8. Budgetary Review and Recommendation Report of the Portfolio Committee on Trade, Industry and Competition, dated 25 October 2024

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, namely the financial and non-financial resources for the period 1 April 2023 to 30 June 2024, reports as follows:

1. INTRODUCTION

The DTIC's mandate is to facilitate inclusive economic growth in the pursuit of job creation, poverty reduction, and economic and spatial equality, while ensuring a fair and balanced marketplace for consumers and businesses. Therefore, as evident in its performance targets, it remained focused on attracting and retaining investment; facilitating increased localisation; increasing exports; supporting and creating jobs; and supporting regional integration, particularly capitalising on opportunities brought by the African Continental Free Trade Area (AfCFTA) for the financial period under review.

The DTIC's allocated budget remained under pressure due to fiscal constraints and slow economic recovery. Its allocated budget had decreased from R10,9 billion in the 2022/23 financial year to R10,7 billion in the 2023/24 financial year. This decrease was mainly due to ongoing austerity measures. For the 2023/24 financial year, the DTIC had achieved 83,9 per cent of its non-financial performance targets, had spent 99,5 per cent of its budget and had achieved a clean audit outcome.

Similarly in the 2024/25 financial year, the DTIC had been allocated a budget of R9,6 billion which is R1,1 billion less than the previous financial year's allocation of R10,7 billion. This further showed the impact of the ongoing austerity measures. In the first quarter of the 2024/25 financial year, 37 targets had been achieved against 64 planned targets (57,8 per cent of planned targets). This shows a decline in performance compared to the same period in the previous financial year.

1.1. Mandate of the Committee

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

1.2. Purpose of the BRR Report

The purpose of this report is to analyse the annual financial and non-financial performance of the DTIC for the 2023/24 financial year, and for the first quarter of the 2024/25 financial year for the DTIC, against predetermined objectives to inform recommendations for its forward-looking budget. This report, therefore, assesses performance for the 2023/24 financial year, as well as for the first three months of the 2024/25 financial year, namely from 1 April 2023 to 30 June 2024, within the context of the three-year Medium-Term Expenditure Framework.

1.3. Method

The Committee met with the Office of the Auditor-General (AG) on 8 October 2024 to discuss the audit outcomes for the 2023/24 financial year. This was followed by a briefing from the DTIC on its 2023/24 annual report and on its financial and non-financial performance for the first quarter of the 2024/25 financial year.

1.4. Limitation of the report

The BRR Report is intended to cover an 18-month period namely the previous financial year's annual report and the first six months (April to September) of the current financial year. However, due to the timing of the BRR Report, the second quarter financial and non-financial information were not available at the time of publication. The key challenge was that the DTIC and its entities were still in the process of compiling the preliminary performance information, which must be submitted to the Department of Planning, Monitoring and Evaluation (DPME) and National Treasury (NT) by the end of October. The verified information would only be available in January of the following year. Therefore, the report has only captured performance up to the end of the first quarter of the 2024/25 financial year.

1.5. Outline of the contents of the report

This BRR Report consists of the introduction (Section 1) and eight sections. Section 1 briefly provides an overview of the mandate of the Committee, the purpose of this report, the method followed in preparing this report and the limitation of the report.

Section 2 provides a summary of the key financial and non-financial performance recommendations of the Committee as captured in its previous BRR Report and its 2024 Budget Vote Report. Section 3 sets out the key policy focus areas for the DTIC. This includes an overview of its strategic objectives and mandate. Section 4 provides an assessment of the DTIC's financial and non-financial performance against its budget allocation from 1 April 2023 to 31 March 2024, as well as its audit findings and human resource management, for the period ending 31 March 2024. Section 5 considers the financial and non-financial performance of the DTIC for the period ending 30 June 2024.

Then, section 6 outlines key issues raised by the Committee during its deliberations with the DTIC. Section 7 provides the Committee's concluding remarks followed by a note of appreciation in Section 8. Section 9 then concludes with the Committee's recommendation for the National Assembly's consideration and approval.

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

2.1. 2023 BRR Report recommendation

The Committee recommended that "the House requests that the Minister of Trade, Industry and Competition should consider monitoring the cost of poultry feed, and ascertain whether there is any anti-competitive behaviour in the poultry feed sector."[1]

[1] Portfolio Committee on Trade, Industry and Competition (2023: 49)

2.2. 2024 Budget Vote Report recommendation

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

- Engaging with the relevant Ministries, in conjunction with the private sector and organised labour, to consider a skills development strategy to promote and enhance its current industrialisation drive and report to the National Assembly within six months of the adoption of this report.
- Establishing a coordinating structure that includes all relevant government departments and public entities to address blockages to industrialisation, such as transport logistics, high administered prices and energy supply and report to the National Assembly within six months of the adoption of this report.
- The viability of designating Special Economic Zones (SEZs) for the film and television industry and report to the National Assembly within six months of the adoption of this report.
- Developing specific key performance indicators and/or output targets regarding the creation of new business enterprises."[2]

3. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

3.1. Strategic objectives

The DTIC's mission is to:

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

[2] Portfolio Committee on Trade, Industry and Competition (2024: 99)

- Co-ordinate the contributions of government departments, state entities and civil society to effect economic development; and
- Improve alignment between economic policies, plans of the state, its agencies, government's political and economic objectives and mandate."[3]

From the 2022/23 financial year to the 2023/24 financial year, the DTIC had made several changes to the approach it took in determining key performance indicators (KPIs), as well as in how the programmes within the DTIC were structured. In terms of its KPIs, in the 2022/23 financial year, the DTIC built on the joint KPIs introduced in 2021 to improve integration of the work of the DTIC and its entities. Three succinct outcomes had been introduced, namely (i) industrialisation to promote jobs and rising incomes, (ii) transformation to build an inclusive economy, and (iii) a capable state to ensure improved impact of public policies. Each programme's KPIs were linked to one of these three outcomes. During this financial year, the DTIC had maintained its ten programmes.[4]

In the 2023/24 financial year, the DTIC sought to consolidate the gains made over the previous four financial years by realigning its programmes around a set of outputs that would be measured in terms of the real impact they have on jobs, growth and transformation. In this regard, it was piloting an innovative new approach, in partnership with the DPME, that moves away from purely targeted inputs and activities that are easier to audit, removing factors that are beyond the DTIC's control or influence, towards a set of targeted impact outcomes. This approach required the Annual Performance Plan (APP) to become a dynamic document that could be updated in the light of experience and learnings based on the implementation of the new approach on the delivery of the DTIC Group's services, as well as substantive changes in the underlying assumptions.[5]

The DTIC had reduced its number of programmes from ten to nine during the 2023/24 financial year. Each of the DTIC's programmes' targets are linked to at least one of the three abovementioned outcomes and one of the 12 functional focus areas identified in the 2023/24 APP to ensure greater coordination within the DTIC to effectively contribute to the achievement of the outcomes. The 2024/25 financial year continued with this approach.

[3] DTIC (2023a: 12)

[4] DTIC (2022)

[5] DTIC (2023a)

The DTIC is responsible for administering 47 pieces of legislation; and overseeing 18 entities (see Figure 1 below) (excluding the Broad-Based Black Economic Empowerment (B-BBEE) Commission, which is an entity under the administration of the DTIC) that contribute towards fulfilling its mandate. In addition to overseeing the DTIC, the Committee oversees these entities, as a number of the DTIC's strategic objectives are implemented by them.

Figure 1: List of entities reporting to the DTIC

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

4. OVERVIEW AND ASSESSMENT OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE FOR THE PERIOD 1 APRIL 2023 TO 31 MARCH 2024

This section provides a comparison between what the DTIC had targeted in its APP against its performance set out in the Annual Report for the 2023/24 financial year. It then provides an overview of the AG's audit outcomes and human resources as at 31 March 2024.

4.1. Non-financial performance

The section below details the DTIC's performance by programme for the 2023/24 financial year against its targets as set out in its APP.

For the financial year, the DTIC had a total of 124 KPIs[6] based on the re-tabled 2023/24 APP in March 2024. In the previous financial year, there had been 151 KPIs, as some of the performance targets for the 2023/24 financial year had been reworked and/or removed. Of

[6] DTIC (2023a)

the 124 targets, 104 had been achieved, meaning that the DTIC had achieved 83,9 per cent of its targets compared to 97 per cent in the previous financial year.[7]

Table 1: Summary of 2023/24 KPIs per Programme

	Programme	Performance targets	Achieved
1	Administration	6	4
2	Trade	18	17
3	Investment and Spatial Industrial Development	12	10
4	Sectors	16	15
5	Regulation	6	3
6	Incentives	15	13
7	Exports	16	14
8	Transformation and Competition	23	17
9	Research	12	11
	Total	**124**	**104**

Source: DTIC (2024b)

4.1.1 Programme 1: Administration[8]

The purpose of the Administration Programme is to provide strategic leadership, management and support services to the DTIC.[9] Under Programme 1, the DTIC had reported on six performance targets and its achievement in respect of these.

The targets it had achieved were:

- Procurement spending to support Small, Medium, and Micro Enterprises (SMMEs), women and youth-owned businesses:
  - 42 per cent had been spent on women-owned businesses against a target of 40 per cent; and
  - 47 per cent had been spent on youth-owned businesses against a target of 30 per cent.
- A total of 1 218 DTIC success stories had been profiled against a target of 1 000 stories.
- 52 community outreach initiatives had been completed in all 52 districts, as planned.

The targets that had not been achieved were:

- The target for 7 per cent of its procurement contract value to be towards businesses owned by people with disabilities had not been achieved. For the financial year, only 1 per cent

[7] DTIC (2024b) and DTIC (2023b)

[8] DTIC (2024b: 52-53)

[9] DTIC (2023a: 124)

of the DTIC's contracts by value went to businesses owned by people with disabilities. The DTIC attributed this to the procurement system that remained centralised, and it reported that it was working on addressing this.

- The Incentives Adjudication Review Committee had not been established as planned. According to the DTIC, this target had not been achieved because the founding documents to establish the panel had not been approved.

4.1.2 Programme 2: Trade[10]

Through Programme 2, the DTIC aims to "build an equitable global trading system that facilitates development by strengthening trade and investment links with key economies and fostering African development, including regional and continental integration and development cooperation in line with the African Union (AU) Agenda 2063"[11]. Under this Programme, all 18 targets had been new, therefore, the performance could not be compared to the previous financial year.

The targets that had been achieved were:

- The value of investment pledges facilitated through reciprocal commitments was R1,07 billion against a target of R50 million. This significant discrepancy was attributed to this being a new indicator with no previous baseline, making annual targets difficult to project.
- The value of additional local industrial output due to utilisation of rebates was R28,9 billion against a target of R20 billion.
- The value of manufacturing exports facilitated under rebates, drawbacks, non-proliferation export permits and the Automotive Production and Development Programme (APDP) had been R308 billion against a target R300 billion.
- The value of manufactured exports to African countries facilitated under rebates, drawbacks and APDP had been R27 billion against a target of R25 billion
- A total of 130 527 jobs had been supported (direct jobs at the time of application) because of implemented tariff increases, rebates, APDP programme and trade remedies administered by International Trade and Administration Commission (ITAC) against a target of 120 000 jobs.

[10] DTIC (2024b: 63-72)

[11] DTIC (2023a: 131)

- 963 new jobs had been created (direct jobs at the time of application) as a result of implemented tariff increases, rebates, APDP programme and trade remedies administered by ITAC against a target of 500 jobs.
- One trade directive to assess the tariff structure for imports of alternative energy components and the final goods to ensure that tariffs encourage local manufacturing, including an assessment of the need for rebates or other tariff instruments had been achieved as planned.
- Five reports on the outcomes of the following business forums had been produced, namely the South Africa-Democratic Republic of Congo State Visit, South Africa-Uganda Investment Summit, South Africa-Namibia Bi-National Commission and Business Forum, African Growth and Opportunity Act (AGOA) Private Sector Forum, and the South Africa-Ghana Business Forum.
- Two Bills, namely the Patents and the Designs Amendment Bills, had been submitted to the Executive Authority as planned.
- There had been 18 high-impact trade interventions completed against a target of ten interventions. The DTIC attributed this to ITAC recommendations approved than anticipated
- A strategy on the Carbon Border Adjustment Mechanism (CBAM) had been finalised and a report with proposed actions to respond to CBAM had been prepared. It also raised the country's concerns about CBAM at the 13th World Trade Organisation (WTO) Ministerial Conference in February 2024.
- Two reports on 95 per cent achievement of KPIs and the impact of the work of ITAC had been produced as planned.
- Had hosted the BRICS Trade Ministers and AGOA Forum as planned.
- In terms of amending three regulations on anti-dumping, safeguards and import and export control to reduce red tape, two Draft regulations on anti-dumping and draft regulations on important and export control had been submitted to the Minister against a target of three regulations. The Safeguards regulations required further internal consultation, according to the DTIC.
- Cabinet memorandums on ratification of the Competition Protocol and ratification of the WTO Fisheries Subsidies Agreement had been submitted to the Executive Authority as planned and the protocols had been submitted to the AfCFTA Council of Ministers, namely the Protocol on Investment, Protocol on Women in Trade, Protocol on Digital Trade as planned.

- Seven impact assessments on trade instruments had been applied for and issued, against a target of six including (a) Impact assessment report on acrylic resins, (b) Impact assessment on rebate 311.40[12], (c) Ultra-high-temperature processed milk trade monitoring report, (d) CMT survey report, (e) Solar panels trade monitoring report, (f) Trade adjustment import sensitivity report, and (g) Permit Modernisation report.
- It appears that the DTIC had achieved the target to facilitate the start of preferential trading in goods under the AFCFTA by (a) Submitting the Southern African Customs Union (SACU) 90 per cent tariff offer to the AfCFTA Secretariat, (b) Facilitating changes to the Customs and Excise Act and gazetting thereof by the South African Revenue Service to implement SACU tariff offer by March 2024, and (c) Reporting on progress to finalise the outstanding rules of origin for clothing and automotive by March 2024. The DTIC does not outrightly state that these had been achieved but reported that South Africa had commenced preferential trading in goods under the AfCFTA on 31 January 2024.

The target that had not been achieved was the number of reports on support provided to investors requiring resolution of trade barriers and non-trade barriers. Four reports against a target of five reports had been prepared.

4.1.3 Programme 3: Investment and Spatial Industrial Development[13]

This Programme supports foreign direct investment (FDI) flows and promotes domestic investment by providing a one-stop shop for investment promotion, investor facilitation and aftercare support for investors as well as increased participation in industrialisation[14]. The targets set and reported for the financial year are shown below.

The targets that have been achieved were:

- The value of investment facilitated through investment support and SEZs had been R291,5 billion against a target of R200 billion.
- The value of additional local output committed or achieved through investments had been R3,9 billion against a target of R1,0 billion.

[12] Rebates in relation to certain textile yarns and textile fabrics imported for the manufacture of apparel and clothing accessories.

[13] DTIC (2024b: 77-79)

[14] DTIC (2023a: 141)

- The value of manufacturing exports facilitated through branch interventions had been R20,6 billion against a target of R15,0 billion.
- A total of 45 905 jobs had been supported or covered by master plans against a target of 25 000 jobs.
- A total of 156 705 jobs had been created through branch interventions against a target of 7 860 jobs.
- Phase 1 of the physical Energy One-Stop-Shop had been established as planned.
- A total of 265 investor facilitation and unblocking interventions had been provided against a target of 100 interventions.
- The South African investment conference had been hosted as planned.
- 232 megawatts of energy had been available for the grid against a target of 230 megawatts. According to the DTIC, this was due to the increase in the number of megawatts of energy available for the grid.
- In terms of SEZs, two applications, namely for the Namakwa SEZ and the expansion of the Coega SEZ for a Pharmaceutical and Vaccine Hub, had been assessed and submitted to the Minister for consideration against a target of one new SEZ application being considered for designation. Additionally, one application for the Fetakgomo Tubatse SEZ had been referred back for further amendments.

The targets that had not been achieved were:

- The target to increase energy by 800 Megawatts from projects facilitated had not been achieved.
- The value of support on black industrialist output achieved through branch interventions had been R517 million against a target of R1,0 billion.

4.1.4 Programme 4: Sectors[15]

The Sectors Programme is responsible for "designing and implementing policies, strategies and programmes to strengthen the ability of manufacturing and other sectors of the economy, to create decent jobs, promote inclusion, and increase value addition and competitiveness, in both domestic and export markets"[16].

[15] DTIC (2024b: 86-92)

[16] DTIC (2023a: 149)

The targets that had been achieved were:

- The value of investment facilitated by branch interventions had been R3,07 billion against a target of R1,5 billion.
- The value of additional output committed or achieved by branch interventions had been R2,6 billion against a target of R2,5 billion. The DTIC had stated that “more companies invested in increased local production and provided this information as a demonstration of their commitment to industrialisation”[17].
- Manufacturing exports facilitated by the DTIC had reached R7,03 billion against a target of R410 million.
- The value of manufacturing exports to Africa facilitated had been R390,2 million against a target of R93 million.
- A total of 605 973 jobs had been supported and maintained as a result of branch interventions against a target of 600 000 jobs. These jobs had been in master plan sectors.
- A total of 16 720 jobs had been supported in black industrialist firms against a target of 5 000 jobs.
- Four compulsory specifications had been submitted to the Executive Authority as planned.
- The National Building Regulations and Building Standards Act had been submitted to the Executive Authority as planned.
- The White Paper on new energy vehicles had been finalised as planned.
- The Green Hydrogen Commercialisation Framework had been finalised as planned.
- Four reports had been produced on the monitoring and evaluation of the implementation of six approved master plans as planned.
- The draft Medical Devices Master Plan had been developed.
- Four reports on 95 per cent achievement of KPIs and the impact of the work of entities had been produced.
- Two bi-annual action minutes on the improvement of turnaround times of two key technical infrastructure processes, namely for the South African Bureau of Standards (SABS) and the National Regulator for Compulsory Specifications (NRCS).
- The Metal Trade System development had been finalised as planned and institutionalised and housed at ITAC where ongoing testing was taking place.

[17] DTIC (2024b: 86)

The target that had not been achieved was in relation to the jobs to be created through branch interventions. A total of 68 social economy fund jobs had been created against a target of 1 459 jobs. According to the DTIC, this was because new industrial investments being supported take time to come on-stream. However, job numbers would improve as projects reach commercial production stages. On the other hand, the low job numbers also reflect the performance of the economy.

4.1.5 Programme 5: Regulation[18]

The purpose of the programme is to "develop and implement coherent, predictable, and transparent regulatory solutions that facilitate easy access to redress and efficient regulation for economic citizens"[19].

The achieved targets were:

- 51 391 jobs had been supported in liquor distributors and lotteries against a target of 20 000 jobs.
- The beneficial ownership register establishment; and the integrated business ownership register had been published as planned.
- Two reports on the Companies Amendment Bills had been tabled or submitted to the Executive Authority.

The following targets had not been achieved:

- 17 workshops had been hosted outside the five metros to support SMMEs against a target of 20 workshops. According to the DTIC, the target had not been met because it was a joint target with other branches within the DTIC.
- Nine education workshops had been hosted to support SMMEs against a target of 20 workshops. Similarly, the DTIC noted that this had not been met because it was a joint target with other branches within the DTIC.
- Only four actions had been completed on price monitoring, excessive pricing, or price gouging against a target of ten actions. The DTIC reported that the National Consumer Commission (NCC) had only conducted investigations of consumer products in terms of sections 3, 23, and 48 of the Consumer Protection Act. However, it remained unclear why

[18] DTIC (2024b: 96-98)

[19] DTIC (2023a: 164)

the target had not been achieved or whether this was as a result of less than expected completed cases.

4.1.6 Programme 6: Incentives[20]

Programme 6 is responsible for stimulating and facilitating the development of sustainable and competitive enterprises, through the efficient provision of effective and accessible incentive measures that support national priorities[21]. The programme captures the core mandate of the DTIC, it is the largest programme accounting for approximately 51 per cent of total expenditure.

The targets that had been achieved were:

- The value of investment facilitated through industrial financial support had been R33,9 billion against a target of R25 billion. The DTIC attributed this better than expect achievement to increased uptake of SEZs which led to a higher value of projected investment.
- The value of additional local outputs had been R73,4 billion, this had been significantly more than the target of R750 million. The Automotive Incentive Scheme (AIS) had contributed more to local output than envisaged.
- The value of approved funding accessed by projects or enterprises had been R5,2 billion against a target of R5,0 billion.
- The value of approved funding disbursed to projects/enterprises outside the five main metros had been more than double the target of R1,0 billion. This had been R2,03 billion and was attributed to high value of approved funding disbursed to projects/ enterprises outside the five main metros reported by AIS.
- The value of approved funding accessed, and support provided to SMMEs had been R607,2 million, approximately R107 million more than the target.
- The value of output by black industrialist firms supported by the DTIC group had been R1,7 billion more than the target at R4,7 billion. The AIS black-owned projects reported a higher value of output than anticipated.
- 52 390 retained and new jobs had been supported under Global Business Servies Master Plan against a target of 25 000 jobs.

[20] DTIC (2024b: 102-106)

[21] DTIC (2023a: 171)

- 17 751 new permanent jobs had been created against a target of 10 000 jobs. The AIS was also in this case the main programme contributing to the high number of jobs.
- 5708 jobs in black industrialist firms had been supported against a target of 3 000 jobs. The Black Industrialist Scheme contribute to a higher than expected number of jobs in black industrialist firms.
- The value of financial support to enterprises including SMMEs to mitigate the impact of loadshedding through Energy Resilience Fund had been significantly higher than the target of R240 million. It had been R2,4 billion as a result of the National Empowerment Fund (NEF) and Industrial Development Corporation (IDC) receiving higher than expected demand for energy funding projects.
- Four reports on 95 per cent achievement of KPIs and the impact of the work of its entities, namely the IDC and the NEF had been produced.
- Three regulations/guidelines and red tape reduction interventions had been published against a target of two. The additional publication had been in relation to the Agro-Processing Support Scheme, which had been amended to consider the possibility of supporting hemp and cannabis products.

The targets that had not been achieved were:

- The value of exports of Global Business Services which had been at R7,3 billion against a target of R8,0 billion. According to the DTIC, this had resulted from the reduction in the export revenue of BMW South Africa IT Hub.
- 1 342 construction job opportunities (part-time or temporary job opportunities) had been created against a target of 3 000 job opportunities as a result of fewer than expected claims from the Critical Infrastructure Programme.

4.1.7 Programme 7: Exports[22]

The purpose of this Programme is to "increase export capacity and support direct investment flows, through targeted strategies, and an effectively managed network of foreign trade and investment offices" [23].

[22] DTIC (2024b: 109-116)

[23] DTIC (2023a: 180)

The targets which had been achieved, related to mainly reports on manufacturing exports and initiatives that support exports. The targets that had been achieved under this Programme were as follows:

- R942 billion in exports in manufacturing sectors to the rest of the world had been achieved against a target of R800 billion.
- R241,4 billion in exports in manufacturing sectors to the rest of the world had been achieved against a target of R170,4 billion.
- R406 billion in exports to the rest of Africa in manufacturing sectors had been achieved against a target of R330 billion.
- R117,6 billion in exports to the rest of Africa in manufacturing sectors had been achieved against a target of R65,2 billion. The DTIC stated that this had been generated in sectors supported by export councils and through export promotion initiatives.
- The value of approved funding support to exporters to participate in export promotion initiatives had been R201,6 million against a target of R148 million.
- R96 million had been provided to SMMEs, including women- and youth-empowered enterprises to participate in export initiatives against a target of R60 million due to better than expected uptake by SMMEs participating in export initiatives.
- R71,8 million funding had been provided to exporters for export initiatives in labour-absorbing sectors against a target of R58 million due to a higher number of enterprises participating in export initiatives.
- R15,9 billion of output by black industrialist firms supported through export initiatives against a target of R10 billion.
- 122 459 jobs had been supported through export initiatives against a target of 70 000 jobs. This was almost double the target.
- 15 099 jobs had been supported in black industrialist firms through export initiatives against a target of 6 500 jobs.
- Six business forums had been conducted in support of increased FDI, exports and outward investment as planned.
- Four reports had been submitted on the Export Credit Insurance Corporation (ECIC) implementing its corporate plan and meeting its targets as planned.
- The hosting of the BRICS Business Forum Inward Buying Mission and Exhibition, AGOA Exhibition and the Black Industrialist and Exporter Exhibition had been facilitated.

- The cooperation agreement between the DTIC, ECIC, NEF, and IDC had been signed by all parties. The agreement allows for the implementation of an Exporter Development Programme to coordinate and pool support for exporters.

Two targets had not been achieved, namely:

- R46,6 million had been provided to companies outside the five main metros to participate in export promotion initiatives. However, this had been less than the target of R65 million. This is attributed to less than expected applications as well as budget constraints.
- Four reports had been submitted on High-impact reports on trade interventions including, but not limited to the following: Trade disputes, challenges with the implementation of trade agreements, ITAC decisions and trade measures, bilateral trade concerns against a target of ten. However, only one high-impact barrier had been resolved.

4.1.8 Programme 8: Transformation and Competition[24]

Through this Programme, the DTIC aims to develop and roll out policy interventions that promote transformation and competition issues through effective economic planning, aligned investment, and development policy tools[25].

The targets that had been achieved under this Programme were:

- The target of R6,0 billion in local output had been committed or achieved.
- The value of funds from transformation and competition, including the Social Employment Fund (SEF) had been above the target at approximately R5,6 billion against a target of R1,1 billion.
- The value of support provided to SMMEs from transformation and competition initiatives had also been above the target at R3,6 billion against a target of R1,1 billion. The better than planned achievement of the two above targets had been due to actual expenditure by merger firms being more than the commitments due to favourable trading conditions.
- The value of loan, equity and procurement funding to support black-owned enterprises had been R1,8 billion against the target of R800 million.
- A total of 260 461 jobs had been retained and created against a target of 180 000. This was attributed to the efficient rollout of support to master plan sectors.

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[24] DTIC (2024b: 122-131)

[25] DTIC (2023a: 190)

- A total of 63 454 jobs (part-time or temporary) opportunities had been created under the Social Employment Fund.
- A total of 5 323 jobs had been created in black industrialist firms which supported or benefited from B-BBEE policies. This was above the target of 3000 jobs.
- Ten impact assessment reports on high-impact outcomes on addressing market concentration at sector or firm level had been produced.
- Two reports on block exemptions for energy had been produced.
- 239 DTIC success stories profiled through case studies had been produced against a target of 150 case studies.
- Four reports had been produced on 95 per cent achievement of KPIs and the impact of the work of the competition entities.
- Two conferences, summits and international forums had been hosted.
- All mergers for the public interest had been notified and assessed.
- 17 per cent of mergers that had been notified had interventions to advance the public interest. The DTIC had initially had a target of 15 per cent.
- A total of 69 mergers and acquisitions where public interest considerations had been considered. However, 50 mergers and acquisitions had been planned for.
- Two reports had been published, one on Competition regulations and one on B-BBEE red tape reduction action.
- A Competition Protocol of AfCFTA had been submitted to Cabinet.
- Ten reports on successful actions completed on price monitoring and excessive pricing or price gouging had been produced.

The targets that had not been achieved included:

- The value of investment facilitated through mergers and reciprocal commitments had been R8,2 billion against a target of R18 billion. This target depended on mergers being notified and an order being made by the Competition Tribunal. The DTIC noted that this target had not been achieved because a limited number of large mergers that had resulted in new investment had been approved by the Competition Tribunal.
- The value of support programmes from competition to sectors not included in master plans, including but not limited to agriculture, construction and forestry had amounted to R692 million against the target of R1,1 billion.

- The value of output by black industrialist firms supported had been less than the target at R1,1 billion while the target had been R3,3 billion. According to the DTIC, this did not reflect actual performance as some companies were yet to submit information.
- A total of 6 332 jobs had been created through the DTIC programmes while the target had been 8 000 new jobs.
- No mergers notified had agreements reached between the acquiring firm and the DTIC on public interest and presented to the Competition Tribunal.
- A total of 16 592 additional workers had shares in their companies as a result of competition initiatives. This had been below the target of 20 000 additional workers.

4.1.9 Programme 9: Research[26]

The purpose of this Programme is to undertake economic research; contribute to the development of trade and industrial policies and guide policy, legislative and strategy processes to facilitate inclusive growth[27]. Targets that had been achieved under this Programme included:

- A report on investment conference commitments had been produced.
- Two export market strategies had been produced.
- Quarterly data analysis reports of manufacturing exports to the rest of Africa had been produced.
- 52 District Development Model dashboards had been maintained.
- An impact assessment on Equity Equivalent Investment Programme agreements agreed or administered had been produced.
- A report on the black industrialist census had been produced.
- Three reports on jobs supported or covered by the DTIC group and master plans had been produced.
- The worker ownership dashboard had been updated.
- Twelve bilateral trade reports had been produced at the request of branches or the Executive Authority to support the hosting of business forums.
- An impact assessment report of CBAM on South Africa had been produced.
- Reports on high-impact measures to improve the efficiency and/or effectiveness, of the DTIC's policy or programme interventions provided had been produced.

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[26] DTIC (2024b: 134-136)

[27] DTIC (2023a: 203)

One target had not been achieved, namely that no quarterly surveys of black industrialist samples had been produced to assess the outlook and identify potential challenges. The DTIC indicated that this had been as a result of the suspension of the Black Industrialist survey due to a legal matter concerning access to personal information of BI companies.

4.2. Financial performance

4.2.1 Allocated Budget for the 2023/24 Financial Year

The DTIC had a budgeted income of R10,92 billion in the 2023/24 financial year. However, after adjustments, this had been R10,7 billion, down from R10,9 billion budget in the 2022/23 financial year. Details of the virements are shown in the sub-section below. The budget allocation had been divided between the DTIC's nine programmes, namely[28]:

- Administration Programme (R859,0 million)
- Trade Programme (R261,6 million)
- Investment and Spatial Industrial Development Programme (R140,5 million)
- Sectors Programme (R1,6 billion)
- Regulation Programme (R349,3 million)
- Incentives Programme (R5,4 billion)
- Export Programme (R388,3 million)
- Transformation and Competition Programme (R1,6 billion)
- Research Programme (R59,1 million)

Approximately 81 per cent of the R10,7 billion budget had been allocated to three programmes, namely Programme 6: Incentives (51 per cent), Programme 8: Transformation and Competition (15 per cent), and Programme 4: Sectors (15 per cent). These three programmes capture the core of the DTIC's mandate.

4.2.1.1. Virements[29]

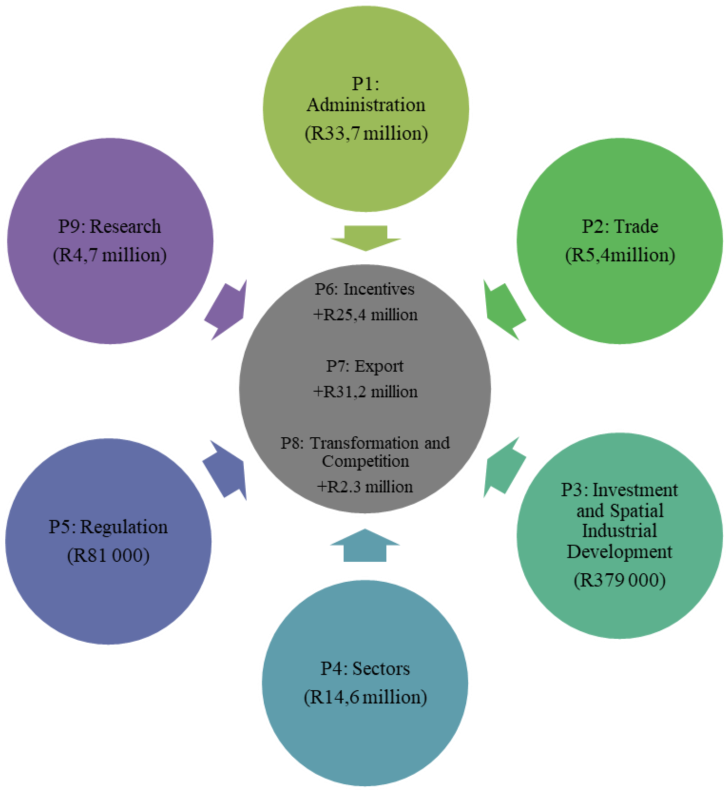
The virements of approximately R58,9 million had been from six programmes to three programmes.

The virements within programmes are shown in Figure 2 below:

[28] DTIC (2024b: 220)

[29] DTIC (2024b: 16-17)

Figure 2: DTIC Virements between programmes for the 2023/24 Financial Year



Source: DTIC (2024b: 16-17)

The following six programmes had their appropriated budgets reduced:

- The Administration Programme's budget had been reduced by R33,7 million. This was available because of bottlenecks in certain information and communication technology initiatives as well as cost-containment measures implemented by the DTIC.
- The reduction in the Trade programme (R5,4 million), Investment and Spatial Industrial Development programme (379 000), and Regulation programme (R81 000) had been due to savings from the DTIC implementing cost-containment measures.
- In the Sectors programme and the Research programme the reduction of R14,6 million and R4,7 million respectively had been in terms of the compensation of employees under this programme. This was due to service terminations including. retirements and resignations, transfers of employment from the DTIC to another department – and delays in the filling of funded key senior-level positions, as the process involves complex hiring criteria.

The money had been transferred to the following programmes:

- The Incentive Programme through virements had received a virement of R25,4 million, the department states that the funding was transferred to the programme to meet the demand that was higher in some incentive programmes.
- The Export programme had received an additional R31,2 million to cover expected vouchers from foreign mission offices in respect of accommodation, associated costs for foreign offices, compensation of employees for foreign local recruits, and cola allowances.
- The Transformation and Competition programme through virements had received R2,28 million to cover legal representation.

4.2.2 Financial Performance by Programme[30]

In terms of expenditure, by the end of the financial year under review, 99,5 per cent (or R10,65 billion) of the budget had been spent. This comprised of R8,6 billion (81 per cent) expenditure in three key programmes, namely: Programme 6: Incentives (51 per cent), Programme 8: Transformation and Competition (15 per cent), and Programme 4: Sectors (15 per cent).

Table 2: Expenditure by Programme

Programme (R million)	Final Appropriation	Actual Expenditure	% Actual Expenditure	% Variance
1: Administration	825,4	816,9	99,0%	1,0%
2: Trade	256,2	252,0	98,4%	1,6%
3: Investment and Spatial Industrial Development	140,2	138,6	98,9%	1,1%
4: Sectors	1 578,3	1 574,2	99,7%	0,3%
5: Regulation	349,3	346,2	99,1%	0,9%
6: Incentives	5 439,1	5 431,1	99,9%	0,1%
7: Export	419,5	416,7	99,3%	0,7%
8: Transformation and Competition	1 647,3	1 633,5	99,2%	0,8%
9: Research	54,4	49,3	90,6%	9,4%
Total	**10 709,5**	**10 658,4**	**99,5%**	**0,5%**

Source: DTIC (2024b: 220), calculations from Madalane (2024a)

Under the Incentives programmes, R5,4 billion had been spent, while under the Transformation and Competition, and Sectors programmes, R1,6 billion and R1,57 billion had been spent respectively. The remaining R2,0 billion had been spent on the six other

[30] DTIC (2024b: 220, 231-232)

programmes. The 0,5 per cent under-expenditure translated into under-expenditure of R51,1 million.

In terms of rand value, the key drivers of under-spending in terms of programmes had been the Transformation and Competition Programme with under-expenditure of R13,8 million, followed by the Administration Programme (R8,4 million), Incentives Programme (R7,9 million), Research Programme (R5,1 million), Trade Programme (R4,2 million), Sectors Programme (R4,1 million), Regulation Programme (R3,1 million), Exports Programme (R2,8 million), and Investment and Spatial Industrial Development Programme (R1,5 million). A detailed explanation of the under-spending in each programme is provided below.

Under-expenditure for the various programmes had been attributed to the following:

- *Programme 1: Administration* – The under-expenditure was a result of delays in the processes to procure Information and Communication Technology services from the State Information Technology Agency, as well as delays in the receipt of invoices for legal representations, which are yet to be received from the Department of Justice and Constitutional Development. Additionally, there had been delays in receiving invoices from suppliers for travel and accommodation costs.
- *Programme 2: Trade* – Under-spending had been due to delays in receiving invoices from suppliers for travel and accommodation costs. Furthermore, exchange rate fluctuations on transfer payments to international organisations had contributed to the under-spending.
- *Programme 3: Investment and Spatial Industrial Development* – Under-spending had been due to delays in receiving invoices from suppliers for travel and accommodation costs.
- *Programme 4: Sectors, Programme 7: Export, Programme 8: Transformation and Competition and Programme 9: Research* – Mandatory implementation of the cost-containment measures on the filling of vacant posts including the natural attrition driven by retirements, resignations, and transfers out of the Department had led to under-expenditure in these programmes.
- *Programme 5: Regulation* – Under-spending had been a result of lower than the budgeted membership fee to an international organisation. The payment could not be processed due to foreign payment requirements.

- *Programme 6: Incentives* – Under-expenditure had been due to outstanding compliance documentation on the incentive programmes, this therefore delayed the disbursement of funds.

4.2.3 Expenditure by economic classification[31]

In terms of expenditure by economic classification, the largest expenditure item of the DTIC from its R10,7 billion budget had been transfers and subsidies of R8,9 billion (this includes transfers to entities, foreign governments and international organisations, public corporations and private enterprises, non-profit institutions, and households). Transfers and subsidies accounted for 84 per cent of total expenditure. This had been followed by compensation of employees at R1,0 billion or 10 per cent of total expenditure. Expenditure on goods and services accounted for 6 per cent of total expenditure or R634 million.

Table 3: Expenditure by economic classification for the 2023/24 financial year

(R'million)	Adjusted Budget	Final Budget	Actual Expenditure	Variance	% Variance
Current payments	**1 730,6**	**1 713,3**	**1 676,3**	**36,9**	**2,2%**
Compensation of Employees	1 066,1	1 066,1	1 042,2	23,9	2,2%
Goods and services	664,5	647,1	634,0	13,0	2,0%
Interest and Rent on Land	R0,0	0,1	0,1	0,0	0,2%
Transfers and subsidies	**8 925,8**	**8 933,7**	**8 920,9**	**12,7**	**0,1%**
Departmental agencies and accounts	1 169,2	1 169,2	-	-	-
Foreign governments and international organisations	44,5	42,5	38,5	4,0	9,4%
Public corporations and private enterprises	7 563,8	7 571,2	7 562,4	8,7	0,1%
Non-profit institutions	146,0	146,0	146,0	0,1	0,1%
Households	2,3	4,7	4,7	0,8	0,2%
Payments for capital assets	52,9	62,1	60,7	1,4	2,2%
Machinery and equipment	49,8	48,9	48,2	0,7	1,3%
Software and other intangible assets	3,0	13,1	12,4	0,7	5,5%
Payments for Financial Assets	0,2	0,5		0,0	0,5%
Total	**10 709,5**	**10 709,5**	**10 658,4**	**51,1**	**0,5%**

Source: DTIC (2024b: 221), calculations from Madalane (2024a)

In terms of under-expenditure, the compensation of employees' budget was a significant contributor. As explained under each programme above, mandatory implementation of the cost-containment measures on the filling of vacant posts including the natural attrition driven by retirements, resignations, and transfers out of the DTIC resulted in this under-spending. The other reasons for under-expenditure are explained in the section above.

[31] DTIC (2024b: 221, 233)

4.2.3.1 Transfers to Entities[32]

The DTIC has 18 entities and of these entities, five are self-funded while 13 receive transfers from the DTIC annually. The self-funded entities are the Companies and Intellectual Property Commission (CIPC), the IDC, the NEF, the National Lotteries Commission (NLC) and the Takeover Regulation Panel (TRP). Of the R10,6 billion expenditure by the DTIC, approximately R1,2 billion was transferred to its entities. However, it is important to note that transfers to entities had been less than originally budgeted, meaning that there were downward adjustments during the financial year for most of the entities except the Companies Tribunal and the NCC.

Table 4: Transfers to entities for the 2023/24 financial year

Entities (R'million)	Budget Allocation	Adjustment	Final Transfer
1. Companies Tribunal	R28,2	R0,0	R28,2
2. Competition Commission	R453,2	-R45,3	R407,9
3. Competition Tribunal	R42,7	-R4,3	R38,4
4. Export Credit Insurance Corporation of South Africa	R172,8	-R17,3	R155,5
5. International Trade Administration Commission	R121,4	-R2,4	R119,0
6. National Consumer Commission	R73,6	R0,0	R73,6
7. National Consumer Tribunal	R55,3	-R1,7	R53,6
8. National Credit Regulator	R84,1	-R2,5	R81,5
9. National Gambling Board	R36,8	-R3,7	R33,2
10. National Metrology Institute of South Africa	R124,0	-R12,4	R111,6
11. National Regulator for Compulsory Specifications	R154,0	-R15,4	R138,6
12. South African Bureau of Standards	R379,5	-R37,9	R341,5
13. South African National Accreditation System	R34,2	-R3,4	R30,7

Source: DTIC (2024b: 274) and NT (2023)

As shown in the table above, transfers to the Competition Commission (CompCom) and the SABS had been R45,3 million and R37,9 million lower than budgeted respectively. Other entities that received transfers significantly lower than budgeted were the ECIC (R17,3 million), the NRCS (R15,4 million), and the National Metrology Institute of South Africa (NMISA) (R12,4 million).

4.2.3.2 Transfers for Incentive Programmes

In the 2023/24 financial year, the DTIC had transferred approximately R4,3 billion of its budgets to public corporations and private enterprises through its incentive programmes.

[32] DTIC (2024b: 274)

Transfers to these incentive programmes accounted for 41 per cent of the DTIC's total expenditure and there had been minimal under-expenditure. However, there were adjustments within the programmes as shown in the table below.

Table 5: Transfers for Incentives for the 2023/24 financial year

Incentive Programme (R'million)	Adjusted Budget	Adjustments	Final Budget	Actual Expenditure
Automotive Production and Development Programme: Production Allowance	2 126,9	302,7	2 429,7	2 429,7
Supplier Cluster Development	17,6	-17,6	0	0
Technology and Human Resources for Industrial Programme	94,6	-43,1	51,4	51,4
Business Process Service Incentive	569,2	-14,0	555,2	555,2
Enterprise Investment Programme	145,8	-138,1	7,5	7,5
Film and Television Production Incentive	269,8	14,0	583,8	583,8
Manufacturing Competitiveness Enhancement Programme	478,6	-103,6	374,9	374,7
TOTAL	**4 274,9**	**75,7**	**4 350,7**	**4 342,8**

Source: DTIC (2024b: 278)

4.3. Audit outcomes

The DTIC received a clean audit opinion for the 2023/24 financial year. No irregular expenditure or fruitless and wasteful expenditure was incurred for the financial year.[33]

In terms of its annual performance report, Programme 4, Sectors, and Programme 6, Industrial Financing, had been assessed to determine whether the reported performance information was useful and reliable. The outcome of this assessment had been that the AG "did not identify any material findings on the reported performance information of the selected programmes"[34].

The AG also reported that it audited seven of the 18 entities. For the 2023/24 financial year, five of these entities had received clean audits (namely the National Credit Regulator (NCR), the Competition Tribunal, the CIPC, and the CompCom), two had unqualified audits with findings (namely the SABS and the NRCS) and one audit had still been outstanding (namely the NLC). It also highlighted that there had been irregular expenditure of R5 million with the SABS contributing 73 per cent (R3,8 million), CompCom contributing 15 per cent (R773 251) and the NRCS contributing 12 per cent (R645 000). In terms of fruitless and

[33] DTIC (2024b: 211, 267)

[34] DTIC (2024b: 213)

wasteful expenditure, the overall amount was R27,7 million with the NCR contributing 83,8 per cent (R23 million), the SABS contributing 15,5 per cent (R4,2 million) and the NRCS contributing 0,8 per cent (approximately R218 000). However, these amounts excluding the NLC.

The other 11 entities had been audited by external auditors approved by the AG in terms of section 4(3) of the Public Audit Act (Act No. 25 of 2004). The AG noted that five of these entities had received clean audits (namely National Consumer Tribunal, Companies Tribunal, National Gambling Board, ITAC and NCC), five entities had unqualified audits with findings (namely IDC, South African National Accreditation System, NEF, NMISA and TRP) and one audit had still been outstanding (namely ECIC).

4.4. Human resources

The DTIC's permanent employee headcount as at the end of March 2024 had been 1 056 employees, against an approved structure of 1 183 approved positions. This translated to a vacancy rate of 10,7 per cent or 127 vacant positions. However, 120 posts had been frozen due to the moratorium on the filling of posts as directed by the Department of Public Service and Administration (DPSA) and NT, in response to challenges with the compensation of employees' budget across the public service.[35] The vacancy rate had declined compared to 17,6 per cent in the previous financial year mainly due to the reduction in the number of posts in the approved structure from 1 350 positions.

Table 6: Employment and vacancies as at 31 March 2024

Programme	Approved Posts	Filled Posts	Vacancy Rate
1: Administration	415	377	9,2%
2: Trade	84	77	8,3%
3: Investment and Spatial Industrial Development	92	69	25%
4: Sectors	125	111	11,2%
5: Regulation	65	63	3,1%
6: Incentives	179	167	6,7%
7: Export	116	103	11,25
8: Transformation and Competition	66	55	16,7%
9: Research	41	34	17,1%
Total	**1 183**	**1 056**	**10,7%**

Source: DTIC (2024b: 162)

[35] DTIC (2024b: 159)

At the time, the DTIC had been in the process of making its organisational structure "Fit-for-Purpose". Therefore, there had been a significant improvement in the vacancy rate in the 2023/24 financial year. However, it should be noted that the DTIC continues to have vacant senior management positions. Of the 11 key senior management positions, five are acting positions. These acting positions included the Director General, and Deputy Director Generals of Sectors, of Incentives, of Investment and Spatial Industrial Development, and of Transformation and Competition. Notwithstanding this, it is important to note that in a Media Statement of 7 September 2024 and in communication with the Committee, the Minister committed to address the issue of vacancies in the DTIC.[36] The table above shows employees of the DTIC by skills levels against the approved structure as well as the vacancy rate for each programme.

In addition, there is a significant number of vacancies in economic offices in various countries. In most African countries, the position of Counsellor or Marketing Officer or both positions are vacant including in Addis Ababa, Harare, Kampala, Kinshasa, Cairo, and Abuja. Similarly, several Asian (Seoul, Shanghai, New Delhi, Singapore, and Bangkok), Middle East (Dubai, Riyadh, and Tehran), European (Brussels, London, Moscow, Berlin, Berne, Munch, and Paris), and American markets (Washington) also do not have representation in the form of a Counsellor (Economic) or Marketing Officer or both. This is concerning given the DTIC's drive to create market access for South African products and services as well as to profile South Africa as an investment destination of choice in foreign markets. South Africa's representation in these countries is therefore important.[37]

Table 7: Employment equity breakdown as at 31 March 2024

Racial Breakdown	Male	Female	Total
African	362	552	**914**
Coloured	29	26	**55**
Indian	17	37	**54**
White	14	52	**66**
Total	**422**	**667**	**1089**

Source: DTIC (2024b: 176)

The employee race profile for the year was 83,9 percent black, 5,1 percent coloured, 5,0 percent Indian, and 6,1 per cent white. Female representation was at 61,2 per cent.

[36] DTIC (2024b)

[37] DTIC (2024b: 305-315)

Female representation at top management was 60 per cent, 54,5 per cent in senior management, 53,1 per cent at the professional and specialist level, and 73,1 per cent at the skilled and technical levels.[38] The representation of people with disabilities was 4,7 per cent of the total headcount.[39]

There had been 32 disciplinary actions taken during the 2023/24 financial year. The majority of cases had related to failure to fully disclose financial interests (six cases) and to non-disclosure of gifts (five cases). The outcomes of the disciplinary actions had been seven verbal warnings, six written warnings, two final written warnings, one employee had been suspended without pay, one employee had been suspended without pay and a final written warning had been given, and two employees had been dismissed. The two employees had been suspended for a 30-day period each. Furthermore, ten disciplinary cases had been withdrawn and three disciplinary cases had still been pending. There had also been 34 grievances lodged, of which 32 grievances had been resolved.[40]

5. OVERVIEW AND ASSESSMENT OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE FOR THE PERIOD 1 APRIL TO 30 JUNE 2024

This section provides a comparison between what the DTIC targeted in its APP against its performance set out in its first quarter report for the 2024/25 financial year.

5.1. Non-financial performance[41]

In the first quarter, 37 targets had been achieved against 64 planned targets (57,8 per cent of planned targets). This is a decline in performance from the previous financial year's first quarter. In the 2022/23 first quarter, the DTIC had achieved 79 per cent of its 52 performance targets. The table below shows the performance for the first quarter 2024/25 financial year by programme.

[38] DTIC (2024b:177)

[39] DTIC (2024b: 176)

[40] DTIC (2024b: 191)

[41] DTIC (2024a) and (2024d)

Table 8: Summary of Performance for the First Quarter of the 2024/25 financial year by Programme

Programme	First Quarter	
	Targets	Achieved
1. Administration	3	1
2. Trade	6	2
3. Investment and Spatial Industrial Development	7	1
4. Sectors	14	9
5. Regulation	5	4
6. Incentives	2	1
7. Export	5	1
8. Transformation and Competition	17	15
9. Research	5	3
Total	**64**	**37**

Source: DTIC (2024d)

The following targets had not been achieved:

- Programme 1: Administration
  - Only 50 case studies covering the DTIC Group/Entities success stories had been achieved against a target of 250 case studies.
- Programme 2: Trade
  - The value of additional local industrial output as a result of the utilisation of rebates had been R3,4 billion against a target of R8,0 billion.
  - The value of manufacturing exports facilitated under rebates, drawbacks, non-proliferation export permits and the APDP had been R48,4 billion against a target of R75,0 billion.
  - Had facilitated R4,9 billion in manufactured exports to African countries through rebates, drawbacks and APDP against a target of R7,0 billion.
- Programme 3: Investment and Spatial Industrial Development – The DTIC reported that these targets had not been achieved because companies were not obligated to report. However, it aimed to revive relationships with companies to encourage quarterly reporting.
  - No jobs had been created through branch interventions against a target of 1 030 jobs.
  - The target for 50MW of energy available on the grid had not been achieved.
  - A total of R854 916 additional local output had been committed or achieved through an investment of R150 million.

    - The value of support to Black Industrialist Output through branch interventions had been R8,9 million against a target of R200 million.
- Programme 4: Sectors
    - Had achieved R150,0 million of additional local output committed or achieved by branch interventions against a target of R875 million. This was attributed to low localisation data.
    - No support had been provided to black industrialists through sector interventions were supported against a target of R250,0 million.
    - A total of 562 009 jobs had been supported and maintained through branch interventions against a target of 600 000 jobs.
    - A total of 241 jobs had been created through branch interventions against a target of 500 jobs.
    - A total of 29 had been supported through branch interventions in Black Industrialist firms.
- Programme 5: Regulation
    - Jobs supported from liquor distributors and lotteries had been 7 616 jobs against a target of 13 000 jobs (12 000 from liquor distributors and 1 000 from lottery grants).
- Programme 6: Incentives
    - The target to facilitate investment through industrial financial support had not been achieved. Approximately R529 million in investment had been facilitated against a target of R5,0 billion. The DTIC noted that this was due to the budget for other incentive schemes being depleted. To remedy this, it aimed to reduce the targets when revising its APP.
- Programme 7: Exports
    - Had supported exporters to participate in export promotion initiatives to the value of R1,1 million against a target of R25 million.
    - Had supported exporters outside the five main metros to participate in export promotion initiatives to the value of R195 182 against a target of R6,0 million.
    - Had supported SMME exporters to participate in export promotion initiatives to the value of R868 181 against a target of R6,0 million.
    - Had supported exporters in labour-absorbing sectors to participate in export promotion initiatives to the value of R213 501 against a target of R5,0 million.
- Programme 8: Transformation and Competition
    - Had supported output by Black Industrialist firms supported to the value of R247 million against a target of R1,0 billion.

- Had created 8 256 jobs were created or retained against a target of 50 000 jobs. This was said to be a result of lower-than-expected merger filing with reduced job targets due to the slow economic growth.

- Programme 9: Research
  - No bilateral trade report had been produced at the request of Branches or the Executive Authority to support the hosting of Business Forums as there had been no business forums held during the quarter.
  - No report on high-impact evaluations to improve the efficiency and/or effectiveness, of the DTIC's policy or programme interventions had been provided.

5.2. Financial performance[42]

The sub-sections below show expenditure by programme and by economic classification as at 30 June 2024.

5.2.1 Financial Performance by Programme

The DTIC had been allocated a budget of R9,6 billion in the 2024/25 financial year, a decrease of R1,1 billion (10,3 per cent) from the R10,7 billion allocated budget in the 2023/24 financial year (previous financial year). Of the R3,0 billion budget set aside for expenditure in the first quarter, R2,9 billion was spent. This resulted in an under-expenditure of R116,1 million or 0,4 per cent for the first quarter projected expenditure.

Table 9: Expenditure by Programme as at 30 June 2024

Programme (R'million)	Budget 2024/25	Projected YTD Expenditure	Actual YTD Expenditure	% YTD Variance	Available Budget
1. Administration	881,0	196,4	198,0	0,8%	683,0
2. Trade	241,6	112,8	115,5	2,4%	126,1
3. Investment and Spatial Industrial Development	167,1	81,6	29,8	-63,5%	137,3
4. Sectors	1 431,5	536,7	540,6	0,7%	890,9
5. Regulation	346,1	173,6	176,7	1,8%	169,4
6. Incentives	4 034,5	1 473,9	1 482,9	0,6%	2 551,6
7. Export	388,0	218,7	203,7	-6,9%	184,3
8. Transformation and Competition	2 047,1	217,6	151,8	-30,2%	1 895,3
9. Research	63,3	13,0	9,3	-28,5%	54,0
Total	**9 600,2**	**3 024,4**	**2 908,3**	**-3,8%**	**6 691,9**

Source: DTIC (2024d), calculations from Madalane (2024b)

[42] NT (2024)

The main contributors to underspending in terms of programme were Programme 8: Transformation and Competition with underspending of R65,8 million, Programme 3: Investment and Spatial Industrial Development with under-expenditure of R51,8 million, Programme 7: Export with R15,0 million, and Programme 9: Research with R3,8 million underspending. However, there was also over-expenditure mainly in Programme 6: Incentives of R8,9 million, Programme 4: Sectors of R3,9 million, Programme 5: Regulation of R3,1 million, Programme 2: Trade and Programme 2: Administration also incurred over-expenditure of R2,7 million and R1,6 million respectively in the first quarter.

Under-expenditure had been incurred in the following programmes:

- *Programme 3: Investment and Spatial Industrial Development* – Under this Programme there was under-spending of R51,8 million. This equated to 63,5 per cent of the programme's projected budget for the quarter. The under spending is a result of lower than budgeted transfers and subsidies which could not be paid out/ disbursed due to outstanding compliance documentation.
- *Programme 7: Export* – Under-spending of R15,0 million was incurred. This is attributed to lower than budgeted expenditure on goods and services as a result of vouchers which are yet to be received from the Department of International Relations and Cooperation (DIRCO) for accommodation and other additional costs associated with placement of officials at the department's network of foreign offices to promote trade and investment into the country.
- *Programme 8: Transformation and Competition* – Under-spending on this programme was approximately R65,8 million (30,3 per cent less than budgeted for the quarter). This was due to vacant posts and delays in the disbursement of funds on transfers and subsidies because of outstanding compliance documentation which is required for funds to be disbursed.
- *Programme 9: Research* - Under expenditure in this programme was R3,8 million (28,9 per cent less than budgeted for the quarter). This was a result of the implementation of the cost-containment measures on travel, accommodation and other related goods and services.

Over-expenditure had been incurred in the following programmes:

- *Programme 1: Administration* – Over-expenditure of R1,6 million had been incurred under this Programme. The over-expenditure was a result of the payment of the cost-of-living salary adjustments and payment for goods and services of accrued invoices from 2023/24 on costs related to travel, accommodation as well as other goods and services.

- *Programme 2: Trade* – The overspending of R2,7 million had been due to the payment of the cost-of-living salary adjustments, spending on goods and services provided in the 2023/24 financial year, on costs related to travel, accommodation, and goods and services rendered during the AGOA Forum in relation to security and medical services.
- *Programme 4: Sectors* – Under this Programme, overspending was R3.9 million. This was a result of payments of the cost-of-living salary adjustments. The higher than budgeted spending on goods and services was due to the interdepartmental claims for legal representation on scrap metal that were received from the Department of Justice and Constitutional Development, and payment of accrued invoices from the 2023/24 financial year on costs related to travel, accommodation and payments made to the employees that exited the employment of the DTIC.
- *Programme 5: Regulation* – Approximately R3,1 million overspending had been incurred. The overspending had been due to the payment of the cost-of-living salary adjustments, interdepartmental claims for legal representation on liquor, companies and consumer pieces of legislation, and payment of accrued invoices from the 2023/24 financial year on costs related to travel, accommodation as well as other goods and services.
- *Programme 6: Incentives* – The R9 million overspending had been a result of the payment of the cost-of-living salary adjustments, payment of accrued invoices from the 2023/24 financial year on costs related to travel, accommodation as well as other goods and services. In addition, disbursements to beneficiaries on incentive programmes had been higher than budgeted due to more claims received than expected.

5.2.2 Financial Performance by Economic Classification

In terms of expenditure by economic classification, payment of incentives had accounted for the largest share of expenditure at approximately R1,4 billion followed by transfers to DTIC's entities (R887,2 million), compensation of employees (R252,7 million, goods and services (R155,3 million) external programmes (R90,3 million) and payment to non-profit organisations (R77,7 million). The main variances between projected expenditure and actual expenditure for the quarter were over expenditure in goods and services and incentives. Under-expenditure had mainly been in the compensation of employees. and transfers to entities (a detailed explanation of the reasons for these variances in programmes expenditure above).

Table 10: Expenditure by Economic Classification as at 30 June 2024

Programme (R'million)	Budget 2024/25	Projected YTD Expenditure	Actual YTD Expenditure	% YTD Variance	Available Budget
Current Payment	**R1 790,4**	**R404,5**	**R408,0**	**0,9%**	**R1 382,4**
Compensation of Employees	R1 081,2	R256,6	R252,7	-1,5%	R828,5
Goods and services	R709,2	R147,9	R155,3	5,0%	R553,9
Transfers and subsidies	**R7 791,9**	**R2 618,1**	**R2 499,6**	**-4,5%**	**R5 292,3**
Incentive Payments	R3 872,1	R1 435,6	R1 442,3	0,5%	R2 429,8
Departmental Entities	R1 987,2	R955,1	R887,2	-7,1%	R1 100,0
External Programmes	R1 732,4	R146,8	R90,3	-38,5%	R1 642,1
Non-profit organisations	R153,3	R78,1	R77,7	-0,5%	R75,6
Membership fees (International organisations)	R45,8	R2,3	R1,2	-47,8%	R44,6
Households	R1,1	R152,0	R0,9	-99,4%	R0,2
Payments for capital assets	**R17,9**	**R1,8**	**R0,7**	**-61,1%**	**R17,2**
Payments for Financial assets	**R0,0**	**R0,0**	**R0,0**	**-100%**	**R0,0**
Total	**R9 600,2**	**R3 024,4**	**R2 908,3**	**-3,8%**	**R6 691,9**

Source: DTIC (2024c), calculations from Madalane (2024b)

6. ISSUES RAISED DURING THE DELIBERATIONS

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

6.1 ***Transformation:*** A concern for the Committee was that transformation is not centred at the core of departmental programmes, as it should be beyond just recruitment and staffing, focusing on its broader economic impact. Transformation is often isolated within a specific programme therefore not aligned with other divisions, which reinforces the status quo. The Committee enquired how the DTIC would ensure that transformation would be mainstreamed/integrated throughout the DTIC, ensuring that all divisions are accountable for measurable targets for transformation, rather than relying solely on a designated programme. The DTIC informed the Committee that it is important to shift towards institutional alignment and a coherent strategy for transformation across multiple levels in the entire DTIC group. This would ensure that transformation is mainstreamed across all levels of policy, practice, project approval and empowerment. Mainstreaming transformation, particularly at the intersection of geographic locations and economic interventions, is critical towards fostering inclusive and sustainable growth. Targeting trade interventions to specific localities ensures that it reaches areas that has been historically marginalised and underdeveloped, thereby creating more balanced regional development. This shift towards transformation will not only create a more equitable economy but will also ensure that South Africa's economic future is both inclusive and resilient, where every region could thrive.

According to the DTIC, integrating transformation into every phase of development and fostering collaboration among the NEF and the IDC would lay the foundation for an economy that is sustainable and inclusive. Regarding spatial transformation, entities would be required to consider geographical distribution of investment to ensure an even spread across all provinces. Furthermore, it would be important for entities to go beyond meeting basic criteria to improve the capacity of underrepresented demographic groups. For instance, if a project does not qualify for IDC support, it might be supported by the NEF initially.

The DTIC informed the Committee that it is also focusing on transformation within the incentive space ensuring that previously disadvantaged groups have ownership and participation in projects, with supplier development requirements as part the incentives. Furthermore, when considering mergers, the DTIC evaluates their impact on employment, deconcentration of the supplier base, and the viability of smaller suppliers.

The Minister supported the premise that transformation should be central and an integral part of the DTIC's work, and not relegated to a single branch of function. Together with industrialisation and job creation, it should be embedded in all actions and policies. He further emphasised that these three priorities should be reflected in the DTIC's Medium-Term Development Plan and APP, ensuring that they are a consistent focus in all the areas of its work.

6.2 ***Membership to international bodies:*** International bodies are essential in dealing with global challenges and fostering international cooperation. They support trade and sustainable development, as well as promote food security, peacekeeping and environmental protection and deals with conflict through diplomatic processes underpinned by international law, among others. The Committee enquired whether there was value in having membership to these international bodies. The DTIC addressed concerns around the value of membership to international bodies like the

WTO and United Nations Transition Assistance Group acknowledging the importance of these memberships. Due to austerity measures, continued membership was under review to ensure it remains cost-effective. However, the DTIC emphasised the importance of South Africa's continued membership and presence in these institutions, as South Africa often represents the voice of developing countries in these fora. This carries significant influence and diplomatic capital for South Africa.

6.3 ***Support for startups:*** Recently, three startups – Go1 (education), Yoco (payment platform), and Tyme Bank – representing the startup movement in South Africa, made a presentation to the Committee. They highlighted that none of these startups had received financing from Development Finance Institutions (DFIs) and had to seek funding in global venture capital markets. One of the startups, Yoco, even had to establish its head office in Mauritius due to South Africa's intellectual property (IP) challenges and exchange control issues. Considering the above, the Committee enquired how the DTIC collaborates with NT and the Department of Home Affairs to create a more attractive business environment and secure funding within the country by addressing these barriers, such as visas for critical skills and exchange control, among others. The Deputy Minister acknowledged the challenges associated with the "agility" of DFIs in providing the necessary support to emerging entrepreneurs and businesses, particular companies like Yoco and Tyme Bank that emerged through the commercialisation of its IP. He was of the view that South Africa has not effectively promoted investment in research and development and has struggled to develop a proper pipeline for the commercialisation of IP. Closer collaboration and coordination among agencies such as the CIPC and the Council for Scientific and Industrial Research, including agencies involved in digital transformation, are essential to improve funding and to better track innovation and IP development. He further stated that the objective should be the creation of an agile and integrated system for developing and commercialising innovation.

6.4 ***Price preference system (PPS):*** The PPS was designed to prioritise the availability of scrap metal for domestic industries. Its aim was to ensure that local steel mills and metal producers have access to scrap metal at a discounted rate compared to international markets, before it could be exported. By implementing this policy, government sought to restrict scrap metal exports and offer this resource at a discounted price locally, thus ensuring that the country's industrial needs were met first. The

Committee enquired what the reasons were for the retention of the PPS and imposition of export duties on ferrous and non-ferrous metals, given that government had indicated in 2020 that the price preference system would be removed once export duties had been imposed. The ITAC Commissioner informed the Committee that the genesis of the export duty in relation to the PPS was initially intended as a substitute for the PPS. However, with subsequent developments in the scrap and waste sector, it has become clear that the export duty and PPS are complementary but differentiated measures, each addressing different aspects of the sector's challenges. He explained that this was due to both measures seeking to ensure accessible, quality scrap for downstream mills and foundries. However, the key difference was their scope: PPS covers a broad set of metrics, addressing a wider range of factors, whereas the export duty focused on a specific aspect of the sector. The export duty specifically applies to iron and steel, as well as their waste and scrap, along with copper and aluminium. The PPS covers a broader range of materials, including other critical minerals. Therefore, PPS is more comprehensive in its scope compared to export duties, which is narrowly focused on certain material. It should be noted that the PPS comes into play earlier, offering scrap across various metal categories to downstream mills and foundries. Only once this offer is not accepted by the buyer community, does the export duty take effect. The Commissioner further emphasised that while both the PPS and export duty serve complementary functions, they are distinct measures, each with its own scope and timing of application.

6.5 ***Economic diplomacy:*** The AfCFTA establishes a unified continental market for goods and services across Africa. Its goal is to harmonise regulations, reduce trade barriers and discrepancies between African countries, thus fostering smoother and more efficient trade. The success around the implementation of the AfCFTA is dependent on effective economic diplomacy that would ensure that any challenges would be addressed in an efficient and effective manner. Considering the above, the Committee enquired whether there were any collaborations between the DTIC, the DIRCO and the Department of Home Affairs, as well as other departments, to ensure positive relations and economic diplomacy among AfCFTA countries. Furthermore, it enquired whether the perceived rivalry between South Africa and Nigeria could risk unity and harm trade relations on the African continent. In response, the Deputy Minister stressed the importance of improving South Africa's diplomatic relations with key African countries such as Nigeria, Egypt and Kenya, especially in the context of the AfCFTA.

It recognises that these are Africa's largest economies, hence the need to avoid social media conflicts from escalating into state-to-state issues. He informed the Committee that a bi-national commission had been established between South Africa and Nigeria with a focus on improving cooperation and the ratification of key AfCFTA protocols, including tariffs and mobility of goods and capital. South African was initially hesitant to join the African Export-Import Bank, which was seen as crucial for enhancing intra-Africa trade. However, South Africa is open to join the platform and address political challenges, such as the taxation issues faced by South African companies in Nigeria. This unexpected tax burden has resulted in a reluctance from South African companies to invest in Africa due to concerns over an unexpected tax burden. The DTIC informed the Committee that it is working to navigate these political complexities thereby fostering economic cooperation across the continent.

6.6 ***Trade desks/Attachés/Envoys:*** A view was also expressed that when considering South Africa's export strategy, it is also critical to look at high gross domestic product per capita countries, as they tend to be more import-orientated and could afford goods from South Africa. The role of trade desks should not be underestimated as it plays a critical role in stimulating exports by identifying key opportunities in these high-income markets. They act as the link between South African producers and foreign buyers, and can help businesses navigate market complexities, regulations, and consumer preferences. The Committee also enquired about the limited foreign economic representation, how this impacts on South Africa's ability to effectively promote its economic presence and influence internationally, and the measures considered by the DTIC to address this. The Deputy Minister highlighted the disconnect between South Africa's foreign policy strategy and its trade policy over the last couple of years. A consequence of this misalignment has resulted in trade attachés and envoys being disproportionately affected by the impact of austerity measures and restructuring within foreign missions. In addressing this anomaly, the DTIC informed the Committee that it has been engaging the DIRCO to reintegrate economic diplomacy at the centre of foreign policy. This approach has also been supported by NT as it recognises this misarticulation and its impact on trade representation. Furthermore, he emphasised the critical role of economic diplomacy, particularly in key global markets, and that South Africa cannot afford to be without trade attachés in China, Europe, the United States of America, and other major economies. While acknowledging key constraints in relation to staffing all trade missions, there is a strategic need to prioritise these critical regions, as they are central to South Africa’s economic interest. Maintaining trade relationships, addressing market access issues, ensuring the smooth management of trade ties requires permanent trade representation to prevent trade barriers from arising.

6.7 ***Exports of manufactured goods:*** The Committee raised the critical issue regarding the nature of manufacturing exports and how they aligned with South Africa’s broader economic goals of value addition, beneficiation and industrialisation. It was of the view that it would be important to assess how well the country had progressed in shifting from exporting raw materials to exporting high-value, technologically advanced manufactured goods. As the breakdown of manufactured goods could provide a snapshot of the effectiveness of policies aimed at beneficiation and industrial development. Therefore, the Committee enquired whether the country is exporting finished goods or primarily raw materials or intermediate products. The DTIC reported that the top South African exports were still dominated by raw materials and precious metals, while finished products, such as motor vehicles, have in recent years featured under the top exported products. In 2023, the top five exported products were coal; precious metals; motor vehicles; ferro-chrome; iron ore and chrome ore. Furthermore, out of a total value of R2 trillion in South African exports, around half (R1 trillion) had been manufacturing exports, which represented finished and intermediate products. The top five manufacturing sectors in 2023 included automotives and transport equipment; metals and machinery; petrochemicals; agro-processing and wood products, pulp and paper.

6.8 ***Export Councils:*** The South African Government established Export Councils to enhance communication and cooperation across various industrial sectors for international market penetration. These councils are essential for the government's strategy to boost exports, diversify products, broaden market access, and expand the exporter base, particularly by supporting black-, women-, and youth-owned enterprises as well as emerging exporters. The Committee enquired about the rationale for export councils only being responsible for a small fraction of total exports. In addition, the sectors that these council represents, and whether South Africa should not consider establishing export councils in all sectors, if they contribute to export stimulation. The DTIC explained that export councils were established by a group of companies that registered a non-profit company representing the developmental and promotional objectives of a particular industry. The export council was then registered with the

DTIC, which provided a matching grant for operational costs based on the membership income of qualifying councils. The DTIC was open to receiving new applications for funding from groups of companies that register such non-profit companies in additional export-oriented sectors subject to budget availability. It also emphasised that the new global economic strategy articulated a greater role for export councils in stimulating export-led growth of the South African economy.

6.9 ***Incentives:*** A large portion of the DTIC's annual budget is directed towards incentives. Therefore, in the view of the Committee it was important to monitor and know the identity of the key role-players receiving incentives. Furthermore, there appeared to be an over-concentration of incentives in certain sectors, like the automotive industry, while potentially neglecting other areas within the manufacturing space. Therefore, the Committee enquired whether the DTIC could provide it with the names of incentive beneficiaries and the sectors they represented. In addition, what mechanisms the DTIC could implement to achieve a more balanced and effective spread of incentive programmes to support a diverse manufacturing base, mitigate sectoral concentration, and promote sustainable economic growth across the entire manufacturing sector. The DTIC reported that the suite of incentives it offered covered different industries in the manufacturing space. Apart from the automotive industry, it also supported other sectors such as Agro Processing, namely food and beverage processing, furniture manufacturing, fibre processing, feed production, fertilizer production and essential oil production. In addition, the Manufacturing Support Programme and the Black Industrialists Scheme also offered support to entities engaged in manufacturing across various manufacturing industries such as mineral beneficiation, aerospace and rail components, chemicals, pharmaceuticals and plastics to name a few. Specifically, the Clothing, Textiles, Footwear and Leather (CTFL) sector was supported by the CTFL Growth Programme which was managed by the IDC. These support packages ensure that most sectors within manufacturing are offered support.

6.10 ***Market concentration:*** The Committee highlighted a growing concern about market concentration and its impact on consumer choice, affordability and overall economic activity. This is particularly prevalent in the budget airline sector and its impact on movement across the country and the economy, as this undermines the original premise of affordable domestic air travel. The Committee enquired whether the CompCom could initiate an investigation into whether the budget airline industry was using potentially anti-competitive practices and exploring regulatory adjustments to ensure that domestic air travel is affordable and accessible. The Deputy Minister noted the concerns raised around budget airlines and their failure to comply with their original mandate of providing affordable air travel to consumers. He concurred with the Committee that it could be a starting point for the CompCom to tackle broader competition concerns in the airline sector.

6.11 ***Electric vehicles (EVs):*** An opportunity exists for the South African government to lead in the EV transition; however, it requires a strategic shift to actively participate in the development of the EV supply chain. By focusing on localising EV production, encouraging transformation in the automotive sector, and creating downstream opportunities, South Africa can position itself as a competitive player in the global EV industry, ensuring job creation, economic diversification, and sustainable growth. The Committee enquired whether the DTIC had considered any measures that would promote the development of downstream opportunities within the EV supply chain, thereby increasing local capabilities, ensuring that job creation is sustained, and promoting economic transformation within the industry. The DTIC informed the Committee that following a period of stakeholder engagements and research it had published an EV White Paper in December 2023 as a comprehensive roadmap for South Africa and a structure of a suite of policy interventions to support the automotive industry. The primary goal of this White Paper was to set a course to transition the automotive industry from primarily producing Internal Combustion Engine (ICE) vehicles to a dual platform that includes EVs in the production and consumption mix, alongside ICE vehicles in South Africa by 2035. This vision was aligned with the foundational objectives outlined in the South African Automotive Masterplan, a strategic framework implemented from 2021 to shape the nation's automotive industry. It also aligned with the changing demand in export markets and South Africa’s commitment to reducing greenhouse gases. The White Paper had thus identified a two-pronged approach, with two focus areas, namely on developing (i) South African EV productive capacity through early action; and (ii) a local market for EVs.

In June 2024, the ITAC had published draft amendments to the APDP whilst NT had published the draft Taxation Laws Amendment Bill (TLAB) in August 2024. In the TLAB, NT provides that any motor vehicle manufacturer investing in new and unused “buildings, machinery, plant, implements, utensils, and articles” to be used for the production of electric- or hydrogen-powered vehicles will qualify for the incentive in the form of accelerated depreciation.

The EV White Paper also ensures that the DTIC works with NT in exploring the possibility of providing demand stimulation interventions to promote the uptake of EVs. These interventions may include consumer subsidies and development of opportunities for localisation of charging components, amongst others. Work on these matters was still at early stages and was set to continue and accelerate in the coming few months.

6.12 ***Impact of the cost-containment measures:*** A concern for the Committee was the impact on service delivery by providing for cost-containment measures, such as not filling vacancies, in its budget. It noted potential issues where unspent funds due to cost-savings method were not aligned with the DTIC's performance targets. The Committee enquired whether the DTIC accounted for cost-containment measures, such as unfilled posts, in its budget, and how it reconciled the savings with the impact on its performance targets. According to the DTIC, the scale and the unpredictability of the cuts, posed significant risks to its operational stability, and its ability to plan effectively. The Deputy Minister, Mr Z Godlimpi, asserted that austerity measures without financing the economy's growth was counterproductive. He argued that cost-containment should not come at the expense of industrial policy, but rather strategic decisions should be made about where to invest for the future. Further, that sustaining fiscal health is dependent on a growing economy that requires investment that only strategic industrial policy can provide. The DTIC informed the Committee that it is currently engaging NT on the need to find a balance between funding consumption and investing in future economic growth. Through its engagement with the NT, it sought to establish a more predictable fiscal environment, which would be critical to mitigate the risk and ensure that the DTIC remains a "going concern". Given the economic dampening effects of austerity measure, discussions with the NT have highlighted the need to balance cost-saving efforts with economic growth, while acknowledging the tension to ensure provision of social welfare. The DTIC was concerned whether the country can sustain its current spending pattern while aiming for economic growth. Currently, fiscal policy centred around trimming the budget, but it should also focus on reallocating funds strategically towards investment that can drive long-term growth, particularly in infrastructure, human capital and innovation. Furthermore, it should also address the structural inefficiencies, such as filling critical positions which now requires the approval of both NT and the DPSA. Addressing these inefficiencies would ensure that the DTIC can function effectively in the short-term while pursuing sustainable growth.

6.13 ***Vacant positions:*** The Committee raised concerns around the vacant positions at the DTIC and its entities and whether the austerity measures introduced by government contributed to this situation. Furthermore, the Committee was also concerned about the potential for a negative audit due to long-standing vacant posts and the impact on affected programmes. The Committee enquired whether the DTIC had any engagement with NT and the DPSA regarding unfilled posts. In addition, it enquired if the fiscal austerity measures permanently or indefinitely delayed filling these posts, as this delay could have an impact on the DTIC's audit and overall performance. The Committee also enquired whether the DTIC should not consider removing these posts from its establishment to avoid audit queries and what has happened to the funds and programmes affected by these vacancies. The DTIC responded that it was concerned whether the country could sustain its current spending pattern while aiming for economic growth. Currently, fiscal policy is about trimming the budget, but it should also focus on reallocate funds strategically towards investment that can drive long term growth, particularly in infrastructure, human capital and innovation. Furthermore, it should also address the structural inefficiencies, such as filling critical positions which now requires the approval of both the NT and the DPSA. Addressing these inefficiencies would ensure that department function effectively in the short term but pursuing sustainable growth.

6.14 ***Planned targets:*** The Committee raised concerns around how realistic the planned targets were and the performance of the DTIC against the planned targets. It was important for the Committee to ensure that any quarterly underperformance does not compromise the DTIC's ability to meet its annual targets. Therefore, the Committee enquired whether the DTIC had considered any measures to ensure that the annual performance targets for the 2024/25 financial year are met. The DTIC indicated that it would be tabling a revised APP that took the Committee's concerns into consideration.

6.15 ***Delay in tabling of Annual Reports:*** The Committee noted the delay in tabling the annual reports of the CompCom, the ECIC and the NLC. The deadline for tabling had been 30 September 2024, therefore, these entities were not in compliance with the prescripts of the Public Finance Management Act (Act No. 1 of 1999). The Committee enquired what steps the DTIC has taken to ensure that these three entities would meet future deadlines for submitting audited financial statements and avoid similar delays. Furthermore, about the delayed audits, the Committee enquired whether the changes in accounting standards for insurance contractors were specific to the ECIC and the NLC, or were other entities also affected. The Minister had requested approval from the Speaker in a letter dated 30 September 2024 for the late tabling of the CompCom, the NLC and the ECIC annual reports by 30 November 2024. In addition, the AG had noted that the CompCom's audit had been finalised, but it was still finalising its annual report. In relation to the NLC and ECIC audits, the Auditor-General could not present these audit outcomes until all issues related to internal quality assurance had been resolved.

6.16 ***Underperformance of entities:*** The Committee highlighted the consistent underperformance of entities like the SABS and the NLC, particularly regarding governance issues, due to vacant critical posts and unfilled leadership positions. These issues impact both financial and non-financial performance of these institutions. The Committee enquired what measures were being considered by the DTIC to address these challenges especially in relation to audit reports, due diligence regarding the appointment of boards, fruitless and wasteful expenditure, as well as measures to address governance issues. The DTIC indicated that, following the conclusion of the 2023/24 audit process, it would be requesting the entities to submit their audit action plans for it to monitor the implementation of this on a quarterly basis. In terms of fruitless and wasteful expenditure, the entities would be required to provide the necessary detail as well as the actions taken in relation to those cases.

Furthermore, it reported that the process to appoint persons to boards usually included the following steps: (i) the advertisement of vacancies, (ii) categorising candidates in terms of their compliance with the requirements for board members, (iii) shortlisting, (iv) interviews, and (v) pre-employment screening. This is all done before the names of the recommended candidates are submitted to Cabinet for its approval.

6.17 ***Target threshold:*** The Committee raised concerns that the DTIC's 69 per cent target threshold was too low given the investment in and capabilities of entities. Given that many entities were performing above the 80 per cent threshold, it enquired why the target was only 69 per cent and whether it should be raised to promote higher performance levels. The Acting Director-General informed the Committee that no formal threshold existed for entity performance. However, it was considering whether to establish a threshold, particularly regarding which KPIs should have the greatest weight and/or should be non-negotiable. In this regard, the importance of the shareholder compact should not be underestimated, as it aligns with the entities' founding legislation, and sets performance expectations. Furthermore, the DTIC informed the Committee that consequence management would be enforced for non-compliance.

6.18 ***Sustainability of public entities:*** The Committee raised the important issue about the sustainability of public entities, particularly in the context of budget constraints, the ability to reinvest in technology and filling of vacancies, and commercialisation of operations to ensure long-term viability without over relying on government transfers or creating an additional burden on the state. This hinders their ability to deliver services efficiently, but also impacts on their ability to innovate and keep pace with evolving needs and global standards. The Committee enquired whether the DTIC had any plans that would ensure the sustainability of these entities and whether consideration should be given to commercialisation of some of their activities to ensure their sustainability. The Minister in his response acknowledged the concerns of the Committee. He informed the Committee that these matters were being closely examined, particularly within the context of broader economic functions and standards. This included assessing their roles and responsibilities within a wider framework of economic governance. He further expounded that there is a need for recapitalisation and alternative financing mechanisms for several entities, stressing that some may benefit from user-driven funding through fees. However, he was of the view that implementing such a fee would require careful consideration to avoid pricing users out of the market while ensuring the sustainability of these entities. The objective would be to address capacity challenges by engaging the market without making entities' services unaffordable or unsustainable. The Minister further stated the importance of providing greater clarity and efficiency in the work of entities, such as the Competition Tribunal, to expedite decision-making processes. This would allow the private sector and users to contribute through fees or alternative financing mechanisms. This approach, according to the Minister, would be in line with international norms and best practices.

6.19 ***Funding of consumer protection bodies:*** During its oversight of entities, the Committee had noted the significant underfunding of consumer protection bodies that play a critical role in safeguarding consumer interests and implementing consumer protection laws. Currently, it appeared that these entities were being treated with a "compliance mindset" by the DTIC, rather than recognising them as critical vehicles to ensure/foster a fair, equitable and consumer-friendly marketplace. Furthermore, it expressed a view that proceeds of the National Lottery should also be utilised to support the public good. Currently, government is considering issuing a fourth operator licence to conduct the National Lottery. The Committee enquired what measures were being considered by the DTIC to ensure sufficient funding for these institutions responsible for consumer protection to enable them to not merely meet their compliance obligations. Furthermore, in issuing the fourth operator licence, whether government should not consider allocating a 20 per cent share to government. Through these mechanisms, government could consider recapitalising the NEF and ring-fencing funds for consumer protection agencies. This could significantly enhance both economic empowerment and consumer protection, which are essential for long-term socio-economic development in South Africa. The Minister was of the view that the proposal to utilise proceeds of the National Lottery for the public good should be given consideration, particularly to fund entities like the NCC and the NCR. He informed the Committee that the idea of leveraging the resources of well-endowed entities to build the capacity of others is currently under discussion within the DTIC group., which is part of the wall-to-wall approach. This would require a more integrated view of resources across different entities ensuring that the financial masses/resources of one institution could be used to build the capacity of another. He further stated that this approach would require a shift in mindset where the DTIC and its entities should think collectively about resources rather than in isolation.

6.20 ***Mandate of the IDC****:* The Committee raised concerns that the IDC had diverged from its original mandate, namely supporting industrial development and economic transformation. It recognised the strategic role of the IDC, as a vehicle to stimulate economic growth. However, the underperformance of the IDC is a major concern for the Committee as it hinders the broader goals of economic transformation and development. Currently, the IDC has been focusing on activities that could be handled by other government institutions/entities such as the former Small Enterprise Finance

Agency, the NEF, and the Public Investment Corporation. There has been a strong call from the Committee for the IDC to return to its core mandate of supporting large-scale industrial projects, creating jobs, and driving economic transformation. This would require the realignment of its strategic priorities ensuring that it once again becomes an enabler of South Africa's industrial future. Therefore, the Committee enquired what measures the DTIC would consider enabling the IDC to return to its core mandate of supporting industries that can drive sustainable growth, especially in manufacturing, infrastructure development, and the green sectors. According to the Deputy Minister, the core mandate of the Industrial Development Act (Act No. 22 of 1940) is to "promote the establishment of new industries and industrial undertakings and the development of existing industries and industrial undertakings …", confirming transformation as its core mandate. However, over time, the IDC has evolved in a manner away from its original mandate abandoning its original mandate to stimulate industrial growth. He informed the Committee that the IDC leadership is aware of the reasons for these changes and the issues that led to the shift. Notwithstanding this, he informed the Committee that there is a pivot back to focusing on its transformation mandate, ensuring that the IDC aligns closely with its original mandate going forward.

6.21 ***Role of the Competition Tribunal:*** The Committee focused on the role of entities and their specific contribution to the broader economic goals. It specifically enquired about how entities such as the Competition Tribunal contribute to the broader economic goals of the country, beyond its mandate. In this regard, it enquired whether the Tribunal's role was to purely focus on adjudication, or did it have a broader mandate to enhance competitiveness rather than curtail it, and what distinguished it from other global competition authorities. The DTIC highlighted the critical role of the Competition Tribunal regarding competitiveness, emphasising that notwithstanding regulators' distinct roles, they should contribute towards a shared vision of promoting competitiveness and economic growth. Therefore, regulators should not just focus on enforcement but also consider how their actions/decisions could promote development. Regulators should reimagine their regulatory approach within the framework of existing legislation to support economic growth.

7. CONCLUSIONS

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

7.1 The Committee was of the view that transformation should occur at two levels, namely industrial and structural transformation through changes in the demographics of ownership, management and control patterns. To facilitate this, transformation should be at the core of all the DTIC's programmes and the work of its entities. This would ensure that transformation is mainstreamed across all levels of policy, practice, and project approval.

7.2 The Committee was concerned that the financial sector was more likely to provide funding for consumption-driven expenditure rather than productive purposes particularly to previously disadvantaged individuals. Therefore, it stressed the need for the realignment of financing practices by the financial sector to invest more in the productive sectors of the economy to facilitate transformation within the economy. It also called for a market inquiry into the conduct of the financial sector.

7.3 While the Committee recognised the suite of incentives offered by the DTIC, it remained concerned about the relative allocation of incentives across sectors.

7.4 The Committee was of the view that the development of new industrial sectors such as the local film industry is critical for increasing local economic activity and job creation in support of transformation.

7.5 The Committee specifically recognised the opportunities created by the advent of the transition to EVs to localise the production thereof and to harness value chains for the industry. This would include building capabilities and fully participating in downstream industries to support the development and growth in the EV sector. Opportunities that should be explored include but are not limited to battery storage, charging infrastructure, components/parts manufacturing, EV maintenance and repair capabilities, smart grid integration and fleet electrification capabilities. The Committee implored the DTIC to ensure that the development of such industries to support EVs advances transformation.

7.6 The Committee emphasised the importance of state procurement as a tool for the redistribution of wealth and inclusive economic transformation in the country. Further, preference should also be given to locally manufactured products in the procurement process. There should also be set asides for designated groups such as women, youth and people with disabilities. In addition, consideration should be given to cost-competitiveness during the procurement process.

7.7 The Committee recognised the need to develop appropriate skills to support industrialisation. It urged the DTIC to engage relevant departments and higher education and training institutions, as well as the private sector, in this regard.

7.8 The Committee was of the view that the current approach to industrial parks was not yielding the desired socio-economic outcomes. Therefore, it urged the DTIC, together with relevant national and provincial departments, as well as local governments where they are located, to conduct a comprehensive review of industrial parks. This should also determine the economic viability and/or potential of each industrial park to economically contribute to their surrounding communities and recommend possible investment decisions in this regard.

7.9 The Committee reemphasised the need to shift from the dominance of exports of raw materials to exporting larger volumes of high-value, technologically advanced manufactured goods. In this regard, beneficiation of South Africa's mineral resources should be prioritised over the export of raw materials. Government should, therefore, ensure that it actively pursues a holistic policy which supports this. Currently, freight and port charges are lower for the export of raw material compared to manufactured goods which is an anomaly that should be corrected. A two-tier freight and port charges system should be developed which offers lower pricing for beneficiated goods and higher pricing for the export of raw materials that favour local manufacturing. In addition, there is a need for government to address port and rail inefficiencies to lower the overall cost of transportation for exported goods. Notwithstanding the improving share of value-added exports, there is a need to accelerate the export of manufactured goods to address job creation and stimulate economic growth.

7.10 The Committee emphasised the importance of economic diplomacy in achieving South Africa's national interest. It encouraged the DTIC, in conjunction with the Department of International Relations and Cooperation, to strengthen ties with key African countries such as Nigeria, Egypt and Kenya, especially in the context of the AfCFTA. In this regard, it welcomed the bi-national commission between South Africa and Nigeria, as a vehicle to address challenges or concerns in relation to finalising the AfCFTA Protocols.

7.11 Given the importance of economic diplomacy and the role that foreign economic offices can play to promote South African exports and South Africa as an investment destination, the Committee was concerned by the number of vacancies within these offices, particularly in strategic countries/regions. While acknowledging key constraints in relation to staffing all trade missions, there is a need to prioritise strategic countries/regions, as they are central to South Africa's economic interest. However, it welcomed the engagements between the DTIC, the DIRCO and NT to address these challenges.

7.12 The Committee acknowledged the role that export councils could play in facilitating growth in exports. It urged the DTIC to encourage the establishment of export councils in other sectors that are currently not represented to facilitate exports in these sectors.

7.13 The Committee recognised the important role that start-ups can play in socio-economic development and the export of services and value-added products. However, there is a need to address regulatory and other barriers faced by these types of businesses, particularly in attracting and accessing venture capital funding and highly skilled foreign workers, as well as in effectively protecting and commercialising their intellectual property.

7.14 The Committee noted that there were relatively large disparities between certain set targets and their actual achievement. This implied that there was a challenge with the DTIC's target setting process. It encouraged the DTIC to review its target setting process to ensure that it sets realistic targets in future.

7.15 Nevertheless, the Committee acknowledged the notable progress made by the DTIC during the 2023/24 financial year and the first quarter of the 2024/25 financial year. The DTIC was aiming to realign its key performance indicators, emphasising outcomes over inputs. However, the Committee was of the view that the current performance indicators and targets need to realign with the country's developmental goals of sustainable growth, economic and spatial equality, and job creation. The Committee awaited the tabling of the revised 2024/25 Annual Performance Plan and the 2025/26- 2029/30 Strategic Plan, which was expected to support a more holistic approach to industrial strategies, economic policies, and public sector reforms, which was vital in today's complex economic landscape.

7.16 However, the Committee noted that the DTIC could not address the country's challenges of high unemployment and deindustrialisation alone. These challenges were compounded by inefficiencies in public procurement and inadequate coordination between national, provincial and local government, and state entities, as well as across national government departments, making it difficult to fully achieve the DTIC's objectives, especially in relation to industrialisation and economic transformation. It emphasised the need to address coordination for effective industrialisation and job creation strategies to reduce the high unemployment rate and foster inclusive economic growth.

7.17 While the Committee acknowledged the need for government to be fiscally responsible, it was of the view that cost-containment measures should not be at the expense of job creation and economic development. The stimulation of the economy is critical to enable the State to address its fiscal constraints, hence budgeting should be strategically undertaken to balance the socio-economic needs of the country.

7.18 In this regard, the Committee recognised the need for coordination between macroeconomic policy and industrial policy, as industrial policy should be given primacy when developing macroeconomic policy to ensure economic growth and job creation.

7.19 The Committee stressed that the impact of key vacant positions at the DTIC on its stability and its ability to effectively fulfilling its mandates should not be underestimated. In particular, it was concerned about the vacancies of the Director-

General, and several Deputy Director-General posts. In addition, it was concerned that the position for the Deputy Director-General for Departmental Operations has not been approved by the Department of Public Service and Administration.

7.20 Furthermore, it remained concerned by vacancies at some entities, particularly in terms of leadership and executive management positions, as these vacancies affected their ability to stabilise these institutions, fulfil their mandates and their audit outcomes.

7.21 The Committee expressed the view that it was important that the DTIC has adequate oversight over the functioning of its entities. There is a need for the DTIC to develop an appropriate Governance and Oversight framework for its entities including a continued engagement with the Department of Public Service and Administration regarding the position of Deputy Director General for Departmental Operations.

7.22 It particularly noted the impact that unfilled leadership positions and vacant critical senior management posts, across all entities, such as the SABS, had on good It also highlighted governance issues at the NLC. These governance issues may impact both the financial and non-financial performance of these institutions.

7.23 The Committee was of the view that there is an urgent need to address the governance issues it had identified in some of the DTIC's entities. It further noted the challenges with some audit outcomes. It, therefore, emphasised that the DTIC should work with entities to ensure that these issues are resolved.

7.24 The Committee noted that the Competition Commission, the ECIC and the NLC had not tabled their annual reports by the deadline of 30 September 2024, which was not in compliance with the prescripts of the Public Finance Management Act. It had still been awaiting the tabling of their 2023/24 Annual Reports at the time of adoption. It urged the DTIC and the affected entities to conclude these reports and table them expeditiously. Furthermore, it requested the DTIC to implement measures to ensure that its entities comply with tabling requirements in future.

7.25 Moreover, the Committee noted that the Auditor-General's 2023/24 report had uncovered significant financial governance weaknesses, particularly in supply chain management and performance reporting. It particularly noted significant irregular expenditure at the SABS, the CompCom and the NRCS, as well as fruitless and wasteful expenditure at the NCR, the SABS and the NRCS. The Committee urged the DTIC and its affected entities to resolve these systemic issues urgently to ensure that taxpayer funds are used effectively, with an emphasis on accountability and transparency. It proposed that the DTIC should establish a dedicated task team as part of the Governance and Oversight framework for its entities or enhance its internal audit functions to monitor these areas and prevent irregular, and fruitless and wasteful expenditure at the entity level.

7.26 The Committee emphasised the need for the Industrial Development Corporation to revert back to its founding strategic role to support industrial development and economic transformation.

7.27 Given the ongoing fiscal constraints, the Committee was concerned about the sustainability of public entities. In this regard, it encouraged the DTIC to consider alternative financing mechanisms for its entities. Further, it proposed that the DTIC should consider ring-fencing a 20 per cent share of the new lottery operator licence to government and use that to capitalise the National Empowerment Fund and consumer protection institutions namely the National Consumer Commission, the National Credit Regulator and the National Consumer Tribunal.

8. APPRECIATION

The Committee would like to thank the Minister of Trade, Industry and Competition, Mr P Tau, the Deputy Minister, Mr Z Godlimpi, and the acting Director-General, Ms M Mabitje-Thompson, for their cooperation and transparency during this process. The Committee also wished to thank its support staff, in particular the Committee Secretary, Mr A Hermans, the Content Advisor, Ms M Sheldon, and the Researcher, Ms Z Madalane, for their professional support and assistance in drafting this report. In addition, the Committee thanked the Committee Assistant, Ms Y Manakaza, and the Acting Executive Secretary to the Chairperson, Ms T Morie, for assisting it during this process. The Chairperson wished to thank all Members of the Committee for their active participation during the process of engagement and deliberations and their constructive recommendations reflected in this report.

9. RECOMMENDATION

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

9.1 Engaging the Presidency to consider including the resolution of the constraints faced by the manufacturing sector in relation to beneficiation and the exportation of value-added goods, particularly administered prices and inefficient transport logistics as part of Operation Vulindlela.

9.2 Engaging with other relevant departments to develop a policy to promote and support the development of start-up businesses, particularly in relation to venture capital funding access, intellectual property protection and visas for highly skilled workers.

Report to be considered.

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