



the dti and EDD Annual Performance Plans 2019/2022

Presentation to the Portfolio Committee

4 July 2019

Portfolio Committee



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



PRESENTATION OUTLINE

Introductory remarks

Part A: Context

Part B: the dti's APP

Part C: EDD's APP

Introductory remarks

- ❑ APPs – role and status
- ❑ 2019: A Transition year between Administrations
- ❑ Two Budget Votes within one Ministry and two merging departments
- ❑ 2019/20 APPs: Based on work completed in 5th Administration
- ❑ 6th Administration: programme of action will be based on the electoral mandate; SONA; and new Medium-Term Strategic Framework
- ❑ Thus: need to review Strategic Plans and APPs: during remainder of this year; and for 2020/21 and thereafter

Introductory remarks

- ❑ SONA vision: A Reimagined Industrial Strategy
- ❑ Integrated approach within the new Department
- ❑ Urgency and focus to the work of government
- ❑ Learn lessons from experience
- ❑ Partnerships with private sector and workers
- ❑ Capable state

ECONOMIC CONTEXT

Need to achieve faster, inclusive growth. Look at:

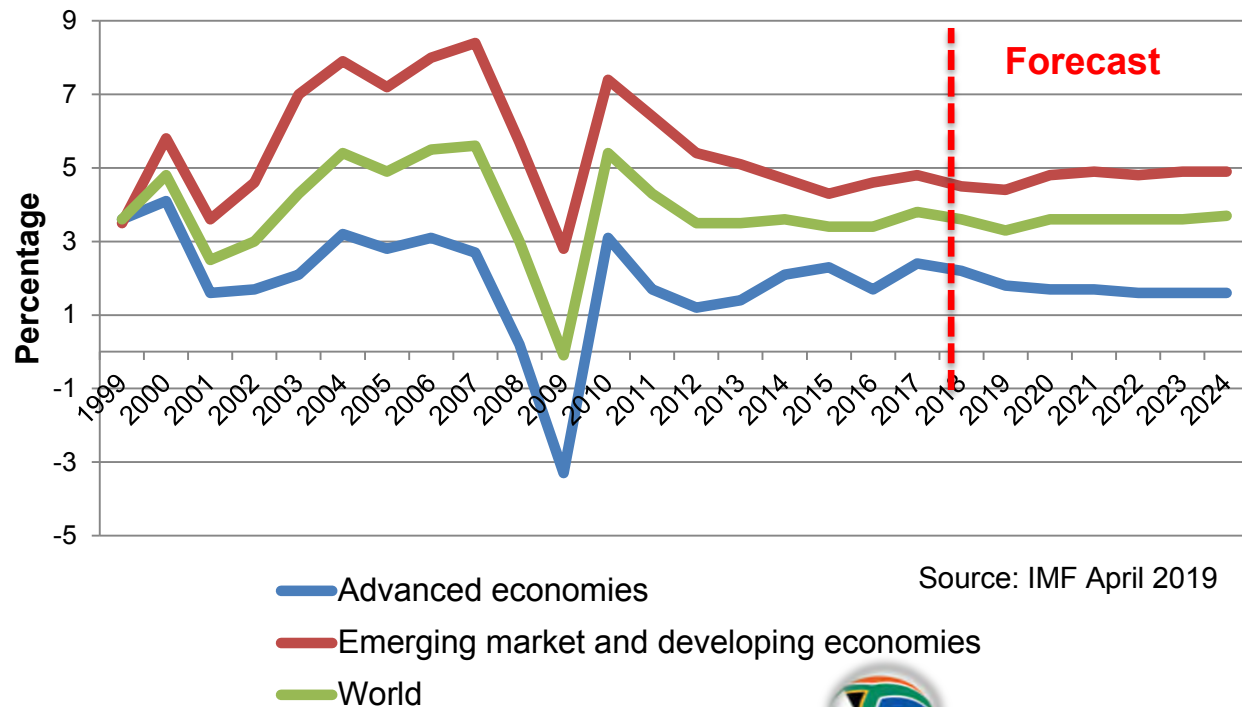
- Global growth story
- Domestic economic environment
 - Growth
 - Employment and unemployment
 - Investment
 - Industrial performance
 - Market access and exports
- The slides that follow identify the economic context in more detail – with a focus on specific indicators

The Global Economic Overview

- ❑ The rate of global growth has declined since 2018 and is likely to remain lacklustre in the next few years.
- ❑ Growth in advanced economies has slowed:
 - USA growth slows from 2.9% in 2018 to a forecast 1.9% in 2020
 - EU growth slows from 1.8% in 2018 to a forecast 1.5% in 2020

- ❑ Growth in emerging market & developing economies is anticipated to rise slightly – driven by the higher levels of growth in India and China
- ❑ New headwinds to global growth

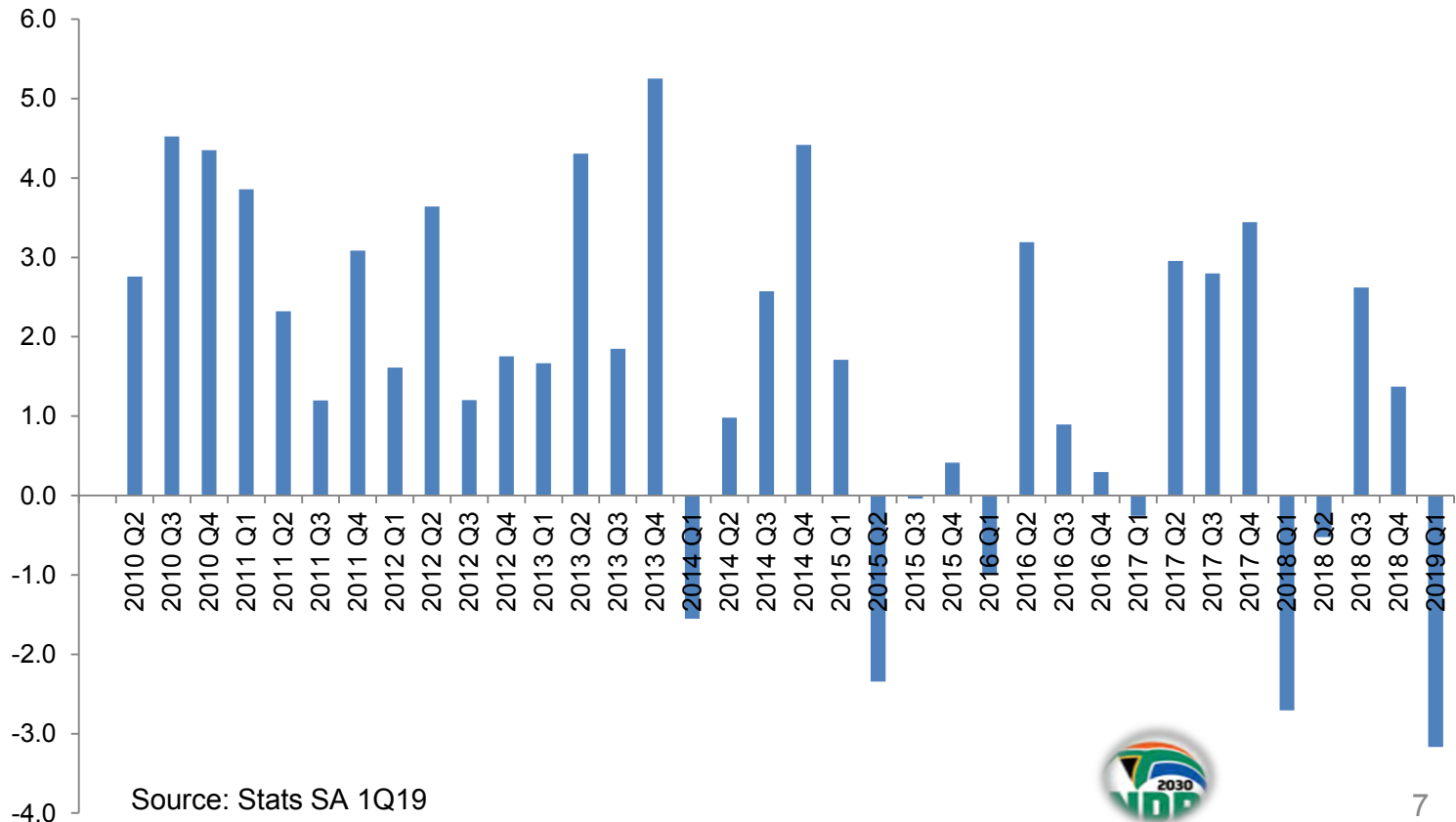
GDP growth and growth forecast



SA exits technical recession in 2018 Q3

- ❑ SA exited the technical recession in 2018 Q3 when GDP expanded.
- ❑ After 2 quarters of growth (Q3 and Q4 2018) we experienced another slow down with GDP decreasing by 3.2% in Q1 2019

GDP growth per quarter

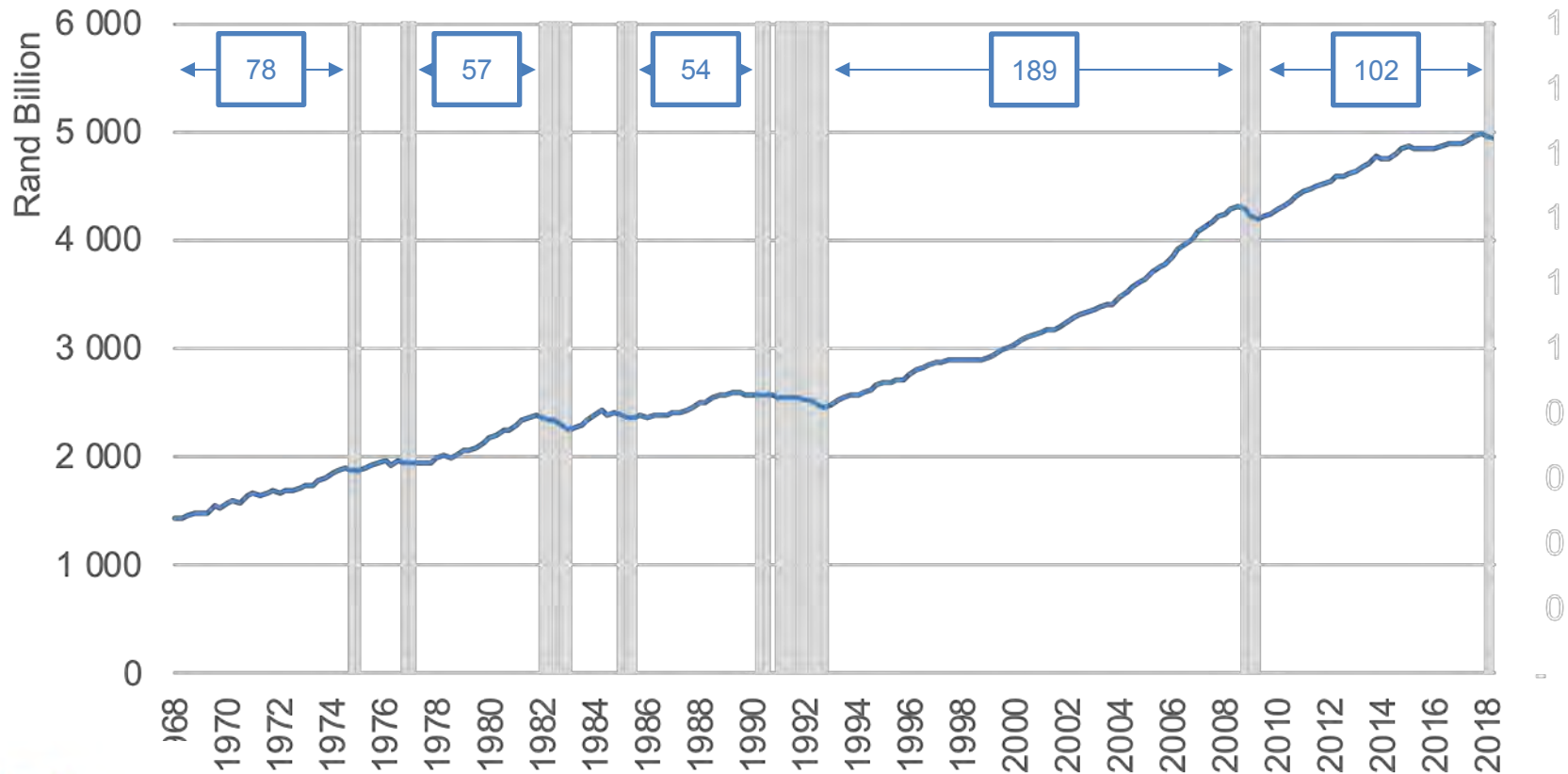


Source: Stats SA 1Q19

Prior Recessions in South Africa

- In the last fifty years, the two longest periods without recession have been during the democratic era
- The economy grew without recession for **102** months until Dec 2017; second only, over the last fifty years, to **189** months of growth without recession between Dec 1992 and Sept 2008

South African Gross Domestic Product



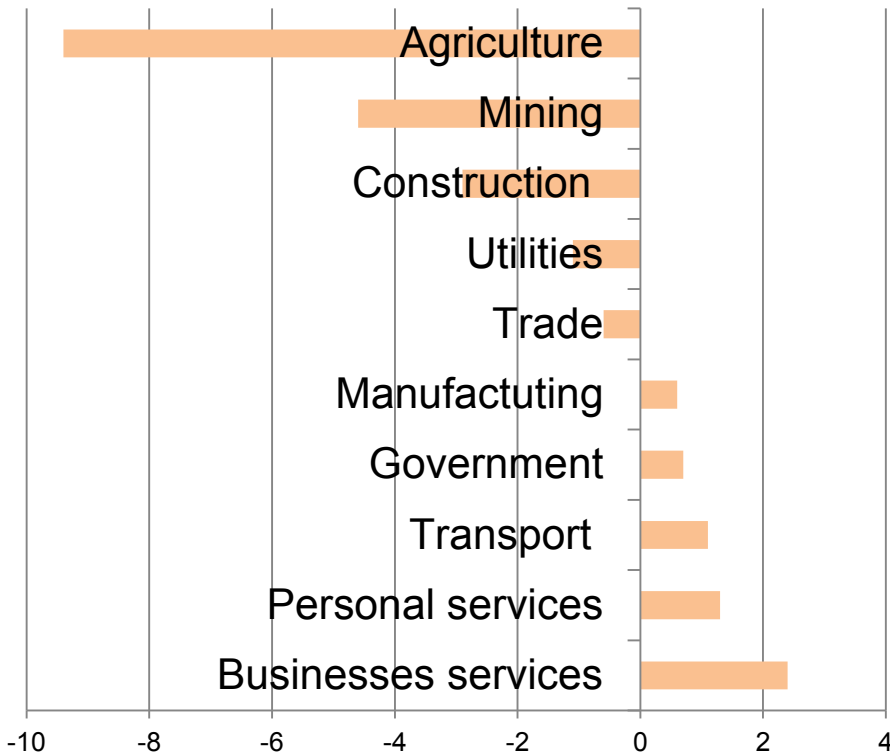
Note: quarterly GDP, annualized, seasonally adjusted, 2018 rands

Months between recessions

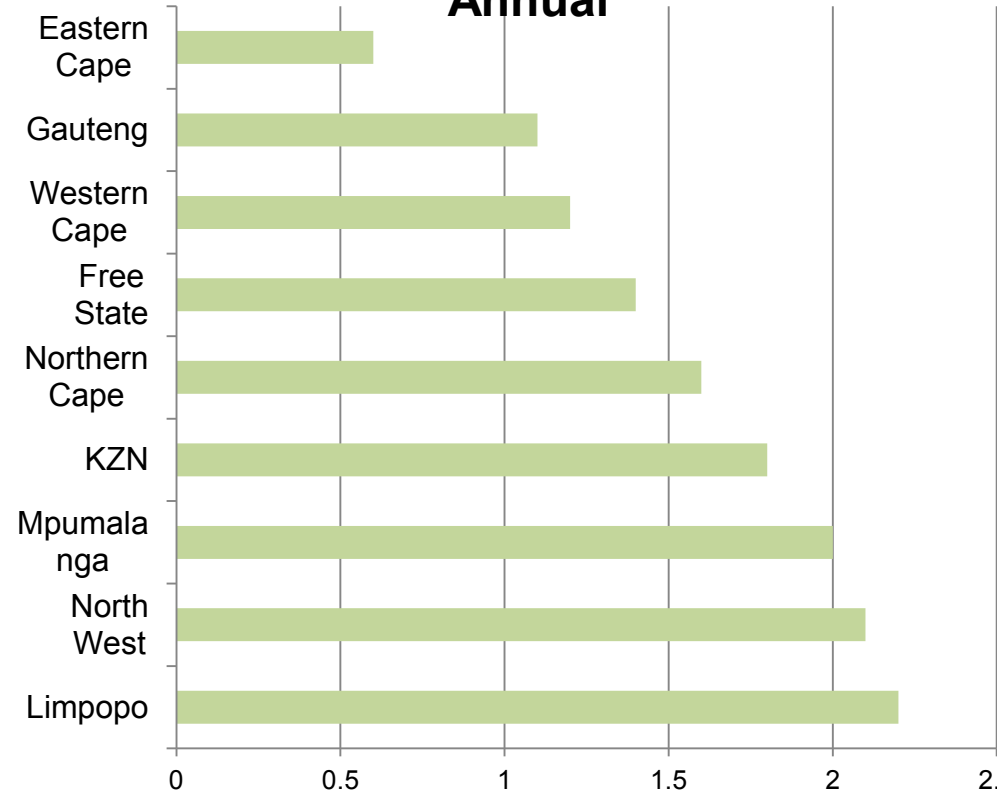
Recessionary Period

GDP growth by sector and province

GDP Growth: Q1 2018 to Q1 2019

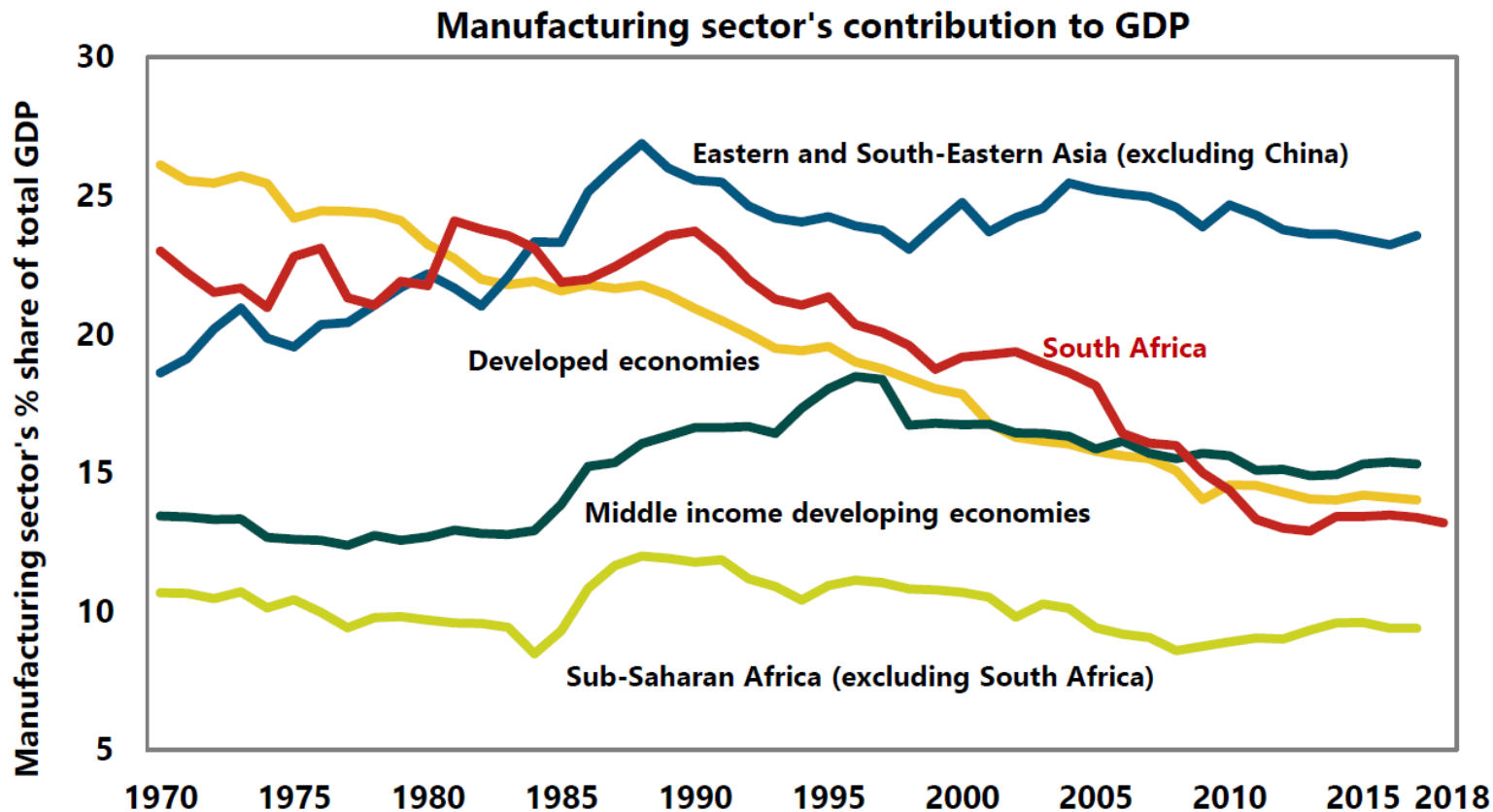


GDP Growth by Province: 2017 Annual



Source: Stats SA 1Q19

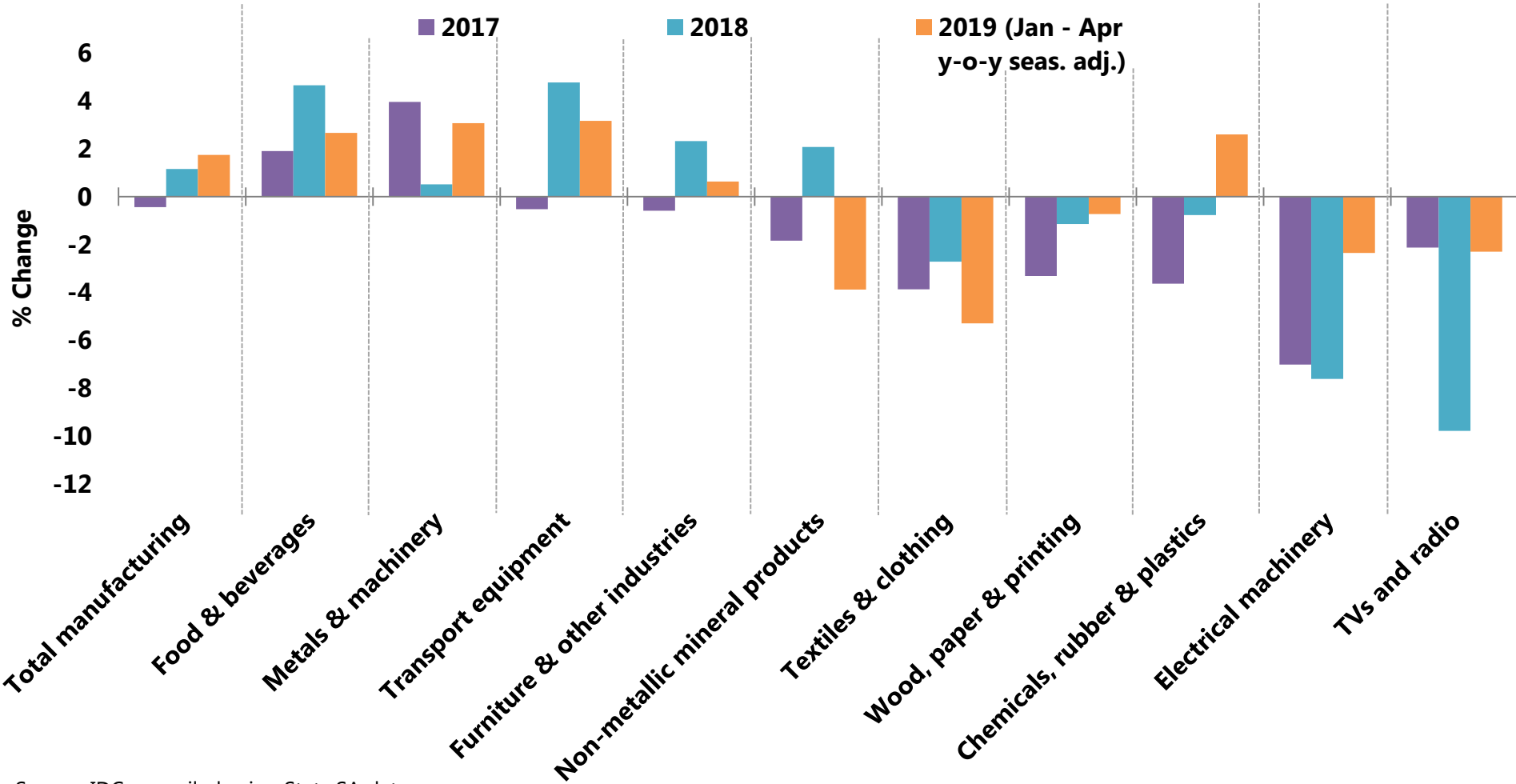
Manufacturing sector performance



Source: IDC, compiled using UNCTAD data; SARB data for South Africa

Manufacturing output has shown signs of rebounding during 2019

Growth in manufacturing output



Source: IDC, compiled using Stats SA data

SA increased trade with the rest of the world

Top 10 exports:

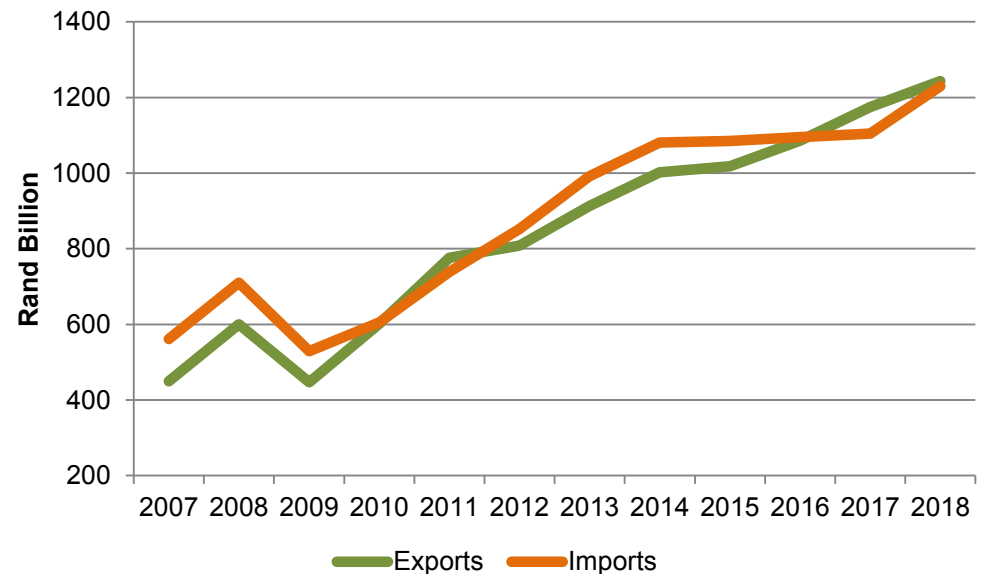
1. Gold, platinum & diamond:
2. Ores (iron, manganese, chrome)
3. Cars & trucks
4. Coal and petrol
5. Iron and steel
6. Machinery
7. Fruit and nuts
8. Aluminium & aluminium products
9. Electrical machinery
10. Plastics & plastic products

Top 10 imports:

1. Petrol
2. Machinery - mechanical
3. Machinery - electrical
4. Commodities (not specified)
5. Vehicles
6. Plastics
7. Pharmaceutical products
8. Medical equipment
9. Organic chemicals e.g. acids
10. Chemicals e.g. fertilizers

- Positive trade balance for last 2 years
- 178% increase in exports over last 10 years
- 132% increase in imports over last 10 years

SA Trade with the rest of the world



Source: TradeMap



SA's Major Trading Partners

Top 10 - SA exports:

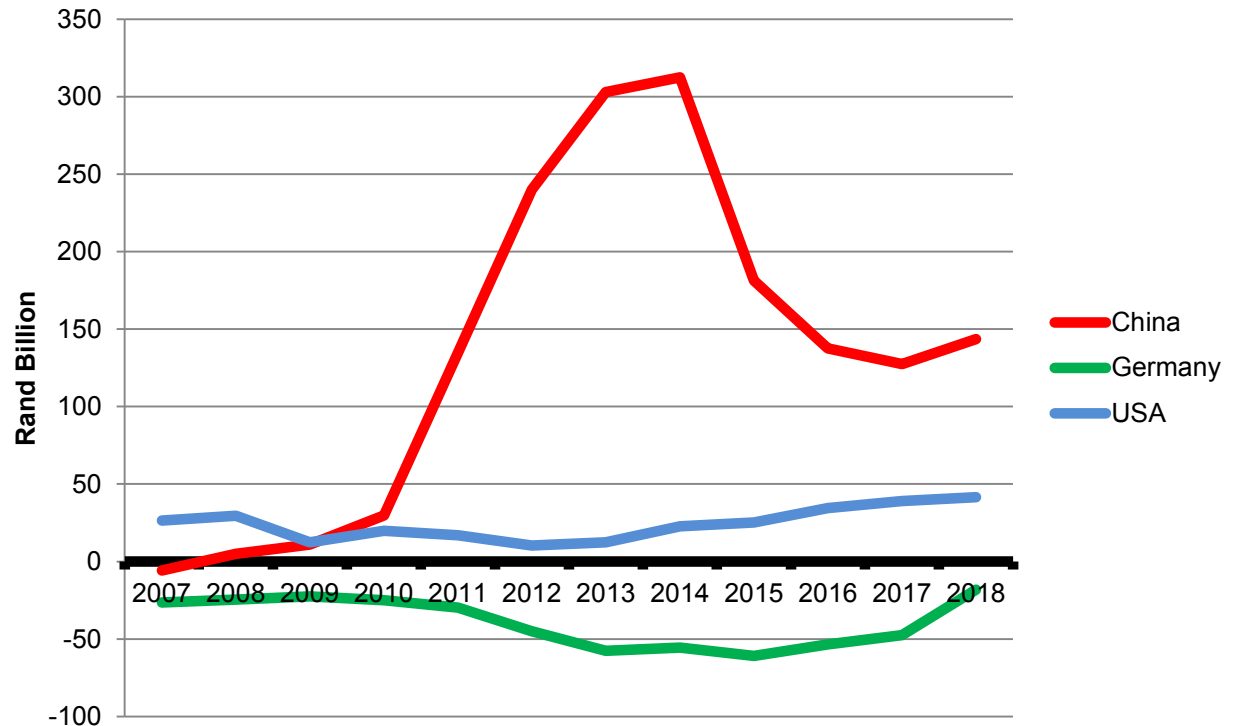
1. China
2. Germany
3. USA
4. UK
5. India
6. Japan
7. Belgium
8. Hong Kong
9. Zambia
10. Netherlands

Top 10 - SA imports:

1. China
2. Germany
3. USA
4. India
5. Nigeria
6. Thailand
7. UK
8. Netherlands
9. Japan
10. Italy

- R2.5 Trillion total trade (imports & exports with world)
- R573.8 Billion total trade with China (23.1% of trade)
- R629.2 Billion total trade with China including Hong Kong
- R264 Billion total trade with Germany (10.6% of trade)
- R186.8 Billion total trade with USA (7.5% of trade)

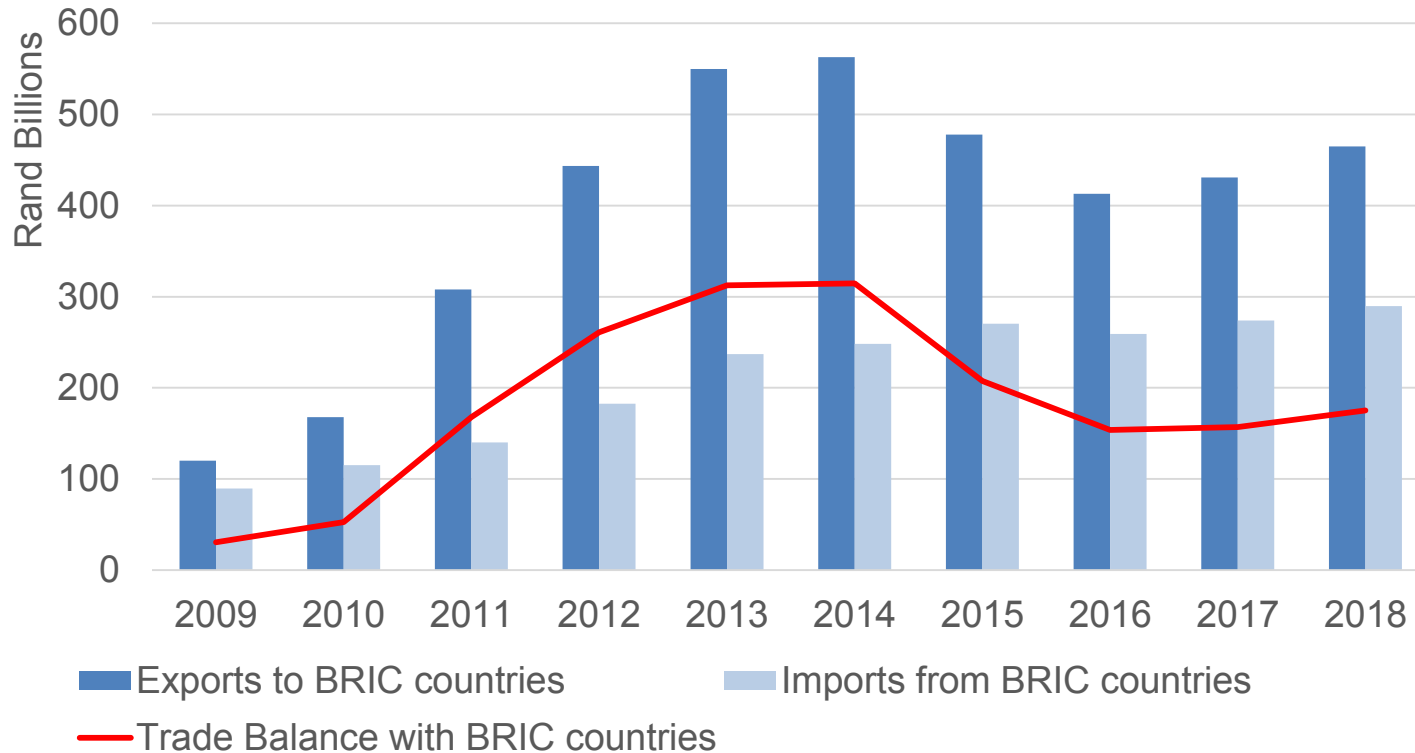
Trade balance with SA top 3 trading partners



Source: DTI compiled from Trade Map data, using data reported by national statistics agencies of trading partners



Trade with BRICS partners increased following South Africa's inclusion with positive trade balance

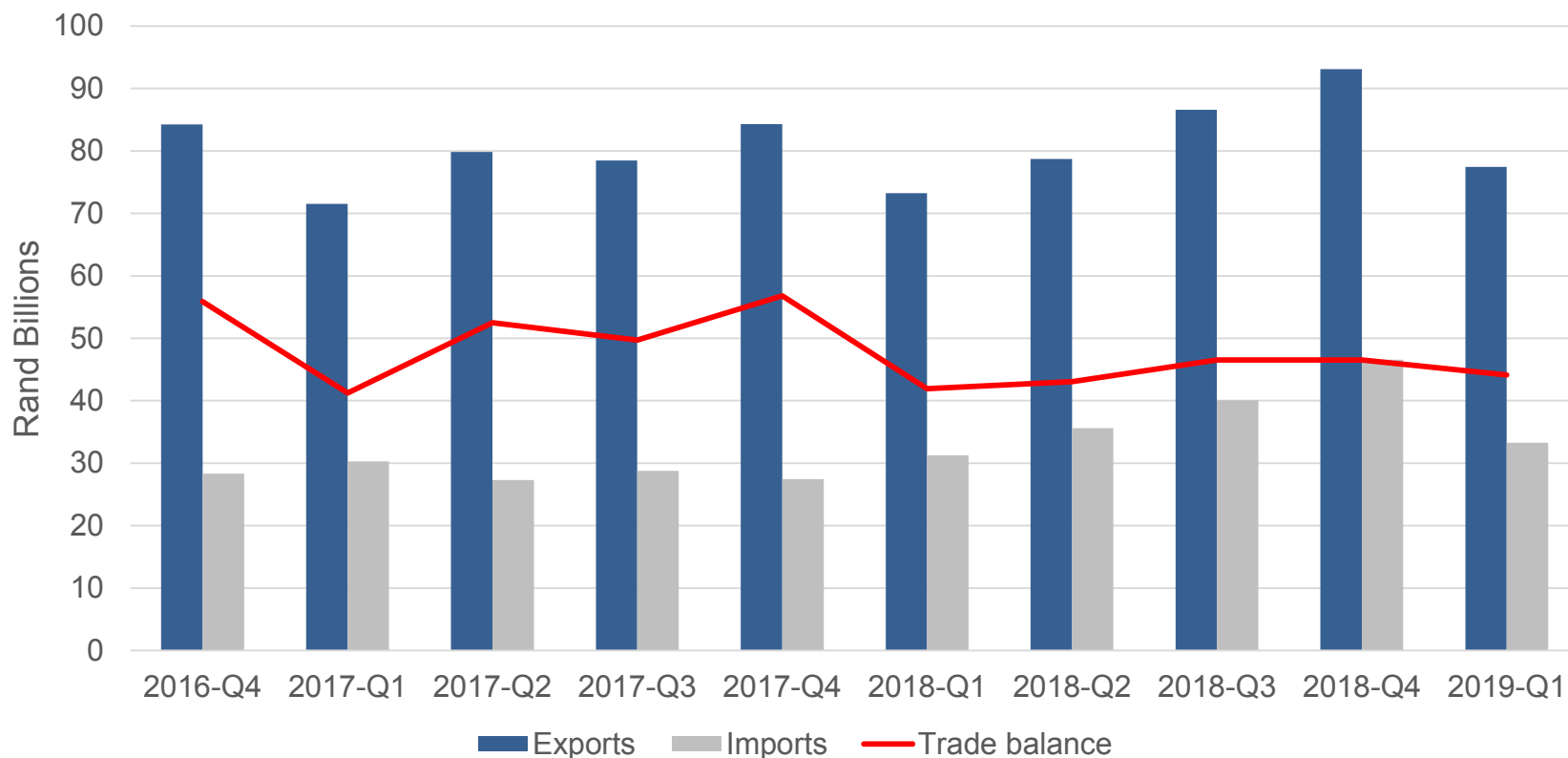


Note however, based on SA data, we run a deficit with the BRICS countries, as gold is excluded.

Source: DTI compiled from Trade Map data, using data reported by national statistics agencies of BRICS trading partners.

South Africa's Trade balance with Africa remains positive

SA trade with other countries in Africa



Source: DTI compiled from Trade Map data, using data reported by SARS

Employment

22,5 million labour force

16,3 million employed

6,1 million unemployed

6,2 million women employed

6,0 million youth employed

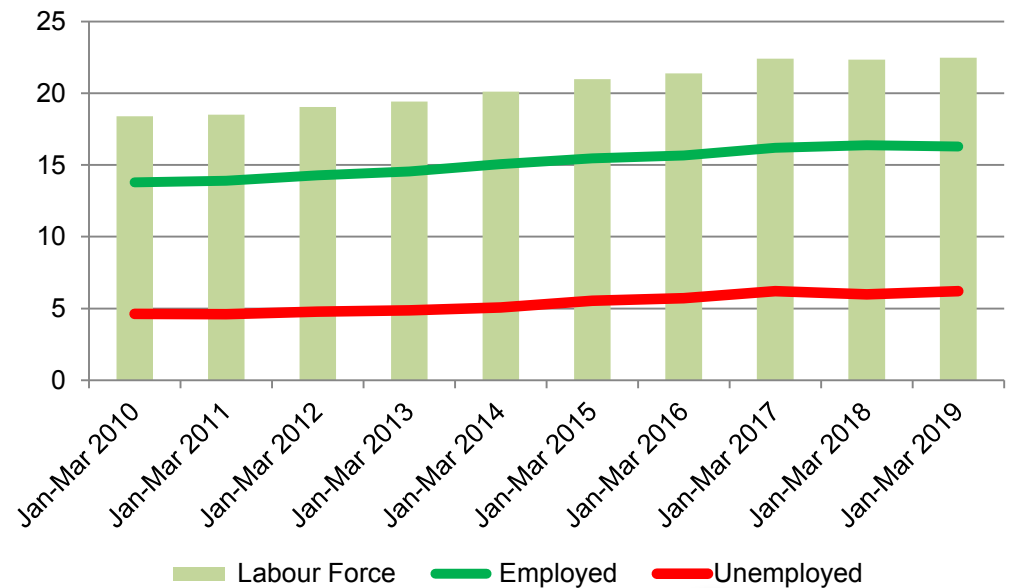
Since 2010:

4,1 million increase in labour force

2.5 million more in employment

1.6 million more unemployment

Employment and unemployment



Source: Stats SA 1Q19



Employment since Democracy

1996 and 2018

- Population growth: 42%
- Working age population rise: 53%
- Employment growth: 84%

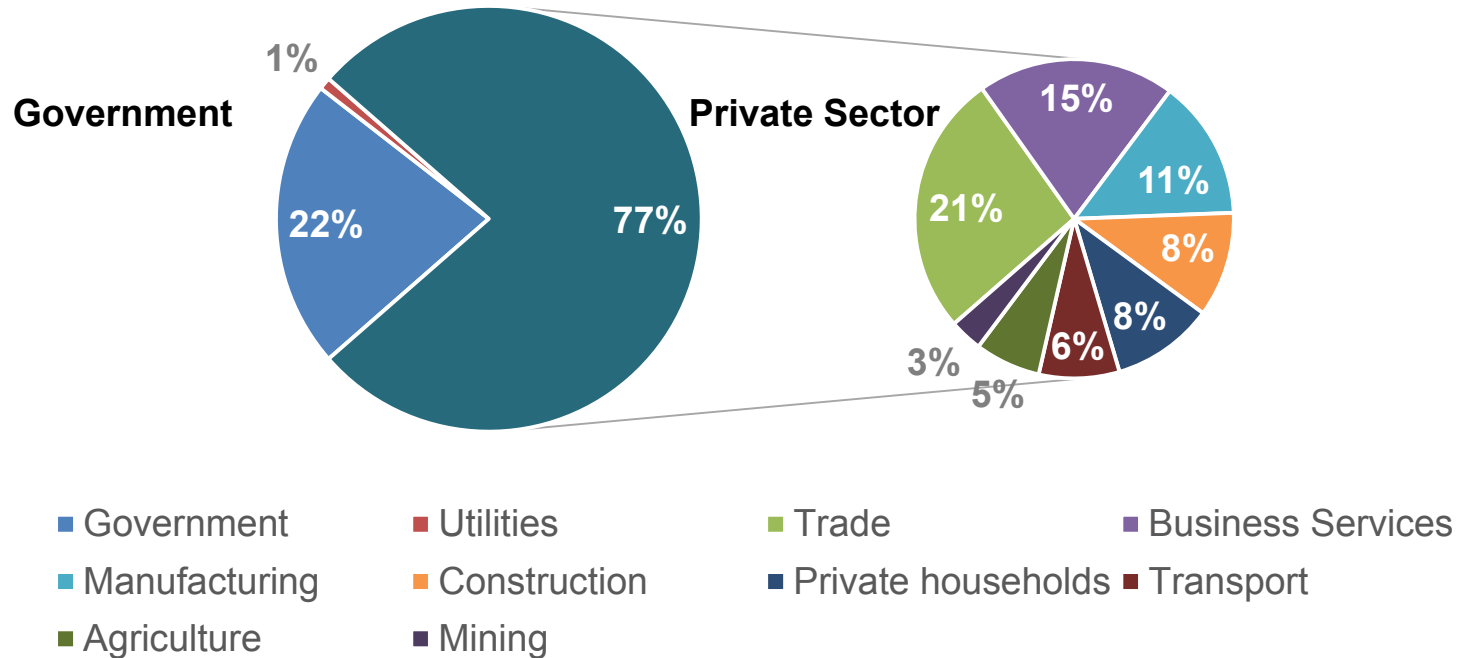
Normally would mean a decline in unemployment rate, BUT

- **Labour-force growth: 134%**

	1996	2018	
Labour force participation rate	44,9%	59,4%	Number out of every hundred of working age, that are employed or unemployed
Labour absorption rate	36%	43,3%	Number out of every 100 of working age that are employed

Employment by sector

- ❑ The Private Sector accounts for 77% of jobs in the country
- ❑ Top 3 sectors (inc. Govt) account for 6 out of 10 jobs
- ❑ Manufacturing is the 4th largest contributor to employment and accounts for 1 in 10 jobs



Source: Stats SA 1Q19

Total manufacturing employment is estimated at 1,8 million

- Manufacturing employs 1 780 000 across formal and informal economy
- 3 subsectors account for over half the employment in the manufacturing sector: food, & beverage; metal products; and textiles, clothing & leather
- Food & beverage; and metal products each account for 1 in 5 jobs in manufacturing

Employment in manufacturing (Thousand)	March 2019	% manufacturing employment
Food and beverage	376	21.1
Metal products	363	20.4
Textiles, clothing & leather	269	15.1
Petroleum, chemicals, plastics, rubber	201	11.3
Wood and wood products	167	9.4
Non-metallic & mineral products	142	8.0
Furniture	117	6.6
Transport equipment	98	5.5
Electrical machinery	24	1.3
Radio, TV, communication equipment, medical	24	1.3
Total manufacturing	1780	100

Total manufacturing jobs (formal and informal) are estimated to have declined by 24 000 over the last five years

- Manufacturing jobs declined by 24 000 over the Fifth Administration
- There was growth in a number of subsectors including Clothing and Textiles, Non-Metal Mineral Products (like glass), Metals and Machinery and Agro-Processing
- However this was offset by declines in Chemicals, Transport Equipment and Radio & TV instruments

Employment in Manufacturing (000s)	March 2014	March 2019	Change over 5th Admin	Annualised % Change
Food and beverage	362	376	14	0,7%
Metal products	343	363	20	1,1%
Textiles, clothing & leather	246	269	23	1,8%
Petroleum, chemicals, plastics, rubber	244	201	-43	-3,8%
Wood and wood products	174	167	-7	-0,8%
Non-metallic & mineral products	121	142	21	3,3%
Furniture	104	117	13	2,3%
Transport equipment	132	98	-35	-5,9%
Electrical machinery	45	24	-21	-11,7%
Radio, TV, communication equipment, medical	34	24	-10	-6,5%
TOTAL MANUFACTURING EMPLOYMENT	1 804	1 780	-24	-0,3%

Source: Stats SA Quarterly Labour Force Survey (QLFS) 1Q19

Note: The QLFS is a survey of households across South Africa. The estimations for each sector and subsector is thus subject to sampling bias, given smaller sample sizes when disaggregating data

Manufacturing jobs in the formal sector has increased by 59 000 over the last five years

- Manufacturing jobs in the formal sector has increased by 59 000 over the Fifth Administration
- There was growth in a number of subsectors including Agro-Processing, Chemicals, Transport Equipment, and Non-metal Mineral products (like glass)
- However there were declines in formal employment in Metal and Machinery, Wood and Paper and Electrical machinery

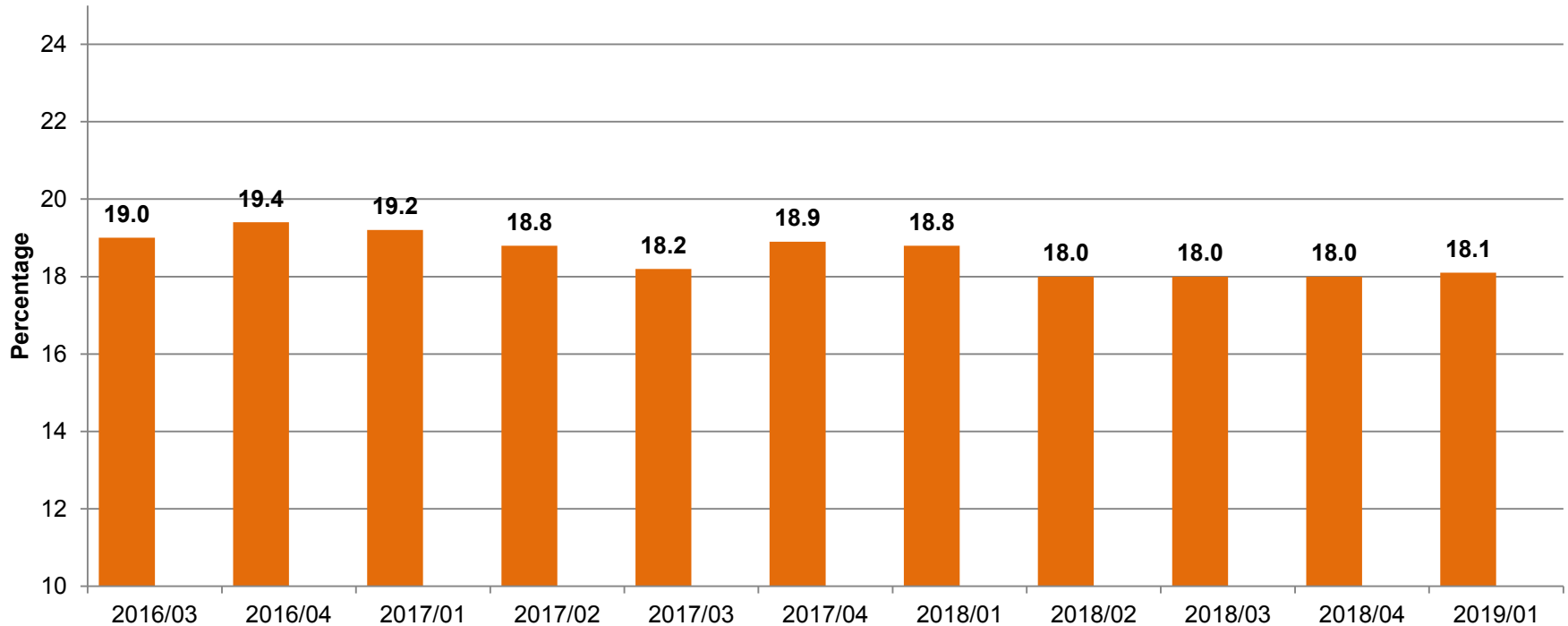
Employment in Manufacturing (000s)	March 2014	March 2019	Change over 5th Admin	Annualised % Change
Food, beverage & tobacco	214	251	37	3,2%
Metal products	280	275	-5	-0,3%
Textiles, clothing & leather	88	88	0	-0,1%
Petroleum, chemicals, plastics, rubber	159	170	11	1,4%
Wood and wood products	139	135	-4	-0,5%
Non-metallic & mineral products	54	62	8	2,6%
Furniture	67	73	6	1,8%
Transport equipment	105	113	8	1,4%
Electrical machinery	44	40	-4	-1,7%
Radio, TV, communication equipment, medical	18	20	2	1,7%
TOTAL MANUFACTURING EMPLOYMENT	1 168	1 227	59	1,0%

Source: Stats SA Quarterly Employment Survey (QES) 1Q19

Note: The QES is a survey of employers across South Africa. Data is often provided by industry associations

Investment

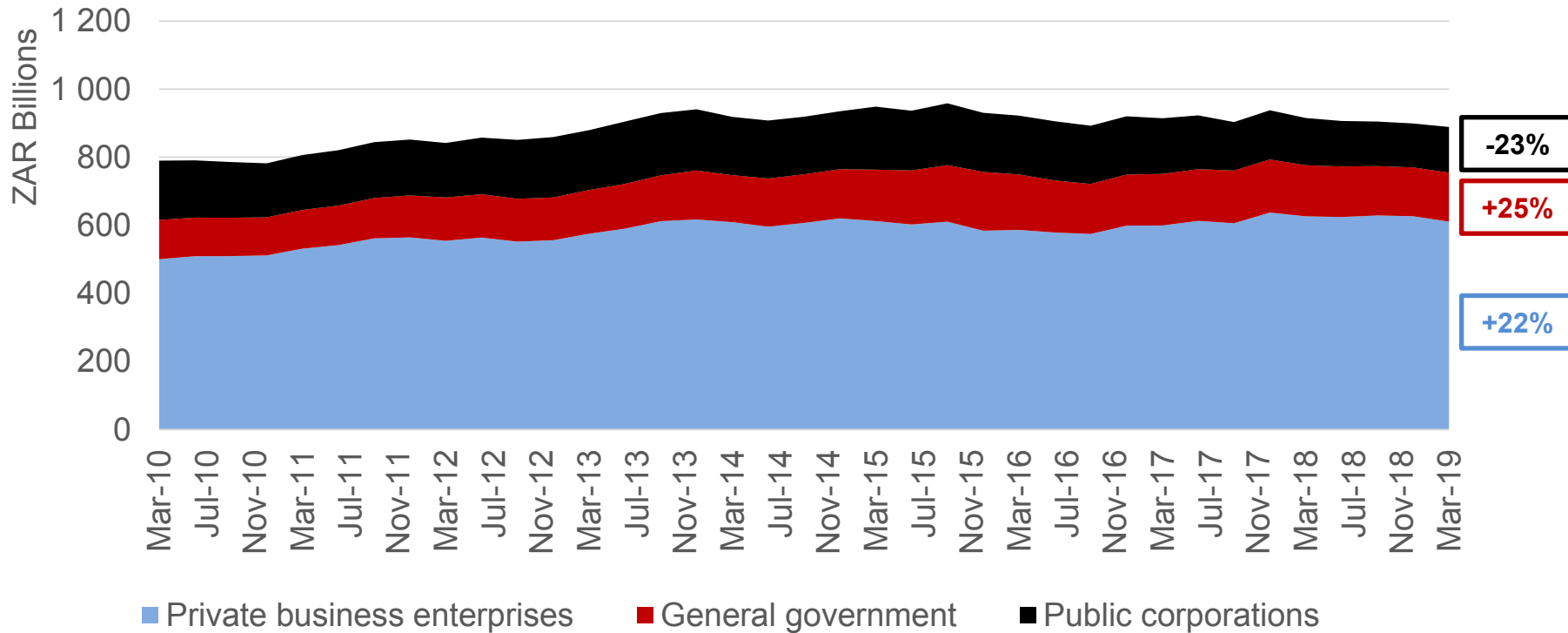
GFCF to GDP



- Growth in investment has slowed
- The private sector's contribution to total investment has grown to 69%
- Investment to GDP as declined as is now 18.1%

Investment

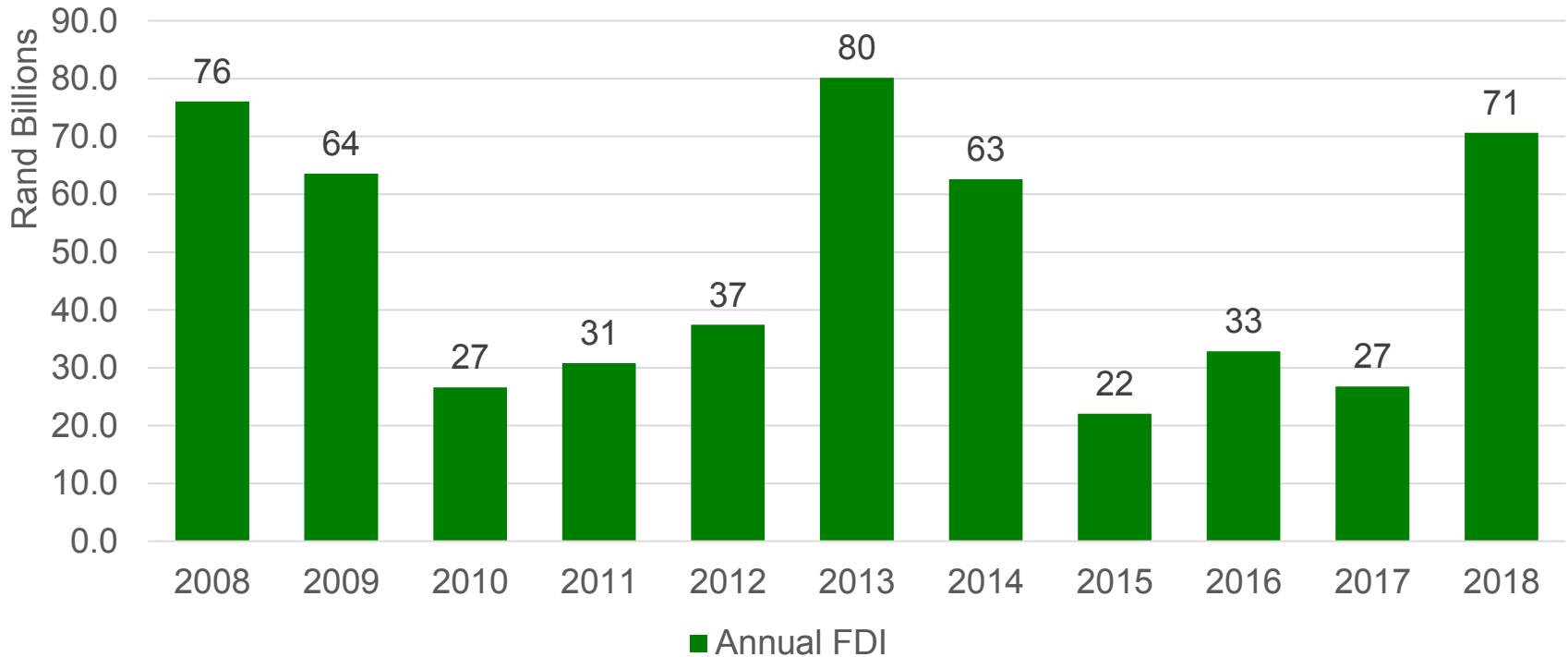
Gross Fixed Investment by Investor Type
(Constant 2019 Rands – taking account of inflation)



Source: Stats SA (Constant Rands; Quarterly; Annualised; Seasonally Adjusted)

Investment

Net Foreign Direct Investment into South Africa



Source: South African Reserve Bank (Current Rands)

Net Foreign Direct Investment into South Africa at its highest in five years in 2018

PART B: the dti's APP

- the dti's Strategic Imperatives**
- Programmes and Strategic Objectives**
- Key Planned Interventions for 2019/2022**
- Allocated Budget**

STRATEGIC IMPERATIVES

Objectives

Grow the manufacturing sector to promote industrial development, job creation, investment and exports

Improved conditions for consumers, artists and opening up of markets for new patents players

Strengthened capacity to deliver on **the dti** mandate

Goals

1. To facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation

2. Build mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives;

3. Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth;

4. Create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner;

5. Promote a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery.

Vision

A dynamic industrial, globally competitive South African economy, characterised by inclusive growth and development, decent employment and equity, built on the full potential of all citizens.

Programmes and Strategic Objectives

Programmes

Objectives

Key Performance Indicators

Programme 1

Strengthened capacity to deliver on **the dti** mandate



4 KPIs

Programme 2
Programme 3
Programme 4
Programme 6
Programme 7
Programme 8

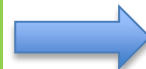
Grow the manufacturing sector to promote industrial development, job creation, investment and exports



16 KPIs

Programme 5

Improved conditions for consumers, artists and opening up of markets for new patents players



3 KPIs

PROGRAMMES OF THE DEPARTMENT



KEY PLANNED INTERVENTIONS FOR 2019/2020 FINANCIAL YEAR



KEY INTERVENTIONS -INDUSTRIAL DEVELOPMENT

SG 1: Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation

IPAP interventions



- ❑ Enhance the contribution of manufacturing to a more inclusive economy both by promoting black industrialists and small business and by encouraging job creation both directly and indirectly.
- ❑ Promote new industries and activities that are more sustainable, promote higher value add and encourage employment creation



KEY INTERVENTIONS -INDUSTRIAL DEVELOPMENT

SG 1: Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation

IPAP interventions



- ❑ Develop practical measures to support collaboration. Reduce the cost of logistics, including regulatory delays and fees as well as transport and communications infrastructure.

It requires greater policy coherence and certainty


The new investment law
The picture changes



KEY INTERVENTIONS -INDUSTRIAL DEVELOPMENT

SG 1: Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation



- ❑ Grow the manufacturing sector to promote industrial development, job creation, investment and exports: 
- ❑ Value of projected investment leveraged: **R18 billion** 
- ❑ Projected number of new jobs and retained jobs supported from approved enterprises and projects: **18 000**
- ❑ Projected number of enterprises/projects approved for financial support across all incentives: **900**



SG 2: Build mutually beneficial regional & global relations to advance South Africa's trade, industrial policy & economic development objective

- ❑ Value (Rand) of investment projects facilitated in pipeline: with an annual target of R50 billion for the 2019/2020 financial year.
- ❑ Trade negotiations: EPA with the EU, SACU India PTA, SADC-EAC-COMESA FTA (T-FTA) – Six status reports produced on progress for TFTA and CFTA negotiations
- ❑ Africa regional development programme implemented – 2 reports on implementation of the SADC-EU-EPA



SG 2: Build mutually beneficial regional & global relations to advance South Africa's trade, industrial policy & economic development objective

- Bilateral engagements with the rest of the world: 16 status reports produced on engagements in Global Fora (BRICS, G20, AGOA, UK Brexit).
- Increased exports sales of value-added products and services under EMIA by increasing the value of exports to R 4,25 billion.
- Increased manufactured exports by assisting 864 companies in supporting value added exports under EMIA .

SG3: Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth

➔ Enabled increased investment through Special Economic Zones and Industrialised parks

- One** (1) SEZ submitted to Minister for designation
- Two** (2) implementation reports on Industrial Parks submitted to Minister

➔ Implementation of the B-BBEE Amendment Act and Code of Good Practice for B-BBEE

- Two** (2) reports on the implementation of the B-BBEE Amendment Act and Regulations submitted to the Minister

➔ Black Industrialists (BI) development programmes implemented

- 80** interventions to support BIs in the IPAP sectors (Non- financial)

SG 4: Create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner

- One (1) SEIAS** report on the Companies Amendment Bill developed for Minister's approval.
- Four (4) progress reports** on the development of the Companies Amendment Bill developed for Minister's approval.
- 24 education and awareness workshops** on policies and legislation conducted and report produced for Minister's approval.

SG 5: Promote a professional, ethical, dynamic and competitive and customer-focused working environment that ensures effective and efficient services delivery

- 100% eligible creditor payments processed within 30 days.

Female SMS



Women in SMS employment **50%**

- Employment of People with Disability **3.7%**



People with Disabilities



ALLOCATED BUDGET



Allocated Budget Medium Term Expenditure Framework

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Summary by programme							
	Audited outcome	Audited outcome	Audited outcome	Preliminary audited outcome	Medium-term estimates		
Rand thousand							
Programme							
1. Administration	727,561	699,139	772,696	813,518	803,475	836,111	881,939
2. International Trade and Economic Development	113,560	116,024	121,121	122,075	130,405	134,555	142,949
3. Special Economic Zones and Economic Transformation	92,524	97,589	95,699	121,963	171,458	181,571	193,182
4. Industrial Development	1,953,616	1,722,245	1,838,839	2,018,625	2,100,814	2,058,227	1,860,658
5. Consumer and Corporate Regulation	287,420	295,381	298,706	323,846	328,319	346,178	368,823
6. Incentive Development and Administration	5,795,785	6,895,186	5,600,528	5,560,651	6,026,061	6,554,206	5,506,463
7. Trade and Investment South Africa	462,911	454,588	456,154	460,194	440,456	456,266	486,462
8. Investment South Africa	38,282	69,244	64,505	69,372	58,039	60,800	65,420
Total	9,471,659	10,349,396	9,248,248	9,490,244	10,059,027	10,627,914	9,505,896

Budget for Departmental operations for 2019/20:

Programme 1: Administration - **R 803,5 million**

Programme 2: International Trade and Economic Development – **R 130,4 million**

Programme 3: Special Economic Zones and Economic Transformation - **R 171,5 million**

Programme 4: Industrial Development – **R 2,1 billion**

Programme 5: Consumer and Corporate Regulation – **R 328,3 million**

Programme 6: Incentive Development and Administration- **R 6,0 billion**

Programme 7: Trade and Investment South Africa – **R 440,5 million**

Programme 8: Investment South Africa – **R 58,0 million**

Total: R10,1 billion

PART C: EDD's APP

- EDDs Strategic Imperatives**
- Programmes and Strategic Objectives**
- Key Planned Interventions for 2019/2022**
- Allocated Budget**

STRATEGIC IMPERATIVES

Mission

Co-ordinate the contributions of government departments, state entities and civil society to effect economic development

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

Promote government's goal of advancing economic development via the **creation of decent work opportunities**

Objectives

1. To ensure good governance in the administration of the Department
2. Coordinate jobs drivers and implementation of the New Growth Path economic strategy in support of the National Development Plan
3. Facilitate social dialogue and implementation of social accords
4. Coordinate infrastructure development and strengthen its positive impact on the economy and citizens
5. Promote productive investment, industrial financing and entrepreneurship for jobs and inclusive growth
6. Promote competition, trade and economic regulation in support of job creation, industrialisation and economic inclusion

Vision

Creating decent work for all through meaningful economic transformation and inclusive growth

Programmes and Strategic Objectives

Programmes

Strategic Objectives

KPIs

Programme 1: Admin

Strategic Objective 1: To ensure good governance in the administration of the Department

1 KPI (1 Product)

Programme 2: Growth and Jobs Drivers

Strategic Objective 2: Coordinate jobs drivers and implementation of the economic strategy in support of the National Development Plan

3 KPIs (18 Products)

Strategic Objective 3: Facilitate social dialogue and implementation of social accords

3 KPIs (9 Products)

Programme 3: Investment, Competition & Trade

Strategic Objective 4: Coordinate infrastructure development and strengthen its positive impact on the economy and citizens

5 KPIs (106 Products)

Strategic Objective 5: Promote productive investment, industrial financing and entrepreneurship for jobs and inclusive growth

3 KPIs (34 Products)

Strategic Objective 6: Promote competition, trade and economic regulation in support of job creation, industrialisation and economic inclusion

1 KPI (15 products)

PROGRAMMES OF THE DEPARTMENT



KEY PLANNED INTERVENTIONS FOR 2019/2020 FINANCIAL YEAR



KEY INTERVENTIONS - Administration

SG 1: To ensure good governance in the Department

Interventions

- EDD plans to achieve an Unqualified Audit Opinion
- In order to achieve this the Department will:
 - systematically address issues identified in the preceding year's audit
 - Maintain high standards in all areas

SG 2: Coordinate jobs drivers and implementation of the New Growth Path (NGP) economic strategy in support of the National Development Plan

Interventions

- ❑ Analytical and public policy advocacy reports



- ❑ Promoting of jobs drivers including coordinating with other departments, promoting investment, working with regulators and engaging sector stakeholders on jobs and growth
- ❑ Supporting provinces to meet their targets including aligning provincial economic development APPs with national agenda, meeting officials, forums with communities and road shows with public agencies in the province, and hosting MinMecs

SG 3: Facilitate social dialogue and implementation of social accords

Interventions

- Monitor and support implementation of the Green Economy Accord
- Support youth and black women with access to employment and business opportunities through policy initiatives, funding initiatives, unblocking projects and promoting access to employment or entrepreneurship
- Progress reports on actions taken by government and the social partners to give effect to the Youth Employment Accord (YEA)
- Social dialogue interventions to save and create jobs through meetings or workshops with social partners; interventions that may result in agreements, MOUs or Action Minutes at sector and workplace level; reporting on Social Accords

SG 4: Coordinate infrastructure development and strengthen its positive impact on the economy and citizens

Interventions

- Compile reports on the 18 Strategic Integrated Projects (SIPs) to provide Cabinet with detailed dashboards (progress reports) of performance
- Implement Cabinet and PICC strategic decisions
- Coordinate and/or prepare for meetings of the PICC Council, Management Committee, Secretariat, SIP Co-ordinators and Cabinet
- Coordination actions to drive implementation of SIP 5 (Saldanha-Northern Cape Development Corridor)



SG 5: Promote productive investment, industrial financing and entrepreneurship for jobs and inclusive growth

Interventions

- ❑ Unblock/ fast track and facilitate investment and infrastructure projects
- ❑ Promote economic transformation through support for township enterprises
- ❑ Monitoring funding efforts by DFIs including the level and impact
- ❑ Ministerial and departmental oversight engagements with the IDC on its corporate plan, governance, project performance or investment, development impact (including support for townships)



SG 6: Promote competition, trade and economic regulation in support of job creation, industrialisation and economic inclusion

Interventions

- Ministerial and departmental oversight of the economic regulators (Competition Commission, Competition Tribunal and ITAC)
- Initiatives to enhance the capacity of the regulators such as technical or policy workshops on capacity, changes in legislation or regulation
- Initiatives to enhance performance and outcomes
- Engaging in mergers and acquisitions, market inquiries and challenging prohibited practices
- Implementation of new legislation – Competition Amendment Act 2018



ALLOCATED BUDGET



ALLOCATE BUDGET 2019/20

SUMMARY	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Rand thousand	Audited Outcome	Audited Outcome	Audited Outcome	Budget	Revised Baseline	Revised Baseline	Revised Baseline
Programmes							
Administration	83,144	90,417	83,666	86,351	90,334	96,071	102,018
Growth Path and Social Dialogue	26,705	27,797	31,125	34,495	37,009	39,761	42,319
Investment, Competition and Trade	773,884	546,869	797,259	951,751	918 050	959,535	1,042,122
Total for Programmes	883,733	665,083	912,050	1,072,597	1,045,393	1,095,367	1,186,459
Economic classification							
Current payments	128,386	133,465	132,632	135,209	142,664	152,249	161,835
Compensation of employees	79,398	84,990	88,523	90,773	97,693	105,020	111,846
Goods and services	48,988	48,475	44,109	44,216	44,971	47,229	49,989
Transfers and subsidies	750,396	528,846	778,370	933,122	897,991	938,021	1,019,247
Departmental agencies and accounts	338,848	315,657	392,460	419,065	438,538	462,539	487,979
Public corporations and private enterprises	411,397	213,124	385,780	513,837	459,453	475,482	531,268
Households	151	65	130	220	-	-	-
Payments for capital assets	4,949	2,772	1,048	4,486	4,738	5,097	5,377
Machinery and equipment	3,383	1,507	904	4,016	4,242	4,574	4,825
Software and other intangible assets	1,566	1,265	144	470	496	523	552
Payments for financial assets	2	-	-	-	-	-	-
Total economic classification	883,733	665,083	912,050	1,072,597	1,045,393	1,096,367	1,186,459

Budget for Departmental operations for 2019/20 (inc. transfers to agencies):

Programme 1: Administration - **R90,3 million**

Programme 2: Growth Path & Social Dialogue - **R37 million**

Programme 3: Investment, Competition & Trade - **R918million** (including transfers to entities)

TOTAL: R1,1 billion

Budget for Departmental operations for 2019/20 (exc transfers to agencies):

Programme 1: Administration - **R90,3 million**

Programme 2: Growth Path & Social Dialogue - **R37 million**

Programme 3: Investment, Competition & Trade – **R20million** (excluding transfers to entities)

TOTAL: R147 million

THANK YOU

NGIYATHOKOZA

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