Friday, 20 November 2020]

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PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

FRIDAY, 20 NOVEMBER 2020

TABLE OF CONTENTS

National Assembly

ANNOUNCEMENTS

National Assembly

The Speaker

1. Referral to Committees of papers tabled

(1) The following papers are referred to the **Portfolio Committee on Human Settlements, Water and Sanitation** for consideration and report. Report of the Auditor-General on the Financial Statements and Performance Information is referred to the **Standing Committee on Public Accounts** for consideration:

(a) Report and Financial Statements of Mhlathuze Water for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(b) Report and Financial Statements of the Estate Agency Affairs Board for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(2) The following papers are referred to the **Portfolio Committee on Human Settlements, Water and Sanitation:**

(a) Agreement between the Republic of Cuba and the Republic of South Africa on Cooperation in the Fields of Water Resources Management and Water Supply, tabled in terms of section 231(3) of the Constitution, 1996.

(3) The following paper is referred to the **Portfolio Committee on Justice and Correctional Services** for consideration and report:

(a) Government Notice No R.1182, published in Government Gazette No 43873, dated 06 November 2020: Prescribed Rate of Interest, in terms of section 1 of the Prescribed Rate of Interest Act, 1975 (Act No 55 of 1975).

(4) The following papers are referred to the **Portfolio Committee on Public Service and Administration** for consideration and report. Report of the Auditor-General on the Financial Statements and Performance Information is referred to the **Standing Committee on Public Accounts** for consideration:

(a) Report and Financial Statements of Vote 10 – Department of Public Service and Administration for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information of Vote 10 for 2019-20.

(5) The following papers are referred to the **Portfolio Committee on Public Works and Infrastructure** for consideration and report. Reports of the Independent Auditors on the Financial Statements and Performance Information are referred to the **Standing Committee on Public Accounts** for consideration:

(a) Report and Financial Statements of the South African Council for the Architectural Profession (SACAP) for 2019-20, including the Report of the Independent Auditors on the Financial Statements and Performance Information for 2019-20.

(b) Report and Financial Statements of the South African Council for the Landscape Architectural Profession (SACLAP) for 2019-20, including the Report of the Independent Auditors on the Financial Statements and Performance Information for 2019-20.

(c) Report and Financial Statements of the South African Council for the Project and Construction Management Professions (SACPCMP) for 2019-20, including the Report of the Independent Auditors on the Financial Statements and Performance Information for 2019-20.

(d) Report and Financial Statements of the South African Council for the Quantity Surveying Profession (SACQSP) for 2019-20, including the Report of the Independent Auditors on the Financial Statements and Performance Information for 2019-20.

(e) Annual Report of the South African Council for the Property Valuers Profession (SACPVP) for 2019-20.

(f) Annual Financial Statements of the South African Council for the Property Valuers Profession (SACPVP) for 2019-20, including the Report of the Independent Auditors on the Financial Statements and Performance Information for 2019-20.

(6) The following papers are referred to the **Portfolio Committee on Sports, Arts and Culture** for consideration and report. Reports of the Auditor-General on the Financial Statements and Performance Information are referred to the **Standing Committee on Public Accounts** for consideration:

(a) Report and Financial Statements of the National Film and Video Foundation for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(b) Report and Financial Statements of the South African Library for the Blind for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(c) Report and Financial Statements of the National Heritage Council for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(d) Report and Financial Statements of the KwaZulu-Natal Museum for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(e) Report and Financial Statements of the Nelson Mandela Museum for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(f) Report and Financial Statements of the Robben Island Museum for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(7) The following papers are referred to the **Portfolio Committee on Trade and Industry** for consideration and report. Report of the Auditor-General on the Financial Statements and Performance Information is referred to the **Standing Committee on Public Accounts** for consideration:

(a) Report and Financial Statements of the International Trade Administration Commission of South Africa (ITAC) for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(8) The following papers are referred to the **Portfolio Committee on Transport** for consideration and report. Reports of the Auditor-General on the Financial Statements and Performance Information are referred to the **Standing Committee on Public Accounts** for consideration:

(a) Reports and Financial Statements of the Driving Licence Card Account for 2019-20, including the Reports of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(b) Report and Financial Statements of Intersite Asset Investments (SOC) Limited for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(c) Report and Financial Statements of Autopax Passenger Services (SOC) Limited for 2018-19, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

(9) The following papers are referred to the **Standing Committee on Finance** for consideration:

(a) Letter from the Minister of Finance dated 15 November 2020, to the Speaker of the National Assembly explaining the reasons for the delay in the submission of the Annual Report of the South African Special Risk Association SOC Limited (SASRIA) for the 2019-20 financial year.

(b) Letter from the Minister of Finance dated 15 November 2020, to the Speaker of the National Assembly explaining the reasons for the delay in the submission of the Annual Report of the Land and Agricultural Development Bank of South Africa for the 2019-20 financial year.

(10) The following papers are referred to the **Portfolio Committee on Employment and Labour** for consideration:

(a) Letter from the Minister of Employment and Labour dated 16 November 2020, to the Speaker of the National Assembly explaining the reasons for the delay in the submission of the Annual Report of the Compensation Fund for the 2019-20 financial year.

(b) Letter from the Minister of Employment and Labour dated 16 November 2020, to the Speaker of the National Assembly explaining the reasons for the delay in the submission of the Annual Report of the Unemployment Insurance Fund for the 2019-20 financial year.

(11) The following paper is referred to the **Portfolio Committee on Justice and Correctional Services** for consideration:

(a) Letter from the Minister of Justice and Correctional Services dated 17 November 2020, to the Speaker of the National Assembly explaining the reasons for the delay in the submission of the Annual Report of the Departments, Public Institutions and Entities for the 2019-20 financial year.

(12) The following paper is referred to the **Portfolio Committee Environment, Forestry and Fisheries** for consideration:

(a) Letter from the Minister of Forestry, Fisheries and Environment dated 27 October 2020, to the Speaker of the National Assembly explaining the reasons for the delay in the submission of the Annual Report of the Department of Environmental Affairs for the 2019/20 financial year.

(13) The following paper is referred to the **Portfolio Committee on Environment, Forestry and Fisheries**:

(a) Government Notice No 1150, published in Government Gazette No 43855, dated 30 October 2020: Procedures for the assessment and minimum criteria for reporting on identified environmental themes in terms of section 24(5)(a) and (h) and 44 of the Act, when applying for environmental authorisation, in terms of the National Environmental Management Act, 1998 (Act No 107 of 1998).

(b) Government Notice No 1184, published in Government Gazette No 43879, dated 05 November 2020: Regulations regarding extended producer responsibility, in terms of the National Environmental Management Act: Waste Act, 2008 (Act No 59 of 1998).

(c) Government Notice No 1185, published in Government Gazette No 43880, dated 05 November 2020: Extended producer responsibility scheme for the electrical & electronic equipment sector, in terms of the National Environmental Management Act: Waste Act, 2008 (Act No 59 of 1998).

(d) Government Notice No 1186, published in Government Gazette No 43881, dated 05 November 2020: Extended producer responsibility scheme for the lighting sector, in terms of the National Environmental Management Act: Waste Act, 2008 (Act No 59 of 1998).

(e) Government Notice No 1187, published in Government Gazette No 43882, dated 05 November 2020: Extended producer responsibility scheme for paper, packaging and some single use products, in terms of the National Environmental Management Act: Waste Act, 2008 (Act No 59 of 1998).

(14) The following paper is referred to the **Joint Standing Committee on the Financial Management of Parliament** for consideration:

(a) Monthly Financial Statements of Parliament – October 2020, tabled in terms of section 54(1) of the Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act No 10 of 2009).

(15) The following papers are referred to the **Portfolio Committee on Defence and Military Veterans** for consideration and report. Report of the Auditor-General on the Financial Statements and Performance Information is referred to the **Standing Committee on Public Accounts** for consideration

(a) Report and Financial Statements of Vote 19 – Department of Military Veterans for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information of Vote 19 for 2019-20.

National Council of Provinces

The Chairperson

1. Bills passed by Assembly and transmitted to Council for concurrence

(1) Bill passed by National Assembly and transmitted for concurrence on 20 November 2020:

(a) **Division of Revenue Second Amendment Bill** [B 24 - 2020] (National Assembly – sec 76).

The Bill has been referred to the **Select Committee on Appropriations** of the National Council of Provinces.

TABLINGS

National Assembly and National Council of Provinces

1. The Minister of Defence and Military Veterans

(a) Report and Financial Statements of Vote 19 – Department of Defence for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information of Vote 19 for 2019-20.

2. The Minister of Higher Education, Science and Innovation

(a) Annual Performance Plan of the National Students Financial Aid Scheme for 2020/21.

(b) Strategic Plan of the National Students Financial Aid Scheme for 2020/2025.

COMMITTEE REPORTS

National Assembly

1. THE BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON SMALL BUSINESS DEVELOPMENT, DATED 18 NOVEMBER 2020

The Portfolio Committee on Small Business Development ("the Portfolio Committee") having considered the performance of the Department of Small Business Development ("the Department"), alternatively, ("DSBD") and its entities, Small Enterprise Finance Agency ("**sefa**") and Small Enterprise Development Agency ("Seda"), dated 18 November 2020, reports as follows: -

1. INTRODUCTION

The Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009) sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. In October of each year, Portfolio Committees compile Budgetary Review and Recommendation Reports ("BRRR") that evaluate service delivery performance given available resources, consider the effective and efficient use and forward allocation of resources, and may make recommendations on forward use of resources. As a result, BRRR also serve as source documents for the Standing and Select Committees on Appropriations and Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement ("MTBPS").

This year's BRRR process is taking place under very trying conditions due to ongoing Covid-19 endemic. On March 15, 2020, President Ramaphosa declared a national state of disaster in South Africa in terms of the Disaster Management Act, 2002, following the declaration of the global Covid-19 pandemic by the World Health Organisation. Despite that this proclamation was made 15 days away from the end of the 19/20 financial year, and ought not to have thwarted the Department from fulfilling its objectives or deliverables as outlined in the 2019/20 Annual Performance Plan ("APP"), it should also be remembered that South Africa's general elections were held on 08 May 2019. There was, therefore, an element of disruption as the state was transitioning from fifth to sixth administration. As a consequent, Departments and state owned entities could only table to Parliament their strategic plans and APPs during July 2019.

1.1. Purpose of the Budget Review and Recommendation Report

The Constitution of the Republic of South Africa, 1996 (“the Constitution”), specifically Section 77 (3), stipulates that an Act of Parliament must provide for a procedure to amend money bills before Parliament. It is this constitutional provision that gave birth to the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 (“the Act”). The BRRR is therefore a tool to assess the effectiveness and efficiency of a Department’s use and forward allocation of available resources and may include recommendation on the use of resources in the medium term. Committees are to submit the BRRR after the adoption of the budget and before the adoption of the reports on the Medium Term Budget Policy Statement (“MTBPS”) by the respective Houses in November of each year.

1.2 Limitations of the Report

As alluded to hereinabove, this year’s report is being considered under very strenuous conditions. The country is grappling an unprecedented calamity which even the first world countries have not been able to grasp fully yet. Due to ongoing lockdown and extraordinary measures the state is taking to save lives while balancing the disruptive effects to the country’s economic and social priorities, Department’s and entities’ tabling of the annual reports to Parliament by 30 September, as provided for under section 40 (1) and (3) of the PFMA and chapter 18 (18.3 and 18.4) of the Treasury Regulations was waivered. Accordingly, the Department and entities did not appear before the Portfolio Committee to present and defend their performance for the previous financial year.

Instead, it was decided that quarterly reports would be utilised to gauge the performance of the Departments. Other state Departments of Public Service and Administration (“DPSA”) as well as Planning, Monitoring and Evaluation (“DPME”) did not brief the Portfolio Committee, so are other constitutionally created institutions like Financial and Fiscal Commission (“FFC”) had not been invited to give their perspective on the DSBD performance, as is usually the case. Only Auditor General of South Africa (“AGSA”) was able to present audit findings of the Department and Seda. This report is thus a reflection of the quarterly reports as presented to the Portfolio Committee by the Department and entities, Seda and **sefa** during 2019/20 financial year.

1.3 Mandate of the Committee

In terms of the Constitution of the Republic of South Africa, Portfolio Committees have authority to legislate, conduct oversight over the Executive and facilitate public participation.

Parliament's mission and vision statements, the rules of Parliament and its Constitutional obligations govern the Portfolio Committee on Small Business Development mandate. The mandate of the Portfolio Committee is to contribute to the realisation of a developmental state and to ensure effective service delivery through discharging its responsibility as a Portfolio Committee of Parliament.

1.4 Mandate of the Department

The Department of Small Business Development plays a major role in effecting Chapter three (3) and six (6) of the National Development Plan ("NDP"). Both chapters deal with the economy and employment as well as rural inclusive growth. This being the final year of the 2014 - 2019 Medium Term Strategic Framework ("MTSF"), the Department had an additional responsibility to contribute to the two outcome(s) of the first generation MTSF, namely, Outcome 4: Decent employment through inclusive growth, and Outcome 7: Rural development.

1.4.1 Small Enterprise Development Agency

Small Enterprise Development Agency is an entity of the Department whose mandate include, inter alia, developing, nurturing, supporting and promoting small business ventures throughout the country, whilst ensuring their growth and sustainability in a harmonised fashion with various stakeholders. The Minister of Small Business Development is the executive authority of the agency and as such exercise oversight role over the entity as prescribed by the Public Finance Management Act. Seda is a schedule 3A national public entity in terms of the Public Finance Management Act ("PFMA"), Act 1 of 1999, as amended. Seda mandate stems from the National Development Plan, Medium Term Strategic Framework 2014-2019, Strategic Plan and Annual Performance Plan (APP) of the Department, its five-year Strategic Plan and APP that are compatibly aligned to its executive authority.

1.4.2 Small Enterprise Finance Agency

The Small Enterprise Finance Agency was established in April 2012 through the amalgamation of South African Micro-Finance Apex Fund ("SAMAF"), Khula Enterprise Finance and Industrial Development Corporation's small business activities. It is a registered entity in terms of the Companies Act of 2008 and incorporated in terms of Section 3(d) of the Industrial Development Corporation ("IDC") Act, 1940, and thus a wholly owned subsidiary of the IDC.

Section 3(d) of the IDC Act seeks "to foster the development of small and medium enterprises and co-operatives".

1.5 Outline of the Report

This BRRR consists of seven sections. Section one (1) briefly outlined the mandate of the Committee and the Department, the purpose of this report and the methodology followed in preparing the report.

Section two (2) sets out the key policy focus areas for the Department. This includes an overview of the relevant national priorities as outlined in the government policies and plans such as the National Development Plan, the Medium Term Strategic Framework and the State of Nation Address that the Department has to contribute to in achieving them. Thereafter, an overview of the strategic plans of the Department and its entities are highlighted with a view of assessing whether or not they address the broader government priorities and plans originating from the afore-said policies and plans.

Section three (3) revisits the 2018/19 BRRR recommendations to ascertain if any of these have at all been implemented.

Section four (4) and five (5) considers the Department's and entities financial and nonfinancial performance against its allocation for the financial year 2019/20. Unlike the previous financial years where annual reports are used as source documents, this year's BRRR report considered all four quarterly reports (2019/20) in determining the performance, including programme performance and key performance indicators of the Department and entities.

Section seven (6) of the report discusses the Committee's observations and perspectives with regard to the quarterly reports of the Department and entities concerning its mandates, strategic objectives and core issues previously and currently identified by the Committee. Whereas section eight (7) is a synthesis of recommendations, past and present, based on the deliberations informed by the assessment of the Department in each of the sections discussed above.

2. OVERVIEW OF THE STRATEGIC AND OPERATIONAL ENVIRONMENT

The National Development Plan ("NDP") is a long-term development plan, crafted by the National Planning Commission ("NPC") on behalf of the South African government in collaboration with South Africans from all walks of life. The NDP aims to achieve the following objectives by 2030 -:

- Uniting South Africans of all races and classes around a common programme to eliminate poverty and reduce inequality
- Encourage citizens to be active in their own development, in strengthening democracy and in holding their government accountable
- Raising economic growth, promoting exports and making the economy more labour absorbing
- Focusing on key capabilities of both people and the country
- Capabilities include skills, infrastructure, social security, strong institutions and partnerships both within the country and with key international partners
- Building a capable and developmental state
- Strong leadership throughout society that work together to solve our problems

2.1 Relationship with National Development Plan (NDP)

The implementation of the National Development Plan (NDP) is one of the key government imperatives under the current administration and is aligned with the Africa Agenda and the global Sustainable Development Goals ("SDGs"). The NDP focuses us on the overall objectives, supported by South Africans, to eradicate poverty and substantially reduce inequality by 2030 through the creation of jobs and accelerating inclusive economic growth. The Department is directed to implement chapters three (3) and six (6) of the NDP that deal with the economy and employment as well as rural inclusive growth. The NDP is the country's vision, with a target of creating 9.9 million new jobs from small businesses by 2030.

2.2 Relationship with the Medium Term Strategic Framework

The current period marks the end of the first Medium Term Strategic Framework following the adoption of the NDP. The Cabinet had decided back in 2013 that the 2014 - 2019 MTSF would form the first five-year implementation phase of the NDP and mandated work to begin on aligning the plans of the state organs with the NDP vision and goals. Thus, for the past five years the MTSF has made some priorities aimed at achieving radical socio-economic transformation through decent employment and inclusive growth. The Department of Small

Business Development had been assigned to champion some of the priorities, namely, outcome four (4): Decent employment through inclusive growth, outcome five (5): A skilled and capable workforce to support an inclusive growth path and outcome seven (7): Rural development. The 2019 - 2024 MTSF, to inform the new strategic plan of the Department and entities, is still being finalised.

2.3 State of the Nation Address

During 13 February 2020, the State President Honourable Matamela Ramaphosa delivered his third state of the nation address (SONA) wherein a number of policy issues of interest to the Department of Small Business Development were announced. He, among others, underlined "the state of our economy that was not growing at any meaningful rate for over a decade whilst the rate of unemployment is deepening". The President specifically made mention, as part of alleviating youth unemployment, the partnership between the National Youth Development Agency ("NYDA") and the Department to provide grant funding and business support to 1000 young entrepreneurs in the next 100 days. Whereas SheTradesZA platform to assist women-owned businesses to participate in global value chains and markets was also announced as one of the most innovative initiative. He furthermore announced plans to reinforce procurement opportunities for small enterprises by designating more than 1000 locally produced products to be procured from Small, Medium and Micro Enterprises.

2.4 Summary of the Key Priorities Informing the 2020-25 Strategic Plan and 2020/21 Annual Performance Plan

The key priority / focus areas informing the balanced strategy framework of the DSBD have been identified and incorporated into the plan. These include -:

- Finalisation and implementation of the Township Entrepreneurship Fund;
- Establishment of Funds in partnership with the private sector;
- Review and implement Credit Guarantee Scheme;
- Finalise and implement the SMME Funding Policy;
- Finalise amendments to the National Small Enterprise Act to deal mainly with the establishment of the SMME Ombud Office, regulations/licensing of businesses owned by foreign nationals and unfair business to business practices;
- Implement National Incubation Policy and Incubation Standards; and
- Accelerate establishment of incubators and digital hubs in the townships and rural areas.

3. SUMMARY OF PREVIOUS KEY COMMITTEE RECOMMENDATIONS

During the 2019 Budgetary Review and Recommendation Report, the Portfolio Committee made the following recommendations:

Table 1: 2019 BRR Recommendations

	Recommendations	Response from the Department
1.	It is envisaged that the 2019 - 2024 Medium Term Strategic Framework shall have been completed before the end of Quarter 3. The Portfolio Committee is urging the Department to immediately resume crafting the strategic plan that complies with all the government prescripts pertaining to the strategic plans and organisational structure e.g. Public Finance Management Act (1999) and Public Service Act (1994) before the end of Q3 of the 2019/20 financial year;	The Department developed a draft 2020 – 2025 Strategic Plan and a draft 2020/21 Annual Performance Plan and submitted the two planning documents to the Department of Planning, Monitoring and Evaluation (DPME) on 31 October 2019 – before the end of Q3 of the 2019/20 financial year in line with the Revised Framework for Strategic Plans and Annual Performance Plans (2019) provision timeframes. The plans complied with all the government prescripts pertaining to planning and took into consideration the sixth Administration's priorities as reflected in the 2019 – 2024 Medium Term Strategic Framework (MTSF). To date, the Department had revised and re-tabled both the 2020 – 2025 Strategic Plan and the 2020/21 Annual Performance Plan, aligned to the 2019 – 2024 MTSF, the 2020 special adjustments budget and the economic recovery interventions in response to the Covid-19 pandemic. The Department submitted its structure to the Minister for Public Service and Administration in order to finalise alignment between the budget and organisational structure and cognisant of the fact that the structure may change to align to the priorities of the sixth administration. In July 2019, the Minister withdrew submissions regarding the

		organisational structure of the Department noting the intent to review and align to the priorities of the sixth administration. To date, the organisational structure has been drafted and the Minister has initiated engagements with the Minister of Finance in preparation for consultations with DPSA on the organisational structure. To structure delivery of the DSBD mandate and enhance the value of its services, a Business Delivery Model (BDM) was developed. The Delivery Model focused on areas such as Product and Markets, Information, Finance and Enterprise Development and informed the current review of the organisational structure.
2.	The Portfolio Committee agree with MPAT recommendation that the Department ensure that all the plans are aligned to the national priorities to enable effective monitoring, and that the Department attempts to conduct evaluations and make use of the outcomes thereof to improve future programmes and to report progress to the Portfolio Committee on a quarterly basis;	Department thrived to promote compliance and good governance by ensuring its compliance with MPAT standards. During the planning period, the Department had ensured that the revised and re-tabled 2020-25 Strategic Plan and revised and re-tabled 2020/21 Annual Performance Plan were aligned to the MTSF 2019-2024 which is the implementation plan and monitoring framework for achieving the NDP 2030 and priorities for the sixth administration. The monitoring framework for achieving priorities is clearly reflected in the Department's planning documents on the outcomes, indicators, and targets levels towards the achievement of priorities to enable effective monitoring and parliamentary oversight.
3.	The Department needs to address the challenges noted within the Strategic Management environment – Annual	The Department is in the advanced process of recruiting a Deputy Director: Monitoring and Evaluation, which is set to ensure that the

	Performance Plans, and the monitoring of organisational performance and institutionalisation of evaluations to reflect on quarterly performance reports to Parliament;	Department's Monitoring Unit is capacitated so that it will adequately review the performance indicators and targets and will further ensure that these are developed in terms of the principles contained in the Framework for Managing Programme Performance Information and revised Framework for Strategic and Annual Performance Plans. Furthermore, the Internal Audit Unit has started reviewing the performance indicators, targets and quarterly performance reports with the aim to provide quality assurance and ensure that they are developed in terms of the principles contained in the Framework for Managing Programme Performance Information. This process started with the revised 2020-25 Strategic Plan and 2020/21 APP. At present, the Department is developing the Strategic Planning, Monitoring and Reporting Framework and Standard Operating Procedure (SOP). The Framework and SOP will outline the details of the Planning, Monitoring, Evaluation, Implementation and Reporting cycle of the Department, linking long-term planning with medium and short-term planning. The Framework and SOP will also ensure that all reported targets are supported by accurate, valid and complete information and will be easily retrieved when the final reporting the process is performed.
4.	Management of financial disclosures within the required timeframes must be attended to as non-adherence to prescripts in this area could pose serious risks for the Department in terms of potential conflict	During the eDisclosure process for 2019, all the SMS members disclosed according to the appropriate prescripts. All 16 Finance and SCM officials disclosed. Of the level 12 MMS members that were required to disclose, one out

	of interest or its SMS doing business with the state;	of 22 did not disclose because the official was on long-term incapacity leave. Of the level 11 MMS members, three out of twenty-three officials did not disclose because they were no longer in the employ of the Department (two were transferred to other departments and one resigned). However, at the time of eDisclosure, they were not yet removed from the Departmental establishment. Of the CIS and BBSDP, eight out of twenty-four officials did not disclose. Seven officials out of the eight were on suspension, pending investigations, and one had resigned. The DPSA was informed of all the suspensions, transfers and resignations through an official letter from the ADG as well as through the completion of transfer requests to remove the officials from the DSBD establishment.
5.	Considering that other state departments i.e. Economic Development Department have been collapsed or reconfigured, this provides DSBD an opportunity to consolidate all small enterprise functions e.g. rural and township economy, and budgets scattered in various other state Departments. The Department must guide the Portfolio Committee which of the functions, budget and personnel will be relocated or transferred to the DSBD, so that if required, the Portfolio Committee can start the process of interacting with other Portfolio Committees of Parliament before the finalisation of the strategic planning processes for both the Department and the Portfolio Committee;	The movement of functions from one department to another are managed through a process called the National Macro Organisation of Government which is chaired by The Presidency supported by the Department of Public Service and Administration. It is not up to the Department to determine the functions that must be transferred as these are determined through a Proclamation by the President.

6.	The strategic plan of the Department must also pronounce on the institutional realignment of entities e.g. standing Committee recommendation to transfer **sefa** to DSBD and/or amalgamate Seda and **sefa** into a single entity;	The Department's 2020 – 2025 Strategic Plan made a pronouncement on the institutional realignment of the entities: Currently the department has two entities (Seda and sefa) reporting to it, but a Cabinet decision has been taken to consolidate them into a single new entity. During the 2020/21 financial year the Department is working on finalising the process of consolidating the entities to form one new entity that will offer both financial and non-financial support to small enterprises increasing efficiencies for the benefit of SMMEs and Co-operatives. A draft Business Case has been developed.
7.	The utilisation of financial intermediaries (wholesale lending) by sefa was raised sharply by the Committee members during the BRRR process and flagged by the FFC as increasing the cost of capital for struggling small enterprises. The standing recommendation of the Portfolio Committee is that sefa should consider insourcing wholesale lending facility, or, consider alternative approaches of lending money to its clients e.g. only financial institutions regulated by the South African Reserve Bank. There is a need to consider a model that will be cost-effective and sympathetic to circumstances of small enterprises, and most importantly, it must accelerate the use Co-operative Financial Institutions ("CFI") and Co-operative Banks as part of a broader government strategy to streamline access to finance particularly for survivalist, small, micro, medium and co-operative enterprises.	The Department's entity, sefa, will continue to use financial intermediaries as part of building a diversified financial sector. This is due to the fact that in South Africa, which is unique to our country, there are very few banks. If well supported and properly regulated, some of these financial intermediaries may develop into smaller banks. To address the concern about their registration or regulation and high financing rate, sefa has already been instructed to remedy the situation. The Department will require the financial intermediaries to be registered with the Financial Services Board as part of ensuring their proper regulation. The Department acknowledges that the National Credit Regulator (NCR) registration does not work as it will make the financial intermediaries no different from loan sharks. sefa is considering measures to ensure those already in the system are given time to comply as well. It should be noted that the sole regulation by the SARB will inhibit the developmental mandate

	Officials from the Department were part of the team that travelled with the Portfolio Committee to visit Mondragon Co-operative in Spain. The Department has a responsibility to implement resolutions emanating from its travel report;	of facilitating more financial institutions as it will mean only banks can be used, thus perpetuating monopolistic hold of the banks and yet banks hardly fund SMMEs and Co-operatives. During this term of office, when considering the SMME Funding, DSBD will also consider facilitation of broader participation by Historically Disadvantaged Institutions (HDIs) in banking services versus the current Banks Act.
8.	The Department must prioritise the stabilisation of **sefa** through appointments of permanent accounting authority and accounting officer before this undermines the agency's operations and stability. The Portfolio Committee is hereby recommending these appointments be concluded before the end of the current financial year;	The new CEO, Mr Mxolisi Matshamba, was appointed has resumed his term of office on 1 November 2020. In light of the ongoing process of merging sefa and Seda, the Department opted to extend the term of office for the Board of Directors from 1 August 2020 to 31 July 2021.
9.	One of the topical and delivery area for the Department is the issue of market access. Without strong private sector partnerships, the Department is not likely to go further in terms of realising this objective hence the Portfolio Committee call to the Department to spearhead a mix of strategic interventions e.g. Wholesale and Retail charter, a comprehensive Market Access Strategy with clear plans to leverage private and public procurement opportunities, as well as the role of informal trading, rural and township economy enterprises;	The Department has finalized and presented to Cabinet a localisation policy framework which aims at deepening the industrial base amongst small businesses and co-operatives. The main purpose of this framework is to enhance the competitiveness of local small enterprises to produce products of good quality, at the right price and the required volumes to access markets. At the start of the financial year, the Department started to negotiate with wholesalers to list products manufactured by small businesses and co-operatives. By the middle the year, negotiations commenced with retailers to also consider listing SMMEs and co-operatives and place their products on the shelves.

		A basket of goods products most often purchased by spaza shops that are used to support SMME manufacturing (48 products) was produced. To date 78 SMME brands on this basket are being listed with wholesalers. The Department is currently in discussion with the large retailers in the country on the listing of SMMEs brands with retailers. Further, the localisation policy framework proposes that certain categories of goods and services should be procured from SMMEs and co-operatives by the public sector. The implementation of the Localisation Policy Framework is underway. Over the MTEF the Department will intensify its commitment to deliver the required infrastructure that would provide marketplaces for small enterprises to trade their products. An overarching plan is to make a call to all District Municipalities to partner with DSBD in establishing product markets in townships and villages. The product markets will provide affordable, safe and modernised spaces where small enterprises meet the buyers of their products. Enhanced products that comply with both domestic and international standards will provide an opportunity for small enterprises to access markets beyond their communities including exposure to international markets. The increase in uptake of SMMEs and Co-operatives participation in existing and newly established SEZ will be pursued by the Department, working in partnership with the dtic and with all the SEZ.

10.	In line with the recent launch of the District-based Service delivery model, the Portfolio Committee standing recommendation is that the Department must work hand in gloves with all spheres of government and ensure that it upscale the involvement of Local Economic Development ("LED") structures by active participation in Integrated Developmental Plan ("IDP") sessions, including the introduction of a more robust mechanism in ensuring that there is better co-ordination between activities of the respective Provincial Governments and the DSBD, and various other initiatives and mechanisms that bring to life DSBD mandate e.g. Intergovernmental Relations Framework Act ("IRFA"), National Spatial Development Perspective("NSDP"), Presidential Poverty Nodal Points ("PPNP") and Transversal Agreements to mention the few;	Government is implementing a District Development Model where all government departments and spheres are expected to jointly develop and implement interventions through a One-Plan approach. The Department has deployed over 54 managers into all Districts who are championing the Portfolio's intervention in the Districts. We are working as part of government collective as this assist us to do more together as a collective than the Department running on its own without other departments and various spheres of government.
11.	The Department must ensure that the guidelines for the different incentive schemes are revised to ensure that they are aligned to the objectives of the scheme and are not susceptible to abuse before the finalisation of the blending finance model currently being crafted;	The term sheets for each new programme have been developed. The new programmes are blended finance and the blended finance guidelines are applicable to the schemes. - The qualifying criteria for the Business Viability Programme, Township and Rural Entrepreneurship Programme and the Manufacturing Support Programme is aligned to the principles and objectives of the blended finance model. The guidelines of the co-operatives development support programme were revised

		and are now aligned to the principles and objectives of the blended finance model).
12.	The management, and/or, Bid Adjudication Committee should ensure strict adherence to the guidelines and standard operating procedures of the BBSDP and CIS incentive scheme. The responsibility for ensuring compliance with BBSDP guidelines should be clearly allocated and the responsible officials should be held accountable for any non-compliance. The Portfolio Committee should be informed quarterly concerning the progress attained;	The BBSDP and CIS were discontinued from the beginning of the 2020/21 financial year. The 2018/19 and 2019/20 provisions that are currently being processed are treated in accordance with the guidelines and SOPs of the programmes. The responsible managers are tasked with the responsibility to ensure full compliance with the guidelines and SOPs. The BBSDP has been replaced with the Blended Finance Program administered through sefa. The BBSDP directorate has been renamed to Business Support Directorate and this unit is currently processing historical approvals claims received before end of the previous financial year. Stricter measures to ensure full compliance and existence of these enterprise have been bolstered through bringing in Seda to independently visit and inspect these enterprises before any payments can be made. In addition, the Directorate has thoroughly reviewed the approvals to ensure full compliance in terms of documentation required and adherence to the program guidelines
13.	Management or responsible officials have an obligation to conduct site visits to verify that the goods and services were actually delivered/received through pre- and post-site visits. As recommended in 8.16 below, owing to its geographic footprint, Seda could be utilised for this purpose;	Seda has been brought on board to assist with the verification and conduct due diligence on the enterprises.

14.	Suspected misrepresentations by beneficiaries, suppliers and network facilitators must be investigated and the necessary action be taken before the end of the current financial year;	This process is underway with the assistance of the Auditor-General of South Africa. A progress report was provided to the Portfolio Committee on Small Business Development by the AGSA in the meeting of 4 November 2020. The DSBD was also part of the meeting.
15.	The Department should, on an ongoing basis, perform an independent assessment on the reasonability of the quotations received from the beneficiaries to identify instances of abuse and ensure that value for money is received;	The remaining applications that are currently being assessed by Seda will be returned for validation to the adjudication committee to ensure new and updated quotation are received that are in line with the requirements of the business and the application.
16.	The Portfolio Committee standing recommendation, which has also been affirmed by the AG is for the Department to consider enhancing the role of Seda in the adjudication, allocation and monitoring processes of the incentive schemes, as the entity has shown sound controls over these processes and has a wider geographical presence;	Seda is responsible for providing non-financial support to SMMEs and Co-operatives and therefore has limited capacity of advancing financial support. The entity has however been brought on board to verify the existence of businesses that have applied for funding and also conduct site visits to verify the requirements of these businesses as well as conducting post investment site visits to check whether the money was spent on the approved interventions.
17.	The review of the National Small Enterprise Act (1996) must be accelerated and tabled to the Portfolio Committee in line with the DSBD annual performance plan (2019/20), wherein the Department undertook to submit the bill to Parliament before the end of the current financial year;	The National Small Enterprise Amendment Bill has been finalised for presentation to Cabinet in quarter three of 2020/21. Amendments on remaining areas, i.e. institutional arrangements, chapter 4 have been initiated and are aimed to be finalised and ready for submission to Cabinet before the end of Quarter 4 2020/21.
18.	In addition, DSBD position with respect to the review of the Co-operatives Act (as amended) must be clarified to the Portfolio Committee as these have implications on	After the proclamation of the Act, there were two areas (Co-operatives Development Agency and the Co-operatives Tribunal) that needed amendment. The Tribunal will form part of the

	the programme and budget of the Committee. So are reviews of the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises and review of the Integrated Strategy on the Development and Promotion of Co-operatives (2012 - 2022).	newly established Ombudsmen for SMME and Cooperatives. The Cooperatives Development Agency will be merged as part of the new institution merging SEFA, SEDA and CBDA. The Definition of Small enterprises is part and parcel of the Reviewing the Small Enterprise Act. The CIS Funding instrument has been replaced by the Blended Finance Support Instrument to support co-operatives and SMMEs. The NSEA Amendment Bill will also propose the mechanism to deal with Unfair Business to Business Practices. As part of reviewing the two strategies, DSBD has also developed a number of financial support scheme which were aimed at providing relief to SMMEs and Co-operatives during Covid 19 pandemic and lockdown, which some of the schemes will be extended to provide support to the Economic Recovery post the pandemic.

Source: 2019 BRRR Report

4. OVERVIEW OF FINANCIAL AND NON-FINANCIAL PERFORMANCE

The initial budget allocation for the Department during the 2019/2020 financial year and over the Medium Term Expenditure Framework ("MTEF") as shown on table 2 below was R8 billion. This allocation consisted of transfers to Small Enterprise Development Agency, and a R1 billion portion of the Small Business and Innovation Fund ("SBIF") that had earlier been announced by the President and the Minister of Finance in February 2018. It had also been projected that the fund would receive R3.2 billion over the medium-term, which the DSBD would spend on small business intermediaries, such as fund managers and incubators. This report is based on the 2019/20 financial year budget which was spread across the following four programmes: -

- Programme 1: Administration;
- Programme 2: Sector Policy and Research;
- Programme 3: Integrated Co-operatives Development and;
- Programme 4: Enterprise Development and Entrepreneurship.

Table 2: Overview of 2019/2020 Budget and MTEF Estimates

PROGRAMME	AUDITED OUTCOME	MAIN APPROPRIATION	MTEF			
	2017/18 R'000	2018/19 R'000	2019/20 R'000	2020/21 R'000	2021/22 R'000	TOTAL OVER MTEF R'000
Administration	116,999	127,121	124,388	131,496	139,630	395,514
Sector Policy and Research	16,748	22,447	35,615	39,416	42,310	117,341
Integrated Co-operatives Development	99,204	115,017	127,628	135,080	142,269	404,977
Enterprise Development and Entrepreneurship	1,226,533	1,223,868	2,280 921	2,407 271	2,539 124	7,227,316
TOTAL	**1,459,484**	**1,488,453**	**2,568,552**	**2,713,263**	**2,863,333**	**8,145,148**

Source: DSBD Annual Performance Plan 2019/20

The austerity belt-tightening measures that were being implemented across all spheres of the state in the middle of 2019/2020 financial year remained a lingering threat to the Department for a number of reasons e.g. consistent underperformance on financial and nonfinancial indicators stemming largely from high vacancy rate. The summary of performance and expenditure trends for all four quarters of the 2019/20 financial year is highlighted below.

4.1 Quarter 1 Performance

The first quarterly report of the Department was presented to the Portfolio Committee on 18 September 2019. First quarter expenditure was R386.8 million or 15.1 per cent of the appropriated budget of R2.6 billion. This resulted in the underspending of R93.2 million that was mainly on transfers and subsidies for incentive schemes. The Department reported that 25 out of the 33 quarterly targets (75.7%) were achieved. As shown on table 3 below on Programme 1: Administration, 5 out of 8 targets were achieved, Programme 2: Sector Policy And Research, 8 out of 9 targets attained, Programme 3: Integrated Co-Operatives Development, 8 out of 10 targets, while on Programme 4: Enterprise Development And Entrepreneurship, 4 out of 6 targets were successfully completed. The Portfolio Committee was further briefed that reasons for underperformance during the quarter was that DSBD had to wait for the priorities of the Sixth Administration and furthermore ensure that it has the resources to implement those priorities.

Table 3: Q1 Performance

Branch	No. of Performance Indicators	Quarterly Targets	Achieved	Not Achieved	Adjusted Budget (R'000)	Expenditure to-date (R'000) / Variance (%)
1. Administration	9	8	5 (62.5%)	3 (37.5%)	124 388	27 582 (3.97%)
2. Sector Policy and Research	9	9	8 (88.8%)	1 (11.2%)	35 615	4 161 (35.66%)
3. Integrated Co-operatives Development	10	10	8 (80%)	1 (20%)	127 628	14 512 (44.27%)
4. Enterprise Development and Entrepreneurship	6	6	4 (66.7%)	2 (33.3%)	2 280 921	340 527 (18.68%)
Total	**34**	**33**	**25 (75.7%)**	**7 (24.3%)**	**2 568 552**	**386 781 (19.42%)**

Source: DSBD Q1 Report (2019/2020)

On financial performance, expenditure on Programme 1: Administration, was lower than projected by R1.1 million or 4 per cent mainly on goods and services due to overstatement of audit cost and outstanding invoice for travel and subsistence, on Programme 2: Sector Policy and Research, spending was lower than projected at R2.3 million or 35.7 per cent mainly on compensation of employees as a result of vacancies and goods and services because of delayed research projects. On Programme 3: Integrated Co-operative Development, spending was lower than forecasted by R11.5 million or 44.3 per cent. This was mainly due to slow disbursement of funds under the co-operative incentive scheme where underspending was R10.6 million or 61.2 per cent of the projection, attributed to claims not complying with the guidelines. Lastly, on Programme 4: Enterprise Development and Entrepreneurship, spending was lower than estimated by R78.2 million or 18.7 per cent mainly on transfers and subsidies particularly incentive schemes.

4.2 Quarter 2 Performance

The Department presented its quarter 2 report to the Committee on 20 November 2019. The presentation done by the Acting Director General painted a picture of a Department that was improving on its financial and non-financial performance. As demonstrated by table 4 below the Department achieved an average performance of 80%. The Department furthermore attained 54% on women occupying senior management positions, while people with disabilities occupied 2%. Similar to the first quarter, the vacancy rate remained relatively high at 10%. Important milestone that was not achieved was on the Ombuds Service Bill specifically consolidation of position paper into a draft bill.

Table 4: Q2 Performance

Branch	No. of Performance Indicators	Quarterly Targets	Achieved	Not Achieved	Q2 Budget (R'000)	Q2 Expenditure (R'000) / Variance (%)
1. Administration	8	8	8 (100%)	0	31 255	29 893 (4.4%)
2. Sector Policy and Research	6	6	5 (83%)	1 (17%)	8 174	4 974 (39.1%)
3. Integrated Co-operatives Development	5	5	4 (80%)	1 (20%)	39 307	19 825 (49.6%)
4. Enterprise Development and Entrepreneurship	5	5	3 (60%)	2 (40%)	489 968	465 108 (5.1%)
Total	**24**	**24**	**20 (83%)**	**4 (17%)**	**568 704**	**519 800 (8.6%)**

Source: DSBD Q2 Report (2019/2020)

On the financial performance a variance of R48 million or 8.6% percent was recorded. The Department had projected an expenditure of R568 million but could only disburse R519 million, an underperformance of 3.6% was therefore recorded. The Department contended that there were numerous reasons why it underperformed. For instance, Seda transfers to the tune of R89 million had not been drawn down during Q1, Black Business Supplier Development Programme ("BBSDP") underspent by R40.3 million due to non-compliant claims, Co-operatives Incentive Scheme ("CIS") underperformed by R17.7 million owing to non-compliant claims, National Informal Business Upliftment Strategy ("NIBUS") floundered by R6.6 million) while Small Business Innovation Fund ("SBIF") underspent by R113.3 million. In addition, and akin to Q1, Compensation of Employees underperformed by R5 million due to vacant posts, while Goods and Services also contributed to the low spending by R3.3 million due to outstanding invoices for computer services and travel.

4.3 Quarter 3 Performance

The third quarter report of the Department was presented to Parliament on 04 March 2020. Overall performance under Programme 1, Administration, reached a high of 71%, down from 80% during the previous quarter. However, the number of informal businesses supported through Informal and Micro Enterprise Development ("IMEDP") was exceeded with the Department supporting 836. The vacancy rate remained high and this was attributed to a moratorium on filling of vacant posts due to then pending general elections. Programme 2 performance indicators were attained while Programme 3 performance was less than satisfactory due to high volume of non-compliance of applications resulting in delayed processing of payments. With respect to Programme 4, National Treasury's approval for the transfer of funds to **sefa** was only confirmed in October 2019. This resulted in the funding adjudication processes starting late in November 2019.

Table 5: Q3 Performance

Branch	No. of Performance Indicators	Quarterly Targets	Achieved	Not Achieved	Q3 Budget (R'000)	Q3 Expenditure (R'000) / Variance (%)
1. Administration	8	7	5 (71%)	2 (29%)	29 622	4 493 (13,17%)
2. Sector Policy and Research	5	5	4 (60%)	1 (40%)	4 482	5 305 (54,20%)
3. Integrated Co-operatives Development	5	5	4 (80%)	1 (20%)	27 901	11 104 (28,47%)
4. Enterprise Development and Entrepreneurship	9	9	6 (67%)	3 (33%)	892 648	62 291 (6,52%)
Total	**27**	**26**	**19 (73%)**	**7 (27%)**	**954653**	**83 193 (8,02%)**

Source: DSBD Q3 Report (2019/2020)

Financial expenditure during Q3 came to R954 654 million (92%) against projected R1 846 billion, resulting in an underperformance of R83.192 million (8.0%). At the time of reporting, the year-to-date expenditure was R1 861 235 billion (72.5%). Transfers and subsidies to the tune of R66.3 million could not be effected for a number of reasons highlighted below:-

- Seda (R15 million): IMEDP backlog – awaiting cash flow approval by National Treasury;
- BBSDP (R39.5 million): Available cash in bank of R66.7 million from Q1 and Q2;
- CIS (R8.8 million): Non-compliant claims;
- NIBUS (R4.3 million): Change in the strategic direction from the SEIF Programme to the Product Market and Development Programme;
- Craft CSP (R1.7 million): Delay in the commencement of the project;

- SBIF (R106.3 million): SBIF over performed in Q2 as **sefa** urgently required funds to kick-start the project in September whilst the projections were in October;
- Household transfers (-R201 thousand): leave credits (R101) thousand and sponsorship of R100 thousand to Wits – entrepreneurial support;
- Compensation of Employees underperformed by R3.2 million due to vacant posts;
- Goods and Services also contributed to the low spending by R11.9 million largely due to outstanding invoices for travel and venues. Cancelled research projects also contributed to low spending, whilst Capital asset underperformed by R1.7 million due to delays in delivery of computers and laptops and replacement of a vehicle.

4.4 Quarter 4 Performance

The last quarterly report for the 2019/2020 financial year was presented to Parliament on 17 June 2020. During quarter 4, DSBD achieved 22 of its 26 targets. Administration had achieved six of the seven targets, Sector Policy and Research achieved five out of five, Integrated Co-operatives Development achieved four out of five, and Enterprise Development and Entrepreneurship, achieved seven out of nine targets. On Programme 1: Administration, the Department had set itself a target of less than 5% expenditure variance, and had come in well under that target with 2.15%. On average, creditors were paid within 30 days, the system to register small enterprises was developed and implemented, this was to enable them to acquire support from the Department. The Department furthermore achieved more than 50% representation by women while people leaving with disabilities constituted more than 2%. Nevertheless, months after national general elections, the vacancy rate remained stubbornly high owing to a revised structure that was being crafted for concurrence with the Department of Public Service and Administration.

The performance on Programme 2: Sector Policy and Research, much to the satisfaction of the Portfolio Committee, the focus during this quarter was in Northern Cape. This was one of the provinces where the Department had been underperforming. The Department was able to cover a number of municipalities, as well as District Municipalities, in the province. It had been able to service 33 municipalities – more than double the targeted 16 -- because it had adopted a district approach, enabling it to interact with a number of municipalities that fell under those particular districts. The development of an SMME index was one of the targets that the Department had set itself at the beginning of the year, with the aim of measuring the path of SMMEs over a period of time. This target was achieved, and the Department was rolling it out.

The DSBD further briefed the Committee that it was also looking at business turnaround and retention initiatives, due to a number of SMMEs that were collapsing. A decision was thus taken to include this target for the 2020/21 financial year.

On Programme 3: Integrated Co-operative Development, the Department had a target of supporting co-operatives to the value of R22 million while Programme 4: Enterprise Development and Entrepreneurship, the Department had a target to support SMMEs with blended finance to the value of R33 million. Other incentives programmes such as BBSDP, the Department was able to exceed its target by allocating more money, while some money had been diverted to certain Covid-19 interventions.

Table 6: Q4 Performance

Branch	No. of Performance Indicators	Quarterly Targets	Achieved	Not Achieved
1. Administration	8	7	6 (86%)	1 (14%)
2. Sector Policy and Research	5	5	5 (80%)	0
3. Integrated Co-operatives Development	5	5	4 (80%)	1 (20%)
4. Enterprise Development and Entrepreneurship	9	9	7 (78%)	2 (22%)
Total	**27**	**26**	**22 (85%)**	**4 (15%)**

Source: DSBD Q4 Report (2019/2020)

On the financial performance, the Department had originally budgeted R316.1 million, but had spent R358.6 million, exceeding the target by R42.5 million, or 13.4%. It had been allocated R2.268 billion for the full year, and R2.220 billion had been spent -- an under-spending of R48.7 million. Expenditure per programme for the quarter had been:

- Programme 1: Budget R33.8 million; spent R29.6 million;
- Programme 2: Budget R7.9 million; spent R5 million;
- Programme 3, Budget R35.2 million; spent R57.3 million;
- Programme 4, Budget R239.2 million; spent R266.7 million.

On compensation of employees had been R37.5 million, and R34.8 million had been spent, which had resulted in an under-spending of 2.7 million for the quarter. The targeted expenditure for goods and services had been R29.7 million, and R15.3 million was spent -- an under-expenditure of R14.3 million largely as a consequent of vacant posts. R306.4 million had been spent on transfers and subsidies, which was R58.4 million higher than the R247.9 million target. Payments for capital assets had amounted to R2 million – double the budgeted figure.

5. REVIEW OF THE DEPARTMENTAL ENTITIES

5.1 Small Enterprise Development Agency

5.1.1 Quarter 1 Performance

Seda appeared before the Portfolio Committee to present its Q1 report on 18 September 2019. The agency's performance information was structured in line with Seda's approved Annual Performance Plan for 2019/20. It gave information on performance against targeted indicators, both on outcome and output levels. In quarter 1, only 27 indicators were considered for review, the organisation performed well on 17 indicators, that reflected an organisational performance of 62%. The performance combined client support interventions implemented from the National Office, the Provincial Network and network partners including supported incubators.

Table 7: Q1 Performance

PROGRAMME 2019 Q 1	ACHIEVED %	NOT ACHIEVED %	PROGRAMME 2018 Q 1	ACHIEVED %	NOT ACHIEVED %
PROGRAMME 1: ENTERPRISE DEVELOPMENT	25%	22%	PROGRAMME 1: ENTERPRISE DEVELOPMENT	27%	23%
PROGRAMME 2: SEDA TECHNOLOGY PROGRAMME	15%	3.7 %	PROGRAMME 2: SEDA TECHNOLOGY PROGRAMME	15%	0%
PROGRAMME 3: ADMINISTRATION (Support services & Partnerships)	22%	11%	PROGRAMME 3: ADMINISTRATION (Support services & Partnerships)	23%	12%
TOTAL	**62%**	**38%**	**TOTAL**	**65%**	**35%**

Source: Seda Q1 Report (2019/2020)

The total revenue budgeted for Seda for the 2019/20 financial year amounted to R948,0 million and the total expenditure budget amounted to R948,0 million. The actual expenditure for the period 1 April to 30 June 2019 amounted to R188,05 million resulting in a pro-rata underspending of R49,49 million (20.84%), against the pro-rata budget of R237,54 million. Commitments at the end of June 2019 were about R33,29 million.

5.1.2 Quarter 2 Performance

Seda's performance information is structured in line with Seda's approved Annual Performance Plan 2019/20. It gave information on performance against targeted indicators, both on outcome and output levels. In quarter 2 only 31 indicators were considered for review, the organisation performed well on 28 indicators, which reflected an organisational performance of 88%. There had been improvements in the enterprise development programme, the Seda development programme and administration. It had also done well in achieving 11 769 learners participating in entrepreneurship in schools compared to the annual target of 12 000 learners. Underachievement was mostly due to a shortage of staff, owing to resignations. Total number of staff as at end September 2019 was 696. Of this number, 189 were Business Advisors (173 as per approved structure +16 MOUs). Total staff vacancy rate was standing at 2.4 % while for Business Advisors was 4%.

Table 8: Q2 Performance

PROGRAMME 2019 Q 2	ACHIEVED %	NOT ACHIEVED %	PROGRAMME 2018 Q 2	ACHIEVED %	NOT ACHIEVED %
PROGRAMME 1: ENTERPRISE DEVELOPMENT	34%	12%	PROGRAMME 1: ENTERPRISE DEVELOPMENT	36%	10%
PROGRAMME 2: SEDA TECHNOLOGY PROGRAMME	22%	0 %	PROGRAMME 2: SEDA TECHNOLOGY PROGRAMME	18%	4%
PROGRAMME 3: ADMINISTRATION (Support services & Partnerships)	31%	0%	PROGRAMME 3: ADMINISTRATION (Support services & Partnerships)	29%	3%
TOTAL	**88%**	**12%**	**TOTAL**	**83%**	**17%**

Source: Seda Q2 Report (2019/2020)

5.1.3 Quarter 3 Performance

Seda's third quarter report was presented to the Portfolio Committee on 11 March 2020. In quarter 3, only 31 indicators were considered for review, the organisation performed well on 26 indicators, translating to an average performance of 84%. There were nevertheless areas where the agency underachieved e.g. number of informal business supported through Supplier

Development Programme where only two hundred (200) was attained. The number of co-operatives assisted with access to finance was lower than projected due to challenges in securing loan finance for newly established co-operatives and the number of clients supported through National Gazelles was smaller than forecasted. The agency informed the Committee that a third Cohort would not be invited, the programme will not continue in its current form. An amount of R15 396 680, 63 has been spent on the Gazelles Grant by end of Quarter 3.

Table 9: Q3 Performance

PROGRAMME 2019 Q 3	ACHIEVED %	NOT ACHIEVED %	PROGRAMME 2018 Q 3	ACHIEVED %	NOT ACHIEVED %
	Targets Allocation Per Programme as % of all Organisational Targets Measured this Quarter			Targets Allocation Per Programme as % of all Organisational Targets Measured this Quarter	
PROGRAMME 1: ENTERPRISE DEVELOPMENT	32.26%	16.13%	PROGRAMME 1: ENTERPRISE DEVELOPMENT	33%	14.29%
PROGRAMME 2: SEDA TECHNOLOGY PROGRAMME	22.58%	0 %	PROGRAMME 2: SEDA TECHNOLOGY PROGRAMME	21%	0%
PROGRAMME 3: ADMINISTRATION (Support services & Partnerships)	29.03%	0%	PROGRAMME 3: ADMINISTRATION (Support services & Partnerships)	21%	10.71%
TOTAL	**83.87%**	**16.13%**	**TOTAL**	**75%**	**25%**

Source: Seda Q3 Report (2019/2020)

During Q3 Seda's financial performance was characterised by underspending. The Agency reported that it would catch up during Q4, to ensure the maximum execution of funds. The plans of Seda were up and running to ensure that in quarter 4 there was no surplus. Most of the underspending were in the areas of the National Gazelles project, the Community Private Partnerships Programme ("CPPP") projects, and the KwaZulu Natal Economic Development, Tourism and Environmental Affairs ("KZNEDTEA") co-operatives assistance programme, as well as incubators. On National Gazelles Project: Grant amounts of R33 million to clients have been approved. Procurement processes already taking place for all approvals, year to date spend is R16 million including BDS. The balance was expected to be spent during Q4 as Seda was wrapping up the project and finalising procurement. The Committee was further informed that the programme would be discontinued during 2020/21 financial year.

Another area of underperformance was Project Plan for CPPP Project & Cooperate Assistance Program (EDTEA). Seda reported that project in KZN was finalised, thus the procurement process of R13 million commenced late due to delays from the project funders to finalise their list of clients and co-operatives interventions. While on incubators, some tranches, amounting to R23 million were due for payment during Q4 owing to late submission of Annual Reports ("AR") and Annual Financial Statements ("AFS") and Central Supplier Database ("CSD") non-compliance matters, that had to be addressed before 2019/20 disbursements. Seda further reported that New Digital Hubs (X6), Township Incubators (X9), Universities and TVET College Centres (X8) for Entrepreneurship Rapid Youth Incubators with a combined approval value of R43 million were in the process of approval. Disbursement will only be done after the approval and compliance processes is concluded but before the end 2019/20 financial year.

5.1.4 Quarter 4 Performance

The last quarter report for the 2019/20 financial year was tabled to Parliament on 24 June 2020. During this quarter, the agency was reporting against 32 strategic indicators. The Committee was advised that although there had been improvements in its overall performance against its annual targets, it could not maximise its full potential because of the outbreak of Covid-19. However, 28 indicators were achieved, an organisational achievement of 88%. It had ensured consistent service delivery through co-locations at 87 municipalities and partners, with 23 co-locations at Seda branches, and 11 mobile units. It had trained 46 Local Economic Development ("LED") officers on Seda basic diagnostic tools in 3 provinces, and a further 34 on the New Venture Creation, in partnership with the Services SETA, from six municipalities. It had been a challenging exercise to secure finance for newly established co-operatives owing to the major banks' strict lending criteria. The entity would improve through the merger of Seda and **sefa** which would result in streamlining their operations.

Table 10: The budget Split Per Expenditure Category

Category of expenditure	R'Million	% of budget
Compensation of employees	354,40	41.09%
Operating costs (excluding employees compensation)	158,12	18.34%
Programmes and projects	342,66	39.73%
Capital	7,25	0.84%

Source: Seda Q4 Report (2019/20)

The total revenue budget for Seda for the 2018/19 financial year amounted to R862,43 million and the total expenditure budget also amounted to R862,43 million. The actual expenditure for the period 1 April to 31 December 2018 amounted to R566,84 million resulting in a prorata underspending of R75,13 million (11.70%), against the pro-rata budget of R641,97 million. Commitments as at the end of December 2019 were about R23,68 million. Whereas the total amount attributed to the compensation of employees as shown in table 10 above added up to R354 million, operating costs of R158 million, while programmes and projects equalled to R342 million. Total number of staff compliment as at 31 March 2020 was 677. Of this number, 185 were Business Advisors (165 as per approved structure +20 MOU's). Staff vacancy rate at the time was 5% while that of Business Advisors was 8%. A significant proportion of the national office was in the Enterprise Development Division and the Seda Technology Programme, which were part of the core services.

5.2 Small Enterprise Finance Agency

5.2.1 Quarter 1 Performance

Small Enterprise Finance Agency appeared before the Portfolio Committee on 18 September 2019 to present its first quarterly performance against the approved corporate plan for the financial year 2019/20. The agency informed the Portfolio Committee that its amortised Total Loan Book as at 30 June 2019 stood at R1.6 billion, comprising R858 million of Wholesale Lending ("WL") facilities and R761 million Direct Lending ("DL") facilities. During the same period, the accumulated impairment for loans and investments, excluding Direct Lending legacy book stood at 37% exceeding the target by 4%.

The total approvals for the quarter were R160 million against the target of R186 million which represented 86% of the quarterly target. Of that, R53 million was from Direct Lending, R47 million from Wholesale Lending and R60 million went to Khula Credit Guarantee ("KCG") programme to assist Black-Owned businesses (panel beaters) in the motor body repair industry to have access to the insurance market clients. It was further recounted that uunderperformance was due to unavailability of quality wholesale deals - financial viability of intermediaries and their stage of readiness.

Table 11: Loan Book Performance Q1

	Approvals R'million	Disbursements R'million	Jobs	Number of SMMEs
Target	R186	R159	18 399	18 036
Achieved	R160	R97	15 130	14 385
Percentage	86%	61%	82%	80%

Source: Sefa Q1 Report (2019/20)

The total **sefa** disbursements for Q1 amounted to R96.5 million against the target of R159 million. The DL disbursements were R48 million against the target of R57 million. WL loan program disbursed R48 million against the target of R152 million. The total disbursements as at 30 June 2019 represented 61% of the quarterly target. In value terms, majority of **sefa's** disbursements were done in Limpopo followed by KwaZulu Natal. The reason being that Limpopo has greater activity of microfinance institutions that mainly support Women-owned businesses.

With respect to the developmental impacts, one of the key agency indicator, during Q1, 14 385 SMMEs received financial support via the **sefa** loan programmes, resulting in the creation and maintenance of 15 130 jobs. R83 million was disbursed to black-owned SMMEs, R17 million to townships based SMMEs, R50 million to women-owned SMMEs and R28 million to youth-owned enterprises. Overall, organisational collections in Q1 amounted to R73.6 million. DL loan collections were R40.7 million while WL collected R33.2 million.

Table 12: Development Impact Q1

	Youth R'million	Rural R'million	Women R'million	Black R'million
Target	R48	R90	R90	R133
Achieved	R28	R54	R51	R84
Percentage	58%	60%	56%	63%

Source: Sefa Q1 Report (2019/20)

5.2.2 Quarter 2 Performance

During Q2, as presented to the Portfolio Committee on 20 November 2019, a total of R187 million loan facilities were approved, representing 67% of the quarterly target. Total disbursements for the quarter were R187 million, representing 79% of the quarterly target and 54% of annual target year to date. In Q2, 16 109 SMMEs received financial support via the

sefa loan programmes, resulting in the creation and maintenance of 18 877 jobs. R156 million was disbursed to black-owned SMMEs, R12 million to townships based SMMEs, R65 million to women-owned SMMEs and R37 million to youth-owned enterprises.

Overall, organisational collections in Q2 amounted to R97.7 million. DL loan collections were R35.6 million while WL collected R62 million. The loan book accumulated impairment stood at 39.9% as at 30 September 2019. This was 6.9% percent above the target of 33%. The total approvals for the quarter were R188 million against the target of R279 million which represent 67% of the quarterly target -- R87 million from Direct Lending (DL), WL SME R90.6 million while Microfinance received R10 million. Underperformance in the approvals target was due to no approvals recorded for the quarter for KCG. At the time of reporting, the year to date approvals achieved stood at R380.7 million.

Table 13: Loan Book Performance Q2

	Approvals R'million	Disbursements R'million	Jobs	Number of SMMEs
Target	279	238	27 599	27 053
Achieved	187	187	18 877	16 109
Percentage	67%	79	68%	60%

Source: Sefa Q2 Report (2019/20)

As regards the development impacts, number of jobs facilitated during Q2, 68% of target achieved. The majority of jobs facilitated were contributed by the Microenterprise sector. At the time of reporting the number of jobs facilitated represented 45% of the annual target. The number of SMMEs financed – 60% of target achieved. The number of SMMEs financed represented 42% of the annual target. Enterprises based in rural provinces received R90 million in Q2; those in the townships received R12 million; women-owned businesses received R65 million; black-owned businesses received R156 million over the quarter. In value terms, majority of **sefa's** disbursements were done in Gauteng followed by KwaZulu Natal. The reason being that Gauteng and KwaZulu Natal have higher density of SMMEs registered in South Africa.

Table 14: Development Impact Q2

	Youth R'million	Rural R'million	Women R'million	Black R'million
Target	72	134	134	200
Achieved	37	90	65	156
Percentage	51%	67%	48	78

Source: Sefa Q2 Report (2019/20)

5.2.3 Quarter 3 Performance

As at 31 December 2019 **sefa's** amortised Total Loan Book stood at R 1.7 billion, of this, R876 million was on WL facilities and R892 million on DL facilities. The total approvals for the quarter were R432 million against the target of R279 million which represent 155% of the quarterly target. The actual amount that went to Direct Lending was R104 million from, R253 million went to Wholesale Lending while Microfinance received R75 million. The total **sefa** disbursements for Q3 were R394 million against the target of R238 million and represent 166% of Q3 target. Of that, DL disbursements were R85 million, WL loan program disbursed R309 million and the value of KCG's taken-ups amounted to R50 million. The year to date disbursements achieved was R828.7 million.

In Q3, 21 713 SMMEs received financial support via the **sefa** loan programmes, resulting in the creation and maintenance of 23 821 jobs. R304 million was disbursed to black-owned SMMEs, R43 million to townships based SMMEs, R176 million to women-owned SMMEs and R59 million to youth-owned enterprises. Overall, organisational collections in Q3 equalled R119.7 million. DL loan collections amounted to R32,5 million while WL collected R87,2 million. The loan book portfolio at risk stood at 55% as at 31 December 2019. According to **sefa**, the over achievement was due to approvals made under the Small Business Innovation Fund (SBIF).

Table 15: Loan Book Performance Q3

	Approvals R'million	Disbursements R'million	Jobs	Number of SMMEs
Target	279	238	27 559	27 053
Achieved	432	394	23 821	21 713
Percentage	155%	166%	86%	80%

Source: Sefa Q3 Report (2019/20)

In terms of jobs facilitated - 86% of the target was achieved. The majority of SMMEs facilitated were contributed by the Microenterprise sector. About 36 co-operatives were financed during the quarter under review and year to date 60 cooperatives were financed. Enterprises based in the priority rural provinces received R154 million in Q3; those in the townships received R43 million; women-owned businesses received R175.7 million; black-owned businesses received R303.7 million over the quarter. In value terms, majority of **sefa**'s disbursements were done in Gauteng followed by KwaZulu Natal. The reason being that Gauteng and KwaZulu Natal has a higher density of SMMEs registered in South Africa.

Table 16: Development Impact Q3

	Youth R'million	Rural R'million	Women R'million	Black R'million
Target	72	134	134	200
Achieved	59	154	176	304
Percentage	82%	115%	131%	152%

Source: Sefa Q3 Report (2019/20)

5.2.4 Quarter 4 Performance

The total **sefa** amortised Total Loan Book as at 31 March 2020 stood at R 1.5 billion, comprising R902 million Wholesale Lending facilities and R645 million Direct Lending facilities. A total of R637 million loan facilities during Q4 were approved, representing 342% of the quarterly target and 152% of the annual target. Total disbursements for the quarter were R295 million representing 186% of the quarterly target and 142% of the annual target. In Q4, a total of 12 385 SMMEs received financial support via the sefa loan programmes, resulting in the creation and maintenance of 18 637 jobs. R182 million was disbursed to black-owned SMMEs, R24 million to townships based SMMEs, R71 million to women-owned SMMEs and R40 million to youth-owned enterprises. Overall organisational collections in Q4 amounted to R75 million. DL loan collections were R27.4 million while WL collected R47.7 million. The loan book portfolio at risk stood at 49% as at 31 March 2020. The over achievement was due to the implementation of the SBIF fund.

Table 17: Loan Book Performance Q4

	Approvals R'million	Disbursements R'million	Jobs	Number of SMMEs
Target	186	159	18 399	18 036
Achieved	637	295	18 637	12 385
Percentage	342%	186%	101%	69%

Source: Sefa Q4 Report (2019/20)

The total **sefa** disbursements for Q4 were R295 million against the target of R159 million and represent 186% of Q4 target. DL disbursements were R45 million, WL loan program disbursed R250 million, WL SME disbursed R129 million, Microfinance disbursed R28 million while KCG disbursed R93 million. With regards to the number of jobs facilitated - 101% of target achieved. The majority of Jobs facilitated were contributed by the Microenterprise sector. The number of SMMEs financed – 69% of target achieved. Similar to Q3, the majority of SMMEs facilitated were contributed by the Microenterprise sector.

Enterprises based in the priority rural provinces received R49 million in Q4; those in the townships received R24 million; women-owned businesses received R71 million; black-owned businesses received R182 million over the quarter. In value terms, and this was a trend throughout all quarterly reports except in Q1 where Limpopo came first, majority of **sefa**'s disbursements were done in Gauteng, followed by Kwa-Zulu Natal. The reason being that Gauteng and Kwa-Zulu Natal have higher densities of SMMEs registered in South Africa.

Table 18: Development Impact Q4

	Youth R'million	Rural R'million	Women R'million	Black R'million
Target	48	90	90	133
Achieved	40	50	71	182
Percentage	83%	55%	79%	137%

Source: Sefa Q4 Report (2019/20)

6. OBSERVATIONS

Having reflected on the Department, **sefa** and Seda quarterly performance reports for 2019/20 financial year, the Portfolio Committee hereby register the following observations and recommendations for consideration by the Department: -

6.1 The Portfolio Committee is pleased with the overall performance of the portfolio but notes that there is still room for improvement. Seda and **sefa** accomplishments of two (2) clean audits and unqualified audit from the Department of Small Business Development for the 2019/20 financial year are steps in the right direction and should be encouraged;

6.2 It is essential to note that lot more could have been achieved during the financial year under review but due to national general elections that took place in May 2019, in particular the period of transition from fifth to sixth administration, state annual plans and service delivery performance were indeed impacted;

6.3 One such area of underperformance by the Department was and remains the filling of vacant posts especially at senior management level. Throughout the period under evaluation, the Department's vacancy rate has consistently been higher than 10%. This has often been attributed to incomplete organisational structure. The Department has conceded that this is affecting its ability to achieve some of the targets and it might very well have led to the redirection of resources when the national state of disaster was announced in March 2020;

6.4 The Committee notes that throughout the DSBD appearance in Parliament, members have consistently flagged allocation of resources to provinces like Northern Cape and North West. The two regions receive less attention from the Department, **sefa** and Seda. In value terms, and this pattern persisted all through the previous financial year apart from in Q1 where Limpopo came first, majority of **sefa**'s disbursements were done in Gauteng, followed by Kwa-Zulu Natal. The reason being that Gauteng and Kwa-Zulu Natal have higher densities of SMMEs registered in South Africa while with Limpopo, reason advanced was that there is greater activity of microfinance institutions in the province. By implication, even in Limpopo, the beneficiaries were not necessarily small enterprises but microfinance institutions;

6.5 Another major policy area of future focus reported regularly by Seda was with respect to inability to secure finance for newly established co-operatives owing to the major banks' strict lending criteria. According to Seda, this was on course to improve with the merger of Seda and **sefa** which hopefully would result in streamlining of the operations;

6.6 **Sefa** on the other hand, attributed some of its uunderperformance to "unavailability of quality wholesale deals - financial viability of intermediaries and their stage of readiness". This is in spite of the Portfolio Committee having recommended that the agency must prioritise community and village owned banks of the same kind to Grameen Bank e.g. Co-operatives Financial Institutions ("CFI") and Co-operative Banks owing to their licensing and regulation by South African Reserve Bank and National Credit Regulator are far more transparent than privately owned microfinance institutions. Due to their registrations, licensing and regulation, **sefa** is unable to exercise oversight over microfinance institutions, as they are not administered or overseen by Prudential Authority ("PA") and Financial Sector Conduct Authority ("FSCA");

6.7 On the policy and legislative front, all initiatives planned for the previous financial year(s) were deferred for 2019/20 financial year e.g. finalisation of the review of the National Small Business Act, revision of the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises and review of the Integrated Strategy on the Development and Promotion of Co-operatives (2012 - 2022). In 2019, the Committee had been told "failure to complete the task was due legislative drafting incapacity that exists, thus resulting in over reliance on external assistance and counsel in driving this unit of work. Given the skills/competency shortage, the Department has considered it vital to explore the option of secondment of officials from other Government departments with legislative acumen and experience to augment the existing gap";

6.8 **Sefa** quarterly reporting methodology requires further analysis. The agency underperformed during Q1 and Q2. However, during Q3, total approvals jumped straight to R432 million against the target of R279 million which represent 155% of the quarterly target. The total **sefa** disbursements for Q3 were R394 million against the target of R238 million and represent 166% of Q3 target. While during Q4, R637 million loan facilities were approved, representing 342% of the quarterly target and 152% of the annual target. Total disbursements during the same period were R295 million representing 186% of the quarterly target and 142% of the annual target. In such circumstances, fiscal dumping, when money is not spent for its intended purpose, is usually probable;

6.9 During the 2019 BRRR the Committee welcomed the replacement of Klynveld Peat Marwick Goerdeler ("KPMG") by SizweNtsalubaGobodo ("SNG"). However, stressed that considering the nature of business **sefa** does on behalf of the government and people of South Africa and the amount of money that is apportioned to the agency on an annual basis, the Committee remains of the view that **sefa** books should better be handled by the supreme audit institution of South Africa, Auditor General. While in the meantime, and through AGSA, SNG must brief the Committee in a similar fashion AGSA brief the Committee concerning DSBD and Seda audit findings;

6.10 Regarding audit outcomes for the 2019/20 financial year the Portfolio Committee notes Auditor General observations which are as follows -:

- In previous years, material non-compliance with the various incentive guidelines has been reported. While this material finding was not included in the 2019/20 audit report there remains instances where the guidelines were not fully adhered to;
- On strategic planning and performance management, specific information systems were not implemented to enable the monitoring of progress made towards achieving targets, core objectives and service delivery as required by the public service regulation;
- The Audit Committee at DSBD was established until December 2019 but has not been in place since then;
- The systems to collect and report on achievements related to these incentives were not adequate to ensure credible information, adjustments were required during audit process on four incentive related achievements;
- No findings of connected beneficiaries and suppliers were identified across both the BBSDP and CIS initiatives in the 2019/20 period;
- Reviews by the adjudication committees to ensure that applicants met the requirements/ provided the required documentation as per the BBSDP and CIS guidelines were not always effective. Indicators of potential fictitious beneficiaries such as applicants who are above the thresholds for compulsory VAT registration but are not registered were not identified through the review process;
- There was no evidence that the department performed post approval site visits for the paid applicants for both BBSDP and CIS. While these visits were to some extent impacted by the lockdown, this requirement of the guidelines is pivotal to ensuring the objectives of the incentives are ultimately achieved;

- The audit opinion of the department has remained unchanged for the past four financial years. The main obstacles preventing the department from obtaining a clean audit outcome remains the quality of submitted annual performance reports. The quality of financial statements has been largely maintained, some attention needs to be paid to ensuring the different incentives are correctly classified in the budgeting and reporting processes.
- Management (accounting officers/ authorities and senior management) do not respond with the required urgency to AG messages about addressing risks and improving internal controls. Inadequate implementation and monitoring of action plans by these role players to address key audit matters have been identified as a root cause for the repeat findings. This is particularly relevant to the performance reporting environment of both auditees;
- The instability and prolonged vacancies in key positions can cause a competency gap and affect the rate of improvement in audit outcomes. Capacity to undertake the necessary oversight through pre- and post-site visits was not adequate.

7. RECOMMENDATIONS

7.1 Strategic posts have remained vacant for too long. The Committee notes that absence of a permanent Director General may handicap the Department in fulfilling its mandate. Filling up the post of an Accounting Officer is critical and should be expedited ideally before the end of 2020/21 financial year, including other senior posts i.e. Deputy Director General(s) and Chief Director(s);

7.2 The Committee is mindful that filling of vacant posts is reliant on a successful finalisation of the organisational structure. Accordingly, the Departments of Small Business Development and Public Service and Administration (“DPSA”) are being urged to cordially conclude this matter preferably before the end of the 2020/21 financial year;

7.3 During the 2019 BRRR process the utilisation of financial intermediaries (not properly registered, licensed and regulated) by **sefa** was raised sharply by members of the Committee and flagged by the FFC as increasing the cost of capital for struggling small enterprises. The Portfolio Committee viewpoint is that **sefa** should consider insourcing wholesale lending facility, alternatively, consider auxiliary approaches to lending money to its clients e.g. giving priority to financial institutions regulated by the South

African Reserve Bank (Prudential Authority and Financial Sector Conduct Authority) and National Credit Regulator;

7.4 While significant improvement in adherence to the Black Business Supplier Development Programme (BBSDP), Co-operative Incentive Scheme (CIS) and National Information Business Upliftment Strategy (NIBUS) guidelines were noted in the 2019/20 financial year, some instances of non-compliance were still noted. The most glaring weakness is the absence of post funding visits across the schemes. According to Auditor General, "the Department exposes itself to not achieving against its core mandate if the post funding visits are not undertaken to ensure small businesses were positively impacted by the efforts of the Department. The Department must thus ensure that the guidelines for the different incentive schemes are revised to ensure that they are aligned to the objectives of the scheme and are not susceptible to abuse;

7.5 The management, and/or, Bid Adjudication Committee must ensure strict adherence to the guidelines and Standard Operating Procedures ("SOP") of incentive schemes. The responsibility for ensuring compliance with guidelines and SOP should be clearly allocated and responsible officials should be held accountable for any non-compliance. Automating application and approval processes must be expedited in order partly to reduce non-compliance and improve efficiency. The Portfolio Committee should be informed quarterly concerning the progress attained;

7.6 Management or responsible officials have an obligation to conduct site visits to beneficiaries in order verify if goods and services are/were actually delivered/received through pre-and post-site visits. Owing to Seda geographic footprint the agency could be utilised for this purpose;

7.7 The tenacious skewedness in the distribution of funds and resources as observed in all quarterly reports in favour of Gauteng and KwaZulu Natal, at the expense of other struggling provinces like Northern Cape and North West, necessitates urgent attention. Historical inequities exist between provinces as well as between districts within each province. Remedial measures could include, amongst others, equitable allocation of resources per provinces and districts;

7.8 For the past 11 months, the Department has been without the Audit Committee. The existence of an Audit Committees in South African national government departments is not only a legal requirement. These committees perform certain activities as an additional layer of accountability instrument to the departments. The Department must accordingly appoint members of the Audit Committee before 31 March 2021;

7.9 The audit opinion of the Department has remained unchanged for the past for years. According to the Auditor General, “the main obstacles preventing the department from obtaining a clean audit outcome remains the quality of submitted annual performance reports”. The Portfolio Committee implores the Department to pay special focus in this particular area and ensure that internal audit is properly capacitated with competent personnel;

7.10 The Portfolio Committee has noted AG forewarnings that Management (accounting officers/ authorities and senior management) do not respond timeously and with the required urgency in addressing risks and improving internal controls. The Committee is calling on the Department to act swiftly in dealing and implementing AG recommendations. In line with the AG recommendation to the Committee, all DSBD, Seda and **sefa** quarterly reports must provide feedback on the implementation and progress of action plans to ensure improvement in the audit outcomes of the portfolio.

Report to be considered.

2. Budgetary Review and Recommendation Report of the Portfolio Committee on Trade and Industry, dated 19 November 2020

The Portfolio Committee on Trade and Industry, having assessed the service delivery performance of the Departments of Trade and Industry (DTI) and of Economic Development (EDD), against its mandate and allocated resources, namely the financial and non-financial resources for the period 1 April 2019 to 31 March 2020; as well as for the Department of Trade, Industry and Competition (DTIC) for the period 1 April to 30 June 2020, reports as follows:

1. INTRODUCTION

In 2019, the President, Mr M C Ramaphosa, announced the reconfiguration of government to promote coherence, better coordination and improve efficiency. This included a merger between the Ministries of Trade and Industry and of Economic Development. The President also recognised the structural challenges facing the economy, and that significant structural change would be required to address these challenges. He emphasised the need for a clear focus on the productive sectors of the economy, which falls within the mandate of the newly configured DTIC. This would also cover "economic transformation and job creation" and contributing towards "a better Africa and world"[1].

Subsequently, the world has experienced the impact of the global coronavirus (COVID-19) pandemic. This has negatively impacted on global economic growth, livelihoods and trade, as most countries had to implement some form of a lockdown to curb the rapid spread of the virus. This also included measures to mitigate against its socio-economic impact. The global pandemic started to impact the South African economy in January, as trading partners were closing their borders and this culminated in the domestic lockdown since 26 March 2020.

This Budget Review and Recommendation (BRR) Report covers the reconfiguration period from 1 April 2019 to June 2020, as well as the impact of the COVID-19 pandemic from January to June 2020. The merger between the two Departments has been effective from 1 April 2020. The pandemic has added to the fiscal constraint, which requires government to relook at how it prioritised its budgetary allocations to ensure value for money. In this regard,

[1] Ramaphosa (2019)

the DTIC's budget allocation for the 2020/21 financial year had been reduced from R11,08 billion to R9,31 billion in July 2020.

During this period, there has been a focus on industrialisation including local public procurement, localisation and the development and implementation of the new Masterplans. Furthermore, parliamentary oversight has been strengthened over the National Regulator for Compulsory Specifications (NRCS) and the South African Bureau of Standards (SABS). This has been necessitated due to the need to monitor the implementation process of their turnaround strategies.

1.1. Mandate of the Committee

Section 5 of the Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009) requires the National Assembly, through its committees, to annually assess the performance of each national department over an 18-month period. A committee must submit a report of this assessment known as a 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 power to amend the budget in line with the fiscal framework. The BRR Report process enables the Committee to exercise its legislative responsibility to ensure that the DTI, the EDD, and the newly configured DTIC, as well as its entities, are adequately funded to fulfil their respective mandates.

1.2. Purpose of the BRR Report

The purpose of this report is to analyse the annual financial and non-financial performance of the DTI and the EDD for the 2019/20 financial year, and for the first quarter of the 2020/21 financial year for the DTIC, against predetermined objectives to inform recommendations for their forward-looking budgets. This report assesses performance for the 2019/20 financial year, and the first three months of the 2020/21 financial year, namely from 1 April 2019 to 30 June 2020 within the context of the three-year Medium-Term Expenditure Framework.

1.3. Method

The Committee met with the Office of the Auditor-General (AG) on 10 November 2020 to discuss the audit outcomes for the 2019/20 financial year. The Committee was also briefed by the DTI and the EDD on their 2019/20 annual reports and by the DTIC on its performance for the first quarter of the 2020/21 financial year. These meetings were held on 6 October and 10 November 2020.

1.4. Limitations of the report

The BRR Report is intended to cover an 18-month period including the previous financial year's annual report and the first six months (April to September) of the current financial year. Due to the timing of the BRR Report, second quarter financial and non-financial information were not available. The key challenge was that the DTIC and its entities were still in the process of compiling the preliminary performance information, which must be submitted to the Department of Planning, Monitoring and Evaluation (DPME) and the National Treasury by the end of October. The verified information would only be available in January of the following year. Therefore, the report has only captured performance up to the first quarter of the 2020/21 financial year.

1.5. Outline of the contents of the report

This BRR Report consists of the introduction (Section 1) and four parts. Section 1 briefly provides an overview of the mandate of the Committee, the purpose of this report and the method followed in preparing this report, as well as the limitations of the report.

Part A focuses on the assessment of the DTI and the EDD respectively for the 2019/20 financial year. Sections 2 provides a summary of the key financial and non-financial performance recommendations of the Committee as captured in its previous BRR Report. Section 3 set out the key policy focus areas for the DTI. This includes an overview of their strategic objectives and mandate and an assessment of its financial and non-financial performance against its vote allocation from 1 April 2019 to 31 March 2020, as well as the audit findings and human resource management, for the period ending 31 March 2020. Likewise, Section 4 does this for the EDD for the 2019/20 financial year.

Part B considers the financial and non-financial performance of the newly configured DTIC for the period ending 30 June 2020 under section 5. Then Part C (section 6) outlines key issues raised by the Committee during its deliberations with the departments.

Part D consists of Sections 7 to 9. Section 7 provides the Committee's concluding remarks followed by a note of appreciation in Section 8. Section 9 then concludes with the Committee's recommendations for the National Assembly's approval.

PART A: FINANCIAL AND NON-FINANCIAL PERFORMANCE OF THE DEPARTMENTS OF TRADE AND INDUSTRY AND OF ECONOMIC DEVELOPMENT FOR THE 2019/20 FINANCIAL YEAR

2. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

2.1. 2019 BRR Report recommendations

"Informed by its deliberations, the Committee recommends that the House requests that the Minister of Trade and Industry should consider:

2.1.1 Engaging the Minister of Finance, to coordinate the monitoring and enforcement of local content requirements as underpinned by the Preferential Public Procurement Framework Act.

2.1.2 Submitting the final reports on the forensic investigations undertaken by the National Regulator for Compulsory Specifications and the South African Bureau of Standards once these are completed.

2.1.3 Increasing the allocation to incentive programmes to facilitate deeper industrialisation, investment, industrial decentralisation and increased job opportunities.

2.1.4 Increasing the government grant to the South African Bureau of Standards to facilitate small, medium and micro enterprises support and local content verification in the outer years of the Medium-Term Expenditure Framework.

2.1.5 Assisting the National Regulator for Compulsory Specifications with its procurement process to implement the Information and Communication Technology modernisation project."[2]

[2] Portfolio Committee on Trade and Industry (2019: 152)

3. DEPARTMENT OF TRADE AND INDUSTRY

3.1. Overview of the key relevant policy focus areas

3.1.1. Strategic objectives

The DTI's strategic objectives, which guide its work, are as follows:

- Facilitating transformation of the economy to promote industrial development, investment, competitiveness, and employment creation;
- Building mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives;
- Facilitating broad-based economic participation through targeted interventions to achieve more inclusive growth;
- Creating a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner; and
- Promoting a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery.[3]

In terms of its core functions, the DTI was responsible for overseeing 13 listed entities and administering 43 Acts[4]. These entities can be divided into three categories according to the type of work they perform, namely the development finance institutions (DFIs), the regulatory entities, and the technical infrastructure institutions (see table 1).

In addition to overseeing the DTI, the Committee oversees these entities, as a number of the DTI's strategic objectives were implemented through these entities.

The Broad-based Black Economic Empowerment (B-BBEE) Commission is an entity under the administration of the DTI. During the financial year, the DTI had, however, indicated that the Commission had been intended to be an independently listed entity. During the 2018/19 financial year, the DTI, the B-BBEE Commission and the National Treasury had entered into negotiations to make the Commission a separate entity. However, this was not possible without an amendment to the B-BBEE Act (No. 53 of 2003).

Table 1: List of entities reporting to the DTI

[3] DTI (2019a)

[4] DTI (2019a)

Development Finance Institutions	Regulatory Entities	Technical Infrastructure Institutions
• Export Credit Insurance Corporation of South Africa • National Empowerment Fund	• Company and Intellectual Property Commission • Companies Tribunal • National Consumer Commission • National Credit Regulator • National Consumer Tribunal • National Gambling Board of South Africa • National Lotteries Commission	• National Metrology Institute of South Africa • National Regulator for Compulsory Specifications • South African Bureau of Standards • South African National Accreditation System

3.2. Overview and Assessment of the Financial and Non-Financial Performance for the Period 1 April 2019 to 31 March 2020

This section provides a comparison between what the DTI targeted in its Annual Performance Plan (APP) against its performance set out in the Annual Report for the 2019/20 financial year. It then provides an overview of the AG's audit outcomes.

3.2.1. Non-financial performance

For the financial year under review, the DTI had 25 performance targets. The Department achieved 17 performance targets while eight had not been achieved. This translates to 68% achievement of its planned targets for the financial year. This is significantly less than the previous financial year (2018/19) when 88% of the targets had been achieved. In this regard, six of the eight programmes had targets that had not been achieved, and only the Administration Programme, and the International Trade and Economic Development Programme had achieved 100% performance. Furthermore, in Programme 7 (Trade Investment South Africa) and Programme 8 (Investment South Africa), none of the targets had been achieved.

Shown in the table below is the summary of the performance of the DTI for the 2019/20 financial year. The table also provides a comparison of the performance for the 2018/19 and the 2019/20 financial years.

Table 2: Summary of 2019/20 Performance Indicators per Programme

	Programme	Performance targets	Achieved		Achievement comparison with 2018/19
1	Administration	4	4 (100%)		4 (100%)
2	International Trade and Economic Development	4	4 (100%)		3 (100%)
3	Special Economic Zones and Economic Transformation	4	3 (75%)		3 (75%)
4	Industrial Development	3	1 (33.3%)		2 (66.6%)
5	Consumer and Corporate Regulation	3	2 (66.6%)		3 (100%)
6	Incentive Development and Administration	4	3 (75%)		3 (75%)
7	Trade Investment South Africa	2	0 (0%)		2 (100%)
8	Investment South Africa	1	0 (0%)		1 (100%)
	Total all Programmes 2018/19	**25 (100%)**	**17 (68%)**		**21 (88%)**

Source: DTI (2019b and 2020).

With 68% (17 targets of 25 targets) of the targets achieved, 98,9% (R9,97 billion) of the budget was spent for the financial year. Shown in the table below are the achieved targets against the budget spent per programme.

3.2.1.1. Administration

This programme had 4 targets, all of which had been achieved and exceeded. The four targets and actual achievement were as follows:

- Actual staff turnover was 3% against a target of 6,8%. The DTI stated that the targets had been overachieved because of the tough economic times in the country and the high levels of unemployment; therefore, most employees remained in their current positions including at the DTI.
- Actual employment of people with disabilities was 3,9% against a target of 3,7% of employees.
- Actual achievement of 54% of women employed in senior management positions against a target of 50%.
- 57% of 21 811 payments had been processed within 15 days and the remaining 43% had been processed within 30 days against a target of 100% payment of eligible creditors processed within 30 days.

3.2.1.2. International Trade and Economic Development

Under this Programme, all four performance targets had been achieved. The targets had been:

- Two status reports produced on progress for the Tripartite-Free Trade Agreement negotiations,
- Four status reports produced on progress of African Continental Free Trade Area (AfCFTA) negotiations,

- Two reports on implementation of Southern African Development Community-European Union (EU) Economic Partnership Agreement (EPA), and
- Sixteen status reports produced on engagements in Global Fora.

3.2.1.3. Special Economic Zones and Economic Transformation

In this Programme, there had been four targets, of which three had been achieved. The three targets that had been achieved were:

- The submission of two Special Economic Zones (SEZs) to the Minister for designation,
- The submission of two implementation reports on the Industrial Parks to the Minister, and
- The submission of two implementation reports on the B-BBEE Amendment Act and Regulations to the Minister.

The target that had not been achieved was in respect of non-financial support interventions to support black industrialists in the Industrial Policy Action Plan (IPAP) Sectors. The target had been 80 interventions; however, the DTI had only achieved 67 interventions. According to the DTI, the target had not been achieved because planned meetings, an outbound Trade Mission to Tanzania, and Supplier Day session that had been planned for the fourth quarter of the financial year had been cancelled or postponed to the following financial year due to the global Covid-19 pandemic outbreak.

3.2.1.4. Industrial Development

Only one of the three targets had been achieved under this Programme. The target that had been achieved and exceeded was in respect of the designation of products for local procurement. A total of four designation requests for products had been prepared, namely for: plastic pipes and fittings products; bulk materials handling (conveyor system equipment); ester oil; and instrument transformers.

The targets that had not been achieved were both related to the IPAP, the tabling of the 2020/21 IPAP and the submission of implementation reports for the IPAP. The targets were not achieved because during the financial year the DTI changed the policy direction in line with the change in administration. The new policy direction changed the implementation of the industrial strategy through the IPAP to a re-imagined industrial strategy through masterplans. As a result, during the financial year, the DTI led the development of four masterplans, namely for the: Automotive; Retail-Clothing, Textile, Leather and Footwear

(CTFL); Poultry; and Sugar industries. Three masterplans had been finalised, with the Sugar Masterplan being finalised after March 2020.

3.2.1.5. Consumer and Corporate Regulation

Under this programme, two of the three targets had been achieved. The two targets that had been achieved were:

- The development of four progress reports on the development of the Companies Amendment Bill for the Minister's approval, and
- The number of education and awareness workshops conducted on policies and legislation and a report produced for the Minister's approval. The DTI had exceeded the target of 24 workshops and had conducted 27 workshops.

The target on the Socio-Economic Impact Assessment System (SEIAS) report for the Companies Amendment Bill had not been achieved. The DTI stated, "The revised SEIAS report could not be submitted to DPME for certification and submission to Minister for introduction into Parliament due to delays in the NEDLAC[5] process that commenced in June 2019"[6].

3.2.1.6. Incentive Development and Administration

This is the DTI's largest programme, it accounts for 58,9% of the total budget allocation. In this programme, there were four targets and three had been achieved. The targets that had been achieved were:

- A target of R18 billion of projected investments to be leveraged from projects/enterprises approved had been exceeded and R32 billion had been leveraged.
- A target of 8 000 new jobs supported from enterprises approved had been exceeded and 18 258 new jobs had been supported, as the DTI approved projects had been both capital and labour intensive.
- A target of 10 000 jobs retained from approved enterprises and projects had been exceeded and a total of 24 257 jobs had been retained

However, the target to approve 900 enterprises/projects for financial support across all incentives had not been achieved. About 512 enterprises/projects had been approved.

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[5] National Economic Development and Labour Council

[6] DTI (2020: 64)

3.2.1.7. Trade Investment South Africa

In this Programme, there had been two targets, none of which had been achieved. These targets were:

- The generation of R4,25 billion in export sales. Export sales had not been achieved due to the lockdown as a result of the global Covid-19 pandemic. For the financial year, R2,67 billion in export sales had been generated.
- The assistance of 864 companies under Export Marketing and Investment Assistance in support of value-added exports. The DTI had only supported 828 companies.

3.2.1.8. Investment South Africa

Under this Programme, there had been one target. That target had been the facilitation of R50 billion in investment projects in the pipeline. However, by the end of the financial year, merely R220,9 million worth of investment had been facilitated.

3.2.2. Financial performance

The DTI's budget/appropriation had been R10,08 billion for the 2019/20 financial year. By the end of the financial year, the DTI had spent 98,9% of its budget or R9,9 billion. This was consistent with the performance of the DTI in the previous financial year, wherein 99,6% of the budget had been spent. In terms of programmes, there had been under-expenditure in all programmes.

Table 3: Expenditure by Programme

Programmes (R'000)	Final budget	Expenditure	Expenditure (%)	Variance (%)
Administration	824 760	807 745	97,94%	2,06%
International Trade and Economic Development	125 082	124 332	99,40%	0,60%
Special Economic Zones and Economic Transformation	165 289	156 299	94,56%	5,44%
Industrial Development	2 091 561	2 076 606	99,29%	0,71%
Consumer and Corporate Regulation	336 215	329 908	98,12%	1,88%
Industrial Development Administration	5 937 323	5 902 927	99,42%	0,58%
Trade and Investment South Africa	538 303	505 655	93,94%	6,06%
Investment South Africa	66 194	66 131	99,90%	0,10%
TOTAL	**10 084 727**	**9 969 603**	**98,86%**	**1,14%**

Source: DTI (2020: 126)

The DTI attributed the under-expenditure to the following[7]:

[7] DTI (2020: 189)

- The global outbreak of COVID-19 which affected a number of the DTI's activities including trade export missions and pavilions that had been planned for the last quarter and could not take place; international events and fora in the areas of trade and investment that had been cancelled; investment milestones by companies had been delayed due to capital equipment that was ordered from abroad; delivery of Information and Communication Technology equipment which had been scheduled to be delivered in March 2020; and delays in receiving vouchers from the foreign offices (the DTI has employees in different countries) for expenditure;
- Vacant positions that had not been filled due to the merger process with the EDD, hence underspending on compensation of employees; and
- The delay in listing the B-BBEE Commission impacted the implementation of certain projects leading to underspending in Programme 3.

Unspent funds had been 1,14% of the total budget, which was R115,1 million. The main programmes that had significant underspending were the Incentive Development and Administration Programme with R34,3 million underspending, the Trade and Investment South Africa Programme with R32,6 million, and R14,9 million in the Industrial Development Programme.

3.2.2.1. Expenditure by category

Expenditure by economic classification is detailed in the table below. According to the economic classification, the expenditure comprises mainly of transfers and subsidies (transfers to DTI entities, transfers to public entities and international organisation, and incentives). Compensation to employees accounted for approximately 10% of the total budget. This bodes well for service delivery as the largest share of the budget is channelled towards implementation, which takes place mainly within entities of the DTI. While this is positive, it should be noted that most of the DTI entities are driven by human capital (in other words, the implementation of their mandates are labour intensive), therefore, the compensation of employees accounts for a large share of some entities' budgets.

Table 4: Expenditure by Economic Classification

Economic Classification (R'000)	Final Budget	Expenditure	Expenditure (%)	Variance (%)
Current payments	**1 766 109**	**1 684 266**	**95,37%**	**4,63%**
Compensation of employees	1 046 769	995 218	95,08%	4,92%
Goods and services	719 340	689 048	95,79%	4,21%
Transfers and subsidies	**8 286 660**	**8 259 002**	**99,67%**	**0,33%**
Public corporations and private enterprises	7 368 639	7 344 131	99,67%	0,33%
Departmental agencies and accounts	701 201	701 201	100,00%	0,00%
Non-profit institutions	178 897	178 897	100,00%	0,00%
Foreign governments and international organisations	32 667	29 646	90,75%	9,25%
Households	5 256	5 127	97,55%	2,45%
Payments for capital assets	**17 435**	**11 815**	**67,77%**	**32,23%**
Payments for financial assets	**14 523**	**14 520**	**99,98%**	**0,02%**
Total	**10 084 727**	**9 969 603**	**98,86%**	**1,14%**

Source: DTI (2020: 190)

There had been significant under-expenditure on the compensation of employees; goods and services, and transfers and subsidies to public corporations and private enterprises. On goods and services, an underspending of 4,2% (approximately R30,3 million) was reported. This had been as a result of the global outbreak of COVID-19 which affected a number of the DTI's activities as discussed above, and late receipt of vouchers from the foreign offices for expenditure. In addition, the delay in listing the B-BBEE Commission affected the implementation of certain projects.

3.2.3. Audit outcomes

The AG annually conducts an audit assessment of the DTI's financial and non-financial performance reporting. In terms of its non-financial performance, Programme 6, Incentive Development and Administration, had been assessed to determine whether their reported performance information was useful and reliable. The outcome of this assessment had been that the AG "did not identify any material findings on the usefulness and reliability of the selected programmes"[8].

In terms of the DTI's financial reporting, the AG noted that the DTI had obtained a clean audit report. No irregular or fruitless and wasteful expenditure had been incurred during the financial year.

3.2.4. Human resources

[8] DTI (2020: 123)

As at 31 March 2020, the DTI had a staff complement of 1 153 employees compared to an approved structure of 1 228 posts, as well as an additional 57 employees. This represented a vacancy rate of 6,1%.

In terms of employment equity, 93,5% of employees had been black, 59,4% had been female and 3,9% had been people with disabilities (47 employees). At senior management service level, 87,3% had been black and 54% had been female.

Table 5: Employment equity breakdown as at 31 March 2020

Racial Breakdown	Male	Female	Total
African	412	592	**1 004**
Coloured	34	31	**65**
Indian	19	43	**62**
White	26	53	**79**
Total	**491**	**719**	**1 210**

Source: DTI (2020: 103)

During the financial year, there had been 31 appointments in critical positions and 93 terminations. The reasons for the terminations had been three deaths, 40 resignations, 30 contracts expired, two discharges due to ill health, six employees retired, 11 employees were transferred to other public service departments and one employee took early retirement.

There had been 45 disciplinary actions taken during the 2019/20 financial year. The majority of cases had been related to non-disclosure of financial interests (24 cases). There had also been three cases of alleged fraud and four cases of fraud. The outcomes of the disciplinary actions had been four verbal warnings, four written warnings and 21 final written warnings. Furthermore, in 16 disciplinary cases, two cases had been withdrawn and 14 disciplinary cases had still been pending.

4. ECONOMIC DEVELOPMENT DEPARTMENT

4.1. Overview of the key relevant policy focus areas

The EDD's strategic objectives, which guide its work, were as follows[9]:

- Ensuring good governance in the administration of the Department;
- Coordinating jobs drivers and the implementation of the New Growth Path (NGP) economic strategy in support of the National Development Plan;
- Facilitating social dialogue and the implementation of social accords;
- Coordinating infrastructure development and strengthening its positive impact on the economy and citizens; and
- Promoting productive investment, industrial financing and entrepreneurship for jobs and inclusive growth.

It should be noted that the EDD's role of coordinating infrastructure development and housing the Presidential Infrastructure Coordinating Commission (PICC) was being relocated to the Ministry of Public Works and Infrastructure.

In terms of its core functions, the EDD is responsible for overseeing four listed entities and administering three Acts[10]. In addition to overseeing the EDD, the Committee oversees these entities, as a number of the EDD's strategic objectives are implemented through these entities, namely the:

- Competition Commission,
- Competition Tribunal,
- Industrial Development Corporation (IDC), and
- International Trade Administration Commission of South Africa.

4.2. Overview and Assessment of the Financial and Non-Financial Performance for the Period 1 April 2019 to 31 March 2020

This section provides a comparison between what the EDD targeted in its APP against its performance as set out in the Annual Report for the 2019/20 financial year. Furthermore, it outlines other areas of performance, mainly internal administrative areas that the EDD is required to report on. It then provides an overview of the AG's audit outcomes.

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[9] EDD (2019)

[10] EDD (2019)

4.2.1. Non-financial performance[11]

The EDD achieved 13 of its 16 key performance indicators or 81% of targets. Performance per programme is discussed below.

4.2.1.1. Administration

In this Programme, there had been one target and that was to obtain an unqualified audit outcome which had been achieved.

4.2.1.2. Growth and Social Dialogue

Under this Programme, there had been six targets and five had been met. The achieved targets were:

- Four analytical and public policy advocacy reports on socio-economic development and the NGP had been produced.
- Four reports on the NGP jobs drivers and coordination structures, such as (i) the Township Economy Development Coordinating Structure, (ii) the Inter-agency Working Group on Illicit Trade and (iii) the bio-fuels value chain coordinating structure for the Gauteng Province.
- Two reports on the implementation of the Green Economy Accord.
- Three reports on black women and youth with access to employment and entrepreneurship opportunities.
- Ten reports on support provided to provinces in terms of economic development.

The target that had not been met was the production of five reports on social dialogue interventions to help save and create jobs as well as report on the implementation of Social Accords. However, two reports had been produced, namely on: (i) the assessment of the New Temporary Employer/Employee Relief Scheme; and (ii) support to Chief Executive Officers (CEOs) on businesses trading in Africa.

4.2.1.3. Investment, Competition and Trade

Under Programme 3, about 78% of the targets had been achieved (seven of nine targets).

- 72 quarterly Cabinet-level progress reports of the infrastructure Strategic Integrated Projects (SIPs) had been produced against a target of 64 SIP Reports.
- Six action minutes in relation to the implementation of Cabinet and PICC strategic decisions on infrastructure had been produced against a target of four action minutes.
- 33 PICC meetings had been held and facilitated against a target of 30 records of meetings

[11] EDD (2020)

having been produced.

- Five reports on initiatives to increase localisation in the infrastructure and industrialisation programmes, including through the Preferential Procurement Policy Framework Act (Act No. 5 of 2000), and local supplier development had been produced against a target of four reports.
- 24 action minutes had been produced related to investment and infrastructure projects unblocked, fast-tracked, facilitated or assessments completed against a target of 23 projects.
- Seven reports had been produced on the level and impact of industrial finance by DFIs and government departments, including funding allocations on township enterprises.
- Four records had been produced of Ministerial or departmental oversight engagements with the IDC.

The two targets that had not been met are detailed below:

- Only three of the targeted four coordination actions to drive implementation of SIP 5: Saldanha-Northern Cape Development Corridor, of the National Infrastructure Plan had been achieved.
- 14 of the targeted 15 reports on the work of the four economic regulators had been completed. This included reports on certain large mergers; the extension of the policy directive on the Price Preference System for exportation of ferrous and non-ferrous waste and scrap metals; the promulgation of Government Notices regarding the COVID-19 pandemic; and the Price Discrimination and Buyer Power Regulations emanating from the Competition Amendment Act (Act No. 18 of 2018).

4.2.2. Financial performance

By the end of the financial year, the EDD had spent R966,3 million or 97,6% of the annual budget. The largest proportion had been spent on transfers and subsidies, which amounted to R840,8 million that was 87,7% of total expenditure. According to the EDD, the under-expenditure of R7,6 million on transfers and subsidies was as a result of under-spending on the Tirisano Construction Fund, as some companies contributing to the Fund were having financial difficulties and had not made their full contribution in this regard. The EDD's expenditure on its programmes was R125,5 million, accounting for 12,99% of total expenditure.

In terms of its programmes, the Investment, Competition and Trade Programme underspent by the largest amount (R7,5 million or 38,7% of the programme's budget). There had also been under-expenditure in the other two programmes: the Growth Path and Social Dialogue, and the Administration Programmes with underspending of R4,3 million (or 11,8% of the programme's budget) and R3,7 million (or 4,4% of the programme's budget) respectively.

Table 6: Expenditure by Programme

Programmes (R'000)	Final budget	Expenditure	Expenditure (%)	Variance (%)
Administration	85 164	81 432	95,6%	4,4%
Growth Path and Social Dialogue	36 385	32 090	88,2%	11,8%
Investment, Competition and Trade	19 803	12 095	61,1%	38,9%
Transfers and Subsidies	848 291	840 741	99,1%	0,9%
Total	**989 643**	**966 358**	**97,6%**	**2,4%**

Source: EDD (2020: 104, 124-125)

4.2.2.1. Expenditure by economic classification

In terms of expenditure by economic classification, there had been significant underspending in the compensation of employees' budget. Expenditure on this item was R83,3 million, which was R12,6 million less than the budget. According to the EDD, this was as a result of a number of resignations as well as unfilled vacancies because of the merger process with the DTI to form the DTIC. The Department's compensation of employee's budget was also increased in the current year. The underspending on goods and services of R2,9 million was attributed to State Attorney fees which had not yet been paid because of invoices that had not been received by the EDD. A detailed account of expenditure against the budget is shown in the table below.

Table 7: Expenditure by Economic Classification

Economic classification (R'000)	Final budget	Expenditure	Expenditure (%)	Variance (%)
Compensation of Employees	95 943	83 312	86,8%	3,2%
Goods and Services	44 463	41 480	93,3%	6,7%
Transfers and Subsidies	848 491	840 821	99,1%	0,9%
Payment of Capital Assets	746	746	0,0%	0,0%
Total	**989 643**	**966 359**	**97,6%**	**2,4%**

Source: EDD (2020: 105-106)

4.2.3. Audit outcomes

The AG annually conducts an audit assessment of the EDD's reported financial and non-financial performance information. In terms of its non-financial performance, Programme 2, Growth path and social dialogue, was assessed to determine whether its reported performance information was useful and reliable. The outcome of this assessment was that the AG "did not identify any material findings on the usefulness and reliability of the selected programmes"[12].

In terms of the EDD's financial reporting, the AG noted that the EDD had obtained an unqualified audit opinion with no findings. There had been no irregular or fruitless and wasteful expenditure identified during the financial year.

4.2.4. Human resources

As at 31 March 2020, the EDD had 97 employees against an approved staff complement of 121 employees. Therefore, there had been a vacancy rate of 23,9%. However, no vacancies could be filled during the financial year because of the merger of the EDD with the DTI.

Of the 97 employees, 62% were female and 38% were male. Furthermore, 3% of the employees were people with disabilities. A profile by race is shown in the table below.

Table 8: Demographic breakdown of employees

Race	Male	Female	Total
African	33	54	**87**
Coloured	1	2	**3**
Indian/Asian	2	1	**3**
White	1	3	**4**
Total	**37**	**60**	**97**

Source: EDD (2020:80)

A profile of employees by skills level is shown in the table below. In terms of employees in Senior Management positions, 54% were women and 46% were men.

Table 9: Number of employees per skills level

Skills level	Number
Semi-skilled	8
Highly Skilled (production)	29
Highly Skilled (supervision)	32
Senior management	28
Total	**97**

Source: EDD (2020: 80-81)

During the 2019/20 financial year, there had been five employees appointed or transferred to the EDD and 11 terminations of employment. The terminations consisted of two deaths, three

[12] EDD (2020: 101)

resignations, four employees' contracts expired, one employee had been dismissed for misconduct and one had been transferred from the EDD.

PART B: FINANCIAL AND NON-FINANCIAL PERFORMANCE OF THE DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION FOR THE FIRST QUARTER OF THE 2020/21 FINANCIAL YEAR

5. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

5.1. Strategic objectives

In alignment with the President's announcement of the restructuring of government departments on 14 June 2019, the new DTIC was formed on 1 April 2020. It is the amalgamation of the mandates, legislation, financial resources, human resources, and entities of the former DTI and EDD.

The DTIC's mission is to[13]:

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

The DTIC is responsible for administering 45 pieces of legislation; and overseeing 17 entities (excluding the B-BBEE Commission, which is a trading entity within the administration of the DTIC) which contribute towards fulfilling its mandate.

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[13] DTIC (2020a: 20)

5.2. Overview and Assessment of the Financial and Non-Financial Performance for the Period 1 April 2020 to 30 June 2020

This section provides a comparison between what the DTIC targeted in its APP against its performance set out in its first quarter report for the 2020/21 financial year.

5.2.1. Non-financial performance

For the first quarter, the DTIC had a total of 25 targets. Of the 25 targets, 16 were achieved or exceeded and nine were not achieved. This means that 64% of the targets were achieved. The actual non-financial performance for the first quarter against quarterly targets, as set out in the APP, is detailed below.

5.2.1.1. Programme 1: Administration

Programme 1 had four targets; three were fully achieved while one was partially achieved. The unachieved target related to the number of interns appointed, where 53 of the targeted 54 interns were appointed. The last internship position had not been filled as the three recommended applicants had declined this position.

5.2.1.2. Programme 2: Trade Policy, Negotiations, and Cooperation

In Programme 2, there had been four targets for the first quarter related to the status reports prepared for engagements at international fora, such as negotiations on the AfCFTA, the implementation of the Southern African Customs Union-Mozambique EPA with the United Kingdom and engagements in the Brazil, Russia, India, China, and South Africa platform and at the G20. All of these were fully achieved.

5.2.1.3. Programme 3: Spatial Industrial Development and Economic Transformation

Under this programme, there had been no targets set for the first quarter of the 2020/21 financial year.

5.2.1.4. Programme 4: Industrial Competitiveness and Growth

In Programme 4 there had been five targets set. Four of the five targets had been fully achieved and one had not been achieved. The target that had not been achieved relates to the preparation of a designation request for a product for local procurement for the Minister. According to the DTIC, the research had been conducted but further interventions had been required for completion. This was expected to be submitted by the second quarter.

5.2.1.5. Programme 5: Consumer and Corporate Regulation

Under this programme, one of the two targets had not been achieved. The unachieved target was the number of education and awareness campaigns on policies and legislation conducted. While seven campaigns had been targeted, these could not take place because of the national lockdown. Furthermore, this target was then consequently removed from the DTIC's amended APP in July 2020.

5.2.1.6. Programme 6: Industrial Financing

Under this programme, there were four targets, three of which had been under-achieved and one not achieved as a result of the national lockdown. These were as follows:

- R314 million in projected investments had been leveraged from approved projects/enterprises against a target of R3 billion.
- 345 new jobs had been supported from approved projects/enterprises against a target of 1 500 jobs.
- The target of 2 500 jobs retained from approved enterprises/projects had nopt been achieved.
- Four enterprises/projects had been approved for financial support across all incentives against a target of 100 enterprises/projects.

5.2.1.7. Programme 7: Export Development, Promotion and Outward Investments

Under this programme, there had been no targets set for the first quarter of the 2020/21 financial year.

5.2.1.8. Programme 8: Inward Investment Attraction, Facilitation, and Aftercare

In this programme, there had been two targets, none of which had been achieved as a result of the national lockdown. These were as follows:

- R1,3 billion worth of investment projects had been facilitated in pipelines against a target of R10 billion. This target had subsequently been revised to R2 billion.
- The DTIC had targeted to prepare one statistical report on company registration within one day. However, the Companies and Intellectual Property Commission's (CIPC) focus during lockdown levels 5 and 4 had been on ensuring that all essential service companies were registered. It had facilitated the registration of 490 000 essential services companies in this regard.

5.2.1.9. Programme 9: Competition Policy and Economic Planning

In this programme, there had been three targets, all of which had been achieved and exceeded. The targets were for the following reports:

- Policy and statutory initiatives in support of the Ministry;
- Public interest matters; and
- Coordinated actions in implementing competition policy commitments, recommendations and orders.

5.2.1.10. Programme 10: Economic Research and Coordination

In this programme, the two targets had been achieved. The targets were for an analytical policy report and a research report.

5.2.2. Financial performance

The DTIC's budget as tabled in February had been R11,08 billion for the 2020/21 financial year. However, the adjusted budget decreased by R1,77 billion to R9,31 billion in July 2020. This decrease was 16% of the original budget. The DTIC's work and budget is divided among its ten programmes, all of which experienced a net decline in their budget allocation.

The DTIC's had projected to spend R3,8 billion by 30 June 2020. By the end of the first quarter, the DTI had spent 69,4% or R2,6 billion of its quarterly budget. This has been significantly impacted by the COVID-19 pandemic which led to a national lockdown since 26 March 2020, as a result there had been a 30% underspending in the overall budget. There was also underspending in all programmes. However, based on the value of under-spending, the largest underspending took place in programme 6 (Industrial Financing) (R646,5 million), programme 7 (Export Development, Promotion and Outward Investments) (R225,8 million), programme 4 (Industrial Competitiveness and Growth) (R119,4 million), and programme 9 (Competition Policy and Economic Planning) (R59,7 million). Detailed expenditure by programme is provided in the table below.

Table 10: First Quarter Expenditure by Programme

Programmes (R' 000)	Total Allocation Proposed	Q1 Budget	Q1 Expenditure	Variance (%)	Available Budget
Administration	857 590	208 711	172 943	17,1%	684 647
Trade Policy, Negotiations, and Cooperation	128 449	29 534	20 833	29,5%	107 616
Spatial Industrial Development and Economic Transformation	159 943	36 290	26 990	25,6%	132 953

Industrial Competitiveness and Growth	1 653 246	1 380 871	1 261 429	8,6%	391 817
Consumer and Corporate Regulation	312 766	268 629	236 380	12,0%	76 386
Industrial Financing	4 860 006	1 022 667	376 120	63,2%	4 483 886
Export Development, Promotion and Outward Investments	410 889	252 480	26 693	89,4%	384 196
Inward Investment Attraction, Facilitation, and Aftercare	55 699	14 338	11 454	20,1%	44 245
Competition Policy and Economic Planning	789 398	572 587	512 862	10,4%	276 536
Economic Research and Coordination	82 724	31 965	4 701	85,3%	78 023
Total	**9 310 710**	**3 818 072**	**2 650 405**	**30,6%**	**6 660 305**

Source: DTIC (2020a and 2020b)

5.2.2.1. Expenditure by economic classification

There was a significant under-expenditure in incentives, the compensation of employees, goods and services, and transfers and subsidies to public corporations and private enterprises. On incentives, an underspending of 64,8% (approximately R633 million) had been reported. This was as a result of the global outbreak of COVID-19 which affected a number of the DTIC's activities as discussed above. Detailed expenditure by economic classification is provided in the table below.

Table 11: First Quarter Expenditure by Economic Classification

Programmes (R'000)	Total Allocation Proposed	Q1 Budget	Q1 Expenditure	Variance (%)	Available Budget
Current payments	**1 925 294**	**460 091**	**328 623**	**28,57%**	**1 596 671**
Compensation of employees	1 171 420	276 072	235 454	14,71%	935 966
Goods and services	753 874	184 019	93 169	49,37%	660 705
Transfers and Subsidies	**7 351 295**	**3 355 890**	**2 316 081**	**30,98%**	**5 035 214**
Incentives	4 660 894	976 257	342 819	64,88%	4 318 075
Departmental Agency Transfers	1 646 943	1 749 751	1 349 174	22,89%	297 769
Other Transfers	1 043 458	629 882	624 087	0,92%	419 371
Payment of Capital Assets	34 121	2 091	5 701	-172,64%	28 420
Total	**9 310 710**	**3 818 072**	**2 650 405**	**30,58%**	**6 660 305**

Source: DTIC (2020a and 2020b)

PART C: ISSUES RAISED DURING THE DELIBERATIONS

6. ISSUES RAISED DURING THE DELIBERATIONS

The following concerns were raised in relation to the performance of the DTI, the EDD and the DTIC during the Committee's deliberations:

6.1 ***Economic crisis facing the country:*** A view was expressed that the current economic crisis facing the country was not as a direct result of the COVID-19 pandemic but was exacerbated by government's response to the crisis with its lockdown of the economy. This had caused immense suffering for millions of South African, with millions losing their jobs. According to some Members, to address the current crisis, government should acknowledge that its decision to lockdown the country with the added regulatory burden placed on businesses resulted in a deeper economic slowdown. The Committee enquired what measures are being considered to reduce the regulatory burden placed on businesses to stimulate an economic recovery.

The DTIC informed the Committee that the World Health Organisation (WHO) had formally declared COVID-19 a pandemic on the 11th of March 2020. On 26 March 2020, South Africa started its first 21 days of lockdown. In taking such a drastic decision, Government had to considered a number of factors including:

- The relatively limited treatment protocols for successfully treating infected people;
- The very rapid and apparent ease of the spread of the virus;
- Rapidly rising infections and the high fatality rate in the countries initially most affected by the COVID-19 pandemic at the time, which included China, South Korea, Iraq and Italy;
- The low state of readiness of South Africa's private and public hospitals; and
- The likelihood of a rapid and uncontrolled spread of COVID-19 virus in especially township and informal settlements where population densities are high.

In addition to these factors, Government was also acutely aware that a large number of countries were imposing lockdowns which – at that time – were one of only a very few known interventions capable of slowing the spread of the COVID-19 virus.

With the growing risk of the uncontrolled spread of COVID-19 in South Africa, Government had to act decisively to safeguard the lives of South Africans. It imposed a relatively strict lockdown, and implemented a comprehensive package of economic and social measures to mitigate the economic impact of the COVID-19 pandemic.

Even with the benefit of hindsight, Government remains confident that it responded appropriately and with the necessary speed to stem the spread of the COVID-19 virus and to avert a potentially deadly crisis. According to the DTIC, countries that failed to implement strict lockdown measures have seen a continued rise in the spread of the virus with significant loss of life, including over 215 000 lives lost in the United States of America.

With regard to reducing the regulatory burden for the formalisation of enterprises, the DTIC informed the Committee, that the CIPC had introduced a simple to use platform, the Bizportal, to facilitate company registration. The Bizportal integrates a number of government services, namely company registration, BEE certificate application, tax number creation, Unemployment Insurance Fund and Compensation Fund registration. In addition, the option exists to apply for a bank account through any of six business banks in South Africa. This Bizportal registration platform was launched by the President at the second Investment Conference in November 2019 and the results have been evident through the increased number of company registrations since the previous financial year.

Company registrations take place in less than 24 hours and despite significant increases in the number of applications, the CIPC has maintained this service standard. A mobile application is also available and has further extended CIPC's services. Apart from the digital platforms, there are walk-in centres in every province with staff to assist entrepreneurs with registration and related services.

6.2 ***Policies to address the economic downturn:*** It would appear that current economic policies implemented by government are not having the desired outcome with high unemployment remaining prevalent, especially among the youth. The Committee enquired what new policies are being considered to address the current economic crisis facing the country.

On 15 October 2020, the President of the Republic of South Africa released the Economic Reconstruction and Recovery Plan. The Plan, which has been widely consulted with social partners, prioritises four interventions:

- Decisive action to address key outstanding structural reforms in areas such as electricity generation and supply; improving the efficiency and cost of South Africa's freight logistics infrastructure; and accelerating the release of spectrum to facilitate access to high-speed broadband.
- Introduction of large-scale, public employment interventions to rapidly create 800 000 job opportunities across South Africa.
- Substantial expansion of localisation interventions to a range of additional sectors of the economy, working closely with the private sector and labour.
- Substantial expansion and accelerated delivery of large-scale, infrastructure investments which are designed to crowd-in private sector investment, and catalyse sustainable economic growth.

According to the DTIC, these interventions are expected to fundamentally improve South Africa's competitiveness, increase investment levels and, consequently, rapidly return the economy to growth and job creation.

6.3 ***Bailouts:*** A view was expressed that it is important that the DTIC's view on whether bailouts of state entities are economically prudent given South Africa's current economic status be communicated. It would appear that government intends bailing out South African Airways (SAA) to the tune of R10 billion. The Committee enquired whether government should rather consider channelling funds to job creation projects as well as the coronavirus relief fund that would contribute to economic revival, rather than supporting an entity such as SAA. The DTIC informed the Committee that Cabinet had previously noted that State-owned Companies could play an important role in implementing Government's development agenda. In the case of SAA, Government is of the view that the airline is a critical player in facilitating South Africa's trade and diplomatic relations on the African continent. In addition, SAA provides significant flights to South Africa's major tourist regions such as Cape Town and Durban, and this is an important factor in attracting foreign tourists to South Africa.

Given the tight fiscal environment in South Africa, Government is still considering how best to provide additional support to SAA. It is expected that the Minister of Finance, Mr T Mboweni, would pronounce on this when he tabled the 2020 Medium-term Budget Policy Statement.

6.4 ***Export tax on scrap metal:*** In his 2020 Budget Speech, the Minister of Finance announced the implementation of an export tax on scrap metal with implementation modalities being finalised. The National Treasury is considering these taxes to alleviate pressure from unfair trade practices on domestic metal industries. Given the current economic reality facing the country, the Committee enquired whether the DTIC and the National Treasury would consider a further round of consultation with stakeholders to find an amicable solution to the problem facing the scrap metal industry and downstream users of scrap metal. The DTIC informed the Committee that subsequent to the tax pronouncements made by the Minister of Finance, as part of the 2020 Budget announcements on 26 February 2020, the 2020 annual draft tax bills were published to give effect to the tax proposals announced in the Budget. Due to the complex nature of the draft bills, greater consultation with the public was required on their contents and this was completed as outlined below.

On 31 July 2020, the 2020 Draft Taxation Laws Amendment Bill, containing the export tax proposal, was published by National Treasury, together with the South African Revenue Service (SARS) for public comment by 31 August 2020. Workshops with stakeholders to discuss their written comments on the tax bill were held on 9 September 2020. The National Treasury, together with the SARS, also briefed the Standing Committee of Finance on the draft Bill on 19 August 2020. Subsequently, oral presentations by the public were made at hearings held by the Standing Committee of Finance on 7 October 2020. On 13 October 2020, National Treasury and SARS presented the 2020 Draft Response Document containing a summary of draft responses to the public comments received. After these have been considered by Parliament, it will be presented to the Minister for approval, prior to the formal introduction/tabling in Parliament.

6.5 ***Implementation of masterplans:*** The Committee enquired whether the DTIC had conducted an assessment on the impact of the Covid-19 pandemic on the implementation of Masterplans. The DTIC responded as follows:

- In terms of the Retail-CTFL Masterplan, during the COVID-19 alert level lockdown, the Masterplan activities continued, with attention also being directed towards the Medical Textiles and public sector procurement (as CTFL is a 100% designated sector and the local procurement drive falls within the Masterplan's commitments). While many of the activities and implementation plans were stalled during COVID-19 pandemic alert levels, the Programme Management Office (PMO) and stakeholders directed focus towards working on the commitments rollout with agility as far as possible. With the announcement of level 1, all the CTFL Masterplan activities have resumed with attention given to ensuring achievements could be measured. During bilateral meetings with retail stakeholders, the PMO had evaluated that job creation targets would continue to be the focus – with revival and revitalisation of the CTFL sector being central to the phased rollout approach, currently Phase 1 was being implemented. Additionally, the PMO was leading a United National Industrial Development Organisation (UNIDO) project on the Circular Economy with the Department of Environment, Forestry and Fisheries and SARS using the Clothing and Textiles sector as a pilot project for the rollout of a Circular Economy implementation. One of the major implementation targets for this quarter (in Alert Level 1) was the rollout of a national educational campaign on buying local. This is to stimulate demand and shift market dynamics to support local CTFL purchasing by society and to enhance public sector procurement of CTFL products, such as medical products. The DTIC informed the Committee, that it had secured commitments from major retail stakeholders on their alignment to progress to job creation – with many stakeholders committing to meeting targets even during a weak economic climate and COVID-19 realities.

- The Chemicals and Plastics Masterplans were still being developed.
- The Automotive Masterplan's implementation was in progress.
- In terms of the Steel Masterplan, the industry had been in distress prior to the COVID-19 outbreak and the effects of the pandemic had aggravated this further. The development process of this Masterplan had to factor this in.
- In terms of the Poultry and Sugar Masterplans, all South African agriculture and agro-processing had continued to operate at 100% during the various lockdown stages of the COVID-19 pandemic and some investment pledges by Poultry and Sugar Industries had already been activated and work was in progress.

6.6 ***Manufacturing of yellow goods***: While the Committee acknowledged work done to expand component manufacturing in the automotive and construction vehicle sectors, it was concerned that South Africa was not necessarily developing its capacity to manufacture construction vehicles locally. It enquired whether the DTIC would be considering the development of such a plant. According to the DTIC, there are currently two companies locally manufacturing some construction vehicles, namely Bell (Bell Equipment) and Dezzi (Desmond Equipment), both were based in

KwaZulu-Natal. During 2018/19, the DTIC went through a process of extensive consultation with the yellow metal sector in order to develop key interventions to support localisation and growth. The interventions that had been considered included preferential procurement of certain yellow metal products such as Front-end loaders and tractor loader backhoes. A process to implement these interventions is underway and includes consultations with the National Treasury, amongst other stakeholders.

6.7 **Expansion of agro-processing:** The expansion of the automotive industry in the Eastern Cape economy was welcomed. However, a concern was expressed that while the province is largely an agricultural and rural province, it has hardly seen any investment in the agro-processing sector. The Committee enquired whether the DTIC is considering any measures that would increase investment within the agro-processing sector in the province.

The DTIC informed the Committee that it had availed agro-processing grant funding of over R1 billion to be accessed by companies operating in the furniture, fibre, food, feed and fertiliser manufacturing sectors. To date, applications had been received from Eastern Cape with two applications being approved worth R17,75 million projected investments, with a grant of R 4,39 million approved that would sustain 84 jobs and would create a further 22 jobs. According to the DTIC, the focus in terms of public and private investment is to invest into machines and technology, technical infrastructure, to support new market penetration, product development, and strategic alliances and partnerships. These will assist the sector to meet challenging international standards for safety and quality.

6.8 ***Financial sustainability of the IDC:*** The IDC recently was downgraded by Moody's Investors' Services. In a response to the impact of this downgrade and on the IDC's ability to provide support in fighting the Covid-19 pandemic, the Minister had indicated that the IDC would continue providing support to fight the pandemic. It would appear that the IDC is facing financial problems, and the Committee enquired what its financial status was and what measures are being considered to mitigate this. According to the DTIC, on 31 March 2020, Moody's downgraded the long-term foreign currency ratings of the IDC to Ba1 from Baa3 and maintained a negative outlook. The rating agency had downgraded IDC's Baseline Credit Assessment to Ba3 from Ba2. The national scale rating had been affirmed. Moody's argued that the rating decision reflected the weakening capacity of the South African government to support the development banks in case of need, due to the recent downgrade of South Africa's government bond rating to Ba1 from Baa3. The key driver behind the rating downgrade was the continuing deterioration in fiscal strength and structurally very weak economic growth, which Moody's expected could not be addressed effectively by current policy settings.

The DTIC acknowledged that, like most organisations around the world, the IDC had not been immune to the impact of the economic impact of the COVID-19 pandemic. Despite this, it retained a strong balance sheet and the ability to implement its industrial development mandate.

Despite the downgrade, the IDC had provided financial support to the tune of R3 billion, plus an additional R300 million from the DTIC, to limit the impact of the pandemic. This had been allocated as follows:

- COVID-19 Essential Supplies (R536 million approved and R431 million disbursed);
- COVID-19 Distress Fund (R160 million approved); and
- COVID-19 Small and Medium Enterprises Distress Fund.

Furthermore, the DTIC continued to support their existing clients as they struggle to withstand the impact of COVID-19 by deferring R767 million of repayments as restructured facilities. Further social investments to combat the effects of COVID-19 have included support to:

- Contributions to the Solidarity Fund (R25 million) and Gift of the Givers (R5 million);
- Donations to several non-profit organisations (NPOs), mainly as food parcels, to support the most vulnerable (R4,8 million); and
- Employee contributions towards the Solidarity Fund (R283 000).

Notwithstanding the hostile operating environment, the IDC is ensuring that cash inflows and outflows are carefully monitored and managed with focus being placed on the following:

- Clients are managed pro-actively to ensure optimal collection of capital, interest and dividends;

- All drawdown requests are assessed to ensure that transactions remain bankable, specifically in light of the changed operating environment brought about by the COVID-19 pandemic;
- Actively seeking to share risk and collaborate with other funders;
- The maintenance of strong relationships with domestic and foreign lenders to renegotiate maturities which fall due for repayment (if it is the preferred route), and to negotiate and conclude new borrowing facilities;
- In line with its Long-term Sustainability Plan, it is implementing interventions designed to lower portfolio risk profiles and achieve the turnaround of under-performing investments;
- Operating costs are being managed carefully; and
- Adequate capitalisation to continue fulfilling its mandate and role as development financier in partnership with other funders.

6.9 ***South African Biofuels Regulatory Framework:*** In February 2020, Government gazetted the Biofuels Regulatory Framework. The Committee enquired about the objectives and the current status of this Framework. As stated in Gazette No. 43003 of 7 February 2020, the Regulatory Framework has a sole purpose of providing a policy and regulatory framework for the implementation of the Biofuels Industrial Strategy of 2007. It targets biofuel penetration of 4,5% volume/volume of the national fuel pool with 2% expected to come from first generation biofuels technologies. It also provides a mechanism to incentivise manufacturers/producers of biofuels as well as farmers of biofuel feedstock.

On 17 September 2020, the DTIC met with the Department of Mineral Resources and Energy (DMRE) and the National Treasury to discuss the development of an incentive that would encourage the use/manufacture of Biofuels. The National Treasury was of the view, that because the DTIC's intention would be to leverage the fuel levy, it should consult with SARS and the National Treasury's tax team on the matter. The DTIC informed the Committee that it was currently in the process of scheduling another follow-up session with the DMRE, National Treasury and SARS on the matter.

Recently, the DTIC nominated three officials to officially represent it in the multi-departmental Biofuels Task Team chaired by the DMRE. According to the DTIC, the key agenda item for discussion in the following meeting, would include progress regarding the development of criteria to select prospective producers (manufacturers) of biofuels and prospective farmers of feedstock. In the interim, the DTIC would continue engaging with the National Treasury and the DMRE to understand how the incentive mechanism, provided for in the framework, would be rolled out.

6.10 ***Presidential Investment drive:*** The DTIC is at the centre of the Presidential Investment drive. The Committee enquired how the onset of the Covid-19 pandemic had impacted on the implementation of the investment commitments made at the previous investment conferences and what measures are being considered to ensure that investment commitments are implemented. According to the DTIC, InvestSA regularly tracks and monitors progress and unblocks issues on the 102 projects of R664 billion pledged in 2018 and 2019. This included facilitating German technical experts, under lockdown level 4, to meet the timelines for the Mercedes plant in order to ensure that it is in production by 2021.

6.11 ***Ease-of-doing business*****:** The Committee noted the undertaking of the President that South Africa should work towards a top 50 rank with regard to the ease-of-doing business. Notwithstanding the implementation of the export monitoring mechanism, the Committee enquired what measures are being considered by the DTIC to achieve this objective of the President. To support the Ease-of-Doing Business program, the DTIC informed the Committee that a dedicated website was being developed. Doing Business South Africa would provide complete information within two clicks on the entire lifecycle of starting and operating a business in South Africa. This would be a comprehensive site providing useful information on registration, set-up and operation of a domestic business, thus encouraging more start-ups and the establishment of small, medium and micro enterprises, youth- and women-owned businesses.

6.12 ***Export capacity of SEZs***: Given the large investment into SEZs, the Committee enquired what has been the effect on South Africa's export capacity. Export Capacity broadly refers to the maximum output of products and services that a firm or a country can export. There are close to 135 resident companies/operational investors in all nine government supported SEZs. All these companies benefit from trade-related stimulants associated with SEZ. These include an active "Free Port", offering a duty-free area adjacent to a port of entry; a "Free Trade Zone" offering a duty-free area for value-adding activities within the Zone for subsequent export; and a "Sector Development Zone" focused on the development of a specific sector or industry for the export market.

As one of their output indicators, SEZs are required to set annual export targets. Two of the largest SEZs in terms of resident companies are Dube Trade Port and COEGA, which have a combined estimate target of R510 million of export revenue to be generated for the 2020/21 financial year. The overall reporting for all SEZs would be collected at the end of the financial year. The DTIC work with the SEZs to put in place mechanisms to track, monitor or keep an auditable record of export sales generated by individual resident companies/operational investors. This monitoring and evaluation tool would be used to provide accurate impact assessment as well as improve export performance given the importance of SEZ platform for fostering export-oriented industrial activities. Assessment and procurement of auditing solutions was underway.

6.13 ***Delays in listing the B-BBEE Commission:*** Currently the B-BBEE Commission is a trading entity under the DTIC that is funded through its budget. The DTI had, however, during the 2018/19 financial year indicated that the Commission was intended to become an independent entity and should be listed as a separate entity. In the 2018/19 financial year, the DTI, the B-BBEE Commission and the National Treasury had entered into negotiations to list the Commission. However, there were continued delays in this process. The Committee enquired what the status of these negotiations was and what are the issues that are delaying this process. The DTIC responded that National Treasury had provided strategic advice that it could not list the B-BBEE Commission because it did not meet the requirements of the Public Finance Management Act (Act No. 1 of 1999) for listing. This was due to the provision in the B-BBEE Act which established the Commission within the administration of the DTI. The DTIC's long term envisaged goal was to amend the B-BBEE Act to meet the requirements for listing the B-BBEE Commission. Consultations on the amendment process which include other provisions in the B-BBEE Act had commenced. In the meantime, the B-BBEE Commission would operate within the DTIC until the amendment to the Act. This would be with full support from the DTIC to enable the Commission to operate and execute its mandate, with the Commissioner given full delegations of an accounting officer.

6.14 ***Legislation:*** A concern was expressed that legislation has not been forthcoming from the Department with legislation on Liquor promised since the 5th Parliament. The Committee enquired what the legislative programme of the DTIC was and when the Committee could expect it to table a prioritised list of legislation for its consideration. The DTIC informed the Committee that the Liquor Amendment Bill had been pre-certified by the Office of the Chief State Law Adviser (OCSLA) and had been prepared for submission to Cabinet to seek approval for introduction into Parliament. Once Cabinet granted approval, the Bill would be submitted to the OCSLA for final review and certification. The DTIC anticipated that the Bill would be introduced in Parliament during the second quarter of 2021.

The Leader of Government Business had recently requested that all Members of Cabinet submit a Re-prioritised Legislative Programme in light of the impact of the COVID-19 pandemic. Subsequent to submitting the Re-prioritised Legislative Programme, the DTIC informed the Committee that the Liquor Amendment Bill and the Industrial Designs Bill were finalised and pre-certified by the OCSLA and both Bills were included in the Re-prioritised Legislative Programme.

6.15 ***Intellectual Property Legislation:*** The Committee noted that the United States of America has raised a number of concerns with respect to the Copyright Amendment Bill (CAB) and the Performers' Protection Amendment Bill. The Committee enquired whether the EU and South Africa's other trading partners had raised any concerns and what these were. The DTIC informed the Committee, that the EU has raised concerns on certain provisions of the CAB. However, the DTIC was of the view that the EU was supportive of the broad principles and process relating to the Bill. In March 2020, the Presidency had received correspondence from the EU Ambassador to South Africa where she raised concerns with respect to the copyright regime of South Africa. In the letter, she raised concerns regarding the fair use clause and the list of broadly defined exceptions which, according to the EU, were bound to result in a significant degree of legal uncertainty with negative implications for foreign investments and the South African creative community. The letter further indicated that European right holders continued expressing their concerns and that all creative sectors in the EU, including the film industry, music and publishing industry, have pointed to the possibility of revisiting their investment plans in South Africa. Furthermore, the letter highlighted that other sectors, such as those which are high technology based, could also suffer due to the concerns of the legal uncertainty. The EU claimed the CAB had moved away from the level of protection of copyright protected works offered by international standards and this would have a negative effect on the South African economy. The EU recommended that the Bill be deferred and not be adopted. According to the EU, there should be an engagement process to closely anchor the South African copyright regime to the international conventions and treaties.

6.16 ***Economic Research and Coordination Programme***: The Committee enquired what had been the DTIC's expenditure on the Economic Research and Coordination Programme and how many people were employed within the Programme. The DTIC informed the Committee that the spending on the Economic Research and Coordination Programme as at the end of September 2020 was R11,3 million. In addition, the Economic Research and Coordination Branch has a staff complement of 42.

6.17 ***Budgeting by the DTIC***: In his June 2020 budget speech, the Minister of Finance announced a move towards zero-based budgeting, particularly for large programmes, to enable the stabilisation of public debt. The Committee enquired the extent to which the DTIC was implementing zero-based budgeting. Furthermore, it requested that the DTIC provide the processes and/or criteria being used to determine whether a line item would ensure value for money and maximise the economic benefit for South Africans. The DTIC informed the Committee that it is currently using the budget framework/guidelines as issued by the National Treasury in preparing the budget. The use of zero-based budgeting would be effected as soon as it was rolled out by the National Treasury.

The DTIC had revised its APP for the 2020/21 financial year, to respond more effectively to the impact of the COVID-19 pandemic in industry and across the economy. This had resulted in changes to the programmes' indicators – with amongst others, the addition of new indicators, or amendments to the existing indicators. To give effect to this, the DTIC undertook an extensive review of the 2020/21 budget across all its programmes – and the budget was reprioritised towards spending/programmes that aim to respond to the economic challenges, whilst also ensuring value for money.

6.18 ***Transfers and subsidies:*** The DTI had indicated that an amount of R1,19 billion had been transferred for purposes other than incentives or grants to its entities. The Committee enquired what constituted the transfers of R1,19 billion. The DTIC informed the Committee that the other transfers comprised of:

- R97,4 million to external programmes namely the Clothing and Textiles programme, the National Foundry Technology Network, the National Cleaner Production Centre, Fibre and Textile, Aerospace industry, Protechnik laboratories, and the Workplace Challenge, as well as the Council for Geoscience for the monitoring stations that form part of the International Monitoring System of the Comprehensive Nuclear-Test-Ban Treaty Organisation.

- R189,9 million to NPOs namely Proudly South African, the Centurion Aerospace Village, the Automotive Supply Chain Competitiveness Initiative, and Trade and Industrial Policy Strategies, as well as the Intsimbi Future Production Technologies Initiatives.
- R29,6 million for South Africa's membership to the World Trade Organisation, the World Intellectual Property Organisation, the Organisation for the Prohibition of Chemical Weapons, and the UNIDO, as well as Treaty organisations for metrology.

6.19 ***Audit findings with the respect to entities:*** During the presentation of the EDD, it highlighted that all entities reporting to it had received a clean audit for the 2019/20 financial year. The Committee enquired what the audit outcomes of entities reporting to the DTI were. The DTI informed the Committee that of the 13 entities reporting to it, ten entities had received an unqualified audit report with no findings. The SABS and the South African National Accreditation System had received unqualified audit reports with findings. At the time, the DTIC had not been in receipt of the audit report for the NRCS.

PART D: CONCLUDING REMARKS AND RECOMMENDATIONS

7. CONCLUSIONS

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

7.1 Notwithstanding the impact of the Covid-19 pandemic, the Committee welcomed the fact that the DTI and the EDD and the majority of its entities had achieved clean audits, which according to the Office of the Auditor-General was an indication of effective leadership. The Committee also welcomed the progress made by the South African Bureau of Standards in addressing its previous audit findings.

7.2 The Committee welcomed the merger of the two departments into the new DTIC. The Committee also applauds the DTIC on the progress made in the reconfiguration process.

7.3 The Committee welcomed the decisive measures implemented by the Government to stem the spread of the COVID-19 virus and welcomed the initial support measures implemented by the DTIC to mitigate against the negative impact on the economy. However, there is a need to ramp up industrial policy strategies to accelerate the recovery of the economy.

7.4 The Committee welcomed the development and implementation of four of the Master Plans and was encouraged by the DTIC's progress in developing the outstanding Master Plans. However, there may be a need to reconfigure certain aspects to accommodate the effects of the pandemic.

7.5 According to the DTIC, the launch of the Bizportal in 2019 alleviated the regulatory burden for the registration of companies, as was evident with the increased number of company registrations since the 2018/19 financial year. The Bizportal could be modified to also facilitate the registration and certification of companies manufacturing and/or offering essential goods and services during the COVID-19 lockdown.

7.6 A concern for the Committee was the slow progress in tabling its legislative programme, noting that the Liquor Amendment Bill and the Companies Amendment Bill, among others, had been outstanding since the fifth Parliament.

7.7 The Committee welcomed the fact that the Industrial Development Corporation still retains a strong balance sheet and would continue to implement its industrial development mandate, notwithstanding Moody's Investors Service recent downgrading of the Industrial Development Corporation's long-term foreign currency ratings.

7.8 The Committee welcomed the continued support by the DTIC of the economy through incentives and other non-financial measures thereby attracting investment and creating jobs.

7.9 The Committee welcomed the DTIC's response regarding the plan to address the current impasse regarding the Broad-based Black Economic Empowerment Commission's independence. It was however concerned that there were no specific timeframes set for the process to amend the Broad-based Black Economic Empowerment Act.

7.10 The Committee welcomes the active role the DTIC plays to secure investment commitments garnered at the Presidential Investment Conferences and to facilitate their implementation.

7.11 The Committee welcomed the current support offered by the DTIC to its entities. However, there should be a closer oversight relationship and an early warning mechanism to detect and intervene in regard to possible challenges.

7.12 The Committee encourages the DTIC to continue providing support to the National Regulator for Compulsory Specifications and the South African Bureau of Standards to ensure the implementation of their turnaround strategies.

8. APPRECIATION

The Committee would like to thank the Minister of Trade and Industry, Mr E Patel, and the Director-General, Mr L October, for their cooperation and transparency during this process. The Committee also wished to thank its support staff, in particular the Committee Secretary, Mr A Hermans, the Content Advisor, Ms M Sheldon, and the Researcher, Ms Z Madalane, for their professional support and assistance in drafting this report. In addition, the Committee thanked the Committee Assistant, Ms Y Manakaza, for assisting it during this process. The Chairperson wished 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.

9. RECOMMENDATIONS

Informed by its deliberations, the Committee recommends that the House requests that the Minister of Trade and Industry should consider:

9.1 Engaging the relevant Ministers to ensure compliance and adherence with localisation, beneficiation and local content prescripts across government in line with the Economic Reconstruction and Recovery Plan of government.

9.2 Fast-tracking the tabling of legislation.

9.3 Expediting the necessary legislative changes to the Broad-based Black Economic Empowerment Act that would enable the listing of the Broad-based Black Economic Empowerment Commission as an independent entity.

Report to be considered.

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