Economic Development Department Annual Report 2011 - 2012

ANNUAL REPORT

2011 - 2012

economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

economic development

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REPUBLIC OF SOUTH AFRICA

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SECTION 1 -
OVERVIEW

POLICY AND COMMITMENT - STATEMENT FROM THE MINISTER

Minister of Economic Development
Ebrahim Patel

In 2011/12, the South African economy saw a significant recovery from the effects of the global downturn of 2008. It also saw new risks emerge as a result of the continued fragility of international markets. The economy gained over 300 000 new jobs this year, marking a decisive step toward achievement of the national aim - a more inclusive and equitable economy. Recognising this success must, however, be tempered by acknowledging that the international context for South Africa will be less favourable in the coming year, and we still have far to go to achieve our vision of a more equitable, inclusive and dynamic economy.

The adoption of the New Growth Path (NGP) as the framework for South African economic policies and interventions in October 2010, laid the basis for the Economic Development Department's (EDD) work during 2011/12. This year, the EDD redoubled its efforts to coordinate government policies that place employment - decent work opportunities - at the centre of our national development strategy. Our approach recognises that employment creation is central to more equitable and inclusive growth. The chief pillar of our efforts in this regard is support for the National Infrastructure Plan.

The NGP identifies key jobs drivers across the economy. These include infrastructure; mining and agricultural value-chains; manufacturing and tourism, as well as other high-level services; the green economy; public services and the social economy; rural development; the knowledge economy; and African regional development.

The developmental measures we supported in 2011/12 aimed to realise the potential of the jobs drivers to reach the NGP target of 5 million new jobs by 2015. The Department focussed on the jobs drivers prioritised by Cabinet for immediate action - namely infrastructure, the core productive sectors and high-level services, the green economy, rural development and African regional development.

In the year under review, we increasingly focussed on implementation drawing on national and provincial departments, as well as local government, State-owned Enterprises (SOEs) and social partners from organised business, organised labour and communities. Simultaneously, we drove catalytic projects both directly and through the Industrial Development Corporation (IDC), the competition authorities and other agencies we oversee.

The EDD pursues its evolving mandate and objectives by focussing on existing entities and processes, rather than building a large new bureaucracy or expanding its budget. We seek to achieve our aims through better alignment of government policies, unblocking obstacles to growth, as well as by selecting high-impact interventions in our infrastructure provision and productive investments. As this report demonstrates, rapidly developing conditions meant that in the period under review, the Department exceeded the requirements of its Annual Performance Plan in many areas of its work.

Increasingly, infrastructure development has moved to the centre of efforts to transform the South African economy, while responding to the risks arising from the still fragile global economy. We are proud of the work that the EDD has done to support the Presidential Infrastructure Coordinating Commission (PICC), which was established in September 2011. The Department produced solid work in the finalisation of the National Infrastructure Plan, announced in the State of the Nation address in 2012. The Plan represents a bold, strategic and integrated platform to mobilise the State, private investors, workers, and the general South African public behind the build programme. This is both as a counter-cyclical investment strategy and as a key lever for economic development, job creation and social inclusion.

The Strategic Integrated Projects (SIPs) included in the National Infrastructure Plan comprise over 150 projects in different phases of implementation from those already underway to others in the planning stages. They are grouped in the following themes, which are effectively aligned with the jobs drivers of the NGP:

Geographic

- Unlocking the Northern Mineral Belt through provision of transport and water supplies, as well as electricity generation developments
- A logistics and industrial corridor linking Durban, the Free State and Gauteng's economic hubs
- A South-Eastern node and corridor development to open opportunities across the Eastern Cape
- The Saldanha-Northern Cape Development Corridor centred on iron-ore, gas and industrial activities
- Investments to unlock economic opportunities in the North-West Province

Energy

- Promoting green energy generation
- Expanding conventional electricity generation
- Transmission, distribution and electrification of households for socio-economic development

Spatial

- An integrated municipal infrastructure project in the 23 poorest districts
- The integrated urban space and public transport programme in the 12 largest urban areas
- Agri-logistics and rural infrastructure

Social Infrastructure

- Revitalisation of public hospitals and other health facilities
- The national school build programme
- Higher education infrastructure
- The integrated water and sanitation infrastructure masterplan

Knowledge

- The Square Kilometre Array (SKA) radio-telescope initiative
- Expanded access to information communication technology (ICT), including broadband roll-out

Regional Integration

- Focussed on supporting infrastructure development across the continent

During the reporting period 17 SIPs were developed. These included projects related to road, rail, water, energy, ports, ICT, health facilities, schools and universities. A substantial part of the Ministry and the EDD's work went into developing these projects and implementing the agreed actions.

The PICC, and its Secretariat in particular, draws on the EDD for assistance in coordinating and bolstering its technical team, which comprises high-level experts and managers across the State.

Local procurement is vital to ensure that government spending stimulates growth and employment creation to the greatest possible extent. It provides a key tool to build industrial capacity and to encourage growth in the face of the slowdown in overseas markets. We worked closely with the National Treasury and the Department of Trade and Industry (**the dti**) to develop regulations that require all public entities to procure designated goods principally from South African manufacturers. The first designated products are bus bodies, power pylons, rolling stock, canned vegetables, clothing, textiles, footwear and leather, as well as set-top boxes. In addition, the National Infrastructure Plan has a strong localisation component, starting with the purchase of trains, boilers, earth-moving equipment, turbines and other key inputs.

To mobilise other stakeholders behind the 'buy-local' campaign, we concluded a Procurement Accord with the social partners who are represented at the National Economic Development and Labour Council (NEDLAC). This Accord will ensure that major producers across the economy assist in developing local suppliers. In addition, we have been working with Proudly South African (PSA) to encourage more focussed marketing, buy-local campaigns, and to compile a database of local suppliers.

Both the NGP and the Industrial Policy Action Plan (IPAP) identify industrial finance as a critical engine for industrialisation and job creation. The impact of the IDC as the country's largest industrial funding agency has been strengthened through a systematic process of re-orientation. It has more than doubled its investment targets over the coming five years to R102 billion and aligned them with the jobs drivers in the NGP, as well as the priority sectors for manufacturing in IPAP. It established dedicated funds for agro-processing and the green economy. In this context, the IDC supported new major projects to provide wind and solar energy to the national grid, including funds to secure community participation.

The Board of the IDC was reconstituted and now includes fresh talent and new skills drawn from the engines of the economy, the business sector and trade unions, to reflect a diversity of experience and a strong developmental focus.

Small business development was addressed this year with the establishment of a more rational and integrated institutional framework for small business funding. The launch of the Small Enterprise Finance Agency (sefa) in May 2012 built on work commenced during 2010/2011. Sefa consolidated Khula, the South African Microfinance Apex Fund (samaf), and the IDC small business lending book. This laid the basis for more targeted and coordinated support for small, medium and micro enterprises. Moreover, the funding available to sefa was doubled through a shareholder loan from the IDC. Sefa will provide resources both directly (through the scheme piloted as Khula Direct) and indirectly (through financial intermediaries). It will work closely with other agencies to ensure a footprint across the country.

The implementation of competition policy is crucial for a dynamic economy to create a large number of decent jobs. At the same time, our legislative framework does not subscribe to a trickle-down approach that assumes competition alone will ensure the desired developmental impact. Instead, it requires explicitly that competition authorities take into account public interest criteria in their decisions. In the past year, we worked with the competition authorities to deepen their strategic approach through a special focus on intermediate inputs and basic necessities, as central to a more productive, competitive and equitable economy.

The closely watched and highly publicised Walmart/ Massmart merger (although all processes are not complete) expanded the jurisprudence and endorsed the view that, in considering mergers and acquisitions, public interest criteria in the Act are fundamental and not merely cosmetic. The interim decision on the merger laid the foundation for a broader system of procurement that will require the retailer to support local producers, and especially small businesses.

The green economy will have a critical role to play in shaping the next wave of industrialisation and employment creation. The release of the Green Jobs Report by the IDC and the Development Bank of Southern Africa (DBSA) confirmed the job creation potential of the green economy, while identifying the areas that can do more to realise this potential. In order to achieve this, we worked with other departments to conclude a Green Economy Accord with key stakeholders, laying the basis for stronger achievements in the coming year.

We have supported renewable energy in our activities. To this end, we have coordinated a partnership with a number of departments and entities that secured the installation of about 262 000 solar water heaters by 31 March 2012. In addition, we have encouraged the IDC to play a central role in supporting the development of solar and wind energy to supply the national grid.

South Africa hosted a very successful COP17 in 2011/12. We provided technical support during the negotiations and utilised the opportunity to showcase South Africa's green economy potential to visitors and investors.

Agrarian transformation is vital for reversing the inequalities entrenched by apartheid settlement policies. The National Infrastructure Plan provides for extensive investments aimed at integrating historically marginalised regions into the main national value chains, as well as improves municipal infrastructure in rural communities. We worked with the Department of Rural Development and Land Reform (DRDLR) to identify sustainable and realistic growth opportunities for impoverished rural areas.

No development strategy for South Africa can be achieved in the absence of support for African development. The National Infrastructure Plan provides a crucial tool to achieve this aim. It identifies 11 infrastructure projects, ranging from road transport to rail and hydroelectricity, to bolster regional development. The EDD further supported the Tripartite Trade Agreement that lays the basis for expanded trade and investment across our continent.

Inclusive growth will require fundamental improvements in our skills and educational systems. Working with the Departments of Higher Education and Training, and Basic Education, we finalised accords with organised business, labour and communities to support improvements in education and to expand the training pipeline. We worked with the relevant departments to implement the Training Lay-off fund which provides support to workers faced with retrenchment. We also completed a survey of engineering, artisanal and other key skills in the public sector as well as a skills framework for the National Infrastructure Plan. Finally, we invested in training for local and provincial officials in partnership with the School of Public and Development Management at the University of the Witwatersrand.

After the reporting period, the President appointed Deputy Minister Hlengiwe Buhle Mkhize as Deputy Minister of Economic Development. I wish to welcome her to the Department.

Finally, let me take this opportunity to thank the leadership and staff at the EDD for their support and contribution to the implementation of the NGP. Equally, my appreciation and gratitude go to Mr Enoch Godongwana, who for the better part of the past financial year, served as Deputy Minister of Economic Development. Lastly, my thanks go to the former Director-General, Richard Levin who left the Department in March 2012 to take up new responsibilities at the Public Service Commission.

Ebrahim Patel
Minister of Economic Development
Date: 31 July 2012

EDD bids farewell to Mr Enoch Godongwana

EDD welcomes Deputy Minister Hlengiwe Buhle Mkhize

HIGHLIGHTS OF 2011/2012

Crowding in private investment - some examples

Projects around water, transport and electricity generation in the Waterberg will make possible major private investments in local mining and beneficiation. The development of a mine and a sinter plant in the Northern Cape can support the establishment of a ferromanganese smelter complex at Coega. To enable this downstream project, Transnet is planning to triple the current rail and port handling capacity from 5.5 million tonnes a year to 16 million tonnes.

The size, scope and long-term commitments provided through the National Infrastructure Plan, which has a 20 year time horizon, justify investment in the local production of heavy equipment. As South African companies develop this new capacity, they can provide inputs for infrastructure across Africa and increasingly, in other countries as well.

The roll-out of solar water heaters and set-top boxes for digital broadcasting will stimulate local production of relevant equipment. A solar-panel plant is already underway, and the process of moving to digital broadcasting is also linked to local production.

Enhancing rural logistics, including packing houses and processing, opens new opportunities for small-scale farmers and improved livelihoods in some of South Africa's poorest regions. Improved rural transport also supports eco-tourism.

Estimated employment resulting from investments and loans by IDC business units

Business Unit	2009/10	2010/11	2011/12
Agro-Industries	3 133	4 198	5 057
Green Industries	0	0	2 689
Strategic High Impact Projects	0	0	2 670
Venture Capital	104	267	697
Chemicals and Allied Industries	1 059	1 703	3 283
Forestry and Wood Products	2 662	889	6 551
Metal, Transport and Machinery Products	2 690	6 050	6 861
Mining and Mineral Beneficiation	8 744	3 613	12 110
Textiles and Clothing	2 187	10 158	2 420
ICT	3 000	2 131	1 766
Healthcare[1]	-160	1 606	1 626
Media and Motion Pictures[1]	-141	898	1 400
Tourism	489	276	447
Other	1 235	7 658	-1 677
Total	25 002	39 447	45 900

Notes: 1- Negative numbers refer to transactions approved in previous years that were cancelled.

Source: IDC

Local procurement in practice

In the past, many municipalities used to procure buses abroad, reducing the stimulus to local production and employment. In the period under review, the EDD helped facilitate new procurement regulations. Under these procurement regulations, when cities renew their bus

fleets, the auto and capital goods industry will reap the full benefits. For instance, the City of Johannesburg intends to publish a tender which states that bus bodies should have a minimum of 80% local content and that bus chassis should at least be assembled locally. In addition, suppliers have to state how they will create local jobs not only in manufacturing but also in subsequent servicing. They also have to describe what training workers will get.

The Passenger Rail Agency of South Africa (PRASA) has developed a Rolling Stock Fleet Renewal Programme to transform Metrorail over the next two decades. The programme involves buying trains with more local content every year. Producers of locomotives, car bodies, doors, windows, seats, cables and wires, wheels, shock absorbers, brakes and lighting will benefit - with a major impact on employment across the metals industry.

Eskom and Transnet also set targets for local procurement. Transnet has drawn up localisation strategies for wagons and rails amongst others, and Eskom for products such as steel power pylons, valves, cables and conductors.

Expanding renewable energy

The EDD supported Innowind, a Franco-South African wind energy operator, which is pursuing the development of a number of wind farms in the former Transkei and Ciskei regions of the Eastern Cape, with an investment of R1 billion. Innowind successfully bid for three of the seven wind projects awarded in Round 2 of the Department of Energy's (DoE's) renewable energy Independent Power Producer (IPP) programme, and will submit additional projects for the next round which opens in October 2012.

The EDD views Innowind's planned R1 billion initiative as a flagship project for the New Growth Path, specifically in terms of greening the economy and rural development. Out of 70 renewable energy projects under consideration, Innowind's proposed projects are the only ones that will be implemented in the former Transkei and Ciskei because of the commercial and administrative challenges of operating in that area. Eskom has confirmed that Innowind's proposed relatively small-size wind farms - 10MW to 50MW - will help stabilise the electrical grid and reduce load-shedding in the region.

Despite great work achieved by the DoE in implementing the renewable energy process, ensuring support and alignment and minimizing delays across the State remain major challenges. To support this project, the EDD facilitated engagements with the Department of Rural Development and Land Reform (DRDLR) to ensure lease agreements are finalised for land owned within tribal authorities for the erection of wind turbines. A lease agreement is a pre-requisite for an application to the DoE for independent power producers. The EDD also facilitated an engagement with the Department of Agriculture, Forestry and Fisheries (DAFF) on their guidelines for agricultural land.

Further engagements are planned with the National Treasury and the DoE around other regulatory blockages to the renewable energy IPP; with **the dti** around manufacturing localisation in relation to the green energy sector; with the Department of Environmental Affairs (DEA) on streamlining impact assessment for renewable energy projects; with the aviation authorities to ensure wind farms at Coega do not affect the radar signal at the Port Elizabeth airport; and with South African National Roads Agency Limited (SANRAL) concerning new intersections across national roads, which most wind farms need to transport turbines to the identified rural sites.

RiseUp Cooperative Bakeries

In 2011, the EDD began to support the RiseUp Cooperative Bakeries project in the Western Cape. The project aims to improve access to affordable, nutritious,

value-for-money bread. Bread is the staple food for poor households and this project will produce good value for money, generate livelihoods and simultaneously reduce the logistical costs of production. It will provide seed funding for 100 mobile cooperative bakeries, each comprising 5 members, in impoverished rural areas along the West Coast in the Western Cape. The RiseUp holding company provides administrative, training, mentorship and accounting support for the individual co-ops through area managers.

Each mobile bakery will have a shipping freight container fitted with the equipment required to produce up to 400 loaves of bread a day. The equipment has been certified by Sasko Grain, a division of Pioneer Foods (Pty) Ltd, in terms of the standards required in the industry as well as health and safety requirements. The bakeries can be placed close to potential customers, have low maintenance requirements and low operating costs.

The EDD's main role in the project has been to work with stakeholders to develop the model and to support RiseUp in identifying potential sources of funding for the initial investments.

ACCOUNTING OFFICER'S OVERVIEW

OVERVIEW - ACCOUNTING OFFICER

Mohamed Saleem Mowzer
Director-General (Acting)

The EDD was established with the broad responsibility for securing alignment of national economic policies in order to sustain economic growth while enhancing employment creation and equity. As a new Department, it has to begin its work while simultaneously developing the capacity and procedures required to fulfil its mandates.

The core tasks of the EDD include monitoring and promoting implementation of the New Growth Path, and in particular ensuring that all government economic policies and interventions support the creation of decent work as far as possible. Together with the National Treasury and **the dti**, the EDD acts as a coordinating Department for Outcome 4: Decent Employment through Inclusive Growth. The Department supports the Secretariat and technical teams of the Presidential Infrastructure Coordinating Commission (PICC).

The following timeline provides a brief overview of the stages in the EDD's development:

2009 The Ministry and Department were established for economic policy integration and included the coordinating departments for Outcome 4.

The EDD coordinated government action on the recession by implementing measures in the *Framework for South Africa's Response to the Global Economic Crisis*.

2010 The New Growth Path was adopted by Cabinet.

Six entities - samaf and Khula, the IDC, the Competition Commission, the Competition Tribunal and the International Trade Administration Commission of South Africa (ITAC) - were transferred to the Department for oversight. The EDD started work with these entities to strengthen their efforts to support employment creation and equity, as well as more dynamic growth.

2011 The EDD worked with other economic departments, provinces and municipalities to ensure implementation of the New Growth Path.

The PICC was established, headed by the President and with technical support from the EDD, amongst other agencies and departments.

Social accords were finalised with the social partners represented at NEDLAC on Basic Education, Skills Development, Local Procurement and the Green Economy.

2012 The National Infrastructure Plan was adopted by Cabinet, and the EDD is involved in monitoring progress and other technical support work.

The Small Enterprise Finance Agency (sefa) was established, bringing together the functions of samaf, Khula and the IDC.

The EDD focusses increasingly on practical efforts to support catalytic public and private investments, encourage a more competitive economy, address spatial inequities, and bolster public employment schemes.

This operational report reflects the shifting emphasis as the EDD has matured. Going forward, we anticipate that the National Infrastructure Plan will increasingly shape the work of the EDD. In particular, the EDD will dedicate a growing share of its capacity and resources to supporting implementation of the Plan and to ensuring that it effectively crowds in productive investment, both to supply inputs and to take advantage of the new opportunities offered to both existing and emerging enterprises.

With the development of the EDD, its corporate and governance structures, policies, procedures and systems have also matured. The Department has faced the twin challenges of:

- Implementing its mandate even as it develops organisational structures and policies and recruits the necessary high-level staff
- Ensuring that all the relevant regulations are respected without undermining the need for expertise, agile responses and innovation.

During the reporting period the Department has taken key steps to improve its capacity, planning and effectiveness.

When it was first established, the EDD depended on assistance from **the dti** in administering personnel, the budget and information technology. From May 2011, most of these functions were moved to the EDD itself. This in turn required the adoption of appropriate policies and procedures. The EDD established committees to manage training, performance assessment and moderating, disability, as well as health and wellness amongst others. The EDD also submitted its Human Resource Plan and Workplace Skills Plan in line with prescripts.

The implementation of the recruitment plan resulted in the growth of the staff complement by over a quarter, from 91 at the start of the fiscal year to 115 at its end. The Department still faces challenges in recruiting appropriate and expert staff, but capacity has improved significantly over the period.

The EDD was also able to tap into expertise through collaboration with other State agencies and enterprises. This approach to building high-level capacity utilising networks of talent and expertise through secondments on a part or full-time basis by other public agencies, proved particularly successful in establishing the initial capacity for work related to the support of the PICC.

The Departmental Bargaining Chamber was established through the Public Service Coordinating Bargaining Council (PSCBC). The Chamber will, amongst other purposes, be used to facilitate the issues relating to the merger of samaf and Khula into sefa.

A service provider was appointed for the development of the EDD website which was launched in December 2011. Both **the dti** and SITA assisted in this process. The website address is www.economic.gov.za.

With the growth in staffing and capacity, the EDD's capacity to utilise its allocated budget has significantly improved. Excluding transfers, spending increased by 105% in the 2011 fiscal year over the 2010 fiscal period. In 2011/12, as in 2010/11, the auditors approved the EDD's accounts - a welcome accomplishment for such a new Department. The confidence in the Department's administration has prompted the establishment of new procurement systems and engagement in a host of innovative projects and programmes.

Because of the rapid changes facing the Department in the period under review, as well as the difficulty of defining appropriate performance indicators for such a new institution, the targets do not adequately reflect the achievements of the programmes.

In several cases, new tasks with important outputs were added, for example, the National Infrastructure Plan. In other instances, outputs were achieved without the intermediate processes that were initially anticipated, leading to the desired outcome while at the same time undercounting some targets.

The EDD's work is therefore best evaluated in terms of its outcomes and core outputs, as reflected in the narrative reports for each programme. In the coming fiscal year, the planning process will be reviewed to establish indicators that relate to priority outputs rather than procedures to achieve them.

I would like to take this opportunity to express gratitude for the political leadership in the Department. The Minister and former Deputy Minister provided guidance, clarity and focus through their tireless efforts throughout the reporting period.

The former Director-General, Richard Levin, warrants a special mention for the role he played since the establishment of the Department in 2009. We wish him well with his new responsibilities at the Public Service Commission.

Similarly, my sincere appreciation goes to all staff in the Department for their contributions towards the success of the work at the EDD. My gratitude is also extended to the leadership and staff at the development finance institutions (DFIs) and economic regulatory bodies (ERBs) reporting to the Minister of Economic Development.

Lastly, I would like to express my appreciation for the constructive manner in which the staff of the Auditor General has engaged with the Department during the 2011/12 audit process.

Mohamed Saleem Mowzer
Director-General (Acting)
Date: 31 July 2012

MISSION STATEMENT

Vision

Decent work through meaningful economic transformation and inclusive growth.

Mission and Objectives

The Economic Development Department (EDD) aims to:

- Coordinate the contributions of government departments, State entities and civil society on economic development
- Contribute to efforts that ensure alignment between the economic policies and plans of the State and its agencies and government's political and economic objectives and mandate
- Promote government's goals of advancing economic development with decent work opportunities.

Strategic Outcome-Oriented Goal	Promote decent work through meaningful economic transformation and inclusive growth
Goal Statement	Provide participatory, coherent and coordinated economic policy, planning and dialogue for the benefit of all South Africans

Values

The EDD promotes constitutional values, with special reference to the chapters on human rights, cooperative governance and public administration, including the basic values and principles governing public administration (section 195(1) of the Constitution). The EDD strives to uphold the following values:

- Promote decent work for all citizens (opportunity to work and quality of employment)
- Build and encourage social partnership and dialogue
- Work for equity and development
- Consider sustainability (environmental, social and economic).

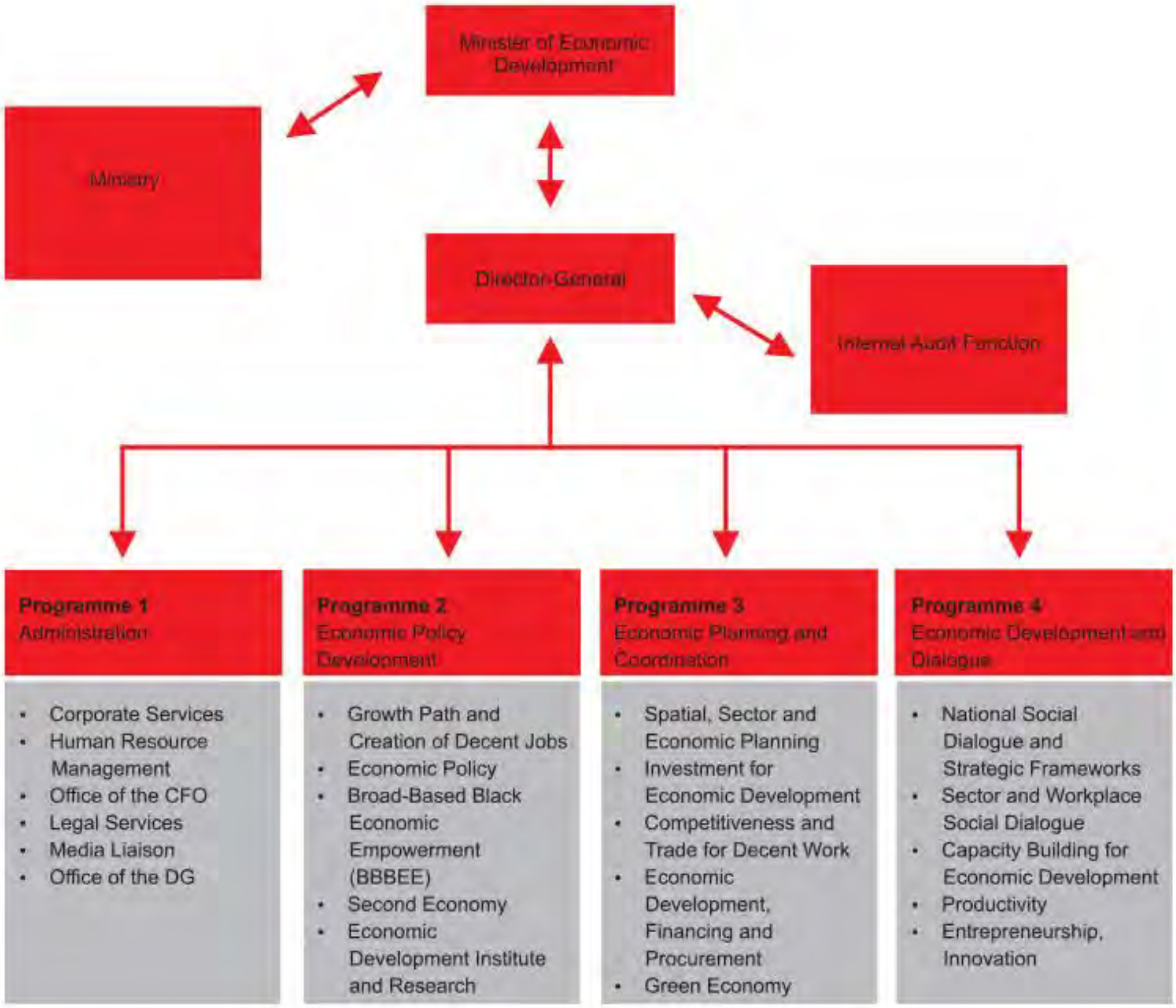
Outcome Indicators

The outcome indicators for the EDD reflect those of the Delivery Agreement for Outcome 4 (Decent employment through inclusive growth). Success in these areas requires that all government agencies systematically implement the New Growth Path (NGP) and that the global economy continues to grow. The EDD contributes specifically by monitoring progress in supporting competitiveness, employment creation and equity in the public and private sectors as well as by defining more effective economic strategies and implementation plans to achieve these.

The indicators for the Delivery Agreement for Outcome 4 relate to the employment rate - that is, the share of working-age people with income-generating employment; the rate of growth of the Gross Domestic Product (GDP); measures of inequality; the savings and investment rate; and the share of advanced products in exports.

To achieve these outcomes, the EDD has adopted a number of specific outputs through its Annual Performance Plan. Given the rapid developments around economic policy, and in particular the adoption of the National Infrastructure Plan, the work of the Department in the period under review often exceeded the agreed targets.

ORGANOGRAM



The Minister of Economic Development has oversight responsibility for the following entities:

- The Competition Commission
- The Competition Tribunal
- The International Trade Administration Commission of South Africa (ITAC)
- The Industrial Development Corporation (IDC)
- Khula and samaf (now the Small Enterprise Finance Agency, sefa)

LEGISLATIVE MANDATE

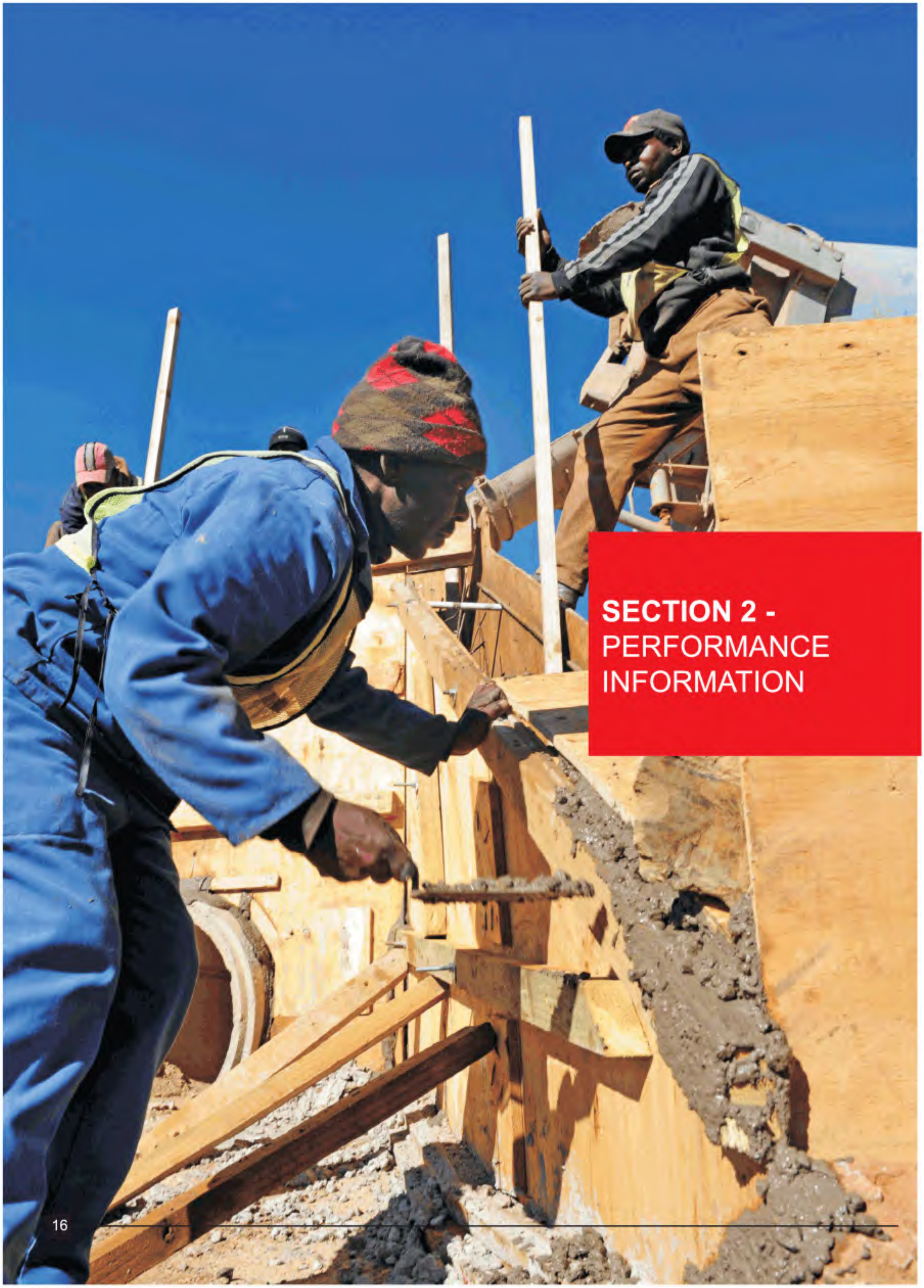
The mandate of the EDD stems primarily from policy decisions of the President and Cabinet in fulfilling the electoral mandate. The Minister of Economic Development was appointed as one of the Coordinating Ministers for Outcome 4. The Department committed to developing a New Growth Path (NGP) for the economy in order to achieve more equitable, employment-creating growth. The Department was then tasked with supporting the implementation of the NGP through collaboration with other departments, spheres of government and State agencies, as required. A core responsibility in this context is providing support for the implementation of the National Infrastructure Plan.

As part of the implementation of the NGP, the Department develops strategies and implementation plans in cooperation with relevant government departments and agencies. These include:

- Promoting the implementation of the National Infrastructure Plan
- Developing sector and spatial strategies in ways that support employment creation and equity, as well as growth
- Developing strategies to support inclusion of historically marginalised and oppressed groups, including women, young people and workers in the informal sector and other low-wage sectors
- Supporting strategic implementation of competition legislation in ways that encourage more efficient and inclusive economic development
- Identifying and supporting catalytic projects
- Managing the IDC and sefa to support dynamic and inclusive growth and economic diversification
- Monitoring the impact of government actions and regulations on employment creation

The EDD administers the following legislation:

- The Industrial Development Corporation Act, 1940 (Act 22 of 1940)
- The Competition Act, 1998 (Act 89 of 1998)
- The International Trade Administration Act, 2002 (Act 71 of 2002)



SECTION 2 - PERFORMANCE INFORMATION

PERFORMANCE AGAINST TARGETS IN THE 2011/12 ESTIMATES OF NATIONAL EXPENDITURE (ENE) VOTE 28

1. Voted Funds

2011/12

Main Appropriation	Adjusted Appropriation	Actual Amount Spent	(Over)/Under Expenditure
R'000	R'000	R'000	R'000
594,540	598,359	577,602	20,757
Responsible Minister	Minister of Economic Development		
Administering Department	Economic Development Department		
Accounting Officer	Director-General of Economic Development Department		

2. Aim of the Vote

The aim of the Economic Development Department is to promote economic development through participatory, coherent, and coordinated economic policy and planning for the benefit of all South Africans.

3. Summary of Programmes

Programme 1: Administration

Purpose: To coordinate and render effective, efficient, strategic support and administrative services to the Minister, Deputy Minister, Director-General, the Department, and its agencies.

Programme 2: Economic Policy Development

Purpose: To strengthen the economic development policy capacity of government; review, develop and propose the alignment of economic policies; and develop policies aimed at broadening participation in the economy and creating decent work opportunities.

Programme 3: Economic Planning and Coordination

Purpose: To promote economic planning and coordination through developing economic planning proposals; provide oversight and policy coordination of identified development finance institutions (DFIs) and economic regulatory bodies (ERBs); and contribute to the development of the green economy.

Programme 4: Economic Development and Dialogue

Purpose: To promote social dialogue; implement strategic frameworks; build capacity among social partners; and promote productivity, entrepreneurship and innovation in the workplace.

4. Overview of the delivery environment in 2011/12

The period under review saw an accelerated recovery from the 2008 downturn, characterised by relatively rapid employment creation. Over the 2011 fiscal year, the economy generated 300 000 (2.3%) new employment opportunities. At the same time, the GDP expanded by just over 2%.

Employment creation was encouraging in the period under review. Indeed, it exceeded the targets set by Cabinet for the first year of the New Growth Path (NGP). Moreover, growth in employment had been fairly steady since the middle of 2010.

Still, these developments should not give rise to complacency. Notably, the bulk of growth took place in the public sector. While public sector employment accounted for only 20% of total employment, it contributed to two thirds of new jobs created from mid-2010 to the second quarter of 2012. Considerable acceleration in employment creation over the coming decade is required in order to achieve the target of 5 million new jobs by 2020 set in the NGP. This in turn requires far more decisive efforts to support employment-creating growth.

A further concern arises out of the fragility of the global economy. The end of the period under review saw Europe going into a recession resulting in slower growth in Asia and the United States. These developments increase the importance of counter-cyclical policies at the macro-economic level. The implementation of the National Infrastructure Plan is critical to sustain domestic and regional growth and employment creation in light of the global slowdown.

In the policy realm, the chief development affecting the work of the EDD in the period under review was the establishment of the Presidential Infrastructure Coordinating Commission (PICC) and the adoption of the National Infrastructure Plan. These developments placed increasing demands on the capacity of the Department as it worked to support implementation of the plan. The infrastructure plan is critical for the achievement of the NGP's overarching target of more equitable, inclusive and dynamic growth.

Work to support coordination of economic policy across the functions and spheres of the State continued primarily through the Outcome 4 processes and work with the Economic Sectors and Employment Cluster (ESEC) as well as the Economic Development MinMEC. In addition, in the period under review, the EDD worked increasingly with stakeholders outside the State. This is reflected in the finalisation of four social accords on key developmental issues - basic education, skills development, local procurement, and the green economy.

PROGRAMME 1
ADMINISTRATION

PROGRAMME 1 - ADMINISTRATION

Purpose

To coordinate and render effective, efficient, strategic support, and administrative services to the Minister, Deputy Minister, Director-General, the Department, and its agencies.

Strategic Objectives and Indicator Framework

The sub-programmes in Programme 1 take responsibility for and are measured against the following:

1 *The Ministry* provides efficient and effective support to the Minister and Deputy Minister in the execution of their executive and other obligations. These include engagements with Cabinet and its committees, Parliament, government ministries and departments, provincial departments of economic development and provincial and municipal executives and legislatures, government entities and SoEs, international economic agencies, and foreign economic representatives, as well as other stakeholders, including social partners, communities, the media, and the public.

2 *The Office of the Director-General* provides strategic advice and support on legislation, policy and policy alignment, and coordination to the Director-General and the Department. In addition, the office ensures compliance regarding planning and performance reporting requirements. It supports the Department's participation in the cluster system, assists the Ministry and programmes with regard to operational and administrative matters; ensures effective document flow; and provides sound internal audit and risk management services.

3 *Corporate Services/General Management Services* provides efficient and effective legal services; human resource management, information technology services; and financial management as well as related services. Communication and events management for the Department are also included in the Corporate Services remit.

Narrative Progress Report

Given the relative youth of the EDD, and its demanding, complex mandate, the Ministry and the Office of the Director-General are important in providing guidance for policy work and economic interventions. Equally important is building the basic administrative structures of the Department. This has become even more important with the emergence of the National Infrastructure Plan as a central component of the EDD's work, since it requires seamless coordination between the Minister, the Director-General and the relevant technical and administrative staff.

1 Ministry

1.1 Office of the Minister

In 2011/12, the dedicated staff in the office of the Minister not only ensured administrative support to assist the Minister in executing his responsibilities, but also increasingly played a critical role in supporting the coordination of core strategies across government and in the Department.

The Minister's executive responsibilities centred on supporting more coordinated work around economic policy and in particular on employment creation across the State. To this end, his responsibilities included attending meetings of Cabinet, Cabinet Committees, Presidential Councils, Inter-Ministerial Committees, Ministerial Economic Sectors and Employment Cluster (ESEC) meetings, and meetings of the Coordinating Ministers of the Cluster. In the year under review the Minister paid special attention to the work of the PICC.

In the Ministerial Cluster and in Cabinet the focus was on ensuring the implementation of the NGP, as well as, the achievement of the targets set in Outcome 4. Central to these programmes was support for the jobs drivers identified in the NGP and the Industrial Policy Action Plan (IPAP). This includes the main economic sectors (agriculture and agro-processing; mining and beneficiation; manufacturing; the green economy; tourism; the creative sector and high-level business services), infrastructure, African regional development, the knowledge economy, the social economy, and public services. Key levers in this regard include ensuring that the regulatory framework supports employment creation and equality; sustaining public investment at the requisite level, and shaping it to crowd in private investment; and improving basic education, expanding post-secondary education and skills development. The National Infrastructure Plan has become central to all of these efforts.

The Ministry staff supported the work of the Minister in the Presidential Councils, including the Broad-based Black Economic Empowerment Advisory Council, the Human Resource Development Council, and the President's Coordinating Council, as well as the PICC.

The Minister also worked closely with stakeholders under the auspices of NEDLAC to finalise social accords on core developmental areas. The four social accords achieved in this period - the Education, Skills Development, Green Economy, and Local Procurement Accords - entailed considerable coordination by the Ministerial staff, with backup from relevant departmental officials.

1.2 Office of the Deputy Minister

The staff in the office of the former Deputy Minister, Enoch Godongwana, provided the necessary administrative and strategic support as required for the execution of his responsibilities. With the resignation of the Deputy Minister with effect from 31 December 2011, his staff was absorbed in the line functions of the Department where possible. The new Deputy Minister, Hlengiwe Mkhize, appointed in June 2012 was able to appoint her own staff.

1.3 Cabinet and Cabinet Committees

The Minister is a Member of Cabinet. He attended its regular meetings and Makgotla during 2011/12. He also served as a member of the Economic Sector and Employment Cluster, and the Infrastructure Development Cluster.

Minister Patel chaired the Inter-Ministerial Committee on the NGP. During this period he was also a member of Inter-Ministerial Committees on Energy, the National Health Insurance, Anti-Poverty, Bilateral Investment Treaties, Climate Change, Square Kilometre Array, and Iron Ore. The Energy Inter-Ministerial Committee developed the Integrated Resource Plan (IRP2) which requires that 42% of South Africa's energy come from clean sources by 2030.

Minister Patel co-convened the MinMEC on Economic Development and also formed part of the Inter-Ministerial Committee on Short-Term Poverty Alleviation. He accompanied the Deputy President on anti-poverty visits during the period under review.

Preparation for, and support to, the Minister for Cabinet meetings was largely provided by the staff in the Ministry and the Office of the Director-General.

1.4 Parliamentary Liaison

During the 2011/12 financial year, the Minister and the Director-General engaged extensively with the Portfolio and Select Committees on Economic Development. The Committees requested regular briefings on statutory obligations, in particular the tabling of the Annual Report and Strategic Plan, and requested EDD entities to present on their plans and reports. During the past year the Department regularly presented reports on its quarterly performance against the annual performance plan.

1.5 Support to the Secretariat of the PICC

The Minister acted as convenor of the PICC Secretariat since its establishment in October 2011. In that position, he worked closely with both the PICC's technical task team, which draws on expertise across the State, and the Ministers who constitute the Council.

Support for this work was provided by a small team of EDD staff members with additional personnel provided by other public agencies. This aligns with the EDD's aim of building a 21st century delivery capacity that utilises networks of talent and capacity across the economy.

1.6 Media Liaison and Communications

Responsibility for strategic coordination and implementation of this function was undertaken by the Special Adviser to the Minister, supported by a member of staff in the Ministry.

2 Office of the Director-General

The Director-General plays a central role in convening the Directors-General of the Coordinating Departments for Outcome 4; ensuring regular reports to Cabinet on progress around Outcome 4; allocating tasks across the

resources to promote key priorities; working with the relevant managers to improve and maintain financial and personnel systems; and acting as Accounting Officer for the Department.

The Office of the Director-General (ODG) is responsible for coordination between the Ministry and the Department. It arranges for the management meetings of the Department and coordinates logistics for the MinMEC and Technical MinMEC meetings. It has the specific mandate of planning and reporting and in the period under review, it was responsible for engaging with the corporate services of the public entities reporting to EDD.

During the 2011/12 financial year, the ODG played a key role in supporting the Director-General in convening the Steering Committee of the Solar Water Heater Project.

The period under review saw the departure of Director-General Richard Levin, who assumed the portfolio of Director-General within the Public Service Commission. Mr Mohamed Saleem Mowzer was appointed as the acting Director-General while the search for a permanent replacement was initiated.

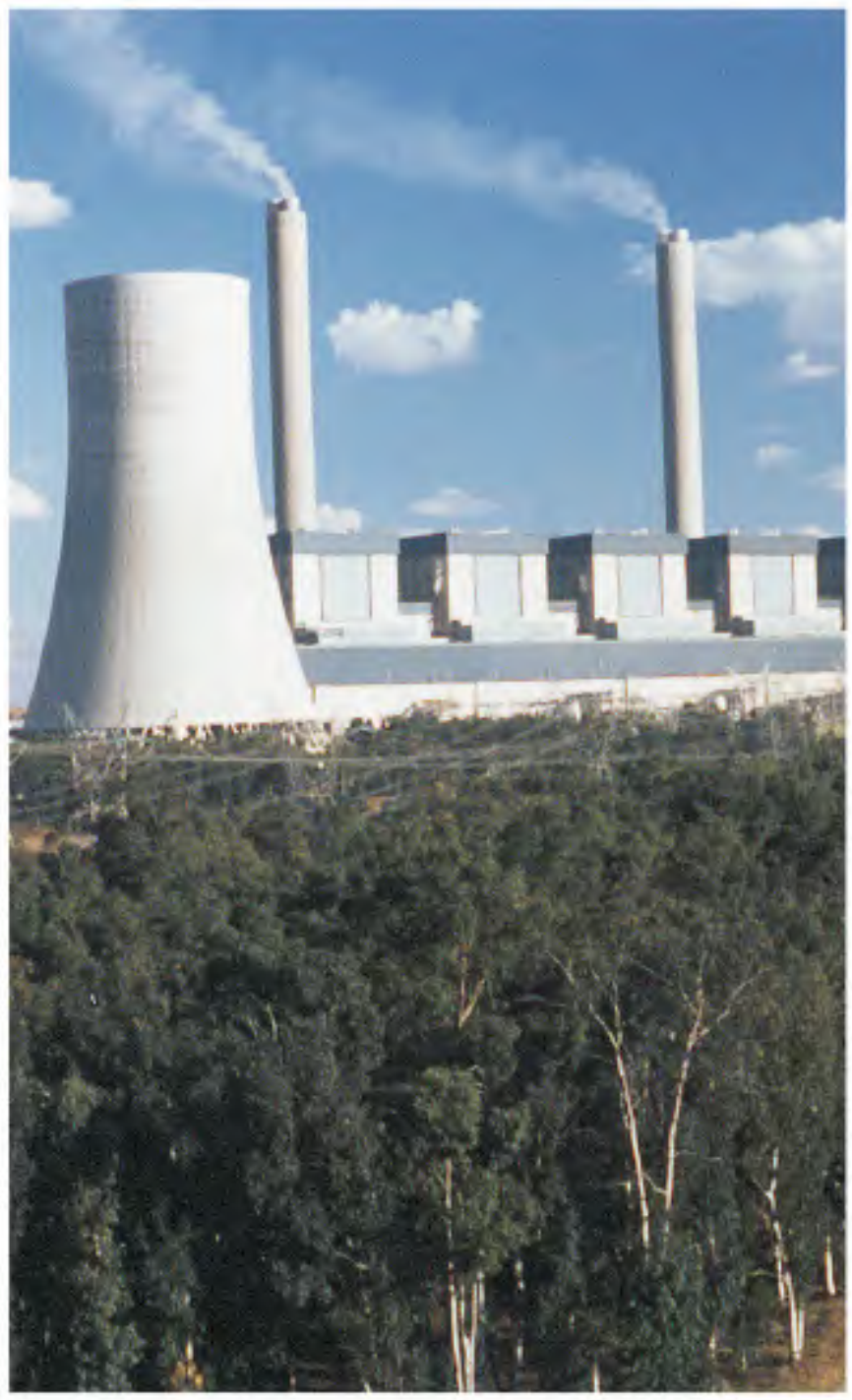
3 Corporate Services/General Management Services

3.1 Human Resource Management

Human Resource Management rendered integrated human resources management support to the Department with regard to personnel administration, recruitment and selection, job evaluations, performance management, staff development, and human resource management policies and practices. During the 2011/12 year, the EDD human resource function took full responsibility for all HR policy and management functions, which had previously partly been provided by the Department of Trade and Industry (**the dti**).

3.2 Financial Management

The financial management and accounting units, as well as the supply chain unit provided financial and procurement services to the Department. The only area where the Department continued with support from **the dti** related to the provision of office accommodation and related services.



PROGRAMME 2
ECONOMIC DEVELOPMENT POLICY

PROGRAMME 2 - ECONOMIC POLICY DEVELOPMENT

1 Purpose and organisation

To strengthen the economic development policy capacity of government; review, develop and propose the alignment of economic policies; and develop policies aimed at broadening participation in the economy and creating decent work opportunities.

This programme consists of the following sub-programmes:

Growth Path and Creation of Decent Work focuses on identifying policies to realise a growth path that addresses the economy's structural constraints, expands the industrial base and creates decent work opportunities.

Economic Policy evaluates macro and micro economic policy tools utilised by government to promote its developmental agenda and improve the alignment, efficiency and impact of policy tools.

Broad-Based Black Economic Empowerment (BBBEE) aims to ensure that the economy is transformed to enable meaningful participation by the majority of its citizens, focusing on employment equity, staff training, preferential procurement, enterprise development, and the advancement of cooperatives.

Inclusive Economic Development focusses on policy to increase opportunities for historically marginalised groups, especially women and youth, to bolster the social economy, and to upgrade conditions and incomes for small and micro entrepreneurs, as well as domestic workers and other low-income occupations.

Economic Development Institute and Research draws together leading economic researchers and economic development practitioners in order to provide analysis of the data collected by the State and other institutions and to produce research and policy papers.

2 Strategic Objectives and Indicator Framework

The sub-programmes in Programme 2 take responsibility for, and are measured against:

- Activities to coordinate and monitor the implementation of the NGP, including assessing the impact of the state on employment and equity
- Interventions to ensure that the BBBEE Codes are progressively used to foster employment and ensure broad equity
- Policy and strategy contributions to support more inclusive growth, especially through effective sector strategies, measures for micro-enterprise, livelihoods and social economy development, as well as measures to improve employment for youth and women
- Policy advice, drafting assistance and support provided, as required, to the ESEC and the Outcome 4 Secretariat
- Preparations for, and hosting of, an annual Economic Development Conference, as well as various high-level platforms on key developmental issues
- Preparations for the establishment of an Economic Development Institute

Achievements – Report against Pre-determined Outcomes

Measurable Objective: Strengthened economic development policy capacity of government and broader participation in the economy through the coordination and monitoring of the implementation of the New Growth Path

Strategic Objective	Output	2011 Measure Indicator	Actual Performance Against Target		Variance / Comment
			Target	Actual	
Develop the Growth Path and create decent work	Policy and analytical papers to address policy challenges	Number of policy and analytical papers on economic policy challenges per year	8	8	
Develop Economic Policies and Sector Strategies	An Economic Development Index created and sectoral methodologies to support employment creation	Number of economic policies and sector strategies developed per year	6	1	While some progress was made in identifying important variables for the Index, more work needs to be done (a) to define the key uses of the index, (b) to reach consensus on whether an index or a dashboard is preferable, and (c) to test the proposed index against South Africa's experiences to date.
Promote Broad-Based Black Economic Empowerment	Interventions to promote BBBEE	Number of BBBEE interventions carried out	5	1	A presentation on BBBEE was made to Cabinet which provided a rich and robust debate. It addressed some of the more difficult issues and assisted to shift the Council on these issues. Proposals were developed on how to enhance incentives for employment creation, local procurement, support for SMMEs and collective ownership. **The dti** is still finalising its draft of the relevant Codes.
Contribute to mainstreaming the Second Economy	Engagements / policy platform discussions on strategies to mainstream the second economy	Number of policies developed to mainstream the second economy	11	4	Targets for the finalisation of work on youth employment, gender and support for an Academy on the Social Economy were not achieved despite progress being made in all these areas.
Establish an Economic Development Institute	Business plan for EDI developed and adopted	Number of arrangements in the establishment of an Economic Development Institute	1	0	The target for the period under review was to complete a business plan for the establishment of an EDI. Work on the plan commenced and a drafter for the plan was identified but a final business plan has not been presented or adopted.

3 Progress and Achievements

3.1 Development of the New Growth Path (NGP) and creation of decent work

A detailed report on progress in implementing the NGP was prepared for the July 2011 Cabinet Lekgotla. The report pointed to areas of progress as well as shortfalls. It supported the adoption of 12 action plans, including the establishment of the PICC, expanding the Community Work Programme, and addressing major cost drivers.

The Branch worked with officials of the National Treasury and **the dti** to provide regular monitoring and evaluation of progress on Outcome 4, with quarterly reports on economic developments, risks and opportunities presented to Cabinet.

The Branch also undertook substantial work on the development of an employment reporting system for State departments and agencies in collaboration with the Department of Performance, Monitoring, and Evaluation (DPME) and the International Labour Organisation (ILO).

A second survey was concluded at the end of 2011. It demonstrated the need to improve systems for assessing the impact of government actions, especially regulations and services, on employment. In the coming year, emphasis will be placed on improving these systems.

The programme is now focussing on improving capacity building with provinces and departments and on initiating the modelling of employment impacts in collaboration with the ILO. In addition, collaboration was initiated with the Cabinet Office and National Treasury on the development of guidelines for assessing the impact of regulations on employment, equity, and growth.

The 2011/12 Economic Development Conference was successfully held on the 30th and 31st May, 2011. The panel discussions focussed on issues raised by the NGP. The conference was attended by national cabinet members, senior officials, academics and leaders of industry, labour movements and civil society organisations. Delegates deliberated over a wide variety of issues, ranging from trends in inequality, the role of the green economy in employment and poverty alleviation, and the ability of the mining sector to create jobs. The EDD provided various inputs, including the implications of inequality for policy development, the prospects for clean stoves for poor households, and an overview of the NGP. The conference set a standard of rigorous and well-informed engagement by key stakeholders and policy-makers on concerns of national importance.

3.2 Economic Policies and Sector Strategies

An initial study towards the establishment of an Economic Development Index was undertaken by staff members and by external partners.

The programme also aims to establish a sectoral methodology designed explicitly to support employment creation. Critical issues include the role of stakeholders, deciding on viability of proposals, and ensuring coordination across government agencies. Initial work was completed, including an assessment of IPAP and other existing sector strategies and commencing a literature review.

Under the auspices of the PICC, strategies were developed, amongst others, for the infrastructure sector as a whole, including the mining value-chain in the Eastern Cape, Limpopo and the Northern Cape - and the production of rolling stock.

With **the dti** and the Department of Mineral Resources (DMR), the programme developed a report on the steel value-chain with options for reducing the prices of iron ore and steel in order to support downstream production, which is central to industrial deepening and employment creation. It also conducted an analysis of the Eastern Cape auto industry. Finally, it supported the EDD's engagement on Walmart with inputs about the retail industry.

3.3 Promotion of Broad-Based Black Economic Empowerment

The NGP calls for increased incentives for employment creation, collective ownership, local procurement and support for smaller enterprise through BBBEE measures.

Service providers were identified to conduct research on the extent and impact on development of compliance with BBBEE by listed companies. The terms of reference provided for a detailed evaluation of the impact of BBBEE on employment and equality as well as investment and growth, and proposed modifications to enhance these specific outcomes.

In addition, an assessment of the Codes from the standpoint of the NGP was undertaken internally with a view to developing ideas for strengthening incentives for employment creation, enterprise development, and local procurement.

3.4 Support of Inclusive Development

3.4.1 Youth Employment

A draft document on a multi-pronged strategy for youth employment was developed. The document analysed the potential for inclusion of youth in the expansion of the Community Work Programme and other employment schemes as a short-run solution, as well as the potential for reaching youth through employment creation in the jobs drivers identified in the NGP. It proposed targeted measures to improve the employability of youth, specifically around education, healthcare, childcare, prevention and treatment of HIV/AIDS, and reductions in teenage pregnancies.

The document was discussed in the ESEC at the end of 2011 and tabled in NEDLAC for preliminary discussions with stakeholders early in 2012.

3.4.2 Gender

An outline of a discussion document and data analysis was finalised. Several presentations were made to government and external stakeholders. In addition, input on gender and access to assets was provided.

The research shows the importance of long-term economic equality in addressing the position of women in the household as well as in the economy.

The discussion document will form the basis of a policy platform to be convened in the second quarter of the 2012/13 financial year.

3.4.3 Income Inequality

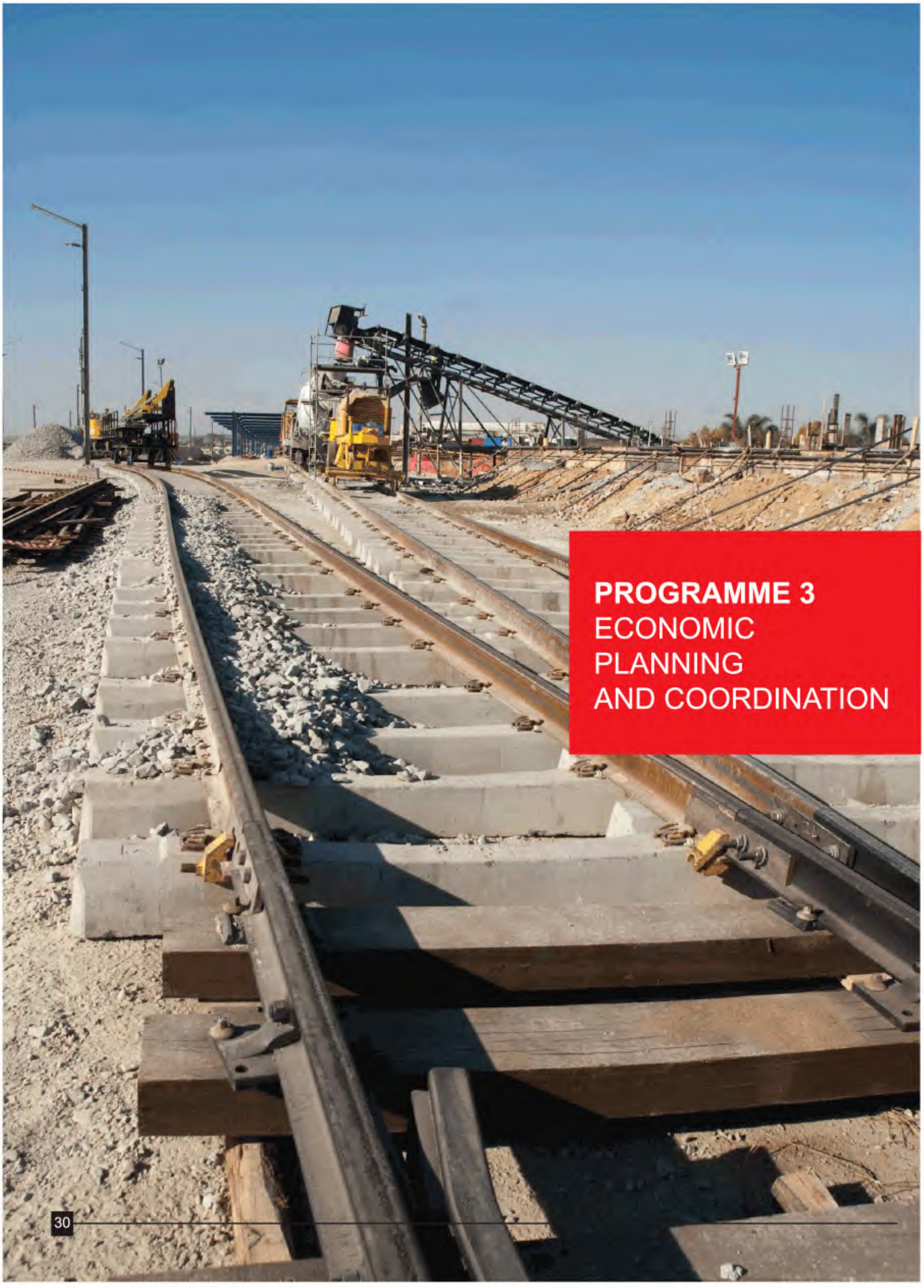
An outline and data analysis were finalised and presentations made to stakeholders specifically on issues around policy and income distribution (at the Economic Development Conference),asset ownership, and inequality (at the SPII/FES/EDD workshop held in July 2011).

The programme also developed a draft discussion paper and a presentation to a platform with the Minister and international experts, which was held in Cape Town in April 2012. Key elements include

the recognition that unemployment is the central cause of inequality. Other factors include inequalities in the ownership of productive assets, access to markets and economic infrastructure, and access to quality education.

3.5 Establishment of an Economic Development Institute

A Terms of Reference was developed for an organisational study of the Institute. A broad engagement with the research and policy community took place during the year, resulting in a number of collaborative projects, some of which were finalised subsequent to this reporting period. The work will be stepped up in the year ahead.



PROGRAMME 3
ECONOMIC PLANNING AND COORDINATION

PROGRAMME 3 - ECONOMIC PLANNING AND COORDINATION

1 Purpose and organisation

To promote economic planning and coordination by developing economic planning proposals; providing oversight and policy coordination of identified development finance institutions (DFIs) and economic regulatory bodies (ERBs); and contributing to the development of the green economy.

This programme consists of the following sub-programmes:

Spatial, Sector and National Economic Planning focusses on developing and coordinating economic plans for South Africa, ensuring that there is coherence between the economic development policies of the State and the policies of State entities, and that micro- and macro-economic plans are consistent with each other. Additionally, this sub-programme promotes the development of spatial economic development action plans, particularly for key and distressed areas.

Investment for Economic Development provides policy oversight and strategic direction to the IDC, sefa, as well as provincial agencies. It provides information, analysis and options regarding mechanisms through which government is able to channel and direct public and private investment into economic development.

Competitiveness and Trade for Decent Work provides policy oversight and strategic direction to the Competition Commission, the Competition Tribunal, and the International Trade Administration Commission of South Africa (ITAC). It provides information, analysis and options regarding the use of competition and trade measures to promote economic development goals. It also develops proposals for promoting economic goals through regional, continental, and international economic engagement.

Economic Development, Financing and Procurement undertakes research and analysis on government's development programmes. Additionally, it examines budgeting and procurement within the State in order to identify opportunities to improve local procurement and production and meet broader economic development goals.

Green Economy coordinates work to identify and realise job and economic opportunities related to long-term environmental and climate change challenges.

2 Strategic Objectives and Indicator Framework

The sub-programmes in Programme 3 take responsibility for and are measured against:

- Contributions towards coordination in the development of spatial and other economic development plans of the State, with the specific intention to create decent jobs, and support broader government objectives
- Support for and oversight over DFIs to ensure their increased impact in the creation of jobs and economic growth
- Stakeholder collaboration to support the development and growth of the small business sector and direct public and private investment into economic development to support decent work outcomes
- The provision of policy and strategic direction to the Competition Commission, the Competition Tribunal and the ITAC

- Research, analysis, and proposals to promote economic growth through international engagement
- Research and analysis to identify opportunities for improving local procurement and production
- Development of, and support for, projects, incentives and other measures to promote industries that create jobs and have lower carbon emissions in energy, agriculture, manufacturing and service sectors

Achievements – Report against Pre-determined Outcomes

Measurable Objective: Better economic planning and coordination through developing economic planning proposals; providing oversight and policy coordination of identified DFIs and ERBs; and contributing to the development of the green economy.

Strategic Objective	Output	APP Measure Indicator	Actual Performance Against Target		Variance / Explanation
			Target	Actual	
Develop spatial, sector and national economic plans.	Constructive engagements with provinces and local government on economic development.	Number of sector, spatial and national economic plans reviewed or developed per year	30	46	Requests from provinces and local government to engage on economic development in general, and the implementation of the NGP in particular, far exceeded the envisaged targets for the period under review.
Promote investment for economic development.	Constructive engagements with DFIs to ensure alignment with government policy and programmes.	Number of strategic engagements with DFIs per year.	6	19	Work towards the establishment of a merged small business finance agency necessitated more regular and focused engagements with samaf, Khula and the IDC in the period under review.
Promote competitiveness and trade for decent work.	Oversight engagements with ERBs to ensure alignment with State outcomes.	Number of strategic engagements with ERBs per year.	6	6	Oversight engagements with the ERBs have been formalised into a joint quarterly meeting between the DG: EDD and the Heads of the ERBs. These meetings were institutionalised from the 2nd quarter of the period under review.
Leverage off State Budgeting, Financial and Procurement Processes.	Special financing available for small business, targeted growth sectors and companies in distress.	Amount of money / number of interventions to leverage State budgeting, financing and procurement processes	R5bn 12	R7.32bn 9	
Promote the Green Economy.	Reports on the implementation of the Green Economy Strategy and interventions that lead to growth in the green economy.	Number of reports produced, strategy developed and meetings held with provincial and local government.	12	17	Through the initiative of the EDD the IDC published a significant Jobs report on the impact of the Green Economy during November 2011. A strategy based on the Jobs report was developed.

3 Progress and Achievements

3.1 Development of spatial, sector and national economic plans

3.1.1 Spatial Planning

The Branch provided support for spatial elements of the National Infrastructure Plan and in particular, the Strategic Integrated Projects (SIPs) that support rural development, including SIP 6, which seeks to upgrade the 23 worst-served municipal districts, and SIP 11, which aims to provide logistics and agricultural infrastructure in rural areas. In this context, the EDD has embarked on a process with the Council for Scientific Industrial Research (CSIR) and the Department of Rural Development and Land Reform (DRDLR) to determine functional economic regions. Functional regions are economic spaces defined by value chains, corridors and economic sectors, as opposed to magisterial boundaries, which provide a framework for effective economic planning and the re-integration of spaces separated under apartheid.

A particular objective is to support the integration of the former so-called 'homelands,' which include 23 districts with the worst infrastructure, into regional and national value chains. This is a central pre-requisite for a more equitable economy with higher employment levels.

The Department of Cooperative Governance, in its role as lead implementation agent for the King Sabata Dalindyebo (KSD) Presidential Intervention Initiative, submitted the Socio-Economic Development Strategy for review and comment. The EDD reviewed the strategy and provided extensive comments in efforts to align the strategy with the NGP.

As part of the EDD's participation in the Anti-Poverty Campaign, a review was conducted of the Northern Cape Provincial Growth and Development Strategy, as well as the Integrated Development Plan of the Renosterberg Local Municipality in the Northern Cape. The review of the plans highlighted key areas where the EDD could provide support, working with the DFIs that it oversees.

As a follow-up from an engagement with the Mpumalanga Provincial Department of Economic Development, the EDD undertook a review of the Standerton (Lekwa Municipality) area, with the view to facilitate the establishment of a soya bean and sunseed oil crushing plant by a private investor in that municipality.

The EDD also undertook to support the spatial action plan for the Doringbaai-Matzikama Municipality. The IDC approved financial assistance of R2 million to a small black-owned fishing company operating along the West Coast. The financial support enabled the purchase of a second-hand fishing vessel to maximise their quota catch. Assistance with corporate governance and training for the 113 shareholders (mainly ex-fishermen from Doringbaai) is also built into the project.

As part of the Doringbaai Spatial Initiative, the EDD assisted in obtaining approval from the Department of Agriculture, Forestry and Fisheries for the appointment of Matzikama Local Municipality as the implementing agent for the Doringbaai aquaculture project in mid-September 2011. In addition, it assisted by securing funds from the Employment Creation Fund for the project.

The EDD also assisted RiseUp Bakery Holdings, to apply for government funding through **the dti's** Cooperative Incentive Scheme. The National Empowerment Fund sponsored an application on behalf of RiseUp for the Employment Creation Fund to source R30 million in start-up funding. The funding will be used to establish 100 cooperative bakeries in a small hybrid franchise-cooperative business. This will create 510 direct sustainable new jobs in the rural areas of the Western Cape (primarily along the West Coast).

Finally, a draft framework for the revitalisation of Atlantis was completed.

3.1.2 Engagements with Provincial and Local Government

The EDD co-convenes the Economic Development MinMEC with provincial economic development departments, representatives of the metros, the South African Local Government Association (SALGA), and **the dti**. A technical MinMEC co-chaired by the DGs of EDD and **the dti** took place on 17 May 2011 in preparation for the MinMEC meeting. A MinMEC meeting chaired by the Minister took place on 10 June 2011. Finally, a second technical MinMEC took place on 21 June 2011, the focus of which was employment impact reporting.

The EDD has designed a course to train officials in economic development matters in conjunction with the Wits School of Public and Development Management. Local government officials from five municipalities participated in the course in the period under review.

In addition, the following engagements were held:

- A meeting with senior officials from the Ekurhuleni Metro on 16 May 2011 to assist with the alignment of their economic development plan with the NGP
- An engagement with the eThekwini Metro's Learning Institute (MILE) on 27 May 2011 where the NGP and its relevance for Metros was discussed
- A presentation on the NGP was made to senior officials in the Gauteng Department of Economic Development and its agencies on 31 May 2011. Follow-up meetings were held over the subsequent months
- An engagement with the Mpumalanga Provincial Government, Department of Economic Development, Environment and Tourism on 20 May 2011, which was attended by the MEC, the HOD and other senior officials. This engagement focussed on the Department's draft Mpumalanga Growth & Development Plan
- In collaboration with the Mpumalanga Provincial Government a further engagement with the newly constituted Lekwa Local Council on 17 June 2011 which focussed on issues such as land tenure, bulk infrastructure (water and electricity) and local economic development implications of the project for the community
- An engagement with the North West Department of Economic Development on 1 August 2011 focussing on areas of alignment between the Provincial Growth and Development Strategy and the New Growth Path. Key areas were identified where the EDD could assist with the blockages the provincial department faced in implementing their priority projects

- An engagement on 22 August 2011, with senior officials from the EDD, Heads of Departments, and officials from the Limpopo Department of Economic Development on ways in which to achieve better alignment with the NGP. In addition the role that the EDD could play in unblocking priority projects and initiatives in the Province was discussed. A further meeting was held in December 2011
- An Anti-Poverty Campaign visit to Ga-Kgatla Village in Limpopo by EDD officials accompanied by the Deputy President on 8 October 2011
- A meeting was held in the Western Cape on 7 December 2011. The purpose of this meeting was to discuss the alignment of the Western Cape economic development policies and plans with the implementation of the NGP
- A presentation was made at the Free State Local Economic Development Summit on 2 December 2011. The presentation focussed on NGP priorities and the alignment of the LED Plans with it. The EDD also took part in an initial planning meeting for a Presidential Intervention in the Diyatalawa and Makgolokoeng municipalities in the Free State Province on 28 November 2011
- Engagements with Eastern Cape authorities on three green energy projects

3.1.3 Sectoral Planning

This area of work focussed on developing a comprehensive Dairy Production model for South Africa. A National Dairy Strategy covered the following:

- Identifying existing and potential Dairy projects which could become a part of a national model
- Conducting various assessments
- Engaging with industry players and bodies such as Clover, Parmalat, the Milk Producers Organisation, SAMELCO, ABC, Agri SA, IDF etc
- Engaging with national and provincial departments
- Investigating possibilities of private partners on aspects of input supply and technical support
- Identifying and engaging with providers of necessary services such as ESKOM

Three additional quarterly reports were produced on the project. During the fourth quarter of the financial year under review, this project was transferred to the DRDLR. Moreover, during the year under review, the responsibility of sectoral planning was reassigned to Programme 2.

3.2 Promotion of investment for economic development & promotion of competitiveness and trade for decent work

3.2.1 Oversight of Development Finance Institutions and Economic Regulatory Bodies

Quarterly entity reporting meetings took place during the reporting period with the leadership of ERBs and DFIs supervised by the EDD. In addition, the Minister held meetings with the IDC to review their annual financial results and performance.

3.2.2 The Establishment of sefa

The Department facilitated a process, which led to the merger of samaf, Khula and the IDC small business loan book in the period under review. Substantial coordination and preparatory work was undertaken including the production of the following documentation:

- Overview document for the merger, which was circulated to the institutions and relevant government departments
- Draft Business Case prepared and submitted in September 2011
- Technical due diligence submitted during September 2011
- Risk Assessment Report prepared and submitted during September 2011

The Director-General hosted an all-day workshop with representatives from the IDC, Khula and samaf to discuss the merger of the three institutions. A steering committee meeting on the merger took place with the leadership of these bodies on the 25 July 2011. A meeting between the Director-General and the staff of Khula and samaf took place on 19 September 2011 and the Minister met with the Acting Chairs of Khula and the IDC.

The EDD hosted a consultative workshop with clients of Khula and samaf on the 2 August 2011. The purpose of the meeting was to introduce the Khula Acting Managing Director and the samaf Acting CEO. The DG provided a brief background on the 12 action items arising from the July Cabinet Lekgotla.

On 22 March 2012, the Department met with the samaf Advisory Board on the merger between samaf, Khula and the IDC small business portfolio.

3.2.3 Other Initiatives to Support Small Enterprise

The EDD has established a Business Hub and a Training Programme in collaboration with the South African Institute of Chartered Accountants. The initiative will include the following:

- A training component for unemployed accounting graduates to enhance their practical accounting skills and workplace readiness. A minimum of 70% of the graduates who complete the programme each year will be placed in employment, mostly in small and medium enterprises (SMMEs)
- The Business Hub will offer back-office accounting support to black entrepreneurs. Some 15% of the graduates from the training programme will be placed in the Business Hub each year as associates. The remaining graduates will be placed in employment within small and medium enterprises within the accounting sector

The EDD is also working with the DPME, the National Treasury, and **the dti** to support the campaign to ensure that all government departments pay SMMEs within 30 days. The EDD has run workshops with provincial governments to better understand the challenges of compliance with the 30 day payment requirement. Recommendations will be made on systemic improvements requiring information and support in this area.

The EDD entered into an agreement with Proudly South African (PSA), which committed to providing support to SMMEs. The agreement includes training SMMEs on the tender processes of government and state-owned companies.

3.2.4 Alignment of Investment Decisions - State-owned Enterprises and the Public Investment Commission

The EDD explored the possibility of encouraging investment by the Public Investment Commission (PIC) to support national priorities, in particular, the National Infrastructure Plan, and the IDC. On 24 June 2011, a meeting was held at the PIC Offices in Pretoria. The meeting focussed on:

- The establishment of an appropriate investment instrument
- Various financial models
- Practical applicability of the proposed investment instrument in the South African environment
- Ways to optimise existing savings and attract new investments for development

The research report to be completed will draw on the latest experiences from international best practice in this area of enquiry.

3.3 Leveraging State Budgeting, Financial, and Procurement Processes

3.3.1 Special Financing

The EDD has programmes to provide financing for small businesses, targeted growth sectors, and companies in distress. In 2011/12, the funds mobilised for this purpose amounted to over R8 billion. The bulk of these funds constituted IDC lending, which was increasingly aligned with the priorities of the NGP, the National Infrastructure Plan and IPAP. The IDC disbursed R7,7 billion in the stated fiscal year. Transfers to samaf and Khula accounted for a further R225 million, and funds provided to companies in distress R440 million. In addition, the Unemployment Insurance Fund and the IDC disbursed R343 million to support funding for companies in distress.

3.3.2 Interventions Promoting Economic Development through Leveraging State Expenditure and Procurement

The dti, the National Treasury, and the EDD developed a procedure for designating specific goods for local procurement by the State, starting with canned or processed vegetables, textiles, leather, clothing and footwear, buses, rolling stock, and steel pylons for power transmission.

Meetings were held with the work group from the South African Bureau of Standards (SABS) on technical specifications. This resulted in the development of a technical standard, SATS 1286, for local content. It was published for comment on 23 November 2011.

An industry forum took place on 22 September 2011 to discuss the designation process and the type of commitments required by the different sectors.

As part of the Local Procurement Accord signed in the previous year, as well as government and social partners' efforts to increase local procurement, the EDD entered into an agreement with Proudly South African (PSA). PSA will conduct a national campaign to create awareness of the economy-wide benefits of buying locally manufactured products. Public education programmes on the importance of the 'Labels of Origin' to promote products and services of South African origin will be conducted. PSA will also compile a list of local products and services for use by businesses, unions, institutions and others who want to procure locally.

The EDD concluded discussions with a local stationery manufacturer that will allow the Department to procure locally manufactured submissions folders, instead of imported ones, at a lower price.

3.4 Promotion of the Green Economy

The NGP works towards ensuring a lower carbon intensive economy. The EDD's work toward the

Green Economy Accord in 2011 included three forums of all stakeholders, ten bilateral discussions, and nine informal consultations with various social partners. In addition, the Department undertook the following to support progress toward a greener economy:

- Collaborated with the IDC and the DBSA on the publication of the Green Jobs Report in November 2011
- Worked with the government team at COP17 in late 2011
- Worked to roll-out solar water heaters on a mass scale. The Director-General led a government-wide steering committee to ensure implementation of the target of installing one million solar water heaters by 2014/15. At the culmination of the reporting period, approximately 262 000 heaters had been installed, including 50 000 low-pressure heaters in low-income communities. At COP17, the EDD facilitated a pledge scheme which raised over R750 000 for the installation of solar water heaters as part of a special project in the Ilembe District. Research was undertaken into options for establishing local production capacity of the inputs
- A workshop organised by COSATU and the Cape Business Chamber outlining the concerns of Cape green-technology companies about the Renewable Energy Independent Power Producers Programme as well as opportunities for localisation of input production. Follow-up was conducted around the Independent Power Producers Programme as well as local production of inputs for solar water heaters
- Worked with the IDC to support business financing for renewable energy generation in terms of the targets set in the Integrated Resource Plan, which expects 40% of new energy generation to be provided by clean sources by 2025
- A meeting held with Blue IQ through the Innovation Hub management company to discuss the establishment of a provincial Green Economy Unit

focussing on local economic development and small and medium enterprise within the The Innovation Hub (TIH) programme. Discussions regarding leveraging the EDD's support to aid this provincial programme are ongoing

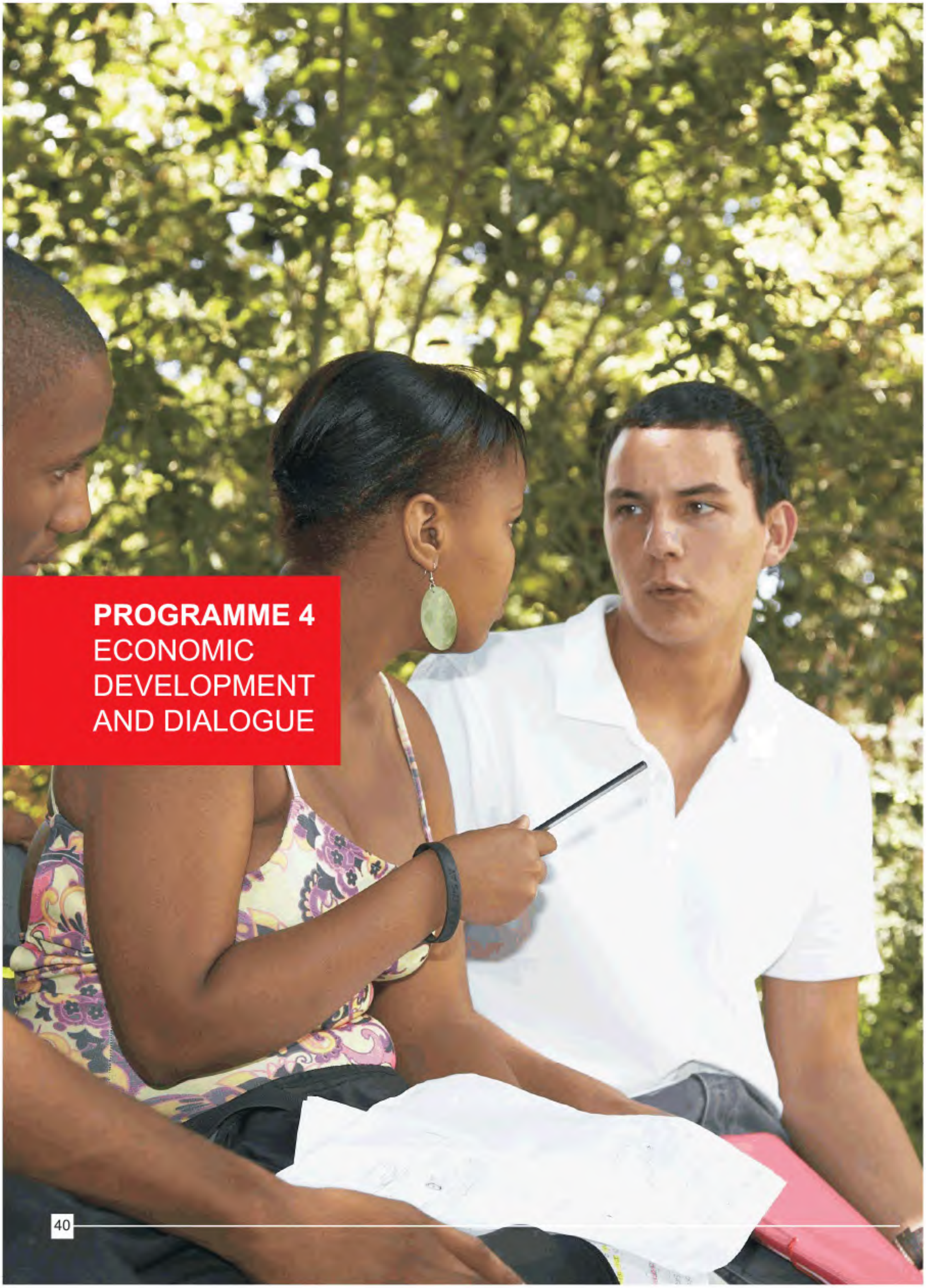
- An Autocatalytic Converters and Diesel Particulate Filters Implementation plan meeting held on 9 March 2012. The EDD sent inputs and comments on the final draft with emphasis on the strategic analysis and interventions sections
- A number of inter-departmental workshops on the green economy including with the Department of Environmental Affairs (DEA), **the dti**, and the Department of Energy (DoE). The workshops aimed to discuss, formulate, and coordinate a National Greening Strategy from an economic rather than a purely environmental perspective

3.5 Promotion of African Regional Economic Development and Policies

The EDD actively supported the Tripartite Summit between the regional economic communities of the Southern African Development Community (SADC), the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), which took place from 8 to 12 June 2011. The aim was to establish a Tripartite

Free Trade Agreement (FTA). This new community will comprise 26 African countries and represent just over half of Africa's GDP and population. The EDD completed a paper on increasing South Africa's exports with member states of the Tripartite FTA. The Minister of Economic Development acted as Programme Director of the Summit.

The EDD is monitoring development of infrastructure within the North-South Corridor, a regional initiative chaired by President Zuma as the regional infrastructure champion. This initiative seeks to promote mobility and trade throughout Africa. Ultimately, this corridor will extend from the Cape to Cairo, thereby offering Africa an integrated rail, road, and port system.



PROGRAMME 4
ECONOMIC DEVELOPMENT AND DIALOGUE

PROGRAMME 4 - ECONOMIC DEVELOPMENT AND DIALOGUE

1 Purpose and organisation

To promote social dialogue; implement strategic frameworks; build capacity among social partners; and promote productivity, entrepreneurship and innovation in the workplace.

This programme consists of the following sub-programmes:

National Social Dialogue and Strategic Frameworks contributes to social dialogue on economic development issues and policy development, and coordinates, monitors and ensures the development and implementation of action plans and framework agreements on the global economic crisis, domestic decent work pacts, and national economic plans.

Sector and Workplace Social Dialogue promotes workplace and sector agreements and social pacts that address the challenges of growth and development, as well as productivity and innovation.

Capacity Building for Economic Development promotes and builds the research output and knowledge of social partners of the economic development sectors and issues relating to equity and productivity through appropriate empowering mechanisms.

It also harnesses economic development expertise through an Advisory Panel, knowledge networks and learning events.

Productivity, Entrepreneurship and Innovation develops a policy framework for increasing productivity and enhancing entrepreneurship and innovation. The results inform the work of the other three sub-programmes within Programme 4.

2 Strategic Objectives and Indicator Framework

The sub-programmes in Programme 4 take responsibility for and are measured against:

- Coordinated government policy inputs and contributions to social dialogue on economic development matters
- Consultations and coordination interventions with relevant departments to ensure the implementation of Framework Agreements
- Development of partnership agreements in key sectors and workplaces through the process of social dialogue
- Promotion of research and knowledge outputs by social partners through the establishment and administration of a Social Partner Fund (or an equivalent mechanism) and capacity building initiatives
- Development of a policy framework to increase productivity and enhance innovation and entrepreneurship

Achievements – Report against Pre-determined Outcomes

Measurable Objective: Improved social dialogue, social partner capacity, productivity, and entrepreneurship to implement strategic frameworks through building capacity among social partners, and better productivity, entrepreneurship and innovation in the workplace.

Strategic Objective	Output	APP Measure Indicator	Actual Performance Against Target		Variance / Explanation
			Target	Actual	
Promote National Social Dialogue and Strategic Frameworks	Social dialogue and capacity building engagements facilitated.	Number of social dialogues and capacity building engagements per year	10	16	
Promote Sector and Workplace Dialogue	Formalised sectoral or work-place agreements.	Number of engagements in sector and work-place dialogue	14	15	
Broaden Capacity Building for Economic Development	Better capacity for economic development through the work of the EAP, knowledge networks and interventions with organised labour	Number of interventions to build capacity for economic development.	9	14	
Promote productivity, entrepreneurship and innovation	National/sectoral engagements on productivity	Number of interventions to foster productivity, entrepreneurship and innovation	4	10	
Facilitate, monitor and report on the implementation of the framework agreements and social pacts (new area of work after the approval of the APP)	Stakeholder engagements and progress reports on the implementation of framework agreements and/or social accords	Number of engagements and/or reports on the implementation of the framework agreements and social pacts	8	7	

3 Progress and Achievements

3.1 Promotion of National Social Dialogue and Strategic Frameworks

The EDD with other national departments and key economic stakeholders, under the auspices of NEDLAC, finalised four social accords on key areas of the NGP in the period under review. Officials from the Branch supported the negotiations process as required. They provided secretariat services for the negotiations, assisted with minute-taking, and developed implementation frameworks.

Officials participated in the Port Elizabeth Factory Tour in July 2011 to discuss the nature of production and the challenges facing manufacturers in that region, as well as the necessary steps to be taken to improve competitive positions.

3.2 Facilitation, monitoring and reporting on the implementation of accords

Government, business, labour and community representatives concluded the Framework for South Africa's Response to the International Economic Crisis on 19 February 2009 under the auspices of NEDLAC. The IDC manages two facilities established in terms of the Framework. These are the R6,1 billion IDC Distress Fund and the UIF Development Bond for job creation valued at R2 billion. The IDC facility is exclusively for distress funding, while the UIF Bond is for both companies in distress and job creation. R58 million of the funding to distressed companies was sourced as part of the bond issued by the UIF to the IDC earlier in the year. The remaining funds were sourced by the IDC through other lenders, including international DFIs as well as commercial financiers.

A report was submitted to Minister Patel on 29 September 2011 to provide an update on progress on the implementation of key elements of the Framework Agreement.

The EDD made a presentation at an ILO/Labour Jobs Pact Workshop on 10 December 2011. The presentation focussed on measures to combat custom fraud, to promote public investment and to address job losses through layoff arrangements and special measures for companies in distress.

A Training Layoff Scheme Task Team meeting was held on 3 May 2011. The Task Team was set up by the Directors-General of the Departments of Higher Education and Training, Labour, and Economic Development to look into ways to expand and fast-track access to the scheme.

Social partners including business, labour, government and community reported on the progress of the implementation of the National Skills Accord in a workshop with the Department of Higher Education and Training held on 29 February 2012. A report on progress and proposals for addressing blockages was subsequently submitted to the Minister.

3.3 Promotion of Sectoral and Workplace Dialogue

The EDD facilitated the establishment of the Western Cape Furniture Industry Pilot Project. This project seeks to enhance employment in the furniture industry through skills development support and increased cooperation between manufacturers through cluster development.

A meeting between the EDD, the Department of Tourism and the Department of Environmental Affairs was held on 19 July 2011 and focussed on the revitalization of the clothing and textile industry.

This followed the closure of several clothing and textile factories. A meeting was held with the Clothing Bargaining Council and some of the clothing and textile industries in December 2011 to look at possible projects or interventions that could assist companies that are in distress. It also explored how the EDD could help strengthen enterprises to enable them to create more jobs in the sector in partnership with the retail sector.

The Isithebe Plan is an initiative to set up a garment factory in KwaZulu-Natal. The Department helped the proponents of the plan to access information on appropriate incentives available through **the dti** and the IDC.

A social dialogue and capacity building engagement workshop was held with the Metals and Engineering Industry Bargaining Council (MEIBC). This workshop aimed to help stakeholders share information on the industry in order to facilitate its development.

The EDD is working with an investor and organised labour on a turn-around strategy for the Dimbaza Foundry, which is one of the few remaining factories at the industrial site. The strategy aims to allow the foundry to continue its operations without losing jobs, and increase local steel production. The EDD assisted in obtaining funding for a feasibility study for the initiative.

An intervention to save jobs was implemented at a major company in the forestry value chain, where initially more than 1 200 jobs were at risk of being shed. The EDD together with the company, Chemical Energy Paper Printing Wood and Allied Workers Union (CEPPWAWU) and COSATU met in December 2011 and January 2012 to address the challenge, to minimise job losses and consider ways to bolster the paper and pulp sector. A task team was established - which included **the dti**, ITAC and the Commission for Conciliation, Mediation and Arbitration (CCMA) - to investigate options around tariffs, industrial incentives and the training layoff scheme. Through this intervention, job losses were minimised and only 50% of the jobs were shed.

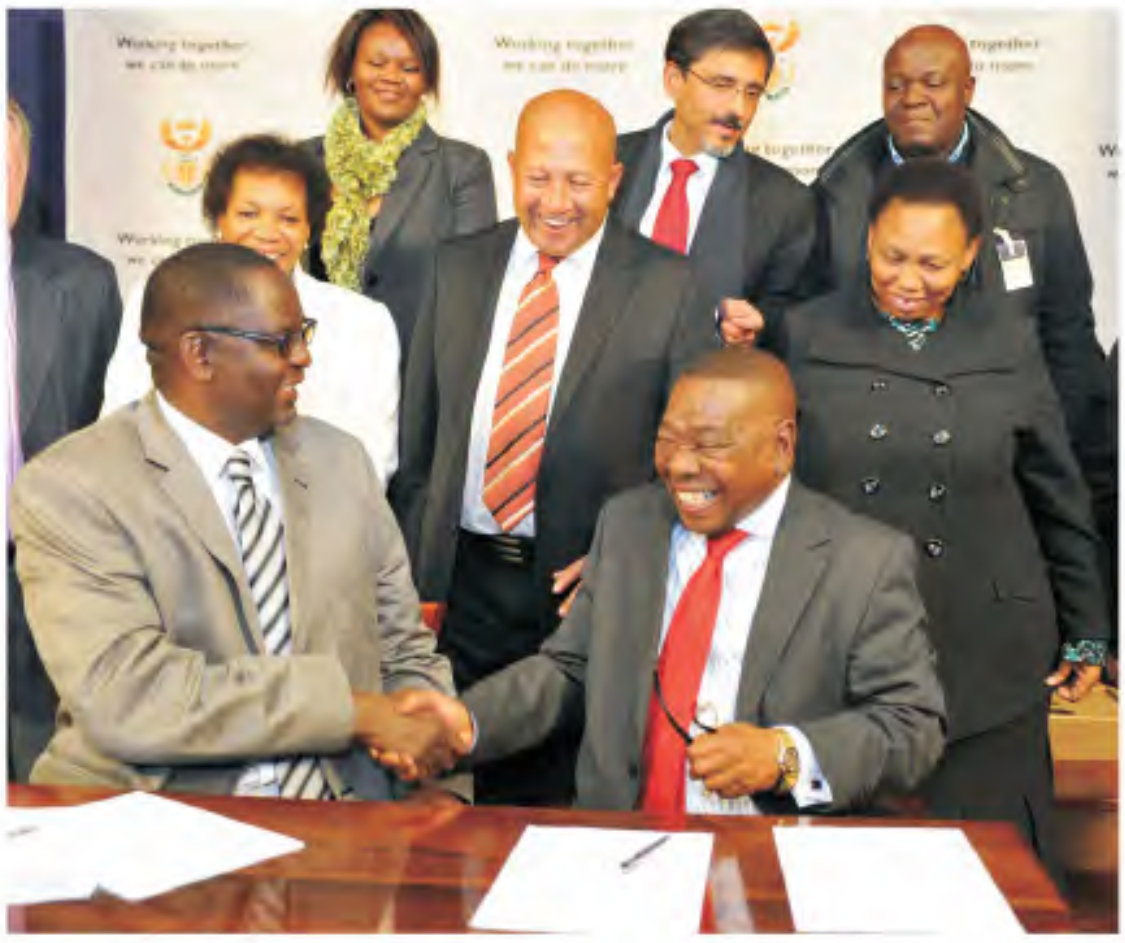
An intervention was also undertaken at a co-operative that manufactures school shoes for needy children. This aimed to strengthen the co-op and secure jobs. The co-op, Ujima Bakwena, had faced difficulty with accessing leather. This challenge was addressed by arranging for Mossop Western Leather, a tannery, to supply leather to the co-op at a significantly reduced price.

3.4 Broadening Capacity Building for Economic Development

3.4.1 Capacity building for stakeholders

A capacity building programme on the NGP and the four accords was conducted for the labour, business, community, and government constituencies at the provincial level. These workshops were conducted in seven provinces starting with Limpopo (20-21 February), North West (23-24 February), Gauteng (12-13 March), Free State (15-16 March), Mpumalanga (19-20 March), Western Cape (22-23 March) and KwaZulu-Natal (29-30 March).

The workshops sought to raise awareness amongst stakeholders on the role that they could play in promoting the implementation of NGP programmes and the commitments contained in the national social accords. Presentations at the workshops provided a unique opportunity to bring together approximately 100 participants per province, including provincial economic



development departments, COSATU, FEDUSA, NACTU, BUSA, NAFCOC, SANCO, and the Women's National Coalition.

Four capacity building workshops for labour were held between October and November 2011 in KwaZulu-Natal (18-19 October 2011), the Eastern Cape (25-26 October 2011), the Northern Cape (1-2 November 2011) and Limpopo (8-9 November 2011). These workshops were focussed on building a partnership with organised labour around the NGP. The presentations outlined areas such as support to distressed companies and the management of training layoff schemes. The workshops were managed by a steering committee, including COSATU, NACTU and FEDUSA. The EDD also participated in a panel on jobs at the FEDUSA Congress in November 2011.

3.4.2 Knowledge networks

The knowledge network concept was presented to officials of the Department on 1 February 2012 where inputs and suggestions were made to strengthen the concept. A questionnaire was subsequently designed and circulated in order to invite suggestions on how best to create and manage an internal knowledge management system for the Department. The Department has developed a number of knowledge networks across different programmes.

3.5 Promotion of Productivity, Entrepreneurship and Innovation

Desktop research was conducted during the first quarter of 2011/12 and a draft productivity concept document developed. A memorandum of understanding was signed between the EDD and Productivity South Africa on 21 September 2011 in order to strengthen collaboration and cooperation between the two institutions and fast-track government's productivity initiatives.

Productivity sessions were held with NEDLAC constituencies to ascertain their views on issues pertaining to productivity in preparation for the formulation of national and sectoral productivity accords. Sessions were held with COSATU (19 July 2011), FEDUSA (26 July 2011), NACTU (27 July 2011), BUSA (3 August 2011), OTEO Capital (11 August 2011) and the community constituency (20 August 2011).

A workshop was held on 21 October 2011 with the ILO, Productivity South Africa, organised labour and communities to follow-up on initial sessions. The workshop discussed important productivity issues, including the conceptualisation of productivity in the context of the NGP and shared findings from the research conducted by Productivity South Africa.

ENTITIES

1 The Competition Commission

The Competition Commission has over the past few years adopted a strategic approach to competition matters, focussing in particular on sectors where competitiveness will particularly affect growth, employment creation, and living standards. These industries include intermediate inputs and basic necessities, especially foodstuffs.

Settlement agreements continue to be an important tool in avoiding unnecessary litigation and saving litigation costs whilst enabling the Commission to achieve its mandate. In the period under review the Commission concluded 28 settlement agreements worth R550 million.

Of these, the Commission concluded 18 settlement agreements in the food and agro-processing sector totalling R42 million. These figures include the Commission's price-fixing case against 17 firms in the grain storage and trading industry. As part of the consent agreement, all respondents agreed to refrain from behaviour involving price-fixing and market allocation, allowing for a more competitive market in grain storage and trading. This should impact positively on the supply and price of grain, ultimately benefiting the consumer. The Competition Commission also concluded a settlement agreement with Carolina Rollermeulle, a milling company based in Carolina, Mpumalanga. The settlement follows the Commission's investigation into a cartel in the milling of white maize products involving price-fixing of milled white maize products.

In a settlement agreement in the construction industry, the Commission entered into an agreement with Aveng Africa. In the settlement agreement, Aveng admits that one of its divisions, Steeledale, participated in cartels which operated in both the mesh and the rebar industries in contravention of the Competition Act. Aveng also agreed, as part of the settlement, to pay an administrative penalty of almost R130 million, to cooperate with the Commission in the prosecution of the remaining respondents in the mesh and rebar cases, and to cooperate in the Commission's construction fast-track settlement process.

On 1 February 2011, the Commission launched the Construction Fast Track Settlement process (CSP). The objective of the CSP was to invite firms in the construction industry to disclose projects/tenders that were subject to bid-rigging conduct in return for lower penalties. The closing date for this invitation was 15 April 2011.

Since the launch of the CSP, the Commission received applications from 21 firms in the construction industry, including the top five construction firms. After the first phase assessment of all the applications, the Commission identified 204 different projects/tenders that were the subject of bid-rigging in the construction industry. These projects/tenders include some of the major infrastructure developments in South Africa, including the Soccer World Cup stadiums and the Gauteng Freeway Improvement Project (GFIP). During the evaluation process, 20 other firms that had not applied for settlement were also implicated in bid-rigging. Their conduct will also be investigated.

As part of the Competition Commission's drive to break up the cement cartel, the Commission concluded two settlement agreements with members of the cement cartel. AfriSam entered into a settlement agreement to the amount of R125 million. Lafarge concluded a settlement with the Commission totalling R124 million. Both firms admitted to price-fixing and market allocation in the cement market.

The Commission prohibited eight mergers during the 2011/12 financial year. This includes the prohibition of the merger between Paarl Media, a Media 24 company and Primedia@Home - two major distributors of leaflets by knock-and-drop. The merger was prohibited due to competition concerns that might arise, and is under appeal before the Competition Tribunal. A decision had not been made as at 31 March 2012. The high cost of leaflet

distribution would affect advertisers, who are mainly major grocery retailers and furniture stores, and such cost pressures would have a knock-on effect on the price of food and furniture.

The Competition Commission made a recommendation to the Competition Tribunal to prohibit the acquisition of Joint Medical Holdings by Life Healthcare Group, a wholly owned subsidiary of Life Healthcare Group Holdings. This acquisition would see Life Healthcare Group gain sole control of Joint Medical Holdings. The proposed merger is likely to lead to the erosion of the countervailing power of large medical schemes, especially in terms of their ability to construct cost-effective Designated Service Provider Networks. Such networks enable medical funders to achieve discounts from hospitals, which translate into lower contribution rates by medical aid members. The proposed merger is also likely to substantially prevent or lessen competition in the Durban area and consequently, lead to increases in the cost of healthcare.

The Commission prohibited the acquisition by Griekwaland Wes Korporatief of the Liquid Fertiliser facility of Sasol Nitro located in Kimberly, an intermediate merger which came about as a result of the settlement agreement entered into between the Competition Commission and Sasol during 2010. According to the Commission, the merger would have possibly, and if so substantially, prevented or lessened competition because the proposed transaction would have resulted in Griekwaland Wes Korporatief having a near monopoly position within the liquid fertiliser market in the Northern Cape. This would have meant that in a post-merger context, Griekwaland Wes Korporatief would been in a position to increase the price of liquid fertilizer to the detriment of the buyers, which include regional farmers. In the year under review, this matter was still subject to a public hearing and decison by the Competition Tribunal.

The Commission referred 14 cartel cases to the Competition Tribunal for adjudication during the period under review. This included a collusion case against Arcelor Mittal South Africa Ltd and Highveld Steel and Vanadium Corporation Ltd. This case related to price fixing and market allocation conduct in respect to flat steel products. The Commission's investigation followed a complaint in early 2008, alleging that Mittal and Highveld adjusted their prices for steel products around the same time and with similar percentage increases. Evidence before the Commission indicated that the steel producers engaged in concerted practices or had understandings that Highveld would follow Mittal's lead on the pricing mechanism and changes in pricing, including discounts and transport tariffs. This conduct was maintained through information exchange on sales volumes, which allowed them to monitor and maintain market share and prices. Understanding was facilitated through meetings and information exchange through the Steel Industry Association, the South African Iron and Steel Institute.

During the past year, the Competition Commission received several adverse court decisions, negatively impacting on its ability to investigate and initiate cases. In order to clarify its powers, the Commission approached the Constitutional Court. In November 2011, the Constitutional Court heard the Commission's arguments for direct access to it, and to appeal a decision of the Competition Appeal Court, in the matters involving Yara South Africa, Omnia Fertiliser, Sasol Chemical Industries and Senwes. In February 2012, the Constitutional Court heard the Commission's arguments for direct access to the Court in resolving the matter involving Loungefoam.

The purpose of the Yara/Omnia/Sasol Chemical Industries appeal was to seek clarity from the Constitutional Court on the proper scope and ambit of the Commission's powers to investigate and refer third parties' complaints of anti-competitive behaviour. The purpose of the Senwes appeal was to seek clarity from the Constitutional Court on the

scope and ambit of the Tribunal's powers to determine complaints of anti-competitive conduct that are referred to it by the Commission and third parties. The purpose of the Loungefoam appeal was to seek clarity from the Constitutional Court on the proper scope and ambit of the Commission's powers to investigate and refer complaints of anti-competitive behaviour.

2 The Competition Tribunal

The past year saw a marked increase in the number of matters the Tribunal considered. The most notable was the 47.3% increase in large mergers, which rose from 55 to 81. This figure is reflective of the increase in merger activity post the 2008 economic downturn. The Tribunal also saw an increase in other matters it heard (procedural matters and prohibited practice cases) but these were more modest. The table below sets out the comparison between this financial year and the last.

Type of Case	2010/2011	2011/2012	% Change
Large Merger	55	81	47%
Intermediate mergers	1	5	400%
Procedural matters	30	37	23%
Complaint referrals	8	5	-37%
Consent orders	22	27	23%
Total	116	155	34%

The most notable increase, however, was in the number of matters heard overall. The Tribunal heard 155 matters over 146 hearing days. This represented an increase of 33.6% in the number of matters and a 36.4% increase in the number of hearing days over the previous financial year.

There was a decline in the Tribunal's turnaround figures, both with regard to getting orders out and writing decisions. This was attributed to the increase in the Tribunal's workload, as the table above illustrates. Additionally, this trend occurred because of a reduction in the number of active Tribunal members available to hear matters and write decisions. This is being addressed to strengthen the function of the Tribunal.

Crucial cases heard during the financial year included:

- Massmart/Walmart, a merger approved, which was subject to public interest, but later appealed to the Competition Appeal Court (CAC), which approved some conditions and varied others
- Pioneer/Pannar, a merger in the modified seeds industry, which was prohibited, but was the subject of an appeal to the CAC during the period under review
- Kansai/Freeworld, a merger in the paints industry, which the Tribunal approved, subject to certain conditions agreed between the Commission and merging parties
- Aon/Glenrand, a merger approved subject to conditions restricting the number of post-merger retrenchments

Several prohibited practice cases were heard during the period, but are still awaiting the Tribunal's decision, and as such further comment on these cases is not yet allowed. However, the Tribunal noted that some of the cases, for which decisions are expected soon, raised questions around the approach to quantification of penalties for alleged cartel activities and the alleged abuse of dominance.

Although adjudication is the Tribunal's core business, it has also engaged with other non-core activities.

The Tribunal liaised with competition authorities in other countries. It hosted a study tour of officials for the Fair Competition Tribunal of Tanzania. The tour is expected to set the stage for future cooperation between the respective Tribunals.

The Tribunal offered vacation internships to nine students during 2011/2012. While it was not in a position to offer permanent positions to these interns, it is looking at developing this programme further by retaining the same students in each vacation period until they graduate or, alternatively, offering them a 12-month learnership, while simultaneously exposing them to aspects of public sector work in a variety of areas.

In the year under review, much work was devoted to developing a case management system. The purpose of this system is to place all case records and financial information pertaining to the cases on to an integrated IT platform, which will enable the Tribunal to both retain records and call up information required. This system will provide management with the kind of information to improve knowledge of the Tribunal's performance beyond the present capacity of the information technology system. It will become fully operational in June 2012.

3 The International Trade Administration Commission of South Africa (ITAC)

ITAC comprises three core business units, namely Tariff Investigations, Trade Remedy Investigations, and Import and Export Control.

3.1.1 Tariff Investigations

The ITAC revised its timeframes from 12 to 6 and then to 4 months for ordinary tariff investigations, and for sectors in distress. The vast majority of the applications for tariff support were in response to relatively low-priced imports from emerging economies, especially given the continued fragility of the global economic environment and the persistence of pressures on manufacturing.

In a number of cases during the year, ITAC found that additional tariff support would enable industries to meet the challenges of foreign competition in light of the price disadvantages experienced, maintain employment levels, and fully utilize existing production capacities in order to realise a concomitant reduction in the marginal cost of production. The vast majority of these tariff increases were with respect to downstream industries that were supported to compete with low-priced imports, contributing to the sustainability of these industries.

Over the past year, ITAC recommended tariff increases, amongst others, for certain chemical products, including glycerol from free of duty to 10%; calcium propionate (a bread preservative) from free of duty to 15%; certain colour pigments from free of duty to 10%; sewing thread of man-made filaments from free to 15%; water supply meters from free to 10%; artificial turf from free to 10%, and stainless steel sinks from 20% to 30%.

In addition, it raised the effective tariffs on certain canned food products, including canned pineapples from 20% to 55% (through the withdrawal of a previously existing rebate provision); tomato paste from 15% to 37%, and certain non-woven fabrics from free to 10% (through the withdrawal of a previously existing rebate provision).

Apart from the industrial policy considerations in the case of the intermediate input materials manufactured by resource-based capital-intensive industries, for which no specific investigations were conducted in the last financial year, a reduction or removal of duties is considered, upon application and prudent investigation. This is especially true in cases where goods - whether consumption goods, intermediate or capital goods - are not manufactured domestically and are unlikely to be manufactured domestically in the foreseeable future. In these cases, tariffs have an unnecessary cost-raising effect for downstream users and consumers.

A number of tariff reductions were recommended over the past year and implemented on a diverse range of product tariff lines, including pistons, self-copy paper, stainless steel nuts, bags of low density polyethylene and lysine and similar animal feed supplements. The duties that were reduced ranged between 5% and 25%.

3.1.2 Trade Remedy Investigations

ITAC is responsible for conducting trade remedy investigations in accordance with policy and domestic law and regulations and are consistent with World Trade Organisation (WTO) rules. Applications to ITAC, in the main, are for anti-dumping action. Anti-dumping action is a critical trade instrument to protect jobs and industries against unfair competition from abroad.

ITAC initiated anti-dumping investigations of chicken meat originating or imported from Brazil; fruit originating or imported from Brazil; screw studding originating or imported from China; fully threaded screws originating or imported from China; unframed mirrors originating or imported from Indonesia, and clear float glass originating or imported from Indonesia.

Salient among its recent anti-dumping determinations was the Commission's decision regarding the dumping of chicken meat imported from Brazil. At the conclusion of the preliminary phase of the investigation, and to prevent further injury to the domestic industry while the investigation continued, the Commission, on the strength of its preliminary findings, decided to request the South African Revenue Services to impose provisional payments, equal to the dumping margin, on the importation of chicken meat from Brazil.

In two sunset reviews, the Commission recommended that the anti-dumping duty on chicken meat imported from the USA, and on bolts and nuts originating and imported from China, be increased.

The Commission recommended that the anti-dumping duties on biaxially orientated polymers of propylene imported from Brazil, and on lysine imported from the USA, be terminated. The Commission revised its timeframes for the completion of trade remedy investigations from 12 months to 9 months.

3.1.3 Import and Export Control

Import and export control measures (non-tariff barriers) are applied to enforce health, environmental, safety, and technical standards in terms of domestic law and international agreements. In addition, the exportation of, among others, indigenous wood species, precious stones and ferrous and non-ferrous scrap is controlled to facilitate domestic beneficiation. The importation of all used or second-hand goods is also controlled.

During the reporting period, import control measures on asbestos were introduced.

Over the past year, 16 224 import permits and 6 839 export permits were issued. Of these, 3 437 were issued to import machinery and mechanical appliances. A total of 2 906 import permits were issued for the importation of vehicles and parts of vehicles; 1 509 permits were issued to import fish, crustaceans, molluscs and other aquatic invertebrates; 1 420 permits were issued to import rubber

and articles thereof, including tyres; 899 permits were issued to import arms and ammunition; 665 permits were issued to import electrical machinery and equipment; 1 020 permits were issued to import metals; 1 012 permits were issued to import mineral fuels, mineral oils, and products of their distillation; and 640 permits to import inorganic and organic chemicals.

A total of 2 536 were issued for the export of ferrous and non-ferrous waste and scrap; a total of 1 687 export permits were issued for the export of organic and inorganic chemicals; 2 086 for the export of used motor vehicles and 392 were issued to export mineral fuels, mineral oils and products of their distillation.

Turnaround times for the issuing of import and export control permits were reduced to three days.

The enforcement component of the Import and Export Control Unit conducts enforcement activities in terms of Section 41 of the International Trade Administration Act. Enforcement is crucial in detecting contraventions of the Act, the import and export control regulations and the terms and conditions reflected in import and rebate permits.

Enforcement activities are made up of scheduled inspections, unscheduled or surprise inspections and investigations. During the past financial year, 767 scheduled inspections and 508 unscheduled or surprise inspections were conducted and 30 investigations were carried out. The industrial sectors inspected were that of clothing, ferrous and non-ferrous waste and scrap metals, automobile, pneumatic tyres, and machinery and equipment.

Illegally imported goods or goods destined for illegal exportation are subject to seizure in terms of the provisions of the Act. During the financial year investigators seized illegally imported goods in seven instances. The clothing and the automotive sectors were affected by these seizures.

The Enforcement Unit also successfully participated in enforcement operations with other agencies such as the South African Revenue Services and the South African Police Services.

3.1.4 New Areas of Work

In the year under review, the Commission began analysis of the tariff regime for green goods with a view to identifying opportunities and challenges. Accurate statistical data is essential. Green goods should be clearly identifiable in the Tariff Book for trade monitoring purposes and possible tariff support or relief. The green industry includes bio-fuels as well as renewable energy plants and systems, such as those based on wind power, solar power, biogas, biomass, and hydropower.

Although dedicated tariff lines exist for a number of green goods, such as solar water heaters, hydroelectric plant and lithium batteries, the Commission requested the South

African Revenue Service to create additional tariff sub-headings for a number of green goods for which dedicated tariff lines did not exist, such as wind turbine blades, generators for wind turbines, thermocouples, fuel cells, photovoltaic cells, light emitting diodes, and electric vehicles. These new tariff lines have since been introduced into the Tariff Book.

As yet, no new tariff investigations have been launched as far as green goods are concerned. A number of green goods such as water heaters, lithium batteries, wind turbine blades, and electric vehicles already enjoy tariff support. In their infancy stage, other green goods industries may require developmental tariffs. In other cases, some of these products or intermediate inputs may not be available domestically and therefore tariffs may be an unnecessary cost-burden.

4 Industrial Development Corporation (IDC)

4.1 Broad trends

The IDC is the country's largest industrial funding agency. In the year under review, it increased its investment target to R102 billion over five years, a substantial increase over past rates of investment. It introduced a new low-cost lending facility for jobs-rich projects, at prime less 3%. It refocused investment on the jobs drivers laid out in the NGP.

Over the 12 months under review, IDC approvals grew strongly, from R8,7 billion to R13,5 billion, an increase of 55%. At this rate of growth, the IDC is confident it will reach its new investment and lending targets.

The IDC has become faster at processing applications - turnaround times of approvals improved from an average of 82 days to 50 days. Developmental targets are monitored, starting with jobs impact, every quarter.

The IDC issued a Jobs Bond to the value of R4 billion, taken up by the Unemployment Insurance Fund (UIF). It issued R2 billion in 2010 and, based on its exceptional success, a further R2 billion in the past year to promote lending with a strong jobs impact.

The jobs impact of the IDC work is encouraging, with net approvals in the year under review expected to create 30 127 new jobs and save a further 11 000 existing jobs.

4.2 Significant IDC Investments

IDC support for Ford encouraged the company to invest R3.4 billion locally and to select South Africa as one of only three global production hubs for the Ford Ranger. The Ford Ranger is for export to 148 countries, supporting jobs in Ford and its supplier companies.

The IDC financed a project to use discarded plastic bottles as feedstock to produce polyester fibres for domestic use and exports, creating 110 jobs in the Propet factory in Milnerton. With additional funding, 90 new jobs were expected to be created by July, with an estimated 5000 jobs in the informal sector for people who collect and recycle the plastic bottles.

The IDC provided support to Bell Equipment during the 2009/10 economic downturn, which sustained the company during a difficult period. The factory in Richards Bay witnessed the company expand production of earth-moving equipment and as a result it re-hired 1 000 workers over a period of 18 months, bringing its employment to 3 500 persons.

The Agro-Processing Fund approved nine projects for a total of R66 million including a small pasta manufacturer, two dairies and a producer of dried fruits and nuts.

4.3 Examples of the Impact of the IDC's Work

4.3.1 Chicken

In 2011, customs data revealed that South Africa imported 330 000 tonnes of chicken a year. This is 400% more than South Africa imported a decade ago.

In the Free State, the IDC is partnering with the Vrystaat Kooperasie Beperk (VKB) to finance development of the fifth largest chicken broiler in the country. R80 million of loan finance under the Unemployment Insurance Fund (UIF) scheme and BBBEE finance will ensure that this 2 200 member co-op will boost the Free State agri-business sector - creating 1328 jobs in the first phase and progressively replacing 40% of national poultry imports.

With the support of provisional anti-dumping protections through ITAC, announced on 13 February 2012, the IDC is looking to repatriate many of the 7800 local jobs effectively exported to the Brazil, Argentina and the European Union poultry industries.

4.3.2 Soya

In Bronkhorstspruit, Gauteng, the IDC is ensuring rural economic development and job creation through a focus on import replacement and enhancing the agricultural-value chain. The IDC-funded RussellStone soya crushing plant will be the first commercial scale facility of its kind in the country. It will replace 240 000 tonnes of imported soya cake per year - creating 48 permanent jobs and potential for a further 1 040 agricultural jobs.

This is an example of how strong partnerships have a positive impact on rural development, job creation, sector development, and import replacement.

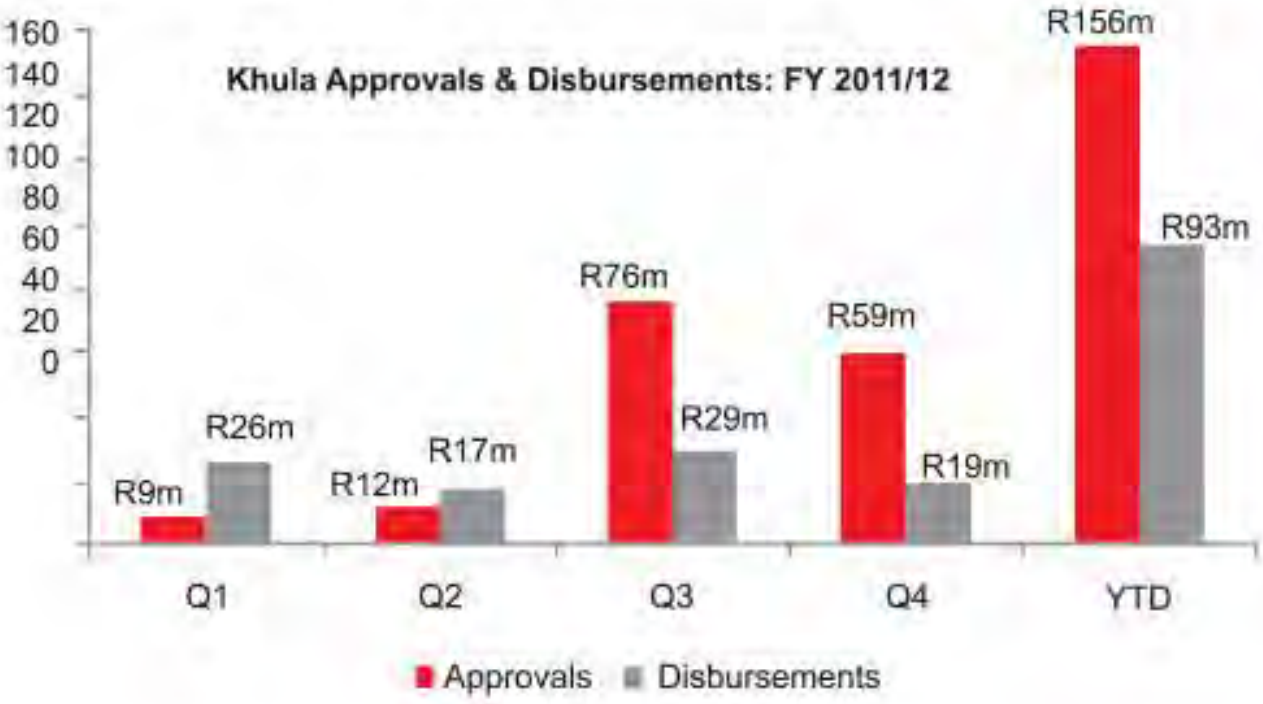
5 Khula and samaf

The small enterprise lending facilities of the IDC were merged with Khula and samaf post the review period to form the Small Enterprise Finance Agency (sefa). However, for the year under review Khula and samaf were independent agencies.

5.1 Khula

Khula Enterprise Finance was traditionally a state-owned wholesale financial institution with a vision of becoming the partner of choice in the field of small and medium enterprise (SME) development. Khula provided suitably structured financing to small and medium enterprises through business loans, equity, and credit indemnities via a network of partners. The organisation also provided vital business support to these SMEs before and after the financing stage of their development. Khula's ultimate goal was to grow the South African economy, create sustainable jobs, and address unemployment. Khula's channels included the big four commercial banks, retail financial institutions, specialist funds and joint ventures. In the past financial year, Khula also started piloting direct lending to smaller enterprise.

All of these activities will be continued by sefa.



Although the effect of the recession was still felt during the year and the work towards the merger took up substantial time and resources, Khula exceeded its approvals target of R155 million on approvals by R693 000. However, the disbursement target was not met, mainly due to delays in the disbursements of two large Land Reform Empowerment Facility approvals, expected to be drawn down in the new year. The table below shows the number of SMEs financed by Khula in each quarter of the year under review per product.

Number of SMEs financed by Khula in 2011/12

Product	Q1	Q2	Q3	Q4	Year to Fourth Quarter
Funds; JVs & RFIs	325	237	464	215	1241
Credit Indemnities	14	10	7	1	32
Khula Direct	3	12	29	25	69
Total	342	259	500	241	1342

A total of 1 342 SMEs were finance, exceeding the target for the year.

The most important highlights of the year were the successful piloting of Khula Direct in two regions (with a third added shortly after the year end) and the outstanding progress that was made towards the merger of Khula, samaf and the IDC's small business activities, and substantial approvals under the Land Reform Empowerment Facility (LREF).

The Khula Direct project was launched in May 2011 and will be taken forward by sefa.

The first two pilot offices for Khula Direct were in Pretoria and East London. Following the launch of the two pilot projects, the Board approved the launch of a third pilot office in Cape Town in March 2012. With the official launch of sefa by Minster Patel during the year under review, management prepared for the national launch of direct lending once the merger processes were bedded down.

The table below shows an overview of Khula Director's performance in the year under review. The annual target for both approvals and disbursements was R35 million, which was not met due to a delay in the commencement of the pilot.

Khula Direct Approvals & Disbursements: 2011/12		
	R'000	R'000
	Approvals	Disbursements
Q1	414 754	414 754
Q2	4 212 620	3 810 835
Q3	8 234 955	7 793 368
Q4	6 885 641	6 396 490
Year to fourth quarter	19 747 970	18 415 447

A total of 60 businesses were assisted with funding. These results are very heartening given the limited marketing that was done, the shortened period and the excellent collection rates that were experienced.

During the year under review, Khula approved R63,5 million to land reform beneficiaries for planting vineyards and citrus orchards in the Western Cape. The two funded projects will create employment and ownership opportunities to about 565 workers.

At the time of publication, the cost to income ratio was standing at 0.98:1, marginally above the target of 0.95:1. This was mainly due to lower than anticipated income as savings were achieved on expenses. Loan interest was below budget due to the lower disbursements.

Indemnity fees were less than expected due to the continued poor take-up of the Credit Indemnity Scheme by the banks. Furthermore, bad debt provisions against facilities provided to intermediaries impacted negatively on the financial performance. With regard to human resource matters, the organization performed reasonably well, with a lower than budgeted staff turnover ratio and a substantial number of staff members who received training.

5.2 Samaf

Samaf was established to create work opportunities and sustainable livelihoods through the facilitation and provision of affordable access to finance by micro and survivalist businesses for the purpose of growing their income and asset base. In practice, this meant reaching people who were traditionally excluded from the economic mainstream of the country, such as women and poor rural communities.

Broadly, the objective of samaf is to create platforms where poor households can have access to a range of appropriate financial services, including credit and savings facilities. Samaf utilises Financial Intermediaries (FIs) as a vehicle to provide this access. Progress had been made in the past financial year in improving service delivery to meet the foregoing objectives.

Samaf Highlights

- There was a substantial increase in the disbursements of loans and grants of R58m compared to R41m in the previous financial year
- The actual expenditure of the organisation was R2m less than the previous year. The cost of every rand disbursed was R0.71 compared to R1.12 in the 2010/11 financial year
- Loans and capacity building grants support was provided to 15 micro finance institutions and 28 financial co-operatives
- The repayment rate by FIs to samaf was 95%, compared to the previous highest figure of 90% in the 2010/11 financial year. The portfolio at risk > 30 days was at 2%, an indication of effective credit control
- There was a huge increase in the total number of end user borrowers to 62 459 compared to 40 726 in the previous financial year

  Ninety one percent (91%) of the end use borrowers were women and twenty one percent (21%) were youth beneficiaries
- Sixty eight percent (68%) of loans by financial intermediaries to end user borrowers were in rural communities of which ninety three percent (93%) were micro enterprise loans. Thirty two percent (32%) of the end user beneficiaries were in semi - urban communities
- There was also an increase in the total of end user savers to 35 693 compared to 31 129 in the previous financial year
- During the year, samaf facilitated the development of a Cooperative Financial Institutions training manual and also provided 12 microfinance institutions and 36 financial cooperatives with skills training and other related training programmes
- Out of the 54 targeted outreach programs to new communities, samaf managed to reach out to 153 new communities. This was through invitations by communities, stakeholders and strategic partners

SECTION 3 - ANNUAL FINANCIAL STATEMENTS

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REPORT OF THE AUDIT COMMITTEE

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

We are pleased to present our report for the above - mentioned financial year.

1. Audit Committee Members and Attendance:

The audit committee consists of five independent members listed hereunder. During the year under review the Committee met four times and appropriate feedback was also provided to the Executive Authority on matters that were within the mandate of the Audit Committee. All the members listed below were appointed on 28 February 2011 for a three year period.

Name	Qualification	Position	Number of meetings attended
SA Simelane	BCom, BCom (Hons), CGAP	Chairperson and independent member	4 out of 4
DP van der Nest	BCom (Hons), MCom, Doctor Technologiae	Independent member	4 out of 4
R van Wyk	CA (SA), MBA	Independent member	4 out of 4
M Dukandar	CA (SA),CIA, CCSA	Independent member	4 out of 4
M Vuso	BCompt(Hons) CA (SA)	Independent member	1 out of 4

2. Audit Committee Responsibility

The Audit Committee reports that it has adopted appropriate formal terms of reference in its Audit Committee Charter and has attempted to discharge its responsibilities as contained therein, in line with the requirements of section 38(1)(a) of the PFMA and Treasury Regulation 3.1.

3. The Effectiveness of Internal Control

The PFMA 38(1)(a)(i) states that the accounting authority must ensure that the department has maintained an effective, efficient and transparent system of financial, risk management, and internal control. The system of internal control within the department and the control environment were reasonably effective as could be seen from the various reports of internal audits and Auditor-General South Africa (AGSA). The Committee has noted the few areas as noted in the management letter of the Auditor-General South Africa that requires certain improvements.

Further on, the Audit Committee notes the progress made by management in addressing prior year audit findings raised both by the internal audit and the Auditor-General South Africa as these issues had an impact on the reliability of the system of internal control within the department.

4. Internal Audit

Internal audit provides a supportive role to management and the Audit Committee to achieve their objectives. Internal audit is responsible for independent and objective evaluation of the department's system of internal control and to bring any significant risk exposure to the attention of management and the Committee through the provision of comprehensive internal audit reports.

REPORT OF THE AUDIT COMMITTEE

continued

The role of the Audit Committee is to ensure that the Internal Audit function remains independent, has the necessary resources, standing and authority within the department to enable it to effectively and efficiently discharge its duties. Furthermore, the Audit Committee overseas cooperation between the Internal audit function and external auditors and serves as a link between the Executive Authority, Accounting Officer and these functions.

During the year under review internal audit did not have adequate capacity which has resulted in the audit plan for the year not being adequately covered hence certain internal audit functions were co-sourced in the latter part of the year.

5. Risk management

A risk assessment for the year under review was conducted and strategic risk areas prioritized for examination by internal audit. An annual audit coverage plan based on the risk assessment has also been complied. A risk management policy and plan have been developed and approved; however no risk monitoring activities were conducted as no risk management function has been established in the department. Also, no one in the Department was assigned the responsibility of risk management to ensure that the internal control systems, the monitoring and management of those risks were effective.

6. Evaluation of Financial Statements

The audit committee, at its meeting held on 23 May 2012, resolved to recommend the approval of the annual financial statements to the accounting officer. The audit committee wishes to indicate that it performed a review on the annual financial statements focussing on:

i. Significant financial reporting judgments and estimates contained in the annual financial statements
ii. Clarity and completeness of disclosure and whether the disclosure made had been set properly in context
iii. Compliance with accounting of, and any changes in accounting policies and practices
v. Significant judgments and/or unadjusted differences resulting from the audit
vi. Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted
vii. Reasons for major year-on-year fluctuations

The Audit Committee has also reviewed and discussed the audited financial statements to be included in the annual report with the Auditor-General South Africa (AGSA) and the Accounting Officer; reviewed the AGSA's management report and management's response thereto; reviewed the Department's compliance with legal and regulatory provisions; reviewed information on pre-determined objectives to be included in the annual report.

7. The quality of management and monthly/quarterly reports submitted in terms of the PFMA

The audit committee reports that, during the year under review, they were presented with regular monthly or quarterly management reports to enable them to:

i. Monitor the integrity, accuracy and reliability of the financial position of the department;
ii. Review the disclosure in the financial reports of the department and the context in which statements on the financial health of the department are made; and
iii. Review all material information presented together with the management accounts.

REPORT OF THE AUDIT COMMITTEE
continued

The reports were discussed with Department officials. Sufficient progress is being made in the development and quality of these reports.

8. Conclusion

The Audit Committee wishes to thank the acting Director-General, and the relevant staff of the EDD for their continued commitment to the good governance of the Department. We also congratulate the department for an unqualified audit report for the year under review.

The audit committee concurs with and accepts the conclusions and the unqualified audit opinion of the AGSA on the annual financial statements and is of the view that the audited financial statements be accepted and read together with the report of the AGSA. Our appreciation is also extended to the Chief Financial Officer and the finance team for their efforts regarding the financial statements for the year and to the team of the Auditor-General for the value they continue to add to the Department.

SA SIMELANE
CHAIRPERSON OF THE AUDIT COMMITTEE
Date: 26 July 2012

REPORT OF THE ACCOUNTING OFFICER
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

1 General Review of the State of Financial Affairs

1.1 Strategic overview

The New Growth Path(NGP) sets a key goal of five million new jobs by 2020. Over the past year, the government took a number of focused actions to implement this vision and in 2011 the economy created, on average close to 1 000 jobs a day, or 365 000 new jobs over twelve months.

Despite this, the economy remains vulnerable to global economic performance and efforts to provide some insulation from the global economic uncertainty in terms of increasing domestic and regional demand as well as infrastructure led growth are underway.

The EDD played an important role in the past year through:

- helping to advance the implementation of key jobs drivers identified in the New Growth Path (NGP) such as infrastructure development
- securing a significant increase in the level of available industrial funding by the IDC to R102 billion over five years
- supporting the conclusion of four key social accords (on skills development, basic education, local procurement and the green economy) by trade unions, organised business, community organisations and government
- bringing greater coherence to small business financing (combining the efforts of Khula, samaf and the IDC small business loan-book)
- promoting a greater focus on employment and domestic industrial capacity by competition authorities

1.2 Overview of key policy developments

The departmental mandate, vision, mission and values remain closely aligned with the Constitution, Outcome 4 of the Government Programme and the key imperatives to create decent work and actively promote social dialogue and partnership to ensure sustainable equity and development.

The NGP and Outcome 4 (Decent Employment through Inclusive Growth) remains the key policy environment markers for the work of the department. The infrastructure driver of the NGP in addition to the detailed work of the National Planning Commission, the inputs of all three spheres of government, and the needs of the private sector and communities led to the announcement of a long-term infrastructure plan in the fourth quarter. This plan represents a bold, strategic and integrated platform to mobilise the state, private investors and the South African public behind a clearly articulated storyline of South Africa's opportunities.

The Department played a key role in the preparation for decisions that led to the announcement of the plan and the establishment of the Presidential Infrastructure Coordinating Commission (PICC) in the year under review.

In this context, the Department is increasingly making a shift from pure policy work to coordination across government.

REPORT OF THE ACCOUNTING OFFICER
Continued

1.3 Operational overview

1.3.1 The New Growth Path

In the past year, the Department broadened the knowledge base, and social partner buy-in of the NGP. This included the conclusion of four social accords containing commitments to promote local procurement, skills development, the green economy and basic education, by organised business, trade unions, community organisations and government.

Industrial finance is identified as the critical engine for industrialisation and jobs in the NGP. The Department has worked closely with the management of the IDC. The result is that significant progress has been made in the IDC's re-orientation to improve its impact. Last year, the IDC increased its investment target to R102 billion over five years.

The NGP earmarks a prominent role for competition policy and over the past year, the Competition Commission dealt with 472 cases. The Competition Tribunal granted consent orders worth R345 million and heard 63 merger cases. Competition is vital but our legislative framework does not subscribe to a trickle-down approach that assumes competition by itself will ensure the desired developmental impact.

The NGP identifies the need to support entrepreneurship with a more rational and integrated institutional framework for small business public funding and in this regard, the Department's work of the past year led to the launch of the Small Enterprises Financing Agency (sefa) in April 2012. Sefa will have R2 billion available over the next three years for lending, through fiscal transfers, reserves and a R921 million shareholder loan from the IDC.

A key sector of the NGP, the green economy, is shaping the next wave of industrialisation and following the release of the Green Jobs Report, an Accord on the Green Economy was concluded in November 2011. This signals a partnership between social partners to seize this opportunity for South Africa. In addition, about 262 000 solar water heaters have been installed in South Africa, a solid step towards the 1 million target. This has been a partnership between a number of departments and public entities.

1.3.2 Presidential Infrastructure Coordinating Commission

Infrastructure development is one of the jobs drivers in the NGP and the Department supported the day -to-day work of the PICC. During the past year, this support included planning, costing and evaluation services, and working with a technical team drawn from across the state.

An audit of scarce skills in key public institutions has been completed and it is clear that the challenges are particularly in engineering, project management, financing, procurement and technical skills such as artisans, technologists and technicians. The responses to these include:

- A shared pool for utilising scarce skills across and between public entities
- Rapidly increasing apprenticeships and practical training in government, as is being witnessed at Eskom and Transnet, and in the private sector, using the National Skills Accord
- A Skills Plan setting out the human resource requirements for each infrastructure project
- Attracting back South Africans with high-level engineering and project management skills, working on projects across the world

REPORT OF THE ACCOUNTING OFFICER
Continued

- Easing immigration rules in infrastructure-linked scarce-skills categories; and
- Developing partnerships with universities and other institutions in the built environment schools to produce the short- and long-term skills needs of the infrastructure programme.

1.3.3 The Department

The period under review is the second financial year in which the Department functioned independently. The organisational and governance frameworks have been established and continue to grow in maturity. The development and adoption of departmental operational policies during the period under review assisted in maturing the operational environment. Challenges remain both in terms of appropriate personnel capacity, sufficient office accommodation and the alignment of the personnel with the evolving strategic direction and mandate of the Department.

1.4 Overview of Revenue and Expenditure

1.4.1 Collection of Departmental Revenue

The departmental revenue collection for the financial year 2011/12 was R 592.9 million or 243% of the estimated revenue of R 243.8 million for the year. Revenue is generated from fines and penalties imposed by the Competition Commission and confirmed by the Competition Tribunal. These fines and penalties are imposed in terms of the Competition Act. In addition the department generates revenue in dividends received from the Industrial Development Corporation of South Africa as a shareholder. Over the medium term, total revenue is expected to increase from R 500 million to R 700 million, at an annual rate of 12.3 per cent.

The table below provides a breakdown of the sources of revenue:

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Target	2011/12 Actual	% deviation from target
	R'000	R'000	R'000	R'000	R'000	
Tax revenue						
Non-tax revenue						
Penalties , Fines and	244,395	456,000	547,234	243,800	588,564	241%
Dividends						
Sales of capital assets						
Financial transactions					4,340	
TOTAL DEPARTMENTAL RECEIPTS	**244,395**	**456,000**	**547,234**	**243,800**	**592,904**	**243%**

1.4.2 Overview of Expenditure Trends

The allocated budget for the department for the 2011/12 financial year was R 598.4 million and expenditure in this period amounted to R 577.6 million. This amounts to 96.5% of the voted budget for the year under review.

REPORT OF THE ACCOUNTING OFFICER
Continued

The major cost driver of the department is Programme 3 (Economic Planning Coordination) which includes the regular transfers to departmental agencies and entities. Programme 3 expended 100% of its adjusted budget. Programme 1 (Administration) expended 90% of the adjusted budget for this Programme.

Under-expenditure occurred primarily in Programme 2 (Economic Policy Development) and Programme 4 (Economic Development and Dialogue). The total underspending for the department amounts to R 20.8 million or 3.5% of the voted budget for the 2011/12 financial year. Requests for rollovers to the 2012/13 financial year amount to R 1.955 million. Approval for these requests are awaited from the National Treasury. Roll-overs were requested for the following:

Program	Amount R' 000
Commitments outstanding (Capital and Goods & Services)	1,955
Total	1,955

1.4.3 Virements

A total amount of R 21 million was re-directed among divisions of the Vote and spending item classifications by means of virement requests were approved by the National Treasury. These requests were made to address various changes in operational requirements during the year under review. The most important operational requirements for which redirected funds were utilised are outlined below.

Virement between programmes

VIREMENTS FROM THE FOLLOWING PROGRAMME	VIREMENTS TO THE FOLLOWING PROGRAMME	Amount Available for Virement R' 000	REASONS
Economic Planning and Coordination	Transfer Payment: Wits University: Economic Development Capacity Building Course	3,510	Funds moved for Economic Developmental Capacity Building Course
Economic Planning and Business Coordination	Transfer Payment: South African Institute of Chartered Accountants Business Hub and Training Programme	6,023	Funds moved for establishment of Hub and Training Programme

REPORT OF THE ACCOUNTING OFFICER
Continued

Economic Development and Dialogue cooperative Economic Planning and Coordination Economic Policy Development	Transfer Payment: Proudly South African	8,000	Funds moved for cooperative agreement on work relating to local procurement accord
Economic Planning and Coordination	Transfer Payment: KHULA Enterprise Finance Limited	3,509	Funds moved for the new small business entity, SEFA, merger costs
		21,042	

1.4.4 Expenditure Trends per Programme

Programme 1: Administration
Purpose: To coordinate and render effective, and efficient and strategic support and administrative services to the Minister, Deputy Minister, Director General, the department and its agencies.

Expenditure: From the departmental adjusted budget of R 57.6 million, total expenditure for Administration for the year 2011/12 was R 50.8 million or 88% of the programme budget.

Programme 2: Economic Policy Development
Purpose: To strengthen the economic development policy capacity of government; review, develop and propose the alignment of economic policies; and develop policies aimed at broadening participation in the economy and creating decent work opportunities.

Expenditure: Expenditure for Programme 2 amounted to R 12.5 million or 77% of its adjusted programme budget of R16.2 million. As the department is newly established, with an evolving mandate, the spending patterns were slow largely due to the pace at which posts were filled. Posts were not filled solely for the sake of filling posts, where applicants did not demonstrate the required capabilities.

Programme 3: Economic Planning and Coordination
Purpose: To promote economic planning and coordination through developing economic planning proposals; provide oversight and policy coordination of identified development finance institutions and economic regulatory bodies; and contribute to the development of the green economy.

Expenditure: Actual expenditure for Programme 3 and its sub-programmes amounted to R501 million or 99.5% of its adjusted programme budget of R 503.3 million for the 2011/12 financial year. Spending in this programme is driven mainly by transfer payments to the entities and agencies.

Programme 4: Economic Development and Dialogue

Purpose: To promote social dialogue; implement strategic frameworks; build capacity among social partners; and promote productivity, entrepreneurship and innovation in the workplace.

Expenditure: Spending for Programme 4 for the year 2011/12 is R 13.3 million or 62% of its adjusted programme budget of R 21.3 million. Similar to the expenditure pattern in Programme 2 the spending pattern in Programme 4 was slower than expected due to its evolving mandate and the concomitant slow pace of finding the appropriate candidates to fill vacant posts.

1.5 Other material matters

1.5.1 Unauthorised Expenditure

No unauthorised and/or irregular expenditures were incurred during the 2011/12 financial year.

1.5.2 Transfer of Ernani Loan to the IDC (Merger)

In terms of the process to merge Khula, samaf and the IDC small business loan book, the Minister of Finance granted approval in terms of Section 51(1)(g) of the PFMA for the establishment of a wholly owned subsidiary company under the control of the IDC. The operations of Khula, samaf and the IDC Small Business activities will be merged with effect from 1 April 2012, into the new wholly owned subsidiary company (the Small Enterprise Finance Agency or sefa) controlled by the IDC.

As required by Section 42 of the PFMA the Accounting Officer of the EDD identified assets to be transferred as a result of the merger and the establishment of sefa. A document signed by both the EDD Accounting Officer and the Accounting Authority of the IDC transferred a loan that the EDD had on its books (a shareholder loan) to Ernani Investments (Pty) Ltd to the value of R 311.3 million for the capitalisation of Khula.

Ernani Investments (Pty) Ltd was established in 1982 as a special purpose vehicle for government to acquire shares directly in the Small Business Development Corporation (SBDC). The South African Government advanced shareholder loans to Ernani to acquire the relevant shares. In 1996,the government disinvested from the SBDC and the proceeds were utilised to capitalise Khula via Ernani. Until 31 March 2010, **the dti** held the shareholder loans to Ernani on its books.

During the transfer of Khula from **the dti** to the EDD in the 2010/11 financial year, **the dti** transferred all Khula assets and liabilities as per section 42 of the PFMA to the EDD. This included the interest free shareholder loan to Ernani to the value of R 311.3 million already mentioned. The EDD transferred the Ernani loan to the IDC following to the approval of the Minister of Finance.

1.5.3 Business Advisory and Consultant Services

The EDD recorded a significant increase in expenditure for Business Advisory and Consultant Services during the 2011/12 financial year. This is due to expenditure for legal and other services in the department's participation and interventions in the Walmart/Massmart matter as well as for the services of the Technical Assistance Unit (TAU) of the

REPORT OF THE ACCOUNTING OFFICER
Continued

National Treasury in support of the process to merge the activities and operations of Khula, samaf and the IDC small business activities.

2 Services rendered by the Department

The department fulfills an implementation coordination function across government and no services were rendered directly to the public during the period under review.

3 Capacity constraints

The originally approved organisational structure of EDD consisted of 265 posts, of which 129 posts were funded during the period under review. By 31 March 2012, 115 staff members had been employed, or contracted to be employed. During the period under review, staff numbers in the department increased by 26%.

The Department continued to make use of short-term and or temporary contracts in addition to employing permanent staff so as to ensure capacity constraints are addressed. In addition, the Minister and the DG explored innovative ways through which to ensure that the department has access to the appropriate capacity without engaging in the expensive exercise of employing consultants.

Specifically, with regard to the work of the PICC and the development of the National Infrastructure Plan, scarce resources were brought into the department through secondments from amongst others, Transnet, the Port Authority, Eskom and the IDC. These arrangements and secondments came at no cost to the department and realised savings whilst still meeting the objectives of the Department.

The Department has made inroads in building capacity. However, capacity constraints still impacted on some areas of the department's work and in providing technical support to the Executive Authority for executing evolving mandates.

The positions of Deputy Directors-General of Economic Planning and Coordination and Economic Development and Dialogue were advertised but no suitable candidates were found. Chief Directors of Economic Planning, Economic Regulatory Bodies and National Social Dialogue and two Economic Planners were employed and in addition, various senior managers were appointed and deployed to branches and special evolving projects.

The Department has adopted a revised transitional organisational structure, to better reflect delivery and implementation capacity requirements. This will assist in the realisation of a full staff capacity. The transitional organisational structure will be finalised during the 2012/2013 financial year.

4 Utilisation of donor funds

In December 2010, the department completed an application to the Employment Creation Fund (ECF) for economic development financing support for the PhytoEnergy project. An amount of R39 million was awarded to carry out a package of studies needed to complete the project's development phase and advance the project to a "bankable" status. The studies included a basic engineering study and environmental impact assessment (EIA).

REPORT OF THE ACCOUNTING OFFICER
Continued

A memorandum of understanding concluded and signed between the EDD, the ECF and PhytoEnergy committed the EDD to provide the funding in 4 tranches of R16 million, R6 million, R6 million and R11 million respectively. Of the initial award of R39 million, R28 million was received from the ECF and disbursed to PhytoEnergy during the financial year under review. The remaining R11 million will be received and disbursed in the 2012/13 financial year.

The EDD has established a Project Steering committee to provide oversight over project progress and implementation. This committee is constituted of officials from the Eastern Cape Provincial Government, **the dti**, the the ECF, KPMG, PhytoEnergy and the EDD.

KPMG has been retained by PhytoEnergy to facilitate the project management of the Basic Engineering and Environmental Impact Assessment, as well as other related preparatory work requirements. To date the planning and design preparatory work is nearing completion and PhytoEnergy will soon be appointing a general contractor to complete the Front End Engineering Design (FEED) for the biofuels refinery.

The EIA application is underway and the CSIR has been retained to facilitate this process. A detailed preliminary Environmental Study has already been completed by the CSIR.

PhytoEnergy has also packaged an emerging canola farmer programme that will facilitate the development of emerging canola farmers in the Eastern Cape to provide feedstock to the refinery. This emerging farmer mentorship programme, where commercial farmers partner with and impart canola farming skills to emerging farmers, has entered the pilot phase. The pilot phase was launched in April 2012 in Nywara village in the Eastern Cape where 50 hectares of canola were recently planted.

5. Trading Entities and Public Entities

The Minister of Economic Development has executive oversight over the following entities:

Name	Legislation	Nature of Business
Competition Commission	Competition Act, 1998 (Act 89 of 1998)	Implements competition policy
Competition Tribunal	Competition Act, 1998 (Act 89 of 1998)	Adjudicates competition matters
International Trade Administration Commission (ITAC)	International Trade Administration Act, 2002 (Act 71 of 2002)	Administers international trade
Industrial Development Corporation (IDC)	Industrial Development Corporation Act, 1940 (Act 22 of 1940)	Development finance institution

REPORT OF THE ACCOUNTING OFFICER
Continued

Khula Enterprise Finance Limited (Khula) *	National Small Business Act, 1996 (Act 102 of 1996)	Development finance institution
South African Micro-finance Apex Fund (Samaf) *	A trading entity of EDD	Development finance institution

* These entities will be merged into the Small Enterprise Finance Agency (sefa) under the IDC.

6 Organisations to which transfer payments have been made

The Department provides policy oversight for three development finance institutions: the IDC, Khula Enterprise Finance and the South African Micro-finance Apex Fund (samaf) which merged under the new sefa on 1 April 2012.

The Department also promotes competitiveness and decent work through its oversight of three economic regulatory bodies: the Competition Commission, the Competition Tribunal and the International Trade Administration Commission of SA.

In the year under review all six entities received transfer payments from the Department's budget as follows:

6.1 Entities that received transfers from the EDD budget

Khula Enterprise Limited:	R 128 900 000
South African Micro-finance Apex Fund:	R 90 500 000
International Trade and Administration Commission of SA:	R 69 604 000
Competition Commission:	R 126 600 000
Competition Tribunal:	R 15 200 000
Industrial Development Corporation:	R 34 000 000

6.2 Adjustment budget

An additional R3.3 million was rolled over from 2010/11 to the 2011/12 financial year for Legal Services in the WalMart/Massmart matter and for the Wits University Economic Development Capacity Building Course. The adjustment appropriation process also provided an additional R519 000 for remuneration adjustments.

6.3 Post-Adjustment budget

From the post-adjustment budget, the following transfers were made to institutions with whom the Department entered into memoranda of agreement for the implementation of specific projects:

- R3.510 million transferred to the University of Witwatersrand for a Capacity Building Course in the sphere of local government
- R3.509 million transferred to Khula Enterprise Limited for costs incurred during the new entity merger process
- R8 million transferred to Proudly South African to fund the cooperation agreement in terms of work relating to the implementation of the Local Procurement Accord
- R6.023 million transferred to the South African Institute of Chartered Accountants for the establishment of a business hub and training programme

7. Public Private Partnerships (PPP)

The Department participates in the PPP agreement between **the dti**, Rainprop and the EDC for accommodation on **the dt**i campus. The EDD participates through **the dti** in terms of the payment of monthly office rental, including for office furniture acquisition, security services, maintenance services, cleaning services, and food aid services.

It is envisaged that the Department's participation in the PPP agreement will continue to increase as more office space becomes available for the Department on **the dti** campus.

8 Corporate Governance Arrangements

8.1 Compliance with Sections 38 and 40 of the PFMA

The Department met the requirements for annual reporting in the 2010/11 financial year and the Executive Authority tabled the 2010/11 Annual Report in Parliament on 30 September 2011. The Department complied with the reporting requirements for the Annual Financial Statements as required by the Auditor-General and received an unqualified audit report for the 2010/11 financial year. Monthly financial and in-year monitoring reports were submitted on time to the National Treasury during 2011/12.

In the year under review, the Department ensured the existence of appropriate control policies and procedures for the effective, efficient, economical and transparent use of resources. A system of internal auditing under the direction of an audit committee was established and is functioning. Similarly, an appropriate procurement and provisioning system is in place.

Steps were taken to prevent unauthorised, irregular, fruitless and wasteful expenditure as well as losses resulting from criminal conduct. Measures are in place to safeguard and maintain assets and manage liabilities. The National Treasury was informed of the one incident of fruitless and wasteful expenditure incurred in the previous financial year. The Department makes every effort to settle invoices within the prescribed period of 30 days.

8.2 Management meetings

The established management structures of the Department met regularly during the 2011/12 financial year. These included monthly meetings of the MANCO and EXCO.

The EXCO is a meeting of Branch Heads and Corporate Managers. The meeting considers the operational performance of the Department, and discusses major upcoming and recent strategic events for feedback and briefing purposes. The meeting also considers financial management, human resource management, audit, procurement and other related matters. In the past year, specific attention was paid to entrenching responsibility for reporting against pre-determined outcomes.

The MANCO is a meeting of all members of the Senior Management Service in the Department. This meeting discusses and considers new policies and policy developments, with the aim of peer reviewing and testing them prior to submission to EXCO. In addition, this meeting considers a quarterly review of the implementation of the operational plan.

Members of the MANCO attended and participated in a strategic planning session for the 2012/13 financial year during November 2011.

8.3 Risk Management

The Department adopted all **the dti** policies, including on matters related to risk management, and in this context conducted a risk assessment and related plans to mitigate these risks. EXCO, as a collective, takes responsibility for

REPORT OF THE ACCOUNTING OFFICER
Continued

the implementation of these plans and considers risk management, and the monitoring of the implementation of the plans to mitigate risk.

A risk assessment for the year under review was conducted. Strategic risk areas were prioritized for examination by internal audit and an annual audit coverage plan based on the risk assessment was compiled. A risk management policy and plan has been developed and approved. During the year under review the EDD's Executive Committee, chaired by the Accounting Officer, ensured that risk management was embedded in the management systems of all branches of the department. Risk management featured as a standing item on this committee's agenda. In addition EXCO resolved to establish a Risk Sub Committee to monitor risk related matters in the department and report at each meeting of the EXCO.

Provision has also been made for the appointment of a risk manager. The risk manager will be appointed in terms of the approved interim organisational structure during the 2012/13 financial year to ensure that the departmental internal control systems are supported by the regular assessment, monitoring and reporting of key risks.

8.4 Fraud Prevention Plan

The department adopted all **the dti** policies, including on matters related to fraud prevention. Although the department did not implement a departmental specific Anti-Fraud and Corruption Plan in the year under review, matters related to fraud prevention were considered as part of the standing item on Risk Management at meetings of the EXCO. A draft departmental specific Fraud Prevention Policy was developed and in terms of this policy a Fraud Prevention Plan will be developed in the 2012/13 financial year. This plan will be based on the fraud and corruption risk assessment to be developed at departmental workshops early in the new financial year. This assessment will identify fraud risks specific to the department.

In addition, the Department subscribes to the National Anti-Corruption Hotline, where matters of fraud and corruption against the Department can be reported in strict confidentiality by any member of the public. In line with the Public Sector Anti-Corruption Strategy, EXCO is responsible for the prevention and detection of fraud and other irregularities.

8.5 Disclosure of financial interests by senior managers

All senior managers disclosed their financial interests during the financial year under review. These disclosures were noted by the Minister and submitted to the office of the Public Service Commission.

8.6 Health and Safety

The Department participates in **the dti** Campus's health and safety programme. This programme includes regular occupational health and safety inspections.

8.7 Operational policies

During the period under review, the Department developed and approved internal operational policies. These included policies related to human resources, fruitless and wasteful expenditure, entertainment, the use of mobile phones and communication devices, petty cash, subsistence and travel allowance and facilities management. These departmental specific policies replaced **the dti** policies which were previously used in terms of a Memorandum of Understanding (MOU) with **the dti**. These policies were communicated to staff.

REPORT OF THE ACCOUNTING OFFICER
Continued

8.8 Internal Audit

The Internal Audit function of the Department was established and managed by the Internal Audit Unit. The Unit periodically tracks management progress to improve internal control issues on the basis of an annual Internal Audit Plan. The unit established a co-sourcing mechanism to ensure that relevant and adequate capacity is available to discharge its responsibilities.

In the year under review, four regulatory internal audits were conducted to track progress with the establishment of internal control measures and to monitor the implementation of proposed improvements which were identified during the 2010/11 annual audit. With regard to the management of risk and the prevention of fraud, the Internal Audit function ensured that a risk register and mitigation plan were developed and monitored at meetings of the EXCO of the Department.

8.9 Audit Committee

The departmental Audit Committee was appointed in the 4th Quarter of the 2010/11 financial year. The committee consists of 5 members and met on 4 occasions during the year under review. In addition, the Committee interacted with the Executive Authority on 2 occasions.

The committee adopted a formal terms of reference and the Audit Committee Charter. The Committee discharges its responsibilities in terms of the requirements of the PFMA and Treasury Regulations.

8.10 Minimising the Negative Impact of the Department on the Environment

The Department remains a tenant on **the dti** Campus and adheres to the waste management requirements of the landlord. The Department is yet to develop a departmental specific programme and policy related to recycling, electricity consumption and the re-use of equipment.

8.11 Bid Adjudication Committee

The Departmental Bid Adjudication Committee (BAC) was established during the prior financial year. The BAC has seven permanent and three alternate members, duly appointed by the Accounting Officer. The Chief Financial Officer is the Chairperson, and the Head of Human Resources Management is Deputy Chairperson. Under normal circumstances it meets twice a month and is supported by the Supply Chain Management unit, which acts as the Secretariat for the BAC. The BAC makes recommendations to the Accounting Officer for final approval.

The BAC considers:

- all tenders above R 500 000
- highly technical, normal procurement requests recommended by ad hoc specification committees
- all requests for deviation from normal tender procedures depending on the circumstances

REPORT OF THE ACCOUNTING OFFICER
Continued

9 Discontinued activities / activities to be discontinued

Not applicable

10 New and proposed activities

The evolving mandate of the Department, specifically with regard to the support to be provided for the Secretariat of the PICC, is a new area of work which has been accounted for in the approved interim organisational arrangements in the Department (see PICC work overview in section 1.3.2 under the Overview)

11 Asset Management

During 2009/10 financial year, which was the EDD's first year of operation, the department bought its assets using funds that were availed via **the dti** and were paid for using the EDD's adjusted budget. **The dti** assisted the EDD to acquire these assets.

Because the EDD did not have a vote, as these assets were acquired they were included in **the dti's** asset register during the 2009/10 financial year. These assets including vehicles, printers, laptops and projectors were subsequently transferred from **the dti** to the EDD in 2010/11.

The EDD continued to acquire new assets during the 2010/11 and 2011/12 financial years using the vote's appropriated funds at total costs of R4.3 million and R1.3 million respectively which include: vehicles, printers, laptops, and office furniture. The closing balance for the total value of tangible and intangible assets of the department in 2011/12 financial year was R7.2 million.

Through **the dti**, the EDD is part of **the dti**, Rainprop and the EDC Public Private Partnership (PPP). The EDD buys office furniture for its Pretoria offices through the PPP. With regard to the Cape Town offices the EDD buys all assets including office furniture directly from suppliers.

The EDD uses the LOGIS system to account for all these assets. These assets when received are loaded on the LOGIS system by an official from the Supply Chain Management unit and asset verifications are periodically conducted. Asset verifications are a good control measure to ensure that assets acquired by the Department are kept in working condition and are safeguarded by the EDD. Four such verifications took place during the 2011/12 financial year, one per quarter. On a monthly basis, assets on LOGIS are reconciled with BAS's assets acquired and paid.

12 Events after the reporting date

None

13 Performance information

Further to the outcome of the 2010/11 audit findings, a revised departmental strategic plan and annual performance plan were drafted and approved during the year under review. Performance information is reported against these amended and approved plans.

The departmental Strategic Plan for the period 2011/12 to 2015/16 outlines the strategic objectives, programmes and sub-programmes of the Department. The Estimates of National Expenditure (ENE) 2011/12 contain selected performance indicators that were included in the Annual Performance Plan. Quarterly progress reports were

REPORT OF THE ACCOUNTING OFFICER
Continued

produced on the basis of performance and progress made with the implementation of the Strategic Plan and achievement of the ENE targets.

The Department continued its work with the Auditor-General South Africa to identify areas for improvement in the collation and management of performance information. During the year under review systems were developed and implemented to ensure that the necessary portfolios of evidence are compiled and verified on a quarterly basis. With the assistance of the Internal Audit units, four regulatory audits were done in the 4th Quarter to establish the integrity of the performance information system and reporting against the pre-determined outcomes. These systems will be further refined and embedded in the work of the Department.

14 SCOPA resolutions

None

15 Prior modifications to audit reports

None

16 Exemptions and deviations received from the National Treasury

No exemptions were requested and/or approved for the Department in terms of the Public Finance Management Act (PFMA) and Treasury Regulations, as may be applicable to any of the reporting requirements. In terms of the oversight responsibilities over the IDC, the Minister of Economic Development supported a request for a PFMA deviation made to the National Treasury by the IDC.

17 Approval

The attached Annual Financial Statements have been approved by me, in my capacity as Accounting Officer (Acting) of the EDD.

Mr M S Mowzer
Director General (Acting)
Date: 27 July 2012

REPORT OF THE AUDITOR-GENERAL
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE 28: ECONOMIC DEVELOPMENT DEPARTMENT
REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Economic Development Department, as set out on pages 79 to 121, which comprise the appropriation statement, the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the *Departmental financial reporting framework* prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the overall presentation of the financial statements, as well as the reasonableness of accounting estimates made by management.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the EDD as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the *Departmental financial reporting framework* prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

REPORT OF THE AUDITOR-GENERAL
Continued

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

7. The supplementary information set out on pages 122 to 155 does not from part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Financial reporting framework

8. The financial reporting framework prescribed by the National Treasury and applied by the department is a compliance framework. The wording of my opinion on a compliance framework should reflect that the financial statements have been prepared in accordance with this framework. Section 20(2)(a) of the PAA, however, requires me to express an opinion on the fair presentation of the financial statements. The wording of my opinion therefore reflects this requirement.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Pre-determined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance information report as set out on pages 17 to 45 of the annual report.

11. The reported performance against pre-determined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

12. The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

13. There were no material findings on the Performance Information and Reporting against Pre-determined Objectives Report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

14. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with

REPORT OF THE AUDITOR-GENERAL
Continued

specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual financial statements, performance and annual report

15. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(b) of the Public Finance Management Act. Material misstatements of expenditure identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal control

16. I considered internal control relevant to my audit of the financial statements, annual performance information report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Financial and performance management

17. Inadequate review of the financial statements by senior management to ensure the financial statements submitted for auditing does not contain material misstatements.

Auditor - General

Pretoria
31 July 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

NATIONAL: ECONOMIC DEVELOPMENT DEPARTMENT
VOTE 28

APPROPRIATION STATEMENT

for the year ended 31 March 2012

Appropriation per programme									
	2011/12							2010/11	
APPROPRIATION STATEMENT	Adjusted Appropriation	Shifting of Funds	Virement	Final appropriation	Actual Expenditure	Variance	Expenditure as % of final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Administration									
Current payment	49,836	-	1,181	51,017	49,389	1,628	96,8%	40,338	30,710
Transfers and subsidies			134	134	135	(1)	100%		
Payment for capital assets	6,495	-	-	6,495	1,298	5,197	20,0%	4,789	4,334
2. Economic Policy									
Current payment	23,500	-	(7,340)	16,160	12,498	3,662	77.3%	17,101	6,647
3. Economic Planning and Co-ordination									
Current payment	35,248	-	(11,836)	23,412	21,148	2,264	90.3%	18,439	2,067
Transfers and subsidies	466,823	-	13,042	479,865	479,865	-	100%	358,461	356,460
Payment for capital assets	-	-	-	-	-	-	-	-	-
4. Economic Development and Dialogue									
Current payment	16,457	-	(3,181)	13,276	5,272	8,004	39.7%	10,712	456
Transfers and subsidies	-		8,000	8,000	7,997	3	100%		
Payment for capital assets	-		-	-	-	-	-	-	-
Sub Total	**598,359**	**-**	**-**	**598,359**	**577,602**	**20,757**	**96.5%**	**449,840**	**400,674**

NATIONAL: ECONOMIC DEVELOPMENT DEPARTMENT
VOTE 28

APPROPRIATION STATEMENT

for the year ended 31 March 2012

Appropriation per programme									
	2011/12							2010/11	
APPROPRIATION STATEMENT	Adjusted Appropriation	Shifting of Funds	Virement	Final appropriation	Actual Expenditure	Variance	Expenditure as % of final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
				2011/12				2010/11	
				Final Appropriation	Actual Expenditure			Final Appropriation	Actual Expenditure
TOTAL (brought forward)				**598,359**	**577,602**			**449,840**	**400,674**
Reconciliation with statement of financial performance									
ADD									
Departmental receipts				**592,904**				547,237	
Aid Assistance				28,000					
Actual amounts per statement of financial performance (total revenue)				**1,219,263**				**997,077**	
ADD									
Aid Assistance					28,000				
Actual amounts per statement of financial performance (total expenditure)					**605,602**				**400,674**

NATIONAL: ECONOMIC DEVELOPMENT DEPARTMENT
VOTE 28

APPROPRIATION STATEMENT

for the year ended 31 March 2012

Appropriation per economic classification									
		2011/12						2010/11	
Economic Classification	Adjusted Appropriation	Shifting of Funds	Virement	Final appropriation	Actual Expenditure	Variance	Expenditure as % of final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	79,719	-	(23,547)	56,172	48,347	7,825	86.1%	54,273	25,167
Goods and services	45,322	-	2,372	47,694	39,960	7,734	83.8%	32,318	14,713
Transfers and subsidies									
Departmental agencies and accounts	301,911	-	-	301,911	301,911	-	100%	278,461	278,461
Universities & tecknikons	2,000	-	3,510	5,510	5,510	-	100%	6,820	4,820
Public corporations and private enterprises	162,912	-	17,531	180,443	180,444	(1)	100%	73,179	73,179
Households			134	134	131	3	97.8%		
Payments for capital assets									
Buildings and other fixed structures	-	-	-	-	-	-			
Machinery and equipment	5,196	-	-	5,196	1,151	4,045	22,2%	3,789	4,333
Biological assets	-	-	-	-	-	-			
Software and other intangible assets	1,299	-	-	1,299	148	1,151	11.4%	1,000	1
Total	**598,359**	**-**	**-**	**598,359**	**577,602**	**20,757**	**96.5%**	**449,840**	**400,674**

NATIONAL: ECONOMIC DEVELOPMENT DEPARTMENT
VOTE 28

APPROPRIATION STATEMENT

for the year ended 31 March 2012

	2011/12							2010/11	
Programme 1 - Administration Per sub-programme	Adjusted Appropriation	Shifting of Funds	Virement	Final appropriation	Actual Expenditure	Variance	Expenditure as % of final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1.1 Ministry									
Current Payment	16,695	-	1,577	18,272	18,199	73	99.6%	24,244	23,947
Transfers and Subsidies			121	121	121		100%		
Payment for Capital Assets			35	35	35		100%		
1.2 Office of the Director-General		-							
Current Payment	15,077	-	(4,934)	10,143	9,559	584	94.2%	4,640	4,265
1.3 Corporate Services									
Current payment	18,064	-	4,538	22,602	21,631	971	95.7%	11,454	2,498
Transfers and subsidies	-	-	13	13	14	(1)	107.7%		
Payment for capital assets	6,495		(35)	6,460	1,263	5,197	19.6%	4,789	4,334
Total	**56,331**	**-**	**1,315**	**57,646**	**50,822**	**6,824**	**88.2%**	**45,127**	**35,044**

NATIONAL: ECONOMIC DEVELOPMENT DEPARTMENT
VOTE 28

APPROPRIATION STATEMENT

for the year ended 31 March 2012

	2011/12							2010/11	
Programme 1 - Administration **Economic Classification**	**Adjusted Appropriation**	**Shifting of Funds**	**Virement**	**Final appropriation**	**Actual Expenditure**	**Variance**	**Expenditure as % of final Appropriation**	**Final Appropriation**	**Actual Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**%**	**R'000**	**R'000**
Current payments									
Compensation of employees	30,237	-	(2,196)	28,041	27,899	142	99.5%	25,664	16,839
Goods and services	19,599	-	3,377	22,976	21,490	1,486	93.5%	14,674	13,872
Financial transactions in assets and liabilities	-		-	-	-		-		
Transfers and subsidies	-	-		-	-	-	-		
Households			134	134	134		100%		
Payments for Capital Assets									
Buildings and other fixed structures			-			-			
Machinery and equipment	5,196	-		5,196	1,151	4,045	22.2%	3,789	4,332
Software and other intangible assets	1,299	-		1,299	148	1,151	11.4%	1,000	1
Total	**56,331**	**-**	**1,315**	**57,646**	**50,822**	**6,824**	**88.2%**	**45,127**	**35,044**

NATIONAL: ECONOMIC DEVELOPMENT DEPARTMENT
VOTE 28

APPROPRIATION STATEMENT

for the year ended 31 March 2012

	2011/12							2010/11	
Programme 2 - Economic Policy Per sub-programme	Adjusted Appropriation	Shifting of Funds	Virement	Final appropriation	Actual Expenditure	Variance	Expenditure as % of final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
2.1 Growth Path & Creation of Decent Work									
Current payment	6,182	-	(1,212)	4,970	2,636	2,334	53.0%	5,226	833
2.2 Economic Policy									
Current Payment	10,443	-		10,443	9,568	875	91.6%	6,555	5,814
2.3 BBB Economic Empowerment									
Current payment	4,173	-	(3,500)	673	294	379	43.7%	3,252	
2.4 Second Economy		-			-	-			
Current Payment	2,702		(2,628)	74		74		2,068	
TOTAL	23,500	-	(7,340)	16,160	12,498	3,662	77.3%	17,101	6,647

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APPROPRIATION STATEMENT

for the year ended 31 March 2012

	2011/12							2010/11	
Programme 2 - Economic Policy Economic Classification	**Adjusted Appropriation**	**Shifting of Funds**	**Virement**	**Final appropriation**	**Actual Expenditure**	**Variance**	**Expenditure as % of final Appropriation**	**Final Appropriation**	**Actual Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**%**	**R'000**	**R'000**
Current payments									
Compensation of employees	13,113	-	(3,346)	9,767	8,075	1,692	82.7%	10,592	6,505
Goods and services	10,387	-	(3,994)	6,393	4,423	1,970	69.2%	6,509	141
Payment for Capital Assets									
Machinery and equipment	-	-	-	-	-	-			1
Software and other intangible assets									
Total	**23,500**	**-**	**(7,340)**	**16,160**	**12,498**	**3,662**	**77.3%**	**17,101**	**6,647**

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APPROPRIATION STATEMENT

for the year ended 31 March 2012

	2011/12							2010/11	
Programme 3 - Economic Planning & Co-ordination Per sub-programme	Adjusted Appropriation	Shifting of Funds	Virement	Final appropriation	Actual Expenditure	Variance	Expenditure as % of final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
3.1 Spatial & Sector Planning									
Current payment	16,853	-	(5,668)	11,185	10,881	304	97.3%	6,494	1,630
3.2 Economic Development Financial & Procurement									
Current payment	5,208	-	2,194	7,402	7,402	-	100%	3,806	172
3.3 Investment for Economic Development									
Current payment	6,691		(4,678)	2,013	2,013	-	100%	3,823	265
Transfers and subsidies	255,449	-	13,042	268,491	268,491	-	100%	162,831	160,831
3.4 Competitiveness & Trade for Decent Work									
Current payment	6,496	-	(3,684)	2,812	852	1,960	30.3%	4,316	
Transfers and subsidies	211,374	-	-	211,374	211,374		100%	195,630	195,629
TOTAL	**502,071**	**-**	**1,206**	**503,277**	**501,013**	**2,264**	**99.6%**	**376,900**	**358,527**

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APPROPRIATION STATEMENT

for the year ended 31 March 2012

	2011/12							2010/11	
Programme 3 - Economic Planning & Co-ordination Economic Classification	Adjusted Appropriation	Shifting of Funds	Virement	Final appropriation	Actual Expenditure	Variance	Expenditure as % of final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	25,379		(16,005)	9,374	9,345	29	99.7%	11,510	1,373
Goods and services	9,869		4,170	14,039	11,803	2,236	84.1%	6,930	694
Transfers and subsidies									
Departmental agencies and accounts	301,911			301,911	301,911	-	100%	278,461	278,461
Universities and technikons	2,000		3,510	5,510	5,510		100%	6,820	4,820
Public corporations and private enterprises	162,912		9,531	172,443	172,444	(1)	100%	73,179	73,179
Payment for capital assets									
Total	502,071		1,206	503,277	501,013	2,264	99,6%	376,900	358,527

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APPROPRIATION STATEMENT

for the year ended 31 March 2012

	2011/12							2010/11	
Programme 4 - Economic Development & Dialogue Per sub-programme	Adjusted Appropriation	Shifting of Funds	Virement	Final appropriation	Actual Expenditure	Variance	Expenditure as % of final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
4.1 National Social Dialogue & Strategic Frameworks									
Current payment	11,008	-	(342)	10,666	5,267	5,399	49.4%	7,151	16
Transfers and Subsidies					(3)	3			
4.2 Sector & Workplace Social									
Current payment	563	-	(514)	49	5	44	10.2%	440	440
4.3 Capacity Building for Economic Development									
Current payment	2,671	-	(2,000)	671	-	671		1,710	
4.4 Productivity, Entrepreneurship & Innovation									
Current payment	2,215		(325)	1,890		1,890		1,411	
Transfer and Subsidies		-	8,000	8,000	8,000		100%		
TOTAL	**16,457**	**-**	**4,819**	**21,276**	**13,269**	**8,007**	**62.4%**	**10,712**	**456**

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APPROPRIATION STATEMENT

for the year ended 31 March 2012

	2011/12							2010/11	
Programme 4 - Economic Development & Dialogue Economic Classification	Adjusted Appropriation	Shifting of Funds	Virement	Final appropriation	Actual Expenditure	Variance	Expenditure as % of final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	10,990	-	(2,000)	8,990	3,028	5,962	33.7%	6,507	450
Goods and services	5,467		(1,181)	4,286	2,244	2,042	52.4%	4,205	6
Transfers and subsidies									
Public corporation & private enterprise			8,000	8,000	8,000	-	100%	-	-
Household	-	-	-	-	(3)	3	-100%	-	-
Total	**16,457**	**-**	**4,819**	**21,276**	**13,269**	**8,007**	**62.4%**	**10,712**	**456**

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NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2012

1. **Detail of transfers and subsidies as per Appropriation Act (after Virement):**

   Detail of these transactions can be viewed in the note number 6 Transfers and subsidies, disclosure notes and Annexure 1 (A-F) to the Annual Financial Statements.

2. **Detail of specifically and exclusively appropriated amounts voted (after Virement):**

   Detail of these transactions can be viewed in note number 1 (Annual Appropriation) to the Annual Financial Statements.

3. **Explanations of material variances from Amounts Voted (after Virement):**

3.1

Per Programme	Final Appropriation	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
Administration	57,646	50,822	6,824	11%
Explanation of variance: Under - spending is mainly due to slow spending on Capital Assets which is influenced by the slow expansion of the Department.				
Economic Policy	16,160	12,498	3,662	23%
Explanation of variance: Under-spending in this programme is attributed to slow rate of filling vacant posts due to difficulty in employing appropriately skilled staff				
Economic Planning & Co-ordination	503,277	501,013	2,264	0%
Explanation of variance:				
Economic Development and Dialogue	21,276	13,269	8,007	38%
Explanation of variance: Under-spending in this programme is attributed to slow rate of filling vacant posts due to difficulty in employing appropriately skilled staff.				
Total	598,359	577,602	20,757	3%

3.2 Per Economic Classification	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
Current payments:				
Compensation of employees	56,172	48,347	7,825	14%
Goods and services	47,694	39,960	7,734	16%
Transfers and subsidies:				
Departmental agencies and accounts	301,911	301,911	-	0%
Universities and Technikons	5,510	5,510	-	0%
Public corporations and private enterprises	180,443	180,444	(1)	0%
Households	134	131	3	2%
Payments for capital assets:				
Machinery and equipment	5,196	1,151	4,045	78%
Software and other intangible assets	1,299	148	1,151	89%
Total	598,359	577,602	20,757	3%

Explanation of variances:

Under-spending in this programme is attributed to slow rate of filling vacant posts due to difficulty in employing appropriately skilled staff.

Goods and Services and Payments for Capital assets were influenced by the slow expansion of the department as well as some outstanding commitments.

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STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
REVENUE			
Annual appropriation	1	598,359	449,840
Departmental revenue	2	592,904	547,237
Aid Assistance	3	28,000	
TOTAL REVENUE		**1,219,263**	**997,077**
EXPENDITURE			
Current expenditure			
Compensation of employees	4	48,347	25,167
Goods and services	5	39,960	14,713
Total current expenditure		**88,307**	**39,880**
Transfers and subsidies			
Transfers and subsidies	6	487,996	356,460
Aid Assistance	3	28,000	
Total transfers and subsidies		**515,996**	**356,460**
Expenditure for capital assets			
Tangible capital assets	7	1,151	4,333
Software and other intangible assets	7	148	1
Total expenditure for capital assets		**1,299**	**4,334**
TOTAL EXPENDITURE		**605,602**	**400,674**
SURPLUS/(DEFICIT) FOR THE YEAR		**613,661**	**596,403**
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds	13	20,757	49,166
Annual appropriation	1.1	598,359	449,840
Departmental revenue	14	592,904	547,237
SURPLUS/(DEFICIT) FOR THE YEAR		**613,661**	**596,403**

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STATEMENT OF FINANCIAL POSITION

as at 31 March 2012

	Note	2011/12	2010/11
		R'000	R'000
ASSETS			
Current assets		**56,035**	**119,438**
Cash and cash equivalents	8	54,710	118,598
Prepayments and advances	9	422	466
Receivables	10	903	374
Non-current assets		**1,392,969**	**1,704,250**
Investments	11	1,392,969	1,392,969
Loans	12		311,281
TOTAL ASSETS		**1,449,004**	**1,823,688**
LIABILITIES			
Current liabilities		**55,946**	**119,438**
Voted funds to be surrendered to the Revenue Fund	13	5,906	49,166
Departmental revenue to be surrendered to the Revenue Fund	14	49,998	70,262
Payables	15	42	10
TOTAL LIABILITIES		**55,946**	**119,438**
NET ASSETS		**1,393,058**	**1,704,250**
Represented by:			
Capitalisation reserve		1,392,969	1,704,250
Recoverable revenue		89	-
TOTAL		**1,393,058**	**1,704,250**

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STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2012

NET ASSETS	2011/12 R'000	2010/11 R'000
Capitalisation Reserves		
Opening balance	1,704,250	-
Transfers:		
Movement in Equity	-	1,704,250
Other Movements	(311,281)	
Closing balance	**1,392,969**	**1,704,250**
Recoverable revenue		
Transfers:		
Debts raised	89	-
Closing balance	**89**	**-**
TOTAL	**1,393,058**	**1,704,250**

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CASH FLOW STATEMENT

for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**1,154,412**	**947,077**
Annual appropriated funds received	1.1	583,508	449,840
Departmental revenue received	2	542,904	497,237
Aid Assistance received	3	28,000	
Net (increase)/decrease in working capital		(453)	(830)
Surrendered to Revenue Fund		(662,334)	(476,975)
Current payments		(88,307)	(39,880)
Transfers and subsidies paid		(515,996)	(356,460)
Net cash flow available from/(utilised in) operating activities	16	**(112,678)**	**72,932**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	7	(1,299)	(4,334)
(Increase)/decrease in loans		89	
(Increase)/decrease in investments		-	
Net cash flows from/(utilised in) investing activities		**(1,210)**	**(4,334)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution/dividend received	2	50,000	50,000
Increase/(decrease) in net assets			
Net cash flows from financing activities		**50,000**	**50,000**
Net increase in cash and cash equivalents		(63,888)	118,598
Cash and cash equivalents at the beginning of the period		118,598	
Cash and cash equivalents at end of period	17	**54,710**	**118,598**

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ACCOUNTING POLICIES

for the year ended 31 March 2012

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 1 of 2010.

1. Presentation of the financial statements

1.1 Basis of preparation

The financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. The reporting entity is in transition from reporting on a cash basis of accounting to reporting on an accrual basis of accounting. Under the cash basis of accounting, transactions and other events are recognised when cash is received or paid or when the final authorisation for payment is effected on the accounting system by not later than 31 March of each year.

1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

1.3 Rounding

Unless otherwise stated, all financial figures have been rounded to the nearest one thousand Rand (R'000).

1.4 Comparative figures - Appropriation statement

A comparison between actual and budgeted amounts per major classification of expenditure is included in the appropriation statement.

2. Revenue

2.1 Appropriated funds

Appropriated funds comprises of departmental allocations as well as direct charges against revenue fund (i.e. statutory appropriation).Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process, are recognised in the financial records on the date the adjustments become effective.

Unexpended appropriated funds are surrendered to the National Revenue Fund. Any amounts owing to the National Revenue Fund at the end of the financial year are recognised as payable in the statement of financial position.

ACCOUNTING POLICIES

for the year ended 31 March 2012

Any amounts due from National Revenue Fund at the end of the financial year are recognised as a receivable in the statement of financial position.

2.2 Departmental revenue

All departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the National Revenue Fund,

Any amount owing to the National Revenue Fund is recognised as a payable in the statement of financial position.

No accrual is made for amounts receivable from the last receipt date to the end of reporting period. These amounts are however disclosed in the disclosure note to the annual financial statements.

3. Expenditure

3.1 Compensation of employees

3.1.1 Short-term employee benefits

Salaries and wages are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Other employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements at its face value and are not recognised in the statement of financial performance or position.

3.1.2 Social contributions

Employer contributions to post employment benefit plans in respect of current employees are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

Employer contributions made by the department for certain of its ex-employees (such as medical benefits) are classified as transfers to households in the statement of financial performance.

3.2 Goods and services

Payments made during the year for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

The expense is classified as capital if the goods and/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5, 000). All other expenditures are classified as current.

Rental paid for the use of buildings or other fixed structures is classified as *goods and services* and not as *rent on land*.

3.3 Interest and rent on land

Interest and rental payments are recognised as an expense in the statement of financial performance when the final

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ACCOUNTING POLICIES

for the year ended 31 March 2012

authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

3.4 Payments for financial assets

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or under spending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but an estimate is included in the disclosure notes to the financial statements amounts.

All other losses are recognised when authorisation has been granted for the recognition thereof.

3.5 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.6 Unauthorised expenditure

When confirmed unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the statement of financial performance on the date of approval.

3.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

3.8 Irregular expenditure

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

4. Assets

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

Bank overdrafts are shown separately on the face of the statement of financial position.

ACCOUNTING POLICIES

for the year ended 31 March 2012

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

4.2 Other financial assets

Other financial assets are carried in the statement of financial position at cost.

4.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and are derecognised as and when the goods/services are received or the funds are utilised.

Prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

4.4 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentials irrecoverable are included in the disclosure notes.

4.5 Investments

Capitalised investments are shown at cost in the statement of financial position.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

4.6 Loans

Loans are recognised in the statement of financial position when the cash is paid to the beneficiary. Loans that are outstanding at year-end are carried in the statement of financial position at cost plus accrued interest.

Amounts that are potentially irrecoverable are included in the disclosure notes.

4.7 Inventory

Inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

All inventory items at year-end are reflected using the weighted average cost or FIFO cost formula.

4.8 Capital assets

4.8.1 Movable assets

Initial recognition

A capital asset is recorded in the asset register on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

ACCOUNTING POLICIES

for the year ended 31 March 2012

Subsequent recognition

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as "expenditure for capital assets" and is capitalised in the asset register of the department on completion of the project.

Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

5 Liabilities

5.1 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are carried at cost in the statement of financial position.

5.2 Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

5.3 Contingent assets

Contingent assets are included in the disclosure notes to the financial statements when it is probable that an inflow of economic benefits will flow to the entity.

5.4 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

5.5 Accruals

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

5.6 Employee benefits

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the statement of financial performance or the statement of financial position.

5.7 Lease commitments

Finance lease

Finance leases are not recognised as assets and liabilities in the statement of financial position. Finance lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

ACCOUNTING POLICIES

for the year ended 31 March 2012

Operating lease

Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statement.

5.8 Impairment and other provisions

The department tests for impairment where there is an indication that a receivable, loan or investment may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at year-end. Impairments on investments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows / service potential flowing from the instrument.

Provisions are disclosed when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

6. Receivables for departmental revenue

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements.

7. Net Assets

7.1 Capitalisation reserve

Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National Revenue Fund when the underlining asset is disposed and the related funds are received.

7.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

8. Related party transactions

Specific information with regards to related party transactions is included in the disclosure notes.

9. Key management personnel

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

10. Public private partnerships

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

1. Annual Appropriation

1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Departments (Voted funds) :

	Final Appropriation 2011/12	Actual Funds Received 2011/12	Funds not requested/ not received 2011/12	Appropriation received 2010/11
	R'000	R'000	R'000	R'000
1. Administration	57,646	50,369	7,277	45,127
2. Economic Policy Development	16,160	21,335	(5,175)	17,101
3. Economic Planning and Coordination	503,277	496,921	6,356	376,900
4. Economic Development and Dialogue	21,276	14,883	6,393	10,712
Total	598,359	583,508	14,851	449,840

The Final Appropriation for 2011/12 amounted to R598 million, which is reflected in the Statement of Financial Performance, whilst the amount of R583 million reflected in the table above is the actual funds received for the 2011/12.

Explanation of funds not requested/not received:

Refer to the Notes to the Appropriation on reasons why funds were not requested/not received.

2. Departmental revenue

	Note	2011/12 R'000	2010/11 R'000
Sales of goods and services other than capital assets	2.1	16	3
Fines, penalties and forfeits	2.2	538,285	489,337
Interest, dividends and rent on land	2.3	50,263	57,897
Transactions in financial assets and liabilities	2.4	4,340	
Departmental revenue collected		592,904	547,237

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

2.1 Sales of goods and services other than capital assets

	2011/12 R'000	2010/11 R'000
Sales of goods and services produced by the department	16	3
Sales by market establishment	13	2
Other sales	3	1
Sales of scrap, waste and other used current goods	-	-
Total	**16**	**3**

Sales by market establishment relates to revenue received in respect of parking rental. Other sales comprise commission received on the deduction of insurance.

2.2 Fines, penalties and forfeits

	2011/12 R'000	2010/11 R'000
Penalties	538,285	489,337
Forfeits	-	
Total	**538,285**	**489,337**

Penalties are fines imposed by the Competition Commission and confirmed by Competition Tribunal. These penalties are then paid to Competition Commission, and deposited over to EDD and surrendered to the National Revenue Fund.

The following are penalties and fines imposed that are two million Rand and above:

		2011/12 R'000
1.	Pioneer Foods	216,666
2.	Engen Petroleum	28,800
3.	National Scrap Metal	17,730
4.	Afgri Operation	15,600
5.	Roclas (Concrete walls)	10,757
6.	Abbedec Trading	4,966
7.	Caroline Rollermeule	4,417
8.	CC Senwes	4,000
9.	Rand Merchant Bank	2,100
10.	Suidwes Agriculture	2,000

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

2.3 Interest, dividends and rent on land

	2011/12 R'000	2010/11 R`000
Interest	263	7,897
Dividends	50,000	50,000
Total	**50,263**	**57,897**

Interest is earned from the commercial bank
Dividends are received from Industrial Development Corporation

2.4 Transactions in financial assets and liabilities

	2011/12 R'000	2010/11 R`000
Other Receipts	4,340	-
Total	**4,340**	**-**

3. Aid assistance received in cash from other sources

	2011/12 R'000	2010/11 R'000
3.1 Foreign		
Opening Balance		
Revenue	28,000	-
Expenditure	(28,000)	-
Transfers	(28,000)	-
Closing Balance	**-**	**-**

3.2 Total assistance

	2011/12 R'000	2010/11 R'000
Opening Balance		
Revenue	28,000	-
Expenditure	(28,000)	-
Transfers	(28,000)	-
Closing Balance	**-**	**-**

Donor funding explanatory notes refer to Annexure 1F

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

4. Compensation of employees

4.1 Salaries and Wages

	2011/12 R'000	2010/11 R'000
Basic salary	31,276	16,028
Performance award	163	35
Service Based	237	122
Compensative/circumstantial	1,029	543
Periodic payments	580	-
Other non-pensionable allowances	11,500	6,779
Total	**44,785**	**23,507**

Other non-pensionable allowances comprise of car allowances, housing allowances, benefits structured as part of salary packages for employees on level 11 and higher and etc.

4.2 Social contributions

Employer contributions	2011/12 R`000	2010/11 R`000
Pension	2,782	1,418
Medical	771	240
Bargaining council	9	2
Total	**3,562**	**1,660**
Total compensation of employees	**48,347**	**25,167**
Average number of employees	**115**	**79**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

5. Goods and services

	Note	2011/12 R'000	2010/11 R'000
Administration fees		92	112
Advertising		341	404
Assets less than R5,000	5.1	192	171
Bursaries (employees)		47	-
Catering		683	461
Communication		1,755	803
Computer services	5.2	505	180
Consultants, contractors and special services	5.3	10,976	1,022
Entertainment		4	2
Audit cost-External	5.4	1,572	236
Fleet services		499	69
Inventory	5.5	1,853	1,110
Operating leases		2,844	973
Property payments	5.6	1,836	17
Travel and subsistence	5.7	11,973	7,748
Venues and facilities		2,063	742
Training and staff development		1,210	-
Other operating expenditure	5.8	1,515	663
Total		**39,960**	**14,713**

2011/12 financial year`s Operating leases amount includes funds spend on office space rental for 2010/11 financial year.

5.1 Assets less than R5,000

	2011/12 R`000	2010/11 R`000
Tangible assets		
Machinery and equipment	192	171
Total	**192**	**171**

5.2 Computer services

	2011/12 R`000	2010/11 R`000
SITA computer services	187	20
External computer service providers	318	160
Total	**505**	**180**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

5.3 Consultants, contractors and agency/outsourced services

	2011/12 R`000	2010/11 R`000
Business and advisory services	6,409	702
Legal costs	4,028	-
Contractors	182	222
Agency and support/outsourced services	357	98
Total	**10,976**	**1,022**

Consultant's costs are inclusive of the entities` merger costs (Samaf, Khula and IDC`s small loan book) and Walmart /Massmart legal costs

5.4 Audit cost - External

	2011/12 R`000	2010/11 R`000
Regularity audits	1,572	236
Total	**1,572**	**236**

5.5 Inventory

	2011/12 R`000	2010/11 R`000
Other consumable materials	32	59
Maintenance material	11	44
Stationery and printing	1,808	1,007
Medical Supplies	1	-
Medicine	1	-
Total	**1,853**	**1,110**

5.6 Property payments

	2011/12 R`000	2010/11 R`000
Property maintenance and repairs	1,795	
Safeguard &Security	41	17
Total	**1,836**	**17**

5.7 Travel and subsistence

	2011/12 R`000	2010/11 R`000
Local	9,222	6,138
Foreign	2,751	1,610
Total	**11,973**	**7,748**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

5.8 Other operating expenditure

	Note	2011/12 R`000	2010/11 R`000
Leanerships		143	-
Professional bodies, membership and subscription fees		30	123
Resettlement costs		263	200
Other		1,079	340
Total		**1,515**	**663**

6. Transfers and subsidies

	Note	2011/12 R`000	2010/11 R`000
Departmental agencies and accounts	Annexure 1A	301,911	278,461
Universities and Technikons	Annexure 1B	5,510	4,820
Public corporations and private enterprises	Annexure 1C	180,444	73,179
Households	Annexure 1D	131	-
Total		**487,996**	**356,460**

7. Expenditure for capital assets

	Note	2011/12 R`000	2010/11 R'000
Tangible assets		1,151	4,333
Machinery and equipment	25	1,151	4,333
Software and other intangible assets		148	1
Computer Software	27	148	1
Total		**1,299**	**4,334**

7.1 Analysis of funds utilised to acquire capital assets - 2011/12

	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible assets	1,151	-	1,135
Machinery and equipment	1,151	-	1,135
Software and other intangible assets	148	-	148
Computer Software	148	-	148
Total	**1,299**	**-**	**1,283**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

7.2 Analysis of funds utilised to acquire capital assets - 2010/11

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
Tangible assets	4,333	-	4,333
Machinery and equipment	4,333	-	4,333
Software and other intangible assets	1	-	1
Computer Software	1	-	1
Total	**4,334**	**-**	**4,334**

8. Cash and cash equivalents

	2011/12	2010/11
	R`000	R`000
Consolidated Paymaster General Account	54,248	98,394
Cash on hand	-	27
Cash with commercial banks(Domestic)	462	20,177
Total	**54,710**	**118,598**

9. Prepayments and advances

	2011/12	2010/11
	R`000	R`000
Staff advances	71	-
Travel and subsistence	7	35
Prepayments	-	-
Advances paid to other entities	344	431
Total	**422**	**466**

Advances paid to other entities are made of advances paid to the Department of International Relations and Cooperation (DIRCO) for EDD foreign travel related costs.

10. Receivables

		2011/12				2010/11
		R'000	R'000	R'000	R'000	R'000
		Less than one year	One to three years	Older than three years	Total	Total
	Note					
Claims recoverable	10.1					
	Annex 4	783			783	125
Recoverable expenditure	10.2	-			-	231
Staff debt	10.3	120			120	18
Total		**903**			**903**	**374**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

10.1 Claims recoverable

	2011/12 R'000	2010/11 R'000
National departments	783	115
Provincial departments	-	10
Public entities	-	
Private enterprises	-	
Total	**783**	**125**

10.2 Recoverable Expenditure (disallowance accounts)

	2011/12 R'000	2010/11 R'000
Salary reversal	-	1
Travel Agency	-	230
Total	**-**	**231**

10.3 Staff debt

	2011/12 R'000	2010/11 R'000
Pension fund overpayment	20	18
Salary Overpayment	91	-
Tax debt	7	-
Staff debt for petty cash	2	-
Total	**120**	**18**

11. Investments

	2011/12 R'000	2010/11 R'000
Non-Current		
Shares and other equity		
IDC A Shares - 1,000,000 at cost (100% shareholding)	1,000	1,000
IDC B Shares - 1,391,969,357 at cost (100% shareholding)	1,391,969	1,391,969
Total	**1,392,969**	**1,392,969**
Total non-current	**1,392,969**	**1,392,969**
Analysis of non current investments		
Opening balance	1,392,969	-
Addition in Cash	-	1,392,969
Closing balance	**1,392,969**	**1,392,969**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

IDC is a wholly owned subsidiary of EDD, and it is considered a public entity similar to the other institutions which are under EDD. As with the other institutions, the IDC's financial statements are not consolidated with those of EDD.

12. Loans

	2011/12 R'000	2010/11 R'000
Public corporations	-	311,281
Total	**-**	**311,281**
Analysis of Balance		
Opening balance	311,281	-
Transfer	(311,281)	311,281
Closing balance	**-**	**311,281**

The dti granted above loan to Ernani Investments (Pty) Ltd, a wholly owned subsidiary of the IDC, established as a special purpose vehicle for government to acquire shares. This loan was issued in favor of Khula Enterprise and has been in the dti`s books until the 31 March 2010. During 2010/11 this loan was transferred from dti to EDD`s books in terms of Section 42 of the PFMA. As a result of the merger of IDC`s small loan book, Samaf and Khula, the loan was transferred to IDC during the year under review.

13. Voted funds to be surrendered to the Revenue Fund

	Note	2011/12 R'000	2010/11 R'000
Opening balance		49,166	-
Transfer from statement of financial performance		20,757	49,166
Voted funds not requested/not received	1.1	(14,851)	-
Paid during the year		(49,166)	-
Closing balance		**5,906**	**49,166**

14. Departmental revenue to be surrendered to the Revenue Fund

	2011/12 R`000	2010/11 R`000
Opening balance	70,262	-
Transfer from Statement of Financial Performance	592,904	547,237
Paid during the year	(613,168)	(476,975)
Closing balance	**49,998**	**70,262**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

15. Payables - current

	Note	2011/12 R`000	2010/11 R`000
Clearing accounts	15.1	42	10
Total		**42**	**10**

15.1 Clearing accounts

	2011/12 R`000	2010/11 R`000
PAYE	42	10
Total	**42**	**10**

16. Net cash flow available from operating activities

	2011/12 R`000	2010/11 R`000
Net surplus/(deficit) as per Statement of Financial Performance	613,661	596,403
Add back non cash/cash movements not deemed operating activities	(726,339)	(523,471)
(Increase)/decrease in receivables - current	(529)	(374)
(Increase)/decrease in prepayments and advances	44	(466)
Increase/(decrease) in payables - current	32	10
Expenditure on capital assets	1,299	4,334
Surrenders to Revenue Fund	(662,334)	(476,975)
Voted funds not requested/not received	(14,851)	
Dividends received (IDC)	(50,000)	(50,000)
Net cash flow generated by operating activities	**(112,678)**	**72,932**

17. Reconciliation of cash and cash equivalents for cash flow purposes

	2011/12 R`000	2010/11 R`000
Consolidated Paymaster General account	54,248	98,394
Cash on hand	-	27
Cash with commercial bank(local)	462	20,177
Total	**54,710**	**118,598**

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

The following amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

18. Contingent liabilities

		Note	2011/12 R'000	2010/11 R'000
Nature of liability				
Other guarantees	IDC	Annex 3A	646,518	739,530
Other departments (interdepartmental unconfirmed balances)		Annex 5	344	431
Total			**646,862**	**739,961**

19. Commitments

	2011/12 R'000	2010/11 R'000
Current expenditure	**1,622**	**31,885**
Approved and contracted	1,622	31,885
Capital expenditure	**333**	**543**
Approved and contracted	333	543
Total Commitments	**1,955**	**32,428**

20. Accruals

	2011/12 R'000			2010/11 R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	1,073	-	1,073	2,015
Machinery and equipment	-	-	-	
Total	**1,073**	**-**	**1,073**	**2,015**
Listed by programme level				
Programme 1: Administration			341	1,867
Programme 2: Economic Policy Development			33	30
Programme 3: Economic Planning & Coordination			108	101
Programme 4: Economic Develop & Dialogue			591	17
Total			**1,073**	**2,015**

21. Employee benefits

	2011/12 R'000	2010/11 R'000
Leave entitlement	1,571	620
Service Bonus(Thirteenth cheque)	311	262
Capped leave commitments	138	71
Total	**2,020**	**953**

Of R1.571 million of leave entitlement, an amount of R14,739 has already been deducted in respect of negative balance on leave. This is due to an over grant of leave taken as employees are given full leave credits in January of each year although information in the financial statement is based on the leave accruals as at 31 March 2012.

22. Lease commitments

22.1 Operating leases expenditure

	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
2011/12				R'000	R'000
Not later than 1 year				702	702
Later than 1 year and not later than 5 years				425	425
Total lease commitments				**1,127**	**1,127**

An Amount of R1.127 million of Operating Lease consists of lease for cell phones and photocopy machines

23. Fruitless and wasteful expenditure

23.1 Reconciliation of fruitless and wasteful expenditure

	2011/12 R'000	2010/11 R'000
Opening Balance	27	
Fruitless and wasteful expenditure - relating to current year	-	27
Less: Amounts condoned	(27)	-
Fruitless and wasteful expenditure awaiting condonement	-	
Analysis of awaiting condonement per economic classification		
Current	-	27
Total	-	**27**

24. Related party transactions

Revenue received	Note	2011/12 R'000	2010/11 R'000
Fines, penalties and forfeits	2.2	538,285	489,337
Dividends (IDC)	2.3	50,000	50,000
Total		**588,285**	**539,337**

Penalties are fines imposed by the Competition Commission and confirmed by Competition Tribunal. These penalties are then paid to Competition Commission, and deposited over to EDD and surrendered to the National Revenue Fund.

The following are penalties and fines imposed that are two million Rand and above:

	R'000
1. Pioneer Foods	216,666
2. Engen Petroleum	28,800
3. National Scrap Metal	17,730
4. Afgri Operation	15,600
5. Roclas (Concrete walls)	10,757
6. Abbedec Trading	4,966
7. Caroline Rollermeule	4,417
8. CC Senwes	4,000
9. Rand Merchant Bank	2,100
10. Suidwes Agriculture	2,000

Dividend received from shares/investment with IDC which is an entity of EDD.

	2011/12 R'000	2010/11 R'000
Loans to related parties		
Non-interest bearing loans to/(from)	-	311,281
Total	**-**	**311,281**

The dti granted above loan to Ernani Investments (Pty) Ltd, a wholly owned subsidiary of the IDC, established as a special purpose vehicle for government to acquire shares. This loan was issued in favor of Khula Enterprise and has been in the dti's books until the 31 March 2010. During 2010/11 this loan was transferred from dti to EDD's books in terms of Section 42 of the PFMA. As a result of the merger of IDC's small loan book, Samaf and Khula, the loan was transferred to IDC during the year under review.

	2011/12 R'000	2010/11 R'000
Other		
Guarantees issued	646,518	739,530
Total	**646,518**	**739,530**

Guarantees are as results of Loan given to IDC by foreign banks.

EDD has oversight responsibility over the following Public and Trading entities:
South African Micro Apex- Fund
Khula Enterprise Finance Limited
Industrial Development Corporation
Competition Commission
Competition Tribunal
ITAC International Trade Administration Commission

25. Key management personnel

	No. of Individuals	2011/12 R'000	2010/11 R'000
Political office bearers (provide detail below)	2	3,207	3,254
Officials:			
Level 15 to 16(1 Chief Director Acting as DDG)	4	3,399	3,310
Level 14	27	12,983	6,026
Family member of K.M.P	1	135	
Total		**19,724**	**12,590**

Political office bearers consists of:
- Minister E Patel [Minister from 2009-05-11- Economic Development]
- Deputy Minister E Godongwana [2010-10-01 - 2012-01-31 Economic Development]
- IA Makgetla :Family member to N Makgetla as K.M.P

26. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Curr Year Adjust-ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	**6,583**	**(692)**	**1,151**	**(62)**	**6,980**
Transport assets	2,800	-	-		2,800
Computer equipment	1,696	(419)	460	(52)	1,685
Furniture and office equipment	1,244	(273)	447		1,418
Other machinery and equipment	843		244	(10)	1,077
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	**6,583**	**(692)**	**1,151**	**(62)**	**6,980**

26.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	**1,151**	**-**			**1,151**
Transport assets	-	-	-	-	-
Computer equipment	460	-	-	-	460
Furniture and office equipment	447	-	-	-	447
Other machinery and equipment	244	-	-	-	244
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	**1,151**	**-**		**-**	**1,151**

26.2 Disposals

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT		**(62)**	**(62)**	
Computer Equipment		(52)	(52)	
Other machinery and equipment		(10)	(10)	
TOTAL DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS		**(62)**	**(62)**	

26.3 Movement for 2010/11

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT		6,583		6,583
Transport assets		2,800		2,800
Computer equipment		1,696		1,696
Furniture and office equipment		1,244		1,244
Other machinery and equipment		843		843
TOTAL MOVABLE TANGIBLE ASSETS		**6,583**		**6,583**

27. MINOR ASSETS

27.1 MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 March 2012

	Specialised military assets	Intangible assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000
Opening balance	-		171	-	171
Additions			192		192
TOTAL			**363**		**363**

27.2 MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 March 2011

	Specialised military assets	Intangible assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000
Additions	-		171	-	171
TOTAL			**171**		**171**

28. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current Year Adjust-ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	1	(1)			-
COMPUTER SOFTWARE		54	148	-	202
TOTAL INTANGIBLE CAPITAL ASSETS	**1**	**53**	**148**	**-**	**202**

28.1 Additions

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Non-Cash	(Development work in progress current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	148	-	-	-	148
TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS	**148**	-	-	-	**148**

28.2 Movement for 2010/11

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Current Year Adjust-ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	-	-	1	-	1
TOTAL INTANGIBLE CAPITAL ASSETS	-	-	1	-	1

29. TRANSFER OF FUNCTIONS

Assets and Liabilities were transferred to Industrial Development Co-operation on 2011/12 financial year as per Section 42 of PFMA.

Transfer of functions

Provide a description of the changes as a result of the transfer or receipt of functions

29.1 Statement of Financial Position

	Bal per dept 2010/11 AFS before transfer 2011/12 R'000	Functions per dept (transferred) / received 2011/12 R'000	2011/12 Bal after transfer 2011/12 R'000
ASSETS			
Non-Current Assets	1,704,250	(311,281)	1,392,969
Investments	1,392,969	-	1,392,969
Loans	311,281	(311,281)	-
TOTAL ASSETS	**1,704,250**	**(311,281)**	**1,392,969**
NET ASSETS	**1,704,250**	**(311,281)**	**1,392,969**

The dti granted above loan to Ernani Investments (Pty) Ltd, a wholly owned subsidiary of the IDC, established as a special purpose vehicle for government to acquire shares. This loan was issued in favor of Khula Enterprise and has been in the dti`s books until the 31 March 2010. During 2010/11 this loan was transferred from dti to EDD`s books in terms of Section 42 of the PFMA. As a result of the merger of IDC`s small loan book, Samaf and Khula, the loan was transferred to IDC during the year under review.

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VOTE 28

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

ANNEXURE 1A

STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

	TRANSFER ALLOCATION				TRANSFER		2010/11
DEPARTMENT/ AGENCY/ ACCOUNT	Adjusted Appro-priation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
International Trade Administration Commission	69,604	-	-	69,604	69,604	100%	64,343
Competition Commission	126,595	-	-	126,595	126,595	100%	117,661
South African Micro-Apex Fund	90,537	-	-	90,537	90,537	100%	82,832
Competition Tribunal	15,175	-	-	15,175	15,175	100%	13,625
	301,911		-	301,911	301,911		278,461

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

ANNEXURE 1B

STATEMENT OF TRANSFERS TO UNIVERSITY AND TECHNIKON

	TRANSFER ALLOCATION				TRANSFER			2010/11
UNIVERSITY/TECHNIKON	Adjusted Appro-priation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Amount not transferred	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
University of Witwatersrand	-	2,000	3,510	5,510	5,510		100%	2,000
	-	2,000	3,510	5,510	5,510		100%	2,000

NATIONAL : ECONOMIC DEVELOPMENT DEPARTMENT
VOTE 28

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

	TRANSFER ALLOCATION				EXPENDITURE				2010/11
NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Public Corporations Transfers									
Industrial Development Corporation	34,000			34,000	34,000	100%		34,000	
SAICA			6,023	6,023	6,023	100%		6,023	
Proudly South African			8,000	8,000	8,000	100%		8,000	
KHULA Enterprise Finance Ltd	128,912		3,509	132,421	132,421	100%	95,000	37,421	73,179
TOTAL	162,912	-	17,532	180,444	180,444	100%	95,000	85,444	73,179

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

ANNEXURE 1D

STATEMENT OF TRANSFERS TO HOUSEHOLDS

	TRANSFER ALLOCATION				EXPENDITURE		2010/11
HOUSEHOLDS	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Employee Social Benefits			131	131	131	100%	-
Total			131	131	131	100%	-

NATIONAL : ECONOMIC DEVELOPMENT DEPARTMENT
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ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

ANNEXURE 1E

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

		2011/2012	2010/2011
NAME OF THE ORGANISATION	**NATURE OF GIFT, DONATION OR SPONSORSHIP**	**R'000**	**R'000**
Received in kind			
NEXUS TRAVEL	6 Easter Eggs Gift Pack		
NEXUS TRAVEL	3 File Folder with 3 Pens		
NEXUS TRAVEL	5 Vanity Bag (incl Hand cream, Hand scrub, Bath crystal & Face cloth)		
UAE SA EMBASSY	Book and Framed model of a Building/ Structure	9	-
MINOLTA SOUTH AFRICA	4 Calendar Diaries		
ECLIPSE STATIONERS	2 Boxes of 2 Mugs and 2 Saurcers		
VODACOM	4 Tshirt,4Caps,8 Pens and 4 Lanyards		
GIFT NKUNA PROJECTS	100x Superpreneur Board Games		
DSS STATIONERS	3 Calendars		
VAN SCHAIK BOOKSTORE	12 Calendars		
Subtotal		**9**	**-**
TOTAL		**9**	**-**

* Unless otherwise stated, all gifts are under R350

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

ANNEXURE 1F

STATEMENT OF AID ASSISTANCE RECEIVED

NAME OF DONOR	PURPOSE	OPENING BALANCE	REVENUE	EXPENDITURE	CLOSING BALANCE
		R'000	R'000	R'000	R'000
Received in cash					
PhytoEnergy Bio-Diesel (German-Swiss Company)	PhytoEnergy Biofuels Refinery and Intergrated Canola Farming Project in Eastern Cape		28,000	28,000	-
Subtotal			**28,000**	**28,000**	-

NATIONAL : ECONOMIC DEVELOPMENT DEPARTMENT
VOTE 28

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

ANNEXURE 2A

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES

Name of Public Entity	State Entity's PFMA Schedule type (state year end if not 31 March)	% Held 11/12	% Held 10/11	Number of shares held		Cost of investment R'000		Net Asset value of investment R'000		Profit/(Loss) for the year R'000		Losses guaranteed
				2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	Yes/No
Industrial Development Corporation of SA Ltd	Schedule 2	100%	100%	1,392,969,357	1,392,969,357	1,392,969	1,392,969	92,193,000	93,068,000	3,303,000	2,712,000	No
Total			100%	1,392,969,357	1,392,969,357	1,392,969	1,392,969	92,193,000	93,068,000	3,303,000	2,712,000	

ANNEXURE 2B

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES

Name of Public Entity	Nature of busines	Cost of investment R'000		Net Asset value of investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Controlled entities									
Industrial Development Corporation of SA Ltd	Contribution to growth, Industrial Development and Economic Empowerment through its financial activities	1,392,969	1,392,969	92,193,000	93,068,000	-	-	-	-
Total		1,392,969	1,392,969	92,193,000	93,068,000	-	-	-	-

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2012 - FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2011	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2012	Guaranteed interest for year ended 31 March 2012	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
European Investment Bank	IDC	512,039	59,741	-	38,267	7,747	29,221	59	-
African Investment Bank	IDC	767,330	373,585	-	76,733	48,447	345,299	563	-
Nordic Investment Bank	IDC	230,199	28,868	-	12,661	3,744	19,951	40	-
KFW	IDC	314,060	276,382	-	41,885	16,837	251,334	51	-
		1,823,628	738,576	-	169,546	76,775	645,805	713	-

The Guarantee total of R646,518 in note 18 and 24 is made of Closing balance and Interest as at 31 March 2012.

NATIONAL : ECONOMIC DEVELOPMENT DEPARTMENT
VOTE 28

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

ANNEXURE 4
CLAIMS RECOVERABLE

	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
Government Entity	**31/03/2012**	**31/03/2011**	**31/03/2012**	**31/03/2011**	**31/03/2012**	**31/03/2011**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Department						
Department of Public Works	115	-	-	115	115	115
Department of Correctional Services	-		11		11	
Department of Public Commission	144				144	
Department of Public Enterprise			29		29	
Department of Public Service Administration	-	-	35		35	
Department of Trade and Industry			449		449	
Other Government Entities						
Department of Cooperative Governance and Traditional Affairs	-	-		10	-	10
TOTAL	**259**	**-**	**524**	**125**	**783**	**125**

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

ANNEXURE 5

INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
DEPARTMENTS						
Current						
Department of International Relations and Cooperation	-	-	344	431	344	431
Total	**-**	**-**	**344**	**431**	**344**	**431**

NATIONAL : ECONOMIC DEVELOPMENT DEPARTMENT
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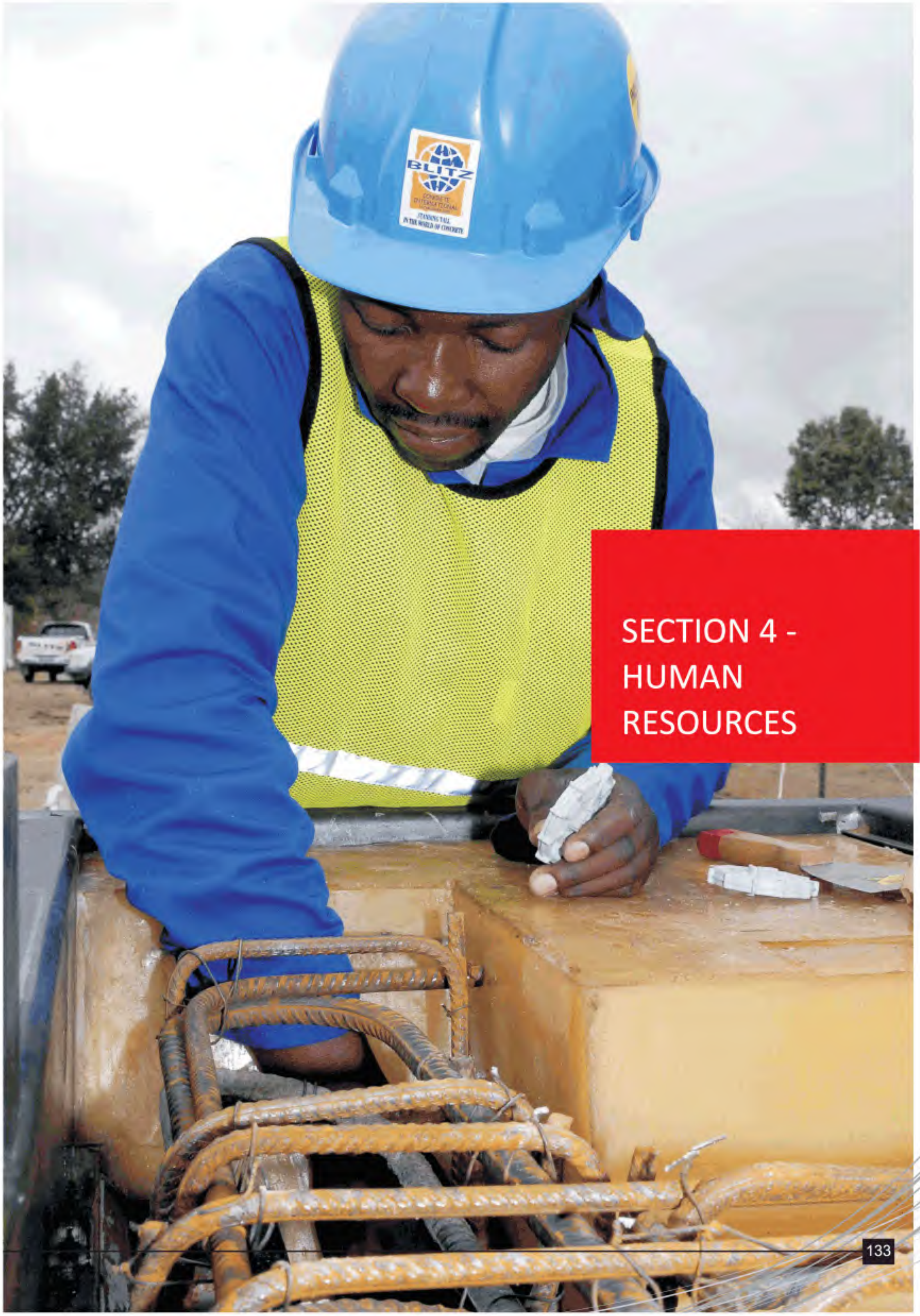
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

ANNEXURE 6

INVENTORY

Inventory	Note	Quantity	2011/12 R'000	Quantity	2010/11 R'000
Opening balance		3,049	25	-	-
Add: Additions/Purchases - Cash				7,125	85
(Less): Issues		(3,049)	(25)	(4,076)	(60)
Closing balance		-	-	**3,049**	**25**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SECTION 4 -
HUMAN
RESOURCES

HUMAN RESOURCES OVERSIGHT REPORT

The statistics and information published in the Human Resources Management part of the Annual Report are required in terms of Chapter 1, Part III J.3 of the Public Service Regulations, 2002 and have been prescribed by the Minister for the Public Service and Administration for all departments within the Public Service.

1. Service Delivery

The Department has not yet developed a service delivery improvement plan.

2. Expenditure

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table 2.1) and by salary bands (Table 2.2). In particular, it provides an indication of the amount spent on personnel costs in terms of each of the programmes or salary bands within the department.

TABLE 2.1 – Personnel costs by programme, 2011/12

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Personnel cost as a percent of total expenditure	Average personnel cost per employee (R'000)
Administration	51721	27897	274	1182	53.9	263
Economic development and dialogue	13270	3028	11	119	22.8	29
Economic planning and coordination	501012	9345	60	5098	1.9	88
Economic policy development	12498	8075	63	10	64.6	76
Total	578502	48346	408	6409	8.4	456

TABLE 2.2 – Personnel costs by salary bands, 2011/12

Salary bands	Personnel Expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000)
Skilled (Levels 3-5)	388	0.8	129333
Highly skilled production (Levels 6-8)	3249	6.6	141261
Highly skilled supervision (Levels 9-12)	5985	12.2	460385
Senior management (Levels 13-16)	16814	34.4	840700
Contract (Levels 3-5)	375	0.8	125000
Contract (Levels 6-8)	1997	4.1	499250
Contract (Levels 9-12)	12292	25.1	351200
Contract (Levels 13-16)	6292	12.9	1258400
Abnormal appointment	887	1.8	147833
Total	48275	98.7	431063

TABLE 2.3 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by programme, 2011/12

Programme	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical Assistance as a % of personnel cost
Administration	22915	80.2	27	0.1	284	1	513	1.8
Economic development and dialogue	2715	88.9	0	0	1	0	32	1
Economic planning and coordination	7926	89	0	0	13	0.1	108	1.2
Economic policy development	7800	92.9	6	0.1	11	0.1	58	0.7
Total	41356	84.5	33	0.1	309	0.6	711	1.5

TABLE 2.4 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by salary bands, 2011/12

Salary Bands	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical Assistance as a % of personnel cost
Skilled (Levels 3-5)	284	73.2	0	0	24	6.2	37	9.5
Highly skilled production (Levels 6-8)	2391	73.1	12	0.4	127	3.9	164	5
Highly skilled supervision (Levels 9-12)	4800	79.2	4	0.1	26	0.4	188	3.1
Senior management (Levels 13-16)	14292	83.5	0	0	131	0.8	239	1.4
Contract (Levels 3-5)	351	93.6	0	0	0	0	0	0
Contract (Levels 6-8)	1978	98.7	5	0.2	0	0	0	0
Contract (Levels 9-12)	11585	93	12	0.1	0	0	52	0.4
Contract (Levels 13-16)	5676	89.2	0	0	0	0	30	0.5
Total	41357	84.5	33	0.1	308	0.6	710	1.5

3. Employment and Vacancies

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables: - programme (Table 3.1), salary band (Table 3.2) and critical occupations (Table 3.3). Departments have identified critical occupations that need to be monitored. Table 3.3 provides establishment and vacancy information for the key critical occupations of the department. The vacancy rate reflects the percentage of posts that are not filled.

TABLE 3.1 – Employment and vacancies by programme, 31 March 2012

Programme	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Administration	62	62	0	2
Economic Planning and Coordination	33	24	27.3	0
Economic Policy Development	20	15	25	0
Economic Development and Dialogue	14	11	21.4	1
TOTAL	129	112*	13.2	3

**By the 31 March 2012, 107 officials had been appointed and a further 8 had accepted offers of employment from the Department (start date 1 April 2012)*

TABLE 3.2 – Employment and vacancies by salary bands, 31 March 2012

Salary band	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Skilled (Levels 3-5) permanent	6	6	0	2
Highly skilled production (Levels 6-8) permanent	24	24	0	1
Highly skilled production (Levels 6-8) contract	3	3	0	0
Highly skilled supervision (Levels 9-12) permanent	22	15	31.8	0
Highly skilled supervision (Levels 9-12) contract	30	30	0	
Senior management (Levels 13-16)	33	23	30.3	0
Senior management (Levels 13-16) contract	11	11	0	
Total	129	112*	13.2	3

**By the 31 March 2012, 107 officials had been appointed and a further 8 had accepted offers of employment from the Department (start date 1 April 2012)*

TABLE 3.3 – Employment and vacancies by critical occupation, 31 March 2012

Critical occupations	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Administrative related	36	29	19.4	3
Financial and related professionals,	13	13	0	0
Head of department/ Executive management	3	1	66.7	0
Human resources clerks,	7	7	0	0
Human resources related,	7	6	14.3	0
Information technology related,	4	3	25	0
Secretaries & other keyboard operating clerks	5	5	0	0
Senior managers,	10	11	8.52	0
Economist & other related profession,	42	37	11.9	0
TOTAL	125	112*	13.2	3

**By the 31 March 2012, 107 officials had been appointed and a further 8 had accepted offers of employment from the Department (start date 1 April 2012)*

4. Job Evaluation

The Public Service Regulations, 1999 introduced job evaluation as a way of ensuring that work of equal value is remunerated equally. Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. This was complemented by a decision by the Minister for the Public Service and Administration that all SMS jobs must be evaluated before 31 December 2002.

The following table (Table 4.1) summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

TABLE 4.1 – Job Evaluation, 1 April 2011 to 31 March 2012

Salary band	Number of posts	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded			Posts downgraded	
Skilled (levels 3-5)	6	0	0	0	0		0	0
Highly skilled production (Levels 6-8)	27	2	7.4	0	0		0	0
Highly skilled supervision (Levels 9-12)	31	25	80.4	1	4%		0	0

Senior Management Service Band A	28	7	25	0	0	0		0
Senior Management Service Band B	31	4	12.9	0	0	0		0
Senior Management Service Band C	3	1	33.3	0	0	0		0
Senior Management Service Band D	3	0	0	0	0	0		0
Total	125	39	31.2	1	2.6%	0		0

The following table provides a summary of the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

TABLE 4.2 – Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2011 to 31 March 2012

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	0	0	0	0	0
Employees with a disability					0

The following table summarises the number of cases where remuneration levels exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

TABLE 4.3 – Employees whose salary level exceed the grade determined by job evaluation, 1 April 2011 to 31 March 2012 (in terms of PSR 1.V.C.3)

Total Number of Employees whose salaries exceeded the grades determined by job evaluation in 2011/ 12	None

5. Employment Changes

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the department. The following tables provide a summary of turnover rates by salary band (Table 5.1) and by critical occupations (Table 5.2).

TABLE 5.1 – Annual turnover rates by salary band for the period 1 April 2011 to 31 March 2012

Salary Band	Number of employees per band as on 1 April 2011	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Skilled (Levels 3-5)	6	3	1	16.7
Highly skilled production (Levels 6-8)	15	3	2	13.3
Highly skilled supervision (Levels 9-12), Permanent	17	5	1	5.9
Senior Management Service Band A	4	4	2	50
Senior Management Service Band B	10	9	3	30
Senior Management Service Band C	1	0	0	0
Senior Management Service Band D	1	2	1	100
Contract (Levels 6-8), Permanent	6	13	2	33.3
Contract (Levels 9-12)	20	18	9	45
Contract (Band A)	4	0	1	25
Contract (Band B)	7	0	3	42.9
Contract (Band C)	0	0	0	0
Total	91	57	25	27.5

TABLE 5.2 – Annual turnover rates by critical occupation for the period 1 April 2011 to 31 March 2012

Occupation	Number of employees per band as on 1 April 2011	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Administrative related	38	7	6	15.8
Financial and related professionals	5	10	1	20
Human resources clerks	7	1	2	28.6
Human resources related	6	7	1	16.7
Information technology related	2	4	2	100
Other administrat & related clerks and organisers	0	0	0	0
Secretaries & other keyboard operating clerks	5	2	0	0

Senior managers	27	3	4	16
Head of Department/ Executive Management	2	2	1	50
Economist & other related profession	0	21	8	0
Total	91	57	25	27.5

TABLE 5.3 – Reasons why staff are leaving the department

Termination Type	Number	% of Total
Death	1	4
Resignation	13	52
Expiry of contract	6	24
Dismissal - operational changes	0	0
Dismissal - misconduct	0	0
Dismissal - inefficiency	0	0
Discharged due to ill-health	0	0
Retirement	0	0
Transfers to other Public Service Departments	5	20
Other	0	0
Total	25	100
Total number of employees who left as a % of the total employment		21.7

TABLE 5.4 – Promotions by critical occupation

Occupation	Employees as at 1 April 2011	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progressions as a % of employees by occupation
Administrative related	38	4	10.3	6	15.4
Financial and related professionals	5	0	0	1	20
Human resources clerks	7	1	14.3	1	14.3
Human resources related	6	0	0	0	0
Information technology related	2	0	0	0	0
Other administration & related clerks and organisers	0	0	0	0	0
Secretaries & other keyboard operating clerks	5	0	0	0	0

Senior managers	27	1	4	0	0
Head of Department / executive management	2	0	0	0	0
Economist & other related profession	0	2	0	0	0
Total	91	8	8.8	8	8.8

TABLE 5.5 – Promotions by salary band

Salary Band	Employees 1 April 2011	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Skilled (Levels 3-5)	6	0	0	1	16.7
Highly skilled production (Levels 6-8)	21	2	9.5	4	19
Highly skilled supervision (Levels9-12)	37	5	13.5	3	8.1
Senior management (Levels13-16)	27	1	3.7	0	0
Total	91	8	8.8	8	8.8

6. Employment Equity

The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

TABLE 6.1 – Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2012

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	9	1	4	6	8	1	0	2	31
Professionals	16	2	0	2	22	3	1	2	48
Technicians and associate professionals	0	0	0	0	0	0	0	0	0
Clerks	0	0	0	0	0	0	0	0	0
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0

Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	10	0	0	0	22	2	1	1	36
Total	35	3	4	8	52	6	2	5	115*
Employees with disabilities	0	0	0	0	1	0	0	0	1

**By the 31 March 2012, 107 officials had been appointed and a further 8 had accepted offers of employment from the Department (start date 1 April 2012)*

TABLE 6.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2012

Occupational Bands	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top Management	0	0	1	0	0	0	0	0	1
Senior Management	10	2	3	6	9	1	0	1	32
Professionally qualified and experienced specialists and mid-management	9	0	0	2	13	2	1	2	29
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	6	0	0	0	8	1	0	1	16
Semi-skilled and discretionary decision making	10	1	0	0	22	2	1	1	37
Unskilled and defined decision making									
Total	35	3	4	8	52	5	2	5	115

TABLE 6.3 – Recruitment for the period 1 April 2011 to 31 March 2012

Occupational Bands	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top Management	0	0	1	0	0	0	0	0	1
Senior Management	3	0	3	4	3	1	0	0	14
Professionally qualified and experienced specialists and mid-management	1	0	0	1	6	0	1	1	10

Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	6	0	0	0	6	0	0	1	13
Semi-skilled and discretionary decision making	6	0	0	0	11	0	0	0	17
Unskilled and defined decision making	0	0	0	0	2	0	0	0	2
Total	16	0	4	5	28	1	1	2	57
Employees with disabilitiesc	0	0	0	0	0	0	0	0	0

TABLE 6.4 – Promotions for the period 1 April 2011 to 31 March 2012

Occupational Bands	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	1	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	2	0	0	0	3	0	0	0	5
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	2	0	0	0	2
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	2	0	1	0	5	0	0	0	8
Employees with disabilities	0	0	0	0	0	0	0	0	0

TABLE6.5 – Terminations for the period 1 April 2011 to 31 March 2012

Occupational Bands	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top Management	0	0	0	1	0	0	0	0	1
Senior Management	1	0	0	2	3	1	1	1	9
Professionally qualified and experienced specialists and mid-management	1	0	0	0	3	0	0	1	5
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	2	1	0	0	1	0	0	1	5
Semi-skilled and discretionary decision making	1	0	0	0	4	0	0	0	5
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	5	1	0	3	11	1	1	3	25
Employees with disabilities	0	0	0	0	0	0	0	0	0

TABLE 6.6 – Disciplinary action for the period 1 April 2011 to 31 March 2012

	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Disciplinary action	0	0	0	0	0	0	0	0	0

TABLE 6.7 – Skills development for the period 1 April 2011 to 31 March 2012

Occupational categories	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Legislators, senior officials and managers	6	0	1	2	5	0	0	0	14
Professionals	9	1	0	1	12	2	1	2	28
Technicians and associate professionals	4	0	0	0	19	1	1	0	25
Clerks	2	0	0	0	2	0	0	0	4
Service and sales workers	0	0	0	0	0	0	0	0	0

Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	0	0	0	0	0	0	0
Total	21	1	1	3	38	3	2	2	71
Employees with disabilities	0	0	0	0	1	0	0	0	1

7. Performance Rewards

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability (Table 6.1), salary bands (table 6.2) and critical occupations (Table 6.3).

TABLE 7.1 – Performance Rewards by race, gender, and disability, 1 April 2011 to 31 March 2012

	Beneficiary Profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee
African	7	88	7.9	163	R 23285
Male	2	36	5.5	30	R 15000
Female	5	52	9.6	133	R 26600
Asian	0	6	0	0	0
Male	0	4	0	0	0
Female	0	2	0	0	0
Coloured	1	9	11.1	67	R 67000
Male	0	4	0	0	0
Female	1	5	20	67	R 67000
White	0	12	0	0	0
Male	0	6	0	0	0
Female	0	6	0	0	0
Employees with a disability	0	1	0	0	0
Total	8	115	6.9	R 230	R 28750

TABLE 7.2 – Performance Rewards by salary bands for personnel below Senior Management Service, 1 April 2011 to 31 March 2012

Salary Bands	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employee	% of total within salary bands	Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
Skilled (Levels 3-5)	1	8	12.5	11	R 11 000	3.1
Highly skilled production (Levels 6-8)	4	28	14.3	58	R 14 500	2
Highly skilled supervision (Levels 9-12)	3	45	4.4	161	R 53666	3
Total	8	81	9.6	230	R 28750	2,6

TABLE 7.3 – Performance Rewards by critical occupations, 1 April 2011 to 31 March 2012

Critical Occupations	Beneficiary Profile			Cost	
N/A	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Administrative Related	4	30	13.3	63	15750
Economists	0	37	0	0	0
Finance and Economics related	0	0	0	0	0
Financial and related professionals	1	13	7.7	6	6000
Head of department/ chief executive officer	0	1	0	0	0
Human Resource and organisation development and related profession	0	0	0	0	0
Human resource clerks	0	7	14.3	18	18000
Human resource related	1	6	16.7	29	29000
Information technology related	0	3	0	0	0
Light vehicle drivers	0	0	0	0	0
Messengers porters and deliverers	0	2	0	0	0
Other administration and related clerks and organisers	0	0	0	0	0

Secretaries and other keyboard operating clerks	2	5	40	132	66000
Senior Managers	0	11	0	0	0
Trade/industry advisers and other related profession	0	0	0	0	0
Total	8	115	69	230	28750

TABLE 7.4 – Performance related rewards (cash bonus), by salary band, for Senior Management Service

Salary Band	Beneficiary Profile			Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within band			
Band A	0	0	0	0	0	0
Band B	0	0	0	0	0	0
Band C	0	0	0	0	0	0
Band D	0	0	0	0	0	0
Total	0	0	0	0	0	0

8. Foreign Workers

The tables below summarise the employment of foreign nationals in the department in terms of salary bands and by major occupation. The tables also summarise changes in the total number of foreign workers in each salary band and by each major occupation.

TABLE 8.1 – Foreign Workers, 1 April 2011 to 31 March 2012, by salary band

Salary Band	1 April 2011		31 March 2012		Change	
	Number	% of total	Number	% of total	Number	% change
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	1	100	2	50	1	33.3
Senior management (Levels 13-16)	0	0	2	50	2	66.7
Total	1	100	4	100	3	100

TABLE 8.2 – Foreign Worker, 1 April 2011 to 31 March 2012, by major occupation

Major Occupation	1 April 2011		31 March 2012		Change	
	Number	% of total	Number	% of total	Number	% change
Professional and managers	1	100	4	100	3	100
Total	1	100	4	100	3	100

9. Leave Utilisation for the period 1 January 2011 To 31 December 2011

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave (Table 9.1) and disability leave (Table 9.2). In both cases, the estimated cost of the leave is also provided.

TABLE 9.1 – Sick leave, 1 January 2011 to 31 December 2011

Salary Band	Total days	% days with medical certification	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Skilled (Levels 3-5)	30	53.3	5	8.1	11	11
Highly skilled production (Levels 6-8)	104	59.6	23	37.1	8	54
Highly skilled supervision (Levels 9-12)	67	37.3	22	35.5	6	95
Senior management (Levels 13-16)	28	50	12	19.4	5	84
Total	229	69.4	62	100	4	244

TABLE 9.2 – Disability leave (temporary and permanent), 1 January 2011 to 31 December 2011

Salary Band	Total days taken	% days with medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0	0	0

Highly skilled supervision (Levels 9-12)	0	0	0	0	0	0
Senior management (Levels 13-16)	0	0	0	0	0	0
Total	0	0	0	0	0	0

Table 9.3 summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

TABLE 9.3 – Annual Leave, 1 January 2011 to 31 December 2011

Salary Bands	Total days taken	Average per employee	Number of employees who took leave
Lower skilled (Levels 1-2)	0	0	0
Skilled Levels 3-5)	32	11	3
Highly skilled production (Levels 6-8)	256	13	19
Highly skilled supervision (Levels 9-12)	190	15	13
Senior management (Levels 13-16)	267	12	23
Contract (Levels 3-5)	20	5	4
Contract (Levels 6-8)	126	11	11
Contract (Levels 9-12)	296	10	29
Contract (Levels 13-16)	81	12	7
Total	1268	12	109

TABLE 9.4 – Capped leave, 1 January 2011 to 31 December 2011

Salary Bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2010
Skilled Levels 3-5)	0	0	0
Highly skilled production (Levels 6-8)	0	0	1
Highly skilled supervision (Levels 9-12)	0	0	25
Senior management (Levels 13-16)	0	0	49
Total	0	0	75

The following table summarises payments made to employees as a result of leave that was not taken.

TABLE 9.5 – Leave payouts for the period 1 April 2011 to 31 March 2012

Reason	Total Amount (R'000)	Number of Employees	Average payment per employee
Leave payout for 2011/12 due to non-utilisation of leave for the previous cycle	26	2	13000
Capped leave payouts on termination of service for 2011/12	229	9	25444
Current leave payout on termination of service for 2011/12	98	9	10889
Total	353	20	17650

10. Health and Wellness

TABLE 10.1 – Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
N/A	N/A

TABLE 10.2 – Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		Mr Molefe Matsomela, Chief Director: Human Resource Management
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		The department has three staff members within the unit. The unit does not have a dedicated budget for this purpose, however funding is sourced from the budget of the Chief Directorate: Human Resource Management component

3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	X		The department has entered into an MoU with the dti for sharing the services of the clinic within the campus. The service provider for EAP services has been appointed and the services will be implemented fully during the next financial year.
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	X		The Employee Health and Wellness Committee has been established and it comprises of the following members: Mr JM Matsomela, Mr KZ Momeka, Ms B Tabane, Ms P Mkhungo, Ms M M ageza and Ms B Dludla.
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		The HIV status of prospective employees is not requested at any stage of the recruitment process.
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.		X	
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	X		The department participated in the Health and Wellness programmes of the dti and 14% of employees took part in the HIV Counselling and testing programme.
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.		X	

11. Labour Relations

The following collective agreements were entered into with trade unions within the department.

TABLE 11.1 – Collective agreements, 1 April 2011 to 31 March 2012

Total collective agreements	None

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

TABLE 11.2 – Misconduct and disciplinary hearings finalised, 1 April 2011 to 31 March 2012

Disciplinary hearings - 2011/12	None

TABLE 11.3 – Types of misconduct addressed at disciplinary hearings

Type of misconduct	None

TABLE 11.4 – Grievances lodged for the period 1 April 2011 to 31 March 2012

Total number of grievances lodged	None

TABLE 11.5 – Disputes lodged with Councils for the period 1 April 2011 to 31 March 2012

Total number of disputes lodged	None

TABLE 11.6 – Strike actions for the period 1 April 2011 to 31 March 2012

Total number of person working days lost	None

TABLE 11.7 – Precautionary suspensions for the period 1 April 2011 to 31 March 2012

Number of people suspended	None

12. Skills Development

This section highlights the efforts of the department with regard to skills development.

TABLE 12.1 – Training needs identified 1 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of employees as at 1 April 2011	Training needs identified at start of reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	6	0	5	0	5
	Male	13	0	3	0	3
Professionals	Female	15	0	14	0	14
	Male	19	0	10	0	10
Technicians and associate professionals	Female	16	0	12	0	12
	Male	5	0	4	0	4
Clerks	Female	20	0	0	0	0
	Male	5	0	2	2	4
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0

Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0
	Male	0	0	0	0	0
Sub Total	Female	57	0	0	0	0
	Male	42	0	0	0	0
Total		99	0	50	2	52

TABLE 12.2 – Training provided 1 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of employees as at 1 April 2011	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	6	0	4	1	5
	Male	13	0	3	0	3
Professionals	Female	15	0	7	3	10
	Male	19	0	6	1	7
Technicians and associate professionals	Female	16	0	8	0	8
	Male	5	0	2	0	2
Clerks	Female	20	0	2	0	2
	Male	5	0	2	2	4
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0
	Male	0	0	0	0	0
Sub Total	Female	57	0	21	4	25
	Male	42	0	13	3	16
Total		99	0	34	7	41

13. Injury on Duty

The following table provides basic information on injury on duty.

TABLE 13.1 – Injury on duty, 1 April 2011 to 31 March 2012

Nature of injury on duty	Number	% of total
Required basic medical attention only	0	0
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
Total	0	0

14. Utilisation of Consultants

There were no consultants appointed during the reporting period.

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