

Friday, 2 June 2023]

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PARLIAMENT
OF THE
REPUBLIC OF SOUTH AFRICA

**ANNOUNCEMENTS,
 TABLINGS AND
 COMMITTEE REPORTS**

FRIDAY, 2 JUNE 2023

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ANNOUNCEMENTS

National Assembly

The Speaker

1. Introduction of Bills

(1) The Minister of Justice and Correctional Services

- (a) **Correctional Services Amendment Bill** [B14-2023] (National Assembly – proposed sec 75) [Explanatory summary of Bill and prior notice of its introduction published in *Government Gazette* No 48670 of 26 May 2023.]

Introduction and referral to the **Portfolio Committee on Justice and Correctional Services** of the National Assembly, as well as referral to the Joint Tagging Mechanism (JTM) for classification in terms of Joint Rule 160.

In terms of Joint Rule 154 written views on the classification of the Bill may be submitted to the JTM. The Bill may only be classified after the expiry of at least three parliamentary working days since introduction.

2. Referral to Committees of papers tabled

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

- (a) The 2024/25 Draft Annual Performance Plan and Budget for Parliament.

- (2) The following paper is referred to the **Portfolio Committee on Women, Youth and Persons with Disabilities** for consideration and report:

- (a) Addendum and Erratum to the Annual Performance Plan of the Department of Women, Youth and Persons with Disabilities for 2023/24.

Please Note: The following entries replace the entries under Referral to Committees of papers tabled in the ATC (Announcements, Tablings and Committee Reports) of 1 June 2023, published on page 2.

- (3) The following paper is referred to the **Standing Committee on Appropriations** for consideration:

- (a) Submission of the Financial and Fiscal Commission on the Division of Revenue Bill for 2024/25, tabled in terms of section 9(1) of the Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997), as amended.

3. Membership of Committees

[The following entry, replaces the entry which was published on page 3 of the Announcements, Tablings and Committee Reports dated 01 June 2023]

- (1) The following members have been nominated by their parties to serve on the **Ad Hoc Committee to nominate a person for appointment as Public Protector.**

African National Congress

Voting Members

Magwanishe, Mr G
Lesoma, Ms RMM
Dyantyi, Mr QR
Mananiso, Ms JS
Xaba, Mr VC
Tlhape, Ms MME

Democratic Alliance

Voting Members

Breytenbach, Adv G
Horn, Mr W

Non-Voting Members

Gondwe, Dr MM

Inkatha Freedom Party

Buthelezi, Mr EM (voting member)

Freedom Front Plus

Wessels, Mr WW (voting member)

National Freedom Party

Shaik-Emam, Mr AM (non-voting member)

African Christian Democratic Party

Swart, Mr S (non-voting member)

AL JAMA- AH

Hendricks, Mr MGE (non-voting member)

African Independent Congress

Jaftha, Mr SM (non-voting member)

African Transformation Movement

Zungula, Mr V (non-voting member)

Congress of the People

Madisha, Mr WM (non-voting member)

GOOD

Herron, Mr BN (non-voting member)

Pan Africanist Congress of Azania

Nyhontso, Mr M (non-voting member)

United Democratic Movement

Kwankwa, Mr NLS (non-voting member)

COMMITTEE REPORTS

National Assembly

1. Report of the Portfolio Committee on Trade, Industry and Competition on the Department of Trade, Industry and Competition's Third Quarter Financial and Non-Financial Performance for the 2022/23 Financial Year, dated 31 May 2023

The Portfolio Committee on Trade, Industry and Competition, having assessed the service delivery performance of the Department of Trade, Industry and Competition (DTIC), against its mandate and allocated resources, in particular the financial resources for the period 1 October to 31 December 2022, on 14 March 2023, reports as follows:

1. INTRODUCTION

During the third quarter of the 2022/23 financial year, the DTIC focused on offering targeted support to the announced Electricity Action Plan. While energy generation does not form part of the DTIC's mandate, the ongoing energy crisis has a negative impact on the DTIC's industrialisation drive; consequently, on economic growth, transformation, and job creation. As a result, the DTIC has shifted some of its industrial financing towards assisting alternative energy companies, as well as offering non-financial support to these companies and others to mitigate the impact of the energy shortage. In spite of this shift, the DTIC had achieved 93 percent of its targets in the third quarter and spent 92,3 percent of its projected budget as at 31 December 2022.

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

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

1.2. Purpose of the Report

The purpose of this report is to monitor the financial and non-financial performance of the DTIC against its predetermined objectives and quarterly milestones as part of the Committee's ongoing budgetary oversight. This report assesses the non-financial and financial performance for the third quarter of the 2022/23 financial year, namely from 1 October to 31 December 2022.

1.3. Method

The Committee was briefed by the DTIC on its third quarter performance for the 2022/23 financial year on Tuesday, 14 March 2023.

1.4. Outline of the contents of the Report

Section 1 of the report introduces the report including its purpose, and method. Section 2 outlines the DTIC's strategic objectives, assesses its financial and non-financial performance against its APP for the 2022/23 financial year from 1 October to 31 December 2022 and Section 3 outlines the key issues raised by the Committee during deliberations. Section 4 provides the Committee's concluding remarks followed by a note of appreciation in Section 5 and the recommendation in Section 6.

2. DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION

2.1. Strategic Goals

The DTIC's performance was in line with its strategic objectives, which guided its work and was aligned to its programmes. The strategic goals were as follows¹:

¹ DTIC (2022)

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

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

This section provides a comparison between the DTIC's third quarter non-financial performance milestones as outlined in its APP against its third quarter performance report for the 2022/23 financial year and outlines its financial performance for the period under review.

2.2.1. Non-Financial Performance²

The DTIC had 67 targets for this quarter, of which 62 had been achieved. This represents a 93 percent achievement of its targets during the quarter under review.

The five targets that had not been achieved were:

- The approval and implementation of the oversight framework. This target had not been achieved as the service provider had only been appointed in the quarter, whereas the oversight framework should have been developed by the end of the third quarter.
- The development of a proposal for the operation and staffing of an Entity Oversight Unit and implementation of improved oversight. The project to develop the proposal had still been ongoing at the end of the third quarter.
- The development of a proposal for rationalisation of entities submitted to Minister for consideration. There had been a delay in the appointment of the service provider at the end of the third quarter.

² DTIC (2023a) and (2023b)

- The unblocking and fast-tracking of ten investor issues to provide post-commitment support to investors. In this quarter, only five investor issues had been unblocked and fast-tracked. This showed a significant decline compared to the first half of the year where 186 and 447 investor issues had been unblocked and fast-tracked respectively.
- Conducting an impact assessment at the request of branches or the Executive Authority, providing feedback on the efficacy and impact of the DTIC initiatives and measures. This target, according to the DTIC, had not been achieved due to a delay in the procurement process.

The DTIC reported on a number of areas of its work. Highlights of its performance in this regard are outlined below:

2.2.1.1. Energy Responses

The DTIC has developed a special focus to support the Electricity Action Plan as announced by President MC Ramaphosa during his 2023 State of the Nation Address. In this regard, the DTIC and its entities have introduced the following interventions during quarters 3 and 4 to support the wider effort to address the energy challenges:

- Support for new energy generation through measures such as unblocking and promoting investment and addressing regulatory challenges;
- Assisting firms with adaptation strategies such as the energy resilience scheme;
- Promoting longer term energy efficiency in the economy through technical standards work; and
- Promoting industrialisation to ensure that South Africa can develop security of supply of components and create jobs in the process.

In this regard, the DTIC, in conjunction with the Competition Commission, the Industrial Development Corporation (IDC), and the South African Bureau of Standards (SABS), have implemented the following eight actions:

- *Speeding up processes to accelerate Private Sector Investment in Electricity Generation:* It has established an Energy One-Stop Shop, which is managed by InvestSA. The One-Stop Shop will assist power generating companies to navigate the different processes that apply in law and increase turnaround times by assisting investors to submit applications through

a single window process to obtain all necessary Government approvals. Teams were also being established to assist investors in this regard.

- *Increase Private Sector Investment in Electricity Generation:* The South African Investment Conference has unlocked significant investment in the energy sector. In addition, the IDC's investment has supported the development of solar and wind projects. Its current portfolio across 24 projects has 953-megawatt (MW) capacity. Its pipeline could also contribute an additional 8 086MW generation capacity, once established and if incorporated to Eskom's grid.
- *Address regulatory flexibility on transformation:* Independent Power Producers (IPPs) (have additional flexibility in relation to how to implement South Africa's Black Economic Empowerment (BEE) requirements. In order to accelerate the regulatory process, the DTIC, IPP Office and the Department of Mineral Resources and Energy have established close working relations to address regulatory needs as they arise. This includes consideration of a customised BEE scorecard which takes account of the unique characteristics of electricity projects. The Department of Public Works and Infrastructure has a customized scorecard to enable faster uptake on rooftop solar on public buildings. The DTIC will pursue the transformation imperative necessary for inclusive growth while improving regulatory flexibility.
- *Address regulatory flexibility on competition laws:* The Competition Commission and the Ministry have developed draft regulations to assist companies in developing a collaborative approach to meeting the energy challenges. On 8 March 2023, two block exemptions were published for public comment. The regulations on the block exemptions for energy suppliers aim to promote collaboration to increase or optimise the supply of energy in the market or reduce the cost of energy. The regulations to unblock exemptions for energy users aim to promote collaboration to secure backup alternative energy supply or reduced energy costs or promote the optimisation and efficient use of energy supply.
- *Establishment of the Energy Resilience Scheme worth R1,3 billion:* The DTIC, the IDC and the National Empowerment Fund (NEF) have established a blended funding facility to support companies affected by load shedding, which would commence from 1 April 2023. The Scheme would offer Working Capital to assist companies with alternative energy solution including solar photovoltaics or solar panels, inverters, etc., which may include other energy efficient interventions; and would provide support to local component manufacturers of rooftop solar panels, battery storage, cabling and transformers. The

facility is priced at concessional rates for the period of the loan facility. Through the IDC, a grant fund has been established to support township and rural businesses for capital equipment, technical support, and non-financial assistance.

- *SABS' Development and Publication of National Standards in relation to energy efficiency:* In quarter 3, the SABS published 13 standards that are aligned to the scope of alternate renewable energy generation, as well as assist with energy efficiency measures. Industry and other stakeholders (including regulators) are now empowered to mitigate the national energy challenge. The National Regulator for Compulsory Specifications (NRCS) has in turn used some of these standards to propose a range of energy efficiency regulations that set minimum energy performance standards (MEPS) in relation to (i) Appliances, (ii) General Service Lamps, (iii) Hot water storage (geysers), and (iv) Electric Motors, among others. These MEPS should be concluded late in the fourth quarter of the 2022/23 financial year or early in the first quarter of the 2023/24 financial year.
- *Protect Consumers and energy users:* To prepare for potential 'price gouging', the DTIC has requested its regulatory bodies such as the Competition Commission, the National Consumer Commission, and the NRCS to monitor (i) for potential price gouging and price fixing in alternative electricity supply markets such as for solar panels, inverters, and batteries; (ii) complaints from especially Small, Medium and Micro Enterprises (SMMEs) where access to both grid and alternative sources of electricity such as generators may discriminate against SMMEs; and (iii) the compliance of users to mandatory standards and safety requirements for energy efficient, renewable, backup products. Consideration was also being given to publishing guidelines and expedited processes of adjudication.
- *Address industrialisation of components:* In order to build South African production capacity and help to insulate supply chain shocks, the DTIC encouraged the development of local production capacity by attracting investment in component manufacturing and providing support through the DTIC and its development finance institutions.

However, the Minister noted that this new focus area would require a shift of staff and resources from originally budgeted programmes to the expanding work in managing the energy challenges. In particular, the capacity in the One-Stop Shop needed additional skilled staff. In this regard, redeployments would be considered in the new financial year. The DTIC would also need to ensure stronger coordination among its programmes.

2.2.1.2. Industrialisation

In support of industrialisation, the DTIC, in conjunction with its entities, offers a range of financial and non-financial support measures to enable structural transformation and enhance competitiveness. Its expected outcome, in this regard, is to positively contribute towards local production for the domestic and export markets. 2022 Fourth quarter (October to December) statistics released by Statistics SA showed that overall manufacturing sales had declined by 0,4 percent since the third quarter in 2022 but had grown by 5,2 percent compared to the same period in 2021. The quarterly decline had mainly been attributed to a decline in the food and beverages, and metals sectors. However, the automotive, clothing and textiles, and petrochemicals sectors had shown growth quarter on quarter.

The DTIC further reported that it had attracted and/or facilitated R63,3 billion worth of new investments during the quarter under review. This was against a quarterly target of R20 billion across the DTIC, the IDC and the NEF. It had also launched three investments worth R16,9 billion during the quarter. It reported that R9,8 billion had been disbursed during the quarter as incentives across the DTIC Group³.

Its localisation efforts have also materialised R1,4 billion worth of output or sales within the metals, aerospace and defence, and marine sectors during the quarter. In the metals sector, six projects had been supported, comprising four projects in downstream steel, and two capital and rail equipment projects. In the Aerospace and Defence sector, three projects had been supported in terms of Technology Enhancement, Industry Development and Technical Support, and Aerospace and Defence Standards and accreditations. In the Marine sector, two projects had been supported, in relation to the Standards and Accreditations and the Marine Technology enhancement (Support for introduction of new technology, or development of existing technology, and for innovation in the marine industry).

Another key area in this regard was import replacement efforts where retailers and wholesalers are encouraged to support localisation drives and purchase from local manufacturers and

³ This includes funding by the IDC, the NEF, and the DTIC's Industrial Financing Programme and its Export Marketing and Investment Assistance Programme, as well as the Equity Equivalent Investment Programme and Competition Managed Funds, but excludes trade measures and trade rebates.

suppliers. In this regard, the presentation listed examples of four retailers that have done so, including Shoprite, Massmart, Home Italia and Riegut Marketing.

Locally produced machinery and equipment, inputs, locally sourced raw materials, and services purchased by a sample of industrial financing beneficiaries from local manufacturers and suppliers up to the end of December 2022 amounted to R5,3 billion. This comprised manufacturers procuring scrap metals, steel, leather, paint, harnesses, sensors, glass, seat structures, electronics, plastic packaging, aluminium alloys, pharmaceutical bottles, saw dust, magnesium ore, pallets, polyethylene and polyvinyl chloride (PVC) resin polymer. Furthermore, in the services sector, film and TV productions procured local services including location facilities, hotel and transport, casting, and art department crew and consumables for the set design.

Despite a challenging external environment and the possible depletion of accumulated inventory, South Africa's manufacturing exports grew along a number of product lines. The annual target set was to maintain R600 billion worth of manufactured exports, while manufactured exports as at 31 December 2022 had been approximately R590 billion. Exports of freight trucks and trailers, cosmetics, paper pulp and mining machinery were highlighted as areas where manufacturing exports had surpassed pre-coronavirus disease (COVID-19) levels.

2.2.1.3. International trade and investment

The DTIC had participated in 11 international trade and investor engagements. There had been four state visits with accompanying economic diplomacy and investor engagements:

- Outgoing Saudi Arabian State Visit and investor engagement;
- Incoming Spanish State Visit and business forum;
- Outgoing Kenyan State Visit and business forum; and
- Outgoing UK State Visit and business forum outgoing.

The following four high level engagements had taken place, outside of formal state visits:

- Incoming Saudi Arabian Joint Economic Commission;
- Outgoing Korea Economic Working Group;
- Outgoing Japan Joint Trade Committee; and
- Incoming Vietnam Joint Trade Committee.

Three multilateral engagements had also taken place, including the African Continental Free Trade Area (AfCFTA) Council of Ministers, and the Extra-Ordinary Summit on AfCFTA held in Niger and the US-Africa Leaders' Summit including the African Growth and Opportunity Act (AGOA) Ministerial.

2.2.1.4. Transformation

During the third quarter, employment in manufacturing grew by 26 000 jobs. While 340 000 new jobs had been created over the 2022 calendar year, bringing total employment in manufacturing to 1 656 000 workers. The DTIC reported that the seven Master Plans sought to protect 652 000 workers and facilitated the growth of direct and indirect jobs within these sectors. Furthermore, its incentive programmes had supported and/or created an estimated 90 595 jobs. In addition, five mergers had been approved where the Minister's intervention advanced worker ownership affecting 98 165 workers.

There had been 73 merger notifications received in the quarter. Of these, 14 had been large and intermediate mergers decided on by Competition Authorities, which the Ministry participated in during the quarter in terms of Section 12(3) of the Competition Act in relation to public interest matters. Thirteen mergers had been approved and one approval had not been granted.

2.2.1.5. Policy interventions

In the third quarter, the following two measures were published for public comment:

- Implementation of measures to address theft of metal and cable from public infrastructure including restrictions on trade of waste, scrap and semi processed metals in a 3-phased approach. The first phase covers a 6-month temporary prohibition on the export of copper waste scrap metal, ferrous waste and scrap metal, and re-melted ingots of iron or steel; continued export controls on other forms of scrap metals; export controls implemented on semi-finished product exports; and import controls for furnaces and scrap transformation machinery. The second phase will introduce a metal trading regime, and legislative amendments in respect to metal trade; will consider limiting exports of waste, scrap and semi-finished metal products to designated ports and land borders; and will coordinate policy with the Southern African Development Community (SADC) and the African Union. In the third phase, Government will consider legislation to create a dedicated metal

trading licensing regime; and the implementation of a system in terms of which persons who are found to have committed an offence in relation to metal theft or to have contravened the metals trading regulatory regime will not be eligible for government contracts.

- The development of a draft commercialisation strategy for green hydrogen. The strategy identifies Green Hydrogen as an opportunity both to establish a major new industry for export and to decarbonise domestic heavy industries. This would assist in mitigating increasing tariff and non-tariff barriers related to high carbon emissions in markets such as the Europe Union (EU).

2.2.1.6. Capable state

Governance is critical to building an effective and capable state. In the period under review, work was completed on 27 entity appointments. Two Commissioners, one for the International Trade Administration Commission, and one for the National Lotteries Commission, the Chief Executive Officer for the Export Credit Insurance Corporation (ECIC), eight Board members for the SABS, 11 members for the Companies Tribunal, and five members for the Competition Tribunal, had been appointed.

In addition, the DTIC has been working on redesigning its organisational structure to be more effective and ensure that it is fit for purpose. This includes the holistic integration of its organisational structure, business processes, and human resources to support the implementation of strategy and ensure employees fulfil the functions of the DTIC. The first step in consolidating the DTIC has been taken with the merger of two programmes, Investment Promotion, and Spatial Development and Economic Transformation, effective from the 2023/24 financial year.

2.2.2. Financial Performance⁴

The DTIC's initial appropriation was R10,8 billion for the 2022/23 financial year, which had been upward by R54 million to R10,9 billion. By the end of the third quarter, it had projected expenditure of approximately R8,9 billion. However, actual expenditure had been R7,7 billion (R836 million or 9,7 percent less than budgeted). This means that as at the end of the third

⁴ National Treasury (2022) and (2023); DTIC (2023b)

quarter, 71 percent of the annual budget had been spent; therefore, 29 percent of the budget remained for the final quarter of the financial year.

Third quarter under-expenditure had been significantly higher than the first half of the financial year. At the end of September 2022, actual expenditure had been R5,6 billion against a budget of R5,8 billion. Therefore, under-expenditure had been only R235,5 million or 4 percent of the budget.

The sections below show expenditure by programme and by economic classification.

2.2.2.1. Financial Performance by Programme

In terms of spending by programme, the largest expenditure had been in Programme 6: Industrial Financing, the largest programme of the DTIC. By the end of the third quarter, expenditure in this programme had been R3,3 billion. The programme also incurred the largest under-expenditure with R526,4 million (62 percent of the underspending for the total budget by the end of the third quarter). (See table below.)

Table 1: Expenditure by Programme as at 31 December 2022

Programme (R millions)	Annual Budget	Year to date		Variance (%)
		Budget	Actual Expenditure	
P1: Administration	864,0	612,8	546,9	10,7
P2: Trade Policy	235,8	188,1	178,1	5,3
P3: Spatial Industrial Development	166,8	143,6	124,1	13,6
P4: Industrial Policy	1 749,5	1 537,4	1 357,4	11,7
P5: Consumer and Corporate Regulation	343,8	316,6	306,4	3,2
P6: Industrial Financing	5 317,0	3 874,3	3 347,9	13,6
P7: Trade and Investment South Africa	365,8	383,0	315,5	17,6
P8: Invest South Africa	74,9	54,9	37,0	32,6
P9: Competition Policy	1 745,3	1 428,8	1 499,7	-5,0
P10: Economic Research	50,5	41,1	31,3	23,8
Total	10 913,4	8 580,8	7 744,4	9,7

Source: DTIC (2023b)

The main contributors to underspending had been Programme 4: Industrial Policy with R180 million; Programme 7: Trade and Investment South Africa with R67,5 million; and Programme 1: Administration with R65,9 million. The only programme in which there had been over-expenditure was Programme 9: Competition Policy. Under this programme, over-expenditure of about R70,9 million had been incurred.

A similar trend had been observed in the first half of the year where there had been under-expenditure in Programmes 6: Industrial Financing; 4: Industrial Policy; 1: Administration; and 7: Trade and Investment South Africa respectively.

The DTIC had reported that under-expenditure of R526,5 million within the Industrial Financing Programme had been due to lower than expected expenditure on the infrastructure development incentives, an incentive programme which supports SEZs and Industrial Parks. The floods in Kwa-Zulu Natal, load-shedding and low business confidence had also negatively affected disbursements of certain incentive programmes.⁵ Furthermore, under-expenditure within the Industrial Policy Programme had been attributed to unfilled posts and the resultant ‘savings’ in compensation of employees.⁶

Over-expenditure in the Competition Policy Programme had been attributed to a “transfer to the Small Enterprise Finance Agency that was made earlier than projected due to the financial distress the entity was facing and a transfer to the Tirisano Construction Fund Trust in line with receipts (fines received to date) that was higher than anticipated for this period”⁷.

The DTIC also reported that it had received approval from National Treasury in March 2023 to reprioritise R1,6 billion for the following:

- R240,2 million to support businesses affected by the energy crisis through affordable loans administered by the IDC and the NEF,
- R1,2 billion to support investments under manufacturing incentives which include automotives, black industrialists and Agro-processing;

⁵ National Treasury (2023) and DTIC (2023a)

⁶ National Treasury (2023)

⁷ Ibid

- R120 million to support investments under services incentives which include Global Business Services and the Film and TV Incentive Programme; and
- R136,5 million to support infrastructure projects under the Critical Infrastructure Programme.

2.2.2.2. Expenditure by Economic Classification

In this quarter, there had been significant underspending in incentive payments (R525,7 million), transfers to departmental entities (R146,6 million), and on goods and services (R130,7 million). In the first half of the year, under-expenditure had been incurred in incentive payments (R522,1 million), goods and services (R42,5 million), and compensation of employees (R25,5 million). In the third quarter, there had been under-expenditure on transfers to departmental entities compared to an over-expenditure during the first six months of the financial year. This was due to a review of the budget allocations to the ECIC and the National Metrology Institute of South Africa, with R150 million being paid to the ECIC earlier than projected. (See table below.)

Table 2: Expenditure by Economic Classification as at 31 December 2022

Economic Classification (R millions)	Annual Budget	Year to date		Variance (%)
		Budget	Actual Expenditure	
Current payments	1 769,8	1 343,2	1 185,3	11,8
Compensation of Employees	1 081,7	801,1	773,9	3,4
Goods and services	688,1	542,1	411,4	24,1
Transfers and subsidies	9 130,7	7 226,7	6 556,2	9,3
Incentive Payments	5 159,2	3 751,5	3 225,8	14,0
Department Entities	2 005,7	2 054,5	1 907,9	7,1
External Programmes	1 753,5	1 274,9	1 275,2	0,0
Non-Profit Organisations	165,4	143,1	139,6	2,4
Membership Fees	44,1	2,2	1,9	12,8
Households	2,8	0,6	5,7	-861,8
Payments for capital assets	13,1	10,8	2,8	74,1
Payments for financial assets	0,0	0,0	0,0	0,0
Total	10 913,6	8 580,7	7 744,3	9,7

Source: DTIC (2023b)

3. ISSUES RAISED DURING THE DELIBERATIONS

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

- 3.1. **Investments:** A view was expressed that foreign investors were leaving the country due to the failure of government policies. This prompted the sale of bonds and shares by international investors to the amount of R100 billion, opting to invest in other countries. Furthermore, it was argued that captains of industries within South Africa attributed this to a lack of infrastructure investments, reforms and the ongoing energy crisis. Furthermore, there was an unpredictable mix of new investments and exiting companies, exacerbated by poor service delivery by municipalities. The Committee enquired whether the DTIC/Minister considered portfolio disinvestment as having a direct impact on the economy and whether regulatory failures, among others, contributed to lack of investment. In addition, it enquired what plans the DTIC was implementing and/or considering to mitigate against disinvestment from the economy.

The Minister acknowledged that any negative shift in investment was something that should be continuously monitored, as investment, especially foreign direct investment, was a key driver of economic growth. However, it should be noted that there is a clear distinction between portfolio investments versus fixed investments. Government's focus is largely on fixed investments and its policies promote this. The Minister emphasised that South Africa must become an attractive destination for fixed investments but acknowledged that this was being undermined by the energy crisis. However, it should be noted that global factors, such as the Federal Reserve's policy stance on Monetary Policy, could also impact the domestic market, as it could trigger the sale of local bonds to reinvest in the United States (US) as the return on investment in its market becomes more lucrative. Notwithstanding the current situation around investment, Government would continue to encourage both portfolio and fixed investment into the South African economy.

To mitigate the disinvestment in the economy, for the first time, the DTIC has redirected its resources to assist with the energy crisis. This is critical as the energy

crisis impacts on the entire manufacturing sector.

- 3.2. ***Energy crisis plan:*** In addition, the country’s coal supply has been unreliable due to operational issues and disruptions. To address this problem, South Africa has been working to shift its source of energy from coal powered stations to more renewable sources of energy such as wind and solar power. On 9 February 2023, President MC Ramaphosa declared a “state of disaster” over South Africa’s crippling power shortages, saying this posed an existential threat to the economy and the social fabric. He further mentioned that there would be a tax rebate on solar panels. The Committee enquired what the DTIC’s energy plan was. The Minister responded that the DTIC Group supported the wider effort to address the energy challenges. During the third and fourth quarter of the 2022/23 financial year, it was involved in the following manner:
- The support for new energy generation through measures such as unblocking and promoting investment and addressing regulatory challenges;
 - Assisting firms with adaptation strategies, such as the energy resilience scheme;
 - Promoting longer term energy efficiency in the economy through technical standards work; and
 - Promoting industrialisation to ensure that South Africa can develop security of supply of components and create jobs in the process.

The DTIC will pursue the transformation imperative necessary for inclusive growth-while improving regulatory flexibility.

The Competition Commission and the Ministry had developed draft regulations to assist companies in developing a collaborative approach to meet the energy challenges. In addition, the SABS planned to develop and publish standards that provide solutions to economic challenges in the country. In quarter 3, the SABS published 13 standards that were aligned to the scope of alternative energy generation as well as to assist with energy efficiency measures. Industry and other stakeholders were now empowered to mitigate the national energy challenge.

- 3.3. ***Cost of localisation of alternative energy components:*** One of the DTIC’s identified energy interventions was to address the industrialisation of components for alternative

energy products. In this regard, it encouraged investment in component manufacturing and was providing support through its incentive programmes and its development finance institutions to build South Africa's production capacity and help to insulate the supply chain from external shocks. The Committee enquired what the cost implications would be of adding further localization requirements on certain energy infrastructure components given the presidential Energy Action Plan and the need to supplement supply urgently. The Minister acknowledged that it is important to monitor the cost of local production. However, he emphasised that challenges could present opportunities to build or enhance economic capabilities. The industrialisation programme during the COVID-19 pandemic was a prime example of how this could be done. Therefore, it was government's role in partnership with the private sector to capitalise on both positive developments, such as the AfCFTA, and challenges like the energy crisis, floods and droughts, to develop the economy.

3.4. **Beneficiation:** There was a view that most minerals left South African shores not being beneficiated. Given the DTIC's policy to improve its export basket mix by increasing the number of value-added and finished goods, the Committee enquired how the DTIC monitored progress being made in relation to local beneficiation, and what indicators were being used and/or considered in this regard. For instance, whether the DTIC monitored how much minerals were being exported without any beneficiation versus the proportion being beneficiated domestically. Furthermore, it enquired what the DTIC's plan was to grow the manufacturing sector to increase job creation opportunities. The Minister indicated that there were four main areas that the DTIC was targeting to grow the manufacturing sector. The first was its contribution to assist in alleviating the energy crisis. The second was to develop the African market for South African exports. The third area was assisting to address other infrastructure gaps such as water, transport logistics and information and communication technologies. The fourth area was deepening localisation where there was a commercial case to do so. Other work being done related to green industrialisation, widening the base of South African entrepreneurs and promoting exports to other parts of the world.

3.5. **Basic iron and steel:** The DTIC reported that basic iron and steel drove declines in metal sales falling by 15 percent in the third quarter. Steel manufacturers surveyed by

the DTIC confirmed these challenges and reported that declines were a result of slow global growth, rising global interest rates, load shedding and weak construction demand. The Committee enquired whether further investment by the DTIC and the Development Finance Institutions to steel manufacturers was beneficial for downstream manufacturers in the iron and steel industry, given that market conditions were unlikely to change. The Minister responded that the upstream steel manufacturing industry played an important role in beneficiating domestic iron ore. Therefore, the DTIC could not only consider the current challenge of the global glut of steel, as this would be detrimental to industrialising the economy over the long term. Furthermore, the public sector investment in upstream steel manufacturing was to improve competition in the upstream steel manufacturing industry and to open up this market to more players. This is expected to lower the cost of domestic steel to downstream steel producers.

- 3.6. ***Scrap metal ban:*** New measures on the export of scrap metals had been published by Government to curb theft and damage of public infrastructure. Phase 1 of the measures came into effect on 30 November 2022. These included a six-month temporary prohibition on the export of copper waste scrap metal, ferrous waste and scrap metal, and remelted ingots of iron or steel, with exceptions for stainless steel ferrous waste and scrap generated in the ordinary course of business as a by-product of a manufacturing process. A view was expressed that this was a protectionist measure against international competition. The Committee enquired whether the Minister would consider reviewing the ban on scrap metal exports if evidence showed that it was ineffective in curbing the theft and vandalism of public infrastructure. The Minister advised that the DTIC is continuously monitoring the data and information available to it regarding the export of scrap metal and the incidence of theft and damage to public infrastructure. He noted that the majority of these incidence was driven by criminal syndicates, which rendered public infrastructure unusable and aggravated the energy crisis. He called for national support for the measures being implemented, and the efforts by law enforcement to curb the incidence of theft and vandalism.
- 3.7. ***Review of the SADC-EU Economic Partnership Agreement (EPA):*** The SADC-EU EPA contains a revision clause requiring the parties to review the Agreement in its

entirety no later than five years after entry into force. The review was initiated at the end of 2021 and was currently underway. The Committee enquired what the status of the negotiations were between South Africa and the EU, and what kind of additional concessions were being considered. The Minister indicated that the review of the SADC-EU EPA was underway, and parties have exchanged indicative lists of issues of interest. South African interests were improvements on rules of origin, export tax provisions and market access. The EU has expressed interests in rule-making in areas such as investment, competition, intellectual property rights and sustainable development. Ongoing areas of bilateral engagement with the EU included unblocking exports of citrus fruit, game meat, aquaculture, and horses, and addressing surcharges on steel, and poultry exports. The Minister indicated that the parties would not be negotiating publicly, and that the EU has requested additional time to conclude studies on the impact of the EPA. The EU has given a rough timeframe of 12 months for this process.

- 3.8. ***False Codling Moth:*** In July 2022, the EU imposed new restrictions on South Africa's citrus exports in the middle of the South African export season. The restrictions related to new phytosanitary requirements aimed at addressing False Codling Moth, a citrus pest native to South Africa, among others. This was first declared as a quarantine pest in 2018 requiring non-EU countries to use cold treatment or another effective treatment to ensure the products are free from the pest. The Committee enquired whether this was a protectionist measure being imposed by the EU, as South Africa is the second largest citrus exporter after Spain. The Minister reported that on this matter, the EU was not following trade laws in that the requirements should be proportionate and appropriate to the problem. After numerous engagements with the EU on the matter, South Africa has initiated World Trade Organisation consultations with the EU to address concerns about new regulations imposed to address False Codling Moth on citrus. It was of the view that the implemented risk mitigating systems approach was effective and that the 2022 amended regulations would introduce significant new barriers to South African citrus exports to the EU, particularly oranges. New requirements focused primarily on cooling before and during shipment. This has significant cost implications for South Africa, especially for emerging farmers, as South Africa does not have sufficient cool room capacity to accommodate the pre-cooling requirement. Government's view was

that the EU should also consider less trade restrictive and less costly responses to manage any potential risks associated with false codling moth.

- 3.9. ***Russia-Ukraine conflict:*** South Africa has maintained a neutral political position throughout the conflict between Russia and Ukraine given its historical relations with Russia during the apartheid era and continued cooperation through the Brazil, Russia, India, China and South Africa Forum. There was a perception that this political stance could place its trade relations with certain developed countries at risk, particularly the US, due to a possible economic backlash and the loss of access to the AGOA. The Committee enquired what plans the DTIC had to mitigate any exogenous economic shocks related to the conflict. In addition, it requested the Minister to share his AGOA Strategy, especially considering its importance for the automotive sector. The DTIC responded that the Ukraine-Russia war has impacted negatively on the supply and global price of oil, natural gas, sunflower oil and wheat, amongst others. As South Africa is a net importer of wheat, this has led to increased domestic wheat prices while higher global oil prices (and rand depreciation) have led to higher domestic fuel prices. In addition, food price inflation was being driven by much higher levels of loadshedding in 2022 and 2023. It reported that the Competition Commission has been monitoring the price of essential foods since the onset of the COVID-19 pandemic in March 2020. In its latest Essential Food Price Monitoring Report for 2021 and 2022, it noted that some price increases in the food value-chain were concerning as they appeared to be unjustified and opportunistic. The Commission was currently undertaking additional in-depth research into some of these food value-chains and would remain vigilant to any anti-competitive conduct which seeks to disadvantage especially poor consumers in South Africa. In addition, the DTIC continued to work closely with business, organised labour and other national departments on Master Plans which seek to increase South Africa's production of animal feed, poultry, and sugar, amongst others. These initiatives seek to 'localise' production in South Africa and thus reduce exposure to volatile global markets.

In terms of AGOA, the Minister indicated that it expired in 2025. The AGOA eligible sub-Saharan countries have developed a common position on AGOA. This is that (i) AGOA should be extended beyond its 2025 expiry, for an extended period of time;

(ii) it should improve product and country coverage and remove US non-tariff barriers; and (iii) “graduating”, namely excluding some Sub-Saharan African countries from AGOA is opposed. The countries were calling for US support to Africa’s industrialisation and integration efforts and encouraged increased US investment in manufacturing and infrastructure. South Africa would be hosting the AGOA Forum in 2023 and the region would seek to influence the future direction and content of US trade and investment in Sub-Saharan Africa.

3.10. ***South Africa-Saudi Arabia Joint Economic Commission:*** On the 3-4 October 2022, the Minister hosted the South African-Saudi Arabia Joint Economic Commission in Tshwane. This was considered to be a significant platform to unlock trade and investments by establishing networks with key Saudi Arabian officials and private sector leaders. The relaunch was a significant achievement as the Commission had been active for a number of years. The Committee enquired how this event was funded. The Minister indicated that the domestic business delegates had covered their own delegation, accommodation and travel costs. The DTIC had created and facilitated a platform for them to access economic opportunities with Saudi Arabia.

3.11. ***Legislation:*** The DTIC indicated that it had produced a report on key legislation under review and preliminary proposals in that regard. The Committee enquired (i) which key pieces of legislation were being reviewed; (ii) the timeframes for each review process; and (iii) whether any pieces of legislation would be tabled before Parliament during the 2023/24 financial year. The DTIC responded that it expected to submit the Companies Amendment Bill to Parliament during the 2023/24 financial year. Furthermore, it would be prioritising four pieces of legislation in its 2023/24 APP, namely the Patents and Designs Amendment Bills to support industrialisation by utilisation of the World Trade Organisation Agreement on Trade-related Intellectual Property Rights flexibilities decision; the amendment of the National Building Regulations and Building Standards Act (No. 103 of 1977) for submission to the Executive Authority; and the tabling of the Companies Amendment Bill in Parliament by the first quarter of the 2023/24 financial year.

3.12. ***Appointment of the Director-General (DG):*** The DG’s role, as the Accounting Officer of the Department, is to oversee the work of the Department including its financial and

non-financial performance. Given the extended period that the DTIC has been without formerly appointing a DG and the impact this had on the DTIC, the Committee enquired when the position of the DG would be filled. The Minister indicated that an Inter-Ministerial Committee had been set up towards the end of December 2022 to deal with the appointment of the DG. He emphasised that all the necessary processes should be followed and that there is confidence that the appropriate appointment is made.

- 3.13. ***Underspending:*** Underspending by government can have a negative impact on economic growth, employment creation, and fighting poverty. Third quarter under-expenditure had been significantly higher than during the previous two quarters. In the first half of the financial year, actual expenditure had been R2,1 billion against a year-to-date budget of R3,1 billion. Therefore, under-expenditure had been R1 billion or 32,5 percent of the year-to-date budget. The Committee had requested clarity on the underspending in the Administration, and Trade and Investment South Africa Programmes. It further enquired what impact underspending by the Department had on the economy. The DTIC indicated that, one of the key underspending areas that it was struggling with was on SEZs through the Critical Infrastructure Programme, as well as transfers to certain SEZ operators for their operational budgets, as they had not subsequently met the requirements for the transfer of money. The DTIC has taken a decision to not transfer money to these operators if they have not met the requirements, do not have the appropriate governance systems in place, and have not met the milestones that are required.
- 3.14. ***Oversight over the governance of entities:*** The DTIC had previously noted the importance of the oversight framework and the implementation thereof. It had planned to approve the framework in the third quarter; however, this target had not been achieved because of a delay in the appointment of the service provider. The Committee requested the DTIC to clarify the scope of work that the service provider had been commissioned to do in relation to the development of the proposal for the rationalisation of entities. Furthermore, it enquired what the reasons had been for the delay in the appointment of the service provider for this work, and when it expected the Entity Oversight Unit to be established and operational. The DTIC indicated that the Service Provider had been commissioned to do the following in relation to the

development of proposals for the rationalisation of entities includes, amongst others:

- Assessment of the mandates of the 18 entities and enabling legislation including (i) the effectiveness of the current applicable governance models, namely Commissioners for some and Boards for others, (ii) a cost-benefit analysis, and (iii) indication of areas of possible optimisation at the strategic and operational level.
- Development of proposals for the optimisation of the 18 entities.
- Recommendations in terms of how the entities could be optimised both strategically and operationally for maximum impact and accelerated service delivery.
- Development of implementation plans for each recommendation.

The delays in the appointment of the Service Provider had emanated from the need to ensure that all internal stakeholders had been consulted around the Terms of Reference. The consultation processes had taken longer than anticipated. The DTIC also indicated that work around the new entity oversight unit was being conducted as part of the Fit-For-Purpose process.

4. CONCLUSIONS

Having considered the information shared and reports from the DTIC with the respect to its third quarter financial and non-financial performance for the 2022/23 financial year, the Committee has reached the following conclusions:

- 4.1 The Committee noted the challenges being experienced in attracting and retaining fixed direct investment, partially due to the energy crisis. It welcomed the DTIC's shift to actively contribute to the announced Electricity Action Plan to assist power-generating companies to navigate the different legislative processes and improve turnaround times by assisting investors to submit applications through a single window process in mitigating the energy challenges, even though energy generation falls outside of its mandate.

- 4.2 The Committee welcomed the work of the DTIC Group in terms of its energy crisis plan. In particular, it noted the (i) draft regulations developed in conjunction with the Competition Commission to assist companies in developing a collaborative approach to meet the energy challenges; and (ii) the 13 standards developed and published by the South African Bureau of Standards related to alternative energy generation and energy efficiency measures.
- 4.3 The Committee recognised the need to localise alternative energy components to ensure that South Africa has productive capacity in this regard in order to insulate it from external shocks. However, it encouraged the DTIC to monitor the cost of this to ensure that the growing industry becomes competitive and does not unduly increase the cost of alternative energy given the current electricity crisis/need to augment energy generation over the short to medium term.
- 4.4 The Committee was of the view that higher levels of beneficiation are essential to effectively diversify South Africa's export basket. However, it was unclear how the DTIC was monitoring the levels of beneficiation.
- 4.5 The Committee welcomed the inter-governmental collaboration to address the scourge of public infrastructure being stolen and/or damaged for resale or export as scrap metal. It urged the DTIC to continuously monitor the situation to ensure that measures being implemented are effective, in particular the temporary scrap metal ban.
- 4.6 The Committee was concerned by ongoing issues regarding South African citrus exports and the introduction of additional phyto-sanitary requirements to address False Codling Moth. It agreed that this was a protectionist measure by the European Union and supported the government in initiating World Trade Organisation consultations with the European Union to address the matter.
- 4.7 The Committee noted the ongoing review process of the Economic Partnership Agreement between the Southern African Development Community and the European Union, as well as the issues expressed for consideration by the two parties.

- 4.8 The Committee recognised that South Africa was not immune to the impact of geopolitical conflicts on the global economy, in particular the inflationary effect on prices of food and fuel. It noted the ongoing efforts by the Competition Commission to ensure that, in particular, there was no price gouging of food prices.
- 4.9 The Committee welcomed ongoing negotiations for the renewal of the United States' African Growth and Opportunity Act, and the continued preferential access of South African exports to the United States.
- 4.10 The Committee encouraged the Minister to expedite the appointment of the director-general of the Department.
- 4.11 The Committee urged the DTIC to finalise the development of the oversight framework for the governance of entities, as well as the establishment of the Entity Oversight Unit.

5. APPRECIATION

The Committee would like to thank the Minister of Trade, Industry and Competition, Mr E Patel, and the Acting Director-General of the Department of Trade, Industry, and Competition, Ms M Mabitje-Thompson, as well as their team, for their cooperation and transparency during this process. The Committee also wishes to thank its support staff, in particular the acting committee secretary, Ms N Mooi; the committee secretary, Mr A Hemans, the researcher, Ms Z Madalane; the content advisor, Ms M Sheldon; and the committee assistant, Ms Y Manakaza, for their professional support and conscientious commitment and dedication to their work. The Chairperson wishes to thank all Members of the Committee for their active participation during the process of engagement and deliberations and their constructive concluding remarks reflected in this report.

6. RECOMMENDATIONS

Informed by its deliberations, the Committee recommends that the House requests that the Minister of Trade, Industry and Competition should consider publishing an annual report on the progress made in terms of the levels of beneficiation within the economy.

Report to be considered.

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