	0	**14**
Skilled technical and academically qualified workers, junior manage-ment, supervisors, foreman and superintendents (Level 6-8)	0	1	0	0	1	0	0	0	**2**
Total	**10**	**5**	**1**	**0**	**9**	**3**	**2**	**1**	**31**

Table 3.6.6 Disciplinary action for the period 1 April 2013 to 31 March 2014

	Male				Female				
Disciplinary action	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Misconduct	0	0	0	0	1	0	0	0	**1**

Table 3.6.7 Skills development for the period 1 April 2013 to 31 March 2014

	Male				Female				
Occupational category	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Senior managers	2	0	0	1	1	0	0	1	**5**
Professionals	7	0		0	9	0	3	0	**19**
Technicians and associate professionals	3	0	0	0	14	0	0	0	**17**
Clerks	1	0	0	0	1	0	0	0	**2**
Total	**13**	**0**	**0**	**1**	**25**	**0**	**3**	**1**	**43**
Employees with disabilities	1	0	0	0	1	0	0	0	**2**

25.7 Signing of Performance Agreements by SMS Members

All employees on levels 13 to 16 must conclude and sign performance agreements within specific timeframes. Information regarding the signing of performance agreements by these employees, the reasons for not complying within the prescribed timeframes and disciplinary steps taken are presented here.

Just over 70% of the affected employees signed performance agreements. Most of those who did not have a signed performance agreement had completed an agreement but been unable to have it signed by their supervisor within the stipulated timeframe due to pressing official commitments or absence from the office for some other reason. In addition, one official lodged a dispute regarding the content of their performance agreement and submitted the matter for dispute settlement.

Table 3.7.1 Signing of performance agreements by employees on levels 13 to 16 as on 31 May 2014

Salary Level	Total funded posts	Total members	Number of signed performance agreements	Signed performance agreements as % of total employees on level
Director-General	1	1	1	2.3%
Salary Level 16	2	0	0	0.0%
Salary Level 15	5	3	1	2.3%
Salary Level 14	31	21	15	34.1%
Salary Level 13	33	19	14	31.8%
Total	**72**	**44**	**31**	**70.5%**

Table 3.7.2 Reasons for not having concluded performance agreements for employees on levels 13 to 16 on 31 March 2014

Most of those who did not have a signed performance agreement had completed an agreement but were unable to have it signed by their supervisor within the prescribed timeframe due to pressing official commitments or absence from the office for some other reason.

One official lodged a dispute regarding the content of their performance agreement and submitted the matter for dispute settlement.

Table 3.7.3 Disciplinary steps taken against SMS members for not having concluded Performance agreements as on 31 March 2014

The cause of the delay in signing performance agreements did not warrant disciplinary action. Further, some of SMS members left the services of the Department.

25.8 Performance Rewards

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, disability, salary bands and critical occupations.

Table 3.8.1 Performance rewards by race, gender and disability for the period 1 April 2013 to 31 March 2014

	Beneficiary Profile			Cost	
Race and Gender	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee
African					
Male	8	42	19%	120	15 004
Female	18	67	27%	236	13 112
Asian					
Male	1	3	33%	54	54 965
Female	0	2	0%	0	0
Coloured					
Male	0	1	0%	0	0
Female	3	6	50%	160	53 497
White					
Male	0	7	0%	0	0
Female	1	8	13%	35	35 615
Total	**31**	**136**	**23%**	**607**	**19 585**

Table 3.8.2 Performance Rewards by salary band for personnel below Level 13 for the period 1 April 2013 to 31 March 2014

	Beneficiary Profile			Cost		
Salary band	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost	Average cost per employee	Total cost as a % of the total personnel expenditure
Lower Skilled (Levels 1-2)	0	0	0%	0	0	0.0%
Skilled (level 3-5)	0	11	0%	0	0	0,0%
Highly skilled production (level 6-8)	18	33	55%	R169,926	R9,440	2,4%
Highly skilled supervision (level 9-12)	11	48	23%	R333,841	R30,349	4,7%
Total	**29**	**92**	**32%**	**R503,768**	**R17,371**	**7,1%**

Table 3.8.3 Performance Rewards by critical occupation for the period 1 April 2013 to 31 March 2014

	Beneficiary Profile			Cost	
Critical occupation	Number of beneficiaries	Number of employees	% of total within group	Total cost (R'000)	Average cost per employee
Administrative related	11	26	42.3%	142	5,952
Financial and related professional	6	14	42.9%	107	17,895
Head of office/CEO	0	1	0.0%	0	0
Human resource clerks	0	6	0.0%	0	0
Human resource related	4	5	80.0%	47	11,772
Information technology	0	4	0.0%	0	0
Other admin and related clerks and organisers	0	3	0.0%	0	0
Secretaries and other keyboard operating clerks	4	6	66.7%	90	22,734
Messenger services	1	5	20.0%	7	7,644
Legal services	0	2	0.0%	0	0
Senior managers	2	25	8.0%	103	51,681
Economists and related professionals	3	39	7.7%	96	32,018
Total	**31**	**136**	**22.8%**	**595**	**19,203**

Table 3.8.4 Performance related rewards (cash bonus), for salary bands in SMS levels (13 to 16) in the period 1 April 2013 to 31 March 2014

	Beneficiary Profile			Cost		
Salary band	Number of beneficiaries	Number of employees	% of total within salary band	Total cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
Band A	1	20	5%	48	48,397	0.7%
Band B	0	21	0%	0	0	-
Band C	1	2	5%	54	54,965	0.8%
Band D	0	1	0%	0	0	-
Total	**2**	**44**	**10%**	**103**	**51,681**	**1.5%**

25.9 Foreign Workers

The tables below summarise the employment of foreign nationals in the department in terms of salary band and major occupation.

Table 3.9.1 Foreign workers by salary band for the period 1 April 2013 and 31 March 2014

	Beneficiary Profile		Cost		Change	
Salary band	Number	% of total	Number	% of total	Number	% Change
Highly skilled supervision (Level 9-12)	0	0	1	16.67	1	50
Senior management and professionals (Level 13-16)	2	50	2	33.33	0	0
Contract (Level 9-12)	2	50	3	50	1	50
Total	**4**	**100**	**6**	**100**	**2**	**100**

Table 3.9.2 Foreign workers by major occupation for the period 1 April 2013 and 31 March 2014

	Beneficiary Profile		Cost		Change	
Salary band	Number	% of total	Number	% of total	Number	% Change
Professionals and managers	4	100%	6	100%	2	100%
Total	**4**	**100%**	**6**	**100%**	**2**	**100%**

25.10 Leave utilisation

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave and disability leave. In both cases, the estimated cost of the leave is also provided.

Table 3.10.1 Sick leave for the period 1 January 2013 to 31 December 2013

Salary band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R'000)
Skilled (levels 3-5)	41	73,2%	8	8,6%	5,13	17
Highly skilled production (levels 6-8)	212	75,0%	29	31,2%	7,31	139
Highly skilled supervision (levels 9 -12)	152	71,1%	32	34,4%	4,75	288
Senior management and professionals (levels 13-16)	200	94,5%	24	25,8%	8,33	714
Total	**605**	**80,3%**	**93**	**100,0%**	**6,51**	**1158**

Table 3.10.2 Disability leave (temporary and permanent) for the period 1 January 2013 to 31 December 2013

No staff members took disability leave during the calendar year 2013.

The table below summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

Table 3.10.3 Annual Leave for the period 1 January 2013 to 31 December 2013

Salary band	Total days taken	Number of employees using annual leave	Average per employee
Skilled Levels 3-5)	183	11	16.64
Highly skilled production (Levels 6-8)	599	32	18.72
Highly skilled supervision(Levels 9-12)	900	59	15.25
Senior management (Levels 13-16)	681	25	27.24
Total	**2 363**	**127**	**18.61**

Table 3.10.4 Capped leave for the period 1 January 2013 to 31 December 2013

Salary band	Total days of capped leave taken	Number of employees using capped leave	Average number of days taken per employee	Average capped leave per employee as on 31 March 2014
Lower skilled (Levels 1-2)	0	0	0	0
Skilled Levels 3-5)	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	1
Highly skilled supervision (Levels 9-12)	0	0	0	25
Senior management and professionals (Levels 13-16)	0	0	0	57
Total	**0**	**0**	**0**	**83**

The following table summarises payments made to employees as a result of leave that was not taken.

Table 3.10.5 Leave payouts for the period 1 April 2013 and 31 March 2014

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave payout for 2013/14 due to non-utilisation of leave for the previous cycle	131	8	16.38
Capped leave payouts on termination of service for 2013/14	0	0	0
Current leave payout on termination of service for 2013/14	457	8	57.13
Total	**588**	**16**	**36.75**

25.11 HIV/AIDS & Health Promotion Programmes

Table 3.11.1 Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
Not applicable	Not applicable

Table 3.11.2 Details of Health Promotion and HIV/AIDS Programmes

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	x		Ms Christa Brink, Director: Human Resource Management. Employee Health and Wellness resides in the sub-directorate Human Resource Policy and Planning within the Directorate: Human Resource Management.
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	x		The sub-directorate Human Resource Policy and Planning which is assigned with the responsibility to promote the health and well-being of EDD employees.
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	x		The EDD has through its procurement processes procured the services of ICAS. The services key elements of the service are the following: Counselling services including, i.e. health and wellness issues, relationships and financial. Telephonic and one-on-one consultations 24/7 Information sessions/ workshops and awareness creation on health matters, etc. Desk drops (information pieces on health and wellness themes) are provided on a regular basis to employees.
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	x		The Health and Wellness Committee established in the Department became dormant with the departure of the majority of its committee members.
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	x		No new policies were reviewed in the financial year under review.
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	x		The measures are guided by the code of conduct, Employee Health and Wellness Policy, Employment Equity Policy, Working Hour Policy, Leave Policy.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	x		Opportunities for voluntary counselling and testing are created during wellness days and information sessions held in partnership with GEMS and ICAS. 44% of the participants voluntary tested for HIV.
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.	x		GEMS Wellness day reports & ICAS quarterly reports.

25.12 Labour Relations

Table 3.12.1 Collective agreements for the period 1 April 2013 and 31 March 2014

Subject matter	Date
Total number of Collective agreements	**None**

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

Table 3.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2013 to 31 March 2014

Outcomes of disciplinary hearings	Number	% of total
Written warning	1	50
Final written warning	1	50
Total	**2**	**100**
Total number of disciplinary hearings finalised	**1**	

Table 3.12.3 Types of misconduct addressed at disciplinary hearings from 1 April 2013 to 31 March 2014

Type of misconduct	Number	% of total
Gross Dishonesty	1	100
Total	**1**	**100**

Table 3.12.4 Grievances logged for the period 1 April 2013 and 31 March 2014

Grievances	Number	% of Total
Number of grievances not resolved	2	100
Total number of grievances lodged	**2**	**100**

Table 3.12.5 Disputes logged with Councils for the period 1 April 2013 and 31 March 2014

Disputes	Number	% of total staff number
Total number of disputes lodged	6	4,4%
Of which:		
• Number of disputes upheld	0	0,0%
• Number of disputes dismissed	0	0,0%

Table 3.12.6 Strike actions for the period 1 April 2013 and 31 March 2014

There were no strike actions in the department in year under review.

Table 3.12.7 Precautionary suspensions for the period 1 April 2013 and 31 March 2014

There were no precautionary suspensions in the year under review.

25.13 Skills development

This section highlights the efforts of the department with regards to skills development.

As noted above, the EDD enrolled 18 interns during the 2013/14 financial year on its year-long Internship Programme, which met the target set for the financial year. It continued with training programmes, including the induction of newly-appointed employees. A workplace skills plan was developed and submitted to the Public Service SETA and is monitored on a monthly basis.

Table 3.13.1 Training needs identified for the period 1 April 2013 and 31 March 2014

			Cost			
Occupational category	**Gender**	**Number of employees as at 1 April 2013**	**Learnerships**	**Skills programmes & other short courses**	**Other forms of training**	**Total**
Senior managers and professionals (Level 13-16)	Female	18	0	17	0	17
	Male	25	0	22	0	22
Professionals (Level 9-12)	Female	31	0	40	0	40
	Male	18	0	32	0	32
Technicians and associate professionals (Level 6-8)	Female	19	0	26	0	26
	Male	8	0	20	0	20
Clerks (Level 3-5)	Female	8	0	9	0	9
	Male	4	0	8	0	8
Sub Total	Female	**76**	**0**	**92**	**0**	**92**
	Male	**55**	**0**	**82**	**0**	**82**
Total		**131**	**0**	**174**	**0**	**174**

Table 3.13.2 Training provided for the period 1 April 2013 and 31 March 2014

			Training provided within the reporting period			
Occupational category	**Gender**	**Number of employees as at 1 April 2013**	**Learnerships**	**Skills programmes & other short courses**	**Other forms of training**	**Total**
Senior managers and professionals (Level 13-16)	Female	18	0	2	0	2
	Male	25	0	3	0	3
Professionals (Level 9-12)	Female		0	14	0	14
	Male	31	0	9	0	9
Technicians and associate professionals (Level 6-8)	Female	18	0	22	0	22
	Male	19	0	4	0	4
Clerks (Level 3-5)	Female	8	0	3	0	3
	Male	4	0	3	0	3
Sub Total	Female	**76**	**0**	**41**	**0**	**41**
	Male	**55**	**0**	**19**	**0**	**19**
Total		**131**	**0**	**60**	**0**	**60**

25.14 Injury on duty

The following tables provide basic information on injury on duty.

Table 3.14.1 Injury on duty for the period 1 April 2013 and 31 March 2014

Nature of injury on duty	Number	% of total
Required basic medical attention only	0	0
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
Total	**0**	**0**

25.15 Utilisation of Consultants

The following tables relate information on the utilisation of consultants in the department. In terms of the Public Service Regulations "consultant" means a natural or juristic person or a partnership who or which provides in terms of a specific contract on an ad hoc basis any of the following professional services to a department against remuneration received from any source:

- The rendering of expert advice;
- The drafting of proposals for the execution of specific tasks; and
- The execution of a specific task which is of a technical or intellectual nature, but excludes an employee of a department.

This definition means that when the department acquires any kind of specialised service, it is categorised as a consultancy in this report.

Using this definition, the EDD utilised consultant services when it obtained legal advice; obtained services from the Centre for Scientific and Industrial Research (CSIR), a government science council; commissioned research from academics; and obtaining transcription and sign-language services. In the event, the largest amounts went to the CSIR (R2.734 million of the R3.642 million), for support in developing a strategy on innovative building technology for the PICC and for spatial mapping to support rural development. Of these funds spent, only 4.13% went to private consultants while the rest of the funds went to public institutions tasked with performing these support functions.

Table 3.15.1 Report on consultant appointments using appropriated funds form 1 April 2013 to 31 March 2014

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
Innovative Building Technology (CSIR)	9	236	1,736,205
Spatial Mapping (CSIR)	7	89	997,860
Manage and facilitate the implementation of the PICC campaign	Not specified	Not specified	403,595
African Industrialisation research by CSID research (Witwatersrand University)	1	90	320,000
Competition Commissioner Legal Advice to Minister	2	5	70,930
Wal-Mart acquisition of Massmart (the dti, EDD, DAFF)	25	87	50,037
Transcription services for Technical MINMEC; Industrial cluster workshop; Outcome 4 workshop	3	3	34,035
Sign language interpreter-Youth Indaba	1	2	18,820
Research for DM's paper and draft	1	3	10,500
Total			**3,641,982**

Table 3.15.2 Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals from 1 April 2013 to 31 March 2014

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that worked on the project
African Industrialisation research by CSID research (Witwatersrand University)	State-owned	n.a.	1
Competition Commissioner Legal Advice to Minister	50% woman; 16.17% Black ownership	Not specified	1
Innovative Building Technology (CSIR)	State-owned	n.a.	Not specified
Manage and facilitate the implementation of the PICC campaign	Not specified	Not specified	Not specified
Spatial Mapping (CSIR)	State owned	n.a.	Not specified
Research for DM's paper and draft	100 % Black ownership	n.a.	1
Sign language interpreter-Youth Indaba	100 % Black ownership	n.a.	1
Transcription services for Technical MINMEC; Industrial cluster workshop; Outcome 4 workshop	100% woman owned; 51% black ownership	100% & not specified	6
Wal-Mart acquisition of Massmart (dti, EDD, DAFF)	Not specified	Not specified	Not specified

Table 3.15.3 Report on consultant appointments using donor funds for the period 1 April 2013 and 31 March 2014

No consultants were appointed using donor funds in the year under review.

Table 3.15.4 Analysis of consultant appointments using donor funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2013 and 31 March 2014

Not applicable, as no consultants were appointed using donor funds in the year under review.

25.16 Severance Packages

Table 3.16.1 Granting of employee-initiated severance packages for the period 1 April 2013 and 31 March 2014

No employees applied for or were granted employee-initiated severance packages in the year under review.

PART E | FINANCIAL INFORMATION

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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 28: ECONOMIC DEVELOPMENT DEPARTMENT

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Economic Development Department set out on pages 102 to 150, which comprise the appropriation statement, the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets and cash flow statement for the year ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the basis of accounting described in accounting policy 1 of the financial statements and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) , and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements fairly present, in all material respects, the financial position of the Economic Development Department as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting described in accounting policy 1 of the financial statements and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Emphasis of matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Financial reporting framework

7. As disclosed in accounting policy 7.2 to the financial statements, the National Treasury has exempted the department from the Modified Cash Standard on agent-principal disclosures for the reasons indicated.

Additional matters

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Financial reporting framework

8. In accordance with the International Standards on Auditing, the wording of my opinion should not include the phrase "fairly present" when a departure to the applicable financial reporting framework has been granted in terms of the PFMA and where the aim of such a departure was not to achieve fair presentation. Refer to note 2 to the financial statements where the department applied such departure. However, section 20(2)(a) of the PAA, requires me to reflect whether the financial statements "fairly present", in all material respects, the financial position and results of its operations and cash flows for the period in accordance with the applicable financial reporting framework. The wording of my opinion is therefore worded as such.

Inconsistencies in other information included in the annual report

9. Part D of the annual report includes the Human Resource Management report. The report is not fully consistent with the supporting documentation submitted for audit.

Unaudited supplementary schedules

10. The supplementary information set out on pages 144 to 150 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2014:

- Programme 2: Economic Policy Development on pages 56 to 59.
- Programme 3: Economic Planning and Coordination on pages 59 to 62.
- Programme 4: Socio Economic Development and Social Dialogue on pages 63 to 65.

13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

Additional matters

17. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matters:

Achievement of planned targets

18. Refer to the annual performance report on pages

57 to 58, 61 to 62 and 64 to 65 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for Economic Policy Development, Economic Planning and Coordination and Socio Economic Development and Social Dialogue. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

20. I performed procedures to obtain evidence that the department had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements, performance and annual reports

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(b) of the Public Finance Management Act. Material misstatements of receivables, accruals and tangible capital assets identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Human resource management and compensation

22. Employees were appointed without following a proper process to verify the claims made in their applications in contravention of Public Service Regulation 1/VII/D.8.

23. Employees received overtime compensation in excess of 30% of their monthly salaries, in contravention of Public Service Regulation I/V/D.2(d).

Expenditure management

24. Effective steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.

Internal control

25. I considered internal control relevant to my audit of these financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

Financial and performance management

26. The management of the department did not implement effective controls to ensure accurate and complete financial statements.

27. The annual performance report was subject to material adjustments due to inadequate processes to ensure completeness and accuracy of reporting.

28. Non-compliance with Public Service Regulations and the Supply Chain management prescripts could have been prevented had compliance with controls been monitored.

Auditor - General

Pretoria

31 July 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

APPROPRIATION STATEMENT

Appropriation per programme

	2013/14							2012/13	
Appropriation Statement	**Adjusted Appropriation**	**Shifting of Funds**	**Virement**	**Final Appropriation**	**Actual Expenditure**	**Variance**	**Expenditure as % of final appropriation**	**Final Appropriation**	**Actual Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**%**	**R'000**	**R'000**
1. Administration									
Current payment	93, 886	(2,132)	(4,939)	86,815	86,778	37	100.0%	55,831	51,993
Transfers and subsidies	-	203	-	203	203	-	100.%	113	113
Payment for capital assets	1,919	1,902	476	4,297	4,293	4	99.9%	6,987	3,288
Payment for financial assets	-	27	-	27	27	-	100.0%	-	-
2. Economic Policy									
Current payment	23,566	(1,472)	(8,579)	13,515	13,510	5	100.0%	19,059	11,437
Transfers and subsidies	-	34	9,000	9,034	9,034	-	100.0%	-	-
Payment for capital assets	-	1,438	(96)	1,342	1,342	-	100.0%	138	138
3. Economic Planning and Co-ordination									
Current payment	26,776	(450)	(843)	25,483	25,479	4	100.0%	50,619	46,318
Transfers and subsidies	612,582	208	6,000	618,790	618,790	-	100.0%	550,916	550.915
Payment for capital assets	-	242	-	242	242	-	100.0%	290	290
4. Economic Development and Dialogue									
Current payment	12,737	(305)	(1019)	11,413	11,397	16	99.9%	12,450	8,866
Transfers and subsidies	-	55	-	55	50	5	90.9%	23	23
Payment for capital assets	-	250	-	250	250		100.0%	92	92
Subtotal	**771,466**	**-**	**-**	**771,466**	**771,395**	**71**	**100.0%**	**696,518**	**673,473**

	2013/14 Final Appropriation	2013/14 Actual Expenditure	2012/13 Final Appropriation	2012/13 Actual Expenditure
TOTAL (brought forward)	**771,466**	**771,395**	**696,518**	**673,473**
Reconciliation with statement of financial performance				
ADD				
Departmental receipts	1,097 542		668,662	
Aid assistance			13,651	
Actual amounts per statement of financial performance (total revenue)	**1,869,008**		**1,378 831**	
ADD				
Aid assistance				13,651
Actual amounts per statement of financial performance (total expenditure)		**771,395**		**687,124**

APPROPRIATION STATEMENT

Appropriation per economic classification

	2013/14							2012/13	
Economic classification	**Adjusted Appropriation**	**Shifting of Funds**	**Virement**	**Final Appropriation**	**Actual Expenditure**	**Variance**	**Expenditure as % of final appropriation**	**Final Appropriation**	**Actual Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**%**	**R'000**	**R'000**
Current payments									
Compensation of employees	72,443	(6)	(1,489)	70,948	70,922	26	100.0%	70,399	62,074
Goods and services	84,522	(4,354)	(13,891)	66,277	66,239	38	99.9%	67,561	56,543
Transfers and subsidies									
Departmental agencies and accounts	273,603	-	-	273,603	273,603	-	100.0%	249,220	249,220
Universities and technikons	-	-	-	-	-	-	-	12,280	12,280
Public corporations and private enterprises	338,979	-	15,000	353,979	353,979	-	100.0%	289,328	289,327
Households	-	499	-	499	495	4	99.2%	223	222
Payments for capital assets									
Machinery and equipment	1.885	2,640	476	5,001	4,998	3	99.9%	6,006	3,706
Intangible assets	34	1,194	(96)	1,132	1,132	-	100.0%	1,501	101
Payment for Financial assets	-	27	-	27	27	-	100.0%	-	-
Total	**771,466**	**-**	**-**	**771,466**	**771,395**	**71**	**100.0%**	**696,518**	**673,473**

APPROPRIATION STATEMENT

Appropriation per programme

	2013/14							2012/13	
Programme 1 – Administartion	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1.1 Ministry									
Current payment	16,988	3,335	78	20,401	20,364	37	99.9%	19,031	15,819
Transfers and subsidies	-	32	-	32	32	-	100.0%	-	-
Payment for capital assets		607	-	607	607	-	-	502	502
Payment for financial assets	-	27	-	27	27	-	100.0%	-	-
1.2 Office of the Director-General									
Current payment	13,868	(3,312)	-	10,556	10,556	-	100.0%	10,647	10,646
Transfers and subsidies	-	25	-	25	25	-	100.0%	69	69
Payment for capital assets	-	211	-	211	211	-	100.0%	260	260
1.3 General Management Services									
Current payment	63,030	(2,155)	(5,017)	55,858	55,858	-	100.0%	26,153	25,528
Transfers and subsidies	-	146	-	146	146	-	100.0%	44	44
Payment for capital assets	1,919	1,084	476	3,479	3,475	4	99.9%	6,225	2,526
Total	**95,805**	**-**	**(4,463)**	**91,342**	**91,301**	**41**	**100.0%**	**62,931**	**55,394**

APPROPRIATION STATEMENT

Appropriation per economic classification

	2013/14							2012/13	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	37,729	(6)	401	38,124	38,106	18	100.0%	34,526	30,885
Goods and services	56,157	(2,125)	(5,340)	48,692	48,672	20	100.0%	21,305	21,110
Transfers and subsidies to:									
Households		202		202	203	(1)	100.5%	113	112
Payment for capital assets									
Machinery and equipment	1,885	1,908	476	4,269	4,265	4	99.9%	5,486	3,186
Intangible assets	34	(6)		28	28	-	100.0%	1,501	101
Payment for financial assets	-	27	-	27	27	-	100.0%	-	-
Total	**95,805**	**-**	**(4,463)**	**91,342**	**91,301**	**41**	**100.0%**	**62,931**	**55,394**

APPROPRIATION STATEMENT

Appropriation per programme

	2013/14							2012/13	
Programme 2 – Economic Policy	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
2.1 Growth Path & Creation of Decent Work									
Current payment	3,771	(46)	(1,504)	2,221	2,219	2	99.9%	5,936	3,898
Payment for capital assets	-	36	-	36	36	-	100.0%	-	-
2.2 Economic Policy									
Current payment	14,710	89	(4,107)	10,692	10,690	2	100.0%	9,124	7,539
Transfers and subsidies	-	34	9,000	9,034	9,034	-	100.0%	-	-
Payment for capital assets	-	187	-	187	187	-	100.0%	138	138
2.3 BBB Economic Empowerment									
Current payment	1,996	(1,215)	(740)	41	40	1	97.6%	3,317	-
Payment for capital assets	-	1,215	(96)	1,119	1,119	-	100.0%	-	-
2.4 Second Economy									
Current payment	3.089	(300)	(2,228)	561	561	-	100.0%	682	
Total	**23,566**	**-**	**325**	**23,891**	**23,886**	**5**	**100.0%**	**19,197**	**11,575**

APPROPRIATION STATEMENT

Appropriation per economic classification

	2013/14							2012/13	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	12,538	-	(1,747)	10,791	10,789	2	100.0%	10,974	7,696
Goods and services	11,028	(1,473)	(6,832)	2,723	2,720	3	99.9%	8,085	3,741
Transfers and subsidies to:									
Public corporations and private enterprise	-	-	9,000	9,000	9,000	-	100.0%	-	-
Households	-	34	-	34	34	-	99.9%	-	-
Payment for capital assets									
Machinery and equipment	-	239	-	239	239	-	100.0%	138	138
Intangible assets	-	1,200	(96)	1,104	1,104	-	100.0%	-	-
Total	**23,566**	**-**	**325**	**23,891**	**23,886**	**5**	**100.0%**	**19,197**	**11,575**

APPROPRIATION STATEMENT

Appropriation per programme

	2013/14							2012/13	
Programme 3 – Economic Planning and Co-Ordination	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
3.1 Spatial, Sec & Planning									
Current payment	18,405	561	-	18,966	18,966	-	100.0%	37,718	37,518
Transfers and subsidies	-	178	-	178	178	-	100.0%	87	87
Payment for capital assets	-	207	-	207	207	-	100.0%	303	303
3.2 Economic Development Financial & Procurement									
Current payment	762	(177)	(219)	366	364	2	99.5%	3,727	1,840
Transfers and subsidies	-	24	-	24	24	-	100.0%	-	-
3.3 Investment for Economic Development									
Current payment	2,733	(238)	(157)	2,338	2,338	-	100.0%	5,297	3,976
Transfers and subsidies	338,979	-	6,000	344,979	344,979	-	100.0%	303,417	303,416
Payment for capital assets	-	2	-	2	2	-	100.0%	(13)	(13)
3.4 Competitiveness & Trade for Decent Work									
Current payment	3,790	(390)	-	3,400	3,399	1	100.0%	3,877	2,984
Transfers and subsidies	273,603	-	-	273,603	273,603	-	100.0%	247,412	247,412
Payment for capital assets	-	33	-	33	33	-	100.0%	-	-
3.5 Green Economy									
Current payment	1,086	(206)	(467)	413	412	1	99.8%	-	-
Transfers and subsidies	-	6	-	6	6	-	100.0%	-	-
Total	**639,358**	**-**	**5,157**	**644,515**	**644,511**	**4**	**100.0%**	**601,824**	**597,523**

APPROPRIATION STATEMENT

Appropriation per economic classification

	2013/14							2012/13	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	15,203	-	(124)	15,079	15,077	2	100.0%	17,818	17,442
Goods and services	11,573	(450)	(719)	10,404	10,402	2	100.0%	32,801	28,877
Transfers and subsidies to:									
Departmental agencies and accounts	273,603	-	-	273,603	273,603	-	100.0%	249,220	249,220
Universities and technikons	-	-	-	-	-	-		12,280	12,280
Public corporations and private enterprises	338,979	-	6,000	344,979	344,979	-	100.0%	289,328	289,327
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households		208	-	208	208	-	100.0%	87	87
Payment for capital assets									
Machinery and equipment	-	242	-	242	242	-	100.0%	290	290
Total	**639,358**	**-**	**5,157**	**644,515**	**644,511**	**4**	**100.0%**	**601,824**	**597,523**

APPROPRIATION STATEMENT

Appropriation per programme

	2013/14							2012/13	
Programme 4 – Economic Development and Dialogue	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
4.1 National Social Dialogue and Strategic Frameworks									
Current payment	8,067	(1,291)	(1,019)	5,757	5,742	15	99.7%	9,552	6,577
Transfers and subsidies	-	45	-	45	44	1	97.8%	23	23
Payment for capital assets	-	199	-	199	199	-	100.0%	92	92
4.2 Sector and Workplace Social									
Current payment	1,994	814	-	2,808	2,808	-	100.0%	288	-
Payment for capital assets	-	36	-	36	36	-	100.0%	-	-
4.3 Capacity Building for Economic Development									
Current payment	-	-	-	-	-	-	-	1,521	1,521
4.4 Productivity, Entrepreneurship and Innovation									
Current payment	2,676	172	-	2,848	2,847	1	100.0%	1,089	768
Transfers and subsidies	-	10	-	10	6	4	60.0%	-	-
Payment for capital assets	-	15	-	15	15	-	100.0%	-	-
Total	**12,737**	**-**	**(1,019)**	**11,718**	**11,697**	**21**	**99.8%**	**12,565**	**8,981**

APPROPRIATION STATEMENT

Appropriation per economic classification

	2013/14							2012/13	
Economic classification	**Adjusted Appropriation**	**Shifting of Funds**	**Virement**	**Final Appropriation**	**Actual Expenditure**	**Variance**	**Expenditure as % of final appropriation**	**Final Appropriation**	**Actual Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**%**	**R'000**	**R'000**
Current payments									
Compensation of employees	6,973	-	(19)	6,954	6,950	4	99.9%	7,081	6,051
Goods and services	5,764	(306)	(1000)	4,458	4,445	13	99.7%	5,369	2,815
Transfers and subsidies to:									
Public corporations and private enterprises				-		-		-	
Non-profit institutions				-		-		-	
Households	-	55	-	55	50	5	91.1%	23	23
Payment for capital assets									
Machinery and equipment	-	251	-	251	252	(1)	100.4%	92	92
Total	**12,737**	**-**	**(1,019)**	**11,718**	**11,697**	**21**	**99.8%**	**12,565**	**8,981**

NOTES TO THE APPROPRIATION STATEMENT

1. Detail of transfers and subsidies as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in the note on Transfers and subsidies, disclosure notes and Annexure 1 (A-H) to the Annual Financial Statements.

2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

3. Detail on payments for financial assets

Detail of these transactions per programme can be viewed in the note on Payments for financial assets to the Annual Financial Statements.

4. Explanations of material variances from Amounts Voted (after Virement):

4.1 Per programme

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	**R'000**	**R'000**	**%**
Administration	91,342	91,301	41	0%
Economic Policy	23,891	23,886	5	0%
Economic Planning &Co-ordination	644,515	644,511	4	0%
Economic Development and Dialogue	11,718	11,697	21	0%

4.2 Per economic classification

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	**R'000**	**R'000**	**%**
Current payments				
Compensation of employees	70,948	70,922	26	0%
Goods and services	66,277	66,239	38	0%
Transfers and subsidies				
Departmental agencies and accounts	273,603	273,603	-	0%
Public corporations and private enterprises	353,979	353,979	-	0%
Households	499	495	4	1%
Payments for capital assets				
Machinery and equipment	5,001	4,998	3	0%
Intangible assets	1,132	1,132	0	0%
Payments for financial assets	27	27	0	0%

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2013/14 R'000	2012/13 R'000
REVENUE			
Annual appropriation	*1*	771,466	696,518
Departmental revenue	*2*	1,097,542	668,662
Aid assistance	*3*	-	13,651
TOTAL REVENUE		**1,869,008**	**1,378,831**
EXPENDITURE			
Current expenditure			
Compensation of employees	*4*	70,922	62,516
Goods and services	*5*	66,239	56,101
Total current expenditure		**137,161**	**118,617**
Transfers and subsidies			
Transfers and subsidies	*7*	628,077	551,049
Aid assistance	*3*	-	13,651
Total transfers and subsidies		**628,077**	**564,700**
Expenditure for capital assets			
Tangible capital assets	*8*	4,998	3,706
Intangible assets	*8*	1,132	101
Total expenditure for capital assets		**6,130**	**3,807**
Payment for financial assets	*6*	**27**	**-**
TOTAL EXPENDITURE		**771, 395**	**687,124**
SURPLUS/(DEFICIT) FOR THE YEAR		**1,097,613**	**691,707**
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds	*13*	71	23,045
Annual appropriation		71	23,045
Departmental revenue and NRF Receipts	*14*	1,097,542	668,662
SURPLUS/(DEFICIT) FOR THE YEAR		**1,097,613**	**691,707**

STATEMENT OF FINANCIAL POSITION

	Note	2013/14 R'000	2012/13 R'000
ASSETS			
Current assets		**3,879**	**50,122**
Cash and cash equivalents	*9*	501	39,484
Prepayments and advances	*10*	3,200	-
Receivables	*11*	178	10,638
Non-current assets		**1,392,969**	**1,392,969**
Investments	*12*	1,392,969	1,392,969
TOTAL ASSETS		**1,396,848**	**1,443,091**
LIABILITIES			
Current liabilities		**3,795**	**50,035**
Voted funds to be surrendered to the Revenue Fund	*13*	71	-
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	*14*	393	50,001
Bank Overdraft	*15*	3,133	-
Payables	*16*	198	34
TOTAL LIABILITIES		**3,795**	**50,035**
NET ASSETS		**1,393,053**	**1,393,056**
Represented by:			
Capitalisation reserve		1,392,969	1,392,969
Recoverable revenue		84	87
TOTAL		**1,393,053**	**1,393,056**

STATEMENT OF CHANGES IN NET ASSETS

	Note	2013/14 R'000	2012/13 R'000
NET ASSETS			
Capitalisation Reserves			
Opening balance		1,392,969	1,392 969
Transfers:			
Other movements		-	-
Closing balance		**1,392,969**	**1,392,969**
Recoverable revenue			
Opening balance		**87**	**89**
Transfers:		(3)	(2)
Debts recovered (included in departmental receipts)		(3)	(2)
Debts raised		-	-
Closing balance		**84**	**87**
TOTAL		**1,393,053**	**1,393,056**

CASH FLOW STATEMENT

	Note	2013/14 R'000	2012/13 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**1,819,008**	**1,296,312**
Annual appropriated funds received	*1.1*	771,466	663,999
Departmental revenue received	*2*	1,047,313	618,556
Interest received	*2*	229	106
Aid assistance received	*3*	-	13,651
Net (increase)/decrease in working capital		7,424	153
Surrendered to Revenue Fund		(1,147,150)	(674,565)
Current payments		(137,161)	(118,518)
Payment for financial assets		(27)	-
Transfers and subsidies paid		(628,077)	(564,700)
Net cash flow available from operating activities	*17*	**(85,983)**	**(61,318)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	*8*	(6,130)	(3,906)
(Increase)/decrease in loans			
Net cash flows from investing activities		**(6,130)**	**(3,906)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution/dividend received		50,000	50,000
Increase/(decrease) in net assets		(3)	(2)
Net cash flows from financing activities		**49,997**	**49,998**
Net increase/(decrease) in cash and cash equivalents		(42,116)	(15,226)
Cash and cash equivalents at beginning of period		39,484	54,710
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*18*	**(2,632)**	**39,484**

ACCOUNTING POLICIES

Summary of significant accounting policies

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated.

The historical cost convention has been used, except where otherwise indicated. Management has used assessments and estimates in preparing the Annual Financial Statements. These are based on the best information available at the time of preparation.

Where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.

1. Basis of preparation

The financial statements have been prepared in accordance with the Modified Cash Standard with the departure detailed in accounting policy 7.2.

2. Going concern

The financial statements have been prepared on a going concern basis.

3. Presentation currency

Amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

4. Rounding

Unless otherwise stated financial figures have been rounded to the nearest one thousand Rand (R'000).

5. Foreign currency translation

Cash flows arising from foreign currency transactions are translated into South African Rands using the exchange rates prevailing at the date of payment / receipt.

6. Current year comparison with budget

A comparison between the approved, final budget and actual amounts for each programme and economic classification is included in the appropriation statement.

7. Revenue

7.1 Appropriated funds

Appropriated funds comprises of departmental allocations as well as direct charges against the revenue fund (i.e. statutory appropriation).

Appropriated funds are recognised in the statement of financial performance on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the statement of financial performance on the date the adjustments become effective.

The net amount of any appropriated funds due to / from the relevant revenue fund at the reporting date is recognised as a payable / receivable in the statement of financial position.

7.2 Departmental revenue

Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise.

Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.

The Department has departed from the modified cash standard by including penalties imposed by the Competition Tribunal and collected by the Competition Commission as departmental revenue instead of treating the transaction as an Agent-Principal transaction and making the disclosures as required by the modified cash standard regarding the Agent-Principal disclosures.

Management has concluded that the financial statements present fairly the department's primary and secondary information.

The department complied with the Standard except that it has departed from the Agent-Principal disclosures.

The Agent-Principal disclosure was not followed because the Estimates of National Expenditure (ENE) which is a legislative process which is line with Public Finance Management Act (PFMA) requires departments to disclose the penalties as departmental revenue. The Office of the Accountant General granted the department the permission to recognised the penalty money as revenue for the 2013/14 financial year.

7.3 Accrued departmental revenue

Accruals in respect of departmental revenue (excluding tax revenue) are recorded in the notes to the financial statements when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the department; and
- The amount of revenue can be measured reliably.

The accrued revenue is measured at the fair value of the consideration receivable. Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents.

8. Expenditure

8.1 Compensation of employees

8.1.1 Salaries and wages

Salaries and wages are recognised in the statement of financial performance on the date of payment.

8.1.2 Social contributions

Social contributions made by the department in respect of current employees are recognised in the Statement of Financial Performance on the date of payment.

Social contributions made by the department in respect of ex-employees are classified as transfers to households in the statement of financial performance on the date of payment.

8.2 Other expenditure

Other expenditure (such as goods and services, transfers and subsidies and payments for capital assets) is recognised in the Statement of Financial Performance on the date of payment. The expense is classified as a capital expense if the total consideration paid is more than the capitalisation threshold.

8.3 Accrued expenditure payable

Accrued expenditure payable is recorded in the notes to the financial statements when the goods are received or, in the case of services, when they are rendered to the department. Accrued expenditure payable is measured at cost.

8.4 Leases

8.4.1 Operating leases

Operating lease payments made during the reporting period are recognised as current expenditure in the Statement of Financial Performance on the date of payment.

The operating lease commitments are recorded in the Notes to the Financial Statements.

8.4.2 Finance leases

Finance lease payments made during the reporting period are recognised as capital expenditure in the Statement of Financial Performance on the date of payment.

The finance lease commitments are recorded in the Notes to the Financial Statements and are not apportioned between the capital and interest portions.

Finance lease assets acquired at the end of the lease term are recorded and measured at the lower of:

- cost, being the fair value of the asset; or
- the sum of the minimum lease payments made, including

any payments made to acquire ownership at the end of the lease term, excluding interest.

9. Aid Assistance

9.1 Aid assistance received

Aid assistance received in cash is recognised in the Statement of Financial Performance when received. In-kind aid assistance is recorded in the notes to the financial statements on the date of receipt and is measured at fair value.

Aid assistance not spent for the intended purpose and any unutilised funds from aid assistance that are required to be refunded to the donor are recognised as a payable in the Statement of Financial Position.

9.2 Aid assistance paid

Aid assistance paidis recognised in the Statement of Financial Performance on the date of payment. Aid assistance payments made prior to the receipt of funds are recognised as a receivable in the statement of financial position.

10. Cash and cash equivalents

Cash and cash equivalents are stated at cost in the Statement of Financial Position. Bank overdrafts are shown separately on the face of the statement of financial position.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

11. Prepayments and advances

Prepayments and advances are recognised in the statement of financial position when the department receives or disburses the cash.

Prepayments and advances are initially and subsequently measured at cost.

12. Loans and receivables

Loans and receivables are recognised in the Statement of Financial Position at cost plus accrued interest, where interest is charged, less amounts already settled or written-off.

13. Investments

Investments are recognised in the statement of financial position at cost.

14. Impairment of financial assets

Where there is an indication of impairment of a financial asset, an estimation of the reduction in the recorded carrying value, to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset, is recorded in the notes to the financial statements.

15. Payables

Loans and payables are recognised in the Statement of Financial Position at cost.

16. Capital Assets

16.1 Immovable capital assets

Immovable capital assets are initially recorded in the notes to the financial statements at cost. Immovable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.

Where the cost of immovable capital assets cannot be determined accurately, the immovable capital assets are measured at R1 unless the fair value of the asset has been reliably estimated, in which case the fair value is used.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) are recorded at R1.

Immovable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the immovable asset is recorded by another department in which case the completed project costs are transferred to that department.

16.2 Movable capital assets

Movable capital assets are initially recorded in the Notes to the Financial Statements at cost. Movable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.

Where the cost of movable capital assets cannot be determined accurately, the movable capital assets are measured at fair value and where fair value cannot be determined; the movable assets are measured at R1.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) are recorded at R1.

Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the movable asset is recorded by another department/entity in which case the completed project costs are transferred to that department.

16.3 Intangible assets

Intangible assets are initially recorded in the Notes to the Financial Statements at cost. Intangible assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition.

Internally generated intangible assets are recorded in the Notes to the Financial Statements when the department commences the development phase of the project.

Where the cost of intangible assets cannot be determined accurately, the intangible capital assets are measured at fair value and where fair value cannot be determined; the intangible assets are measured at R1.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) are recorded at R1.

Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the intangible asset is recorded by another department/entity in which case the completed project costs are transferred to that department.

17. Provisions and Contingents

17.1 Provisions

Provisions are recorded in the Notes to the Financial Statements when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the obligation can be made. The provision is measured as the best estimate of the funds required to settle the present obligation at the reporting date.

17.2 Contingent liabilities

Contingent liabilities are recorded in the Notes to the Financial Statements when there is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

17.3 Contingent assets

Contingent assets are recorded in the Notes to the Financial Statements when a possible asset arises from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department.

17.4 Commitments

Commitments are recorded at cost in the Notes to the Financial Statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the department will discharge its responsibilities thereby incurring future expenditure that will result in the outflow of cash.

18. Unauthorised expenditure

Unauthorised expenditure is recognised in the Statement of Financial Position until such time as the expenditure is either:

- approved by Parliament or the Provincial Legislature with funding and the related funds are received; or
- approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the Statement of Financial Performance; or
- transferred to receivables for recovery.

Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.

19. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recorded in the Notes to the Financial Statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.

Fruitless and wasteful expenditure is removed from the Notes to the Financial Statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

20. Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefore are provided in the note.

Irregular expenditure is removed from the note when it is either condoned by the relevant authority, transferred to receivables for recovery or not condoned and is not recoverable.

Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Annual Appropriation

1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Departments (Voted funds) and Provincial Departments:

		2013/14		2012/13
	Final Appropriation	**Actual Funds Received**	**Funds not requested/ not received**	**Appropriation received**
	R'000	**R'000**	**R'000**	**R'000**
Administration	91,342	95,805	(4,463)	46,218
Economic Policy Development	23,891	23,566	325	13,467
Economic Planning and Coordination	644,515	639,358	5,157	595,064
Economic Development and Dialogue	11,718	12,737	(1,019)	9,250
Total	**771,466**	**771,466**	**-**	**663,999**

All funds were requested and received, the variances are a result of virements and shifts between programmes as approved by the Treasury and delegated official.

2. Departmental revenue

	Note	**2013/14**	**2012/13**
		R'000	**R'000**
Sales of goods and services other than capital assets	*2.1*	23	21
Fines, penalties and forfeits	*2.2*	1,037,454	617,344
Interest, dividends and rent on land	*2.3*	50,229	50,106
Transactions in financial assets and liabilities	*2.4*	9,836	1,191
Total revenue collected		**1,097,542**	**668,662**
Departmental revenue collected		**1,097,542**	**668,662**

The Department receives fines and penalties on from the Competition Commission on behalf of the National Revenue Fund.

2.1 Sales of goods and services other than capital assets

	Note	**2013/14**	**2012/13**
	2	**R'000**	**R'000**
Sales of goods and services produced by the department		23	21
Sales by market establishment		15	17
Other sales		8	4
Total		**23**	**21**

Sales by market establishment relates to revenue received in respect of parking rental. Other sales comprise commission received on the deduction of insurance.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.2 *Fines, penalties and forfeits*

	Note	2013/14	2012/13
	2	R'000	R'000
Penalties		1,037,454	617,344
Total		**1,037,454**	**617,344**

Penalties are fines imposed by the Competition Commission and confirmed by the Competition Tribunal. These penalties are then paid to Competition Commission and deposited over to EDD and surrendered to the National Revenue Fund.

The financial impact of the departure which was granted by the OAG with regards to agent principal disclosure is as follows. Departmental revenue (fines, penalties and forfeits) of R1,03 billion would have not been recognised as departmental revenue however the following would have been discussed in the notes. The department is acting as an agent on behalf of the national revenue fund.

- A reconciliation between total agency funds received of R1,037,454 and disbursements made of R1,036,954 in executing the agency services.
- An explanation of differences between amounts spent on behalf of the other party, and any reimbursements received in the reporting period.
- Any revenue earned from rendering the agency service, an the amount of revenue recognised based on cash receipts during the reporting period.
- A narrative description and explanation of assets belonging to other entities that are held in the custody of the department.
- An explanation about the nature, circumstances an terms realting to the arrangements.

The following are penalties and fines imposed that are two (2) million rand and above:

Company name	Initial penalty	Amount owed
Stefanutti Stocks Holdings Ltd	306 892 664	237 154 049
Murray and Roberts	309 046 455	206 030 970
Aveng (Africa) Ltd	306 576 143	204 384 096
WBHO Construction Pty Ltd	311 288 311	199 169 093
Foodcorp (Pty) Ltd	88 500 000	59 000 000
Basil Read Holding (Pty) Ltd	94 936 248	47 468 124
Afrisam (South Africa) (Pty) Ltd	124 878 870	41 626 290
Stefanutti Stocks Holdings Ltd	55 864 536	38 919 513
Haw and Inglis Civil Engineering (Pty) Ltd	45 314 041	30 209 361
Apollo Tyres South Africa (Pty) Ltd	45 000 000	22 000 000
Astral Operation Ltd	16 732 894	9 732 894
Glass South Africa (Pty) Ltd	4 395 023	4 395 023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.3 Interest, dividends and rent on land

	Note	2013/14	2012/13
	2	R'000	R'000
Interest		229	106
Dividends		50,000	50,000
Total		**50,229**	**50,106**

Interest is earned from the commercial bank.

Dividends are received from Industrial Development Corporation for 1,392,969,357 investment.

2.4 Transactions in financial assets and liabilities

	Note	2013/14	2012/13
	2	R'000	R'000
Other Receipts including Recoverable Revenue		9,836	1,191
Total		**9,836**	**1,191**

3. Aid assistance received in cash from other sources

	2013/14	2012/13
	R'000	R'000
Foreign		
Opening Balance		
Revenue	-	13,651
Expenditure	-	(13,651)
Transfers	-	(13,651)
Closing Balance	**-**	**-**
Total		
Opening Balance		
Revenue	-	13,651
Expenditure	-	(13,651)
Transfers	-	(13,651)
Closing Balance	**-**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Compensation of employees

4.1 Salaries and Wages

	2013/14 R'000	2012/13 R'000
Basic salary	46,497	41,611
Performance award	418	533
Service Based	147	182
Compensative/circumstantial	2,684	1,835
Periodic payments	-	13
Other non-pensionable allowances	14,963	13,820
Total	**64,709**	**57,994**

Other non-pensionable allowances comprise of car allowances, housing allowances, benefits structured as part of salary packages for employees on level 11 and higher etc.

Stipends for interns (R442 000) have been reclassified from Goods and Services to Compensation of Employees in line with the Standard Chart of Accounts issued by National Treasury.

4.2 Social contributions

	2013/14 R'000	2012/13 R'000
Employer contributions		
Pension	4,962	3,529
Medical	1,243	987
Bargaining council	8	6
Total	**6,213**	**4,522**

Total compensation of employees	**70,922**	**62,516**

Average number of employees	**136**	**117**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5. Goods and services

	Note	2013/14 R'000	2012/13 R'000
Administrative fees		662	492
Advertising		20,088	15,766
Minor Assets	*5.1*	224	74
Bursaries (employees)		123	87
Catering		1,396	2,060
Communication		615	567
Computer services	*5.2*	1,103	544
Consultants, contractors and agency/outsourced services	*5.3*	11,748	8,693
Entertainment		23	31
Audit cost – external	*5.4*	3,210	2,633
Fleet services		976	485
Inventory	*5.5*	15	17
Consumables	*5.6*	2,057	2,321
Operating leases		8,216	3,232
Property payments	*5.7*	56	34
Rental and Hiring		311	-
Transport provided as part of the departmental activities		69	-
Travel and subsistence	*5.8*	11,840	13,024
Venues and facilities		1,428	4,401
Training and staff development		322	358
Other operating expenditure	*5.9*	1,757	1,282
Total		**66,239**	**56, 101**

Stipends for interns (R442 000) have been reclassified from Goods and Services to Compensation of Employees in line with the Standard Chart of Accounts issued by National Treasury.

2012/13 Communications and operating leases have been revised down by R1.524 million and R0.477 million as required by the guidelines.

Additional office space sourced from March 2013.

5.1 Minor assets

	Note *5*	2013/14 R'000	2012/13 R'000
Tangible assets		**224**	**74**
Machinery and equipment		215	74
Transport assets		9	-
Total		**224**	**74**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5.2 Computer services

	Note	2013/14	2012/13
	5	R'000	R'000
SITA computer services		435	311
External computer service providers		668	233
Total		**1,103**	**544**

5.3 Consultants, contractors and agency/outsourced services

	Note	2013/14	2012/13
	5	R'000	R'000
Business and advisory services		4,166	1,321
Legal costs		6,746	1,010
Contractors		707	6,069
Agency and support/outsourced services		129	293
Total		**11,748**	**8,693**

5.4 Audit cost – External

	Note	2013/14	2012/13
	5	R'000	R'000
Regularity audits		3,210	2,633
Total		**3,210**	**2,633**

5.5 Inventory

	Note	2013/14	2012/13
	5	R'000	R'000
Clothing material and accessories		7	-
Materials and supplies		8	17
Total		**15**	**17**

Prior figure of R2.321 million for Stationery, Medicine and Other Consumables were reclassified to note 6.6 according to the latest Standard Chart of Accounts as issued by the National Treasury.

Stationery, medicine and other consumables (R2.321 million) have been reclassified as consumables in line with SCOA.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5.6 Consumables

	Note	2013/14	2012/13
	5	R'000	R'000
Consumable supplies		328	30
Uniform and Clothing		5	-
Household supplies		69	-
Communication accessories		5	-
IT Consumables		240	-
Other Consumables		9	30
Stationery, printing and office supplies		1,729	2,291
Total		**2,057**	**2,321**

Prior figure of R2.321 million for Stationery, Medicine and Other Consumables were reclassified to note 6.5 according to the latest Standard Chart of Accounts as issued by National Treasury.

5.7 Property payments

	Note	2013/14	2012/13
	5	R'000	R'000
Property maintenance and repairs		10	-
Other		46	34
Total		**56**	**34**

5.8 Travel and subsistence

	Note	2013/14	2012/13
	5	R'000	R'000
Local		10,374	12,796
Foreign		1,466	228
Total		**11,840**	**13,024**

5.9 Other operating expenditure

	Note	2013/14	2012/13
	5	R'000	R'000
Professional bodies, membership and subscription fees		204	5
Resettlement costs		413	115
Other		1,140	1,162
Total		**1,757**	**1,282**

Stipends for interns (R442 000) have been reclassified from Goods and Services to Compensation of Employees in line with SCOA.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. Payments for Financial assets

	Note	2013/14 R'000	2012/13 R'000
Debts written off	6.1	27	-
Debt take overs		-	-
Total		**27**	**-**

6.1 Debts written off

Other Debts writtenoff:

	2013/14 R'000	2012/13 R'000
Other (Departmental claim for Cellphone claims, etc)Debts written off	27	-
Total	**27**	**-**

7. Transfers and subsidies

	Note	2013/14 R'000	2012/13 R'000
Departmental agencies and accounts	Annex 1A	273, 603	249, 220
Higher education institutions	Annex 1B	-	12,280
Public corporations and private enterprises	Annex 1C	353,979	289,326
Households	Annex 1D	495	223
Total		**628,077**	**551,049**

Unspent funds transferred to the above beneficiaries.

Transfers and subsidies are incorrectly classified on the ENE and AENE 2013, but correctly captured on BAS.

8. Expenditure for capital assets

	Note 5	2013/14 R'000	2012/13 R'000
Tangible assets		**4,998**	**3,706**
Machinery and equipment	27	4,998	3,706
Intangible assets		**1,132**	**101**
Software	29	1,132	101
Total		**6,130**	**3,807**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8.1 Analysis of funds utilised to acquire capital assets – 2013/14

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
Tangible assets	**4,998**	**-**	**4,998**
Machinery and equipment	4,998	-	4,998
Intangible assets	**1,132**	**-**	**1,132**
Software	1,132	-	1,132
Total	**6,130**	**-**	**6,130**

8.2 Analysis of funds utilised to acquire capital assets – 2012/13

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
Tangible assets	**3,706**	**-**	**3,706**
Machinery and equipment	3,706	-	3,706
Intangible assets	**101**	**-**	**101**
Software	101	-	101
Total	**3,807**	**-**	**3,807**

8.3 Finance lease expenditure included in Expenditure for capital assets

	2013/14
	R'000
Tangible assets	**2,535**
Machinery and equipment	2,535
Intangible assets	**-**
Total	**2,535**

9. Cash and cash equivalents

	2013/14	2012/13
	R'000	R'000
Consolidated Paymaster General Account	-	39,484
Cash on hand	-	-
Commercial Bank (Domestic)	501	-
Total	**501**	**39, 484**

R501 thousand was deposited on the 31st of March in the commercial bank account that only interfaced on 01 April 2014.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

10. Prepayments and advances

	2013/14 R'000	2012/13 R'000
Staff advances	-	-
Travel and subsistence	-	-
Advances paid	3,200	-
SOCPEN advances		
Total	**3,200**	**-**

10.1 Advances paid

	Note	2013/14 R'000	2012/13 R'000
Other Institutions	*Annex 5A*	3,200	-
Total		**3,200**	**-**

Advance made to Brand SA for the PICC publicity campaign.

11. Receivables

		2013/14				2012/13
	Note	Less than one year	One to three years	Older than three years	Total	Total
		R'000	R'000	R'000	R'000	R'000
Claims recoverable	*11.1 Annex 4*	85	-	-	85	1,059
Recoverable expenditure	11.2	-	-	-	-	1
Staff debt	11.3	4	89	-	93	104
Other debtors	11.4	-	-	-	-	9,474
Total		**89**	**89**	**-**	**178**	**10,638**

11.1 Claims recoverable

	Note	2013/14	2012/13
	11	R'000	R'000
National departments		81	1,055
Provincial departments		4	4
Total		**85**	**1,059**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

11.2 Recoverable expenditure (disallowance accounts)

	Note	2013/14	2012/13
	11	R'000	R'000
Salary Tax debt		-	1
Total		**-**	**1**

11.3 Staff debt

	Note	2013/14	2012/13
	11	R'000	R'000
Pension fund overpayment		5	8
Salary Overpayment		84	92
Tax debt		3	4
Staff debt for private calls		1	-
Total		**93**	**104**

11.4 Other debtors

	Note	2013/14	2012/13
	11	R'000	R'000
Funds not requested due by National Treasury		-	9,474
Total		**-**	**9,474**

12. Investments

	2013/14	2012/13
	R'000	R'000
Non-Current		
Shares and other equity		
IDC A Shares 1,000, 000 at cost (100% shareholding)	1,000	1,000
IDC B Shares 1,391,969,357 at cost (100% shareholding)	1,391,969	1,391,969
Total	**1,392,969**	**1,392,969**
Total non-current	**1,392,969**	**1,392,969**
Analysis of non current investments		
Opening balance	1,392,969	1,392,969
Closing balance	**1,392,969**	**1,392,969**

IDC is a wholly owned subsidiary of **EDD**, and it is considered a public entity similar to the other institutions which are under **EDD**. As with the other institutions, the IDC's financial statements are not consolidated with those of **EDD**.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

13. Voted funds to be surrendered to the Revenue Fund

	Note	2013/14 R'000	2012/13 R'000
Opening balance		-	5,906
Transfer from statement of financial performance		71	23,045
Voted funds not requested/not received	*1.1*	-	(23,045)
Paid during the year		-	(5,906)
Closing balance		**71**	**-**

14. Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund

	2013/14 R'000	2012/13 R'000
Opening balance	50,001	49,998
Prior period error	-	-
As restated	50,001	49,998
Transfer from Statement of Financial Performance (as restated)	1,097,542	668,662
Paid during the year	(1,147,150)	(668,659)
Closing balance	**393**	**50,001**

15. Bank Overdraft

	Note *15*	2013/14 R'000	2012/13 R'000
Consolidated Paymaster General Account		3,133	-
Total		**3,133**	**-**

R3.2 million advanced to Brand SA will be expensed in 2014/15 financial year.

16. Payables – current

	Note	2013/14 R'000	2012/13 R'000
Amounts owing to other entities		-	-
Clearing accounts	*16.1*	88	5
Other payables	*16.2*	110	29
Total		**198**	**34**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

16.1 Clearing accounts

	Note	2013/14	2012/13
	16	R'000	R'000
PAYE		88	5
Total		**88**	**5**

16.2 Other payables

	Note	2013/14	2012/13
	16	R'000	R'000
DIRCO		-	2
The Presidency		-	27
Competition Commission		110	-
Total		**110**	**29**

17. Net Cash flow available from operating activities

	2013/14	2012/13
	R'000	R'000
Net surplus/(deficit) as per Statement of Financial Performance	1,097,613	691,707
Add back non cash/cash movements not deemed operating activities	(1,183,596)	(753,025)
(Increase)/decrease in receivables – current	10,460	(261)
(Increase)/decrease in prepayments and advances	(3,200)	422
Increase/(decrease) in payables – current	164	(8)
Expenditure on capital assets	6,130	3,906
Surrenders to Revenue Fund	(1,147,150)	(674,565)
Voted funds not requested/not received	-	(32,519)
Dividends Received (IDC)	(50,000)	(50,000)
Net cash flow generated by operating activities	**(85,983)**	**(61,318)**

18. Reconciliation of cash and cash equivalents for cash flow purposes

	2013/14	2012/13
	R'000	R'000
Consolidated Paymaster General account	(3,133)	39,484
Cash on hand	-	-
Cash with commercial banks (Local)	501	-
Total	**(2,632)**	**39,484**

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19. Contingent liabilities and contingent assets

19.1 Contingent liabilities

		Note	2013/14 R'000	2012/13 R'000
Liable to	**Nature**			
Other guarantees		*Annex 3A*	503,538	575.448
Claims against thedepartment		*Annex 3B*	2,800	-
Total			**506,338**	**575,448**

EDD commissioned Brand SA to assist in the provision of publicity campaign for the PICC and there is a disagreement on the amount payable to the value of R2.8 million.

20. Commitments

	2013/14 R'000	2012/13 R'000
Current expenditure		
Approved and contracted	367	2,068
Approved but not yet contracted		
	367	**2,068**
Capital expenditure		
Approved and contracted	**140**	**85**
Approved but not yet contracted		
	140	**85**
Total Commitments	**507**	**2,153**

Commitments are less than a year.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

21. Accruals

			2013/14 R'000	2012/13 R'000
Listed by economic classification	**30 Days**	**30+ Days**	**Total**	**Total**
Goods and services	5,715	-	5,715	2,448
Total	**5,715**	**-**	**5,715**	**2,448**

	2013/14 R'000	2012/13 R'000
Listed by programme level		
Programme 1:Administration	5,187	1,413
Programme 2:Economic Policy Development	58	114
Programme 3:Economic Planning and Co-ordination	451	315
Programme 4:Economic Develop and Dialogue	19	606
Total	**5,715**	**2,448**

Marketing and publicity related expenditure amounting to R1.8 million and R1.7 million for legal costs.

22. Employee benefits

	2013/14 R'000	2012/13 R'000
Leave entitlement	2,376	1,956
Service bonus (Thirteenth cheque)	1,238	869
Performance Awards	-	1,056
Capped leave commitments	211	146
Closing balance	**3,825**	**4,027**

Of the total R2.376 million leave entitlement an amount of R84 849.33 has already been deducted in respect of negative balances on leave. This is due to over-grant of leave taken as employees are given full leave credits in January of each year while the information in the financial statement is based on the leave accruals as at 31 March 2014.

23. Lease commitments

23.1 Finance leases expenditure

	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
2013/14	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Not later than 1 year				762	762
Later than 1 year and not later than 5 years				233	233
Total lease commitments				**995**	**995**

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
2012/13	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Not later than 1 year				1,262	1,262
Later than 1 year and not later than 5 years				2,724	2,724
Total lease commitments				**3,986**	**3,986**

Finance Lease consists of lease for cellphones contracts and photocopy machines.

24. Irregular expenditure

24.1 Reconciliation of irregular expenditure

	2013/14	2012/13
	R'000	R'000
Opening balance	61	-
Add: Irregular expenditure – relating to prior year	-	61
Add: Irregular expenditure – relating to current year	558	-
Less:Current year amounts condoned	(27)	-
Irregular expenditure awaiting condonation	**592**	**61**
Analysis awaiting condonation per age classification		
Current year	531	-
Prior year	61	61
Total	**592**	**61**

24.2 Details of irregular expenditure – current year

		2013/14
		R'000
Incident	**Disciplinary steps taken/ criminal proceedings**	
Overtime worked without prior approval		7
Consultant appointed without a tax clearance certificate		54
Consultant engaged with a certified copy of the tax clearance certificate		191
Verification of officials details using a service provider whose term had lapsed		35
Consultant engaged in periods where tax clearance was not provided		83
Consultant engaged without SCM processes		11
Acting allowance paid beyond the permitted timeframe		190
Overtime paid exceeds 30% monthly basic salary		9
Overtime worked without prior approval		12
Total		**592**

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24.3 Details of irregular expenditure condoned

		2013/14 R'000
Incident	**Condoned by (condoning authority)**	
Travelling without obtaining the necessary approval	Accounting Officer	10
Engaging the service provider without following SCM processes	Accounting Officer	17
Total		**27**

24.4 Details of irregular expenditures under investigation

	2013/14 R'000
Incident	
Overtime worked without prior approval	7
Consultant appointed without a tax clearance certificate	54
Consultant engaged with a certified copy of the tax clearance certificate	191
Verification of officials details using a service provider whose term had lapsed	35
Consultant engaged in periods where tax clearance was not provided	83
Acting allowance paid beyond the permitted timeframe	190
Engaging the service provider without following SCM processes	11
Overtime paid exceeds 30% monthly basic salary	9
Overtime worked without prior approval	12
Total	**592**

25. Related party transactions

	Note	2013/14 R'000	2012/13 R'000
Revenue received			
Fines, penalties and forfeits	2.2	1,037,454	617,344
Interest, dividends and rent on land	2.3	50,000	50,000
Total		**1,087,454**	**667,344**

	Note	2013/14 R'000	2012/13 R'000
Other			
Guarantees issued/received	*Annex 3A*	503,538	575,448
List other contingent liabilities between department and related party			
Total		**503,538**	**575,448**

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

List related party relationships

Guarantees are a result of loans given to IDC by foreign banks.

EDD has oversight responsibility over the following Public and Trading entities:

1. Small enterprise finance agency (sefa)

2. Industrial Development Corporation Ltd

3. Competition Commission

4. Competition Tribunal

5. International Trade Administration Commission of South Africa

26. Key management personnel

	No. of Individuals	2013/14 R'000	2012/13 R'000
Political office bearers (provide detail below)	2	3,842	3,414
Officials:			
Level 15 to 16	5	4,779	3,871
Level 14 (2 Chief Directors Acting as DDG)	20	14,626	17,450
Family members of key management personnel			
Closing balance		**23,247**	**24,735**

Political office bearers consist of:

• Minister E Patel [Minister from 2009-05-11-Economic Development]

• Deputy Minister H Mkhize [2012-06-01- Economic Development]

27. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

	Opening balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Machinery and Equipment	**8,804**	**66**	**2,463**	**(1,026)**	**10,307**
Transport assets	2,731		685	-	3,416
Computer equipment	2,526	15	851	(132)	3,260
Furniture and office equipment	2,542	42	277	(875)	1,986
Other machinery and equipment	1,005	9	650	(19)	1,645
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	**8,804**	**66**	**2,463**	**(1,026)**	**10,307**

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

27.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid	Total
	R'000	R'000	R'000	R'000	R'000
Machinery and Equipment	**4,998**	**-**	**(2,535)**	**-**	**2,463**
Transport assets	685				685
Computer equipment	851	-	-	-	851
Furniture and office equipment	1,088	-	(811)	-	277
Other machinery and equipment	2,374		(1,724)		650
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	**4,998**	**-**	**2,535**	**-**	**2,463**

27.2 Disposals

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
Machinery and Equipment	**-**	**(1,026)**	**(1,026)**	**-**
Computer equipment	-	(132)	(132)	-
Furniture and office equipment	-	(875)	(875)	-
Other machinery and equipment	-	(19)	(19)	-
TOTAL DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS	**-**	**(1,026)**	**(1,026)**	**-**

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

27.3 Movement for 2012/13

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

	Opening balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Machinery and Equipment	**6,980**	**618**	**1,737**	**(531)**	**8,804**
Transport assets	2,800	-	422	(491)	2,731
Computer equipment	1,685	159	713	(31)	2,526
Furniture and office equipment	1,418	578	546	-	2,542
Other machinery and equipment	1,077	(119)	56	(9)	1,005
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	**6,980**	**618**	**1,737**	**(531)**	**8,804**

28. Minor assets

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2014

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-	-	423	-	423
Current year adjustments to prior year balances	-	-	-	33	-	33
Additions	-	-	-	224	-	224
Disposals	-	-	-	(6)	-	(6)
TOTAL MINOR ASSETS	**-**	**-**	**-**	**674**	**-**	**674**

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Number of R1 minor assets	-	-	-	-	-	-
Number of minor assets at cost	-	-	-	252	-	252
TOTAL NUMBER OF MINOR ASSETS	**-**	**-**	**-**	**252**	**-**	**252**

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

28.1 Movement in minor assets per the asset register for the year ended 31 March 2013

	Specialised military assets	Intangible assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-	363	-	363
Current year adjustments to prior year balances	-	-	(14)	-	(14)
Additions			74		74
TOTAL MINOR ASSETS	**-**	**-**	**423**	**-**	**423**

29. Movable assets written off

MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED AS AT 31 MARCH 2014

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Assets written off	-	-	-	1,026	-	-
TOTAL MOVABLE ASSETS WRITTEN OFF	**-**	**-**	**-**	**1,026**	**-**	**-**

MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED AS AT 31 MARCH 2014

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Assets written off	-	-	-	531	-	531
TOTAL MOVABLE ASSETS WRITTEN OFF	**-**	**-**	**-**	**531**	**-**	**531**

30. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

	Opening balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Software	303	-	1,132	-	1,435
TOTAL INTANGIBLE CAPITAL ASSETS	**303**	**-**	**1,132**	**-**	**1,435**

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30.1 Additions

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

	Cash	Non-cash	(Development work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Software	1,132	-	-	-	1,132
TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS	**1,132**	**-**	**-**	**-**	**1,132**

30.2 Movement for 2012/13

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

	Opening balance	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000
Software	202	101	-	303
TOTAL INTANGIBLE CAPITAL ASSETS	**202**	**101**	**-**	**303**

31. Prior period errors

31.1 Correction of prior period error for secondary information

	2013/14 R'000	2012/13 R'000
The comparative amounts in ***Note 22*** were restated as follows:		
Line item 72 Employee Benefits affected by the change	1,956	2,162
Net effect on the note	**1,956**	**2,162**

In 2012/13 The department erroneously disclosed leave entitlement accruals as R2.162 million due to leave captured late. In 2013/14 opening balance was audited and it was clarified that the amount should have been R1.956 million. Necessary adjustments have been made to secondary information.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

Annexure 1A

Statement of transfers to departmental agencies and accounts

	TRANSFER ALLOCATION				TRANSFER		2012/13
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
DEPARTMENT/ AGENCY/ ACCOUNT	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**%**	**R'000**
Competition Commission	176,888			176,888	176,888	100%	157,211
Competition Tribunal	16,945			16,945	16,945	100%	15,798
CSIR	-			-	-	100%	1,808
International Trade Administration Commission	79,770			79,770	79,770	100%	74,403
Total	**273,603**	**-**	**-**	**273,603**	**273,603**		**249,220**

Annexure 1B

Statement of transfers to higher education institutions

	TRANSFER ALLOCATION				TRANSFER			2012/13
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	Amount not transferred	% of Available funds Transferred	Appropriation Act
UNIVERSITY/TECHNIKON	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**%**	**R'000**
University of Witwatersrand	-	-	-	-	-	-	100%	2,280
University of Johannesburg	-	-	-	-	-	-	100%	10,000
Total	**-**	**-**	**-**	**-**	**-**	**-**		**12,280**

Annexure 1C

Statement of transfers/subsidies to public corporations and private enterprises

	TRANSFER ALLOCATION				EXPENDITURE				2012/13
NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Public Corporations									
Transfers									
Industrial Dev Corp of SA	108,000		-	108,000	108,000	100%		108,000	109,000
Indus Dev Corp-Sa Ltd: sefa	230,979		15,000	245,979	245,979	100%	-	245,979	171,330
SAICA			-	-	-	-	-	-	8,996
	338,979	**-**	**15,000**	**353,979**	**353,979**		**-**	**353,979**	**289,326**
Total	**338,979**		**15,000**	**353,979**	**353,979**		**-**	**353,979**	**289,326**
TOTAL	**338,979**	**-**	**15,000**	**353,979**	**353,979**		**-**	**353,979**	**289,326**

Annexure 1D

Statement of transfers to households

	TRANSFER ALLOCATION				TRANSFER		2012/13
HOUSEHOLDS	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Employee Social Benefits	-	-	495	495	495	100%	223
Subsidies	**-**	**-**	**495**	**495**	**495**	**100%**	**223**
Total	**-**	**-**	**495**	**495**	**495**	**100%**	**223**

Annexure 1E

Statement of gifts, donations and sponsorships received

Name of organisation	Nature of gift, donation or sponsorship	2013/14 R'000	2012/13 R'000
Received in kind			
SPOT PRINT	4 Carry Bag (including Stationery (pad note, pen & ruler) and Umbrella	-	-
NEXUS TRAVEL	6 Tickets for Soccer Match (Carling Cup - Chiefs and Pirates)	-	-
DEUTSCHE BANK	3 Ground Coffee and Plunger	-	-
CISCO (Turkish Investors)	1 Prayer Mat	-	-
JOEL TRANSPORT	5 2013 Year Calendars	-	-
TSHWANE SOUTH COLLEGE	4 Branded pens in a holder and Note book holder/ cover	-	-
FREEWORLD KANSAI PAINT	1 Manchester United T-shirt	-	-
BRAND UNION	5 Samsung Galaxy Tab 10.!V	-	32
TWF	20 Squize bottles	-	-
Received in kind			
STATIONERY FOR AFRICA	Sweet Container(Christmas gift)	-	-
STATIONERY FOR AFRICA	Toffees(Sweets)	-	-
RAMAISELA TRADING	3 Water Jugs	-	-
OFFICE NATIONAL	Tin of Sweets	-	-
GRANT THORTON	Christmas Cake	-	-
REPUBLIC OF TURKEY	Tin of Sweets	-	-
REPUBLIC OF TURKEY	Box of Turkish Delights	-	-
Subtotal		**-**	**32**
TOTAL		**-**	**32**

Annexure 2A

Statement of transfers/subsidies to public corporations and private enterprises

NAME OF PUBLIC ENTITY	State Entity's PFMA Schedule type (state year end if not 31 March)	% Held 13/14	% Held 12/13	Number of shares held		Cost of investment R'000		Net Asset value of investment R'000		Profit/(Loss) for the year R'000		Losses guaranteed Yes/No
				2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	
National/ Provincial Public Entity Industrial Development Corporation of SA	Schedule 2	100%	100%	1,392,969,357	1,392,969,357	1,392,969	1,392,969	126,818,402	98,654,690	1,569,559	2,295,076	No
Subtotal				**1,392,969,357**	**1,392,969,357**	**1,392,969**	**1,392,969**	**126,818,402**	**98,654,690**	**1,569,559**	**2,295,076**	
TOTAL				**1,392,969,357**	**1,392,969,357**	**1,392,969**	**1,392,969**	**126,818,402**	**98,654,690**	**1,569,559**	**2,295,076**	

Annexure 2B

Statement of investments in and amounts owing by/to entities

NAME OF PUBLIC ENTITY	State Entity's PFMA Schedule type (state year end if not 31 March)	Cost of investment R'000		Net Asset value of Investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Controlled entities Industrial Development Corporation of SA	Contribution to growthIndustrial Development and Economic Empowerment through its financial Activities	1,392,969	1,392,969	126,818, 402	98,654,690				
		1,392,969	1,392,969	126,818, 402	98,654,690				
Subtotal		**1,392,969**	**1,392,969**	**126,818, 402**	**98,654,690**	**-**	**-**	**-**	**-**
TOTAL		**1,392,969**	**1,392,969**	**126,818, 402**	**98,654,690**	**-**	**-**	**-**	**-**

Annexure 3A

Statement of financial guarantees issued as at 31 March 2014 – foreign

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2013	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluation	Closing balance 31 March 2014	Guaranteed interest for year ended 31 March 201	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Other								
African Investment Bank	IDC	767,330	321,927	-	105,792	48,345	264,480	384	-
Nordic Investment Bank	IDC	230,199	11,957	-	6,876	(5,081)	-	-	-
KFW	IDC	314,060	240,850	-	29,825	27,614	238,639	35	-
Subtotal		**1,311,589**	**574,734**	**-**	**142,493**	**70,878**	**503,119**	**419**	**-**
Total		**1,311,589**	**574,734**	**-**	**142,493**	**70,878**	**503,119**	**419**	**-**

Annexure 3B

Statement of contingent liabilities as at 31 March 2014

NATURE OF LIABILITY	Opening balance 1 April 2013	Liabilities incurred during the year	Liabilities paid/cancelled/ reduced during the year	Liabilities recoverable(Provide details hereunder)	Closing balance 31 March 2014
	R'000	R'000	R'000	R'000	R'000
Claims against the department					
Born Free Media by Brand SA	-	2,800	-	-	2,800
Subtotal	**-**	**2,800**	**-**	**-**	**2,800**
Total	**-**	**2,800**	**-**	**-**	**2,800**

Annexure 4

Claims recoverable

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	R'000	R'000	R'000	R'000	R'000	R'000
Department						
Department of Public Works	-	-	-	36	-	36
Department of Trade and Industry	-	-	11	275	11	275
National Treasury		-	1	9,925	1	9,925
Department of International Relations and Cooperation	-	-	-	274	-	274
The Presidency	-	-	4	-	4	-
Department of Agriculture, Fishery and Forestry	-	-	21	-	21	-
Department of Minerals	-	-	26	-	26	-
Correctional Services	-	-	18	-	18	-
		-	**81**	**10,510**	**81**	**10,510**
Other Government Entities						
Economic Development and Tourism	-	-	-	19	-	19
KZN Provincial	-	-	4	4	4	4
	-	**-**	**4**	**23**	**4**	**23**
TOTAL	**-**	**-**	**85**	**10,533**	**85**	**10,533**

Annexure 5A

Inter-entity advances paid (note)

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	R'000	R'000	R'000	R'000	R'000	R'000
Other Institutions						
BRAND SA-PICC Campaign	3,200	-	-	-	3,200	-
Subtotal	3,200	-	-	-	3,200	-
TOTAL	**3,200**	**-**	**-**	**-**	**3,200**	**-**

Brand South Africa for PICC Publicity Campaign

Annexure 6

Inter-government receivables

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	R'000	R'000	R'000	R'000	R'000	R'000
Current						
Competition Commission	1,453, 366	274,879	-	-	1,453 ,366	274,879
Subtotal	1,453, 366	274,879	-	-	1,453, 366	274,879
TOTAL	**1,453, 366**	**274,879**	**-**	**-**	**1,453, 366[1]**	**274,879[1]**

[1] The confirmed balance relates to outstanding amounts, for administrative penalties imposed and settlements confirmed by the Competition Tribunal due to be paid to the Competition Commission on behalf of the National Revenue Fund.

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