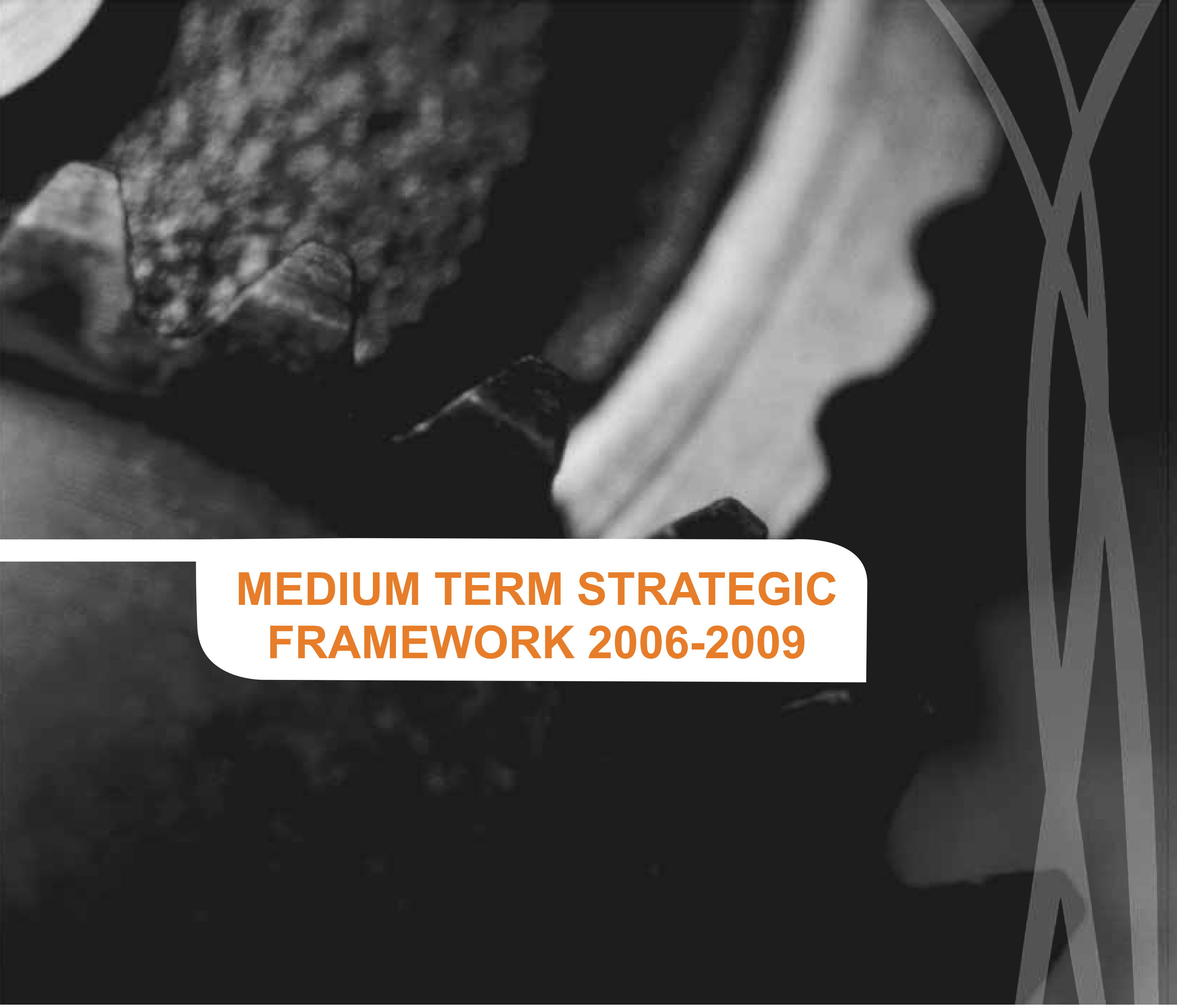

MEDIUM TERM STRATEGIC FRAMEWORK 2006-2009

the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

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Introduction

In the Medium Term Strategic Framework (MTSF) period ahead, 20062009, **the dti's** strategy will be informed by the current economic imperatives and challenges of achieving and sustaining higher GDP growth, job creation, investment, exports, and broadening of economic participation and activity through Black Economic Empowerment and enterprise development. **the dti** will contribute to government's efforts to address these challenges, relying on its mandate and role in the economy, which consists of policy and strategy formulation in; financial support, regulation, advice and partnerships.

Indeed, **the dti** has contributed substantially to the Accelerated and Shared Growth Initiative of South Africa (ASGISA) that the government has recently launched. **the dti** considers ASGISA a necessary and sound framework for further and better targeted efforts at economic transformation and growth, focusing on known constraints such as skills, infrastructure and sectors with known potential. Consequently, **the dti** has based its 2006 2009 MTSF plans on the ASGISA framework. A key reason for this is that **the dti** has the greatest responsibility of all governments departments for the interventions outlined in ASGISA, and for ensuring their effective implementation.

In 2005, **the dti's** leadership (Ministerial and top management level) undertook a strategic review of the department and its machinery, which evaluated **the dti's** relevance, capacity and effectiveness and identified improvements, which will be implemented as part of **the dti's** MTSF agenda. The process addressed both the policy and strategy effectiveness of **the dti**, and institutional capacity issues and challenges. Importantly, the process enabled **the dti** to make better analysed and inputs into ASGISA, and will enable the department to better plan for its implementation deliverables and its capacity needs.

The strategic review exercise affirmed the organisational model of **the dti** as a single, albeit very large department, which had to be managed as an integrated yet multifunctional entity. The overarching challenge of **the dti** in both policy/ strategy terms and operational terms, is thus to enhance integration and coordination in its working methods, internally as well as regarding interacting with other government departments and broader partnerships.

Specifically, as regards the department's mandate, policies and strategies, the review identified the need for a sharper casting of **the dti's** mandate and a better focusing and prioritisation of objectives. **the dti's** policies and strategies going forward would also need to have better analytical rigour and include cleaner implementation proposals and capacity requirements.

Institutionally, greater attention will need to be given to **the dti's** capacity challenges, which result from the department's expanded and growing responsibilities over the last decade. The latter now include enterprise development and cooperatives, BEE, women empowerment, multiple trade negotiations, NEPAD, and the second economy more broadly, over and above **the dti's** key role in industrial development, trade policy and regulation.

The challenge is to develop **the dti** into a dynamic and effective agent, and leader of economic transformation, which entails the capacity for cutting-edge policymaking, effective strategic planning and implementation, and adaptability to deliver on priorities assigned to it from time to time, such as ASGISA. In the immediate period, consideration will need to be given to strengthening the executive management of the department, as part of a broader, more comprehensive HRD strategy and capacity building over the medium to longer term.

The foregoing, amongst other issues are discussed in greater detail in this document.


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The strategic context within which **the dti** operates

The South African economy is currently experiencing record levels of consumer and business confidence underpinned by low inflation, low interest rates, and the lowest budget deficit in decades. This creates new opportunities for decisive government intervention to achieve accelerated and shared growth, which is necessary to roll back poverty and unemployment.

The performance of the economy in the past two years suggests that higher rates of growth and employment creation are possible. Complemented by other measures, this growth would enable at least the halving of the proportion of our people living in poverty.

To achieve this growth acceleration, gross fixed capital formation (physical investment spending) will have to grow by about 10 per cent a year. This would lead to investment rising from 16 per cent to 25 per cent of GDP in ten years' time. Industrial and trade policy, skills programmes to enhance rapid skills development and broad-based development together with a marked shift in the structure of investment towards labour-absorbing sectors will be critical.

Growth acceleration of this order of magnitude will require well-targeted and efficiently implemented policy changes and development initiatives. To address this challenge, **the dti** has contributed to and aligns itself with the purpose of the Accelerated and Shared Growth Initiative for South Africa (ASGISA). ASGISA has a unique contextual fit because it responds to structural challenges within the economy, while simultaneously attempting to harness the tail winds that currently prevail. The purpose of the ASGISA is to accelerate the rate of economic growth, massively increase the employment rate, and broaden the impact of economic development so that South Africa can meet its developmental goals.

The methodology adopted in ASGISA is one of growth diagnostics, which requires a “drilling down” or deep level investigation into the binding constraints to growth. The primary constraints identified in ASGISA are the following:

The volatility and level of the currency -- In spite of major improvements in the administration of fiscal and monetary policy, currency volatility deters investors in tradable goods and services outside of the commodity sector. The Rand has been highly volatile, particularly between 2001-2004, though the degree of volatility has reduced. Currently, the relative volatility is accompanied by an overvalued currency overvalued in the sense that economic resources are diverted into narrow areas of investment, laying an unsteady foundation for the future. This simply compounds the effects of volatility, and significantly undermines the sustainability of growth through negatively impacting on the productive sector of the economy.

The cost, efficiency and capacity of the national logistics system -- Because of backlogs in infrastructure, investment, inadequate planning, and in some cases market structures that do not encourage competition, the price of moving goods and conveying services over distance is higher than it should be. In South Africa, which is a fairly large country, with considerable concentration of production inland, and which is some distance from all major industrial markets, deficiencies in logistics are keenly felt. The ability of good and services to reliably reach their target markets in good time is often as important as quality and price, and hence much attention needs to go into enhanced logistics.

***Shortage of suitably skilled labour amplified by the cost effects on labour of apartheid spatial patterns* --** Those parts of the legacy of apartheid most difficult to unwind are the deliberately inferior system of education and the irrational patterns of population settlement. In a period of growth it is evident that we lack sufficient skilled professionals, managers and artisans, and that the uneven quality of education remains a contributory factor. Local rates of university exemptions, particularly with mathematics, remain at levels that are far too low to supply the needs of the economy. In addition the price of labour of the poor is pushed up by the fact that many live a great distance from their places of work.

***Barriers to entry, limits to competition and limited new investment opportunities* --** The South African economy remains relatively concentrated, especially in upstream production sectors such as iron and steel, paper and chemicals and inputs such as telecommunications and energy. In some cases market structure negatively influences the possibilities of downstream production or service industry development. Strong and coherent competition law and industrial policies have an important role to play in counteracting these factors.

Regulatory environment and the burden on small and medium businesses -- The mediocre performance of the small, medium and micro business sector in terms of contribution to GDP and employment partly arises from the sub-optimal regulatory environment. The administration of tax, the planning system (including EIAs), municipal regulation, the administration of labour law, and in specific sectoral regulatory environments, regulation unnecessarily hampers the development of businesses.

Deficiencies in state organisation, capacity and leadership -- Certain weaknesses in the way government is organised, in the capacity of key institutions, including some of those providing economic services, and insufficiently decisive leadership in policy development and implementation all negatively impact on the country's growth potential.

Countering these constraints entails a series of decisive interventions. In developing responses to the binding constraints, initiatives have been organised into six categories:

- Macroeconomic issues;
- Infrastructure programmes;
- Sector investment strategies (or industrial strategies);
- Skills and education initiatives,
- Second economy interventions; and
- Public administration issues.

Amongst these, sector investment strategies are naturally, but not exclusively, a key item in the domain of **the dti**. Of the sectors that have been identified as offering significant potential in terms of shared growth, Tourism and BPO are considered ASGISA top priorities. Both have already exhibited high levels of growth and labour absorption and the projections are that with intervention in key areas, that growth can be markedly accelerated.

Other high priority industries that are less advanced in preparation are in the agriculture and agro-processing field and include the biofuels sector. They have similar advantages and opportunities as tourism and BPO.

The 3rd category of priority sectors, less advanced in development include:

- Chemicals;
- Metals beneficiation including the capital goods sector;
- Creative industries (Crafts, Film & T.V. Content and Music);
- Clothing and textiles;
- Durable consumer goods; and
- Wood, pulp and paper (as mentioned in provincial projects).

Shared Growth implies that **the dti** will need to 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 economic goals of growth, employment and equity.

Beyond the extraordinary demands of ASGISA the provision of a predictable, competitive, equitable and socially responsible environment for investment, enterprise and trade remain a key focus of the department.

Overview of **the dti** strategy over the 2006-2009 MTSF period

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 knowledge of economic opportunities and potential, and its contribution to ASGISA.
- 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.

3.1 the dti's strategic objectives

To give effect to a more focussed approach to the dti's work, and to promote institutional alignment and organisational effectiveness, the Executive Board of **the dti,** refined and consolidated the department's strategic objectives from ten to five. The five strategic objectives of **the dti** are:

- promoting coordinated 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;
- contributing towards the development and regional integration of the African Continent within the Nepad framework;
- promoting broader participation, equity and redress in the economy;
- and raising the level of exports and promote equitable global trade.

Promoting coordinated implementation of the accelerated and shared growth initiative -- the dti will strengthen and prioritise its work in the Economic and Employment Cluster, promote co-operative governance around economic policy, and ensure the strategic alignment and performance of its many agencies. The department will ensure that it leverage its partners and stakeholders in support of its objectives. The working relationship with social partners through Nedlac will be strengthened. In addition, the support provided for organised business, specifically with local business chambers will also be strengthened. Greater efforts will be made with regard to the Second Economy, including promoting the voice of marginalised economic citizens and their ability to dialogue with **the dti** and the rest of government.

Coordinated implementation will require a greater focus on monitoring, evaluation and impact assessment of key programmes affecting the real economy, including those programmes of **the dti** and the rest of government. Policy will focus on immediate and more medium-term interventions that ensure poverty alleviation and economic growth to bridge the gap between the first and second economies, increase employment and ensure government meets its targets including the Millennium Development Goals.

Promoting direct investment and growth in the industrial and services economy, with particular focus on employment creation -- Unemployment remains at unacceptably high levels, and much work remains to ensure that growth rates are accelerated and employment created. The services sector has emerged as a crucial part of the growth and employment nexus, and **the dti** will be doing much to ensure that a clear national services strategy is developed. This strategy will form an important part of the industrial policy framework that the department will develop. The industrial policy framework will support an integrated and spatially balanced growth path for South Africa, including a focus on manufacturing, services, primary sectors and regional development.

Central to this growth path is the question of sustainable growth, which in turn requires a continued focus on competitiveness and competition. The competitiveness of many enterprises in the economy continues to be based on the traditional factors of cost and access to raw materials rather than on the new drivers of competitive advantage. Not enough enterprises have moved into higher value-adding niche markets. Furthermore, downstream value-adding or beneficiation of raw materials is constrained by high input costs often arising from the anti-competitive pricing practices of monopolistic enterprises. An example is the practice of import parity pricing in the steel and chemicals sectors. The need to strengthen the capabilities of enterprises to compete on factors other than price will be a focus of **the dti**'s work during the next three to five years. In this regard, the department will undertake reviews of its enterprise support measures and incentives for relevance, efficacy, and competitiveness, and will benchmark this against South Africa's competitors. High impact customized sector projects in the 11 priority sectors has been identified and are awaiting final executive approval.

Investment promotion remains a key focus of the department. Investment levels in the economy remain below the 25 per cent of GDP benchmark required for sustained acceleration in economic growth rates. Not only does the level and rate of investment in the economy need to increase, the type of investment that takes place needs to be more labour-absorbing if significant numbers of new jobs are to be created. Over the next three years, **the dti** will develop and implement a more targeted investment strategy that focuses on identifying and promoting specific investment opportunities in particular sectors, regions, and products, rather than a generic approach of marketing South Africa as an attractive investment destination. This will require a more coordinated approach to investment promotion by national, provincial and local government and achieving this remains a priority in this MTEF period. The department's work to develop and promote sector investment strategies to unlock the potential of government's priority sectors will be given a higher priority.

***Contributing towards the development and regional integration of the African Continent within the Nepad framework* --** As a relatively small and open economy, South Africa must grow the size of the market for its products and services through appropriate expansion of domestic demand, regional economic integration and NEPAD, and increasing market access opportunities in the global economy. South Africa's growth and development is therefore intertwined with the growth and development of the African continent in general, and the Southern African region in particular.

The department will work closely with other departments in the Economic Cluster and the International Peace and Security Cluster to develop an African economic development strategy and champion its implementation. Further, the department will also participate actively in the African Peer Review process, working closely with other government departments and civil society groups.

***Promoting broader participation, equity and redress in the economy* -** At the heart of the government's interventions in the Second Economy must be programmes aimed at promoting participation, equity and redress. In this regard, the dti has an important role to play through its ongoing work to bridge the economic divide and broaden economic participation by historically disadvantaged people. The current department programmes include the extension of the Apex Fund that will provide micro-finance to micro-enterprises; the roll-out of the Small Enterprise Development Agency to provide small enterprises around South Africa with a one-stop non-financial support service; the implementation of new policy and legislation to promote the development of cooperative enterprises; the continued implementation of the Broad-Based Black Economic Empowerment Strategy; investigating measures to ensure that Government procurement increasingly favours SMMEs and the introduction of a specific strategy aimed at the economic empowerment of women.

the dti will continue to explore innovative ways of delivering products and services to the economic citizens in partnership with business chambers, provinces and local government. In addition, **the dti** will finalise a strategy to promote more equitable regional industrial development. Furthermore, the department will continue its work to ensure that all economic citizens have access to information and redress to encourage their more productive participation in the economy. As part of this, new Consumer Credit legislation will be implemented during 2006/07.

The department will work closely with other departments to increase their focus on and support for local economic development. New projects will be promoted in the Economic Cluster that promote sustainable livelihoods, such as a focus on addressing infrastructure and municipal by-law issues that unnecessarily undermine the ability of street traders to operate. Similarly, inspired by ASGISA, there is a need to consider how to integrate economic citizens on the margins of the First Economy (such as producers of traditional medicine) into supply chains.

Raising the level of exports and promote equitable global trade -- South Africa will continue to give high priority to advancing a more equitable and developmental agenda as part of the multi-lateral trading system in the global economy, structural changes of which the emergence of fast growing dynamic developing economies, including China and India present many strategic opportunities for South Africa. The dti will lead effort to engage with these countries on appropriate economic co-operation relationships, in addition to strengthening co-operation with the rest of Africa, and giving further impetus to regional integration in Southern Africa.

the dti will seek to strengthen articulation between industrial and trade policy, in the development with the development of a national export strategy, drawing from the new industrial policy framework currently being elaborated.

3.2 Core Products and Services

The dti's core products are the instruments or tools that will serve to make the department's strategic goals a reality.

Policy

The dti will publish coherent, evidence-based policies that will provide certainty, predictability and support job-creation in the economy, as well as providing clear vision and leadership to the economy. In the MTSF period several policies will be developed and published including an industrial policy framework, competition policy review, export promotion and investment strategies, National Services Strategy Framework, Business Process Outsourcing Strategy, Regional Industrial Development Strategy, Manufacturing Skills Strategy, Gender & Women's Empowerment Strategy, an overarching African economic development strategy, and a range of interventions aimed at supporting the goal of accelerated and shared growth.

We will continue to use policy advocacy to pursue our objectives and will participate in policy processes led by other government departments such as the development of a strategy to promote a more equitable geographic spread of sustainable productive economy activity and the overarching infrastructure strategy.

Legislation and regulation

In the MTSF period, **the dti** will review the regulatory framework for Estate Agents and submit the amendments to Parliament. The following amendments will also be submitted to Parliament: the amendments to the National Gambling Act (Horseracing), amendments to the National Lotteries Act (Amendments to Intellectual Property legislation pursuant to the Ratification of international treaties), amendments to Counterfeit Goods Act and amendments to Companies Act. The Regional Industrial Development Support Measures Bill and the amended IDZ regulations will also be published. A new Enterprise Development Bill that replaces the outdated Manufacturing Development Act will be assented.

Consultation on the competition policy review will be conducted in 2006/7, and possible amendments to the Competition Act will be tabled in Parliament. The Consumer Protection Bill will be introduced into Parliament and the draft Corporate Law Reform Bill submitted to the State Law Advisors for certification.

The following bills will also be tabled: the Technical Regulatory Framework: Accreditation, Metrology, Conformity Assessment & Good Laboratory Practice Bill, the measurement units and the Measurement Standards Bill.

The B-BBEE Codes of Good Practice as well as the Co-operatives regulations will be adopted.

In the MTSF period, several strategic relationships will be pursued with important markets including a SADC-EU Economic Partnership, SACUIndia and SACU-China trade agreement. Ongoing multilateral negotiations in the World Trade Organisation will impact, not only on market access, but also on the regulatory regime governing trade administration, services, competition policy, and possibly environmental regulation. Also, various economic cooperation and investment protection agreements will be concluded with other countries, especially other African states.

Finance

In the MTSF period, approximately one-third of **the dti**'s budget will be used to provide financial support to enterprises through several programmes including the Small and Medium Enterprise Development Programme, the Black Business Supplier Development Programme, the Skills Support Programme, and the Export Market and Investment Assistance scheme.

New incentive schemes will be launched including schemes to support cooperative enterprises, women-owned enterprises and BPO.

Support to the Black Business Supplier Development Programme will be increased. The programme was initially launched as a pilot to assist small, black-owned enterprises improve their supply response to corporates and the public sector. Based on results of an impact study, it is apparent that incorporating more qualifying activities will increase access and demand for the scheme thereby requiring more support for the programme. The Competitiveness Fund will be merged with Workplace Challenge in order to maximise efficiencies

The Apex fund will disburse its first loan in 2006/7, thus providing micro-loans to micro-enterprises addressing a gap in the financing provided by other development finance institutions and the private sector.

Other forms of financial support provided to enterprises include tax incentives through the Strategic Industrial Programme and export credit guarantees provided by the Export Credit Insurance Corporation.

Efforts will continue to expand additional financial support provided to enterprises by the dti's development finance agencies, i.e. the Industrial Development Corporation, Khula, and the National Empowerment Fund. Recently launched new products by these agencies will be implemented over the course of the MTSF period.

Information and advice

the dti will provide economic citizens, clients and stakeholders with relevant and timely information in a user-friendly and accessible manner. This includes information about **the dti**'s policies and offerings, economic opportunities, as well as commentary and analysis about the real economy.

the dti will continue to undertake marketing and communication activities to increase awareness and accessibility of relevant and user-friendly information to customers and stakeholders through advertising campaigns, exhibitions and road-shows. A variety of high-quality publications will be produced and widely circulated to different client and stakeholder groups. Pamphlets explaining **the dti**'s products and services will continue to be published. Our customer care centre continues to be the first point of contact for clients and economic citizens, and its operation and effectiveness will be improved, including by in-sourcing the facility.

The provision of advice to clients on various matters such as investment opportunities, accessing export markets, starting a small enterprise, and accessing **the dti**'s incentive programmes, will also continue.

Awareness campaigns on Co-operatives and on BEE and the Codes of Good Practice will be undertaken in order to educate stakeholders and the public.

Partnerships

The dti will seek 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** has an extensive intergovernmental relations programme, takes 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 this period if it proves successful.

The dti Group encompassing 19 entities forms a major part of the strategic partner endorsing government objective through their individual mandates.

Institutional alignment will be pursued through a greater clarity of purpose, provided in particular by ASGISA, and supported by a culture of innovation and knowledge sharing in the department. We will continue to develop our medium-term understanding of the drivers of growth, employment and equity, and continue to develop our strategy and business planning process. We will invest in leadership and management development and, on an ongoing basis, clarify roles and responsibilities, thereby optimising our organisational design.

We will continuously strive to improve our efficiency and efficacy through business process re-engineering, innovation, and performance management. We 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 our clients.

We will strive to make **the dti** accessible to all economic citizens wherever they may be and to generate greater awareness of the role that **the dti** plays as well as the products and services it has to offer economic citizens. We will continue to work hard to distribute and improve our offerings to economic citizens, particularly in the Second Economy.

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.

4.1 Finances

The MTEF for the department provides for an appropriation by Parliament of:

2006/07	2007/08	2008/09
R3 665 912	R3 957 583	R4 327 364

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 those programmes that seek to bridge the economic divide and broaden economic participation with those programmes that seek to promote technology, innovation, and modernisation.

40.43% of the dti's budget takes the form of transfer payments to the agencies that comprise **the dti** Group. 37.45% of the budget is incentives and other grants to enterprises. Personnel expenditure accounts for almost 8.21% percent of the dti's budget. The budget available for operations and professional services accounts for almost 12.79% percent of the dti budget. **the dti** will allocate 70% of this budget to black-and womanowned service providers.

4.2 People

The dti's most important resources are our people. The greatest challenge facing the Department is to recruit and retain skilled staff. At 31 January 2006, only 790 posts were filled in on establishment 1 011 posts. **the dti** will implement an integrated retention strategy to develop and retain scarce skills within the department to ensure the sustainable execution of its mandate.

Innovative ways will be sought to address the critical skills shortages identified in the Department as part of this.

the dti Learning Centre will be strengthened to effectively support skills development of the staff. This includes accredited customized training programmes, management, leadership, and business administration programmes. An internship programme has also been introduced, which will develop capacity in-house and supplement the normal recruitment process in the future. Further, at least 50% of all bursaries awarded to senior and middle management by the Department will continue to be either Economics or Public Management-related.

Knowledge

One of the key resources **the dti** has is the knowledge and experience about trade and industry that it has accumulated over time. Currently, this knowledge is not optimally managed.

Improved knowledge management systems were introduced in 2005, such as the Enterprise Content Management (ECM), which is the new industry standard term for electronic document and records management technologies. It is the category of software that helps manage all of the unstructured information or content in an enterprise. However, the challenge is to obtain full utilization of this tool by the staff. Continued training and awareness of the staff will be pursued in the attainment of this objective.

4.3 Institutional Arrangements/Programmes

The department is structured into seven programmes, seventeen existing agencies and a new one to created in the 2006/07 financial year, of which each of which has a medium-term plan that outlines it's contribution to the achievement of **the dti**'s strategy. A brief summary of each programme and agency is outlined below:

Programme 1: Administration

Purpose: Provide strategic leadership to the department and its agencies, and facilitate the successful implementation of the department's mandate through supportive systems and services.

Programme 2: International Trade and Economic Development

Purpose: Develop trade and investment links with key economies globally and promote economic development through: negotiating preferential trade agreements, supporting a strong and equitable multilateral trading system, and fostering economic integration in Africa within the NEPAD framework.
Measurable objective: Increased market access for South African exports in targeted countries, and improved economic integration with the African continent, and efficient trade administration.

Programme 3: Enterprise and Industry Development

Purpose: Provide leadership in the development of policies and strategies that promote and foster competitiveness, enterprise development, empowerment and equity in the economy.
Measurable objective: A more competitive economy per sector and enterprise level; a greater contribution to the economy by small enterprises; and increased participation in the economy by historically disadvantaged persons and communities.

Programme 4: Consumer and Corporate Regulation

Purpose: Develop and implement coherent, predictable and transparent regulatory solutions that facilitate easy access to redress and efficient regulatory services for economic citizens.
Measurable objective: Business certainty and access to redress by economic citizens, through the provision of appropriate policy frameworks, legislation and regulation, as well as efficient and fair regulatory services.

Programme 5: The Enterprise Organisation

Purpose: Provide efficient administration of enterprise support measures.
Measurable objective: Efficient and effective administration of incentive schemes.

Programme 6: Trade and Investment South Africa

Purpose: Provide strategic vision and direction to key growth sectors in the economy, increase the level of direct investment, and develop South Africa's capacity to export to various markets.
Measurable objective: Increased levels of direct investment and exports, in aggregate and in government's priority sectors.

Programme 7: Marketing

Purpose: To promote awareness of **the dti**'s products and services.
Measurable objective: Increased awareness and uptake of the department's products and services by economic citizens and stakeholders.

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

4.4 Agencies

Implementation of the dti's policies and strategies is supported by several agencies whose work is coordinated through framework of Council of Trade and Industry Institutions (COTII). The agencies fall into three broad categories: Development finance, Regulatory and specialised services institutions.

Development finance institutions include: -

(a) Industrial Development Corporation

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, medium and micro-enterprises. Finance is made available by:

- offering loans, guarantees and seed funds to retail funding intermediaries in need of capital, risk sharing and capacity
- offering guarantees and equity capital directly and indirectly to small, medium and micro-enterprises
- providing assistance and guidance on financing and opportunities.

Khula is registered as an insurer under the Insurance Amendment Act 49 of 1998, and is governed by the regulations of the Financial Services Board. Its credit guarantee arm undergoes an annual actuarial valuation as required by the Financial Services Board to determine the appropriate maximum gearing.

(c) National Empowerment Fund

The National Empowerment Fund Trust (NEF) was created in terms of the National Empowerment Fund Act (105 of 1998) to redress economic equality for historically disadvantaged persons and increase their participation in the economy. The promotion of ownership of income-generating assets by historically disadvantaged persons was identified as an important way to achieve this. Emanating from the Act, the NEF's broad mandate includes: providing historically disadvantaged individuals with the opportunity to own equity in private businesses; supporting historically disadvantaged business ventures; promoting understanding of equity ownership; providing historically disadvantaged individuals with the opportunity to own shares in government-owned commercial enterprises; and encouraging and promoting savings and investment.

The aim of the National Empowerment Fund is to be a catalyst of broad based Black Economic Empowerment in South Africa. We enable, develop, promote and implement innovative investment and transformation solutions to advance sustainable Black economic participation.

(d) Export Credit Insurance Corporation

The Export Credit Insurance Corporation (ECIC) is registered as an insurer underwriting bank loans, supplier credits and investment into South Africa. The ECIC was established on 2 July 2001 by the Export Credit and Foreign Investments Reinsurance Amendment Act (9 of 2001) with the brief to fill a gap in the market in the provision of medium and long-term export credit insurance and investment guarantees on behalf of government.

The main outputs of the agency will encompass:

- providing insurance cover for capital projects abroad, mainly in the SADC region
- adding new exposure to the value of R2, 1 billion
- issuing investment guarantees against political and transfer risks.

(e) South African Micro Apex Fund

The Apex Fund was established in 2005/6 in response to the country's need for a micro-finance institution that would cater for the needs of the very poor. It will allow enterprises and particularly cooperatives wanting to engage in economic activity to borrow amounts from as little as R20 up to a maximum of R10 000. The South African Micro-finance Apex Fund will be based on a Bangladesh model, which proved to be highly successful. However, the model will be adjusted to suit the South African situation.

Regulatory agencies include: -

(a) Competition Commission and Competition Tribunal

The Competition Commission and the Competition Tribunal are established in terms of the Competition Act (89 of 1998) and are responsible for promoting competitive market conditions through investigating and prosecuting anti-competitive activities, reviewing and approving mergers and exemption applications, conducting research, and disseminating information to businesses, consumers and other stakeholders. The Competition and Commission aim is to prevent business practices that are anti-competitive and unfair to consumers; enhance consumer choices and assist all stakeholders in understanding the competitive process.

(b) 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 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.

(c) National Lotteries Board

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

(d) Micro Finance Regulatory Council

The Micro Finance Regulatory Council (MFRC) is an independent regulatory structure. A legislative reform process that will result in new consumer credit legislation and a statutory regulator (National Credit Regulator) is currently under way. The new legislation was reviewed by Parliament in 2004. It is for this reason that the Department of Trade and Industry has funded the MFRC and will be expanding its funding to the institution to allow it to set up a new credit regulator.

(e) The National Credit Regulator and National Consumer Tribunal

The National Credit Bill (B18D 2005) (the Bill) has been passed by the National Assembly and is due to be submitted to the President for assent. The Bill envisages the establishment of the National Credit Regulator (NCR) and the National Consumer Tribunal (NCT). Whilst the Tribunal is a new institution, the existing capacity of the Micro Finance Regulatory Council and DTI's Usury Act Inspectorate will be consolidated to form the foundation of the National Credit Regulator. The regulatory mechanism (MFRC), which governs micro-loans, would thus be replaced by a unified National Credit Regulator, which would govern all forms of consumer credit.

Both Institutions will be public entities as defined by the PFMA. The National Credit Regulator will be governed by a board of Directors appointed by Cabinet and will be responsible for registrations, education, complaints resolution, investigations, debt counseling and advocacy. The National Consumer Tribunal will be responsible for the adjudication of cases. The Tribunal will consist of a chairperson and ten panellists, who will be appointed by the President. The panellists may either be full time or part time members and will be supported by eight full time staff members who will be responsible primarily for managing the hearings, conducting case research and managing a registry.

(f) Companies and Intellectual Property Registration Office

The Companies and Intellectual Property Registration Office (Cipro) is now an established trading entity that receives income from the registration of companies, close corporations and intellectual property (patents, trademarks, copyright and designs).

Cipro's aim is to facilitate economic participation through registration, maintaining and promotion of Intellectual Property Rights and Business Entities through a legal framework that provides protection and disclosure of information.

(g) Estate Agency Affairs Board

The mission of the Estate Agency Affairs Board is to regulate the environment in which the transactions between consumers and estate agents by building the capability of estate agents; protecting the interests of stakeholders; ensuring compliance of estate agents; and build consumer awareness.

(h) International Trade Administration Commission Of South Africa

The aim of the International Trade Administration Commission of South Africa creating 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

The Single 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 with the merger of the National Small Enterprise Promotion Agency (Ntsika) and National Manufacturing Advisory Centres (NAMAC). SEDA was launched in December 2005. SEDA aims to implement small enterprises 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)

Administers the Standards Act (29 of 1993), promoting the use of standards and quality control in industry and commerce, and supervises trade metrology and units of measure. The bureau targets assistance towards small and emerging business through the South African Quality Institute, building awareness of quality principles and methodologies available in South Africa.

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.

(c) South African National Accreditation System

The South African National Accreditation System (SANAS) establishes laboratory, personnel and certification body 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 equitable to best international practice while reflecting the demographics of South Africa in all that we do.

(d) South African Quality Institute

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

Monitoring, Evaluation and Reporting

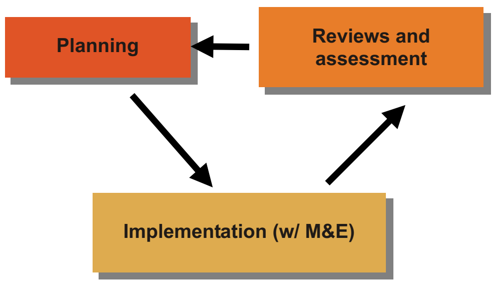
The dti will continue to strengthen a system of organisational performance management. This organisational performance management system includes an integrated reporting system to the Executive Board that allows **the dti** to track progress on the implementation of priority projects on a monthly basis and the implementation of business plans on a quarterly basis.

The challenge that **the dti** and government as whole faces regarding measurement is the development of shared outcome indicators for economic growth, employment, SMME development, BEE, competitiveness, increased investment, HRD, access to finance and infrastructure. A single department cannot easily deliver many of the major objectives of government. However, an integrated measurement framework of shared programme outcomes will require stronger interdepartmental coordination. In future, **the dti** will scope the need for programme management capabilities and systems within the department and investigate the redesign of programmes in the organisation as a precursory action to outlining the programme outcomes and attaching relevant performance indicators to them.

the dti established an impact assessment unit in 2005/6, and is currently investigating best practices in monitoring and reporting of organisational performance management systems.

Strengthening the dti's strategic planning architecture

Implementation is an extension of planning, and planning is dependent on review and assessment. **the dti** planning process identifies a feedback loop whereby execution goes on to inform planning, which, in turn, pre-empts execution.



This circular flow depicted above forms the foundation of the strategic planning process, bringing planning and execution closer together. It is doubtless a strategic planning instrument. It will have a major impact on the overall performance and success of **the dti**.

The planning process is based on the following principles:

- The Executive Board (EXBO) of **the dti** will oversee the production of **the dti** processes and outcomes directly, thereby ensuring quality and accountability.
- Planning and prioritisation at **the dti** will largely be informed by decisions taken at the biannual Cabinet Lekgotlas. **the dti** Agreements (such as those concluded at NEDLAC) will inform the implementation agenda for the department.

- Divisions will jointly and separately be held responsible for timely delivery of a quality product. There will be an emphasis on joint implementation, which must be inclusive of both COTII and the economic cluster.
- Planning and Budgetary processes will be integrated.
- Divisional Business plans will reflect priorities decided by Cabinet and EXBO, and will have to be approved by EXBO, as already indicated. The Strategic Planning Architecture is designed so that individual projects continue to receive top management attention during implementation. The department will adopt a detailed project management approach, similar to that now being introduced for Economic Cluster projects. The project format is a rigorous method of monitoring that requires, for example, the following information:

    - Measurable objectives
    - Date of commencement
    - Date of completion
    - Project milestones
    - Budget availability and information
    - Responsible parties and contact numbers.

At biannual EXBO workshops to be held in May and December, it will be decided which of the priority projects need to be subjected to an internal impact assessment. Projects endorsed at Cabinet-level will be given additional emphasis in monitoring, review and impact assessment processes.

An analytical learning approach will be taken, whereby implementation case studies will be held at the department's Learning Center. Shared insights and experiences will strengthen and deepen successful implementation across **the dti.**

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