No 20—2019] Sixth Session, Fifth Parliament

PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

TUESDAY, 26 FEBRUARY 2019

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ANNOUNCEMENTS

National Assembly and National Council of Provinces

The Speaker and the Chairperson

1. Bills passed by Houses – to be submitted to President for assent

(1) Bill passed by National Assembly on 26 February 2019:

(a) **Traditional and Khoi-San Leadership Bill** [B 23D – 2015] (National Assembly – sec 76).

2. Withdrawal of Bill

(1) The Minister of Telecommunications and Postal Services withdrew the following Bill in accordance with Rule 334 of the Rules of the National Assembly:

(a) **Electronic Communications Amendment Bill** [B 31 - 2018].

National Assembly

The Speaker

1. Membership of Committees

(1) The following changes to committee membership have been made by the African National Congress:

AD HOC Committee on Filing of vacancies in the Commission for Gender Equality

Discharged: Luyenge, Dr Z

Appointed: Maesela, Dr P

Portfolio Committee on Environmental Affairs

Discharged: Luyenge, Dr Z

Portfolio Committee on Public Enterprises

Discharged: Luyenge, Dr Z

2. Referral to Committees of papers tabled

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

(a) Amended Annual Performance Plan of the Department of Justice and Constitutional Development for 2018-19.

National Council of Provinces

The Chairperson

1. Message from National Assembly to National Council of Provinces in respect of Bills passed by Assembly and transmitted to Council

(1) Bills passed by National Assembly and transmitted for concurrence on 26 February 2019:

(a) **Customs and Excise Amendment Bill** [B 3 – 2019] (National Assembly – sec 75).

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

(b) **Public Investment Corporation Amendment Bill** [B 4 – 2019] (National Assembly – sec 75).

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

TABLINGS

National Assembly

1. The Speaker

(a) Reply by the Minister of Arts and Culture to *Budgetary Review and Recommendation Report of the Portfolio Committee on Arts and Culture,* as adopted by the House on 22 November 2018.

Referred to the **Portfolio Committee on Arts and Culture.**

(b) Petition from Ms Dianne Kohler Barnard MP, calling on the Assembly to investigate the crime crisis in Stanger and to hold the Minister of Police accountable for his alleged inaction, submitted in terms of Rule 347 (2) (Mr D W Macpherson MP).

Referred to the **Portfolio Committee on Police** for consideration and report.

COMMITTEE REPORTS

National Assembly

1. Report of the Portfolio Committee on Trade and Industry on its consideration of the recommendations of the High Level Panel Report on the Assessment of Key Legislation and the Acceleration of Fundamental Change, dated 5 December 2018

The Portfolio Committee on Trade and Industry, having considered the recommendations of the High Level Panel Report on the Assessment of Key Legislation and the Acceleration of Fundamental Change, reports as follows:

1. Introduction

The Fourth Democratic Parliament identified the assessment of the impact of legislation passed since 1994 as a key priority to be undertaken by the Fifth Democratic Parliament. This priority was incorporated into the Strategic Plan of Parliament for 2014 – 2019. Subsequently, the Speakers Forum established the High Level Panel of eminent South Africans in December 2015 to undertake this task.

The Panel's mandate was to review existing legislation, assess implementation, identify gaps and propose action steps with a view to identifying laws that require strengthening, amending or change. This intervention was to ensure that existing legislation can enable the transformational agenda and the pursuit of the developmental state, as well as to identify laws that impede this goal.

The Panel's work was divided into three main thematic areas, which were:

- Poverty, unemployment and the equitable distribution of wealth;
- Land reform: restitution, redistribution and security of tenure; and
- Social cohesion and nation building.

On 6 June 2018, the Report of the High Level Panel was referred by the Speaker to the Committee for its consideration. This report considers aspects relevant to the Department of Trade and Industry (DTI) and provides information regarding the oversight and legislative role of the Committee in this regard.

2. Mandate of the Department of Trade and Industry

The DTI's core mandate is to facilitate economic growth and development by promoting industrial development, investment, competitiveness and employment creation, as well as promoting trade regionally and globally. Furthermore, it is responsible for facilitating broad-based economic participation and creating a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner. In this regard, it implements 42 pieces of legislation and oversees 14 entities[1] that report to it.[2]

3. Findings of the High Level Panel

The recommendations affecting the DTI's mandate fell within the scope of the first thematic area, namely "Poverty, unemployment and the equitable distribution of wealth". With respect to Trade and Industry, the HLP report highlighted a number of challenges in the sector, including the high cost of credit, access to credit for low income consumers, ease of doing business, and youth unemployment due to lack of skills which is not properly addressed in the country's transformation legislation.

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[1] This includes the Broad-based Black Economic Empowerment Commission which is currently operating as a trading entity within the DTI.

[2] DTI (2018).

The High Level Panel Report focused on the following pieces of legislation in this regard:

- Special Economic Zones Act (No. 16 of 2014);
- National Credit Act (No. 34 of 2005); and
- Broad-based Black Economic Empowerment Act (No. 53 of 2003) and its Codes of Good Practice.

3.1. Access to credit

Key recommendation 2.13*: The Panel urges Parliament to pass legislation that creates dedicated banks, which would allow some developmental micro-lenders, if they met certain criteria, to also become deposit-taking institutions that will lend to the poor who cannot access loans from the conventional banks. To facilitate this, Treasury would have to provide grant funding and/ or credit risk insurance.*[3]

The report acknowledges the positive contribution that the National Credit Act (No. 34 of 2005) has made in creating certainty within the unsecured lending market and requiring lending to be based on an affordability assessment. However, it suggests that provisions related to penalties for reckless lending, have resulted in mainstream credit providers avoiding extending credit to low-income market consumers. This is contrary to the purposes of the National Credit Act.

Furthermore, it asserted that there is a challenge with low-income consumers accessing credit at very high interest rates compared to higher income consumers. In cases where consumers get credit at these very high interest rates, they can become over-indebted and further impoverished. It noted that "(l)ending organisations that use group lending approaches that create peer pressure to ensure that the loan is repaid, have been successful in helping borrowers to obtain capital to start their businesses as a means to get out of poverty"[4].

[3] HLP (2017: 137).

[4] HLP (2017: 136).

It should be noted that this recommendation cuts across the mandates of the National Treasury, the Department of Small Business Development and the DTI. The DTI's focus in this regard is the National Credit Act, which regulates lending and provides consumer protection in this regard in South Africa. It also oversees the National Credit Regulator who is responsible for registering credit providers and other stakeholders in the credit lending industry and ensuring compliance with the Act.[5]

3.2. Ease of doing business

Key recommendation 2.8*: The Panel recommends that emphasis should be given to reducing the time to register a new business, including getting appropriate permits, i.e. construction permits, getting telephone and electricity services, registering a property and accessing state sources of business development funding. Currently, all these actions are fragmented and time-consuming but could easily be centralised through a single e-governance portal.* [6]

A challenge for a number of sectors is the ease of doing business, particularly for small and informal business. While the report states a number of issues mainly for different sectors that relate to the ease of doing business, the issue of the registration of a new business or the expansion of existing business is important in relation to Trade and Industry. The report notes that it is difficult and time consuming to register and start operating a business in South Africa, which inhibits economic growth, competition, innovation and productivity. It also refers to the administrative burden to export a container of goods from South Africa.[7]

It should be noted that this recommendation cuts across the mandates of the DTI, various municipalities and provinces, as well as public entities. The DTI plays a role in terms of the registering of a new business through the Companies and Intellectual Property Commission (CIPC) and the Companies

[5] *Ibid*.

[6] HLP (2017: 124).

[7] Centre for Development and Enterprise (N.d.: 34-37).

Act (No. 71 of 2008). Furthermore, it provides some sources of state funding for business development by offering incentives and through the National Empowerment Fund for black enterprises. The Centre for Development and Enterprise report further highlights the Liquor Act (No. 59 of 2003), and the Consumer Protection Act (No. 68 of 2008), as legislation that should be amended to reduce the administrative burden and cost of doing business[8].

Key recommendation 2.9*: The Panel recommends that enterprises below a certain size (in terms of number of employees) be exempted from certain regulations including the obligation to pay the minimum wage and specific components of BEE legislation. Young unemployed individuals and the disabled, as well as those in rural areas, constitute a large share of the unemployed who have never worked before. Yet, a first-time, inexperienced employee bears the same cost to the employer as an experienced worker.* [9]

Furthermore, it noted that Broad-based Black Economic Empowerment (B-BBEE) legislation adds extra red tape for small and medium enterprises generally. This disproportionally increases the cost of doing business for small and medium enterprises, as it requires substantive financial and managerial resources to implement. However, the report also acknowledged amendments that exempted smaller companies from the formal verification process and deemed these to have automatic B-BBEE status based on their black ownership levels. However, small firms with less than 51% black ownership would still need to earn points to be B-BBEE complaint and be able to deliver goods or services to government or to do business with larger companies that worked with government, in particular. This high cost of doing business for these affected companies inhibits economic growth and can disincentivise additional employment for these businesses.[10]

[8] Centre for Development and Enterprise (N.d.: 40).

[9] HLP (2017: 124).

[10] Centre for Development and Enterprise (N.d.: 49-54).

3.3. The role of industrialisation in reducing unemployment

Key recommendation 2.1*: That Parliament reviews the implementation of the Special Economic Zones Act (No. 16 of 2014) to see how it could be optimised to create special zones for manufacturing production destined for export, with appropriate incentives and exemptions.*[11]

Special Economic Zones (SEZs) were created to contribute to the reduction of the high unemployment rate in the country, specifically in provinces where there is less economic activity. However, the report suggests that there are not enough incentives to encourage investment in the manufacturing sector, which has a high employment potential and high-growth multipliers compared to other sectors.

There are incentives and tax exemptions that currently exist to encourage investment into the manufacturing sector and other sectors in Special Economic Zones. The HLP report raised issues with SEZs exclusively dedicated to manufacturing as well as the appropriate incentives to ensure job creation. Currently, SEZs are not purely dedicated to manufacturing, there are companies in the SEZs that provide services, consequently the HLP report suggests that South Africa is not capitalising on all the available opportunities in the manufacturing sector.

There is thus a need to review the implementation of the Special Economic Zones Act to ensure that there is better use of the SEZs particularly for manufacturing production destined for export, as well as the development of appropriate incentives and exemptions to encourage manufacturing. It also proposes that the SEZs should only house new investments that only produce for the export market and that certain legislative requirements, such as setting their own wages, to create more jobs in the areas where they are located.[12]

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[11] HLP (2017: 101).

[12] HLP (2017: 96).

3.4. Transformation through skills development

Key recommendation 2.12*: Adjusting the current B-BBEE codes to create incentives for companies to provide the apprenticeship (work-based place learning) component in pursuit of the skills development expenditure targets. Systematic exposure to a potential employer over a number of years has been shown to increase the potential of employment on completion of vocational studies.*[13]

In terms of transformation, the report raised an issue with skills development particularly for the youth. While the BEE Codes of Good Practice provide for skills development, the report suggests that this is not enough given the high level of youth and black unemployment in the country. The consequence of this is that youth unemployment has remained high because South African youth is unskilled.[14]

3.5. Other issues raised

The report also lists a number of other issues that affect the DTI's mandate directly or indirectly. These were:

3.5.1. *Agro-processing and agricultural trade*: Shifting the focus towards processed agricultural products, and capturing increased market share in Europe and the Asia-Pacific region, as well as supplying produce under international agreements, such as the underutilised African Growth Opportunity Act (AGOA) and other bilateral agreements with Middle-Eastern countries. This requires end-to-end support to farmers including infrastructure for processing produce and transporting fresh and processed produce, and accessing international markets to export produce.[15]

3.5.2. *Youth employment and entrepreneurship*: Expanding access to capital, providing lines of credit to financial institutions for on-lending to SMEs, and making direct investments in businesses that drive youth employment.[16]

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[13] HLP (2017: 131).

[14] Human Sciences Research Council (N.d.).

[15] HLP (2017: 97).

[16] HLP (2017: 98).

3.5.3. *Informal sector*: There is a need to grow informal businesses as a means to reduce poverty. Informal enterprises must be empowered by giving and creating an enabling environment such as establishing suitable infrastructure and services. The impact of this is that informal traders are encouraged to sell goods at reasonable prices to the poor and to generate secondary jobs.[17]

4. Committee's consideration of these matters during the Fifth Parliament

4.1. Access to credit

The mandate of the DTI and the National Credit Regulator in terms of credit regulation is focused on protecting consumers and promoting access to responsibly lent credit. However, there is a limitation where a credit provider is also a financial institution, as it shares the space with the National Treasury and its regulatory bodies.

During its oversight function, the Committee raised concerns about the impact of high cost unsecured loans on low-income consumers, which had been growing rapidly as a component of the total debt book. This led to amendments to the legislation to require a more comprehensive affordability assessment, as well as an adjustment of the regulations on the maximum interest rates that may be charged per type of loan in 2014.

In 2016, given the impact of the economic downturn on employment and the need to provide some mechanism to assist poor, over-indebted consumers, the Committee commenced a process of developing legislation, namely the National Credit Amendment Bill [B 30 – 2018]. This was in response to the assertion expressed in the report that these high interest rates led to people becoming further impoverished, as they were vulnerable to exogenous shocks, such as death of a bread winner or retrenchment. This Bill was adopted by the National Assembly in 2018 and introduces measures for over-indebted persons who have an income of less than R7 500 and only unsecured debt of less than R50 000.

[17] *Ibid.*

During this process, the Committee also engaged on the provisions related to reckless lending. However, as case law in this regard is limited, it would be premature to amend these provisions at this stage. Furthermore, penalties for reckless lending have been tempered, as the capital amount of loans cannot simply be written off by courts, as this would be considered unjustifiable enrichment by the recipients of such relief. However, where this is an unsecured loan which was recklessly granted, the consumer would most likely not be able to repay the loan in full. Therefore, there would be an implicit risk to the credit provider.

4.2. Ease of doing business

The report acknowledges that the registration of a company is only one procedure in the process. In this regard, the Committee has conducted oversight over the CIPC, as there had been a historical backlog and slow turnaround in the processing of new company registrations before the Commission was established from the Companies and Intellectual Property Registration Office. Part of this challenge had included corruption between employees and third party agents and the legacy IT system. Since the Committee processed the Companies Act in 2008, establishing the CIPC, there has been substantive progress in this area. The CIPC had embarked on an IT modernisation exercise, which has enabled faster turnaround times, integration with other databases such as the Department of Home Affairs and the South African Revenue Service, self-service terminals, and registration by partners such as certain banks. This has allowed registrants more options to access the service and to perform a few additional procedures simultaneously. While there has been progress made in terms of providing e-services to the public, there remains room to broaden this through further integration across departments and entities.

Furthermore, over the years, the Committee has raised concerns by stakeholders about the time to meet all the requirements that is often spread across a number of national, provincial and/or local government departments and entities. Subsequently, the DTI has established one-stop shops to facilitate local and foreign investment by bringing access to key decisionmakers across these departments and entities in a localised place. The Committee has visited a model of a one-stop shop at the Dube TradePort in KwaZulu-Natal, and has received reports on the roll-out and operation of these nationally. This mechanism is expected to cut down on processing time for new and expanding investments, as all services are available under one roof and challenges can be effectively referred and addressed.

In addition, the Committee has been monitoring the DTI's performance in terms of providing business development finance through its incentive programmes. Most of these focus on increasing competitiveness and a number of them have been over-subscribed in the past. The Committee's assessment has been that incentive programmes should be funded over longer periods of time and should be effectively monitored and evaluated to determine the impact thereof. However, due to the current fiscal constraints, the implementation of incentive programmes were also limited, especially where they could be generally applied, such as the Manufacturing Competitiveness Enhancement Programme. With the Manufacturing Competitiveness Enhancement Programme, there have been teething problems with the programme's criteria being refined to address its sudden demand. However, this adjustment was not well received by industry, as a number of businesses no longer qualified and they are expected to invest upfront with the incentive being offered as a 'rebate' once all agreed criteria, such as the number of retained and created jobs, are met.

The National Empowerment Fund was another example of an effective development financial institution focused on black entrepreneurs. However, as it was not established as an entity that could borrow against its balance sheet, it has been in a situation where it had to curb its approval and disbursements of funds. The Committee has raised the need for its recapitalisation at various occasions.

As the report has noted, the Committee also welcomed the amendments to the B-BBEE legislation, which allowed for the automatic compliance of Exempted Micro Enterprises (EMEs) and Qualifying Small Enterprises

(QSEs). The Committee has, however, not assessed the financial burden of compliance of the B-BBEE legislation on predominantly white micro and small enterprises in terms of the impact on employment levels and economic growth.

4.3. The role of industrialisation in reducing unemployment

While the Committee notes the recommendation of the HLP regarding exemptions, it remained of the view that South African labour laws should not be compromised within the borders of SEZs.

In terms of incentives, the current model splits the provision of incentives and services between the three spheres of government with national government taking responsibility to provide top structures to investors as well as existing incentive programmes. There has been an ongoing debate about what else should be offered to make these zones 'special' compared to other industrial centres within South Africa. The Committee also identified that there is a need to strengthen the co-ordination between the three spheres of government to improve the attractiveness of these areas. In addition, that the understanding of each sphere in terms of the importance of their role is critical to provide a seamless platform for investors.

4.4. Transformation through skills development

The Committee noted the recommendation; however, this had not been an area for discussion during the Fifth Parliament.

5. Conclusions

The Committee, having considered the recommendations of the High Level Panel Report on the Assessment of Key Legislation and the Acceleration of Fundamental Change in relation to the mandate of the Department of Trade and Industry, highlights the following oversight considerations for the Committee in the Sixth Parliament:

5.1 Continue to monitor the Department of Trade and Industry and its entities' ability to create a conducive environment and ease the cost of doing business, as well as their support in facilitating an appropriate regulatory environment for investment.

5.2 The implementation of the National Empowerment Fund recapitalisation should be monitored to ensure the continued provision of funding for B-BBEE entrepreneurs.

5.3 The implementation of B-BBEE legislation should be monitored and evaluated to ensure that this is delivering the policy objectives of economic transformation balanced with job creation and economic growth.

5.4 Consider apprenticeship as an element of the BEE Codes of Good Practice.

5.5 Monitoring the implementation of the National Credit Amendment Bill [B 30 - 2018] to address over-indebtedness of the poor.

5.6 Evaluating whether the penalties for reckless lending are appropriate.

References

Centre for Development and Enterprise (N.d.). *Overcoming the Triple Challenge: A Report to the High Level Parliamentary Committee*.

Department of Trade and Industry (2018). *Strategic Plan 2018 – 2021*.

High Level Panel on the Assessment of Key Legislation and the Acceleration of Fundamental Change (2017). *Report of the High Level Panel on the Assessment of Key Legislation and the Acceleration of Fundamental Change*.

Human Sciences Research Council (N.d.). *Skills Development Legislation as a Lever of Change to Reduce Poverty, Inequality and Unemployment*.

2. Report of the Portfolio Committee on Trade and Industry on the Department of Trade and Industry's Second Quarter Financial and Non-financial Performance for the 2018/19 Financial Year, dated 19 February 2019

The Portfolio Committee on Trade and Industry, having assessed the service delivery performance of the Department of Trade and Industry against its mandate and allocated resources, in particular the financial resources for the period 1 July to 30 September 2018, on 21 November 2018, reports as follows:

1. INTRODUCTION

The DTI is critical in creating an enabling, inclusive and competitive environment that attracts investment and promotes trade thereby contributing positively to economic growth and employment creation. For the 2018/19 financial year, the DTI has allocated over 56.4 percent of its budget to incentives aimed at broadening participation, promoting manufacturing, creating competitiveness, and promoting investment in critical infrastructure. These incentives include the Black Industrialist Scheme, Automotive Investment Scheme, Manufacturing Investment Programme, Agro-Processing Support Scheme, Manufacturing Competitiveness Enhancement Programme, Special Economic Zones (SEZs) Fund, and Critical Infrastructure Programme among others. These are the incentives that the DTI is using to leverage investment into the country.

The sharp thrust of incentives continues to impact positively on stimulating private sector investment especially in manufacturing and agro-processing. This enhances the national transformation imperatives to create an inclusive economy. Black Industrialists have had access to the incentives, which addresses the supply side challenges. However, there is a need for a greater focus on access to markets, as well as on opportunities to supply locally produced goods to the public sector. This would underpin localisation aligned to the designation policy. The Special Economic Zones roll-out continued to provide much needed impetus to driving a productive, inclusive economy.

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. This culminates in a committee submitting a report of this assessment known as a Budgetary Review and Recommendation (BRR) Report. The overarching purpose of the BRR Report is for the committee to make recommendations on the forward use of resources to address the implementation of policy priorities and services, as the relevant department may require additional, reduced or re-configured resources to achieve these priorities and services. This Act gives effect to Parliament's constitutional powers to amend the budget in line with the fiscal framework.

The current process forms part of ongoing oversight of the DTI's financial and non-financial performance. This will inform the next BRR process. Furthermore, Parliament's Annual Performance Plans require submission of departments' quarterly reports.

1.2 Purpose of the Report

The purpose of this report is to monitor the financial and non-financial performance of the DTI against its predetermined objectives and quarterly milestones as part of the Committee's ongoing oversight. This report assesses the non-financial performance for the second quarter of the 2018/19 financial year, namely from 1 July to 30 September 2018; and financial performance up to the second quarter of the 2018/19 financial year, namely from 1 April to 30 September 2018.

1.3 Method

The Committee was briefed by the DTI on its second quarter performance report for the 2018/19 financial year on 21 November 2018. The second quarter data was validated before the date of adoption with the exception of data related to Programme 7: Trade Investment South Africa.

1.4 Outline of the contents of the Report

Section 1 of the report provides an introduction to the report including its purpose, and method. Section 2 outlines the DTI's strategic objectives. Section 3 assesses the DTI's financial and non-financial performance against its Amended Annual Performance Plan for the 2018/19 financial year from 1 April to 30 September 2018. It also outlines the key issues raised by the Committee during deliberations with the DTI. Section 4 provides the Committee's concluding remarks followed by a note of appreciation in Section 5. The report then closes with the Committee's recommendations for the National Assembly's approval in Section 6.

2. STRATEGIC OBJECTIVES OF THE DEPARTMENT

The DTI's performance is in line with its strategic objectives, which guide its work and is aligned to its programmes. The strategic objectives are as follows:

- Promoting a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery.
- 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.
- Facilitating transformation of the economy to promote industrial development, investment, competitiveness and employment creation.
- Creating a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner.

3. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT'S FINANCIAL AND NON-FINANCIAL PERFORMANCE FOR THE PERIOD 1 APRIL TO 30 SEPTEMBER 2018

This section provides a comparison between the DTI's second quarter milestones outlined in its amended Annual Performance Plan (APP) against its second quarter report for the 2018/19 financial year. Furthermore, it outlines its financial performance. Lastly, it highlights the key issues related to the DTI's performance raised during the Committee's deliberations.

3.1 Non-Financial Performance

For the 2018/19 financial year, the DTI had 25 performance targets according to its amended APP. Of the 25 targets that the DTI reported on, 22 targets were achieved while three were not achieved in the second quarter. This translates to 88% achievement of its targets. The table below provides a breakdown of the achievement of targets by programme and an overview of the targets that were not met.

Performance indicator/Measure	Annual targets	Planned Q1	Actual Q1	Planned Q2	Actual Q2	Reasons for deviation	YTD performance
Programme 1: Administration Strategic objective: Strengthened capacity to deliver on the dti mandate							
Percentage of staff turnover (unexpected)	6.8%	1.7%	0.9%	1.7% (3.4% year to date)	1.2%	Turnover projected was less than actual terminations	2.1%
Percentage of people with disability employed	3.6%	3.42%	3.61	3.5%	3.86%	More officials disclosing their disability	3.86%
Percentage of Women employed in senior management (SMS) positions	50%	49%	52%	50%	51%	% of women in SMS exceeded due to 2 male SMS members terminated services during Q1	51%
Percentage of eligible creditors payments processed within legal timeframes	100% eligible creditors' payments made within 30 days	100% eligible creditors' payments made within 30 days	100% of 5435 eligible creditors' payments made within 30 days	100% eligible creditors' payments made within 30 days	100% of 5280 eligible creditors' payments made within 30 days	Target exceeded due to more stringent reviews on the turnaround times through daily statistics	100% of 10 715 eligible creditors' payments made within 30 days
Programme 2: International Trade and Economic Development Sttrategic objective: Grow the manufacturing sector to promote industrial development, job creation, investment and exports							
Number of status reports on regional economic integration	2 status reports produced on progress for Tripartite Free Trade Agreement (T-FTA)	Nil	Nil	1 status report produced on progress on TFTA negotiations	1 status report produced on the progress of the TFTA negotiations	No deviation	1 status report
	4 status reports produced on progress on Continental Free Trade Agreement (CFTA) negotiations	1 status report produced on progress on CFTA negotiations	Nil	1 status report produced on progress on CFTA negotiations	1 status report produced on the progress of the CFTA negotiations	No deviation	1 status report

Number of reports on Implementation of SADC-EU[1] Economic Partnership Agreement (EPA)	2 reports on implementation of SADC-EU EPA	Nil	Nil	1 Status report on the implementation of the EPA	1 status report on the implementation of the EPA	No deviation	1 status report
Number of status reports on engagements in Global fora (BRICS[2], G20, AGOA[3], United Kingdom (UK) Brexit)	16 status reports produced on engagements in Global Fora	4 status reports produced on engagements in Global Fora	4 status reports prepared on BRICS, UK Brexit, G20 and AGOA engagements	4 status reports produced on engagements in Global Fora	Status report produced on BRICS, G20, AGOA and UK brexit	No deviation	8 status reports
Programme 3: Special Economic Zones and Economic Transformation Strategic objective: Grow the manufacturing sector to promote industrial development, job creation, investment and exports							
Number of SEZs[4] submitted to Minister for designation	1	Nil	Nil	Nil	Nil	No deviation	Nil
Number of implementation reports on the Industrial Parks submitted to Minister	2	Nil	Nil	1	1	No deviation	1
Number of reports on implementation of the B-BBEE[5] Amendment Act and Regulations submitted to the Minister	2	Nil	Nil	1	1	No deviation	1
Number of interventions to support Black Industrialists (BIs) in the Industrial Policy Action Plan (IPAP) Sectors (non-financial)	70 interventions to support BIs in the IPAP sectors (Non-financial).	19 interventions to support BIs in the IPAP sectors	20 interventions to support BIs in the IPAP sectors (non-financial support)	18 interventions to support BIs in the IPAP sectors	20 interventions to support Bis in the IPAP sectors	Due to regular engagements with relevant stakeholders the Black Industrialist Unit managed to meet its targets	40 interventions

[1] Southern African Development Community-European Union

[2] Brazil, Russia, India, China and South Africa

[3] African Growth Opportunity Act

[4] Special Economic Zones

[5] Broad-based Black Economic Empowerment

Programme 4: Industrial Development **Strategic objective: Grow the manufacturing sector to promote industrial development, job creation, investment and exports**							
New iteration of IPAP submitted to Minister for tabling in Cabinet annually	Annual Rolling IPAP 2019/20 submitted to Minister for tabling in Cabinet by March 2019	Launch the Annual Rolling IPAP 2018/19	Launched the Annual Rolling IPAP 2018/19	Nil	Nil	No deviation	IPAP 2018/19 was launched
Number of implementation reports on IPAP prepared for the Minister's Review Meetings per year	4 Implementation reports on IPAP prepared for the Minister's Review Meetings per year	1 Implementation report on IPAP prepared for the Minister's Review Meetings per quarter	Nil (presented in 4th Q of 2017/18 FY)	1 Implementation report on IPAP prepared for the Minister's Review Meetings per quarter	1 Implementation report on IPAP prepared for the Minister's Review Meetings held on 6 July 2018	No deviation	1
Number of designation requests prepared for Minister per year	2 designation requests prepared for Minister per year	Nil	Nil	1 designation request prepared for Minister per quarter	Nil	**Not achieved:** Designation request was prepared for Minister; however, there were delays in obtaining approval for submission	Nil
Programme 5: Consumer and Corporate Regulation **Strategic objective: Improved conditions for consumers, artists and opening up of markets for new patents players**							
Number of Socio-Economic Impact Assessment System (SEIAS) reports developed for Minister's approval	1 SEIAS report on the Companies Amendment Bill developed for Ministers approval	First draft SEIAS report on the Companies Amendment Act developed for Ministers approval	First draft SEIAS report on the Companies Amendment Act developed for Ministers approval	Second draft SEIAS report on the Companies Amendment Act developed for Ministers approval	Second draft SEIAS report not developed	**Not achieved:** SEIAS report developed, certified by the Department of Planning, Monitoring and Evaluation and submitted with the Bill to Cabinet. The Bill was approved and published for an extended period of 60 days for comments	First draft of SEIAS report

Number of progress reports developed for Minister's approval	4 progress reports on the development of the Gambling, Liquor, Credit, Performers and Copyright Amendment Bills developed for Ministers approval	1 progress report on the development of the Gambling, Liquor, Credit, Performers and Copyright Amendment Bills developed for Ministers approval	1 progress report on the development of the Gambling, Liquor, Credit, Performers and Copyright Amendment Bills developed for Ministers approval	1 progress report on the development of the Gambling, Liquor, Credit, Performers and Copyright Amendment Bills developed for Ministers approval	1 progress report on the development of the Gambling, Liquor, Credit, Performers and Copyright Amendment Bills developed for Ministers approval	No deviation	2 progress reports
Number of education and awareness workshops on policies and legislation conducted and report produced for Ministers approval	24 education and awareness workshops on policies and legislation conducted and report produced for Ministers approval	6 education and awareness workshops on policies and legislation conducted and report produced for Ministers approval	6 education and awareness workshops on policies and legislation conducted and report produced for Ministers approval	6 education and awareness workshops on policies and legislation conducted and report produced for Ministers approval	7 education and awareness workshops on policies and legislation conducted and report produced for Ministers approval	Additional workshops were convened as per the request from communities	13 workshops
Programme 6: Incentive Development and Administration Strategic objective: Grow the manufacturing sector to promote industrial development, job creation, investment and exports							
Value (Rand) of projected investments to be leveraged from projects/enterprises approved	R15bn	R2bn	R3.1bn	R4bn	R10.8bn	Approved Automotive Incentive Scheme (AIS), Black Industrialist Scheme (BIS), Critical Infrastructure Programme (CIP) and Film & TV projects resulted in high value of projected investments	R13.9bn
Projected number of new jobs supported from projects/enterprises approved	10000	2000	2161	4000	3948	**Not achieved:** The number of applications/projects received during this quarter projected fewer number of new jobs to be created	6 109

Number of jobs retained from approved enterprises	20000	4000	8085	6000	7726	Approved AIS projects are sustaining high number of jobs	15 811
Number of enterprises/projects approved for financial support across all incentives	850	150	178	200	209	Approved enterprises/ projects were more than anticipated	493
Programme 7: Trade Investment South Africa Strategic objective: Grow the manufacturing sector to promote industrial development, job creation, investment and exports							
Value of export sales generated	R4 billion	R750 million	R2.123bn	R1.2bn	R1.475 bn	High export sales are derived from agro-processing National pavilions from Fruit Logistica (Germany), Gulfood (United Arab Emirates) and Foodex (Japan). No OSMs[6] or national pavilions were scheduled in Q2 for the Middle East Directorate.	R3.598bn
Number of companies assisted under Export, Marketing and Investment Assistance (EMIA) in supporting value added exports	823	205	284	205	304	Positive variance is due to quality recruitment of companies mainly for IBM Cape Wine event.	588
Programme 8: Investment South Africa Strategic objective: Grow the manufacturing sector to promote industrial development, job creation, investment and exports							
Value (Rand) of investment projects facilitated in pipeline	R50bn	R12.5bn	R27.65bn	R14bn	R17.329bn	Large investment projects in Services & Manufacturing Sectors	R44.889bn

[6] Outward selling missions

3.2 Financial Performance

The DTI's budget for the 2018/19 financial year is R9.5 billion. In the second quarter of the 2018/19 financial year, the DTI had projected spending of R4.3 billion; however, the DTI had only spent R3.4 billion or 79.3% of the year to date budget. By the end of the second quarter, 64,2% of the total annual budget was available. The largest proportion of the budget (76.5%) was spent on incentive payments and other transfers; while 14.5% was spent on compensation of employees and 8.7% on goods and services.

Table 2: Financial Performance by Economic Classification as at 30 September 2018

Description	Adjusted Budget 2018/19	Year to date (YTD)			% budget available
		Cash flow projections	Expenditure	% Variance	
	R'000	R'000	R'000		
Compensation of employees	987 518	490 280	495 571	(1.08%)	49.82%
Goods and services	694 569	319 286	297 863	6.71%	57.12%
Transfers:	7 821 596	3 496 080	2 611 920	25.29%	66.61%
Incentive schemes	*5 380 538*	*2 052 037*	*1 214 812*	*40.80%*	*77.42%*
Other transfers	*2 441 058*	*1 444 043*	*1 397 108*	*3.25%*	*42.77%*
Payments for capital assets	28 075	0	8 625	-	69.28%
Total	**9 531 758**	**4 305 646**	**3 413 979**	**20.71%**	**64.18%**

In terms of programmes, the Incentive Development Administration Programme spent the largest amount (R1.3 billion or 38% of the second quarter expenditure), followed by the Industrial Development Programme (R1.1 billion or 32.5% of the second quarter expenditure). However, the Incentive Development Administration Programme underspent by 39.5%. The DTI explained that this was due to (i) outstanding compliance documentation required from claimants to finalise claims, (ii) non-compliant claims, namely where claimants did not meet the conditions agreed at application and which formed part of the approval when the claims were submitted and (iii) the impact of the current economic climate. However, this is expected to be spent as the year progresses as claimants meet the requirements. There had also been significant underspending within the Special Economic Zones and Economic Transformation Programme (41.5% of the projected spending) due to delays in the listing of the B-BBEE Commission.

The table below shows the DTI's expenditure for the second quarter by programme.

Table 3: Financial Performance by Programme as at 30 September 2018

Programme	Adjusted Budget 2018/19	Year-to-date			% Budget available
		Cash flow projections	Expenditure	% Variance	
	R'000	**R'000**	**R'000**	**%**	**%**
Administration	837 280	383 836	378 860	1.30%	54.75%
International Trade and Economic Development	124 773	48 665	51 859	(6.56%)	58.44%
Special Economic Zones and Economic Transformation	146 276	88 368	51 713	41.48%	64.65%
Industrial Development	2 029 777	1 109 854	1 096 172	1.23%	46.00%
Consumer and Corporate Regulation	330 347	208 382	204 895	1.67%	37.98%
Incentive Development Administration	5 567 857	2 142 793	1 296 749	39.48%	76.71%
Trade and Investment South Africa	411 602	298 648	307 935	(3.11%)	25.19%
Investment South Africa	83 846	25 100	25 796	(2.77%)	69.23%
Total	**9 531 758**	**4 305 646**	**3 413 979**	**20.71%**	**64.18%**

Source: DTI (2018c)

Although the recorded expenditure for the International Trade and Economic Development, the Trade and Investment South Africa and Investment South Africa Programmes, as well as compensation of employees, is more than the year to date projections, this spending is still within the allocated budget.

3.3 Issues raised during the deliberations

The following concerns were raised related to the performance of the DTI during the Committee's deliberations:

- *Outreach programmes related to legislation*: The Committee enquired why the DTI was hosting community roadshows that unpack legislation, such as the Liquor Amendment Bill, when these would not be introduced to Parliament in the near future. The DTI responded that these programmes would have formed part of its activities as set out in its Annual Performance Plan. The DTI still intends to bring the Liquor Amendment Bills to Cabinet and Parliament. The community outreach programmes form part of the department's legislative process, as the intention is to include communities as the legislation is being developed.

- *The trade deficit for South Africa as a member of the BRICS group*: The Committee requested an explanation on why there was a large trade deficit with the BRICS group. Furthermore, given this deficit and the change in leadership in Brazil, the Committee enquired whether it was beneficial for South Africa to remain within this group. The DTI clarified that the trade deficit was because South Africa was competing with China's population and their economies of scale, which lowered their relative cost of production. South Africa had to continue developing and exporting niche products, such as in the agro-processing, aerospace and defence sectors, to China to balance the trade deficit. In Russia, South Africa is now exporting citrus products, which had improved the trade balance. Regardless of the political changes, these countries remained some of the biggest markets and there are opportunities to benefit from this arrangement.

- *Broad-based black economic transformation*: While the Committee acknowledged the emphasis on black industrialists, there is a need to ensure that transformation is broad and will enable the establishment of a developmental state. Therefore, all elements of transformation should be engaged such as ownership, employment and decent wages. The DTI explained that there was no trade-off between job creation and transformation. The development of the manufacturing sector in South Africa had historically been used to contribute to the reduction of poverty and inclusive economic growth.

- *Over-expenditure within the Trade and Investment South Africa (TISA) Programme*: The Committee requested clarification on the reasons for over-expenditure within the TISA Programme. The DTI informed the Committee that a large proportion of TISA's budget was to fund foreign missions. Therefore, the final expenditure was based on the conversion of the vouchers in the foreign currency that are converted to Rands; thus subject to exchange rate fluctuations. This led to an over-expenditure against the budgeted expenditure but would be absorbed within the DTI's overall budget.

- *Recapitalisation of the National Empowerment Fund (NEF) and the National Metrology Institute of South Africa (NMISA)*: The Committee enquired about the status of the NEF and the NMISA recapitalisation processes. The DTI responded that the NMISA has been recapitalised from the DTI's budgets over a number of years and they were in the process of securing a building and equipment. The Department of Public Works had been requested to expedite the process. In terms of the NEF, there are no funds available for it due to the current fiscal constraints. Therefore, the only option is to merge it with the Industrial Development Corporation (IDC) and use the IDC's asset base to facilitate access to funds. The merger proposal was submitted to Cabinet; however, it has requested that further work be done and for the reintegration to be more ambitious.

- *Status of the Industrial Parks Programme*: The Committee raised a concern about the extension to the second phase of the revitalisation of the Industrial Parks and sought clarity about the under-expenditure of the budget under the Special Economic Zones and Economic Transformation Programme. The DTI explained that the Special Economic Zones and Economic Transformation Programme was responsible for the policy on Industrial Parks, while the budget for the revitalisation was held within the Incentive Development Administration Programme. The DTI is looking at how the industrial parks can complement special economic zones and is engaging the relevant provincial and local governments on the Industrial Parks Programme. Furthermore, the under-expenditure under the Special Economic Zones and Economic Transformation Programme was due to delays in the listing of the B-BBEE Commission. This funding was earmarked for infrastructure such as office premises and IT equipment.

4. CONCLUSIONS

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

4.1 The Committee commends the department for having achieved most of its second quarter targets as outlined in its Annual Performance Plan. The Committee welcomed the fact that the DTI has over-achieved its year to date targets with respect to its non-financial performance in a number of areas, such as jobs retained, export sales generated and investment projects facilitated within the pipeline notwithstanding fiscal constraints. While it has not met three of its quarterly targets, one of these, the "projected number of new jobs supported from projects or enterprises approved", had been exceeded over the six month period.

4.2 The Committee also commends the DTI for being one of the few departments whose staff profile represents the demographics of our country in terms of race, gender and people with disabilities.

4.3 The Committee recognised that although there had been significant under-expenditure of 20.7% against planned expenditure, this is not unusual for the second quarter given the payment of claims against granted incentives.

4.4 The Committee reiterates its support for the B-BBEE legislation as an instrument to advance the transformation and ownership of our economy. In this regard, the B-BBEE Commission is considered to be a critical institution to ensure that economic transformation is effective and sustainable in South Africa. The Committee is, however, concerned about the continued delays in listing the B-BBEE Commission, as this may have an impact on its ability to establish its systems and improve its capacity.

4.5 While the Committee acknowledged that the work had begun on the merger proposal of the NEF with the Industrial Development Corporation, it looks forward to this being expedited. It remains concerned with the delay in the recapitalisation of the NEF but is of the view that once the merger is completed, this matter should be resolved.

4.6 The Committee welcomed the DTI’s efforts to facilitate community participation and awareness raising through roadshows regarding legislation such as the amendment to the Liquor Act. The amendments to the Liquor Act seek to deal with fragmentation of the liquor laws between provinces.

5. APPRECIATION

The Committee would like to thank the the Director-General, Mr L October, the acting Group Chief Operating Officer, Ms N Matomela, the Parliamentary Liason Officer, Ms Saroj Naidoo, and all other senior managers of the DTI for their cooperation and transparency during this process. The Committee also wishes to thank its support staff, in particular the committee secretaries, Mr A Hermans and Mr T Madima, the content advisor, Ms M Sheldon, the researcher, Ms Z Madalane, the committee assistant, Ms Y Manakaza, and the executive secretary, Ms T Macanda, for their professional support and conscientious commitment and dedication to their work. The Chairperson wishes to thank all Members of the Committee for their active participation during the process of engagement and deliberations and their constructive recommendations reflected in this report.

6. RECOMMENDATIONS

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

6.1 Tabling a report clarifying the reasons for the delay in listing the Broad-based Black Economic Empowerment Commission.

Report to be considered.

REFERENCES

Department of Trade and Industry (2018a) *Amended Annual Performance Plan 2018/19*.

Department of Trade and Industry (2018b) *Second Quarter Performance Report 2018/19*.

Department of Trade and Industry (2018c) *Second Quarter Performance Report 2018/19*. Presentation to the Portfolio Committee on Trade and Industry. Cape Town: Parliament, 21 November.

3. Report of the Portfolio Committee on Trade and Industry on the World Intellectual Property Organisation Copyright Treaty, dated 26 February 2019:

The Portfolio Committee on Trade and Industry, having considered the request for approval on the accession by Parliament of the World Intellectual Property Organisation Copyright Treaty (WCT), recommends that the House, in terms of section 231(2) of the Constitution, approve the said Agreement.

Report to be considered.

4. Report of the Portfolio Committee on Trade and Industry on the World Intellectual Property Organisation Performances and Phonograms Treaty, dated 26 February 2019:

The Portfolio Committee on Trade and Industry, having considered the request for approval by Parliament on the accession to the World Intellectual Property Organisation Performances and Phonograms Treaty (WPPT), recommends that the House, in terms of section 231(2) of the Constitution, approve the said Agreement.

Report to be considered.

National Council of Provinces

1. Report of the Select Committee on Social Services on the National Public Health Institute of South Africa Bill [B16B – 2017] (National Assembly – Section 76), dated 26 February 2019.

The Department of Health briefed the committee on 23 October 2018, on the ***National Public Health Institute of South Africa Bill [B16B – 2017]***. The Bill was referred to the committee on 28 August 2018.

The Select Committee on Social Services, having deliberated on and considered the subject of the **National Public Health Institute of South Africa Bill [B16B – 2017]** (National Assembly – sec 76), referred to it and classified by the JTM as a section 76 Bill, reports that it has agreed to an amended Bill [B16D – 2017].

AMENDMENTS PROPOSED BY THE
SELECT COMMITTEE ON SOCIAL SERVICES

NATIONAL PUBLIC HEALTH INSTITUTE OF SOUTH AFRICA
BILL
[B16B-2017]

CLAUSE 3

1. On page 3, from line 34, to omit paragraphs *(b)* and to substitute:

“(b) coordinate, develop and maintain surveillance systems to collect, analyse and interpret public, occupational and environmental health data in order to guide health interventions;”.

2. On page 3, from line 39, to omit paragraphs *(d)* and to substitute:

“(d) use public, occupational and environmental health information for monitoring and evaluation of policies and interventions;”.

3. On page 3, from line 44, to omit paragraphs *(g)* and (h) and to substitute:

"(g) strengthen capacity in public, occupational and environmental health surveillance in order to reduce the burden of disease and injury;

(h) strengthen the capacity of the workforce in occupational and environmental health by developing the curriculum for occupational and environmental health;".

4. On page 4, from line 1, to omit paragraph *(m)* and to substitute:

"(m) collaborate with relevant government departments and government agencies to implement communication strategies on public, occupational and environmental health issues and outbreak response;".

5. On page 4, from line 25, to omit paragraphs *(u)* and to substitute:

"(u) monitor trends in occupational and environmental health; and conduct workplace health risk assessments;".

6. On page 4, from line 29, to omit paragraph *(w)* and to substitute:

"(*w*) produce and distribute reports on health and disease profiles, injuries and violence, occupational and environmental health;".

7. On page 4, from line 32, to omit paragraph *(x)* and to substitute:

"(*x*) provide specialised and referral services related to occupational safety and health, and environmental health, including—

(i) specialised analytical laboratory services to support the practice of occupational medicine, occupational hygiene and environmental health;

(ii) consultations on the appropriate collection of samples;

(iii) measurement of selected contaminants from environmental and biological samples collected from the workplace and from workers, and participation in quality assurance schemes for selected hazardous agents;

(iv) analyses of workplace contaminants in biological and environmental samples for toxic metals, organic substances, pesticides and persistent organic pollutants;

(v) specialised testing for bio-aerosols and nano-particles;

(vi) assessment of occupational allergies;

(vii) advising on the prevention of occupational diseases, occupational injuries and environmental health risks;

(viii) conducting workplace visits and risk assessments of hazardous factors; and

(ix) providing pathology services for occupational and environmental health;”.

8. On page 4, after line 48, to insert the following paragraphs:

“(y) support the monitoring of communities that are at risk of exposure to environmental health hazards;

(z) provide support to provinces and local authorities in disease and injury surveillance and outbreak response".

9. On page 5, in line 48, to omit "." and to substitute "; and".

10. On page 5, after line 49, to insert the following paragraph:

“(zC) provide training and technical information on health issues to health related community organisations and non-profit organisations.”.

CLAUSE 5

11. On page 6, after line 10, to insert the following:

“(d) three members, each representing a cluster of three provinces that must be prescribed based on demographics and burden of disease, and who must be nominated on a rotational basis by the respective provinces in the prescribed manner;”.

12. On page 6, in line 11, to omit "*(d)*" and to substitute "*(e)*".

13. On page 6, in line 12, to omit "*(e)*" and to substitute "*(f)*".

14. On page 6, in line 13, to omit "*(f)*" and to substitute "*(g)*".

CLAUSE 8

15. On page 7, from line 12, to omit paragraphs *(d)* and to substitute:

"(d) has, without the leave of the Board, been absent from two consecutive meetings of the Board in a financial year.".

Report to be considered