# MEDIUM TERM STRATEGIC FRAMEWORK 2008 - 2011

the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

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## INTRODUCTION: the strategic context within which the dti operates

The momentum of South Africa's economic upswing appears to be enduring, despite the emerging signs of a challenging environment ahead. The economy grew by 5.1% in 2007, the third consecutive year that growth exceeded 5% per annum. Indeed, the economy has experienced positive growth rates for twice as long as the next longest period of growth in recorded history. In terms of employment creation, about half a million jobs have been created every year for the past three years.

While these remarkable achievements are worth being celebrated, the Department of Trade and Industry (**the dti**) has always been aware that much of our growth and employment creation has been achieved through strong commodity demand, consumer spending and a favourable global economy. It is in the context of the global economic slowdown and higher interest rates (with the negative impact on consumer spending) that the quality and durability of South Africa's economic growth and employment creation will be tested. It is precisely in this regard that South Africa will look to its newly adopted industrial policy to play a critical role.

Government's challenge in the medium term will be to accelerate economic growth and deepen economic transformation, particularly to create a sustainable basis for labour-absorbing growth. To address this necessary shift from macroeconomic stabilisation to microeconomic transformation, government adopted the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) in 2006. ASGI-SA calls for an active industrial policy among other interventions. In response to this call, Cabinet, after a broad-based consultation process and inter-departmental deliberations, adopted **the dti**'s National Industrial Policy Framework (NIPF) and the Industrial Policy Action Plan (IPAP) in 2007. The IPAP is now integrated into the programme of action of government, and must serve as a central point of reference for coordination within government and in relation to the private sector as regards industrial development in South Africa.

The push for an active industrial policy is a timely key intervention of the post-1994 democratic government. The current global economic environment of economic uncertainty in the United States and Europe are issues for concern. In addition, higher domestic interest rates and the current account deficit suggest that in the medium-term South Africa will need to consolidate its economic gains and work hard to build the productive capacity of the domestic economy.

Central to developing the productive capacity of the economy is ensuring that the necessary industrial and economic infrastructure is in place. In previous decades, public capital expenditure was constrained, and much catching up has to be done. Electricity and other energy supply infrastructure, public transport, telecommunications, rail and port amongst others, are all in need of significant new investments and improved regulatory environments.

While the economy is experiencing encouraging increases in the rate of investment, much of the inputs for capital expenditure programmes (capex) have to be imported, creating further pressure on the current account. With factors such as the escalating cost of imported oil, the balance of payments is expected to remain under pressure, with possible widening of the current trade deficit. This is certainly a challenge to the economy, but it is also an opportunity. South African firms have a historic opportunity to respond to the needs of the capex programme, and upgrade their capacity to be competitive suppliers of capital goods and other inputs into the public investment programmes. Indeed, the ability of foreign firms to meet the needs of South Africa's capex programme is often limited and creates an unhealthy dependence on relatively insecure and costly lines of input supply. Hence much of the industrial policy implementation in the medium-term will address this strategic risk and national developmental imperative.

The NIPF also seeks to ensure that our industrial policy and trade policy are mutually aligned and coordinated, in the context of an increasingly rules-based global trading system centered on the World Trade Organisation (WTO). South Africa is a small, open economy distant from industrialized and high income markets. Our trade strategy continues to strive to leverage global growth for the development of our economy, focusing on both our existing main trading partners and dynamic fast growing emerging markets, and this work will continue to receive extensive effort. Promoting African economic integration and a better deal for developing countries in the WTO Development Round will also continue to receive extensive effort. However, **the dti** also appreciates the reality of a changing economic geography. The past decade has underlined the rise of new economic powers such as China and India, and the department will work to ensure that South Africa relates to these countries and regions in a manner that best supports our future growth trajectory.

In going forward, however, we must proceed from our current circumstances, constraints and opportunities. In this regard, largely due to years of insufficient upgrading of capacity, the manufacturing sector is not performing to its full potential. Despite achieving a degree of growth, manufacturing has failed to capture a fair share of the growth in the domestic market, and is losing sales to imports. Remarkably, manufacturing is currently operating at full capacity however is unable to increase output to meet the increased demand associated with the recent strong economic growth. For this reason, industrial policy implementation therefore gives priority to providing appropriate incentives for the upgrading of the productive capacity and competitiveness. Unlike macroeconomic policy, however, the levers of microeconomic policy are more complex and more fragmented – and hence progress will be more gradual, though ultimately the results will be sustainable. A feature of our support going forward will be increased conditionality and additionality as regards the performance of firms and enterprises, ensuring alignment between the intended and actual outcomes.

There are further constraints facing the economy. The higher interest rate environment, constraints in the supply of electricity and the very real shortage of critical skills have contributed to a recent decline in the business confidence of manufacturers, and this is expected to lead to a decline in the growth rate of some sectors of the economy. A longer term solution is needed to address the electricity needs of the economy while at the same time finding ways of managing the current mismatch between electricity demand and supply without adversely affecting the gains already made. At a fundamental level, it is clear that the days of cheap electricity and energy are ending, and industrial policy and **the dti** in general will increasingly seek to promote energy-efficient and alternative energy generation sources.

The impact of monetary policy remains an important consideration. Every 1.5 percentage point increase in interest rates reduces GDP growth by 0.5 percentage points within 12 months. The knock-on effect is felt particularly in terms of lower rates of investment and declines in the job-creating retail sectors. The focus on effective management of inflation is critical, though there is a need to consider how best to coordinate monetary policy with other pro-growth economic policies associated with ASGI-SA.

The focus of government will be on ensuring that these challenges do not reverse the gains that have already been made in terms of economic growth. A range of interventions have been outlined in the government's Programme of Action (POA) to address these challenges and to do so in an accelerated and effective manner that the President termed "Business Unusual" in his State of the Nation Address to Parliament on 08 February 2008. In this regard government has identified the Apex of priorities focusing on interventions that need to be completed in the current term of government. These priorities have been incorporated into government's Programme of Action and they will be fast tracked to ensure the realisation of ASGI-SA goals of 6% economic growth from 2010 onwards and halving unemployment and poverty by 2014.

Over the medium term **the dti**, as co-chair of the Economic Cluster, will pay particular attention to fast-tracking the Apex priorities that fall within its mandate. One of the priorities is the effective implementation of the Industrial Policy Action Plan. Given its mandate and as envisaged by the NIPF, **the dti** has a responsibility to ensure ongoing and coordinated policy initiatives that are necessary to generate a step change in economic growth by 2010. Additional Apex priorities that **the dti** will be responsible for include the setting up of a dedicated call centre to deal with strategic investments, as well as assistance to SMEs providing goods and services to the public sector, including ensuring that they are paid within the 30-days period as provided for in the legislation.

In addition to the Apex priorities, the Programme of Action for the Economic Cluster will concentrate on areas of intervention with considerable potential to change the structure of the economy. Over the medium term, as the co-chair of the Economic Cluster, **the dti** will drive the following set of interventions to ensure that the economy's growth momentum is sustained and broadened:

- Increasing economic efficiencies these interventions will focus on lowering the cost of doing business across the economy focusing on the provision of skills, infrastructure and a conducive regulatory environment.
- Promoting dynamic growth sectors as part of applying our National Industrial Policy Framework, with specific attention being given to those sectors where **the dti** can convert comparative advantage to competitive advantage and absorb labour.
- Integrating small and micro enterprises into the economy by strengthening the ability of small and micro-enterprises to transact and market products in the wider economy, including the reduction of regulatory burdens.

In order to ensure the effective implementation of the Economic Cluster's Programme of Action, the Cluster will continuously monitor and evaluate the extent to which the POA contributes to the ASGI-SA targets. **the dti**, in its role as co-chair of the Cluster, has an important part to play in ensuring a more collective,capacitated and focused effort to implement the POA.

The mandate of **the dti** and its role as co-chair of the Economic Cluster has led to the department examining its own institutional arrangements and capacity to fulfil its mandate over the medium term. **the dti** has identified, amongst others raising investment levels, increasing labour absorption, broadening economic participation, and increasing competitiveness as key areas of intervention in the economy where the department can make a positive impact. Greater attention will be given to enhancing **the dti**'s capacity to undertake these interventions, given government's intensified focus on effective service delivery.

To further enhance **the dti**'s capacity and position the department for a "Business Unusual" approach to implementation, the department is now better organising its internal work through thematic clusters of divisions, namely industrial development, trade, investment and exports, broadening participation, and strategic coordination and administration. This will ensure that there is an effective and joined-up approach within **the dti** to key areas of intervention. These clusters will foster a culture of developing cross-cutting and integrated interventions across divisions in **the dti** and encourage the overcoming of the silo mentality that is common in large and complex institutions. This cross-cutting and integrated approach will be further promoted through future reporting by **the dti** to the Cabinet and Parliament.

## OVERVIEW OF the dti STRATEGY

Within the context discussed above, **the dti** is working towards a transformed and adaptive economy that is characterised by a higher level of economic growth that generates employment and reduces levels of inequalities. The long-term goal of **the dti** is to generate growth, employment and equity.

**the dti's mission**

The purpose of **the dti** is to:

- Provide leadership to the SA economy through its understanding of the economy, its ability to identify economic opportunities and potential, and its contribution to ASGI-SA.
- Act as a catalyst for the transformation and development of the economy and respond to the challenges and opportunities of the economic citizens, in order to support the government's economic goals of growth, employment and equity.
- Respond to the challenges and opportunities in the economy and society.
- Provide a predictable, competitive, equitable and socially responsible environment for investment, enterprise and trade.

**the dti's strategic objectives**

To give effect to its mission **the dti** is guided by the following medium term strategic objectives:

- Promoting the co-ordinated implementation of the Accelerated and Shared Growth Initiative;
- Promoting direct investment and growth in the industrial and services economy, with particular focus on employment creation;
- Raising the level of exports and promoting equitable global trade;
- Promoting broader participation, equity and redress in the economy; and
- Contributing to Africa's development and regional integration within the new Partnership for African Development (NEPAD).

## Key interventions

Guided by the above strategic and operational framework, **the dti**'s interventions in the medium term will be both significant and far reaching. An overview of these interventions is presented below in terms of the following themes:

- Industrial Development,
- Trade, Investment and Exports,
- Broadening Participation,
- Regulation, and
- Administration and Co-ordination.

## [1] Industrial Development

### National Industrial Policy Framework and Action Plan

The conclusion of the National Industrial Policy Framework (NIPF) and its endorsement by Cabinet in January 2007, will serve as a guide to, and an integrator, of all the department's work in support of ASGISA goals. As the product of extensive consultation with other Government departments and key economic stakeholders, the NIPF will also enable greater coordination in Government's programme to promote accelerated and shared economic growth. In addition, it will enable focused partnerships and co-operation with private sector, industry and labour stakeholders in tackling the challenges of industrial development.

The focus of the work on industrial development will be on sectoral action plans, which will be prioritised and implemented as part of **the dti**'s medium term strategic framework and Government's Programme of Action for the Economic Sector. Capital/transport equipment and metals; automotives and components; chemicals, plastic fabrication and pharmaceuticals; forestry, pulp and paper, and furniture have already been identified as four lead sectors in which growth interventions and key actions will be undertaken. The development and implementation of sector strategies interventions will be a continuous process, with priorities determined for each period to ensure the broadest possible stimulation of growth and employment in manufacturing and service sectors. Further, the work of the Industrial Development Corporation will also be a major contributor to this area of the department's work, among others.

Augmenting these initiatives, the department will also introduce a comprehensive Industrial Development Zones (IDZ) policy framework, aimed at addressing governance issues in the IDZ programme and new support measures to make the IDZ programme globally competitive.

Following the finalisation of the Accreditation for Conformity Assessment Calibration and Good Laboratory Practice, and the National Measurement Standards and Measurement Units Acts in 2007, the legislative reform of the South African technical infrastructure (TI) will be completed in 2008 with the finalisation of the Standards Bill and the National Regulator for Compulsory Specifications (NRCS) Bill. The first bill will reconstitute the South African Bureau of Standards (SABS) as the peak standards body of South Africa responsible for standards development and provision of conformity assessment services. The NRCS bill will transfer the administration of compulsory specifications from the SABS to the National Regulator for Compulsory Specifications. The next phase will focus on the leveraging of the South Africa standards, metrology and accreditation system in support of the priority sectors as identified in the NIPF and ASGI-SA, and the implementation of South Africa's trade policy specifically as it relates to technical barriers to trade and human resource development in the areas of standards, metrology and accreditation.

Finally, the National Industrial Participation Programme (NIPP) will continue to be leveraged as one of the key contributors to industrial development.

## Incentives for Industries and Enterprises

The department will continue to administer several of its incentive programmes which have made a vital contribution to growing the industrial and services sectors, as well as small and medium enterprises (SME's).

In line with the revamping of the Industrial Policy, **the dti** has undertaken a comprehensive review of all major incentive programmes, with a view to enhancing the effectiveness and impact on industrial and enterprise growth and development. A key observation from the review is that there is no apparent need for new types of incentive but rather a need to adapt and repackage existing incentives with better targeting and improved impact monitoring and evaluation in order to enhance their effectiveness. Over the MTSF period **the dti's** incentives will focus primarily on promoting investment and industrial competitiveness in the key sectors as prioritised in ASGI-SA and the NIPF, as well as small and medium enterprise development. Attention will also be given to improving the efficiency of incentive administration.

The recommendations of the review will be implemented in a sequenced manner that will involve amendments to the current incentives, and the introduction of a new incentive targeted at promoting industrial competitiveness and a tax incentive to attract investment in strategic projects.

To this end the Small and Medium Enterprise Development Programme (SMEDP), which has been the leading incentive scheme, has been revised to be more targeted, whilst the Film and Television production rebate has been reviewed to enable effective support of both local productions and large foreign productions. These revised schemes will become operational in the 2008/09 financial year.

The first phase of the department's project to review the motor industry development programme (MIDP) has been completed and included an assessment of MIDP performance against its objectives of promoting trade, creating and stabilising employment, and ensuring that vehicles are affordable to local consumers. The second phase, currently under way, will seek to redesign the MIDP to be consistent with South Africa's multilateral trade obligations, while elevating the industry to a higher growth path and greater job creation.

Support for technology and innovation is a critical element of the work of **the dti** which will continue through both the Support Programme for Industrial Innovation (SPII) and Technology and Human Resources for Industry Programme (THRIP). Support for technology with a focus on small enterprises will be through the Seda Technology Programme (stp) where fifteen new incubators are planned up to 2011, translating to a total of more than 35 incubators countrywide.

Other technology and quality services to small enterprises will include more than 30 technology transfer activities (with a focus on the second economy and women-owned businesses), 150 quality conformity assessments, and building quality skills in 500 SMME's. The targets for these interventions are meant to be achieved on an annual basis. Attention will also be given to bringing all technology programmes under one institution for purposes of better alignment and impact.

## [2] Trade, Investment and Exports

As a small economy distant from major high income markets, it is vital that South Africa has effective strategies to leverage the ever-growing global trade and investment flows, as part of accelerating and sustaining domestic economic growth as envisaged in ASGI-SA. This will constitute a major part of the work of **the dti**. In particular, the persistence of trade barriers globally, poor export performance of domestic industries and relatively modest foreign direct investment inflows and the slow pace of economic integration in Africa and Southern Africa are the key challenges to which **the dti** will respond to over the medium term.

Of particular significance is the work towards an outcome in the WTO Doha Round of trade negotiations that support development. This requires a balanced and proportionate outcome that offers enhanced market access for products of export interest to developing countries alongside global trade rules that support - and not unduly circumscribe - development policy.

The department continues to contribute to strengthening South Africa's trade and investment relations with key countries in the North, in Africa as well as with dynamic emerging markets of the South, such as China, India and Brazil, amongst others. With respect to the EU, the department has lead efforts to ensure that the growing trade and investment relations that have developed under the TDCA are aligned to regional integration processes in Southern Africa. This difficult challenge has been taken up in our participation in negotiations under the Economic Partnership Agreement between some SADC countries and the EU. With respect to the US, our efforts are aimed at ensuring that AGOA benefits are further enhanced while we seek to conclude the Trade, Investment, Development and Cooperation Agreement.

A significant feature of our international engagement involves working to support African economic integration, particularly in Southern Africa. In advancing the integration agenda in SACU and SADC, it is increasingly clear that trade integration must be complemented with more effective policy coordination to build and diversify production capacity in the region. This is essential if the opportunities that arise from more open regional markets are to be shared equitably. Work on infrastructure development in Southern Africa, particularly through the spatial development initiative (SDIs) remains a key priority.
The success achieved in deepening and extending SDIs in the region has laid the basis for extending the programme across Africa in support of NEPAD objectives.

With respect to relations with key economies in the South, the department continues to make a contribution to the broad IBSA initiative on a range of fronts, particularly in negotiating preferential trade agreements with Brazil (Mercosur) and India. With China, the department has led the engagement to implement the Partnership for Growth and Development that aims to promote value added South African exports to China and increase inward investment in projects for beneficiation to ensure the sustainability and mutual benefit of our relations with this important trading partner.

Implementation of **the dti's** investment strategy will commence in 2008. Work in support of this has begun to strengthen networks with Provincial Investment Promotion Agencies (PIPAs) and implement coordinated outward trade and investment projects. Investment and trade activities in Africa will be given priority with the development and implementation of an Africa investment and trade strategy. Investment attraction activities have moved from a generic to a more targeted approach resulting in a pipeline of R206 billion worth of investment projects. **the dti** has also taken care to ensure that the countries South Africa targets are also aligned with the countries identified in its trade policy and export strategy.

Investors and exporters will be also be serviced through a one-stop-shop approach and international investors will have access to a call-centre that will employ disabled call centre operators.

**the dti** will also implement a focused Foreign Economic Strategy in collaboration with the Department of Foreign Affairs. The new strategy will see added focus on priority markets for trade and investment. This strategy will align the South African business community, **the dti** and its Foreign Economic Offices in a single cohesive value chain.

## [3] Broadening Participation

**the dti's** programmes and projects promoting the broadening of economic participation will include the following:

- The Integrated Small Enterprise Strategy that will be implemented over a ten year period. Monitoring will require the mid-term review which will consolidate implementation of SAMAF programme as it completes its period as a trading entity
- A baseline study to strengthen the definition of small business in South Africa, the consolidation of the revised Khula strategy and its mandate, as well as the strengthening of products and service delivery under the Seda network, are target areas
- Facilitation of EPWP, in order to extend enterprise related interventions within this programme, is another area of focus
- The strengthening of the Small Enterprise Development Agency (seda) to provide targeted procurement and market access platform for small enterprises,
- Stepping up timely payment mechanisms and monitoring measures for small enterprises that supply goods and services for government, and
- The establishment of a call centre hotline to create a facility for small enterprises to register their complaints on payment delays beyond 30 days.

The focus will also include the finance-recapitalisation of Khula and roll out of Khula retail strategy through building partnerships and strategic equity acquisitions for up-scaling of the current Khula programmes, as well as better access of Khula financing products and outreach.

Promotion of cooperative enterprises remains a critical component of enterprise development geared to bridge the divide between the first and second economy in South Africa. The programmes include a Cooperative Awareness Programme, access to finance by micro-cooperatives through SAMAF loans, the strengthening of the delivery capacity of the Cooperative Incentive Scheme, access to finance through Khula, and the promotion of horizontal and vertical networks for cooperatives through the Enterprise Network Programme of seda.

As part of **the dti's** mandate to contribute to regional economic development, **the dti** will increasingly partner with the Department of Provincial and Local Government and other role players, including the private sector, in strengthening local economic development initiatives. This action will include the following-up of commitments made by government in the *Izimbizo* programme, as lead by the President, the Deputy President and the political principals of **the dti**. Key considerations of this initiative will be the identification of special instruments and arrangements, also incentives, to promote regional economic development in depressed areas.

With the Codes having been gazetted in 2007, the focus is on setting up institutional mechanisms to ensure the effective implementation of B-BBEE. This will entail the establishment of the Advisory Council which will be responsible for monitoring and evaluation of BEE. The development of the Verification Methodology which will serve as a standard guide for verifying BEE by accredited verification agencies. Further to ensure that the objectives of B-BBEE are advanced, the speedy alignment of the PPPFA to the B-BBEE Act is critical to ensure uniformity within the public procurement system.

The BEE strategy seeks to ensure efficient and sustainable transformation, and the Sector Charters are well positioned to achieve this, within the broader ambit of the Codes. Sector Charters will play a pivotal role in transforming the economy, thus assisting in achieving government's growth and employment objectives, by going above and beyond the minimum targets set in the Codes. In this regard **the dti** will facilitate the gazetting of Charters.

Other interventions will include preferential procurement options, a retail strategy for small and micro enterprises, investigating support for marketing co-operatives and strengthening state backing for financial and non-financial small enterprise support.

The activities of communication and marketing make an important contribution to the broadening of economic participation by informing people of the services and offerings of **the dti**, particularly people in economically marginalized areas of South Africa. To this end the department will continue and intensify its road shows and *izimbizo*, as well as to disseminate information through various media.

## [4] Regulation

Effective regulation is essential to facilitating the objectives of **the dti** as well as to providing consumer protection and redress, and an enabling environment for private enterprise. In this regard the department will both review as well as introduce legislation and regulation.

The regulatory framework for Estate Agents and for Trade Metrology will be reviewed, which will result in a significant overhaul and modernization of the legislation. The impact of the Lotteries Act, 1997, and the Liquor Act, 2004, will be assessed and policy recommendations and possible legislative amendments will be considered. The Competition Policy and Law review will be concluded during the medium term, with legislative amendments introduced to Parliament in 2008. Technical amendments to the National Credit Act to ensure the smooth implementation of the new legislation are anticipated. In addition, new regulation in the area of gambling will be introduced. Both the Companies Bill and the Consumer Protection Bill will be finalised during the MTSF period. Legislative changes to protect, facilitate and commercialise indigenous knowledge systems will also be introduced.

## [5] Administration and Co-ordination

It is clear that enhancing the effectiveness and impact of **the dti** requires maximum utilisation of the department's existing capacity, as well as drawing on the capacity of key agencies of the department. In this regard, a culture of cross-divisional integration and co-operation will continue to be actively promoted to overcome the limiting effect of silos in the way the department operates.

**the dti** will also continue to leverage strategic partnerships with important stakeholders and role-players including other government structures, sectors, as well as specific enterprises in pursuing its objectives. In this regard, **the dti** is the co-chair of the interdepartmental Economic and Employment Cluster and has an extensive intergovernmental relations programme. **the dti** plays a leading role in the Trade and Industry Chamber of Nedlac, and supports Export Councils. Over and above the interaction with social partners at Nedlac, **the dti** has established an Industry Forum for regular interaction with sector associations.

One of the most significant partnerships is with the European Union (EU). **the dti** and the EU have developed a Sector-Wide Economic, Employment and Equity Programme in terms of which **the dti** will receive 50m Euros over three years to support the achievement of its strategic objectives This support commenced in 2004 and could be extended beyond the initial three-year period if it is assessed as successful.

**the dti** Group, encompassing 19 agencies, constitutes a vital strategic partnership the department is harnessing in support of government objectives, including through the individual mandates and initiatives of the agencies.

Institutional alignment will be pursued through a greater clarity of purpose, facilitated in particular by ASGI-SA, and supported by a culture of innovation and knowledge sharing in the department. The department will continue to develop its understanding of the drivers of growth, employment and equity, and continue to develop and improve our strategy and business planning processes. **the dti** will invest in leadership and management development, technical capacity building and, on an ongoing basis, clarify roles and responsibilities, thereby improving our organisational effectiveness and responsiveness.

In addition, business process re-engineering, innovation, and effective performance management will be undertaken. The department will work towards integrating our corporate services within **the dti** Group to allow maximum resources to be allocated towards the achievement of our strategic objectives. Implementing an integrated or shared service delivery model within **the dti** Group will support improved service delivery to its clients.

## INSTITUTIONAL ARRANGEMENTS

The department is structured into seven programmes and 19 existing agencies (*one of which will be collapsed into an existing programme*), each of which has a medium-term plan that outlines its contribution to the achievement of **the dti**'s strategy. A brief summary of each programme and agency is outlined below:

### Programme 1: Administration (GSSSD)

**Purpose:** Provide strategic leadership to the department and its agencies, and facilitate the successful implementation of the department's mandate through sustainable and integrated resource solutions and services that are customer centric.

Measurable objectives for this Programme over the medium term are to:

- Provide credible and customer centric services that enhances service delivery.
- Attract, develop and retain professional and skilled officials.
- Implement transformation through employment equity and broad based black economic empowerment.
- Ensure value adding business resource management that enhances efficiency.
- Strengthening the dti's corporate governance.
- Ensure intra divisional excellence.

## Programme 2: International Trade and Economic Development (ITED)

**Purpose:** Provide leadership in trade policy formulation in South Africa to promote economic development by working to build an equitable multilateral trading system, by strengthening trade and investment links with key economies, and by fostering African development through regional and continental integration and development co-operation in line with the New Partnership for Africa's Development (NEPAD).

Measurable objectives for this Programme over the medium term are:

- Expand market access for South Africa's exports and strengthen trade and investment links through aiming to conclude 6 bilateral trade and investment agreements and or memorandums of understanding per year over the MTEF period.
- Foster regional integration and economic development on the continent through the facilitation of investments, increased Intra-Africa trade, consolidation of SACU, SADC and the African Union, and institutional capacity building within the NEPAD framework.
- Promote South Africa's interests in the multilateral trade system through ongoing engagement in the negotiating process and work programmes based on ongoing national consultations with relevant government departments and stakeholders.
- Encourage economic growth and development through the management of South Africa's tariff regime in collaboration with the International Trade Administration Commission (ITAC) by managing customs tariffs, import and export control permits, and duty credit certificates.
- Ensure compliance with international non-proliferation treaties through ongoing monitoring of relevant industries, their production and trade.
- Execute a trade policy that enhances South Africa's economic development through building a competent and effective institution that facilitates development, by strengthening trade and investment links with key economies, and by fostering African development through regional and continental integration, and development cooperation in line with NEPAD objectives in cooperation with government, private sector, and civil society stakeholders.

## Programme 3: Enterprise and Industry Development (EIDD)

**Purpose:** Provide leadership in developing industry and enterprise policies and strategies that create an enabling environment for competitiveness, equity and growth and job creation.

Measurable objectives for this Programme over the medium term are:

- Grow and diversify manufacturing and tradable services by meeting all targets as set out in the Industrial Policy Action Plan, for example revising the MIDP by the end of 2008.
- Oversight of the performance of **the dti** agencies against specified targets in terms of finance approvals, employment creation and the value of loans granted to BEE enterprises, for example the IDC's performance against its 2008/09 target for creating 29 000 jobs.
- Foster the growth of the small, micro, medium-sized and co-operative enterprises and increase their contribution to the economy, by creating an enabling environment and through various support packages and programmes of agencies in Khula, SEDA, SAMAF, and monitored by the department through measuring the growth in the number of SMME enterprises created and sustained on an annual basis via an "Annual Review of the State of Small Business in South Africa".

- Facilitate greater participation of previously disadvantaged individuals through empowerment and equity policies and strategic interventions. This includes facilitating a six-fold increase in the promulgation of BEE charters from 3 in the current financial year to a total of 18 in 2010/11.
- Provide the enabling framework that supports industrial competitiveness through modernising the SA technical infrastructure, which will improve and upgrade the systems that set standards, accreditation and metrology to meet the needs of industry by promulgating the Standards Act and the National Regulator for Compulsory Specifications Act by 2008/09.

### Programme 4: Consumer and Corporate Regulation (CCRD)

**Purpose:** Develop and implement coherent, predictable and transparent regulatory solutions that facilitate easy access to redress and efficient regulation for economic citizens.

Measurable objectives for this Programme over the medium term are:

- Increase access to economic opportunities for historically disadvantaged citizens, enhance investor confidence and certainty in SA business regulation, and promote competitive and socially responsible business through the monitoring of the nine regulating entities and legislative developments such as:
- The enactment and implementation of the Companies Bill and the Consumer Protection Bill from 2008/09.
- The enactment and implementation of amendments to the Competition Act from 2008/09.
- The passage of the Intellectual Property Laws Amendment Act in 2008/09.
- The development and publication of policy on intellectual property law reform for public comment in 2009/10 and the completion of a draft bill by 2010/11.
- The establishment of the Consumer Commission and Companies Commission in 2009/2010.

### Programme 5: The Enterprise Organisation (TEO)

**Purpose:** Stimulate and facilitate the development of enterprises through the provision of incentive measures that support investment, job creation and regional economic development, such as through Industrial Development Zones.

Measurable objectives for this Programme over the medium term are:

- Support for the National Industrial Policy Framework by developing and implementing 4 packages of incentives, being Manufacturing, Tourism, Skills support and Competitiveness by February 2009
- Monitor effectiveness of incentive schemes by developing 4 incentive scheme indicators and targets and monitoring their performance by February 2009.
- Improve the efficiency and effectiveness of incentive administration by the introduction of a functioning IT system by March 2009.
- Strengthen the impact of **the dti** through enhancing the distribution of TEO offerings to targeted enterprises by increasing its number of networks from 190 in the current financial year to 248 networks by March 2009.
- Assess the effectiveness of incentive schemes by conducting evaluations of the impact of 3 incentive schemes by March 2009.

### Programme 6: Trade and Investment South Africa (TISA)

**Purpose:** Increase South Africa's capacity to export by developing and implementing strategies for targeted markets. Increase the level of direct investment flow. Effectively manage the department's network of foreign offices.

Measurable objectives for this Programme over the medium term are:

- Improve the investment environment in South Africa by conducting 3 international investment conferences by 31 March 2009, and also conducting 95 investment presentations, 6 South African exhibitions (pavilions) and 5 ministerial or presidential missions by 31 March 2009.
- Improve the capacity of new exporters by training 200 new small exporters, reaching 2000 customers and distributing 3000 publications by 31 March 2009.
- Promote South African products in targeted high growth markets by conducting 6 international trade initiatives, 25 pavilions and the funding of 50 trade missions through export council and Provincial Investment Promotion Agencies by 31 March 2009.
- Promote and implement 8 export projects in high yield targeted countries to facilitate markets for Southern African products and services by 31 March 2009.

### Programme 7: Marketing

**Purpose:** Promote greater awareness of the department's role and its products and services, and facilitate access to and uptake of these products and services.

Measurable objectives for this Programme over the medium term are:

- Improve communication of the department's role, products and service through increasing the frequency of media update to **the dti** staff from bi-weekly in 2008 to daily reports.
- Promote awareness of **the dti's** impact on growth and development through increasing the number of campaigns that highlight the programmes that department is implementing to develop and grow the economy from 1 per quarter in 2008 to 2 per quarter in 2010.
- Reach at least 90% of economic citizens through external events by 2010.
- Increase number of media briefings from 2 per quarter to 4 per quarter by 2010.

The above 7 programmes are sub-divided into 26 business units or core work areas. Each unit is responsible for delivering a core set of outputs, or products and services. It is the delivery of a combined set of outputs that will result in the realization of the department's objectives. The challenge is to ensure the co-ordination of the linkages and interdependencies between the different parts of the department and to overcome the silo mentality common in large multi-functional organizations.

The implementation of **the dti**'s policies and strategies is also supported by several agencies whose work is coordinated through the framework of Council of Trade and Industry Institutions (COTII). The agencies fall into three broad categories, being Development Finance, Regulatory, and Specialised Services institutions.

## Development finance institutions include:

### (a) Industrial Development Corporation (IDC)

The Industrial Development Corporation (IDC) is a government-owned development financing institution, which promotes entrepreneurship through building competitive industries and enterprises. The IDC remains one of the most important instruments for developing South Africa's economy to be viable and sustainable. The IDC's focus is on contributing to economic growth, industrial development and economic empowerment through its financing activities.

The IDC has evolved from being a leading industrial player at national and regional levels to being the first South African Development Finance Institution to have its mandate extended to the rest of the African continent in support of Nepad.

The IDC's aim is to be a self-financing national development finance institution whose primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa and to the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens. The IDC achieves this by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles.

### (b) Khula Enterprise Finance Ltd

Khula was founded in 1996, and specialises in ensuring the enhanced availability of loan and equity capital to small and medium enterprises. Finance is made available by:

- Offering loans, through retail finance intermediaries that Khula provides with cost competitive on-lending capital, risk sharing and risk mitigation support and organisational management capacity support.
- Offering collateral security assistance through commercial finance institutions that Khula provides with credit indemnity guarantees.
- Offering equity finance solutions l directly and indirectly through public and private sector partnership joint venture funds and external funds managed by Khula.
- Providing assistance and guidance on financing and business investment opportunities through the Khula Mentorship Programme.

### (c) National Empowerment Fund (NEF)

The aim of the National Empowerment Fund is to be a catalyst of Broad Based Black Economic Empowerment in South Africa. This includes enabling, developing, promoting and implementing innovative investment and transformation solutions to advance sustainable economic participation of black people. The NEF's focus is development finance so as to maximise the 'empowerment dividend' which is made up of Broad Based Black Economic Empowerment, Black Women Empowerment, Job Creation, Growth Sectors, Geographic Spread and Investment Return. In an effort to broaden the impact, NEF has launched Provincial Roundtables in six provinces, with the objective of optimising regional invested portfolio through intensive local interaction and communication.

### 2(d) Export Credit Insurance Corporation (ECIC)

The Export Credit Insurance Corporation (ECIC) is an independent, limited liability company established with the government of South Africa as the sole shareholder. The objective of the ECIC is to provide long-term insurance and investment guarantees on behalf of government. It also facilitates and encourages SA export trade by underwriting bank loans and investments outside the country in order to enable foreign buyers to purchase capital goods and services from South Africa.

**The main outputs of the agency will encompass:**

- providing insurance cover for capital projects abroad, mainly in the SADC region, and
- issuing investment guarantees against political and transfer risks.

### (e) South African Micro Finance Apex Fund (SAMAF)

The South African Micro Apex Fund was established in 2005 in response to the country's need for a micro-finance institution that would cater for the needs of the very poor. It became fully operational as a trading entity on 01 April 2006. Its business model focuses on capacity building and formalisation of indigenous financial intermediaries, particularly financial services co-operatives, and other forms of micro-credit organisations that have outreach potential to the rural and urban poor wanting to engage in some form of economic activities. These intermediaries provide a network of access points for affordable micro-finance with loans from as little as R20 up to a maximum of R10 000.

**Regulatory agencies include:**

### (a) Competition Commission

The Competition Commission was established in terms of the Competition Act (1998), and is responsible for promoting competitive market conditions through investigating and prosecuting anti-competitive activities, reviewing and approving mergers and exemption applications, doing research, and disseminating information to businesses, consumers and other stakeholders.

### (b) Competition Tribunal

The Competition Tribunal was established in terms of the Competition Act (1998) and adjudicates cases referred to it by the Competition Commission.

### (c) National Gambling Board

The National Gambling Board was established in terms of the National Gambling Act (33 of 1996), which was repealed in November 2004 by the new National Gambling Act (2004). The primary objective of the board is to exercise control over gambling, provide advice to the minister, and promote uniform norms and standards across provinces.

The aim of the National Gambling Board is to ensure uniformity, harmonisation and integrity of the gambling Industry in South Africa, by enforcing compliance with all the relevant legislation.

### (d) National Lotteries Board (NLB)

The National Lotteries Board (NLB) was established in terms of the National Lotteries Act (57 of 1997) and the Amendment Acts 10 of 2000 and 46 of 2001. The board monitors and enforces the implementation of the National Lottery, as well as the establishment of private lotteries and promotional competitions. In addition, the board manages the National Lotteries Distribution Trust Fund (NLDTF) and takes responsibility for the distributing agencies.

The aim of the National Lotteries Board is to ensure that the national and other lotteries are run with the utmost integrity, the interests of all players are protected, the national lottery generates maximum revenues for good causes in responsible ways and these revenues are disbursed expeditiously.

### (e) The National Credit Regulator (NCR)

The National Credit Act (2005), which replaced the Usury Act (1968) and the Credit Agreements Act (1980), enables the National Credit Regulator (NCR). The purpose of the NCR is to improve the regulation of the consumer credit market to improve consumer protection and the efficiency and fairness of the end user credit market.

The National Credit Regulator is governed by a board of directors appointed by Cabinet and will be responsible for registrations, education, complaints resolution, investigations, debt counselling and advocacy.

### (f) The National Consumer Tribunal (NCT)

The National Consumer Tribunal is responsible for the adjudication of cases referred to it by the National Credit Regulator. The tribunal consists of a chairperson and ten panellists, who were appointed by the President. The panellists are either full-time or part-time members or are supported by full-time staff members who are responsible primarily for managing hearings, conducting case research and managing a registry.

### (g) Companies and Intellectual Property Registration Office (CIPRO)

The Companies and Intellectual Property Registration Office (CIPRO) is a trading entity that originated from the merger of the South African Companies Registration Office and the South African Patents and Trademarks Office, CIPRO is responsible for the registration of Companies, Patents and Trademarks.

### (h) Estate Agency Affairs Board (EAAB)

The Estate Agency Affairs Board (EAAB) was established in terms of the Estate Agency Affairs, Act 112 of 1976. The objective of the board is to maintain and promote the standard of conduct of estate agents, and to regulate the activities of estate agents having due regard to the public interest.

### (i) International Trade Administration Commission of South Africa (ITAC)

The aim of the International Trade Administration Commission of South Africa (ITAC) is to create an enabling environment for fair trade through customs tariff amendments, trade remedies, and import and export controls.

**Specialised services agencies include:**

### (a) Small Enterprise Development Agency (seda)

The Small Enterprise Development Agency (**seda**) was established as a result of the promulgation of the National Small Business Amendment Act (26 of 2003), with the aim of providing coordinated non-financial support for the small business sector.

**seda** resulted from the merger of the National Small Enterprise Promotion Agency (Ntsika) and National Manufacturing Advisory Centres (NAMAC). **seda** was launched in December 2005 and aims to implement small enterprise development support services and products through a national, integrated service delivery network in order to improve the contribution of small enterprises to the economy, employment and equity.

### (b) The South African Bureau of Standards (SABS)

The SABS administers the Standards Act (29 of 1993), and promotes the use of standards and quality control in industry and commerce. The aim of the South African Bureau of Standards is to be the provider of choice for conformity assessment services, certification, testing, training and consulting.

The SABS also regulates 80 compulsory specifications that deal with health and safety of the public and supervises trade metrology and national building regulations and building standards.

### (c) South African National Accreditation System (SANAS)

The South African National Accreditation System (SANAS) administers the Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act (Act 19 of 2006). SANAS's responsibility is to establish conformity assessment and good laboratory practices accreditation in South Africa, and facilitates mutual recognition agreements with international accreditation organisations.

The aim of the South African National Accreditation System is to create an impartial and transparent mechanism for organisations to independently demonstrate their competence and facilitate the beneficial exchange of goods, services and knowledge and provide a service that is recognised as comparable to best international practice while reflecting the demographics of South Africa.

### (d) National Metrology Institute of South Africa (NMISA)

The National Metrology Institute of South Africa (NMISA) administers the Measurement Units and Measurement Standards Act (Act 18 of 2006). NMISA is mandated to provide for the use of measurement units of the International System of Units and certain other measurement units, for the designation of national measurement standards and for keeping and maintaining national measurement standards and units.

The aim of the NMISA is to support the development of measurement techniques in enterprises and to contribute to the harmonisation of measurement results across Africa in order to facilitate trade and market assess.

### (e) South African Quality Institute (SAQI)

The South African Quality Institute's (SAQI) mission is to create awareness of quality. The following services are rendered:

- To play a lead role in the establishment, maintenance and improvement of the National Quality System,
- To actively promote its realisation;
- To facilitate integrated quality management systems for large, medium, small and micro businesses in support of national priorities;
- To advance the theory and practice of quality in education, training and development; and
- To represent South African Quality in the region and abroad.
- To instil the value and importance of service quality in everyone and throughout enterprises.

*SAQI's operations will end on 1 April 2008 and its functions will be included in the SEDA Technology Programme.*

## RESOURCING THE STRATEGY

Finances, people, knowledge and institutional arrangements are key to **the dti** implementing its strategy. In the MTEF period **the dti** will seek to improve the alignment of its capability to effectively deliver the mix of outputs in pursuit of the desired outcomes the organisation wants to achieve in the economy.

### (1) Finance

The Medium Term Expenditure Framework (MTEF) for the department provides for an appropriation by Parliament of R16, 368 billion over the 3-year period, comprising the following annual allocations:

| 2008/09 R'000 | 2009/10 R'000 | 2010/11 R'000 |
|---|---|---|
| R5 102 605 | R6 057 369 | R5 207 552 |

The appropriated funds are divided as follows amongst the programmes of **the dti**:

| MTEF ALLOCATION | 2008/09 | | | | 2009/10 | 2010/11 |
|---|---|---|---|---|---|---|
| R thousand | Total to be appropriated | Current payments | Transfers and subsidies | Payments for capital assets | Total | Total |
| Programme 1: Administration | 398 094 | 380 444 | 6 919 | 10 731 | 424 587 | 450 975 |
| Programme 2: ITED | 148 787 | 65 931 | 82 329 | 507 | 156 123 | 164 992 |
| Programme 3: EIDD | 1 597 612 | 170 938 | 1 425 610 | 1 064 | 1 665 314 | 1 331 432 |
| Programme 4: CCRD | 184 589 | 57 636 | 126 267 | 686 | 202 608 | 221 887 |
| Programme 5: TEO | 2 402 281 | 73 057 | 2 328 409 | 815 | 3 231 490 | 2 633 479 |
| Programme 6: TISA | 297 431 | 163 008 | 133 559 | 864 | 298 448 | 314 453 |
| Programme 7: Marketing | 73 831 | 73 320 | - | 511 | 78 799 | 90 334 |
| Total | 5 102 605 | 984 334 | 4 103 093 | 15 178 | 6 057 369 | 5 207 552 |

Over the MTEF period, **the dti** reprioritised its budget in line with the department's strategic objectives and priorities. The aim is to ensure a more equitable allocation of resources to both those programmes that seek to bridge the economic divide and broaden economic participation and those that seek to promote technology, innovation, and modernisation.

On average over the MTSF period, 21% of **the dti's** budget takes the form of transfer payments to the agencies that comprise **the dti** Group; whilst 42% of the budget is for incentives and other grants to enterprises. Personnel expenditure accounts for 7% of the total budget whilst capital accounts for 18%. The balance of 12% is for operations, of which **the dti** endeavours to spend approximately 70% with black and woman-owned service providers.

## (2) Human Resources

A critical challenge facing **the dti** is the recruitment and retention of high calibre people in key managerial and technical positions across all the core programmes of the department. This is exacerbated by intense competition for skilled personnel within both Government and the private sector, and between them.

In response to this human resources challenge, **the dti** has launched a special recruitment project and will intensify this initiative over the medium term. In addition, work on an effective and integrated human resources development strategy that will also address staff retention and development, will be finalised. This initiative seeks to build **the dti** as a knowledge organisation.

The approval of the various policy frameworks and therefore the expansion of the Department's mandate, have necessitated a review into the organisation and capacity of the Department. The review would not only focus on quantitative measures, but would also address qualitative aspects of how we reposition the Department into a dynamic organisation whose staff is multi- skilled.

To this end, a human resource plan will be developed to address the skills gap between the current skills supply and the demand. Coupled with this, strategies will be developed to attract new talent and retain experienced people.

Performance management is also an area of focus for the medium term. The current system will be reviewed to ensure alignment of departmental performance with the performance of business units and individuals.

The review of the current Employment Equity Plan would assist in ensuring that the employment of women at senior management level receives closer attention and that people with disabilities are empowered in line with the new National Disability Policy Framework.

Key deliverables in terms of the Human resources strategy are as follows;

- Human Resource Plan
- Revised Employment Equity Plan
- Revised Human Resource Development Strategy
- Revised Performance Management System

## (3) Knowledge

One of the key resources **the dti** has to develop and institutionalise is knowledge and experience about trade and industry. Currently, this knowledge is not optimally managed.

Improved knowledge management systems were introduced, such as the Enterprise Content Management (ECM), which is the new industry standard for electronic document and records management technologies. It is also the category of software that helps manage all of the unstructured information or content in an enterprise. However, the challenge is to obtain full utilisation of this tool by the staff. Continued training and awareness of the staff will be pursued in attaining this objective.

## Monitoring, Evaluation and Reporting

**the dti** will undertake monitoring, evaluation and reporting of its work through a combination of internal structures, as well as through Cabinet and Parliament.

The Executive Board (EXBO) of **the dti** will oversee the planning, monitoring and reporting processes and the production of **the dti** outputs directly, thereby ensuring quality and accountability.

Planning and prioritisation at **the dti** will largely be informed by decisions taken at the biannual Cabinet Lekgotla. Agreements made in other forums (such as those concluded at NEDLAC) will also inform the implementation agenda for the department.

Divisions will jointly and separately be held responsible for timely delivery of a quality product or output. There will be an emphasis on joint implementation, which must be inclusive of both COTII and the Economic Cluster.

## Strategy Map of the dti