

Tuesday, 13 May 2025]

No 72—2025] SECOND SESSION, SEVENTH PARLIAMENT

PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

**ANNOUNCEMENTS,
TABLINGS AND
COMMITTEE REPORTS**

TUESDAY, 13 MAY 2025

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ANNOUNCEMENTS

National Council of Provinces

The Chairperson

1. Referral to Committees of papers tabled

- (1) A letter from the Minister of Finance, requesting the National Council of Provinces to recommend candidates to serve on the Board of the Land and Agricultural Bank of South Africa, in terms of the Land and Agricultural Bank Act, 2002 (Act No. 15 of 2002).

Referred to the **Select Committee on Finance** for consideration and report.

COMMITTEE REPORTS

National Assembly

1. Report of the Portfolio Committee on Home Affairs on an oversight visit to Lebombo Port of Entry, Mpumalanga Province on 10 December 2024, dated 6 May 2025.

The Portfolio Committee on Home Affairs having conducted an oversight visit to Lebombo Port of Entry, Mpumalanga Province on 10 December 2024, reports as follows:

1. Introduction.

On 26 November 2024, the Portfolio Committee was briefed by the Minister of Home Affairs and the Border Management Authority (BMA) on the Committee on the plan and readiness to process the movement of people and goods in and out of South Africa during the festive season via all land ports of entry. The BMA was also requested to brief the Committee on the developments in Mozambique after the post-election violence that led to the repeated closure of the Lebombo Port of Entry.

The Committee had already resolved to conduct an oversight visit to Beitbridge and Lebombo Ports of Entry. These are the busiest South African land ports of entry, especially during the festive season. Due to budget constraints and logistical issues, the Committee only conducted an oversight visit to Lebombo Port of Entry given its unique challenges of the post-election violence in Mozambique that affected the operations at the port of entry.

1.2. Purpose of the visit.

During the festive season, the Lebombo Port of Entry is one of the busiest land border posts both in terms of human and trade movement. This is particularly true around the festive season. The Committee aimed to oversee the plans being put in place to address long queues, staff shortages, illegal migration, IT system challenges and porous borderlines. The Committee needed to monitor the BMA planning and capacity related to the above in its teething phase amidst significant budget constraints.

The Minister of Home Affairs also introduced the *One Stop Border Post Bill* on 11 September 2024. This newly tabled legislation will require better practical understanding by the Members of the Committee to be processed in 2025. The Lebombo Port of Entry will likely be the first Port of Entry to have this bilateral legislation piloted in the coming years to improve trade and tourism efficiency.

The Lebombo Port of Entry was temporarily closed due to safety concerns around post election-related protests and was likely to lead to increased illicit traffic, asylum applications and disruptions in regular planning mechanisms.

1.3. Delegation: Members of the Committee and staff.

Members of the Committee

Members of Parliament	Political Party
Mr MS Chabane – Chairperson Ms AF Muthambi Ms NE Mtolo	African National Congress (ANC)
Mr AC Roos Ms NJ Bollman	Democratic Alliance (DA)
Mr SJ Ngubane Ms M Muhammed	uMkhonto WeSizwe Party (MKP)
Ms B Machi	Inkatha Freedom Party (IFP)
Ms L Ngobeni (Alternate)	ActionSA

Committee support staff

Initials and Surname	Designation
Mr SE Mathonsi	Committee Secretary
Mr A Salmon	Content Advisor
Mr L Ndaba	Researcher
Mr T Arendse	Committee Assistant

Government officials from the Border Management Authority (BMA), the South African Revenue Services (SARS – Customs), the Department of Land Reform and Rural Development (DLRRD), the local Traffic Department and the South African National Defence Force (SANDF) attended the meeting with the Committee. They briefed the Committee on the specific plan for this port of entry, made a drone demonstration and led a walkabout at the port and the borderline.

2. Briefing by the BMA on the festive season Multi-Disciplinary Plan at the Lebombo Port of Entry.

The Chairperson opened the meeting, and he indicated that the BMA had already briefed the Committee on 26 November 2024. The purpose of the oversight visit was to attest to what the Committee had already been briefed on the plan for the festive season. The Chairperson indicated that the Committee was concerned about the situation in Mozambique. The Chairperson also noted that the Minister of Home Affairs, Dr Leon Shreiber, will also visit the port on 11 December 2024. The Chairperson was concerned about the absence of the Minister of Home Affairs, Dr Leon Shreiber; the Deputy Minister of Home Affairs, Mr Njabulo Nzuza and the Commissioner, Dr Mike Masiapato.

Deputy Commissioner Chilembe led the delegation from the BMA and welcomed members of the Committee. Each of the stakeholders at the meeting introduced themselves and the role at the port of entry. The Deputy Commissioner reported that Dr Mike Masiapato, the BMA Commissioner was in Thailand on official business, the Minister of Dr Leon Shreiber and the Deputy Minister of Home Affairs, Mr N Nzuza were engaged in other official duties.

He indicated that the BMA was concerned that SAPS at the port had not been integrated into the BMA. The police are still operating a parallel structure to the BMA at all ports of entry. The police at the ports of entry are not conducting classical policing but border policing, which is also done by the BMA. The BMA was in discussions with the SAPS management to ensure the integration of the police at the ports of entry to the BMA. The Deputy Commissioner further indicated that the border was not completely closed as reported in the media. The BMA was in constant communication with their counterparts in the Mozambican side and the port was opened whenever it was agreed to be safe.

After the opening of the meeting and remarks by the Deputy Commissioner, the Port Management Committee (PMC) reported that the Lebombo Port of Entry is a national priority port and a key strategic point in Mpumalanga Province, facilitating movement between South Africa, Mozambique, and beyond.

The N4 Corridor leading to Lebombo Port of Entry experiences congestion during the festive season due to various factors such as the discontinuation of the passenger train movement, the increased number of travellers, tourists, learners and migrant workers and the continuous freight movement during the festive season.

It was reported that the political instability in Mozambique has severely affected Lebombo port entry operations. This led to the temporary suspension of port operations, long queues, negative economic impact on South Africa and Mozambique, health hazards and increased criminal activities around the port.

The high volumes of movement were expected during the departure phase which was 18 – 25 December, 2024 and the return phase which was 2 – 5 January, 2025.

The PMC reported that the Lebombo Port of Entry festive operations were taking a proactive approach by being intelligence-driven and incorporating the pillars of the National Joint Operations and Intelligence Structure (NATJOINTS). This is crucial since border security falls under the National Security Cluster.

To ensure a seamless experience for travellers and traders; proper planning, adherence to plans, and monitoring by departmental managers, are vital. This will facilitate the smooth movement of people and goods throughout the festive season, while also ensuring compliance with all border processes and South African laws.

The BMA will focus on Intelligence-Driven Operations to anticipate and respond to potential challenges and threats. The BMA will collaborate and coordinate with all stakeholders and continuously monitor the situation on the ground to identify and address any issues promptly. This will ensure that all border processes are followed to prevent any disruptions or security breaches.

By focusing on these areas, the Lebombo Port of Entry festive operations can ensure a safe, secure, and efficient experience for all travellers and traders. The Port operates 24 hours a day and is used primarily by Mozambican and South African citizens for tourism, shopping and business. The port processes an average of 1,700 – 2,000 cargo vehicles and 13,000 travellers per day. The number of travellers can peak up to 26, 000 during busy days.

The Port Management Committee comprise of the following stakeholders:

- Border Management Authority (BMA).
- South African Revenue Service (SARS).
- South African Police Service (SAPS).

- State Security Agency (SSA).
- South African National Defence Force (SANDF).
- National, Provincial, and Local Traffic, and
- other road law enforcement agencies.

The staff complement at the port was 556 officials, 283 officials were BMA, 161 SAPS officials and 112 are Customs (SARS).

The BMA reported that it was engaging with the Mozambican authorities to address the congestion at the Lebombo Port of Entry. The BMA is also continuously engaging with the trucking industry, taxi operators, freight operators, farmers, and local businesses for the smooth operations of the port. The BMA also collaborates with local authorities and farmers around the borderline to address the smuggling that happens via local farms.

Here are some key initiatives that the BMA is involved in:

- **Installation of Mast Lights:** The BMA was engaging with the South African National Roads Agency Limited (SANRAL) and local Municipalities to install Mast Lights within a 10 km radius of the port road to improve night visibility. The BMA is in discussion with the local farmers along the borderline on the South African side to allow the law enforcement agencies and the BMA Guards to be able to patrol through their farms. It was reported that smugglers will use the farms to smuggle goods into South Africa.
- **Towing Services Agreement:** The BMA has collaborated with the Trans African Concessions (TRAC) and towing entities to establish an agreement for standby support in case of vehicle breakdowns obstructing traffic along the N4 corridor. The N4 corridor is managed by TRAC, and it is their responsibility to ensure they have the capacity to remove broken down trucks. Otherwise, these trucks will cause congestion and will affect the operations at the port.
- **SAPS Deployment Strategy:** SAPS management's deployment of specialized units has enhanced operations and strengthened collaboration between BMA, SARS, SANDF, and other stakeholders.

The BMA reported that there was an upward trend in the movement of persons between Mozambique and the Republic of South Africa through the Lebombo Port of Entry. The possibilities are that there is an increase in compliance by travellers, this can be attributed to the increase in capacity by the BMA and other stakeholders. Lebombo Port of Entry was processing more travellers than Beitbridge. Another contributing factor was the increase in

commercial usage which is linked to the Port of Maputo. There was an upward trend for the movement of goods, and these were mostly minerals destined for the Port of Maputo.

The PMC's Integrated Festive Season Plan is guided by a comprehensive Five-Pillar Action Plan:

- **Pillar 1: Intelligence Gathering, Analysis, and Coordination:** This pillar focuses on collecting and analyzing intelligence to anticipate and prevent potential security threats.
- **Pillar 2: Proactive Approach - High Visibility:** This pillar involves maintaining a high-visibility presence to deter criminal activity and ensure a secure environment.
- **Pillar 3: Combat Approach - Rapid Response, Disruptive and Hardcore Policing:** This pillar emphasizes rapid response and disruptive policing to combat and neutralise security threats.
- **Pillar 4: Reactive Approach - Detection, Tracking, Prosecutorial-Led Investigation, and Case Management:** This pillar focuses on detecting and investigating crimes, with a prosecutorial-led approach to ensure effective case management.
- **Pillar 5: Communication and Liaison:** This pillar stresses the importance of communication and liaison among stakeholders to ensure a coordinated and effective response to security threats.

In terms of sector-based operational responses, the plan identifies three key sectors:

- **Corridor Management:** Managing traffic flow towards ports of entry to minimize congestion and blockages.
- **Port of Entry Operations:** Facilitating the legitimate movement of persons and goods.
- **Borderline Operations:** Combating and neutralizing borderline transgressions.

The BMA identified the following as major risks for the festive season plan:

- **Congestion** – the Port has an outdated and inappropriate infrastructure layout and inadequate corridor management. Traffic congestion and crime within the border law enforcement area were a challenge.
- **ICT challenges** – The BMA reported that there were challenges with the Biometric Movement Control System (BMCS) and enhanced Movement Control System (eMCS) leading to the manual processing of travellers and generally that was related to poor network infrastructure at Ports of Entry. To ensure the smooth operation of ports of entry during the festive season, reliable ICT support is crucial. System downtime and technical

glitches pose significant risks to efficient movement of people and goods. To mitigate these risks, the Border Management Authority (BMA) will deploy ICT technicians full-time at Lebombo Border Post. These technicians will provide direct support for the Enhanced Movement Control System (eMCS) and Border Management Control System (BMCS).

Additionally, remote ICT support will be provided by the South African Revenue Service (SARS) and the Department of Home Affairs (DHA). To ensure business continuity, the eMCS will be re-installed at Lebombo.

- **Corruption** – There is fraudulent access to South African documents such as passports, visa and the utilisation of the fraudulent Emergency Travel Certificates. It was also indicated that there was a fraudulent endorsement of genuine immigration stamps or completely fake stamps.
- **Self-repatriation** - Undocumented travellers, including those who entered RSA illegally or overstayed, often claim to be undocumented when departing during peak seasons. The BMA will allow them to depart and declare them to be undesirable to enter South Africa for a few years.
- **Borderline transgressions** - During peak seasons, illegal migration and smuggling activities often occur near designated Points of Entry (PoE), overwhelming authorities with a high number of undocumented migrants and making management extremely challenging.
- **Other:** The Mozambique protests, health risks (Mpox, Marburg, and food-borne illness), and economic concerns (disruptions to mineral transit and perishable cargo) pose potential threats to stability and operations at the Port of Entry.

The political situation in Mozambique remains a concern and if the current situation deteriorates, it might lead to refugees coming to South Africa. To address the concerns around border security, several measures are being implemented such as:

- **Enhanced Patrols:** Foot and vehicle patrols will be conducted along vulnerable areas, the perimeter fence, and borderline within a 10-kilometer radius and a reasonable adjacent distance.
- **International Cooperation:** Continuous engagement with Mozambican counterparts will be maintained to secure the borderline.
- **Deportation Processes:** Deportation processes will be intensified to prevent returns.

- **Expedited Court Processes:** Court processes will be expedited to ensure completion before the operation concludes, with the help of inspectorate personnel from the Department of Home Affairs.
- **Detention Facilities:** Designated detention facilities include Komatipoort SAPS, Tonga SAPS, Malelane SAPS, and Matsulu SAPS.
- **Access Control:** Stringent access control measures will be enforced to ensure only travellers with proper documentation are allowed within the controlled area.

The PMC is taking a strong stance against corruption and unethical behaviour by adopting a "zero-tolerance" policy. This means that anyone found guilty of corruption or questionable work ethic will face swift and severe consequences.

To achieve this, the intelligence community will play a crucial role in identifying culprits, and relevant authorities will take appropriate action. Counter-corruption unit will also be deployed to prevent and detect corrupt practices.

Before the operation begins, departmental awareness campaigns against corruption were intensified to educate personnel on the severity of corruption and the importance of ethical behaviour.

To minimize disruptions to operations, Border Management Entities have been advised to have standby capacity to replace personnel who may be arrested. Joint inspections will also be conducted to prevent corrupt practices, and departmental managers will be required to intensify their supervisory roles and ensure consistency in enforcing the zero-tolerance policy.

To enhance security, visible policing will be increased in identified hotspots, including:

- Mananga turnoff.
- BP Garage.
- Vulnerable segments of the borderline.
- Other areas with high crime rates.

Key strategies include:

- Enforcement of crime prevention and combating measures.
- Continuous analysis of crime patterns for effective deployment.
- Acting on intelligence-guided information to proactively address potential threats.

To address the various concerns, a multi-faceted approach will be implemented:

- **Border Security:** Static deployment of border law enforcement will safeguard the borderline and Points of Entry (POE).
- **Traffic Management:** Traffic law enforcement will ensure the N4-KM7 Komatipoort road remains open and accessible. Inbound and outbound traffic will be managed through static deployment and constant patrols on the route corridor road.
- **Emergency Response:** Emergency personnel will be deployed to prevent and respond to emergencies/disasters. Injured/sick travellers and personnel will be transported to nearby hospitals, including Tonga, Shongwe, Mediclinic, Rob Ferreira, and Kiaat Hospitals.
- **Public Order:** Law enforcement will be deployed to manage unruly situations using Public Order Policing (POP).
- **Visibility:** Law enforcement presence will be maintained between the port and Coopersdal to ensure safety and security.

During peak days, traffic management will be implemented as follows:

- Traffic officers will provide hourly updates to the Port Management Committee on traffic movement from Machadodorp and Malelane toll gates.
- General Cargo Trucks: Diverted to Strydom Park Street to emerge closer to KM 7 for processing.
- Trucks without cargo will be allowed to proceed directly to the port.
- Taxis and bakkies with trailers will be diverted to KM 7 at point Q, processed, and escorted to the port by two blue light BMA vehicles.
- Private vehicles, bakkies, and motorbikes will be processed directly at the port.
- In case of congestion, vehicles will be diverted to the designated pedestrian overflow parking area. SAPS and BMA will monitor movements at the diversion road to prevent crime.

Border Safeguarding

The BMA indicated that the SANDF would continue with border safeguarding functions and the BMA will deploy drones to enhance border security in collaboration with the Department of Agriculture, Land Reform and Rural Development. Once a transgression is identified, a multi-disciplinary mobile reaction unit will be dispatched to apprehend illegal migrants and other cross-border criminals.

3. Briefing by the Department of Agriculture, Land Reform and Rural Development on the deployment of drones.

Mr. Clinton Heimann, the Deputy Director General: Spatial Planning and Land Use Management Department of Agriculture, Land Reform and Rural Development made a briefing to the delegation. He indicated that the DALRRD was providing support to the BMA through its drone programme that will provide aerial surveillance and monitoring. The drone programme will be provided to five ports of entry. These ports of entry are Lebombo, Beitbridge, Maseru, Kopfontein and Oshoek. The collaboration between the BMA and the DALRRD during the 2024/25 festive period aims to enhance border security. One drone will be assigned to each of the five ports of entry during the festive period. He indicated that drone operations must comply with the South African Civil Aviation Authority (SACCA) regulations and the pilots are registered under Abedo insurance. These pilots at the ports of entry will not require skills in border security operations because their role will be limited to aerial surveillance.

The BMA requested DALRRD's assistance in setting up a drone program. DALRRD shared knowledge and supported the procurement process. However, due to time constraints, the BMA won't be able to acquire and deploy their own drones in time for the 13 December 2024 – 13 January 2025 operations and rather use the units loaned by DALRRD.

The DALRRD Drone Programme uses drone technology to:

- Enhance agriculture and land administration capabilities.
- Modernize Spatial Planning, Land Use Management, and Land Management processes.
- Support national and global sustainable development goals.

This initiative aims to increase efficiency, accuracy, and sustainability in land management and administration. After the presentation, the DALRRD made a demonstration of how the drones work, launching and patrolling along the border and demonstrated the setting up of the drone and safety.

4. Walkabout of the Port Infrastructure.

The Deputy Commissioner took the Committee through the infrastructure of the Port including the arrival point of tourists from Mozambique to South Africa and the departure point of people from South Africa into Mozambique. In the processing of pedestrians, the

Department indicated that during the festive season, there was a co-location of officials from South Africa and Mozambique at the South African facilities that were designed for this to improve processing times.

The Committee also was shown how the cargo was processed by Customs including special measures given the intermittent closure of the border. The Committee was taken along the borderline showing where SANDF members were stationed in simple tents as well as ongoing holes in the border fences within 1km of the border fence. Lastly the delegation interacted with the Mozambiquan consular general who briefed the Committee on the ongoing unrest in his country and what was being done to address this.

5. Committee Observations.

- 5.1. The Committee noted the presentation on the plan for the festive season, however, the Committee was concerned about the approximately 20 km queue of trucks on the South African side due to the situation in Mozambique.
- 5.2. The Committee raised a concern about the integration of the SAPS members into the BMA in all ports of entry. The Deputy Commissioner of the BMA reported that SAPS members were also conducting border security, which is a function of the BMA in terms of the BMA Act.
- 5.3. The Committee was concerned about the health situation of the truck drivers, whose trucks were parked along the N4 corridor waiting to be processed into Mozambique. The Department of Health should be involved by providing a mobile clinic and toilets.
- 5.4. The Committee was concerned about the political situation in Mozambique and the impact it has on the operations of the Lebombo Port of Entry. The BMA should continuously engage with their counterparts in Mozambique to assess the situation in that country.
- 5.5. The Committee has noted that National Treasury (NT) has granted permission to TRAC to resurface the by-pass to KM 7 with its funding.
- 5.6. The Committee noted that the BMA in collaboration with DLRRD has deployed drones in five identified ports of entry to assist during the festive season period in combating illegal activities along the borderline.
- 5.7. The Committee was concerned with corruption at the port of entry including the illegal stamping of passports and the self-repatriation of the overstayers and the undocumented migrants.

6. Committee Recommendations.

Having conducted the oversight visit to the Lebombo Port of Entry recommends the following to the Minister of Home Affairs and the Commissioner of the BMA:

- 6.1. Urgent discussions with the Minister of Police to expedite the integration of the SAPS members in all ports of entry into the BMA in terms of the BMA Act and provide a full implementation protocol report to the Committee.
- 6.2. A strong business case for the funding of the BMA to the National Treasury should be made. The BMA needs surveillance technology and additional Border Guards.
- 6.3. The BMA and the PMC (Port Management Committee) should engage with the Department of Health, especially during the festive season to provide a mobile clinic and toilets along the N4 corridor where the trucks queue to be processed into Mozambique during border closure.
- 6.4. The BMA should continue to proactively engage with their counterparts in Mozambique to assess the situation in that country.
- 6.5. The Committee noted the drones that the DLRRD has deployed to the five ports during the festive season and the Committee urged the BMA to procure its drones that would be used throughout the year to combat illegal migration and smuggling of goods across the borderline.
- 6.6. The BMA should continue engaging farmers along the borderline to allow the BMA Border Guards and the SANDF members to be allowed ongoing access to private farms to patrol the borderline.
- 6.7 The border fence is in drastic need of maintenance and a full report must be made to the Committee on the current state of the borderline and should include all role-players and the implications of instating electric fencing bearing in mind safety concerns.
- 6.8 The Committee will conduct a joint meeting with the Committees on Defence and Public Works as well as the BMA on the abovementioned matters.

Report to be considered.

2. Report of the Portfolio Committee on Home Affairs on the oversight visit to Government Printing Works in Pretoria, dated 6 May 2025.

The Portfolio Committee on Home Affairs conducted an oversight visit to Gauteng and specifically to the Government Printing Works (GPW) on 9 October, reports as follows:

1. Introduction.

The Portfolio Committee on Home Affairs conducted an oversight visit to the Department of Home Affairs (DHA), the Electoral Commission (IEC), the Border Management Authority (BMA), the Government Printing Works (GPW), the Tshwane Refugees Reception Centre and the Lindela Repatriation Centre from 7 – 10 October 2024. The Department of Home Affairs, the Auditor-General of South Africa (AGSA) and the entities also briefed the Committee on their Annual Reports and Financial Statements for the 2023/24 financial year. This report focusses on the GPW oversight issues with the Broader Annual report and DHA recommendations to be dealt with in a separate report.

2. Purpose of the visit.

The purpose of the oversight visit was to induct new members of the Committee on the working environment of the DHA, IEC, BMA and GPW. The Budgetary Review and Recommendation Reports for 2024, has already covered the oversight visit to the DHA, IEC, BMA, Tshwane Refugee Reception Office and aspects of the GPW. The purpose of this report will be to cover the unannounced visit to the GPW's Bosman Factory operations as well as the relationship between labour unions and GPW.

3. Delegation: Members of the Committee and staff.

Members of the Committee

Initials and Surname	Party
Mr MS Chabane - Chairperson	African National Congress (ANC)
Ms M Modise-Mpya	ANC
Ms AF Muthambi	ANC
Ms NE Mtolo	ANC

Mr AC Roos	Democratic Alliance (DA)
Ms NJ Bollman	DA
Mr SJ Ngubane	uMkhonto WeSizwe Party (MKP)
Ms M Muhammed	MKP
Mr Y Tetyana	Economic Freedom Fighters (EFF)
Ms B Machi	Inkatha Freedom Party (IFP)
Ms SJ Khojane	Patriotic Alliance (PA)
Ms L Ngobeni (Alternate)	ActionSA

Committee support staff

Initials and Surname	Designation
Mr SE Mathonsi	Committee Secretary
Mr A Salmon	Content Advisor
Mr L Ndaba	Researcher
Mr T Arendse	Committee Assistant

4. Relationship between labour unions and Government Printing Works (GPW) Management.

On 9 October 2024, the Committee was briefed by the GPW management on the Annual Report and Financial Statements for 2023/24. One of the issues that came out of the briefing was the ongoing challenges in the relationship between labour unions and GPW management. Ms Alinah Fosi, the Chief Executive Officer (CEO) reported that GPW has two recognized labour unions, namely the Public Servants Association of South Africa (PSA) and the National Education, Health & Allied Workers (Nehawu). She indicated that there was a formal structure to engage between labour and GPW management which is the Departmental Bargaining Chamber. There are also bilateral meetings between GPW management and labour unions and meetings with unions separately, based on the issue raised by that union. The CEO reported that management was able to engage with the union shop stewards separately and Nehawu participated in change management interventions. The PSA refused to participate in change management interventions.

The challenge between GPW management and labour was that the relationship fluctuated. She reported that the relationship between PSA and Nehawu, especially between the Chairperson of PSA and the General Secretary of Nehawu was not good. This affected the relationship between the two labour unions. It was reported that PSA wanted to dominate all engagements because they had the largest membership within the GPW.

She reported that the unions want to co-manage GPW and to dictate how disciplinary processes unfold to influence the outcome/sanctions in their favour, otherwise, it is seen as interference by management. The Limpopo examination was postponed in the previous year due to an illegal work stoppage in the examination facility.

The management was disrespected and accused of various acts, including theft, and bias, and when discipline is meted out, there is retaliation and soured relationships.

5. Meeting between labour and the Committee.

After meeting with GPW management, the Committee had a meeting with the two unions together; namely PSA and Nehawu to receive their side of the report on the relationship with Management.

5.1. Public Servants Association of South Africa (PSA).

The PSA indicated that in the 6th Parliament, PSA wrote to the Committee when the current CEO Ms A Fosi was appointed to complain about her. PSA indicated that she did not comply with the position requirements, and these were changed to suit her. The CEO functioned as the Chief Executive Officer before being appointed as the CEO and she showed oppressive and distrustful management practices. She frequently refused to sign submissions and approvals, resulting in significant operational delays at GPW.

PSA reported that during the time of her appointment as the CEO, she was implicated in two scandals; the alleged assault of a female employee and manipulating a tender to favour a particular service provider. Therefore, PSA did not support her appointment.

PSA reported that the relationship between the CEO/management has deteriorated. GPW management and labour have not met. PSA indicated that GPW was not complying with legislation and there was no platform to raise the matters. PSA suspected that there were corrupt activities, and the staff morale was extremely low. The staff was scared to speak out because they would be charged and dismissed by the CEO.

PSA reported that they wrote three letters to the current Minister of Home Affairs, Dr L Schreiber to make him aware of what was happening at the GPW. The Minister has not responded to the letters. They stated that they fear for their jobs because GPW might go the unfortunate route of the South African Post Office. PSA requested that the Committee institute an investigation at GPW.

Security and Cleaning Staff: There was a security guard who was suspended because a homeless person had entered the premises. They also reported that the CEO came with unknown individuals to collect corrugated iron sheets. The CEO removed the corrugated iron sheets from the premises that were supposed to be disposed of. The process of disposal was not followed.

The PSA had engaged with GPW management about the in-sourcing of security and cleaning services at the Departmental Bargaining Chamber (DBC), and it was agreed that security officer and cleaner positions would be included in the GPW revised structure. During discussions at the DBC, the PSA strongly advocated for the absorption of the Security Officers who had been working under a private security company, many of whom had served at GPW for over 10 years. The employer, however, indicated that direct absorption would not be possible, and that the standard recruitment process would need to be followed. Nonetheless, it was agreed in principle that the qualifying applicants from the private security company, who were already familiar with guarding GPW premises and met the requirements would be given first preference in the recruitment process.

PSA reported that during the recruitment process for 33 security officer positions, Ms Fosi personally chaired the shortlisting and interviews, ensuring that none of the

personnel previously employed by the private security company, who had served GPW for over 10 years, were shortlisted or appointed.

When positions of cleaners were advertised, the cleaners who were on fixed-term contracts applied. However, out of 28 cleaners, only three who were responsible for cleaning the office of the CEO were shortlisted, while the 26 that were left out also met the requirements. The PSA referred this matter to the General Public Service Sectoral Bargaining Council (GPSSBC), and it went for conciliation and arbitration which ruled in favour of the cleaners and ordered GPW to appoint them permanently. Despite this outcome, the cleaners were dismissed, and the arbitration award was taken to the Labour Court for review, where it has been for over three years. Moreover, GPW management instructed new service providers not to rehire any of the former cleaners, exacerbating labour instability and distrust. In the meeting, the Committee was informed that the contract with a service provider to clean GPW ended on 8 October 2024, therefore, GPW does not have cleaners. This contributes to the many health and safety challenges at the GPW premises.

Personal Protective Equipment: GPW is a manufacturing production factory where employees use advanced and highly dangerous printing machines and factory equipment including chemicals and inks. GPW is required by the Occupational Health and Safety Act to provide its employees with full PPE and ensure that all employees comply with the safety standards.

PSA reported that on or around 01 June 2024, an employee (Jan Skgosana) sustained an injury on his foot at the factory by a steel object that penetrated through his sneaker tekkies and injured him. Although it was not a major injury that required hospitalisation, it however made it difficult for him to continue with his duties and triggered a reaction from other employees who reminded their managers that they had been asking for PPE for more than a year.

This injury of an employee led to a meeting with their line managers where a discussion was held about the lack of PPEs and this incident, the CEO dismissed four employees because they refused to work without PPEs. It was reported some in the management were willing to use petty cash for PPE for the four staff members so that they could

continue working. This was refused and these four staff members were suspended and dismissed, and the matter was on ongoing appeal.

The CEO appointed an initiator from Limpopo who is not an employee of GPW, and the initiator appointed a presiding officer. The case was overseen by Legal Services and not the Labour Relations unit and the initiator was reporting directly to the CEO. The chairperson of the hearing completely ignored the evidence submitted to him including what he personally observed when doing an inspection that in the entire factory there was not even a single employee in full PPE. When the factory employees were asked why they had not put on their PPEs, they all confirmed the charged employees' evidence that PPE had not been provided in years.

Labour Relations Office: The Labour Relations Office was being rendered redundant because cases are handled by the Legal Services and use external consultants. On more than one occasion Ms Fosi has refused to take advice from the Labour Relations unit and continues to undermine them by preferring external advisors. The PSA's submission is that she overlooks the Labour Relations unit because she does not want to be provided with fair labour opinions by the internal Labour Relations. GPW established the Legal Service unit in the new structure and this unit is perceived to be used to target employees that the CEO does not like.

Data loss: Concerning the data loss, PSA reported that this did not happen once, and management tried to charge the former Chief Information Officer (CIO) for the data loss. The former CIO had made a submission before the data loss to highlight the matter before it occurred; however, the CEO did not approve it. This led to the loss of data at GPW. Management employed a service provider to try to recover the data, even though the service provider was unable to recover the data, it was paid about R3 million a month without a contract. The amount was inflated from R978 000 to R3 million.

PSA also alleged that security printing was outsourced and sister departments including the DHA were threatening to stop printing with GPW.

The request from the unions was that the Portfolio Committee on Home Affairs should urgently investigate all the allegations. Other recommendations from the Union were that:

- GPW management and the unions should improve communication channels.
- Outsourcing of the printing works should be limited to 30 percent.
- To launch an independent investigation into management appointments since 2022.
- To investigate potential corruption, financial mismanagement, and maladministration.

5.2. The National Education, Health & Allied Workers (Nehawu).

Nehawu stated that it defended the CEO when PSA was against her appointment. Nehawu reported that they did not expect favours but at that time, she was the best candidate for the job. After realizing her failures, Nehawu communicated with her because they did not want GPW to collapse. Nehawu reported that 90 percent of GPW's work was outsourced. They also made allegations that security documents were sold and there was prima facie evidence. There are managers at Pavillion 3 who were involved, and it is believed that the CEO was benefitting. Nehawu concurred with the presentation that was made by PSA. Investigations at GPW were concluded without consulting labour.

Both PSA and Nehawu further indicated that the management presentation that was made to the Committee was not a true reflection of the situation at GPW. Legal services that was established at GPW had not attended a single case but only dealt with staff grievances.

Nehawu reported that there were about 230,000 Smart ID cards that were sitting on the system. The machines were not working because the entity did not have parts nor maintained the machines. There was no willingness to procure new machines because they wanted to outsource. Certain clients have cancelled work with GPW because deadlines were not honoured. The last time employees received proper PPEs was in 2018.

Some of the written submissions that Nehawu forwarded to the Committee regarding the Chief Executive Officer and the Management indicated:

- Failure to engage in good faith with NEHAWU.
- Refusal to investigate corruption, maladministration, women abuse, theft and abuse of authority. The CEO knows Umalusi's certificate theft suspects, but she is refusing to investigate, instead, she warns us of possible litigation for naming the suspect.
- Withholding investigation reports when it doesn't suit her
- Selective discipline: the two audio perpetrators are still at work and walking free whilst others of less offence were suspended by the CEO.
- Intimidation and foul language by the CEO to the staff.
- Creating a defence unit within GPW that serves only the CEO's interest.
- Where investigations were carried out, the CEO refused to release recommendations of the report or to implement them.

Nehawu further indicated that theirs was not a personal issue but to safeguard the interest of GPW as a social partner.

6. Walkabout at the Examination, Smart ID and Passport Printing Section.

The Committee was taken through the examinations, Smart ID Card and passport printing sections to see how the security documents were printed. While at the Smart Card and passport printing section, the Chairperson was provided with a Memorandum from the staff at the Dispatch Unit. The concern raised was the issue of their salaries as compared to their counterparts who were doing similar work at the Department of Home Affairs. These officials reported that they dispatch to the Department but earn less money. When doing this work, they become dispatching officers, security and bookkeepers. They reported dispatching about 5000 passports per day.

Members observed the security measures in place to prevent the leakage of school exams as well as the complex machinery of Passports and ID printing, however several machines were observed to not be functioning.

Staff also indicated that they want proper equipment such as scanners, printers, chairs and comfortable PPEs to make their work easier.

7. Unannounced oversight visit to the GPW's Bosman Street Factory.

After meeting with Labour unions on 9 October 2024, the Committee decided to conduct an unannounced oversight visit to the Bosman Street factory on 10 October 2024. During the meeting with the unions, the Committee was informed that many machines at the factory were not working and that the staff were idle because most of the work was outsourced to the private sector and GPW management did not reassign them.

7.1. Finishing Section.

The Committee started at the printing Finishing Section. It was reported that there were cameras in the building to monitor that people did not take GPW property. It was reported that their staff had been without full PPE for the past five years and the building was not safe for the staff to work at. As a result of the lack of PPE, some people have developed sinus and other health-related issues.

They do not have cleaners and the staff that are supposed to work to do printing also clean their respective areas. There were no fridges to put their food or water in. It was reported that corruption was very high. An example was made of the cello tape that costs R10 but when GPW bought it through a tender, it cost about R160. It also indicated that there were many Directors at GPW without powers and these powers were with senior management. It was reported that the CEO had not come to see the staff and about 8 machines were not working in this section. There was a new machine in the box that had been there for the past seven years, and it had never been used. Another machine, it was reported, had not been working for more than five months because the element kept on breaking. There were boxes of documents and when the Committee enquired, they were informed that GPW outsourced most of the work and the service provider provided low-quality work. These low-quality documents were sent back to GPW by the clients for shredding. GPW was making a small profit from the outsourced work.

7.2. Book Binding Section.

In this section, the Committee was informed that the guillotine machine was broken, and some of the machines were very old and slow. The work is outsourced. The challenge in this section was that buying consumables such as glue takes time, and the machines kept on breaking. When consumables were not available, the work ended up being outsourced. The machines' maintenance and parts were a big challenge. It was reported that eight machines were not working in this section.

7.3. Litho Section and Printing Sections.

It was reported that of the five machines in the Litho section, there was one machine that worked. In this section, they print colour certificates and maps.

In the Printing Section, it was reported that there was a supplier machine that had one operator, and when the operator was sick, there was no one to operate the machine. On the date of the oversight, the operator was off sick. The section had nine machines and seven of them were broken. People came to work and did nothing, and management was unwilling to send them to other sections.

8. Committee observations/ recommendations

The Committee observed the following confirming what was reported above, that need to urgently be investigated, addressed and reported on within 4 months of this report:

8.1. It appears that the relationship between the labour unions and the GPW management is bordering on incompetence with insufficient action taken by management in relation to employees. The CEO needs to be held more accountable by the Minister to address the Human Resource and Operational loggerheads in the GPW.

8.2. During the walkabout and inspections of both the Visagie and Bosman Street Printing factory, many of the workers were not wearing full Personal Protection Equipment (PPE) as required.

8.3. The Bosman Street Printing factory building is dilapidated, and it is not fit for people to work from and poses a danger to the employees of GPW. The roof was leaking, there are poor ablution and kitchen facilities, lack of ventilation and the building was not being maintained/ cleaned properly.

8.4. The Committee noticed that many machines were not working, it is either that these machines broke down and were not repaired or GPW has not purchased the spare parts. One of the Printing Press machines was in the box and it is still brand new. The Printing Press was not used for several years since it was purchased due to awaiting installation at the delayed new head offices at Visagie Street. Four out of five Litho Machines were not operational

8.5 The GPW needs to address outstanding very high irregular expenditure needs to be resolved by the loss control committee.

8.6 Progress must be reported on the length of repair of non-operational equipment and outsourcing of printing work whilst staff are underutilized.

8.7 A report must be made on the implementation of the Special Investigations Unit recommendations and follow-up investigations to be conducted for outstanding and arising concerns.

8.8 Report on the outstanding Ministerial Review Panel (MRP) recommendations report and consider extending the scope of the MRP for unaddressed and ongoing challenges at GPW.

8.9 SITA and GPW must address reliable ICT and Power Supply bearing in mind decisions to exempt Security Cluster Departments and entities from using SITA.

Report to be considered.

3. Oversight Report of the Portfolio Committee on Correctional Services to Pollsmoor Correctional Centre, dated- 6 May 2025.

The Portfolio Committee on Correctional Services undertook its oversight visits to Pollsmoor Correctional Centre on 22 April 2025 and reports as follows:

1. Introduction

1.1 The Portfolio Committee on Correctional Services (the Committee) undertook an oversight visit to Pollsmoor Correctional Centre on 22 April 2025.

1.2. Members of the Committee that formed part of the oversight were:

- Ms KA Ramolobeng (ANC)
- Mr. MS Moela (ANC)
- Mr M Sokopo (ANC)
- Mr J Engelbrecht (DA)
- Ms K Kgobisa-Ngcaba (DA)
- Mr MJ Matutu (MKP)
- Mr MM Gasa (MKP)
- Mr Carl Niehaus (EFF)
- Ms DE James (Action SA)
- Mr M Daniels (PA)

Support Staff

- Mr M Mathabathe (Content Advisor)
- Mr S Mthonjeni (Committee Secretary)
- Mr S Makeleni (Committee Assistant)
- Ms V Magadane (Executive Secretary)
- Ms R Azzakani (Communication Officer)
- Mr P Jikelo (Parliament Photographer)

- 1.3. The focus area for the oversight visit was on Infrastructure, Rehabilitation, Social Reintegration, treatment of inmates and general conditions of the facility including Mothers-and-Babies.

PART I

2. Correctional Center visited

- 2.1 The Committee visited Pollsmoor Correctional Centre on 22 April 2025.
- 2.2 Copies of all the presentations are available from the committee secretariat.

3. POLLSMOOR CORRECTIONAL CENTRE

- 3.1. Pollsmoor Management Area was opened on in 1964 and it comprises of Five (5) Correctional Centres and two (2) Community Corrections offices.

- 3.2. The five correctional centres are as follows:

- Remand Detention Facility (DRF): houses adult male Remand Detainees as well as adult male Maximum Further Charges (Sentenced)
- Medium- A: houses adult, youth and children male Remand Detainees;
- Medium-B: houses adult male sentenced offenders, Further Charges as well as sentenced male juveniles and further charges;
- Medium- C: houses adult male sentenced less than twelve months and serve as a pre-release centre and accommodates day parolees and periodical offenders;
- Female: houses all categories of female inmates (Remand Detainees, Sentenced offenders, Sentenced and Remand Detainee Juveniles);
- Baby-Mother Unit is a separate Unit under Female Centre which houses mothers and babies under 2 years of age.

- 3.3 The Committee visited the following sections of the management area:

- Remand Facility: Audio-Visual Remand System; Kitchen and Clinic
- Medium A: Remand section, B-section; and Clinic
- Butchery
- Workshop: Wood and Steel
- Pharmacy
- Female Centre
- Medium C
- Mother-and-Baby Unit.

3.4 The approved bed space for Pollsmoor Management Area is 3 883 while there are 6 804 inmates of which 5 243 are remand detainees, 1 529 are sentenced offenders, 227 mental health care users and 27 J138 cases. The J138 inmates are those remand detainees who have been served with a warrant awaiting psychiatric observation in a Mental Health Institution. The overcrowding rate at Pollsmoor Correctional Centre is 175.23%.

3.5 Pollsmoor Correctional Centre houses 12 lifers of which all of them are those who committed crimes after 01 October 2004.

3.6 Pollsmoor Correctional Centre has a total of 401 foreign national inmates of which 325 are remand detainees and 77 are sentenced offenders. Majority of sentenced offenders are from Zimbabwe (25), followed by Tanzania (16) and Congo (10).

3.7 In terms of Section 49G of the Correctional Service Act, 111 of 1998 as Amended, the Department is required to submit referrals of inmates detained for a period longer than 24 months to court for consideration of bail or release on Correctional Supervision. As on 31 March 2025, there were 414 remand detainees qualifying for court referrals.

- 3.8 In terms of Sec.63(1) and 63(A) of the Criminal Procedure Act, 51 of 1977 (Bail Review), the Pollsmoor Correctional Centre submitted 164 to court and only 65 were successful and 99 were unsuccessful.
- 3.9 In terms of Bail amount, 890 remand detainees had Bail amount set by the court. 228 RDs had bail of less than R500, 401 RDs had bail amount of between R500-R1000, 230 RDs had bail of between R1000-R5000, 25 RDs had bail of between R5000-R10 000 and another 6 RDs had bail of between R10 000-R50 000.
- 3.10 Pollsmoor Correctional Centre offers long occupational skills as well as short occupational skills which includes Sewing, Hairdressing, Beading, Catering, Cabinet making and Computer skills. A total of 37 inmates participate in long occupational skills.
- 3.11 Self-Sufficiency and Sustainability with regard to Agriculture is as follows:
- 9ha farm producing cabbage, carrots, beetroot, brinjal, potatoes, onions, butternut and pumpkin.
 - More than 72 917 kg of vegetables were produced from 1 April 2024 to March 2025
 - The average labour force in the agriculture per day is 47 (13 female and 34 male offenders)
 - A vegetable processing plant, Hlumani is utilized to clean, chop, process and store vegetables before distribution to the various food service units.
- 3.12 Self-Sufficiency and Sustainability with regard to Production Workshops is as follows:
- Production workshops consist of Steel, Wood and Upholstery, Textile and are operating according to business principles with a computerised costing system
 - Offenders participating in the workshops are equipped with market related skills
 - Workshops produce various types of furniture to other State Departments, e.g (Justice, Defence, Forestry & Fishery, etc)

- On average, 80 offenders (17 female and 63 male offenders) are placed in the workshops.

3.13 With regard to health care services the following were highlighted:

- Each correctional centre is equipped with a sick bay
- The medical personnel consist of the following:
 - 2x full time Medical Doctors
 - 1x Doctor (contract)
 - 1x Dentist (contract)
 - 1x Psychiatrist (contract).
- There is a Pharmacy on site with a permanently appointed Pharmacist.

3.14 With regard to Nutritional Services, the following were highlighted:

- There are three Food Service Units (FSU) namely RDF, Medium A, Medium B respectively and butchery
- Medium B FSU is preparing meals for three centres (Female Centre, Medium C and Medium B)
- Butchery serves as a storage facility, cutting and distribution of meat to the three FSU's
- All three (3) kitchens and the butchery have Certificates of Acceptability as authorised by the Local Authority (City of Cape Town)
- A new twelve (12) day meal plan is implemented and all commodities procured
- The FSU's are coordinated by one Nutritional Manager with qualified caterers (DCS personnel) and offender labour (food handlers) responsible for food preparation and serving.

3.15. The Management Area has highlighted the following challenges and proposed intervention:

- Dilapidated infrastructure causing constant leakage from the roof, bulk services affecting ablution facilities, asbestos structure of Medium C and poor perimeter

security fencing – DPWI to expedite the waterproofing of the roof of RDF, Med B and Female Centre. Upgrading of the Management Area boundary security fencing and the replacement of the Med C centre with a brick structure.

- Limited capacity to maintain equipment and infrastructure due to DPWI not rendering maintenance services – Implementation of maintenance contract to ensure timeous repair of equipment e.g stoves and pots.
- Dilapidated single and married quarters due to lack of maintenance and funding as well as a lack of accommodation for staff due to influx of staff – Allocation of budget to undertake maintenance and building of staff accommodation through engagement with DPWI.
- Unreliability of the A&R system and the zero interfacing with IMMS that affects the data integrity – ITC upgrade under way.

3.16 The Pollsmoor Management Area has a total of 1 466 financed positions but only 1 259 are filled resulting in 207 (14.12%) vacancies. These vacant positions consist of administrative entry level posts, supervisors and management posts, professionals and entry-level security officers' posts.

3.17 A total of 52 disciplinary cases were registered and 45 have been finalized while 7 are still in progress.

3.18 In terms of grievances, there were 19 registered and 18 were finalized while 1 is still in progress.

3.20 In terms of officials caught smuggling, there were 04 in 2024/25 of which 2 were found guilty and dismissed while the other two cases are still pending.

4. COMMITTEE OBSERVATIONS

4.1 **Audio-Visual Remand System:** The Committee congratulates the management of Pollsmoor for the Audio-Visual Remand System which minimizes the costs for

transporting inmates to and from court. The system also reduces the risk of inmates escaping at court and on their way to and from court.

- 4.2 **Mother-and-Baby Unit**: The Committee congratulates the management of Pollsmoor on the separation of the Mother-and-Baby Unit from the female centre and ensuring that babies are not exposed to the prison environment. The Committee encourages the Department of Correctional Services to ensure that, where possible, other management areas that have a Baby-and-Mother Unit implement such a system. The Committee was also impressed with the facility and conditions of the Early Child Development centre.
- 4.3 **Bail of less than R1000**: The Committee noted with concern that 469 remand detainees had bail of less than R1000 in Pollsmoor Management Area alone. The Committee calls upon all relevant stakeholders within the Criminal Justice System to work together to find a solution to this crisis.
- 4.4 **Hygiene**: The Committee was disappointed with the state of hygiene in communal cells especially in the remand facilities. The Committee urge the management of the facility to ensure that cleaning materials are provided for inmates to clean their cells. In addition, the Committee request management to ensure that unit managers conduct daily inspections of cells within their units.
- 4.5 **Infrastructure**: The Committee observed that the infrastructure, especially at female centre, was dilapidated and almost all windows were broken and paint on walls and ceiling were pilling off. The Department is urged to ensure that minor maintenance and repairs that are within their control are attended to as a matter of urgency. The Department of Public Works is also requested to ensure that they conduct assessments of the major repairs that are required within the management area and come up with a plan of action with time frames, jointly with DCS and submit the plan to the Committee within 30 days of the adoption of this report.
- 4.6 **Contraband**: The number of contraband found in the management area was a source of concern for the Committee, especially the number of cellphones (2 444) and mandrax (6 891). The Committee encourages the Department of Correctional Services to ensure that joint operations on raids become a national project.

- 4.7 **Body Scanners:** The Department of Correctional Services is requested to ensure that quality body scanners are procured and installed especially at highly concentrated facilities and Pollsmoor should be one of those. This will limit the number of contrabands making their way into correctional centres.
- 4.8 **Promotion of officials:** The Committee believes that the promotion of officials should be done on merit and to deserving officials. The Committee urge the Department of Correctional Services to ensure that there is continuous skills and management training for officials within the department to ensure that they are equipped and ready for any promotion opportunities.
- 4.9 **Acting positions:** The Committee noted with concern the number of acting positions, especially at management level and requests the Department of Correctional Services to ensure that funded vacancies are filled.
- 4.10 **Programmes for Juvenile inmates:** The Committee was seriously concerned with the number of very young inmates who are incarcerated for serious crimes in Pollsmoor. The Committee calls upon the Department to facilitate intervention programmes that will address the growth and development of young inmates and also assist them to lead a crime free life upon release. In addition, the Department is requested to engage other stakeholders including Departments of Social Development and Basic Education to address factors contributing to young people engaging in crime.
- 4.11 **Overcrowding:** The Committee noted with concern the level of overcrowding especially at Remand Facility (234.07%) and Female Centre (248.57%) in Pollsmoor Management Area. The Committee also noted that Section 63f and Section 45G strategies do not bear any fruit. During a walk-about in different sections, the Committee observed that some of the communal cells in the female centre were not overcrowded, especially those at sentenced offender section. In addition, the Committee noted that Medium C was only 61.91% occupied. The management of the facility is encouraged to find creative ways to use available space to lessen overcrowding.

- 4.12 **Workshop and Skills development:** The Committee was impressed with the different products produced from workshops in the centre including furniture and steel cabinets. The Committee encourages the management of the centre to ensure that more offenders benefit from such skills. In addition, the Department of Correctional Services should make efforts to have skills in the workshop accredited so that offenders can have certificates that will assist them during reintegration in the community.
- 4.13 **Foreign Nationals:** The Committee noted that there are 401 foreign nationals in Pollsmoor Management Area. The management of the centre is encouraged to work with home affairs to address issues of foreign nationals, especially those who are incarcerated for immigration laws. The management is further requested to ensure that foreign nationals are managed with regard to South African laws and immigration laws.
- 4.14 **General condition of the centre:** The Committee noted that the management area was generally clean and encourages the management to ensure that the terrain within the accommodation of officials is also kept clean.
- 4.15 **Follow up:** The Committee will send one Member, Ms Kgobisa-Gcaba, to conduct an unannounced visit, within three months from the date of adoption of the report, to do a follow-up on issues raised in this report.

Report to be considered.

4. Report of the Portfolio Committee on Trade, Industry and Competition on the Department of Trade, Industry and Competition's Second and Third Quarter Financial and Non-Financial Performance for the 2024/25 Financial Year, dated 23 April 2025

The Portfolio Committee on Trade, Industry and Competition, having assessed the service delivery performance of the Department of Trade, Industry and Competition (DTIC), against its mandate and allocated resources, in particular the financial resources for the period 1 July to 31 December 2024, on 18 February 2025, reports as follows:

1. INTRODUCTION

Due to the transition to the Seventh Administration after the national and provincial elections, the DTIC had revised its 2024/25 Annual Performance Plan (APP) in October 2024. The elections, as well as other geopolitical and domestic factors, have led to significant disruptions in the economy and have affected the DTIC's performance over the second and third quarters.

In the third quarter of the 2024/25 financial year, South Africa's Gross Domestic Product (GDP) unexpectedly contracted by 0,3 percent since the second quarter, primarily due to a severe drought that led to a substantial decline in agricultural production. However, there had been a 0,5 percent increase in the GDP contribution of the manufacturing sector from the second quarter to the third quarter of the 2024/25 financial year. Furthermore, South Africa had a positive trade balance of R65 billion in the third quarter with exports to the value of R521 billion.¹ Within this economic context, the DTIC had achieved 63,8 percent and 70 percent of its key performance indicator (KPI) targets in the second and third quarter of the 2024/25 financial year respectively and had spent 96,2 percent of its projected budget as at 31 December 2024 or 72,8 percent of the adjusted annual budget allocation.

1.1. Mandate of the Committee

Section 5 of the Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009)

¹ DTIC (2025b: 2-3)

requires the National Assembly, through its committees, to annually assess the performance of each national department over an 18-month period. This culminates in a committee submitting a report of this assessment known as a Budget Review and Recommendation (BRR) Report. The overarching purpose of the BRR Report is for the committee to make recommendations on the forward use of resources to address the implementation of policy priorities and services, as the relevant department may require additional, reduced or re-configured resources to achieve these priorities and services. This Act gives effect to Parliament's constitutional powers to amend the budget in line with the fiscal framework.

The current process forms part of ongoing oversight of the DTIC's financial and non-financial performance. This will inform the next BRR process. Furthermore, Parliament's APP requires submission of reports on departments' quarterly performance.

1.2. Purpose of the Report

The purpose of this report is to provide an assessment of the financial and non-financial performance of the DTIC against its predetermined objectives and quarterly milestones as part of the Committee's ongoing budgetary oversight. This assessment includes the non-financial and financial performance for the second and third quarter of the 2024/25 financial year, the period from 1 July to 31 December 2024.

1.3. Method

The Committee was briefed by the DTIC on its second and third quarter performance for the 2024/25 financial year on Tuesday, 18 February 2025. The Committee then engaged on the presentation by the DTIC.

1.4. Outline of the contents of the Report

Section 1 of the report provides an introduction to the report including its purpose, and method. Section 2 outlines the DTIC's strategic objectives, and provides an assessment of its financial and non-financial performance against its APP for the second and third quarter of the 2024/25 financial year and Section 3 outlines the key issues raised by the Committee during deliberations. Section 4 provides the Committee's concluding remarks followed by a note of appreciation in Section 5.

2. DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION

2.1. Strategic Goals

The DTIC's performance was in line with its strategic objectives, which guided its work and was aligned to its programmes. The strategic goals were as follows²:

- Promoting structural transformation, towards a dynamic industrial and globally competitive economy;
- Providing a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development;
- Broadening participation in the economy to strengthen economic development;
- Continually improving the skills and capabilities of the department to effectively deliver on its mandate and respond to the needs of South Africa's economic citizens;
- Coordinating the contributions of government departments, state entities and civil society to effect economic development; and
- Improving alignment between economic policies, plans of the state, its agencies, government's political and economic objectives and mandate.

2.2. Overview and assessment of the financial and non-financial performance³

This section provides a comparison between the DTIC's second and third quarter non-financial performance milestones as outlined in its APP against its second and third quarter performance reports for the 2024/25 financial year, and outlines its financial performance for the period under review.

2.2.1. Non-Financial Performance

The DTIC's initial 2024/25 APP set out a number of KPIs linked to 45 targeted impact outcomes that were shared across relevant programmes and entities falling under the DTIC's mandate (DTIC Group). However, the APP was revised in October 2024 and an amended set of KPIs were presented moving away from the targeted impact outcome approach. Therefore, it should be noted that the second and third quarters were based on different sets of KPIs, which may also have impacted the progress the DTIC had made in the third quarter.

² DTIC (2024a)

³ DTIC (2024a, 2024b, 2025a and 2025b)

2.2.1.1. Second Quarter Performance by Programme⁴

In terms of the second quarter KPIs, the DTIC had set 80 targets for this quarter, 51 of which had been achieved. This represented a 63,8 percent achievement of targets during the quarter. Given the substantive amendments and revisions of the DTIC's KPIs, the following five targets that had not been achieved are highlighted regarding the second quarter performance rather than a detailed programme breakdown:

- Three Business Forums to be hosted aimed at supporting increased foreign direct investment (FDI), exports and outward investment by the Trade programme. None were hosted, as there had been no state visits requiring such forums.
- R875 million of additional local output committed or achieved by interventions by the Sectors programme. No companies had reported on this indicator in the quarter.
- R250 million of output by black industrialists supported through sector interventions by the Sectors programme.
- Progress report on the implementation and Monitoring of a Metal Trading System to identify stolen public infrastructure entering the scrap metal value chain, export market or legitimate metal production industry. A draft report had been prepared by the Sectors programme but had not been signed off at the time.
- A report on high impact measures to improve the efficiency and/or effectiveness, of the DTIC's policy or programme interventions by the Research programme. The timeframe allocated for the development of the impact evaluation reports had not been sufficient.

2.2.1.2. Third Quarter Performance by Programme⁵

The DTIC had 30 targets for this quarter, of which 21 targets had been achieved. This represented a 70 percent achievement of its quarterly targets. This is an improvement in performance compared to the previous quarter's performance of 63,8 percent achievement of targets.

⁴ DTIC (2024a and 2025b)

⁵ DTIC (2024b, 2025a and 2025b)

- **Programme 1: Administration**

Programme 1 had no targets set for the third quarter. However, it had reported on the performance of its entities against their planned targets. It had noted a 76 percent overall achievement of planned targets against an annual target of 85 percent. Five out of the 19 entities (namely the Industrial Development Corporation (IDC), the National Metrology Institute of South Africa (NMISA), the National Empowerment Fund (NEF), the National Lotteries Commission (NLC) and the South African Bureau of Standards (SABS)) had achieved less than 56 percent of their planned targets; thus, pulling down the overall performance of the 19 entities. While 11 of the 19 entities had achieved over 85 percent of their planned targets.

- **Programme 2: Trade**

Programme 2 had one target planned for the third quarter, namely “Amendments to Safeguard Regulations submitted to Executive Authority” in relation to reducing red-tape in the International Trade Administration Commission’s (ITAC) application process. The target had not been achieved. However, the branch had prepared draft Safeguard Regulations, which were being discussed with internal stakeholders, including ITAC. The branch expected to submit a final draft to the Executive Authority by the end of January 2025.

It had also reported on progress made on the Protocols on Competition and on Women and Youth in Trade in terms of the African Continental Free Trade Area (AfCFTA), as well as South Africa’s offer on Trade in Services, even though these had not been set as third quarter targets. In terms of the Protocols, submissions had been made to the Executive Authority requesting the approval of the Cabinet Memoranda for the two Protocols. In addition, it had developed a differentiated offer to address the problem of reciprocity in the AfCFTA’s Trade in Services negotiations. The Cabinet Memorandum and offer(s) have been presented and approved by the International Cooperation Trade and Security Directors General Cluster. These documents and the South African Services Schedule of specific commitments for five sectors have been submitted to the Executive Authority.

- **Programme 3: Investment and Spatial Industrial Development**

Programme 3 had two targets planned for the third quarter, of which all targets had been achieved. These were as follows:

- In terms of the Rand value of domestic direct investment and FDI attracted through greenfield and brownfield investments, the branch had attracted R7,8 billion worth of investment against a target of R5 billion.
- In terms of the number of investor facilitation and red tape reduction interventions provided, the branch had provided 26 interventions. There had been an increase in new applications being received due to perceived opportunities in the services sector and Zimbabwean Exemption Permit holders applying for Business Visas.

Furthermore, the branch reported that there had been 11 red tape reductions processed for Independent Power Producers through the Energy One-Stop Shop. The annual target had been to process ten red tape reductions.

- **Programme 4: Sectors**

Programme 4 had 11 targets planned for the third quarter, of which six targets had been achieved. The five targets that had not been achieved were as follows:

- A 10 percent increase in localisation in both public and private sectors through key sectoral interventions. The DTIC had reported localisation to the value of R1,5 million; however, this could not be compared against the target.
- Only R347,6 million in manufacturing exports had been reported against a target of R1,5 billion.
- Only 188 new jobs had been created through sectoral interventions against a target of 1 500 new jobs.
- The draft Hemp and Cannabis Commercialisation Policy had been developed. However, the policy had not yet been submitted for Ministerial approval.
- Initial engagements on the Automotive Policy Review terms of reference had commenced in December 2024 following the Executive Oversight Committee meeting. However, the stakeholder engagement workshops on Automotive Master Plan would be fast-tracked during the fourth quarter.

- **Programme 5: Regulation**

Programme 5 had five targets planned for the third quarter. All the targets had been achieved. This included:

- Two legal and technical reports submitted to National Treasury on the draft General Laws Amendment Bill against a target of one report. The DTIC had consulted with National Treasury, the Companies Tribunal and the Companies and Intellectual Property Commission.
- One Draft Regulation developed and submitted to the Executive Authority for publication in the Government Gazette, as planned.
- Two documents had been submitted to Minister for the two Companies Amendment Acts. The branch had facilitated the approval process of the proclamation, and the entire Companies Second Amendment Act and selected sections of the Companies Amendment Act came into operation on 27 December 2024.
- An Action Plan had been developed, and one action had been taken on measures related to business rescue. The report had been submitted to the Executive Authority for approval, as planned. Furthermore, a brainstorming technical dialogue had been held with industry experts, business rescue associations and other regulators to identify challenges and actions in this regard.
- An Action Plan had been developed on E-commerce, as planned.

- **Programme 6: Incentives**

Programme 6 had one target planned for the third quarter, namely the Rand value of export revenue of Global Business Services. The target had been exceeded with R2,74 billion achieved against a target of R1 billion. The deviation from the planned quarterly target was due to the high value of exports reported from the Business Process and Global Business Services' claims received and paid.

- **Programme 7: Exports**

Programme 7 had been no targets planned for the third quarter.

- **Programme 8: Transformation and Competition**

Programme 8 had seven targets planned for the third quarter, of which only one target had been achieved. This was the development of the draft concept for the Transformation Fund with inputs from the Department of Small Business Development, the Broad-Based Black Economic Empowerment (B-BBEE) Commission, the Competition Commission, and the NEF.

The six targets that had not been achieved were as follows:

- Only R1,4 billion of investments had been leveraged from competition and transformation interventions against a target of R3,75 billion. However, the DTIC reported that the annual target had been achieved in the first quarter.
- The targeted R5 billion raised in terms of the Transformation Fund could not be achieved as this was dependent on the finalisation of the concept document.
- There have been no commitments for the Transformation Fund compared to a target of five commitments, as this was dependent on the finalisation of the concept document.
- The implementation of B-BBEE to achieve 15 percent black ownership in critical sectors by 2029 had not been achieved, as there had been delays in the analysis of data.
- Only 516 job opportunities had been created through transformation and competition interventions against a target of 50 000 job opportunities, as there had been fewer than expected merger filings with reduced job targets due to slow economic growth.
- Only 50 additional workers had gained shares in their companies as a result of the DTIC Group's interventions including but not limited to competition initiatives against a target of 2 500 additional workers. This was attributed to mergers being approved with lower numbers of employees.

- **Programme 9: Research**

Programme 9 had three targets planned for the third quarter, of which two targets had been achieved. These were as follows:

- One Bi-monthly Barometer publication had been produced covering manufacturing employment, trade, GDP, investment and economic modelling forecasts, as planned.
- Three Market intelligence and trade opportunities reports had been produced for exporters, as planned.

The branch had not produced two discussion papers to influence economic policy. This was attributed to a longer than anticipated process to appoint Think-Tank members. However, the DTIC had reported that these appointments had subsequently been finalised.

2.2.2. Financial Performance

2.2.2.1. Second Quarter Performance

Of the R5,1 billion projected budget for the second quarter, R4,7 billion had actually been spent. This resulted in an under-expenditure of R323,6 million (6,4 percent of the projected year-to-date expenditure) as at 30 September 2024.

Table 1: Expenditure by Programme as at 30 September 2024

Programme (R'000)	Budget 2024/25	Year-to-date			Available Budget
		Projected Expenditure	Actual Expenditure	% Variance ⁶	
1: Administration	880 966	424 201	407 790	3,9%	473 176
2: Trade	241 644	134 639	141 099	-4,8%	100 545
3: Investment and Spatial Industrial Development	167 077	109 610	55 017	49,8%	112 060
4: Sectors	1 431 536	827 686	829 702	-0,2%	601 834
5: Regulation	346 122	190 824	194 238	-1,8%	151 884
6: Incentives	4 034 466	2 383 704	2 119 589	11,1%	1 914 877
7: Export	387 960	275 358	250 697	9,0%	137 263
8: Transformation and Competition	2 047 132	696 008	728 794	-4,7%	1 318 338
9: Research	63 326	27 056	18 527	31,5%	44 799
Total	9 600 229	5 069 086	4 745 452	6,4%	4 854 777

Source: DTIC (2025b)

The main contributors to underspending had been the Incentives programme with an under-expenditure of R264,1 million (11,1 percent of the programme's budget), and the Investment and Spatial Industrial Development programme with under-expenditure of R54,6 million (49,8 percent of the programme's budget). Furthermore, the Research programme had underspent its budget by 31,5 percent or R8,5 million and the Export programme by 9 percent or R24,7 million.

There had also been significant over-spending in the Transformation and Competition programme of R32,8 million (4,7 percent over the projected expenditure for the programme) and in the Trade programme to the value of R6,5 million (4,8 percent over the projected expenditure for the programme). The table above details the second quarter expenditure by programme.

⁶ Variance is the difference between the projected expenditure and the actual expenditure. A positive variance refers to an under-expenditure and a negative variance refers to an over-expenditure.

In terms of expenditure by economic classification, there had been significant underspending of R290,3 million in transfers and subsidies, specifically in terms of incentive payments and external programmes. This had been R263,9 million (11,5 percent of the projected expenditure) and R27,9 million (5,5 percent of the projected expenditure) respectively. In terms of the procurement of goods and services, there had been under-spending of R15,6 million or 4,7 percent of the projected expenditure. There had also been under-spending of R15,3 million in terms of compensation of employees or 2,9 percent of the projected expenditure. In addition, there had been over-spending of R3,5 million or 804,9 percent of the projected expenditure on households. The financial performance in terms of the economic classification is depicted in Table 2 below.

Table 2: Expenditure by Economic Classification as at 30 September 2024

Description (R'000)	Budget 2024/25	Year-to-date			Available Budget
		Projected Expenditure	Actual Expenditure	% Variance	
Current payments	1 790 425	851 774	820 887	3,6%	969 538
Compensation of employees	1 081 180	520 328	505 039	2,9%	576 141
Goods and services	709 245	331 446	315 843	4,7%	393 402
Interest	-	-	4	0,0%	(4)
Transfers and subsidies	7 791 864	4 210 894	3 920 596	6,9%	3 871 268
Incentive payments	3 872 060	2 302 981	2 039 096	11,5%	1 832 964
Department entities	1 987 162	1 281 877	1 281 877	0,0%	705 285
External programmes	1 732 470	504 327	476 386	5,5%	1 256 084
Non-profit organisations (Partnerships with business associations, NEDLAC)	153 321	118 935	118 135	0,7%	35 186
Membership fees (International organisations)	45 799	2 342	1 193	49,0%	44 606
Households	1 052	432	3 909	-804,9%	(2 857)
Payments for capital assets	17 940	6 418	3 963	38,3%	13 977
Payments for financial assets	-	-	6	0,0%	(6)
Total	9 600 229	5 069 086	4 745 452	6,4%	4 854 777

Source: DTIC (2025b)

2.2.2.2. Third Quarter Performance

Projected expenditure by the end of the third quarter had been R7,3 billion while actual expenditure had been R7,03 billion. This resulted in under-expenditure of R281,2 million in the third quarter or 3,8 percent lower than the projected expenditure. The table below details the third quarter expenditure by programme.

Table 3: Expenditure by Programme as at 31 December 2024

Programme (R'000)	Budget 2024/25	Adjusted Budget	Year-to-date			Available budget
			Projected Expenditure	Actual Expenditure	% Variance	
1: Administration	880 966	952 657	639 075	618 730	3,2%	333 927
2: Trade	241 644	240 820	185 222	189 547	-2,3%	51 273
3: Investment and Spatial Industrial Development	167 077	140 281	143 810	87 193	39,4%	53 088
4: Sectors	1 431 536	1 328 954	1 055 529	1 069 195	-1,3%	259 759
5: Regulation	346 122	346 233	316 957	316 376	0,2%	29 857
6: Incentives	4 034 466	4 200 678	3 344 669	3 157 968	5,6%	1 042 710
7: Exports	387 960	358 360	328 829	286 374	12,9%	71 986
8: Transformation and Competition	2 047 132	2 041 864	1 261 441	1 281 504	-1,6%	760 360
9: Research	63 326	57 797	40 916	28 403	30,6%	29 394
Total	9 600 229	9 667 644	7 316 448	7 035 290	3,8%	632 354

Source: DTIC (2025b)

The main contributors to under-spending had been the Incentives programme with an under-expenditure of R186,7 million (5,6 percent of projected expenditure), the Investment and Spatial Industrial Development programme with under-expenditure of R56,6 million (39,4 percent of projected expenditure), and the Export programme with under-expenditure of R42,5 million (12,9 percent of projected expenditure). There had also been significant under-spending of 30,6 percent of the projected budget for the Research programme (R12,5 million). In terms of over-spending, the Transformation and Competition programme had over-spent by R20,1 million (1,6 percent of its projected expenditure), and the Sectors programme had over-spent by R13,7 million (1,3 percent of its projected expenditure).

In terms of the economic classification, there had been significant under-spending in transfers and subsidies (R211,98 million or 3,5 percent of the projected expenditure), specifically in terms of incentive payments, external programmes and membership fees paid to international organisations. This had been R186,9 million (5,8 percent of projected expenditure), R44,1 million (4,6 percent of projected expenditure) and R13,3 million (85 percent of projected expenditure) respectively. There had also been over-spending of R28,9 million for department entities or 1,7 percent of the projected expenditure.

In terms of the procurement of goods and services, there had been under-spending of R25,6 million (5,1 percent of the projected expenditure). While compensation of employees had been under-spent by R45,2 million or 5,7 percent, this had significantly increased

compared to under-spending of 2,9 per cent in the second quarter. The financial performance in terms of the economic classification is depicted in Table 4 below.

Table 4: Expenditure by Economic Classification as at 31 December 2024

Description (R'000)	Budget 2024/25	Adjusted Budget	Year-to-date			Available budget
			Projected Expenditure	Actual Expenditure	% Variance	
Current payments	1 790 425	1 812 939	1 293 710	1 223 204	5,4%	589 735
Compensation of employees	1 081 180	1 041 180	795 435	750 198	5,7%	290 982
Goods and services	709 245	771 755	498 275	472 724	5,1%	299 031
Interest and rent on land	-	4	-	281	0,0%	(277)
Transfers and subsidies	7 791 864	7 836 250	6 012 941	5 800 964	3,5%	2 035 286
Incentive payments	3 872 060	4 038 272	3 222 753	3 035 900	5,8%	1 002 372
Department entities	1 987 162	1 987 162	1 663 622	1 692 549	-1,7%	294 613
External programmes	1 732 470	1 601 258	959 219	915 150	4,6%	686 108
Non-profit organisations (Partnerships with business associations, NEDLAC)	153 321	158 321	151 067	149 967	0,7%	8 354
Membership fees (International organisations)	45 799	46 599	15 598	2 336	85,0%	44 263
Households	1 052	4 638	682	5 062	-642,3%	(424)
Payments for capital assets	17 940	18 440	9 797	11 116	-13,5%	7 324
Payments for financial assets	-	15	-	6	0,0%	9
Total	9 600 229	9 667 644	7 316 448	7 035 290	3,8%	632 354

Source: DTIC (2025b)

3. ISSUES RAISED DURING THE DELIBERATIONS

The following issues relating to the performance of the DTIC were raised during the Committee's deliberations:

- 3.1. ***Facilitation of a conducive economic environment for business development:*** There had been a downward revision of South Africa's GDP growth forecast from 3 percent to 1,1 percent for 2024, which indicated significant economic challenges. The Committee enquired what measures were being considered by the DTIC to address these structural challenges that would foster a conducive environment for business and stimulate growth. The DTIC acknowledged that the South African economy has been stuck in a low-growth trap for a number of years. It attributed this mainly to the long-standing electricity supply, and freight and logistics challenges. These structural challenges impose binding constraints on the economy and are being actively addressed

by the Presidency and Operation Vulindlela. The DTIC is participating in the National Electricity Crisis Committee (NECCOM) and the Freight and Logistics Crisis Committee (NLCC) which are structures set up by the Presidency to address these issues. Although substantial progress has been made, it emphasised that the resolution of these issues required significant investment in infrastructure and could only be achieved in the short- to medium-term. In the immediate-term, the DTIC Group was continuing to engage investors, provide industrial finance solutions and identify export opportunities. In addition, the DTIC would shortly release a comprehensive Industrial Policy which seeks to place South Africa on a higher growth path. The Industrial Policy will lay out interventions on critical minerals, electric vehicles, digitisation and economic diversification opportunities.

- 3.2. *Alignment of the Master Plans with a revised industrial policy:* The DTIC had reported that it was in the process of developing a National Industrial Policy Framework. This was informed by the policy priorities of the Government of National Unity, centred on bringing about inclusive growth and job creation, reducing poverty and building a capable, ethical and developmental state. The Policy would incorporate new industries where there was a global demand for these products and address binding constraints, especially in network industries, which are critical for lowering the cost of production, increasing economic growth and industrial development in South Africa. The Committee enquired how the DTIC would ensure that the various sector specific master plans would be fully aligned with the overall industrial policy. Furthermore, what measures had been considered by the DTIC that would ensure that South Africa had the necessary resources and technical capabilities to effectively implement the policy and support critical sectors such as the green economy and digital technologies. Lastly, the Committee enquired about the specific timelines for the rollout of key initiatives. The Minister informed the Committee that South Africa had made significant progress in developing a comprehensive industrial policy framework, with the focus on sustainability, innovation and diversification. He emphasised that the focus should be on ensuring that the framework becomes actionable with concrete mechanisms for implementation. He further stated that ongoing engagements with stakeholders and the Committee would help to refine and effectively implement the framework. With regard to the three critical pillars of industrial policy, the Minister

indicated that he would not provide full details at this stage. However, he highlighted that decarbonisation and its link to critical minerals, tied to the broader goal of energy transition, and the digital economy with the emphasis on digitisation, as well as the diversification of economic sectors and trade relations would form part of the policy. This, according to the Minister, would guide the policy and support South Africa's long-term growth. The Acting Director-General supported the Committee's view that industrial policies should focus on both advancing new opportunities and maintaining existing capabilities, which reflects a balanced approach while ensuring the sustainability of the current economy. She emphasised that Master Plans would play a critical role in ensuring that existing industrial capabilities are retained, while pursuing new opportunities.

- 3.3. ***Regional Critical Mineral Resources Strategy:*** The strategic use of South Africa's natural resources, particularly critical minerals – those used for green technology, renewable energy, and electronics – could serve as a national asset. This implies a strategy where countries harness their natural resources not just for immediate economic benefits, but also as long-term strategic assets that contribute to national security and economic stability. The Committee also addressed the 15 critical minerals and what South Africa defines as critical minerals for their importance to industries such as renewable energy, electric vehicles, electronics and battery storage. In addition, South Africa should consider using its critical minerals as part of its national balance sheet, similar to Canada that views its natural resources as assets that the state could leverage. This would support the notion that critical minerals contribute to national interest such as economic policies or secure favourable international trade agreements. In addition, it would act as a buffer to any economic or geopolitical shifts, including the loss of preferential trade arrangements such as African Growth and Opportunity Act (AGOA) or changing global demand for certain minerals. The Committee enquired whether South Africa had a strategy for managing and leveraging these minerals as national assets and how it would ensure that identified critical minerals align with government's long-term economic objectives. The DTIC informed the Committee that South Africa would define what constitutes critical minerals based on their strategic value for economic growth, rather than adopting an external definition. While acknowledging the importance of the green economy and its related minerals, it was of

the view that critical minerals should not be narrowly defined to only those supporting the green economy. It emphasised the collaborative approach undertaken with the Department of Mineral Resources and Energy, to develop a strategic framework that aligns the country's economic priorities, while exploring new ways to leverage its mineral resources.

It further informed the Committee that the Critical Minerals Strategy would require significant fiscal support to attract investors and technology providers to unlock the potential of mineral beneficiation value chains. A competitive tax incentive programme, like the 12I tax incentive scheme, is recommended to attract foreign and domestic investment, as it has been a successful tool used by peer nations. Currently, the strategy and its implementation plan are in the final approval phase, with resources yet to be allocated. The strategy focuses on 15 critical minerals important for South Africa's economic development, including Iron ore, Platinum Group Minerals, Chrome ore, Coal, Manganese, Diamonds, Gold, Copper, Rhodium, Ruthenium, Palladium, Phosphate, Limestone, Nickel, and Sulphur. However, there has been no discussion on using natural resources as a balance sheet to create wealth, attract investment, and promote economic growth.

- 3.4. ***Revitalisation of the steel industry:*** According to the Committee, South Africa's steel industry had once been a dominant player in the global market. The decline in South Africa's steel production was a concern, as it is a vital input in the country's industrialisation drive, especially in relation to infrastructure development. The performance of ArcelorMittal South Africa (AMSA), a key player in the steel industry, had been marred by both internal failures and external economic pressures. Furthermore, despite holding an asset base of R17 billion, AMSA owes the government approximately R11 billion, which had been a significant burden as the company struggles to maintain profitability and competitiveness in the global market. The broader steel sector in South Africa faced significant threats from global competitors, particularly as a result of trade policies and the potential termination of the AGOA, which could further compromise its ability to export steel products. Therefore, there was an urgent need for a national strategy to rescue the steel industry; however, its focus should be on ensuring the sustainability and competitiveness of the entire steel industry,

and not about rescuing individual companies like AMSA. In light of the above, the Committee enquired whether, given AMSA's significant debt to the government, the DTIC should not explore the reconciliation of this debt with its asset base, using its stake or the debt it holds to support the revitalisation of the industry. The Committee further enquired how the DTIC could ensure that the steel industry becomes a key driver in government's industrialisation and infrastructure development initiatives given the external challenges such as the possible termination of AGOA and competition in global markets.

The Minister acknowledged that the steel industry is vital to South Africa's economic reconstruction and recovery, particularly in the manufacturing, mining, construction, engineering, and transportation sectors. He informed the Committee that the DTIC had been coordinating efforts with government, State-Owned Companies (SOCs), the IDC, and AMSA to prevent the closure of the long steel business in Newcastle, KwaZulu-Natal, as it would have negatively impacted the steel supply chain and downstream industries like the automotive manufacturing. AMSA is the primary producer of long steel products, critical for a number of downstream industries, and maintaining the country's industrial capacity. He stated that AMSA's decision was imminent, which posed a timing challenge, as other industry players could potentially meet the demand with an 18-month lag to upgrade their own facilities. By failing to intervene, the immediate closure of these plants would disrupt the downstream industries, especially the automotive sector, forcing them to import steel.

He further stated that importing from international plants would incur a lengthy certification process and add complications due to multinational corporate decisions in sourcing steel. Government's response to mitigate the immediate closure risk, was to extend the revolving loan facility through the IDC to provide liquidity, without giving a donation, while exploring long-term solutions, which could include capital injection and equity involvement. Discussions with AMSA were ongoing, and government's negotiations were to ensure that steel supply remains stable for critical sectors and industries. The government is, therefore, committed to protecting the steel industry, focusing on financial, strategic, operational, and regulatory measures, including the Steel and Metal Fabrication Master Plan. This Plan aims to create a competitive,

dynamic, and inclusive sector that fosters investment, growth, and job creation.

In addition, the DTIC informed the Committee that the support for AMSA was part of a broader industrial strategy to revive South Africa's steel industry, and not just to support one company. This approach highlighted the government's focus on securing the sector's long-term viability, especially in relation to local procurement in key sectors like energy transmission and the refurbishment of rail and wagons, and other critical infrastructure projects. The negotiations around AMSA were centred around preserving South Africa's steel fabrication capabilities and this aligned with the efforts to promote industrialisation and job creation by ensuring that critical sectors rely on local industries for production and supply.

3.5. ***Impact of economic contraction on agriculture and manufacturing:*** In its third quarter report, the DTIC had reported a contraction of 0,3 per cent in the economy which negatively impacted agricultural and manufacturing sectors, among others. The Committee noted the lack of pre-emptive action taken by the DTIC to mitigate against the impact of the contraction and enquired why measures had not been considered or implemented by the DTIC to address the economic contraction, especially within these sectors. The DTIC indicated that the contraction within the agriculture sector had been due to factors such as foot and mouth disease, drought, and the shortage of eggs. It was expected that the sector would significantly recover in the fourth quarter of 2024, as indicated by market commentators, although the final data by Statistics South Africa had still been outstanding. With regard to the weak performance by the economy in 2024, the DTIC indicated that it was due to multiple factors, such as the elections, weak business confidence before the elections, and challenges within the freight and logistics sector. It reiterated that market expectations suggested that the economy would most likely experience growth in the fourth quarter of 2024.

3.6. ***Support for agricultural sector as a key economic contributor:*** The positive trade balance reflects an improved trade position with exports outpacing imports. Despite the improved trade position, there were concerns around a decline in the agricultural sector, which has historically been a key contributor to South Africa's GDP, as well as the sector's important role in job creation, food security and rural development. Given the

structural challenges, such as inadequate infrastructure, limited access to finance, and uncertainty about land reform, the Committee enquired about the targeted measures being considered by the DTIC to address these challenges that would ensure sustainable growth in the agricultural sector. The DTIC acknowledged the challenge faced by the agricultural sector, which experienced a sharp 28,8 percent seasonally adjusted quarter-on-quarter decline, as reported by Statistics South Africa. This decline was partially affected by environmental changes, such as severe drought affecting field crops including maize, soya beans, wheat, and sunflower, as well as adverse weather conditions that hindered the production of subtropical fruits, deciduous fruits, and vegetables. Agriculture plays a crucial role not only in the direct growth of the economy but also through its forward and backward linkages with other sectors. Due to the volatility of the agricultural sector, constant monitoring is essential. The Department of Agriculture (DOA) is tasked with monitoring gross agricultural production value and addressing structural changes in the sector through policies aimed at agricultural adjustments and improving overall performance, including employment within the sector. Further, the DTIC emphasised the importance of supporting the sector through solutions and strategies that could help the sector adapt to environmental challenges and emerging threats, ensuring that the sector remains productive and sustainable. The economic cluster had taken proactive measures to create a comprehensive programme, approved by Cabinet, that would guide the agricultural sector towards greater resilience and sustainability.

- 3.7. ***Opportunities for diversification of the sugar value chain:*** The sugar industry had been experiencing significant challenges, which included the closure of sugar mills, the introduction and impact of the Health Promotion Levy on Sugary Beverages (HPL), the merger of Tongaat Hulett, and increased global competition. This had resulted in significant job losses and regional economic decline. Additionally, the potential entry of a Pakistani company within the sugar industry, taking over a sugar mill may change the ownership landscape. However, there were opportunities within the sugar industry, such as the biofuel initiative, as a possible avenue to revitalise the industry, creating new markets and reducing the dependency on traditional sugar production. Given the challenges facing the sugar industry, the Committee enquired whether the DTIC had developed concrete measures to address this, and what measures had been taken to

promote biofuels as a viable initiative to diversify the industry. The DTIC acknowledged the sugar industry's concern regarding the HPL, as it negatively impacted demand in the sector. In terms of the HPL, it emphasised that global best practice would have been to introduce incentives for behavioural change before applying punitive measures such as taxes/levies. This approach would have allowed industries the opportunity to transform before facing punitive measures for non-compliance. In the February 2022 budget, the Minister of Finance had announced an increase in the HPL from 2,21 cents per gram to 2,31 cents per gram, but this was postponed due to a moratorium negotiated under the Sugarcane Value Chain Master Plan and the need for broader consultation. In the 2023 budget, the government delayed the adjustment of the HPL to 2025, citing the difficult operational environment the industry faced, including the aftermath of the 2021 floods and the social unrest in KwaZulu-Natal. The industrial policy framework being developed would seek to create a coordinated approach across departments to address industry transformation in a balanced manner, especially on policies affecting industries such as sugar, biofuels and health. Through the Phase 2 Sugarcane Value Chain Master Plan, social partners, including the government, have agreed to fast-track value chain diversification projects. These include initiatives to diversify into sustainable aviation fuels, animal feeds, bioplastics, and co-generation of electricity. The Master Plan is a collaborative agreement between cane growers, retailers, millers, and the government, aimed at addressing threats and opportunities in the sugar industry. Government had recognised the importance of the biofuels sector as a conduit to transform the sugar industry. However, the DTIC acknowledged that the necessary regulatory and policy changes needed to be addressed to facilitate the uptake of biofuels and ensure that biofuel producers have the necessary support and market access. Therefore, it emphasised the importance of balancing health and economic interests in the sugar and biofuel industries and ensuring that the necessary regulatory frameworks are put in place to support industry transformation.

- 3.8. ***Commercialisation of cannabis and hemp products:*** The cannabis and hemp industry in South Africa still faced significant legal barriers that hinder its development. Currently, cannabis and hemp are still considered prescribed substances under the Drugs and Drugs Trafficking Act (Act No. 140 of 1992). This appears to present a

significant obstacle to the legalisation and commercialisation of hemp and cannabis products. Since September 2024, the DTIC had been coordinating the Cannabis Master Plan. In this regard, the engagement between the DTIC and the Department of Justice and Constitutional Development (DOJ&CD) is critical to resolve the legality around manufacturing cannabis and hemp products. Therefore, the Committee enquired whether there had been any engagement between the DTIC and DOJ&CD to ensure that the necessary legislative reforms would be processed to unlock the full potential of the cannabis industry in South Africa. The DTIC informed the Committee that discussions between multiple departments in the Inter-Departmental Committee on Cannabis, previously chaired by the former Department of Agriculture, Land Reform and Rural Development (DALRRD), have focused on changes to legislation to regulate cannabis for commercial or industrial purposes. These discussions were initially part of the National Cannabis Master Plan before it was transferred from the new DOA. Currently, the DOJ&CD is finalising regulations for the Cannabis for Private Purposes Act (Act No. 7 of 2024), which will remove cannabis from the Drugs and Drug Trafficking Act. This will enable the DOA to proceed with amending the Plant Improvement Act (Act No. 53 of 1976) and making necessary declarations regarding cannabis regulation and cultivation.

- 3.9. ***Trade relations with the United States of America:*** The acceleration of exports of manufactured goods to both the global market and the African continent, would reflect a positive sign for South Africa's trade performance and signify growth in sectors such as manufacturing, industrial output and value-added exports. However, the potential loss of AGOA would negatively impact the economy, as this preferential trade arrangement with the United States of America (US) had significantly benefited South African manufactured exports. AGOA provides for duty free access to the US markets for certain South African products, such as automobile exports, textiles and agriculture, and failure to renew it could have a significant impact on these sectors. Given the potential risk of South Africa not being included in the renewal of the AGOA, the Committee enquired whether the DTIC had considered measures to mitigate against the potential loss of the AGOA preferences/benefits, and how the DTIC intended to diversify export markets, enhance regional trade, and ensure the competitiveness of South African products in the global market. Also, whether the Minister intended to

engage his counterpart in the US Administration to defend or advance South Africa's case for retaining its preferential trade status under the AGOA framework. The Minister informed the Committee that, during the Biden Administration, South Africa had made substantial progress regarding the AGOA through bi-partisan support in the US Congress. He was of the view, that based on the progress made, there had been an expectation that AGOA would be renewed during the lame-duck period of the US Presidency. However, despite these expectations, he informed the Committee that South Africa and other African countries had only received a one-year extension of AGOA instead of a more substantial and long-term agreement. He also acknowledged that with this one-year extension in place, there had been a need for additional work to secure a more permanent deal. He indicated that South Africa had planned to be a key participant at the annual AGOA review scheduled for July 2025, as well as on discussions regarding ongoing trade relations between the US and South Africa.

He further informed the Committee that the President intended to send a delegation to engage with the US especially around AGOA and broader trade relations. However, recent decisions and pronouncements by the US, not only affected South Africa, but various other countries, which has influenced global trade dynamics, including South Africa's trade relations with the US. He emphasised South Africa's position/message regarding trade relations with the US remains solid and should be reinforced, acknowledging the US as an important global trading partner.

Despite the challenges, the Minister expressed his confidence that the current Administration would resonate with South Africa's message and beliefs that opportunities to engage, address concerns and further strengthen relations still remain. Based on one of the concerns raised by the US, the issue of land reform, the Minister stated that no land grabs were occurring, and that land expropriation did not target any particular group, and he remained confident that he could effectively clarify and dispel any misunderstanding. He further informed the Committee that government's primary goal would be to continue engaging with the US to strengthen the overall trade relationship moving forward.

Furthermore, the DTIC informed the Committee that the South African government is

continuously evaluating scenarios to promote mutually beneficial trade relations with the US, which is South Africa's second-largest export market. It is important to note that the AGOA and the Generalized System of Preferences account for less than 26 percent of total South African exports to the US. Therefore, a potential loss of its AGOA beneficiary status would not affect all exports, as they would still enter the US market but under general custom duties faced by other countries. South Africa is also actively pursuing export diversification to build resilience in its markets. This includes trade agreements such as the Southern African Customs Union (SACU)-Common Market of the South (MERCOSUR) Preferential Trade Agreement (PTA), South African Development Community – European Union (SADC-EU) Economic Partnership Agreement (EPA), SACU/Mozambique-United Kingdom EPA, SACU-European Free Trade Association Free Trade Agreement (FTA), and the AfCFTA.

- 3.10. ***Statistics regarding investment commitments:*** Regarding investment commitments, it became important to clearly understand whether the commitments referred to relates to DTIC investment commitments or whether it referred to the Presidential Investment Summit Commitments. The Committee enquired whether there was proper coordination between the DTIC's tracked investment figure and the Presidential investment pledges made at the investment summits. If these were not aligned, it could result in duplication or inconsistencies in reporting that may misrepresent the actual level of investment committed versus what had been achieved. Furthermore, fluctuations in the exchange rate could also cause discrepancies in the calculated value of FDI. Therefore, the Committee sought clarity on how these two sets of numbers compared in terms of actual investment. The DTIC explained that InvestSA tracks investment commitments in the economy – both those that form part of the Presidential Investment Conference and those that are recruited through the DTIC Group. There is therefore no duplication, as InvestSA coordinates and aligns these statistics. The South African Investment Conference investment figures are reflected in the overall figures reported on by the DTIC. Exchange rate fluctuations are also considered when project values are reported in foreign currencies. InvestSA records the relevant exchange rate on the day of reporting and uses that rate as reference for the value of a particular investment. This is also included as part of the portfolio of evidence that is used to support investment values.

- 3.11. ***Factors influencing the onboarding of investment commitments:*** The DTIC had set an ambitious target of R330 billion in domestic investment and FDI attracted through greenfield and brownfield investments. The target in the second quarter had been R63 billion. However, by the end of the second quarter, only R21,6 billion of investments had been secured. The Committee enquired what factors may have contributed to this under-performance. The DTIC responded that, due to the uncertainty associated with the national elections during the reporting period, many investors had adopted a wait-and-see approach. This cautious sentiment was further influenced by ongoing challenges in the energy and logistics sectors. However, the DTIC had expected a significant increase in investment activity in the fourth quarter.
- 3.12. ***Statistics regarding jobs created versus jobs retained:*** The Committee was of the view that the R3 billion disbursed for industrial incentives represents a significant investment to stimulate growth, promote industrialisation, and support businesses in key sectors. Given this substantive financial injection, its effectiveness and continued support should be assessed against measurable outcomes, particularly in terms of job creation and not only job retention. The Committee requested the DTIC to provide it with a detailed report on the specific outcomes, providing a clear breakdown of new jobs versus jobs retained, to assess whether the incentive programmes had yielded the desired outcomes. The DTIC informed the Committee that it would provide the details of where the funds had been allocated, including the specific sectors supported. She further stated that this information was traditionally reflected in the Annual Incentive Report, which integrates the work of the DTIC, the IDC and the NEF, and the report would be made available to ensure transparency and insights into the funds distributed.
- 3.13. ***Relationship between investment within Special Economic Zones (SEZs) and job creation:*** Despite the significant growth in operational investment in the SEZs reflecting a clear financial commitment to industrial development, this financial commitment did not necessarily translate into job creation, reflected in the decline in jobs, especially in the Coega SEZ and the Dube TradePort SEZ. The Committee enquired what the reasons for this was. The DTIC highlighted the impact of the changing nature of the production processes, driven by global automation and

technological advances which is not unique to South African SEZs. It stated that as technological advances and automation become more prevalent, the labour intensity of many industries would decrease. This would result in a higher capital cost; therefore, even significant investments may not directly translate into a significant number of jobs. While direct jobs from investments might be low, there had been a recognition of the importance of jobs within supply chains and value chains created by these investments. Often these upstream and downstream activities were more labour-intensive, but they are not fully captured in these reports as they are harder to track or verify. It further emphasised that while these jobs had been more difficult to verify, they formed a significant part of the investment, especially in sectors where primary production did not create many jobs. For example, the automotive industry creates fewer jobs within its Original Equipment Manufacturers (OEMs), but the component manufacturing sector (which supplies parts for car production) is far more labour-intensive. It further argued that the disparity between investment amounts and job creation could often be attributed to the nature of the investment and the industry's value chain. It also acknowledged that while direct job creation might not always be large, the indirect jobs created in related industries are important and contribute to the broader economic impact of SEZ investment.

Further, due to misaligned reporting cycles between the DTIC and provincial entities responsible for SEZs, the provided data reflects the previous quarter's figures. The increase in investments and lower job numbers in quarter 2 were attributed to newly established tenants that had not started operations yet, often due to the December/January holiday period, which reduces shift work. Follow-ups with SEZs revealed that the Richards Bay Industrial Development Zone under-reported its job numbers, initially reporting 147 jobs, but after reconciliation, it was 727 jobs from seven investors. As a result, the cumulative job numbers in SEZs for quarter 3 had been 27 033, slightly higher than the 27 021 reported in quarter 2.

- 3.14. ***Incentives offered within SEZs:*** During a recent engagement with an EU delegation, the issue of whether SEZs had sufficient incentives to attract FDI had been raised. While the SEZs offered specific benefits, such as tax breaks and eased regulations for businesses within the SEZ, the EU delegation had argued that broader regulatory reform

to reduce the overall cost of doing business would be more effective than offering incentives for specific SEZs to attract FDI. Furthermore, despite the commitments from the Limpopo Government, there seems to be a lack of visible action by the DTIC in relation to the Musina-Makhado SEZ (MMSEZ), especially in terms of funding and progress. It would also appear that there seems not to be significant action or investment to advance the project. The Committee enquired how the DTIC planned to align the incentives offered within the SEZs with a call for wider regulatory reform to attract investment. Also, whether the DTIC had considered any measures that would ensure that the MMSEZ receives the necessary support, funding, and coordination to drive its successful development. The DTIC informed the Committee that the MMSEZ is currently non-operational. However, to make it operational, it had adopted the approach utilised for the Tshwane Automotive SEZ. This involved focusing on investor-driven development, where the Province and Municipality support bulk infrastructure development, while the DTIC provides funding for the top structures.

The Cabinet had mandated the DTIC in 2019 to establish a national infrastructure capacity support unit, referred to as the Industrial Zones Programme (IZP) (also known as the SEZ Project Management Unit), located at the IDC, which would support the development of the SEZs and fast-track implementation to unlock the true potential of the zones. It will also investigate regulatory reform to reduce the overall cost of doing business as part of the Spatial Industrial Development Strategy and the current work conducted with the World Bank. In addition, the DTIC has assigned the IZP to assist the MMSEZ with technical capacity, enabling faster implementation of the infrastructure needed to make the SEZ operational.

- 3.15. ***Deepening the effectiveness of the B-BBEE legislative framework:*** The B-BBEE ownership targets had not been met, which are central to redressing the imbalances created by Apartheid. While B-BBEE policies had led to partial ownership through mechanisms like Employee Share Ownership Programmes (ESOPs) and black empowerment equity deals, the broader goal of ownership has remained largely unachieved. This is despite the efforts and legal framework in place to promote economic inclusion for historically disadvantaged persons (HDPs) by ensuring greater participation in the economy, particularly in business ownership, management, and

skills development. This reflects the slow pace of transformation in the corporate sector, and without real transformation, progress remains elusive. Currently, businesses that are wholly black-owned on the Johannesburg Stock Exchange (JSE) represent a negligible fraction, estimated to be between 0 percent and 1 percent. This is a stark contrast to the intended goals of the B-BBEE framework, which sought to facilitate substantive ownership and meaningful participation for HDPs in the broader economy. Given the slow pace of transformation and the limitations of the B-BBEE Commission in enforcing compliance, the Committee enquired what specific steps were being considered by the DTIC to not only strengthen the Commission's authority but also to ensure more effective and accelerated transformation in the private sector by fostering the development of wholly Black-owned businesses, particularly in key sectors like mining, manufacturing, and technology. Furthermore, it enquired how government and business sectors could work together to remove structural barriers that hinder Black ownership and participation in the economy that would ensure meaningful investments in townships and SEZs to create opportunities for full ownership and economic participation in those regions.

The DTIC acknowledged the low level of ownership in the JSE-listed companies, citing a previous NEF report that showed ownership at 3 percent. The ownership figures presented indicated that black ownership in those companies remained limited/low, and were aggregated across different levels, including worker ownership, and not just individual ownership. Actual ownership in JSE-listed companies remains low, especially when excluding the Public Investment Corporation's shareholding, the actual black ownership was even lower. It further stated that the B-BBEE Commission periodically produces reports on ownership and implored the Committee to review the Commission's findings.

Furthermore, the DTIC informed the Committee that the B-BBEE Commission would be finalising a report on ownership in various sectors, which might provide a clearer picture of progress made towards transformation. Individual sectors submitted reports on their ownership status, which had been largely self-reported. Banks reported 38 percent black ownership, but the accuracy and reliability of these reports still require external verification by the B-BBEE Commission. Once these reports had been verified,

a more accurate assessment of black ownership in the South African economy would emerge.

The Minister informed the Committee that the DTIC had adopted a two-pronged approach to improve the B-BBEE legislation, thereby improving its effectiveness and stakeholder accountability. The first would be to optimally deploy existing mechanisms within the legislation, closing gaps in the current system, which would lead to a more robust transformation process. He identified reporting by listed companies as a key priority, as failure to report presents a significant challenge in measuring and monitoring the actual transformation progress within the private sector. The second concern identified by the Minister was around the verification of B-BBEE compliance and efficacy of the current system used to validate B-BBEE claims. He recognised the importance of addressing these concerns to ensure that the verification process would be both transparent and reliable. He was of the view that verification should not just be a procedural formality but a meaningful process that held companies accountable and provided accurate assessment of their transformation efforts, and that it would be a focal point for further improvements.

He further emphasised the challenge around the enforcement of B-BBEE compliance and the extent of non-compliance, notwithstanding the legislative framework. He indicated that stronger enforcement mechanisms would be critical to hold companies accountable for their transformation goals. Another challenge identified by the Minister had been around enterprise and supplier development and he emphasised the importance of optimising this B-BBEE requirement, ensuring that businesses also developed their suppliers and contributed to the broader transformation agenda. He further stated that the introduction of the Transformation Fund sought to address the challenges around enterprise development and supplier growth, thereby ensuring that transformation efforts would be more effectively supported.

In addition, he was of the view that the implementation of equity equivalents should be monitored to ensure that it did not dilute the impact of B-BBEE and industrial capacity building. While he acknowledged that it could be a useful mechanism for multinational companies, it would be critical that the scheme should not be misused in a manner that

undermines/compromises black ownership or enterprise development; thereby, reducing the effectiveness of B-BBEE. He argued that the focus should remain on ensuring that investment and support should be directed towards enterprises that contribute to the broader transformation goals and industrial growth. He underscored the need for reviewing the successes and failures of the current B-BBEE legislation to improve and refine the system. By doing this, it could introduce new legislation, regulations and targeted interventions to enhance B-BBEE and drive greater transformation of the South African economy.

- 3.16. *Effectiveness of the B-BBEE framework to ensure economic transformation:* At the centre of the B-BBEE framework would be economic transformation, particularly regarding ownership, management control, skills development, enterprise development, and socio-economic development. Notwithstanding the underlying core principles of the framework, there were concerns around the effectiveness and authenticity of some of these empowerment practices, especially in terms of ownership and management control. This had been illustrated by a recent engagement between the Committee and major banks where their ownership structures revealed potential loopholes or areas of inefficiencies within the B-BBEE framework. Despite their level 1 B-BBEE status, banks are largely owned by insurance companies and state-owned entities such as the Public Investment Corporation which did not reflect the true intention of the B-BBEE legislation. This presents a false equivalent as on paper it may appear that banks met B-BBEE targets, but this did not filter down to the lived experience of most HDPs. The Committee enquired whether the DTIC had been considering measures to revisit and tighten the B-BBEE legislation to ensure that real empowerment occurs. In addition, how the DTIC could ensure accountability in areas such as management control and skills development to prevent abuse of the system by companies without truly fostering economic transformation. The DTIC informed the Committee that the B-BBEE Act tasks the Commission with overseeing compliance, promoting adherence to the Act, and advocating for access to opportunities and educational programs. The Commission assesses B-BBEE transactions, investigates complaints, and builds capacity to increase knowledge and public awareness, facilitating collaboration between the private and public sectors. Since 2017, the Commission had conducted annual assessments, finding that black-ownership averages

30 percent and black women-ownership averages 15 percent. Currently, the Commission is finalising a new assessment based on expanded data, indicating that black-ownership levels may be lower than previously reported. Additionally, the Commission reports on major BEE transactions above R25 million, with the cumulative value of assets acquired by black people reaching around R800 billion since 2017.

- 3.17. ***Mobilisation of funds for the Transformation Fund:*** The DTIC had set a target of mobilising R5 billion for the Transformation Fund by the third quarter. However, this was ambitious given the short timeframe since its announcement in the revised APP, especially without clear modalities of the mechanisms or structures to mobilise funds. Also, there was a lack of transparency around how funds would be raised. Furthermore, it also had not been clear whether there had been any discussions with National Treasury regarding the Fund and how/whether funds would be transferred into the National Revenue Fund. The Committee enquired that given the challenges in meeting the R5 billion target, what measures had been considered by the DTIC that would ensure that the new annual target of mobilising R20 billion for the Transformation Fund would be met. Furthermore, it also sought clarity around the mechanisms for raising and managing these funds, and whether the R5 billion target had been structured in fixed portions of one commitment to R1 billion, as the target was for five commitments made to the Fund. The DTIC informed the Committee that initially the DTIC had planned to test the Transformation Fund concept through a pilot project. This would have allowed them to assess the viability of the approach before rolling it out more broadly. However, a decision had been taken to revise the strategy focusing rather on determining some of the core principles of the Fund instead of a pilot phase. It informed the Committee that it had been determined that the automotive sector fund model, the Automotive Industry Transformation Fund (AITF), would be utilised as a basis for a broader multi-sectoral approach. The AITF was originally established in response to a request from the OEMs who were seeking support and, over time, the AITF's scope expanded to include the broader automotive value chain. However, this approach introduced additional complexities, as this would require careful consideration of the varying challenges and needs across various sectors. Further, there had been ongoing discussions between the DTIC, and various sectors aimed at understanding the needs of the different industries, thereby ensuring that the Transformation Fund would be

designed to address those needs.

The DTIC informed the Committee that the R5 billion target was based on potential parallel discussions and agreements with existing funds, Development Finance Institutions (DFIs), the new Equity Equivalent Investment Programme (EEIP) applications, and Competition Commission obligations. Due to the revised approach, the DTIC had not achieved the target to mobilise R5 billion for the Transformation Fund, as this was dependent on the finalisation of the concept document. In addition, the R5 billion commitment target had not been structured in fixed portions of each commitment being of a value of R1 billion but had been informed by the experiences/insights of the AITF. Thus, there is no direct relationship between the number of commitments and the value of commitments made.

- 3.18. ***Oversight over the implementation of Employee Share Ownership Programmes:*** The ESOPs are a critical part of the B-BBEE framework aiming to promote inclusive growth by permitting employees, especially those who are HDPs, to gain shares in the companies they work for. However, despite the potential to empower workers, a number of challenges emerged, especially in relation to the exit phase of these schemes where disputes and mismanagement could undermine the intended benefits. The Committee highlighted the recent Heineken merger where the ESOP led to disputes regarding the exit process, especially once ownership transfers or concludes. The Committee enquired whether the DTIC had considered implementing measures that would strengthen regulatory oversight to ensure that the exit process would be transparent, fair and efficient. Also, how the DTIC would address the need for an independent dispute resolution mechanism and ensuring that employees would be adequately educated on the terms of their ownership to prevent such issues from occurring. The DTIC reported that the Competition Commission had developed a set of ‘design principles’ that govern the ESOPs imposed as merger conditions. One of the standard principles is that the merger parties must provide for the appointment of a suitable subject matter expert to advise workers during the ESOP design, establishment and implementation phase. The expert’s reasonable expenses must be paid by the merged entity. The intention is to ensure that workers are adequately consulted and that their interests are ably represented during the ESOP design phase. Regarding dispute

resolution, if workers are concerned that the conditions to a merger (including those on ESOP design) have not been complied with, they may refer a complaint to the Commission. This would be investigated as an alleged breach of the merger conditions. If the outcome is considered unsuitable, parties may refer the matter to the Competition Tribunal for consideration.

- 3.19. ***Transparency in terms of transformation and corporate governance:*** The Committee raised a number of issues around important aspects of transformation and corporate governance, particularly in the context of mergers and acquisitions. It reflected on the role of the B-BBEE Commission, and transparency in the decision-making process related to these transactions, focusing on the effectiveness of transformation in the context of mergers, and transparency on how individuals had been selected for key roles in these transactions. The Committee enquired what steps were considered that would ensure that mergers and acquisitions would be assessed for their transformation impact, and that appointments would be based on merit and fairness. In addition, what measures had been considered by the DTIC that would enhance transparency and public oversight in these processes to prevent any potential misuse of Section 217 of the Constitution. The DTIC indicated that in mergers where the conclusion of an empowerment transaction is imposed as a condition to the merger, the conditions would usually specify: (i) the shareholding to be held by HDPs (which includes firms) and (ii) the time period within which the transaction must be concluded. The Commission would then assess compliance against these terms, investigating whether the buyer is an HDP as contemplated in the Competition Act. Where a divestiture to an HDP is imposed as a condition to a merger, the conditions would usually specify that the process to solicit bids must be open, transparent and competitive to ensure that as wide a spectrum of HDPs as possible are aware of the opportunity.
- 3.20. ***Consumer protection given technological advances in the financial sector:*** There has been a proliferation of fintech firms and mobile companies entering the financial sector. However, it would appear that the regulatory framework has not evolved to keep pace with its expansion and these fintech firms might not be sufficiently regulated. This could potentially create gaps in consumer protection, financial stability, risk and fraud. The Committee enquired what steps were being considered by the DTIC, in conjunction

with relevant departments, to tighten regulation in these areas to ensure that the sector is adequately regulated to protect consumers and maintain financial stability without compromising innovation. The DTIC informed the Committee that South Africa's financial sector is regulated by numerous bodies, including the South African Reserve Bank (SARB), the Prudential Authority, the Financial Sector Conduct Authority (FSCA), the Financial Intelligence Centre (FIC), the National Credit Regulator (NCR), and National Treasury. These institutions form part of the Intergovernmental Fintech Working Group (IFWG), established in 2016 to foster mutual understanding among regulators and evaluate the impact of regulations on the sector and economy. It recommended that the Committee should engage these institutions to have a better understanding on how these institutions ensure accountability within the sector.

- 3.21. ***Performance against Key Performance Indicators:*** Targets, as outlined in the APP for the second and third quarter, had been achieved by 63,8 percent and 70 percent respectively. This accordingly reflects a 33 percent failure on average which raised concerns regarding whether the DTIC had been effectively addressing the challenges that contributed to this failure. The Committee enquired whether the DTIC had considered any corrective measures, given these perceived failures, to ensure that it met the set annual and fourth quarter targets. The DTIC acknowledged that the DTIC had not fully achieved the targets for the second and third quarter. However, it assured the Committee that the necessary measures had been implemented across the DTIC and that the Deputy Director-Generals had been actively working to ensure that the remaining targets would be met.
- 3.22. ***Financial accountability and spending:*** The DTIC had an initial budget allocation of R9,6 billion, but by the end of the third quarter it had spent only 72,8 percent of the adjusted budget of R9,67 billion. Given the underspending trend, the Committee enquired why it should consider approving the same or increased funding in the 2025/26 financial year. The DTIC informed the Committee that its spending aligned with its quarterly budget, with 50 per cent of the budget spent in the second quarter, which increased above 70 per cent in the third quarter, indicating that spending had been on track with projections. While acknowledging the budget cuts, the necessary adjustments had been made accordingly to align it with the adjusted budget. It reiterated that

spending remains on target and not underspent, but rather that spending had to be adjusted to ensure that it aligned with the available funds.

3.23. ***Vacancy rate within the DTIC Group:*** The high vacancy rate at the DTIC and its entities, especially in relation to the unfilled critical positions, raised concerns around the capacity and the effectiveness of the DTIC and its entities to fulfil their mandates. Furthermore, the failure to fill critical positions could lead to under-performance, delayed decision making, and lack of expertise to effectively meet their targets or KPIs. Given that the Minister had indicated that some of the positions had yet to be filled, it could suggest that there may be delays in the recruitment process. Therefore, the Committee requested that the DTIC provides a detailed breakdown of which entities and positions remain vacant, the specific timelines set to fill these posts, as well as measures that had been taken to accelerate the recruitment process that would ensure that the entities and the DTIC had the necessary skills and expertise to meet their targets. The DTIC indicated that its Director-General post had been approved by Cabinet. Three Deputy Director-General posts had been advertised and screening for these had been completed, while the shortlisting and interview process would commence once the newly appointed Director-General assumed his duty. Furthermore, 50 posts had been identified for filling and were submitted for approval by the Minister, the Department of Public Service and Administration, and National Treasury. In terms of filling critical vacancies at its entities, the DTIC is prioritising the appointments. Given the processes that need to be followed, it may realistically be able to conclude all appointments by the end of the second quarter of the 2025/26 financial year. It would keep the Committee updated on its progress in this regard.

3.24. ***Staff turnover at the National Metrology Institute of South Africa:*** The Committee noted with concern the high staff turnover at the NMISA especially in relation to the loss of key scientists to the private sector. This high attrition of key scientists could indicate that the NMISA might not be competitive enough in terms of remuneration, career development, or the provision of a conducive working environment. Furthermore, the high turnover rate of highly skilled staff could lead to instability, the loss of institutional knowledge, and disruptions in research and innovation, as well as the ability to fulfil its mandate. The short-term fix of filling vacancies may not fully

address the underlying issues contributing to the high turnover. Therefore, the Committee enquired what comprehensive strategies had been implemented to retain skilled scientists at NMISA and to ensure its long-term stability. The DTIC reported that the NMISA had experienced a number of resignations and retirements over the last three years. Since the 2022/23 financial year, there had been 36 resignations and 11 retirements with the staff complement reducing from 142 employees to 115 employees. Laboratories highly impacted by the loss of staff as the institution are unable to compete with the private sector when it comes to remuneration of employees. The resignations coupled with the retirement of critical personnel have resulted in severe operational disruptions, including laboratory closures and service suspensions, which directly affect South Africa's measurement infrastructure and industries that rely on NMISA's services. The Board had approved the filling of 16 vacancies and the processes to fill those are underway at different stages. However, recognising the financial constraints affecting the NMISA's ability to retain staff and sustain operations, Deputy Minister Whitfield had requested the DTIC to engage with the NMISA to explore possible interventions and those discussions were underway.

4. CONCLUSIONS

Based on its deliberations, the Committee drew the following conclusions:

- 4.1 The Committee noted the low-growth trap in which the South African economy has been stuck for a number of years. While it acknowledged the structural challenges identified by the DTIC and the steps being taken to address these, it remained of the view that the necessary investment should be made to overcome these and that the DTIC should facilitate a conducive environment for businesses to make such investments, consequently, stimulating growth.
- 4.2 It also welcomed the development of the Industrial Policy to place South Africa on a higher growth path. Furthermore, it supported the extension of such a Policy to include alignment with Master Plans and interventions on critical minerals, digitisation, the Fourth Industrial Revolution and economic diversification opportunities, as well as

sector-specific interventions, including green technologies and electric vehicles. It agreed that the approach should be balanced by maintaining the existing industries while facilitating the development of new industries and should be supported by fiscal and government-wide policies that are pro-growth.

- 4.3 The Committee encouraged the DTIC to proactively analyse changes in the market and to take the requisite pre-emptive measures, where possible, to mitigate expected economic contractions.
- 4.4 Given the substantive investment the DTIC provides through its industrial incentives, the Committee urged the DTIC to factor in the return on investment along the value chain, particularly in relation to the number of jobs created, when it considered applications. It was cognisant of technological advancements and the shift to automation and thus the need to consider the broader supply chain. While there was a need to support and maintain existing jobs, it was of the view that a greater emphasis should be placed on job creation and that the DTIC should actively pursue the development of local value chains that could also be leveraged in terms of inclusive economic growth. It, therefore, encouraged the DTIC to consider disaggregating its reporting to distinguish between jobs created and jobs retained to enhance performance assessment. Furthermore, the Committee was of the view that new, potentially high-growth businesses should be supported to address the relatively low number of new jobs projected to be created.
- 4.5 Furthermore, it requested the DTIC to submit its latest Annual Incentive Report to it by no later than the tabling of the fourth quarter performance report. The Report should detail the specific sectors supported, financial amounts disbursed, and jobs created versus retained.
- 4.6 The Committee was of the view that the DTIC should place an equal focus on investment promotion to attract domestic direct investment, as there is a skewed focus on foreign direct investment. In addition, it was of the view that the DTIC should engage with the Presidential Investment Summit Secretariat to ensure the requisite alignment with InvestSA to prevent duplication, and to ensure robust pipeline tracking to effectively monitor and report on the realisation of investment commitments.

- 4.7 While the Committee welcomed the development of a strategy regarding South Africa's critical minerals, it remained of the view that these minerals should be leveraged as a national asset to promote direct investment and to advocate for more favourable trade conditions during negotiations.
- 4.8 The Committee acknowledged the important role that the domestic steel industry plays as a key driver in industrialisation, as well as infrastructure development within the country. Given the challenges being faced by the industry, the Committee supported government's approach to find solutions that ensured that steel supply remains stable for critical sectors and industries, as well as to ensure the industry's long-term sustainability. However, where there was government intervention to support individual companies, this should be done on the basis that it is beneficial to the broader economy. In relation to ArcelorMittal South Africa, the Committee urged the DTIC and the relevant government departments and public entities to expedite the conclusion of their discussions and to clearly communicate the final decision to the public to ensure certainty.
- 4.9 The Committee was concerned by the slow progress in achieving redress in terms of the economic imbalances created under Apartheid. It was of the view that black ownership was central to reversing these economic imbalances, and the small pockets of black ownership achieved had not yielded the expected results. In this regard, it agreed that the private sector should be held accountable where their transformation efforts had not yielded meaningful results and had simply been a compliance exercise, as well as where there had been circumvention of the law. It was particularly concerned that the BEE level certification may not be an accurate picture of the reality on the ground. In this regard, the B-BBEE Commission has an essential role to play to ensure enforcement of the B-BBEE regulatory framework. The Committee, therefore, emphasised that the B-BBEE Commission should be effectively empowered to enforce compliance with B-BBEE legislation.
- 4.10 Furthermore, it supported the DTIC's two-pronged approach to strengthen the regulatory framework, namely (i) to address reporting by listed companies to ensure accurate

measurement and monitoring of the actual transformation progress within the private sector; and (ii) to enhance the verification of B-BBEE compliance specifically in terms of the BEE Scorecard and to ensure the efficacy of the current system used to validate B-BBEE claims.

- 4.11 In this regard, the Committee urged the DTIC to review the B-BBEE legislation and the implementation thereof to effectively improve and refine the system, particularly the BEE Scorecard. This should focus on identifying any requisite amendments and/or targeted interventions to enhance B-BBEE and drive greater transformation of the South African economy, with a greater emphasis on substantive ownership and management by black individuals specifically Africans.
- 4.12 In addition, it acknowledged the introduction of the Transformation Fund. It was of the view that mobilising resources across sectors to support inclusive economic growth could be beneficial, as it could enhance enterprise and supplier development. However, it noted that the allocation and disbursement of these funds should be effectively monitored to ensure that the policy objectives are met. It also called for stronger support for township and rural economies through simplified access to DTIC funding instruments and business development services.
- 4.13 The Committee urged the DTIC to consider reviewing its implementation plan for the Transformation Fund, taking into account submissions received by the public, with funding mechanisms, sector-specific commitments, governance structures, and timelines. It requested the DTIC to brief it on the proposed implementation plan, by the end of the first quarter of the 2025/26 financial year.
- 4.14 Furthermore, the Committee noted the “guiding principles” developed by the Competition Commission regarding the development of Employee Share Ownership Programmes. However, it implored the Commission to effectively monitor these to ensure that the principles are adopted and that an expert is in fact being used to protect employees’ rights.
- 4.15 The Committee recognised the important role that the agricultural sector plays in the

economy, as well as in terms of exports and food security. It noted the challenges, such as drought and adverse weather conditions, foot and mouth disease, and the shortage of eggs, facing the sector that were negatively impacting its growth. It encouraged the DTIC to collaborate with the Department of Agriculture to ensure that the sector becomes more resilient and sustainable.

- 4.16 It further stressed the importance of agro-processing and biofuels as growth levers. In terms of the sugar industry, the Committee remained concerned about the impact of the Health Promotion Levy on Sugar-Sweetened Beverages, given its negative impact on rural economies in the KwaZulu-Natal and Mpumalanga provinces, as these regions are heavily reliant on sugarcane farming. Furthermore, it urged the DTIC to speedily engage its counterparts to **address** the possible future of the sugar industry and facilitate the unblocking of the necessary regulatory frameworks to enable potential economically viable sugar diversification opportunities, such as sustainable aviation fuels, biofuels and cogeneration. This process of diversification should also seek to advance economic transformation in rural areas.
- 4.17 In addition, it noted the slow progress being made to legalise the commercialisation of cannabis and hemp products. While progress has been made through interdepartmental discussions, there is a need to fast-track the removal of legislative bottlenecks by the Departments of Justice and Constitutional Development, and of Agriculture hindering the cannabis and hemp industries, especially given their potential to support job creation, economic inclusion and export development in rural areas.
- 4.18 The Committee noted the current relationship with the United States of America and its possible impact on South Africa's continued participation in the African Growth and Opportunity Act and the extension thereof. It affirmed government's approach for greater engagement with the United States Administration and the use of diplomacy to resolve this impasse. It would continue to monitor developments in the trade relationship with the United States.
- 4.19 In terms of Special Economic Zones, the Committee encouraged the DTIC to investigate regulatory reform to reduce the overall cost of doing business as part of the Spatial

Industrial Development Strategy, as well as to ensure that incentives within Special Economic Zones were readily available across the country. It was of the view that the Special Economic Zone incentives were currently inadequate. This work was expected to attract more investment into these Economic Zones. It also requested the DTIC to submit an overarching report on Special Economic Zones including the investment attracted, and jobs created.

- 4.20 Furthermore, in terms of the Musina-Makhado Special Economic Zone, there should be a review of the economic assumptions upon which the Zone was developed and its alignment with the DTIC's strategy of diversification, decarbonisation and digitalisation.
- 4.21 Notwithstanding, the adjustments introduced with the amended 2024/25 Annual Performance Plan, the Committee was concerned by the relatively low levels of achievement of the DTIC's second and third quarter key performance indicators. It noted that the DTIC had achieved only 63,8 percent of its second quarter and 70 percent of its third quarter key performance targets, which indicated moderate performance. While this was an improvement over the period, nearly one-third of its targets had not been achieved, suggesting persistent weaknesses in programme execution and planning. In particular, it noted that the Transformation and Competition Programme had only achieved one of its seven key performance indicators in the third quarter, which raised concerns about the pace and substance of transformation. It encouraged the DTIC to implement measures to address its performance going forward. In particular, the Committee urged the DTIC to implement corrective measures to address unachieved key performance indicators, particularly in the transformation and industrial development portfolios. In addition, it proposed that the DTIC should consider implementing quarterly tracking and remedial planning sessions with senior management.
- 4.22 The Committee welcomed the progress that the DTIC Group has been making to resolve the vacancy rate at the senior management level, as well as other governance-related appointments within entities. The Committee urged the DTIC and its entities to develop a retention strategy focused on competitive remuneration, career development, and conducive work environments. It also requested that the DTIC continues to update it on progress in this regard.

- 4.23 The Committee stressed the importance of employment stability, particularly for technical skills, at the DTIC's entities, specifically at the technical infrastructure institutions. Persistent high vacancy rates and high staff turnover rates could have a detrimental impact on institutional capacity, and consequently on the economy and other areas of society. It therefore urged the DTIC to work with these entities to ensure their stability and sustainability.
- 4.24 The Committee specifically noted the continued under-spending in key programmes, particularly within the Investment and Spatial Industrial Development, Incentives, and Research Programmes. In the second quarter, there was under-spending of 6,4 percent and, in the third quarter, it was 3,8 percent. Under-spending was most notable in the Incentives, Investment and Spatial Industrial Development, and Export programmes. These trends, despite mid-year adjustments, could reflect inefficiencies in project pipeline development or delays in project implementation, internal processing, poor planning, or lack of inter-agency coordination. It encouraged the DTIC to limit its under-spending, particularly in terms of incentive programmes, to ensure that it maximises the benefit of government spending to the economy. Furthermore, it urged the DTIC to urgently improve its financial forecasting and project delivery frameworks to prevent a repeat of these inefficiencies. It emphasised that there should be clear remedial timelines and consequence management mechanisms implemented where there is persistent underperformance.

5. APPRECIATION

The Committee would like to thank the Minister, Mr P Tau, and Acting Director-General of the Department of Trade, Industry, and Competition, Ms M Mabitje-Thompson, as well as their team, for their cooperation and transparency during this process. The Committee also wishes to thank its support staff, in particular the committee secretary, Mr A Hermans; the researcher, Ms Z Madalane; the content advisor, Ms M Sheldon; and the committee assistant, Ms Y Manakaza, for their professional support and conscientious commitment and dedication to their work. The Chairperson wishes to thank all Members of the Committee for their active

participation during the process of engagement and deliberations and their constructive concluding remarks reflected in this report.

6. RECOMMENDATIONS

The Committee recommends that the House requests that the Minister of Trade, Industry and Competition should consider:

6.1 Fast-tracking the finalisation of the National Industrial Policy Framework.

6.2 Initiating a review into the effectiveness of the Broad-based Black Economic Empowerment regulatory framework and its impact on investment, business growth, job creation, innovation, new market entrants and the levels of competitiveness in the economy.

6.3 Engaging the Ministers of Justice and Constitutional Development, and of Agriculture to determine a roadmap with clear timeframes to table the relevant legislative amendments to unlock commercialisation of cannabis and hemp for Parliament's consideration. He should submit a report regarding the development of a roadmap within three months of adoption of this report.

Report to be considered.

REFERENCES

Department of Trade, Industry, and Competition (2024a) *Annual Performance Plan 2024/25*.

Department of Trade, Industry, and Competition (2024b) *Amended Annual Performance Plan 2024/25*.

Department of Trade, Industry, and Competition (2025a) *Third Quarter Report for the 2024/25 Financial Year*.

Department of Trade, Industry, and Competition (2025b) *the dtic Performance Report: Second & Third Quarter Report 2024/2025 Accounting Period*. Presentation to the Portfolio Committee on Trade, Industry and Competition, Virtual platform: 18 February.

5. Report of the Portfolio Committee on Trade, Industry and Competition on the Amended 2024/25 Annual Performance Plan of the Department of Trade, Industry and Competition, dated 24 April 2025

The Portfolio Committee, having considered the Amended 2024/25 Annual Performance Plan (APP) of the Department of Trade, Industry and Competition (DTIC), reports as follows:

1. Introduction

On 12 July 2024, the Committee received a briefing from the DTIC on its 2024/25 APP and allocated budget. The Committee robustly engaged and considered the country's challenges, including low economic growth, high unemployment, and lack of transformation, among others. During this engagement and its consequent report on the matter, it recognised the need for more targeted and impact-driven measures to be developed and implemented to address these challenges. Furthermore, during its engagement on the DTIC's fourth quarter performance report and the Annual Report for the 2023/24 financial year, it had raised concerns about the accuracy of the performance data and questioned whether the targets set were realistic given changes in the national data for employment and economic growth. The Committee thus implored the DTIC to revise its APP to ensure that its targets could drive impact and change the structure of the economy.

Usually with the advent of a new Administration, government departments would table a new strategic plan and APP in the year following the election based on the new medium-term strategic objectives. However, given the urgent need to address unemployment and low economic growth, the DTIC had subsequently tabled its Amended APP on 13 November 2024. It had indicated that this APP would pave the way for the new strategic plan that was being developed in response to the draft Medium-Term Development Plan (MTDP). In this context, the Committee considered the DTIC's Amended APP for the 2024/25 financial year.

1.1. Constitutional Mandate of the Committee

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

1.2. Purpose

The purpose of this report is for the Committee to report on its deliberations and consideration of the DTIC's Amended 2024/25 APP.

1.3. Process

The Committee's consideration of the DTIC's Amended APP involved an engagement with the Minister of Trade, Industry and Competition, Mr P Tau, as well as the Deputy Ministers, Mr Z Godlimpi and Mr A Whitfield, the Acting Director-General, Ms M Mabitje-Thompson, and her team on 26 November 2024.

1.4. Outline of the contents of the report

Section 1 of the report introduces the report and sets out the constitutional mandate within which the Committee is considering the 2024/25 amended APP and the process it used to consider this. Section 2 describes the policy priorities that the DTIC aims to fulfil. Section 3 then provides an overview of the DTIC's mission, its amended output targets for its nine programmes, and its financial resources for the 2024/25 financial year. Section 4 summarises the key discussion points and responses from the DTIC on its amended APP. This is followed by sections 5 and 6, which capture the Committee's conclusions and acknowledgements.

2. Revised Policy priorities for the 2024/25 financial year

The DTIC reported that while the MTDP was yet to be finalised, it had amended its 2024/25 APP based on the three key strategic priorities for the Seventh Administration, the five pillars for the success of the MTDP and the Committee's concerns raised. The three key strategic priorities are as follows: (i) inclusive growth and job creation; (ii) reducing poverty and tackling the high cost of living; and (iii) building a capable, ethical and developmental state.

Furthermore, the MTDP pillars for success are:

- *Structural Reforms* in relation to (i) Stable Electricity Supply, (ii) Freight and Logistics Reforms, and (iii) Strengthening Local Government;
- *Induced Demand* through (i) Exports, (ii) Localisation, (iii) Stronger import controls, and (iv) Science, technology and innovation;
- *Transformation* in relation to (i) Small, Medium and Micro Enterprise (SMME) growth, (ii) Black Industrialists, (iii) Youth Fund, and (iv) Skills Revolution;
- *Investment Stimulus* through (i) Ease of Doing Business, (ii) New mines, (iii) Incentives, and (iv) African Continental Free Trade Area (AfCFTA) export opportunities; and
- *Catalytic Sectors*, namely (i) Agriculture, (ii) Mining, (iii) Manufacturing, (iv) Tourism, (v) Digital Services, and (vi) Green Industries.

While the DTIC has retained the three outcomes introduced in the 2022/23 financial year, namely: (i) industrialisation to promote jobs and improve incomes; (ii) transformation to build an inclusive economy; and (iii) a capable state to ensure improved impact of public policies, it has removed the outcomes-approach that it had been piloting. However, it has indicated that its economic strategy will consist of (i) diversification, (ii) digitalisation, and (iii) decarbonisation.

As part of the Economic Cluster, the DTIC Group will be contributing to the following in the 2024/25 financial year:

Table 1: DTIC Group Contributions to the Economic Cluster 2024/25 Goals

Core Outputs	Cluster 2024/25 APP Base Targets	DTIC Contribution	Entity Contribution	DTIC Group Contribution	DTIC Group Share of Cluster Targets
Jobs Created	800 000	34 000	201 328	235 328	29%
Investment	R600 billion	R355 billion	R53 billion	R408 billion	68%
SMMEs Supported	51 000	1 100	5 585	6 685	13%
International Tourist Arrival	3 million	0	206 779	206 779	7%
Work Experience	420 000	50 000	60 331	110 331	26%
Subsistence Farmers	88 200	0	2 358	2 358	2,6%
Transformation	50 Industrial Parks	12	R6,4 billion	12 Industrial Parks	24%
Exports	R200 billion	R9 billion	R22 billion	R31 billion	15%
Red Tape Reduction	N/A	117	23	140	N/A

Source: DTIC (2024: 8)

3. Department of Trade, Industry and Competition's Strategic Plan, Annual Performance Plan and Budget

The DTIC, as the lead department on economic development in South Africa, is the custodian of economic development policy formulation and planning.¹ The DTIC's mission is to²:

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

¹ National Treasury (2024a: 869)

² DTIC (2024: 11)

- Improve alignment between economic policies, plans of the state, its agencies, and government's political and economic objectives, and mandate.

The DTIC's nine programmes are collectively responsible for administering 45 pieces of legislation mainly in the areas of consumer protection, companies (corporate regulation), competition, industrial development, black economic empowerment and international trade. In addition, it oversees 18 entities (see Figure 1 below), as well as the Broad-based Black Economic Empowerment (B-BBEE) Commission, an entity within the administration of the DTIC. The DTIC, its 18 entities and the B-BBEE Commission make up the DTIC Group.

Figure 1: List of entities reporting to the DTIC

Development Finance Institutions	Regulatory Entities	Technical Infrastructure Institutions
<ul style="list-style-type: none"> • Export Credit Insurance Corporation of South Africa • National Empowerment Fund • Industrial Development Corporation 	<ul style="list-style-type: none"> • Companies and Intellectual Property Commission • Companies Tribunal • Competition Commission • Competition Tribunal • International Trade Administration Commission of South Africa • National Consumer Commission • National Credit Regulator • National Consumer Tribunal • National Gambling Board of South Africa • National Lotteries Commission • Takeover Regulation Panel 	<ul style="list-style-type: none"> • National Metrology Institute of South Africa • National Regulator for Compulsory Specifications • South African Bureau of Standards • South African National Accreditation System

3.1. Output targets for the 2024/25 financial year³

The section below details the purpose of each programme and its amended outputs for the 2024/25 financial year as set out in its initial and amended APPs. For the 2024/25 financial year, the DTIC had 118 Key Performance Indicators (KPIs), which has been amended to only 57 KPIs. The DTIC indicated that these amendments were intended to

³ DTIC (2024a and 2024b)

pave the way for its new Strategic Plan and to set the DTIC's work on a new trajectory. In addition, it had reported that while some outcome targets had been removed or adjusted downwards, these were reallocated to the relevant entities as appropriate.

3.1.1. Programme 1: Administration

The Programme seeks to provide strategic leadership, management and support services to the DTIC and its entities⁴. Initially, the Programme had set six performance targets. In the Amended APP, three of these performance targets have remained and three are new targets set.⁵ The targets in the amended APP relate to the filling of vacancies, audit outcomes and performance of entities, and procurement from businesses owned by women, youth, and people with disabilities. See Table 2 below.

Table 2: Amended Performance Targets for Programme 1

	Output	Output Indicator	MTEF Period		
			2024/25	2025/26	2026/27
1	Governance/leadership stability within department and entities	% of advertised vacancies filled	100%	100%	100%
2	Improved clean administration across all DTIC entities	% of entities obtaining Clean Audit outcomes	56%	80%	90%
3	Achievement of planned targets by entities	% achievement of planned targets by entities	85%	90%	100%
4	Procurement contracts approved towards women-owned businesses	% of procurement spent on women-owned businesses	40%	40%	40%
5	Procurement approved towards youth-owned businesses	% of procurement spent on youth-owned businesses	30%	30%	30%
6	Procurement contracts approved towards businesses owned by persons with disability	% of procurement spent on businesses owned by persons with disability	2%	2%	2%

Source: DTIC (2024b: 39-40)

3.1.2. Programme 2: Trade

The purpose of the Programme is to facilitate the building of an equitable global trading system that enables development by strengthening trading and investment relations with key markets globally and fostering African development, including regional and continental integration and development cooperation in line with the African Union (AU)

⁴ DTIC (2024b: 36)

⁵ DTIC (2024a: 108 and 2024b: 39-40)

Agenda 2063⁶. The sub-programmes are International Trade Development (bilateral and multilateral trade relations and agreements) and African Economic Development (multilateral and bilateral African trade relations for deepening regional integration). Initially, there had been 15 performance targets for the 2024/25 financial year, which was revised to seven targets.⁷

Table 3: Amended Performance Targets for Programme 2

Output		Output Indicator	MTEF Period		
			2024/25	2025/26	2026/27
7	Implementation of the AfCFTA to increase South African (SA) exports to the rest of the continent.	Number of countries that have started trading under the AfCFTA	11	20	25
8		Number of Protocols submitted for ratification approved	2	2	1
9		SA offer on Trade in Services approved	SA offer on Trade in Services approved	SA offer on Trade in Services approved	Implemented SA offer on Trade in Services approved
10	Develop an integrated economic strategy that aligns fiscal policy, monetary policy, competition policy, industrial policy, innovation policy and trade policy.	Amended International Trade Administration Act to ensure implementation of effective trade policy tools to improve industry competitiveness	Draft International Trade Administration Amendment Bill submitted to the Executive Authority for consideration.	Draft International Trade Administration Amendment Bill published for public comment and submitted to Executive Authority for approval.	International Trade Administration Amendment Bill submitted to Cabinet for approval and submission Parliament to accented to by the President.
11	Strengthened trade and investment with key trading partners and potential trading partners	Number of economic interest strategies and implementation plans developed for key trading partners	5	5	5
12	Improvement of the functioning of trade instruments to reduce turnaround times and address trade challenges timeously	Number of amendments to regulations to reduce red-tape in International Trade Administration Commission (ITAC) application process	2	2	0
13	Strengthen the primary health care system by	Draft amendments for Patents Act and Designs	Draft amendments for	Draft amendments for	Approved amendments for

⁶ DTIC (2024b: 45)

⁷ DTIC (2024a: 114-117 and 2024b: 47-49)

Output	Output Indicator	MTEF Period		
		2024/25	2025/26	2026/27
ensuring that home- and community-based services, as well as clinics and community health centres are well resourced and appropriately staffed to provide the promote, preventive, curative, rehabilitative and palliative care services required for South Africa's burden of disease	Act published for public comments	Patents Act and Designs Act published for public comments	Patents Act and Designs Act approved	Patents Act and Designs Act assented

Source: DTIC (2024b: 47-49)

3.1.3. Programme 3: Investment and Spatial Industrial Development

The purpose of the Programme is to promote and support foreign direct investment (FDI) flows and promote domestic investment by providing a one-stop shop (OSS) for investment promotion, investor facilitation and aftercare support for investors, as well as to increase participation in industrialisation. The sub-programmes are Investment Promotion, Investment and Inter-Departmental Clearing House, Investor Support and Aftercare, and Spatial Industrial Development.⁸ Initially, the Programme had 14 planned targets, which were revised to six targets⁹.

Table 4: Amended Performance Targets for Programme 3

OUTPUT	OUTPUT INDICATORS	MTEF PERIOD			
		2024/25	2025/26	2026/27	
14	Domestic investment and FDI attracted through greenfield and brownfield investments	Rand value of domestic investment and FDI attracted through greenfield and brownfield investments	R330 billion	R450 billion	R450 billion
15	New models for spatial transformation developed (Industrial Parks & Special Economic Zones (SEZs))	Number of new models for spatial transformation developed	1	0	0
16	Projects processed through the Energy OSS	Number of Projects processed through the Energy OSS	3	4	5
17	Red tape reductions processed through the Energy OSS	Number of red tape reductions processed through the Energy OSS	10	13	15

⁸ DTIC (2024b: 54)

⁹ DTIC (2024a: 125-6 and 2025b: 57-58)

OUTPUT	OUTPUT INDICATORS	MTEF PERIOD			
		2024/25	2025/26	2026/27	
18	Investor facilitation and red tape reduction interventions provided (including Visa Facilitation)	Number of investor facilitation and red tape reduction interventions provided	100	120	150
19	Prototypes for commercialisation of innovation projects achieved	Number of Prototypes for commercialisation of innovation projects achieved	1	0	0

Source: DTIC (2024b: 57-58)

3.1.4. Programme 4: Sectors

The Sectors Programme is the third largest of the DTIC's programmes accounting for 14,9 percent of the total budget. The Programme is responsible for the design and implementation of policies, strategies and programmes to develop the manufacturing and related sectors of the economy, contributing to the creation of decent jobs, adding value to manufactured products, and enhancing competitiveness in the domestic and export markets. Its sub-programmes were Industrial Competitiveness, and Customised Sector Programmes.¹⁰ Initially, the Programme had 17 planned targets for the financial year, which have been revised to 11 targets¹¹. These are shown in table 5 below.

Table 5: Amended Performance Targets for Programme 4

Output	Output Indicator	MTEF Period			
		2024/25	2025/26	2026/27	
20	R5 billion investment pledges secured through key sectoral interventions	Rand value of investment secured through key sectoral interventions	R5 billion	R8,0 billion	R10 billion
21	Increased localisation	% Increase localisation in the public sector through key sectoral interventions	20%	25%	30%
22	Market access instruments provided to 1100 SMMEs	Number of SMMEs provided with market access instruments	200	450	450
23	R3 bn in manufacturing exports	Rand value of manufacturing exports	R3 billion	R6 billion	R9 billion
24	15 000 new jobs created	Number of new jobs created through sectoral interventions	3 000	6 000	6 000

¹⁰ DTIC (2024b: 63)

¹¹ DTIC (2024a: 133-136 and 2024b: 66-67)

Output		Output Indicator	MTEF Period		
			2024/25	2025/26	2026/27
25	Review of the Masterplans	Number of Masterplans reviewed	Automotive Masterplan reviewed	Sugar Masterplan reviewed	Retail-Clothing, Textile, Leather and Footwear (CTFL) and Poultry Masterplans reviewed
27	Development of a Draft National Industrial Policy to promote industrialisation	Development of National industrial policy	Development of a draft National Industrial Policy	Approval and Implementation of a National Industrial Policy	Implementation of a National Industrial Policy
28	Finalisation of Hemp and Cannabis Commercialisation Policy	Hemp and Cannabis Commercialisation Policy approved	Approval of Hemp and Cannabis Commercialisation Policy	Implementation of Hemp and Cannabis Commercialisation Policy	Implementation of Hemp and Cannabis Commercialisation Policy
29	Development and implementation of the Regional Critical Minerals (RCM) Strategy in partnership with the Department of Mineral Resources and Energy (DMRE) to increase value addition and support transition to low carbon economy	Develop and implement the RCM Strategy and funding proposal in partnership with the DMRE	Develop and implement the RCM Strategy and funding proposal in partnership with the DMRE	Approval and implementation of the RCM Strategy to capture 2% of global market for processed critical minerals	Implementation of the RCM Strategy to capture 3% of global market for processed critical minerals
30	Decarbonisation Strategy	Finalisation of a decarbonisation strategy for the industry	Finalisation of a decarbonisation strategy for the industry by Cabinet	-	-
31		Establishment of a Decarbonisation Project Coordination Office	Establishment of a Decarbonisation Project Coordination Office	Implementation of a decarbonisation strategy for the industry through the Project Coordination Office	Implementation of a decarbonisation strategy for the industry through the Project Coordination Office

Source: DTIC (2024b: 66-67)

3.1.5. Programme 5: Regulation

The Regulation Programme is aimed at developing and implementing coherent, predictable and transparent regulatory solutions that facilitate easy access to redress and

efficient regulation for economic citizens. Its sub-programmes are Enforcement and Compliance, Policy and Legislative Development, and Regulatory Services.¹² Initially, the Programme had seven planned targets for the financial year, which were revised to six targets¹³. Most of the targets are new, as the targets that were in the initial APP have been removed. The new targets for the Programme are shown in Table 6 below.

Table 6: Amended Performance Targets for Programme 5

Output		Output Indicators	MTEF Period		
			2024/25	2025/26	2026/27
32	General Laws Amendment Bill/Act developed by National Treasury (NT) to amend the Companies Act, 2008	Number of legal and technical reports submitted into the amendment of the Companies Act	2	0	0
33	Regulations developed, tabled or submitted to the Executive Authority, Cabinet or Parliament	Number of Draft Regulations developed and submitted to the Executive Authority for publication in the Government Gazette	2	2	0
34		Number of documents/ or notice for the Proclamation of the Companies Amendments Acts developed and submitted to the Executive Authority	2	1	0
35		Number of Codes on (Consumer Goods and Services and Motor Industry) developed and submitted to Executive Authority for publication in the Government Gazette	2	2	0
36	Action plan developed and actions taken on measures related to business rescue	Number of action plans developed and actions taken on measures related to business rescue and reports submitted to Executive for approval	2	4	4
37	Action plan and One draft E-commerce strategy	E-commerce strategy and action plan developed and submitted to Executive Authority for approval	1 E-commerce strategy and action plan developed and submitted to Executive	1 E-commerce strategy and action plan developed and submitted to Executive	0

¹² DTIC (2024b: 75)

¹³ DTIC (2024a: 145-146 and 2024b: 77-79)

Output	Output Indicators	MTEF Period		
		2024/25	2025/26	2026/27
		Authority for approval	Authority for approval tabled at Cabinet	

Source: DTIC (2024b: 77-79)

3.1.6. Programme 6: Incentives

The Incentives Programme is responsible to “stimulate and facilitate the development of sustainable and competitive enterprises, through the efficient provision of effective and accessible incentive measures that support national priorities”¹⁴. This Programme captured the core mandate of the DTIC and was the largest programme accounting for approximately 42,0 percent of the total budget. The sub-programmes are Broadening Participation and Industrial Innovation Incentives; Manufacturing Incentives; Services Investment Incentives; Infrastructure Investment Support; Product and Systems Development; and Strategic Partnership and Customer Care¹⁵.

Initially, the Programme had 15 planned targets for the financial year, which have been reduced to five targets¹⁶. These amended targets are more specific, and some annual targets have been adjusted downwards. In terms of the “impact measure to reduce red tape across the DTIC financing group (incentives and loans)”, the associated output indicator was new and provided for the “implementation of an integrated Industrial Financing single-access”. The amended planned targets for this Programme are shown in table 7 below.

Table 7: Amended Performance Targets for Programme 6

Output	Output Indicators	MTEF Period			
		2024/25	2025/26	2026/27	
38	R13 billion in investment through industrial financing	Rand value of investment through industrial financing	R13 billion	R10 billion	R10 billion
39	R5 billion in export revenue from Global Business Services (GBS)	Rand value of export revenue of GBS	R5 billion	R5 billion	R5 billion

¹⁴ DTIC (2024b: 84)

¹⁵ Ibid

¹⁶ DTIC (2024a: 153-5 and 2024b: 86-87)

Output	Output Indicators	MTEF Period			
		2024/25	2025/26	2026/27	
40	R4 billion disbursed to projects/enterprises	Rand value disbursed to projects/enterprises	R4 billion	R5,2 billion	R5,4 billion
41	6 000 new jobs created	Number of new jobs created	6 000	6 000	6 000
42	1 impact measure to reduce red tape across the DTIC financing group (incentives and loans)	Implementation of an integrated Industrial Financing single-access	1	1	1

Source: DTIC (2024b: 86-87)

3.1.7. Programme 7: Export

The Export Programme is aimed at increasing South African export capacity and supporting direct investment flows through targeted strategies and an effectively managed network of foreign trade and investment offices. Its sub-programmes were Export Promotion and Marketing; Trade and Investment Foreign Services Management Unit; and Export Development and Support.¹⁷ Initially, it had 12 planned targets for the financial year, which was revised to four targets (see table below)¹⁸.

Table 8: Amended Performance Targets for Programme 7

Output	Output Indicators	MTEF Period			
		2024/25	2025/26	2026/27	
43	Increase the value of South African exports to the world by R1 trillion by 2030 through a whole of government approach, which includes: <ul style="list-style-type: none"> Increasing the value of South African exports to the rest of Africa (10% per annum growth). Increasing the number of regular exporters by 5% by 2030. 	Global Export Strategy approved by Cabinet.	1	0	0
44		Additional Trade Finance Mechanism approved by Cabinet.	1	0	0
45		Rand value of South African outward investment in the rest of Africa.	R25 billion	R26 billion	R27 billion
46		Rand value of exports to the rest of the world is funded through the Export Marketing and Investment Assistance Scheme.	R850 million	R960 million	R1,1 billion

Source: DTIC (2024b: 94-95)

3.1.8. Programme 8: Transformation and Competition

The Programme focuses on developing and implementing policy interventions that promote transformation and competition issues through effective economic planning,

¹⁷ DTIC (2024b: 92)

¹⁸ DTIC (2024a: 162-164 and 2024b: 94-95)

aligned investment and development policy tools. The sub-programmes are Economic Planning and Advisory; Implementation Coordination and Competition Oversight; Investment and Development; and Equity and Empowerment.¹⁹ Initially, it had 23 planned targets for the financial year, which were revised to seven targets (see table below)²⁰. Four of these targets were new.

Table 9: Amended Performance Targets for Programme 8

	Output	Output Indicator	MTEF Period		
			2024/25	2025/26	2026/27
47	R15 Billion in investment pledges leveraged from competition and transformation interventions	Rand value of investments leveraged from competition and transformation interventions	R15 billion	R8 billion	R8 billion
48	Implementation of the R100 billion Transformation Fund by 2029	Transformation Fund developed	Transformation Fund concept approved	-	-
49		Rand value of Transformation Fund raised	R10 billion	R20 billion	R20 billion
50	Transformation Fund Pipeline	Number of commitments for Transformation Fund	10	10	10
51	Implementation of B-BBEE to achieve 60% black ownership in critical sectors by 2029	% Implementation of B-BBEE to black ownership in critical sectors	30%	35%	40%
52	200 000 job opportunities created through transformation and competition interventions	Number of job opportunities created through transformation and competition interventions	200 000	200 000	200 000
53	10 000 additional workers with shares in their companies	Number of additional workers with shares in their companies as a result of the DTIC group's interventions including but not limited to competition initiatives	10 000	10 000	10 000

Source: DTIC (2024b: 102-103)

3.1.9. Programme 9: Research

The Research Programme aims to “undertake economic research, contribute to development of trade and industrial policies and guide policy, legislative and strategy

¹⁹ DTIC (2024b: 100)

²⁰ DTIC (2024a: 171-5 and 2024b: 102-103)

processes to facilitate inclusive growth”²¹. The sub-programmes for this Programme are Economic Research and Policy Coordination; Macroeconomic and Microeconomic Policy; and Growth Path and Decent Work²². Initially, it had 12 planned targets for the financial year, which were revised to four new targets²³. These are outlined in the table below.

Table 10: Amended Performance Targets for Programme 9

	Output	Output Indicator	MTEF Period		
			2024/25	2025/26	2026/27
54	Industrialisation Think-Action Tank established	Discussion papers produced to influence economic policy debates	5	10	10
55	Young people trained in digital skills	Programme to increase training for unemployed youth designed	1	-	-
56	Economic Barometer reflecting real economy’ trends.	Bi-monthly Barometer publication produced covering manufacturing employment, trade, Gross Domestic Product (GDP), investment and economic modelling forecasts	2	6	12
57	Economic Policy Knowledge Base established	Market intelligence and trade opportunities reports commissioned and accessible to exporters	6	50	50

Source: DTIC (2024b: 113-114)

3.2. Adjusted Appropriation for the 2024/25 financial year²⁴

The DTIC’s total budget in the revised APP has been adjusted upward by R67,4 million to R9,67 billion in alignment with the Adjusted Estimates of National Expenditure tabled on 30 October 2024. The increase was as a result of revenue generated from rental income and will be channelled to Programme 1 for goods and services. Furthermore, a virement of R4,27 million was made to Programme 1, herewith increasing its budget allocation from R880,9 million to an adjusted appropriation of R952,6 million.

Other significant changes to the budget included virements and shifts of approximately R170,6 million from other programmes to Programme 6: Incentives. This therefore increased the Programme’s appropriation from R4,03 billion to R4,2 billion. There was a

²¹ DTIC (2024b: 112)

²² Ibid

²³ DTIC (2024a: 185-186 and 2024b: 113-114)

²⁴ National Treasury (2024b)

decrease in other programmes compared to the initial budget allocated to the DTIC in February 2024. The adjusted appropriation is shown in the table below.

Table 11: Adjusted Budget Allocation by Programme for the 2024/25 Financial Year

Programme (R'000)	Appropriation	Virements and Shifts	Other Adjustments	Total Adjustments Appropriation	Adjusted Appropriation
Administration	880 966	4 276	67 415	71 691	952 657
Trade	241 644	-824		-824	240 820
Investment and Spatial Industrial Development	167 077	-26 796		-26 796	140 281
Sectors	1 431 536	-102 582		-102 582	1 328 954
Regulation	346 122	111		111	346 233
Incentives	4 034 466	166 212		166 212	4 200 678
Export	387 960	-29 600		-29 600	358 360
Transformation and Competition	2 047 132	-5 268		-5 268	2 041 864
Research	63 326	-5 529		-5 529	57 797
Total	9 600 229	0	67 415	67 415	9 667 644

Source: National Treasury (2024b: 346)

4. Key issues raised by the Committee during its deliberations

The Committee raised several concerns during its deliberations, including:

4.1 *Drivers of economic growth*: The Committee noted the challenges and opportunities facing the DTIC in driving economic growth in South Africa. While leading industrial policy and co-chairing the economic cluster, its ability to influence key sectors such as mining, agriculture, energy, and logistics, which were critical for growth, would be dependent on cross-departmental collaboration/coordination, especially with NT in relation to macroeconomic policy. The Committee enquired how the DTIC would employ its influence to drive economic growth in these sectors, especially in support of industrialisation. The Minister informed the Committee that the DTIC's involvement in coordinating the economic cluster reflected its central role in shaping and overseeing the economic policy direction. As co-chair of both the political and

technical economic cluster, it provides the DTIC with the responsibility for ensuring that the various economic initiatives, projects and contributions from different ministries and sectors align with the broader goals set by government. He further stated that the DTIC had moved beyond merely implementing the President's draft to taking a leadership role in coordinating the development of economic strategies, particularly those related to emerging sectors such as cannabis, which is progressing toward commercialisation. He acknowledged that there were still agricultural and regulatory issues that needed to be resolved before commercialisation. Therefore, the DTIC chairing the Interministerial Committee on Cannabis reflects its engagement in managing new sectors and ensuring effective cross-ministry collaboration. Additionally, the DTIC's role in the Interministerial Committee on Employment underscores its efforts to foster public-private sector collaboration, which is critical for job creation and broader economic stability. He reiterated the importance of the DTIC's role in aligning political and technical economic efforts for the achievement of the country's medium-term economic goals.

In addition, Deputy Minister Godlimpi welcomed the Committee's acknowledgement that the DTIC operates separately from the Presidency and NT. However, the DTIC's success depends on effective coordination with these two entities. He further emphasised that the decision by the Presidency to grant the DTIC co-chairpersonship of the economic cluster is an important opportunity toward strengthening macroeconomic coordination, which would enhance collaboration and lead to more effective policy outcomes.

- 4.2 ***Effectiveness of master plans:*** A view had been expressed around the current focus on master plans for specific sectors, stating that the identified sectors did not always reflect the true dynamics of the economy. It had been argued that looking at value chains would be a more effective way to understand the workings of the economy and where to target/locate incentives. The Committee enquired whether the DTIC had considered a focus on value chains rather than on sectors, as value chains consider the entire production process, and how different parts of the economy interconnect. The DTIC indicated that while the Master Plans considered

sectors, they were action-oriented policies, geared toward boosting local jobs and developing local value chains, and their development was integral to the industrial development strategy. Several master plans have been implemented, and others are currently being developed to help create conducive conditions for industries to grow. This would include assisting companies to improve their industrial capacities and sophistication, focusing more on export orientation, and reclaiming domestic market space lost to imports.

Their development was informed by both specific industrial and economic analysis, which identified the strengths and challenges facing the industry and identified opportunities to strengthen and grow different sectors. There was also an extensive, evidence-based engagement between government and leading companies in different sectors, which agreed on the proposals and actions pertaining to growth targets, employment and investments.

The DTIC currently implements eight Master Plans for the following sectors: Automotive; Retail-CTFL; Sugar; Poultry; Furniture; Steel and metal fabrication; Medical technology and GBS. It also provides support to the Department of Agriculture on the development of the National Cannabis Master Plan.

Notwithstanding positive outcomes in key sectors, South Africa still faces many serious challenges on its road to re-industrialisation. The implementation of Master Plans is occurring within an uncertain global economic environment with rising geopolitical tensions, climate change crisis, coupled with deep-seated domestic structural problems and constraints.

In conjunction with the Master Plans, the DTIC offers industrial financing support in the form of grants, loans, and tax allowances to the manufacturing sector. These support measures include grants offered to the agro-processing and automotive sectors and Black Industrialists. The industrial financing offered is targeted at increasing productive capacity, employment, competitiveness, and transformation. In addition, the DTIC offers economic recovery funding through its Development Finance Institutions (DFIs), such as the Industrial Development Corporation (IDC)

and the National Empowerment Fund (NEF). Concessionary funding is offered by the DFIs to manufacturing businesses while sustaining existing jobs and productive capacity.

4.3 ***Operation Vulindlela:*** Operation Vulindlela is a cooperative effort by the NT and the Presidency to promote economic recovery and expedite the implementation of structural changes. Electricity, water, transportation, and digital communications are among the network industries that Operation Vulindlela seeks to modernise and change. The Committee noted that the current priority projects under Vulindlela – transport, energy, crimes/corruption – do not directly fall under the DTIC’s mandate but impact the effectiveness of its industrial and trade policy. The Committee enquired what transformative interventions the DTIC would propose to the Presidency and NT to drive economic growth, leveraging private sector involvement in the process. Deputy Minister Godlimpi drew a parallel between the historical Operation Vula (a strategic effort to lay the groundwork for liberation) and the current Operation Vulindlela aimed at removing binding constraints in sectors like electricity, logistics, and research, as well as addressing corruption. He emphasised that Operation Vulindlela would not directly solve all the issues; however, it is essential to unlock economic growth and address systemic problems. He highlighted regulatory issues, such as South Africa’s port tariff structure that favours the export of raw commodities over finished goods, and the regulatory burden on business as key constraints. He also recognised that elevating these issues through Operation Vulindlela could assist in creating an environment conducive for improved economic performance.

4.4 ***Demand for unrefined minerals:*** South Africa is a mineral-rich economy, centred around the export of unrefined minerals. However, the government recognised that this dependence exposed it to risks and inhibited its economic diversification, necessitating the development of initiatives aimed at advancing higher-value industries and future economic resilience. The DTIC reported that one of the significant economic challenges facing South Africa has been the global demand for its unrefined mineral exports. The Committee sought clarity on why these challenges, specifically regarding the demand for unrefined minerals, had been categorised as global rather than national challenges.

The DTIC informed the Committee that in South Africa, export controls on certain minerals are governed by the Mineral and Petroleum Resources Development Act (Act No. 28 of 2002) and its related regulations. Minerals such as gold, silver, and platinum group metals are classified as controlled and require licensing. These controls aim to ensure lawful trade, promote domestic beneficiation, support economic development, and advance sustainability goals for national benefit. Currently, the only mineral-related resource the DTIC directly regulates for export is ferrous and non-ferrous scrap metals. Export controls, including restrictions, duties and a preferential pricing system, aim to support the local foundry, manufacturing and steel sectors by prioritising domestic use and curbing excessive exports. In addition, environmental and economic assessments are required before approvals, and an export tax is applied to encourage local value addition and align with national development objectives. The DTIC informed the Committee that the DMRE is in the process of finalising South Africa's RCM Strategy. This strategy would define a list of critical minerals and outline policies for their regulation, focusing on advancing energy security, economic growth, and environmental sustainability.

4.5 ***Industries or products targeted for beneficiation:*** A view was expressed about the government's continued pursuit of beneficiation and localisation policies. It had been argued that the pursuit of these policies had been ineffective, stating that beneficiation, namely adding value to raw materials by processing them locally, might be inefficient. Furthermore, that moving raw materials to the export market is often cheaper than moving beneficiated goods. The Committee enquired about the specific industries and products being targeted for beneficiation. The DTIC reported that the DMRE was the main policy driver of beneficiation. Therefore, it was unable to provide an appropriate response in this regard.

4.6 ***Monitoring of beneficiation progress:*** The amended APP emphasised the beneficiation of key sectors. Collaboration with the private sector would be essential to facilitate this due to fiscal limitations and challenges with state-owned enterprises. The Committee was of the view that tracking progress around beneficiation would be critical to move beyond mere discussion. Therefore, the

Committee enquired whether the DTIC had considered implementing a tracking system for beneficiation, a type of beneficiation index to track the level of beneficiation, similar to how the balance of payments tracks exports and imports. This would ensure progress, as failure to do so would risk South Africa being surpassed by other countries. The DTIC reported that the DMRE was the main policy driver of beneficiation. Therefore, it was unable to provide an appropriate response in this regard.

- 4.7 ***Local public procurement targets:*** The Committee was of the view that in terms of public procurement, the target should be to increase the procurement of locally manufactured products, aligned with the broader goals of industrialisation and economic transformation. While the specific percentage target may vary by sector or programme, government departments and entities should generally expect to adhere to local content requirements set by the Preferential Procurement Regulations and designated sectors identified by the DTIC. However, the Committee enquired whether the DTIC could specify the details of compliance or had specific statistics in this regard. The DTIC informed the Committee that the procurement of locally manufactured products has not been measured as a proportion of total procurement expenditure, as this varies by institution based on their core functions. Some entities may procure many designated products, while others may only procure a few. Instead, local content compliance is measured per designated product, based on whether the product is manufactured within South Africa and meets the specified local content threshold. These thresholds are set by the DTIC and vary depending on the availability of inputs and the capacity and capability of the local industry.

Furthermore, under the 2017 Preferential Procurement Regulations, institutions were expected to achieve over 70 percent compliance with local content requirements. However, following changes in procurement legislation effective from 16 January 2023, compliance has dropped below 50 percent, as many institutions stopped implementing these requirements. In response, the DTIC has issued guidelines to help institutions include local content in their preferential procurement policies while the Public Procurement Act (Act No. 28 of 2024) was

being finalised. This new Act would restore the mandatory procurement of locally manufactured products and establish a clear framework for product designation and local production requirements.

4.8 ***Promotion of intra-African trade:*** The Committee recognised the importance of intra-African trade and regional integration, more so given the shift toward decarbonisation and the green economy by developed countries. The over-reliance on trade with Europe and North America could hinder the growth of intra-regional trade within Africa. The Committee cited the success of Asia's intra-regional trade as it produces manufactured goods needed within the region, unlike Africa, which is still heavily reliant on the export of primary commodities. The focus should be on developing manufacturing and knowledge-driven economies, setting clear targets and strategies to boost intra-African trade, and diversifying its export basket to the continent. This would promote the development of industries that could produce goods for domestic consumption and exports within Africa. The Committee enquired whether the DTIC had considered any measures that would promote intra-African trade and local manufacturing and reduce its reliance on the export of primary commodities. Deputy Minister Godlimpi acknowledged the Committee's inquiry about intra-Asian trade and whether there would be any lessons for the African continent. He informed the Committee that the DTIC's research unit would support further exploration of this idea and make a detailed assessment of the factors enabling such trade, which could provide valuable lessons to enhance Africa's economic development.

4.9 ***Protection of intra-African trade:*** The Committee raised concerns that bilateral trade negotiations with developed countries had previously undermined multilateral agreements within Africa, especially in the Southern African Development Community (SADC). Many African nations have ratified the AfCFTA, which aims to enhance intra-African trade by removing trade barriers, focusing on value-added production and encompassing all sectors of the African economy. The Committee enquired whether the DTIC had developed measures to mitigate against disruptions and to protect intra-African trade. The DTIC informed the Committee that Article 18 of the AfCFTA Agreement mandates that State

Parties grant each other trade preferences equal to or better than those given to third parties, on a reciprocal basis. However, existing trade agreements with third parties remain valid. As AfCFTA is a Free Trade Area and not a Customs Union, State Parties may enter into new agreements with third parties, provided these are not more favourable than AfCFTA terms after its entry into force. Furthermore, the AU Assembly, in its 2018 Decision (Assembly/AU/Dec.692), urged Member States to avoid bilateral trade deals until the AfCFTA entered into force. After its entry into force in May 2019, its Decision (Assembly/AU/Dec.714) reaffirmed this stance, requiring Member States to notify the Assembly of any intended third-party trade agreements and ensure that such deals did not undermine the goal of a unified African market under the AfCFTA. According to the DTIC, the AfCFTA Ministers of Trade have agreed that Africa should engage third parties with a unified voice. However, given that AfCFTA negotiations are still being finalised, and implementation is at an early stage, it is considered premature to pursue bloc-level free trade agreements (FTAs) with third parties. To guide future engagements, the AfCFTA Secretariat is preparing a technical paper to inform draft Guidelines on trade relations with third parties.

The DTIC further reported that three of its KPIs support the output “Implementation of the AfCFTA to increase SA exports to the rest of the continent”, namely:

- *11 countries that have started trading under the AfCFTA*: Once the tariff offer of an AfCFTA country has been approved by the AfCFTA Council of Ministers and adopted by the AU Summit of Heads of State and Government, the country has to go through its domestic legal procedures to publish and start applying the offer. South Africa would also have to publish that country in its Customs and Excise Act as a country that participates in preferential trade under the AfCFTA. This KPI measures the number of non-SADC countries that have started using preferential trade under the AfCFTA.
- *Two Protocols submitted for ratification approved*: The DTIC intended to finalise the Protocols on Women and Youth in Trade; and on Competition in the 2024/25 financial year to be approved by the Executive Authority.

- *South African offer on Trade in Services approved*: This was expected to be approved by the Executive Authority in the 2024/25 financial year for consideration by Cabinet in the following financial year.

With regard to South African exports to Africa, there was no specific target for this in the 2024/25 APP. A specific target for trade with Africa would be developed and included in the next APP.

4.10 ***Liberalisation of trade in financial services within the AfCFTA***: The AfCFTA provided opportunities across several sectors. Trade liberalisation of the financial services sector in the AfCFTA represents a significant opportunity for South Africa. However, the Committee acknowledged the potential challenges of such inclusion, particularly around the need for coordination with NT. The Committee enquired about the scope of the financial opportunities under the AfCFTA and whether a collaborative relationship exists with NT in this regard, which would ensure that financial service agreements align with national priorities. The DTIC informed the Committee that the AfCFTA's Protocol on Trade in Services aims to progressively liberalise financial services in Africa, fostering market access and promoting the growth and inclusion of financial services. This includes insurance, banking, and other financial services with the goal of supporting investment and business development. The liberalisation of financial services under the AfCFTA secures predictable market access for South African exports of financial services through investments and establishment, digital services and movement of financial service suppliers. The market access rules are to be complemented with a Regulatory Framework for financial services applicable to all AfCFTA state parties. This framework will establish common standards and reduce regulatory heterogeneity to create harmonisation that is meaningful to facilitating trade in financial services.

The framework was at an advanced stage of negotiation and was expected to be concluded by August 2025. The framework is forward-looking on issues such as fintech, Artificial Intelligence and the integration of emerging technologies in financial services and regulatory sandboxes²⁵. It includes an in-built agenda for

²⁵ A system to test regulations with regard to new emerging areas.

evolving regulatory cooperation on financial service issues which will require the dedicated and consistent participation of the South African Reserve Bank (SARB), NT and the Financial Services Conduct Authority (FSCA).

Collaboration, consultations and coordination in developing South Africa's negotiating positions for financial services commenced in 2019, engaging the NT, the SARB, the FSCA and the Banking Association of South Africa. Currently, the SARB and the FSCA were actively participating in providing technical support to the negotiations. Thus far, no inputs have been received from NT.

To ensure that financial services agreements aligned with national priorities, the following elements were key: (i) the South African private sector (banking, insurance and other financial services) should guide market access priorities and identify regulatory barriers; (ii) the SARB, NT and the FSCA should deepen their technical input into the AfCFTA negotiation process and consistently monitor developments, including assisting with implementing South Africa's market access commitments. Such participation was key to South Africa assuming a stronger leadership role within the continent with respect to regulating financial services for growth, inclusion and consumer protection.

- 4.11 ***Status of the African Growth and Opportunity Act (AGOA)***: The AGOA has been a significant driver of trade between the United States (US) and African countries, providing preferential access to the US market for South African exports. However, the change in leadership in the US poses concerns about the future of AGOA. The Committee enquired about the measures being considered by the DTIC to ensure that South Africa retains the benefits under AGOA. Deputy Minister Godlimpi reaffirmed that South Africa's stance on AGOA and foreign policy had been driven by a consistent bi-partisan value proposition, not influenced by the political party in power in the US. South Africa advocates for Africa's collective and comprehensive development, irrespective of the party in power. He also informed the Committee that the Minister and Deputy Minister Whitfield had visited Washington where they had engaged members of both parties

before the election. The feedback received from these discussions had been positive; therefore, South Africa remains positive about the future of AGOA.

- 4.12 ***Exploring trade within BRICS²⁶***: While the AfCFTA would offer South African entrepreneurs and businesses access to a market of over 1,3 billion consumers, there was a need to explore additional market access and trade opportunities beyond Africa. Other BRICS countries could offer such opportunities; notwithstanding, the informal nature of the alliance. The Committee enquired whether any consideration had been given to leveraging political development and existing agreements to enhance trade relations within the BRICS framework and to strengthen these trade opportunities. The DTIC informed the Committee that as a member of the Southern African Customs Union (SACU), South Africa cannot independently negotiate new trade agreements. In recent years, SACU has prioritised the negotiation and implementation of the AfCFTA and has decided not to pursue new FTAs at this stage. As the AfCFTA negotiations near completion, SACU is set to consider new FTA negotiations. This may lead to the revival of the “butterfly strategy”, a framework previously developed to guide such engagements. Over the years, multiple countries—including BRICS members—have submitted FTA requests to South Africa/SACU. These requests will now be assessed as part of SACU’s broader evaluation of potential future trade negotiations.

It should also be noted that while SACU may explore new FTA negotiations, most resources remain focused on finalising and implementing the AfCFTA. Additionally, tariffs are no longer the main barrier to market access. In many of South Africa’s export markets, the benefits of traditional FTAs are diminishing due to the rise of non-tariff barriers—notably sanitary and phytosanitary (SPS) standards and environmental regulations, which have increased significantly in recent years. The DTIC also informed the Committee that in collaboration with the Department of Agriculture, it has been working to open new export markets for various agricultural products. This is achieved through the negotiation of

²⁶ Brazil, Russia, India, China and South Africa Group

Health Protocols with target countries, ensuring compliance with SPS requirements to facilitate access to those markets.

- 4.13 ***Weaponised climate agenda:*** Diversification, decarbonisation and digitalisation are critical elements within the DTIC's economic strategy. The Committee recognised that a decarbonisation strategy would be essential for reducing emissions, addressing climate change and protecting the economy. However, it cautioned against the potential for climate regulations to be used as a tool by the developed nations to impose non-tariff barriers on developing countries. A weaponised climate regulation agenda of the developed world, such as the recent introduction of the Carbon Border Adjustment Mechanism regulations by the European Union, could undermine South Africa's economic progress. Therefore, the Committee enquired whether measures had been developed by the DTIC to counter the weaponised climate agenda of the developed nations. The Minister recognised the complexity of South Africa's approach to critical minerals and decarbonisation, and how it should navigate in transitioning to cleaner energy while leveraging its mineral resources. He acknowledged that coal remains a critical element for the current energy needs; however, the push toward decarbonisation presents an opportunity to capitalise on its rich mineral resources such as platinum, lithium and manganese that support clean energy technologies. A balanced approach would be required while transitioning to cleaner energy sources in line with international commitments, such as the Paris Accord, given the reliance on coal. A premature or sudden shift away from coal could harm the economy, particularly in provinces such as Mpumalanga, which is heavily reliant on the coal industry. South Africa should strategically exploit its mineral wealth not only to contribute to a green economy, but also to protect its economic and social interests. Therefore, the move toward cleaner energy should be gradual, considering both domestic and international requirements, ensuring that the mineral sector evolves in a sustainable and economically beneficial way.

The Minister further informed the Committee that South Africa was already facing the challenges of transitioning to a green economy, as industries must adapt to global demands for cleaner energy and products. An example of this

reality in South Africa was the announcement by one of the original equipment manufacturers that it would close down its internal combustion engine plant in the Eastern Cape. This transition to a green economy presents both significant opportunities and challenges, according to the Minister. Although South Africa has the capability to produce green energy sources like hydrogen and sustainable aviation fuel, the high cost associated with decarbonisation makes it difficult to use these resources domestically. However, the Minister was of the view that South Africa has a short window period to position itself as a leader in the green economy and as an active participant in the decarbonisation effort.

4.14 ***Decarbonised economy:*** The Committee noted its concern around the potential risk of developing countries, such as South Africa, in the transition to decarbonised economies. While recognising the attractiveness of the availability of transition funds (in South Africa, the Just Energy Transition Investment Plan) to enable this shift; building local capacity would be critical to transition to a green economy without falling into a potential debt trap by becoming reliant on loans from multilateral development institutions. The Committee enquired whether the DTIC had developed any measures to develop its own capabilities for decarbonisation to avoid over-reliance on loans that could compromise South Africa’s economic independence. Deputy Minister Godlimpi concurred with the concerns raised by the Committee regarding the Just Energy Transition and its associated risks, such as a “new debt trap”. He stressed that while the transition to decarbonisation would be essential, it could lead to South Africa taking on loans to finance this transition. This could be counterproductive as it would undermine the country’s productive capacity. He cautioned against a premature shift from existing energy sources such as coal without a proper economic and energy strategy as it could harm the economy. He called for a balanced approach to transitioning to avoid economic risks.

4.15 ***Illicit imports:*** The Committee expressed concerns about the lack of customs enforcement and regulatory oversight in South Africa, which allowed for the entry of illegal and illicit products, with sometimes lethal consequences. The Committee also emphasised that illicit trade had not been limited to one type of

product but included a variety of potentially dangerous goods such as alcohol, fake cigarettes, and clothing, among others. Furthermore, the Committee had been of the view that the impact of illicit trade had not only been in terms of tax revenue and the growth of the economy, but it had also become a public health and safety issue. The Committee enquired whether the DTIC had considered any measures to combat illicit imports entering South Africa. The DTIC acknowledged that cheap imports threaten local industry sustainability, often due to customs fraud. Practices such as under-invoicing, misclassification of goods, and misreporting quantities allow importers to evade duties, making imported goods unfairly competitive. These activities typically involve collusion between foreign exporters and local importers. While especially problematic in the clothing industry, such illegal imports also affect other manufacturing sectors. It informed the Committee that the Economic Reconstruction and Recovery Plan aims to strengthen local production and protect domestic industries from illegal and sub-standard imports. Key interventions include:

- *Retail-CTFL Master Plan*: Enhancing the South African Revenue Service (SARS) enforcement capabilities to curb illegal imports.
- *Steel Master Plan*: Incorporating the steel sector into the Inter-Agency Working Group (IAWG) to tackle issues such as under-invoicing and mis-declaration of imports.

According to the DTIC, these are part of broader efforts to safeguard local industries and ensure fair trade practices.

In addition, SARS has intensified efforts to combat illicit trade, particularly focusing on undervaluation of CTFL imports by boosting enforcement capacity. The IAWG, established in 2019 and comprising the SARS, the South African Police Service, the DTIC, and the ITAC, plays a key role in a coordinated government response. Initially targeting the scrap metal, CTFL, and gold sectors, the IAWG has since expanded its focus to include steel, poultry, and furniture.

Furthermore, the DTIC informed the Committee that the CTFL Valuation Focus Team has significantly improved import compliance. Since 2019, declarations above the reference price have increased from 37 percent to over 98 percent in

key tariff headings, indicating strengthened enforcement and reduced under-invoicing. With regard to the steel sector, a multi-agency effort involving the DTIC, the SARS, the ITAC, and industry is addressing illicit trade and import leakage in the steel value chain. Key initiatives include:

- Reference Price System (established in 2018) to flag low-priced steel imports.
- The Local Content and Compliance Unit (LCCU) under the Steel Master Plan, enhancing data analysis and reporting on illicit trade.
- Metals Specialist Training, a collaborative programme to equip SARS Customs officials with skills to detect illegally traded steel products.

These measures reflect coordinated actions to curb illegal imports and protect the local industry.

4.16 ***Impact of incentives on job creation:*** The primary objective of incentive programmes is to stimulate and promote the growth of competitive and sustainable businesses by offering accessible and efficient incentives to advance the national interest. The DTIC informed the Committee that 6 000 jobs had been created because of the current iteration of incentives. However, the Committee noted that no clear data had been provided regarding the nature of the jobs, specifically distinguishing between long-term permanent and temporary or contractual jobs. Therefore, the Committee requested the DTIC to provide a detailed sector-by-sector breakdown of the 6 000 jobs created in terms of whether these had been permanent or contractual jobs, as well as the impact of incentives on job stability. The DTIC indicated that the Incentive Branch reported on permanent new jobs. Of the 2024/25 target of 6 000 permanent new jobs, approximately over 5 000 jobs were created by the manufacturing sector and over 4 000 by the service sector.

4.17 ***Incentive support:*** Incentive support across different sectors plays an important role, particularly in promoting the export of value-added products. Recognising that the DTIC plays a critical role, effective coordination across different departments is essential to facilitate this. Furthermore, macroeconomic coordination is essential for the success of incentive programmes, as well as to ensure the efficient distribution of resources and incentives to support value-

added exports. The Committee enquired what the DTIC's plans were to distribute incentives across several sectors and whether specific targets for these incentives would be included in future APPs. The DTIC informed the Committee that the targets and the proportion of support across all funded sectors are detailed in the Annual Industrial Financing Report, which also includes data on exports from funded projects. Furthermore, no additional funding has been allocated by NT to increase the entity budgets. It is exploring the option of augmenting budgets from its existing baseline, but any increases will be modest, given current budget constraints.

4.18 ***Online portal for industrial financing:*** The DTIC reported that the implementation of an integrated Industrial Financing online web portal to enable single access to industrial financing programmes was one of the strategic focus areas in its revised APP. The Committee enquired whether the portal had been developed and implemented, and if not, whether the DTIC could provide a timeline for its rollout. The DTIC informed the Committee that its website currently provides updates and will continue to be regularly updated throughout the 2024/25 and 2025/26 financial years.

4.19 ***Investment stimulus:*** As part of its economic strategy to break South Africa out of its debt trap, the DTIC highlighted an economic strategy rooted in mineral beneficiation. One of the key pillars identified in the draft MTDP would be an investment stimulus focusing, among others, on improving the ease of doing business and the potential for stimulating investments in new mines. The Committee enquired whether the DTIC plans to provide direct funding or would its role purely be to create a conducive investment environment. Furthermore, whether the DTIC had considered any specific measures to attract investment into new mining ventures. The DTIC informed the Committee that the IDC supports the development of new mines through a value chain approach, focusing on both industrial and export potential, across various sectors. Its Critical Minerals Plan is a key initiative aimed at supporting mining and related sectors in meeting local and global electrification needs for the transition to net zero. This includes developing the full battery value chain for both stationary (utility-scale) and

mobility (new energy vehicle) applications. Furthermore, the IDC's strategy would extend beyond South Africa, aiming to develop regional value chains that leverage the SADC region's critical mineral resources to drive industrialisation. All business and project development initiatives are aligned with this regional, value chain-based approach to maximise economic opportunities.

In addition, the IDC's Corporate Plan (2024/25–2026/27) allocates R12 billion—18 percent of its total capital—for investment in the mining and metals sectors. In partnership with the DMRE and the Council for Geoscience, the IDC has also launched a R400 million Junior Mining Exploration Fund. This fund aims to:

- Support qualifying enterprises in conducting prospecting activities,
- Improve access and licensing for Black junior miners, and
- Promote economic inclusion and equitable growth in the mining sector.

The DTIC also informed the Committee that to date, the Junior Mining Exploration Fund has approved eight applications totalling R165 million, fully allocating the funds from its first funding call. A second funding call is expected to be announced in early 2025. In developing local mining capacity, the IDC also focuses on maximising immediate development impact. Through the Small and Medium Enterprise Connect Programme, it also supports local suppliers and mine contractors to integrate into mining supply chains. Additionally, the IDC funds independent power producers to supply renewable energy to mines, aligning with their decarbonisation initiatives.

4.20 ***Domestic investment:*** The Committee raised a concern in terms of the ratio between domestic investment and FDI in South Africa. Instead of depending too much on FDI, it highlighted the importance of making a distinction, thereby ensuring/encouraging local businesses to also invest in the economy. The Committee enquired whether the DTIC had set specific investment targets in relation to the ratio between domestic investment and FDI. Deputy Minister Godlimpi acknowledged the concerns about the low levels of local investment, which is reflected in the growing savings of businesses rather than investments within the country. He informed the Committee that government expenditure had

been rising since September 2023, signalling a positive shift. He was of the view that with energy and logistic challenges being addressed, it could be expected that both businesses and government could play an active role in driving economic recovery and ensuring sustained growth.

4.21 ***Framework for tracking investment:*** The DTIC had committed to mobilise R2 trillion in investment over five years, both domestic and foreign investment, through greenfield and brownfield investments. However, there is a need for a comprehensive framework to track progress and establish clear timelines and milestones to ensure that this goal is achieved and aligns with broader economic and developmental goals. Therefore, the Committee enquired how the DTIC intends to track progress and ensure that the target will be achieved over the five-year period. The DTIC informed the Committee that under the Investment and Spatial Industrial Development Programme, a structured approach has been used to track progress toward the R2 trillion investment target (2024–2029). Companies would submit quarterly updates via detailed templates, and it engages directly to address implementation challenges. A key focus is on “unblocking” red tape, including resolving issues such as permit delays, visa facilitation, infrastructure bottlenecks and interdepartmental coordination. Regular meetings, direct support, and liaison with authorities have helped to accelerate approvals and project delivery. In addition, the DTIC also conducted site visits and attended project launches to verify progress and celebrate milestones.

4.22 ***Monitoring of SEZs and township initiatives in relation to job creation:*** Support for SEZs and the focus on industrialisation in townships could be a catalyst for employment, transformation, socio-economic development, investment and economic growth. There had been a renewed strategic focus on the township economy, implemented through the District Development Model, which aimed to foster economic growth by identifying and supporting key industrial initiatives across South African township areas. However, the Committee raised concerns about the absence of clear timelines and specific targets for implementing such initiatives to promote township-based industrialisation and localisation. Therefore, it enquired how job creation would be measured and monitored, as well as how the

socio-economic impact of these investments would be tracked to ensure that the intended outcomes had been achieved. The DTIC informed the Committee that the SEZ Act (act No. 16 of 2014) and, since 2019, a new SEZ implementation approach has been in place, promoting equal participation from national, provincial, and local governments—first applied in the Tshwane Automotive SEZ and now standard across all SEZs. Regarding job creation, SEZs are provincial entities, and each SEZ sets its annual job creation targets based on prior-year performance. The cumulative jobs created across all SEZs are reported against the DTIC’s national job creation objectives.

In terms of industrial parks, the review of their performance started in 2022 and the process of consultation was adopted in 2023 by all stakeholders (host provinces, districts, municipalities and agencies - including business associations). The process of implementation of the new approach (focused on co-governance, co-funding, multi-stakeholder operational management, eco-industrial parks development framework, etc.), started with work on five Industrial Parks, namely Nkowankowa, Isithebe, Ekandustria, Matjhabeng and Wild Coast. These were all at different phases in the 2024/25 financial year. In addition, the full adoption of the eco-industrial parks’ implementation framework, working full steam toward the grading of parks and appointing different types of interventions for each, in accordance with their assessment needs, was expected in the first quarter of the 2025/26 financial year. To this end, these industrial parks are targeted for the 2025/26 financial year, with the rest of the interventions meant to catalyse township and rural economies through smaller parks, referred to as hubs.

- 4.23 ***Competitiveness of industry:*** The electric cable manufacturing industry has been facing challenges with several factors undermining the industry’s competitiveness and sustainability. A recent engagement with cable manufacturers has amplified these challenges, such as the negative impact of cheap imports from countries like China, Portugal, Italy, and India, and the lack of domestic and foreign investment, as well as the failure of government incentives to support new entrants. According to Deputy Minister Godlimpi, a key challenge facing many South African SMMEs has been that they tend to focus solely on the local market, thereby limiting their

efficiency and potential. A key objective of South Africa's export-led growth strategy was to build local manufacturing capacity while connecting SMMEs to global markets. He was of the view that by focusing on products that align with the existing market share, like automotive and battery manufacturing, South Africa could create jobs and strengthen its industrial capacity. Furthermore, the export-led growth strategy would balance imports with domestic production and would be supported by leveraging trade agreements like the AfCFTA to reduce vulnerability to volatile commodity cycles. The objective would be to increase employment, industrial capacity, and South Africa's global competitiveness in global markets.

- 4.24 ***Economic transformation:*** While there has been success in some critical sectors in achieving more equitable transformation, other sectors had lagged in terms of transformation. The Committee enquired whether the DTIC had considered a targeted approach to economic transformation that identified sectors critical for change and that have the highest potential for inclusivity. According to the DTIC, B-BBEE is a key tool for economic transformation in South Africa, broadly defined as a socio-economic process aimed at equitably transferring ownership, management, and control of the country's financial and economic resources to the majority of citizens. Since 1994, B-BBEE has been central to government policy, providing a unified strategy for driving inclusive economic participation. Subsequently, the B-BBEE balanced scorecard was introduced to measure and promote B-BBEE, which included five key elements: Ownership, Management Control, Skills Development, Enterprise and Supplier Development (ESD), and Socio-Economic Development. It also prioritises Black Designated Groups—such as Black women, youth, people with disabilities, and communities—to ensure inclusive and widespread economic participation.

Since 2017, the B-BBEE Commission has annually reported on the transformation progress. While not comprehensive, the data shows significant progress over 21 years, including increased black ownership, business leadership, skills development, and community benefits—particularly in rural areas. Despite these gains, major challenges remain: most South Africans still lack ownership of

productive assets and access to advanced skills, limiting both their economic participation and the country's overall economic potential. The DTIC informed the Committee that the B-BBEE Commission is currently conducting a comprehensive study to evaluate the progress of B-BBEE implementation. The goal is to assess its impact on building an inclusive economy that benefits all South Africans.

- 4.25 ***Effectiveness of B-BBEE***: The broad objective of B-BBEE is to drive economic transformation and enhance black participation in the South African economy. However, B-BBEE had been criticised for being too narrow in scope, benefiting a select few with political connections, rather than the broader population. The Committee enquired whether the DTIC had considered any measures that would ensure the achievement of the broad objective of enhancing black participation in the economy. The B-BBEE Commission confirmed that the overarching objective of B-BBEE was to catalyse economic transformation and ensure the meaningful participation of black South Africans in the economy. As a legislative framework, B-BBEE aims to redress past economic discrimination by promoting increased participation of black people generally and in particular black designated groups in the mainstream economy through ownership, management control, skills development, ESD and socio-economic development opportunities.

The approach of the legislation has been broad-based with the explicit intention to ensure that the broadest sections of the population benefit from the policy, which includes the following black designated groups in the B-BBEE Act (Act No. 46 of 2013):

- Unemployed black people not attending and not required by law to attend an educational institution and not waiting for admission to an educational institution;
- Black people who are youth as defined in the National Youth Commission Act (Act No. 19 of 1996);
- Black people who are persons with disabilities as defined in the Codes of Good Practice on the employment of people with disabilities issued under the Employment Equity Act (Act No. 55 of 1998);
- Black people living in rural and under-developed areas; and

- Black military veterans who qualify to be called military veterans in terms of the Military Veterans Act (Act No. 18 of 2011).

Furthermore, the Act has the following broad-based features:

- *Ownership Inclusive Instruments*: The BEE Codes of Good Practice on Ownership have inclusive instruments such as Broad-Based Ownership Schemes (BBOSs); Employee Share Ownership Programmes (ESOPs); Trusts, namely Workers or Community Trusts; and Co-operatives that are specifically designed to shift empowerment away from ‘small elites’ and toward collective empowerment models, that have a much broader impact. In addition, the scorecard recognises the inclusion of “Black New Entrants”, which in essence promotes the participation of a diversity of black people to avoid having the ‘select few’ benefitting from empowerment deals. According to the Commission’s 2022 National Status Report, over R100 billion in equity has been transferred to broad-based trusts, ESOPs and BBOSs, demonstrating the broader impact.
- *Skills Development Spend (in Billion Rand)*: Between 2021 and 2024, entities have spent over R186,3 billion cumulatively on training and development of black employees and other black non-employees as per their B-BBEE scorecard requirements.
- *ESD Spent (in Billion Rand)*: Between 2021 and 2024, B-BBEE has enabled thousands of black-owned SMMEs to access the supply chains of various entities or corporates through the ESD-facilitated funding and mentorship programmes to black-owned enterprises. The total ESD spend over the period was R116,6 billion.
- *Ongoing Policy Reform and Governance*: The DTIC and B-BBEE Commission have recognised that implementation of the legislation can be improved, and that this requires that the current B-BBEE Act be strengthened. The focus of this should be on (i) B-BBEE being a collective responsibility; therefore, stronger collaboration being a priority within government, as well as with private sector stakeholders; and (ii) this collaboration should also include an enhanced role for oversight entities such as:

- The Department of Planning, Monitoring and Evaluation to incorporate B-BBEE into the Strategic Planning and APP Framework;
- NT and the Auditor General to ensure that B-BBEE compliance is mandatory for internal and external audits;
- The Johannesburg Stock Exchange to increase the level of B-BBEE reporting by all listed entities; and
- Parliament, to escalate non-compliance and strengthen accountability.

The transformative potential of the policy and legislation has not yet been fully realised and going forward the focus should be on how to strengthen and enhance its broad-based mechanisms and how to hold all participants, public and private sector stakeholders accountable.

4.26 ***Economic Transformation of critical sectors:*** The DTIC has set out an ambitious target to achieve 60 percent black ownership in critical sectors by 2029. This is informed by the fundamental objective of the B-BBEE Act which is to advance economic transformation by promoting the economic participation of black people, thereby ensuring an inclusive economy. While recognising this critical initiative to drive economic transformation, the Committee enquired what critical sectors were being prioritised to achieve these targets and whether this had been based on their economic significance. Furthermore, the Committee sought clarity on the status of the current black ownership within these sectors and the feasibility of achieving this target by 2029 based on current progress and challenges. The DTIC reported that the key sectors that have been identified were those that have existing sector codes. These include Tourism, Construction, Information and Communication Technology, Financial Services, Agriculture, Defence, Forestry, Property Transport, Marketing, Advertising and Communication and Legal Sector Code.

4.27 ***Shelf space:*** The DTIC has endeavoured to engage retailers around the provision of shelf space for new market entrants. For new businesses to succeed, particularly in the agriculture industry, shelf space in larger retail chains would be essential. Notwithstanding this initiative, the Committee enquired about the current shelf space availability for new entrants and whether the DTIC intended engaging other

big retailers to expand opportunities for domestic farmers. The DTIC informed the Committee that SMMEs are vital to South Africa's economy. It has committed to utilising a variety of policy instruments like B-BBEE policies, codes of good practice, financial and non-financial instruments, the Black Industrialists Programme, SEZs, industrial parks and localisation to provide opportunities for SMMEs. It also aimed to partner with the corporate sector to boost black empowerment, industrialisation, and job creation through procurement pledges across various sectors.

- 4.28 ***Stranded assets***: South Africa's unemployment population represented a "stranded asset" that could be mobilised to foster economic growth and development. The unemployed population is an underutilised resource with potential skills that could have major untapped economic potential. It would be important to unlock the potential of this "stranded asset" and integrate these individuals into the economy. Therefore, the Committee enquired whether the DTIC saw a strategic role in integrating the unemployed into the economy through various forms of economic activity. Deputy Minister Godlimpi supported the view of the Committee on "stranded assets" that the optimisation of its national assets, including labour, mineral resources and technology, is a major challenge facing South Africa. While acknowledging that there may be differences on what the best approach would be, the focus of industrial policy should be on value chain linkages, not just individual sectors. He highlighted the Sugar Value-Chain Master Plan, which forms part of the agro-processing value chain, as well as the Automotive Master Plan, which integrates critical minerals into its strategy. Furthermore, he stated that to prevent its national assets from becoming "stranded", more emphasis should be placed on beneficiation and localisation, focusing on downstream industries that create greater job opportunities. He focused on the iron ore mining sector to illustrate the importance of retaining jobs in value-added industries, as he was of the view that exporting raw material would lead to significant job losses in related sectors. He advocated for an economic strategy that ensured economic growth, distribution of wealth, and job creation, rather than a narrow focus on GDP or export earnings.

4.29 ***Enterprise and Supplier Development programmes:*** ESD programmes appeared to be ineffective in promoting meaningful economic growth. Currently, the private sector spent about R25 billion on ESD programmes annually; however, the DTIC had not addressed ESD as a tool for leveraging private sector investment in the economy. ESD programmes had the potential to significantly boost small businesses and black-owned enterprises; however, there should be clear measurements and accountability in terms of return on investment (ROI). The Committee enquired whether the DTIC had engaged the private sector to better align ESD strategies with the national industrial policy and had considered clear metrics and accountability on ROI for ESD expenditure. Also, whether the DTIC had given consideration for the B-BBEE Commission to play a more active role in ensuring the efficacy of ESD funding. The Minister informed the Committee that the aim of the Transformation Fund is to consolidate efforts for ESD by mobilising resources from various funding instruments, including equity equivalents. While the R100 billion target is set for 2029, the implementation would begin in the next financial year. He further informed the Committee that the current focus would be on structuring the Fund, mobilising partners, and ensuring government compliance with the B-BBEE legislation. The NEF would be responsible for the design, with the goal of creating a more coordinated approach to B-BBEE. In addition, the Minister acknowledged the importance of creating governance systems, rules and targets to track progress and accelerate progress to B-BBEE.

4.30 ***Transformation Fund:*** The DTIC indicated that it would establish an R100 billion Transformation Fund over the next five years. However, there appeared to be some ambiguity regarding the current status of its implementation. The Committee enquired whether the DTIC could provide clarity on whether the R100 billion Transformation Fund has been officially launched and is currently operational. Specifically, whether the fund had begun disbursing or actively sourcing funds based on the pledges made or was it still in the preparatory phase following concept approval. The DTIC clarified that the concept of the Transformation Fund had been approved, and the Fund was in the process of being established. It would function as an aggregated fund managed through a partnership between government and the private sector to improve access to funding for black-owned

enterprises and SMMEs. The fund would be primarily anchored by ESD contributions, aiming to drive inclusive economic participation and transformation.

- 4.31 ***Efficacy of B-BBEE legislation:*** The Committee had been of the view that the B-BBEE Act had not been fully effective in addressing the economic inequalities facing black South Africans. While acknowledging that some progress had been made regarding empowerment, more comprehensive measures should be implemented to ensure that economic opportunities are accessible to all South Africans, especially those who had been left out of the mainstream economy. Furthermore, the B-BBEE Commission's role is to ensure that businesses adhere to the principles of the B-BBEE Act, which aims to promote inclusive economic participation. During the Committee's recent engagement with the Commission, it highlighted the need for a more robust framework that would ensure that the B-BBEE regulations had been effectively implemented and that businesses that failed to comply were held accountable. The current legislative framework did not provide the Commission with the necessary tools and authority to enforce compliance, nor did the revised APP address these legislative shortcomings. This compromised the government's ability to achieve its empowerment goals and therefore ensure socio-economic transformation. Therefore, the Committee enquired whether the DTIC had reviewed the impact of the B-BBEE legislation and what measures could be introduced to broaden the accessibility of economic opportunities to South Africans who fall outside the mainstream economy. In addition, it enquired whether the DTIC had considered any legislative amendments to strengthen the enforcement mechanisms of the B-BBEE Commission. The Minister emphasised the significant progress made in implementing the B-BBEE legislation, extending beyond just equity transactions to include enterprise and supplier development, skills development, and social transformation. He emphasised the importance of focusing not only on equity transactions, but also on the broader understanding and impact of B-BBEE. He cited the recent example of Spur Franchises whose intention was to increase its black-owned franchises and to support black-owned farmers. However, he stated that despite these successes, challenges such as fronting, under-reporting, and non-compliance hindered its

effectiveness. While B-BBEE policies should be reviewed to ensure better implementation, he was of the view that the focus should be on refining the existing framework rather than discarding the legislation. The objective would be to enhance compliance, address weaknesses, and ensure that the benefits of B-BBEE reach all sectors of society, particularly historically disadvantaged individuals.

4.32 **Research and Development (R&D):** South Africa's spend on R&D is far below international standards, with other countries investing a much higher percentage of their GDP in this regard. To stimulate real economic growth, South Africa must significantly increase its investment in R&D, which is projected to remain at just 1 percent of GDP. The Committee enquired whether the DTIC had considered measures to increase its contribution toward R&D. Deputy Minister Whitfield stressed the importance of R&D, stating that it should not only be viewed in terms of R&D but also innovation and the protection of intellectual property (IP). While the Patents Act (Act No. 57 of 1978) is operational within the medical industry, a broader conversation is needed on the protection of South African IP across all sectors. He stated that post 1994, deindustrialisation contributed to the inability to protect IP, which delayed/compromised industrial development. He recognised the under-investment in R&D; however, given the current budget constraints, South Africa should optimally use what is available. The creation of a culture of innovation and R&D should form part of the broader effort to reindustrialise the economy. Furthermore, he was of the view that, in addition to investment in R&D, the focus should also be on fostering innovation to grow industries and compete globally. Stronger IP protection would incentivise innovation, which is crucial for reindustrialisation and long-term economic development.

4.33 **Tracking mechanism for the DTIC's performance:** The Committee expressed its concern about the absence of a defined framework for tracking the development of and progress in implementing the revised APP and its programmes. While recognising the alignment with the priorities of the 7th Administration and recommendations from the Committee, it noted the absence of specific details regarding outcomes, timelines, and a monitoring mechanism. There should be a

structured approach to measure success and define the desired outcomes and ensure effective tracking and evaluation. Therefore, the Committee enquired whether the DTIC had considered developing any measures that would ensure effective monitoring and evaluation. Deputy Minister Godlimpi informed the Committee that the APP tracking mechanism had been streamlined by removing output indicators focused on reporting, and instead focused on tangible performance and impact. The number of targets had been reduced from 118 KPIs to 57 KPIs, only reflecting the core mandate of the DTIC, while progress would be tracked through the operational plan, rather than the APP. According to the Deputy Minister, this adjustment would ensure that the APP focuses on substantive work, thereby reducing bureaucratic reporting.

- 4.34 ***Audited targets:*** The Committee raised concerns about the target of 56 percent for entities achieving clean audits. As audit reports are an important tool to ensure financial accountability and good governance, a clean audit (100 percent) should be the standard and not an aspirational goal. Setting the target at 56 percent implied that failure to achieve a clean audit would be acceptable. The Committee enquired what the rationale was for setting the target so low given the importance of financial and governance accountability. The DTIC informed the Committee that at the time of the APPs approval, audits for two entities had still been pending. For the 2023/24 financial year, 56 percent of entities (9 out of 16 entities) had received clean audit outcomes, while the remaining seven had received unqualified audits with findings. Based on this baseline, the target was to achieve 80 percent clean audits for the 2024/25 financial year (as reflected in the 2025/26 APP target) and 100 percent for the 2025/26 financial year (2026/27 APP target).

5. Conclusions

Having considered the information shared and reports from the DTIC with respect to its amended APP, the Committee has reached the following conclusions:

- 5.1 The Committee was satisfied with the quality and the streamlining of the amendments to the APP to ensure that the key performance indicators were linked to actual service delivery and their impact on the economy. However, it was concerned that there was no indication of whether the DTIC had consulted the Auditor General of South Africa over the amendments to its performance targets. It thus requested the DTIC to consider ensuring that future amendments undergo such a consultation process. Furthermore, it noted the reduction in the number of key performance indicators from 118 targets to 57 targets. It called on the DTIC to ensure that the transformation, export growth, beneficiation, and job creation targets are adequately incorporated in its APP going forward to enable transparency and accountability.
- 5.2 The Committee acknowledged that the Amended APP sets the stage for a new Strategic Plan to be aligned with the Medium-Term Development Plan. However, it emphasised that the DTIC should comply with its set timelines to ensure that policy objectives can be achieved.
- 5.3 The Committee was of the view that besides targets for job creation, job quality and the types of jobs (permanent vs. contract vs. seasonal), as well as sectoral distribution, is also important to monitor. Therefore, the DTIC should consider revising its incentive criteria to include indicators for job sustainability, wage levels, and skills development.
- 5.4 The Committee emphasised the need for collaboration and coordination across government to ensure the efficacy of industrial policy to increase economic growth and to address unemployment in South Africa. In this regard, the alignment of macroeconomic policy is critical, as well as well-functioning and appropriately priced economic supporting infrastructure including rail, telecommunications, water and electricity, as well as other network industries. Together, these should encourage manufacturing and exports of value-added goods. Therefore, the DTIC was urged to leverage its role as the Economic Cluster Co-Chair to pursue such coordination.
- 5.5 The Committee was of the view that the approach to Master Plans should include systems thinking and/or full value chain analysis to fully address the structural and interconnected nature of industrial underdevelopment. It encouraged the DTIC to consider ensuring that

the National Industrial Policy Framework provides adequate interlinkages across sectors, including those covered by the Master Plans.

- 5.6 The Committee highlighted that even though an increase in the workforce presented an opportunity for higher economic growth and broad-based development. Likewise, economic growth is essential to create new job opportunities. However, the lack of opportunities to gain workplace experience, coupled with poor school education and limited networks, consigned most work-seekers to long-term unemployment. It indicated that the DTIC, in conjunction with other relevant government departments, public institutions and the private sector, should ramp up efforts to provide more workplace experience opportunities to work-seekers.
- 5.7 While the Committee noted the Minerals-Energy Complex in South Africa and the global demand for its unrefined minerals, there is a need to deepen local beneficiation. It welcomed the emphasis on the beneficiation of critical minerals as reflected in the amended APP and its potential to stimulate economic activity and drive significant job creation. The DTIC should consider strengthening its alignment with the Department of Minerals Resources and Energy to effectively track progress in beneficiation in terms of value addition in key minerals and manufacturing value chains quarterly.
- 5.8 The Committee stressed that public procurement of locally manufactured products should be encouraged in both capital- and labour-intensive sectors of the economy. As soon as the Public Procurement Act becomes operational, the DTIC should ensure that government departments and public institutions comply with local content provisions within the context of ensuring the delivery of quality goods and services that are cost competitive. In addition, the designated sectors should also be encouraged to explore export markets for their products to achieve economies of scale and thus improve their cost competitiveness.
- 5.9 Despite a robust local procurement framework, compliance has plummeted after the regulatory shift in the Preferential Procurement Policy Framework Act. Therefore, without effective enforcement mechanisms, localisation initiatives will not yield the expected outcomes. The Committee urged the DTIC to engage National Treasury on the

timeframes to operationalise the Public Procurement Act and to consider introducing a quarterly Local Procurement Compliance Tracker. There may also be a need to consider naming and shaming non-compliant public institutions.

- 5.10 While the Committee was concerned by the lack of investment in Research and Development, it was of the view that much needed to be done to leverage Intellectual Property to pursue further economic growth in new industries. Furthermore, the Committee was concerned by delays in finalising the amendments to the Patents Act to implement the first Phase of the National Intellectual Property Policy and to strengthen the protection of patents.
- 5.11 The Committee acknowledged the importance of intra-African trade and regional integration to further diversify its basket of value-added goods. It was of the view that the region would play an increasingly important role given the growing constraints due to climate change interventions affecting trade, particularly given the Carbon Border Adjustment Mechanism being imposed by the European Union. The DTIC should also seek to ensure that trade agreements with developed countries enable and support intra-African trade.
- 5.12 Notwithstanding, South Africa's traditional trading partners and the need to maintain these relationships, the Committee encouraged the DTIC to pursue new market opportunities beyond its traditional trading partners given the changing trading landscape and risks posed by the unilateral imposition of non-tariff barriers.
- 5.13 The Committee emphasised that the AfCFTA must translate into measurable employment outcomes, particularly in manufacturing and value-added exports. It encouraged the DTIC, in collaboration with the South African Revenue Service and Statistics South Africa, to consider the feasibility of introducing a tracking mechanism to monitor exports and jobs created through intra-African trade, as well as sector growth, and progress on diversifying the export basket away from raw commodities.
- 5.14 Furthermore, the Committee noted that the Protocols on Competition and on Women and Youth in Trade would be finalised in the 2024/25 financial year. It urged the DTIC to

table these to be considered for ratification, as soon as possible, once the Cabinet has approved these for tabling.

- 5.15 In addition, the Committee also welcomed the opportunities to grow trade in goods and services provided by the African Continental Free Trade Area. It encouraged the DTIC to finalise the South African offer on Trade in Services, with a particular focus on financial services, as this could be a catalyst to expand services that could also assist in facilitating intra-African trade.
- 5.16 The Committee urged the DTIC to intensify its efforts to stabilise the trade relations with the United States of America, given the current political uncertainty and the importance of the African Growth and Opportunity Act to local exporters.
- 5.17 While the Committee was cognisant of the need to decarbonise the economy, as espoused through the Just Energy Transition Programme, it advocated for government to adopt a balanced approach to ensure that the transition does not lead to a high debt trap and that industry is able to implement these technologies rapidly. In addition, South Africa's comparative advantage should not be negated and other alternatives such as the use of cleaner coal should be explored.
- 5.18 In addition, it encouraged the developmental finance institutions to fast-track the diversification of funding from traditional Minerals-Energy Complex industries toward green economy and other value-adding industries to assist in mitigating the cost of this transition.
- 5.19 Customs fraud, under-invoicing, and illicit imports threaten the sustainability of the domestic manufacturing sector. Therefore, it is critical that South Africa's enforcement efforts are strengthened to curb illicit imports. In terms of efforts to curb illicit imports, the Committee acknowledged the progress made, particularly in the clothing and textile industry. However, it urged that government should continue to strengthen its border post interventions and other enforcement interventions to curb the impact of these imports. This requires the DTIC to ensure policy co-ordination with government departments and institutions that form part of the Border Management Agency. The DTIC should also

consider developing a tracking mechanism to monitor enforcement, seizures, and industries at risk due to unfair import practices.

- 5.20 The Committee was concerned that youth-owned firms and small, medium and micro enterprises may not be adequately represented in programmes like the Export Market Investment Assistance Scheme, despite having the creativity and agility to thrive in new markets. There is a need for these enterprises to be effectively included in industrial policy interventions to address existing inequalities. The DTIC should encourage a higher level of participation by youth-led enterprises and small, medium and micro enterprises within all export and industrial development incentives. Furthermore, the Export Market Investment Assistance Scheme should also be revised to include tailored support, simplified application processes, and fast-tracked access to African Continental Free Trade Area markets for these firms.
- 5.21 The Committee deemed the development of Special Economic Zones and township economies as critical for providing employment opportunities in economically depressed areas. Given this importance, the Committee urged the DTIC to develop mechanisms to assess whether Special Economic Zones and township economies yielded the desired outcomes as this would have a meaningful impact on citizens. The DTIC should also enhance collaboration with provincial and local governments to ensure the faster development of Special Economic Zones and Industrial Parks. In addition, the Committee emphasised the need to ensure that first preference is given to individuals living in surrounding areas when new jobs are created.
- 5.22 The DTIC should also consider reporting quarterly on the performance, job creation, and investment attracted through its revised Industrial Park model and township industrialisation interventions.
- 5.23 Despite the many iterations and amendments to empowerment policies and legislation (e.g., B-BBEE), the structure of markets and the racial composition of ownership and control had not changed significantly over time due to ineffective enforcement, low levels of compliance once legislation has been in place, and the lack of coordination with other critical policy areas, as well as insufficient focus on the creation of new businesses

with black ownership leading to new economic growth. Hence, the Committee emphasised the importance of governance systems, rules, and targets to facilitate substantive ownership and meaningful participation for historically disadvantaged South Africans in the broader economy.

- 5.24 The Committee noted that the private sector has spent R116 billion on Enterprise and Supplier Development and over R186 billion in skills development since 2021. Despite this, challenges with elite capture and limited broad-based black economic empowerment persist, requiring a comprehensive review of the legislation to assess its impact on the economy and job creation.
- 5.25 In addition, it acknowledged the introduction of the Transformation Fund. It was of the view that mobilising resources across sectors to support inclusive economic growth could be beneficial, as it could enhance enterprise and supplier development. However, it noted that the allocation and disbursement of these funds should be effectively monitored to ensure that the policy objectives are met. It also called for stronger support for township and rural economies through simplified access to DTIC funding instruments and business development services.
- 5.26 It also noted that the DTIC and its development finance institutions should leverage its experience in managing sector-focused transformation funds to realise the objectives of the Transformation Fund. The DTIC should also encourage greater consideration for the inclusion of youth-, women-owned, and SMME projects.
- 5.27 Emerging enterprises, particularly those owned by historically disadvantaged persons, were still confronted by challenges in respect of accessing retail shelf space and routes to market, despite the expansion of retail supplier development programmes that have historically been token corporate social investment schemes. Thus, the Committee implored the DTIC and the National Empowerment Fund to assist emerging enterprises regarding access to markets. In addition, the implementation of the Transformation Fund should be aligned in this regard.

5.28 The Committee noted the role of Operation Vulindlela in addressing structural reforms related to municipal governance and economic infrastructure, such as rail and energy, among others, that may constrain economic growth when not fully functional. As the outcomes of Operation Vulindlela affect the DTIC's service delivery, the Committee requested the DTIC to provide it with the specific inputs and reforms it has proposed under Operation Vulindlela to ensure the effective facilitation of industrial and trade policy.

6. Acknowledgements

The Committee would like to thank Mr P Tau, the Minister of Trade, Industry and Competition, and Mr A Whitfield and Mr Z Godlimpi, the Deputy Ministers of Trade, Industry and Competition, as well as Ms M Mabitje-Thompson, the Acting Director-General of the DTIC, and her team, for their cooperation and transparency during this process. The Chairperson wishes to thank all Members of the Committee for their active participation during the process of engagement and deliberations and their constructive recommendations reflected in this report. The Committee also wishes to thank its support staff, in particular Mr A Hermans, the Committee Secretary, Ms M Sheldon, the Content Advisor, Ms Z Madalane, the Researcher, and Ms Y Manakaza, the Committee Assistant, for their professional support.

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6. Report of the Portfolio Committee on Transport on the Economic Regulation of Transport Amendment Bill [B10-2025], dated 1 April 2025

The Portfolio Committee on Transport the (“Committee”), having initiated the Economic Regulation of Transport Amendment Bill, 2025 [B10-2025], classified by the Joint Tagging Mechanism as a section 75 Bill in terms of National Assembly Rule 274(1)(b), reports as follows:

1. Introduction

The Economic Regulation of Transport Bill, [B1-2020] was passed by the National Assembly on 29 February 2024 (approving amendments made by the National Council of Provinces) and assented to by the President on 6 June 2024. The President has not yet proclaimed the date on which the Economic Regulation of Transport Act, 2024 (Act No. 6 of 2024) will come into operation and that means that at this stage, although it forms part of the statute book, the Economic Regulation of Transport Act, 2024, is not yet in operation.

The Economic Regulation of Transport Amendment Bill, 2025 [B10 – 2025] (“the Bill”) aims to amend the Economic Regulation of Transport Act, 2024, in order to correct the erroneous reference of the Economic Regulation of Transport Act, 2024 (Act No. 6 of 2024) (hereinafter referred to as “the Act”), in schedule 1 to that Act, as the Economic Regulation of Transport Act, 2020. The reference to the Act in all the consequential amendments made to the pieces of legislation listed in schedule 1 is stated as “the Economic Regulation of Transport Act, 2020” instead of “the Economic Regulation of Transport Act, 2024”. The error may lead to interpretation challenges and uncertainty in law, which may require courts having to step into the arena of the legislature to resolve disputes. Due to the fact that the Act has already been assented to and hence forms part of the statute book, the only way in which the error can be corrected is through a legislative amendment, namely via the Economic Regulation of Transport Amendment Bill, 2025 [B10-2025].

The purpose of the Bill is to correct the error in Schedule 1 to the Act in order to eliminate any possible interpretation challenges that can lead to courts having to be called upon to determine the correct interpretation.

2. Amendments to the Economic Regulation of Transport Act, 2024

The Economic Regulation of Transport Amendment Bill, 2025 [B10-2025], proposes the following amendments to the Economic Regulation of Transport Act, 2024:

2.1 Clause 1 amends Schedule 1 to the Economic Regulation of Transport Act, 2024 (Act No. 6 of 2024) (referred to as the “principal Act”), by the substitution for the year “2020” of the year “2024” wherever the year “2020” appears as part of the citation of the principal Act.

2.2 Clause 2 provides for the short title of the Amendment Act once the Bill is passed and enacted, which will be the Economic Regulation of Transport Amendment Act, 2025.

3. Process followed

On 10 September 2024, Committee adopted a resolution to initiate legislation to remedy the error in the Act. On 10 October 2024 the Committee adopted a Memorandum in terms of National Assembly Rule 273(1) seeking permission for the introduction of the following legislation in the House, namely the Economic Regulation of Transport Amendment Bill, 2024. On 22 October 2024 (*see Minutes, dated 22 October 2024*), the House granted the Committee permission to introduce legislation amending the Economic Regulation of Transport Act, 2024 (Act No. 6 of 2024).

On 19 November 2024, the Committee adopted a resolution that it had developed the necessary draft legislation and intended to publish the draft Economic Regulation of Transport Amendment Bill, 2024, in the *Government Gazette* in accordance with National Assembly Rule 275. The Committee advertised and called for submissions on the draft Bill in the *Government Gazette* (No. 51711, Notice 2877 of 2024, 6 December 2024). The Committee did not receive any written comment on the draft Bill. The Committee subsequently invited the Department of Transport to make a submission on the Bill. The Department, in its reply, indicated that it supported the content of the draft Amendment Bill.

4. Financial Implications

The Department of Transport is currently performing preparatory work towards the establishment of the regulator as created by the Act, however, the proposed legislation is not expected to lead to any additional expenditure for the state.

5. Joint Tagging Mechanism (JTM)

The JTM classified the Bill as a section 75 Bill in terms of NA Rule 274(1)(b).

6. Recommendation

The Committee recommends that the House adopts this report and approves the second reading of the Bill as introduced.

Report to be considered.

REPORT OF THE PORTFOLIO COMMITTEE ON AGRICULTURE ON AN OVERSIGHT VISIT TO THE PERISHABLE PRODUCTS EXPORT CONTROL BOARD AND THE AGRICULTURAL RESEARCH COUNCIL STELLENBOSCH CAMPUS, WESTERN CAPE PROVINCE ON 25 AND 26 MARCH 2025, DATED 06 MAY 2025

The Portfolio Committee on Agriculture (hereinafter referred to as the Committee) having undertaken an oversight visit to the Perishable Products Export Control Board and the Agricultural Research Council Stellenbosch Campus in the Western Cape Province on 25 and 26 March 2025, reports as follows:

1. INTRODUCTION

The oversight activities of the Committee take cue from Section 55(2) of the Constitution which provides that “The National Assembly must provide for mechanism - (a) to ensure that all executive organs of the state in the national sphere of government are accountable to it; and (b) to maintain oversight of - (i) the exercise of national executive authority, including the implementation of legislation; and (ii) any organ of state”. From these provisions, it is quite clear that the Executive is obliged to account on its actions. Oversight visits, therefore, constitute a myriad of mechanisms available to the Committee for exercising its constitutional mandate as discussed above.

1.1. Terms of reference for the oversight visit

In terms of Section 43(3) and 55(2) of the Constitution as stated above, the Portfolio Committee, as an extension of the National Assembly, holds the Executive accountable through a range of oversight mechanisms. These sections empower Parliament to scrutinise and oversee Executive action as well as ensuring accountability of all executive organs of state. The Committee is overseeing a Department of Agriculture with different and complex subject areas including various public entities. To further strengthen its oversight mandate, it realised that briefings were not sufficient to fully understand the mandates and roles of the Department’s various entities. It thus identified the need to physically visit the Perishable Products Export Control Board (PPECB) and following previous visits to other campuses of the Agricultural Research Council (ARC) in the City of Tswane in Gauteng, it recognised the need to also visit

the ARC Stellenbosch Campus to get a better understanding of the operational environments and challenges of the two entities, which are both based in the Western Cape Province.

1.2 Objectives of the oversight visit

The Committee's objectives for the visit were to:

- Strengthen its oversight mandate by getting an insight into the technical operations of the PPECB and the ARC through observation.
- Get a better understanding of the PPECB's operational environment, its role in agricultural exports and challenges thereof.
- Get an insight into the contribution of the services provided by the PPECB to the wider agricultural value chain particularly the agricultural export industry.
- Get a better understanding of the activities of the ARC's Deciduous Fruit, Vines and Wine Campus (Infruitec-Nietvoorbij) including operational challenges.
- Get an insight into the research activities and contribution of the ARC's Deciduous Fruit, Vines and Wine Campus to the development of the fruit and wine industries.

1.3 The delegation and attendance by the Executive

The delegation to the PPECB and ARC Stellenbosch Campus comprised of the Members of the Portfolio Committee on Agriculture as illustrated on Table 1 supported by the Committee support officials responsible for committee secretarial duties, content support, research and communication services. Also in attendance were relevant officials from the office of the Director-General of the Department of Agriculture, the PPECB's Board members and Executive Management, the ARC's Board members and Executive Management as illustrated on Table 2, as well as ARC's Stellenbosch campus researchers.

Table 1: Delegation to the PPECB & ARC Campus (Members of the Portfolio Committee)

Members of the Portfolio Committee	
Name	Political Party
MP Pule, Ms DD (Chairperson/Leader of the delegation)	African National Congress (ANC)
MP Davids, Ms SW	
MP Ndalane, Ms NA	

MP Aucamp, Mr WAS	Democratic Alliance (DA)
MP Smit, Mr CFB	
MP Mngxitama, Mr A	uMkhonto Wesizwe (MK)
MP Montwedi, Mr MK	Economic Freedom Fighters (EFF)
MP Mahlatsi, Dr BW	United Transformation (UT)

Table 2: Delegation from the PPECB & ARC in attendance

Name	Entity
Ms Bongiwe Njobe (Chairperson of the Board)	PPECB
Mr Lucien Jansen (Chief Executive Officer (CEO))	
Mr Shumine' Vergotine (Lead Assessor)	
Xolisa Tifi (Senior Assessor)	
Shilton Davids (Lead Assessor)	
Pinki Luwaca (Human Resource Executive)	
Bridgette Daries (Chief Information Officer)	
Cyril Julius (Chief Operations Officer)	
Aneesa Moosa-Camroodien (Financial Accountant)	
Ms Joyene Isaacs (Chairperson of the Board)	ARC
Dr Konanani Liphadzi (Deputy Chairperson of the ARC Board)	
Dr Litha Magingxa (CEO)	
Prof Bongani Ndimba (Head of Campus)	
Dr Yolisa Pakela-Jezile (Acting Group Executive Crop Sciences)	
Dr Andrew Magadlela (Group Executive Animal Sciences)	
Dr Rodney Hart (Post Harvest Agroprocessing Technology (PHAT))	
Mr Phumzile Jacobs (Human Capital Development Manager)	

Ms Louisa Blomerus (Breeder & Commercialisation)	
Mr Maanda Nevhutanda (Facilities Manager)	
Dr Zelda Bijzet (RTM Crop Development)	
Dr Rinus Knoetze (RTM Plant Protection)	
Ms Nomkhosi Ngcobo (PRO)	
Ms Christoline Beyers (Director's Office)	
Ms Amisa de Vos (Finance Manager)	
Dr Reckson Mulidzi (RTM Soil & Water Sciences)	

Ms Nicci Van Niekerk from FPT was also part of the PPECB site visit to the FPT Terminal at Cape Town Harbour.

2. SUMMARY OF ENGAGEMENTS WITH THE ENTITIES

This section summarises the engagements that the Committee held with the PPECB and ARC including site visits.

2.1 DAY 1: TUESDAY, 25 MARCH 2025 – Visit to PPECB

The visit to the Perishable Products Export Control Board (PPECB) started with a site visit to the FPT Terminal at Cape Town Harbour. At the harbour, the delegation was welcomed by the Chairperson of the Board of PPECB, Ms Njobe and the Chief Executive Officer (CEO), Mr Lucien Jansen.

2.1.1 Visit to the FPT Terminal at Cape Town Harbour

The delegation was taken through the site by the FPT Manager, Ms Nicci Van Niekerk, who explained that FPT also has terminals in Durban and Gqeberha. FPT, like other operators, does not own the terminals but is a tenant of Transnet. The FPT Terminal at Cape Town harbour is a multi-purpose terminal that also handles fertilisers but focuses more on fruit.

Briefing on the PPECB's operations at the Terminal was done by the PPECB's Lead Assessor, Mr Shumine Vergotine. He explained that the PPECB personnel that works at the terminal work 3 shifts and consist of Assessors and Inspectors. The fruit, which would have been assessed and certified for export by the PPECB is brought into the harbour by cold trucks to be loaded in vessels that are destined for export destinations, mostly to Philadelphia in the USA, Russia, China and the European Union (EU). On average, the vessels stay at the terminal for 2 to 3 days for loading.

The PPECB has a responsibility to monitor temperature of the fruit pellets in the vessels that are destined for exports to ensure that the fruit is still in good condition. When the vessel is in voyage, the responsibility to check the temperature of the cargo lies with the captain of the vessel, who must report to the PPECB personnel every two hours. If anything, wrong is picked up, the PPECB must report it to the client. The PPECB is piloting an electronic system with shipping companies where the temperature of the fruit pellets can be automatically checked electronically while it is in voyage. The voyages take anything from 18 to 35 days depending on the export destination. At the time of the Committee visit, there were cold trucks that came in to load pears that were destined for Russia.

2.1.2 Visit to the Cape Fruit Coolers (Cold Storage)

The delegation visited the Cape Fruit Coolers, a cold storage facility that is located at Richwood Park. It is one of the various cold stores in the region on which the PPECB does inspections. It stores a wide range of products under frozen and chilled temperatures depending on the Export Protocol of each importing country. The delegation was given a tour of the facility and an inspection demonstration on avocados intended for export was done by one of the PPECB's Senior Inspectors. After inspection by the PPECB, the avocados were to go for further assessment by the Special Markets Division of the Department of Agriculture. After inspections, avocados should leave for the export destination within 14 days. If not, they should be re-inspected. This period varies among different fruits as some are more sensitive and may even require lesser days.

The PPECB ensures that products leaving the country are handled, stored and transported at optimum temperatures and conditions. Cold chain management is a vital link in the export value chain and cold storage units play an integral role in ensuring the quality of produce

intended for export is maintained. It is essential that cold stores comply with the minimum food safety and technical requirements for food storage. In cases where produce is intended for export, the relevant cold store must be registered with the PPECB; and must undergo annual inspections and certification. The PPECB keeps records of all its findings during inspections and the information is kept for 5 years in case there may be a dispute or a court case.

2.1.3 Briefing by the Perishable Products Export Control Board (PPECB) at its Offices

After the site visits, the delegation was taken to the PPECB offices in Plattekloof and the Chairperson of the Board, Ms Bongiwe Njobe, once again welcomed the delegation to the PPECB. The PPECB's Chief Executive Officer (CEO), Mr Lucien Jansen, did a brief presentation about the history of the PPECB, its mandate and role on the export of perishable agricultural products from South Africa. The CEO's presentation can be summarised as follows:

- The PPECB is a Schedule 3A national public entity that is established under the Perishable Products Export Control (PPEC) Act, 1983 (Act No. 9 of 1983) and the Agricultural Product Standards (APS) Act, 1990 (Act No. 119 of 1990) to regulate the export of perishable produce.
- The review of the PPEC Act is still in progress.
- The PPECB is a self-funded company that employs approximately 1182 employees (with seven (7) vacancies currently) placed in its 32 national offices that service 1 492 activity points.
- The entity does inspections on any agricultural product that requires refrigeration or refrigerated transport. It inspects approximately 190 types of perishable products, mostly fruit; as well as dried fruit and grains for exports (grains are inspected from Tshwane) and approximately 100% of consignments are inspected. The PPECB sometimes also inspects eggs and fresh flowers.
- The PPECB is involved in the export value chain through all inspections from the orchard/vineyard to the pack house, cold store, inland depot up to ship loading in the ports.
- The European Union (EU) is the largest export destination for South African fruit at 36%. The EU is followed by Asia at 16%, Middle East at 15%, United Kingdom (UK) at 13%, Russia at 7%, North America at 7% and Africa at 5%.

- The PPECB is focusing on becoming more customer centric and further improve the customer experience, provision of relevant and timeous information, continuous improvement through transformation, innovation and digitalisation, improving business process efficiencies to ensure effective service delivery and to contain cost, and improving business sustainability of black smallholder farmers and suppliers.
- Planned targets per programmes for 2025/2026 is about 86 000 export certificates processed via the electronic platform, 20 000 tests carried out during sample analysis using accredited methods, 1 050 food safety audits conducted, 50 Agri-Export Technologist Programme (AETP) students graduated per annum and 8 graduate placements, 110 smallholder farmers certified for market readiness and 700 smallholder farmers trained for market readiness, 98% inspectors & assessors evaluated as being technically competent and 10% of container loading processed via TITAN 2.0[®]
- Globally the PPECB is seeing disruptions due to geo-political matters.
- The PPECB is also mandated by the Department of Agriculture to inspect individual farmers' products on behalf of the Department for export purposes.
Exporters from South Africa cannot get a Phytosanitary Certificate for their perishable products without the PPECB Export Certificate. The PPECB, by law, is the only company in the country that does inspections on perishable products destined for export.

2.1.4 Issues from engagements with PPECB

- As a national public entity, the PPECB is not supposed to make profit. Therefore, the levies and other costs it charges for its services are for the entity to break even and be able to carry out operations.
- To ensure seamless operations investment in infrastructure is very crucial specifically railway infrastructure and addressing congestion at ports.
- Operators at ports do not own the land/property but lease it from Transnet, therefore, it becomes difficult to invest on weather-proof infrastructure to address loading delays and interruptions during adverse weather conditions.
- International trade and geo-political matters are a concern as PPECB works with export products.
- The PPECB has a bilateral with the European Union (EU) and its Export Certification is the same as that of the EU and is highly recognised in the EU. The PPECB creates an

important confidence in South African perishable products and is more highly renowned internationally than in the country.

- The challenge with African markets, which account for 5% of export destinations, is infrastructure and logistics (transport, packhouses, cold storages, etc.)
- India is open for exports, but high tariffs are a barrier. In this regard, the PPECB will need assistance from the Department and the Southern African Customs Union (SACU) including the Department of Trade, Industry and Competition (the dtic).
- To secure an export market is a lengthy process that takes 5 to 10 years. The PPECB also plays a role in export market negotiations by providing technical expertise.
- The PPECB trains black farmers on technical aspects of accessing export markets for their produce but to get the trained farmers access to markets is someone else's responsibility. In this regard, the PPECB has signed a Memorandum of Understanding (MOU) with the National Agricultural Marketing Council (NAMC) to assist PPECB-trained farmers with accessing markets.
- It is in discussions with the NAMC to also link the Agri-Export Technologist (AET) trainees with markets. The AET Programme is a level 5 Further Education and Training (FET) Certificate.
- Data on black exporters can be accessed from industry organisations (commodity groups), for example, the Citrus industry provides the data. However, there are layers to exports in general as some producers export directly while some use export agents.

2.2 DAY 2: WEDNESDAY, 26 MARCH 2025 – Visit to the ARC Stellenbosch Campus

2.2.1 Briefing by the Agricultural Research Council (ARC)

The delegation was welcomed by the Chairperson of the Board (also referred to as Council), Ms Joyene Isaacs who introduced the Deputy Chairperson of the Board, Dr Konanani Liphadzi. The introduction of the Executive Management was done by the Chief Executive Officer (CEO), Dr Litha Magingxa. Prof Bongani Ndimba introduced the ARC Stellenbosch Campus personnel and presented its overview.

The presentation focused on the following:

- The mandate of the deciduous fruit industry.
- The ARC's Fruit Research Station was established in the 1930s due to the demand for fruit that can last longer. The Institute in its current form was established on 1 May 1997 through the amalgamation of the ARC's Institute for Fruit and Fruit Technology (ARC-Infruitec) and the ARC's Institute for Viticulture and Oenology (ARC-Nietvoorbij).
- The ARC Infruitec-Nietvoorbij is a member of the Horticulture Cluster of the ARC. Its main activities are on crop production, improvement and protection, natural resources management and mechanisation and engineering. It is the largest breeders' rights (Plant Intellectual Property) owner in Africa & the southern hemisphere.
- The ARC is the principal agricultural research institution in South Africa, its mandate is to: promote agriculture and related industries; contribute to a better quality of life; facilitate/ensure natural resource conservation; alleviate poverty; undertake and promote research; technology development and technology transfer; utilise the technological expertise in its possession and make it generally available; publish information concerning its objectives and establish facilities for the collection and dissemination of information in connection with research and development; promote the training of research workers by means of bursaries or grants-in-aid for research, technology development and technology transfer.
- The National Development Plan (NDP) overlooked Research as the most important aspect of development.
- Historically, the ARC used to get 100% of its budget from Government. After deregulation in 1997, the Parliamentary Grant to the ARC decreased to 60% and the ARC must compete for external funding for the 40 to 50% additional funding, which is where Agricultural Industry Trusts come in to support research and development (R&D).
- Almost 80 to 90% of the fruit that ARC Infruitec-Nietvoorbij does research on is grown in the Cape (Western Cape, Northern Cape and Eastern Cape).
- The ARC gets some funding from Raisin SA for research on raisins, which are mainly produced from raisin grapes grown in the Northern Cape.
- Approximately 99% of canned fruit in the country is from ARC cultivars. However, the ARC is not optimally marketing its cultivars.

- Climate change is affecting viticulture and grape physiology (higher balling), creating new fermentation challenges. Changes in climate have led to grapes with suboptimal ripening and higher temperatures result in decreasing aromatic wine quality.
- South African wine makers are continually striving to increase wine quality and wine making styles continually change as new market trends emerge *e.g.* low alcohol wines, wines with enhanced tropical fruit aromas, etc.
- Wine yeasts form an integral part in the production of different varieties of red wines.
- The ARC Infruitec-Nietvoorbij Yeast Breeding Programme comprises of three sections, namely:
 - a) Selection of yeasts from nature.
 - b) Breeding of hybrid yeasts.
 - c) Screening and evaluation of yeasts for suitability for specific wine making conditions and styles.
- The goal of the Yeast programme is to increase the number of yeast strains available to wine makers as yeast criteria changes.
- The ARC derives Intellectual Property (IP) royalties from Anchor Yeast as four (4) of Anchor Yeast's varieties have been developed in the ARC.
- The ARC Infruitec-Nietvoorbij is also involved in Rooibos and Honeybush Tea research as well as flower production. Some Southern Cape municipalities and the Western Cape Department of Agriculture (DoA) are investing in Rooibos and Honeybush. The Western Cape DoA is planning to build a Honeybush processing plant in Oudtshoorn.

2.2.2 Interactive Exhibition

The briefing session, which included a question-and-answer session between the delegation, the CEO and responsible Executive Managers was followed by an Interactive Exhibition of some of the Institute's research activities. These included:

- Yeast isolation and development for wine making.
- Root stock development for various purposes such as influencing tree size, improve disease and pest management, enhance nutrient and water uptake, promote early fruiting.
- Use of zeolite (a mineral) to address soil acidity and nutrient leaching.

- Honeybush processing.
- Apple research.

2.2.3 Site visits

The Microbiology Laboratory (Lab)

The focus of the Lab is yeast for wine and beer making and other microbes used in the making of yoghurt. The Lab has a Biobank in which the ARC has been developing microbes for 30 years. Mould is a biggest challenge in the fruit industry and research that is done in the Lab assist in addressing the challenge. The Lab is also big on recycling of waste and uses grape skins to grow yeast. Different microbes are also used to develop balsamic vinegar with leftover grapes.

The Agri-Food Analytics Laboratory

The Lab was predominantly for the wine industry but has since expanded to servicing the entire ARC and other clients such as the University of Stellenbosch, which assist in generating revenue. The Lab also trains students and does research and testing for certification of wine. However, the actual certification is done by the South African Wine Industry Information and Systems (SAWIS). The ARC also offers training for wine tasters.

The Experimental Wine Cellar

The delegation also visited the Experimental Wine Cellar where a demonstration was done on the use of technology to separate grapes and stems from grape vines. The Experimental Wine Cellar is used for smallscale wine making trials and sensory evaluation, which are services that are available to external clients including limited amounts of product storage. It also produces commercial wines under the Nietvoorbij label.

2.2.4 Issues from engagements with the ARC

- Everything that the ARC does has to be within its research and development (R&D) mandate. There are limitations regarding access to plant material for research purposes, access to equipment and resources.

- Since the 30% budget cuts from 2016, there has been challenges in the ARC. There is a huge need for human resource (HR) capacity and being able to maintain and keep personnel, R&D funding, infrastructure and skills transfer.
- The ARC appreciates the Service Level Agreement (SLA) it has with the Department as it is assisting with some of its challenges.
- The ARC collaborates with Colleges of Agriculture for training of farmers including curriculum development.
- For the implementation of Kaonafatso ya Dikgomo (KyD), the ARC has SLAs with provinces. The provinces give the ARC the areas of focus in implementing the programme, which in some cases, may not necessarily be what is needed. In such cases, the ARC provides advice. Through KyD, it does artificial insemination (AI) and sometimes donates semen to smallholder farmers. However, genetics only play a part in the development and quality of a herd, nutrition plays a major role. As genetics cost money, funding is always a limitation for semen donations.
- Poor coordination between the national Department and provinces was highlighted in the uptake and use of ARC services.
- The ARC has a working relationship with Extension Officers through the SLA with provinces and is also involved in their training. The ARC can also facilitate a train-the-trainer programme by getting the Professional Development Programme (PDP) graduates involved in Extension training to assist with technical expertise.
- The ARC has an agreement with the Land Bank to provide technical expertise in the Blended Finance Scheme (BFS) programme, but it is not being utilised.
- Most of what the ARC does is in the public domain and it is also digitising information for easy accessibility. Some of the information from the ARC Hub has been moved to Mobile Applications (Apps) including Production Manuals.
- The ARC is not allowed to licence seeds for commercial purposes. Even where it has the capacity, as a public entity, it cannot compete with commercial companies as it must charge less. Economies of scale are also very important.
- The ARC Act needs to be reviewed as the ARC must be agile and responsive to industry needs. The ability to commercialise its products is very crucial.
- There are big opportunities for Agroprocessing, and the ARC has the capacity, but the Department is not focusing on Agroprocessing for funding.

3. COMMITTEE OBSERVATIONS

The Portfolio Committee delegation, having interacted with the PPECB and the ARC including site visits, made the following observations:

The PPECB

- 3.1 The negative impact of geo-political and international trade matters on the export industry and consequently, PPECB's operations and revenue generation.
- 3.2 The conditions at ports (and some harbours) negatively impact on the activities of the PPECB's inspection personnel and sometimes cause delays in loading export shipments.
- 3.3 The need for investment in infrastructure and rail considering the challenges that are faced by producers, particularly smallholder producers who are mostly located in remote areas of the country.
- 3.4 The recognition of the crucial role that is played by the PPECB to ensure international confidence in South African perishable products.
- 3.5 The need for strengthened intergovernmental relations and regional discussions to address barriers to entry for some export markets.
- 3.6 There is still more work that needs to be done by the Government and sector stakeholders to transform the agricultural value chain especially in the export industry, for example, operations of export agents and packhouses.

The ARC

- 3.7 The recognition of the excellent research and technological innovations that are developed by the ARC despite its financial constraints.
- 3.8 The underfunding of the ARC, including the budget cuts that have been experienced by the entity since 2016 remain a challenge that affects its R&D mandate including the work of the Infruitec-Nietvoorbij (ARC Stellenbosch campus that was visited).
- 3.9 The need for South Africa to invest more in R&D including agroprocessing to minimise export of raw materials and risks associated with imports including costly imported equipment.

- 3.10 More support is required from the Department to champion the ARC as the key research institution for sector growth and transformation through the uptake of the ARC's research outputs and innovations for use and application to the wider agricultural community.
- 3.11 The need to review the ARC Act to ensure agility and responsiveness to industry needs while developing in-house commercialisation for attracting more external revenue to augment budgetary shortfalls.

4. RECOMMENDATIONS

In view of the observations recorded above, the Portfolio Committee makes the following recommendations to the Minister of Agriculture:

The PPECB

- 4.1. Liaise with the Minister of Transport to find solutions to challenges at ports including rail and road infrastructure challenges, which negatively impact the transportation of agricultural produce that is destined for markets. The discussions should include the need for investment in rail infrastructure, particularly for inland agricultural production areas.
- 4.2. Liaise with the Minister of Trade, Industry and Competition and the Minister of International Relations and Cooperation to discuss trade barriers that constrain access of South African agricultural products to certain export markets.
- 4.3. Ensure that the PPECB gets additional funding for capacity-building programmes for smallholder producers to increase their access to export markets; as well as additional funding for the Agri-Export Technologist Programme that is directed at youth training.
- 4.4. Provide an update on the review of the PPEC Act and fast-track the review of legislation (e.g. the Agricultural Produce Agents Amendment Bill) that regulates the conduct of export agents and export market facilities.

The ARC

- 4.5. Submit to Parliament the funding requests that the Department has tabled in the National Treasury's Bilateral and Technical Group meetings regarding additional funding for the ARC that has been proposed by the Portfolio Committee in the 2024 Budgetary Review and Recommendation Report (BRRR) including the outcomes of the funding requests.
- 4.6. Ensure that the ARC receives the necessary support through the SLA in respect of facilitating the uptake and utilisation of its research outputs and technological innovations by provincial departments and the agricultural community at large. Track improvements in this regard and report to Parliament on a quarterly basis.
- 4.7. Submit to Parliament a breakdown of funding that the Department allocates for research and development of agroprocessing in the country including specific areas of focus and commodities supported.
- 4.8. Fast-track the review of the ARC Act to ensure the entity's agility and responsiveness to industry needs, and report progress to Parliament on a quarterly basis.
- 4.9. Submit a progress report and an update to Parliament on the engagements with the Minister of Finance regarding the approval process for the development of the ARC's proposed Commercial Entity as previously recommended in the Portfolio Committee's 2024 BRRR. Such a Commercial Entity will play a significant role in leveraging the innovation and agroprocessing capacity that the ARC already possesses while assisting it with generating more external revenue to augment budgetary shortfalls.

Unless otherwise indicated, within two months after the adoption of this report by the National Assembly, the Minister should submit to Parliament a progress report on the implementation of these recommendations.

Report to be considered.