

Annexure A: Table 1: Recommendations and management response from the Department of Science and Technology

	RECORD OF AGREEMENT OR DISAGREEMENT	REASONS FOR DISAGREEMENT
Recommendations to enhance the governance of the incentive system		
<p>Recommendation 1: Establish an Inter-Governmental Incentives Coordinating Committee (IGICC). This committee should include the National Treasury, DTI, DST, SARS and the DPME.</p>	Agree with recommendation	
<p>Recommendation 2: The Government Business Incentives Evaluation Steering Committee will develop the terms of reference of the IGICC for approval by Cabinet. The primary role of the IGICC is to develop a National Incentives Policy Framework.</p> <p>This National Incentives Policy Framework must be informed by existing policy priorities for example, the National Development Plan and the Industrial Policy Action Plan, and in the least serve to:</p> <ul style="list-style-type: none"> • Define the specific types of interventions to be governed by the National Incentives Policy Framework. • Articulate the economic rationale and the resulting design principles for different types of incentives. • Prioritise (and ideally reduce) the policy objectives that individual incentives are expected to fulfil. • Seek to consolidate the number of incentives that are available, under a smaller number of well-functioning departments or agencies. • Set specific criteria to be used in the review of all existing incentives and the evaluation of all planned incentives. 	<p>Agree with recommendation.</p> <p>Once approved by Cabinet the proposed new White Paper on Science, Technology and Innovation should inform the national incentive policy framework.</p>	

<ul style="list-style-type: none"> • Describe the process to be applied in the review of all existing incentives and the evaluation of all planned incentives. • Determine minimum standards for the budgeting, administration, accounting, monitoring and evaluation of incentives. • Establish roles and responsibilities, including coordination and information-sharing mechanisms. • Seek to obtain international, domestic and independent expertise in an advisory capacity 		
<p>Recommendation 3: Given the economically sensitive nature of incentives a Communications Plan should be developed by Cabinet for immediate public release. This should outline the overall review process, governance arrangements, proposed action plan and timelines and offer assurance to the market that no immediate changes are envisaged.</p>		<p>Partly agree with the recommendation. It is not clear why Cabinet should develop a communication plan for this evaluation project.</p> <p>However, the idea of having adopting a communication plan as this will promote transparency and policy certainty around incentives and the review process underway.</p>
<p>Recommendation 4: Based on the National Incentive Policy Framework, the National Treasury should develop a methodology for evaluating the motivation for and the associated economic costs and benefits of new and existing incentives, relative to alternative policy options. All applications for new incentives should be assessed against the National Incentives Policy Framework, in accordance with the methodology developed by the National Treasury. Moreover, any changes to existing incentives should be subject to such an assessment, and over the next three years, all business incentives should be reviewed against the National Incentive Policy Framework.</p>	<p>Agree with recommendation.</p>	
<p>Recommendation 5: Based on the National Incentives Policy, the National Treasury, in collaboration with the DPME, should develop minimum annual reporting requirements for all government incentives, including on expenditure, incentive outputs and on all agreed measures of economic or social outcomes. This information should be published in the</p>	<p>Agree with recommendation.</p> <p>Furthermore, all major incentives must be required to produce annual reports based on the adopted reporting requirements for all government incentives.</p>	

<p>annual reports of the responsible department or agency and consolidated in the annual Budget Review.</p>		
<p>Recommendation 6: A single register of all beneficiary firms should be developed to be administered by the National Treasury or SARS. All departments and agencies should be required to report information to this register, and the register should be made accessible to all relevant departments and their agencies. Moreover, consideration should be given to making part of the register of beneficiaries (i.e. company names) accessible for public scrutiny.</p>	<p>Agree with recommendation for establishing a single register of all beneficiary firms</p> <p>Note that for some incentives amendments to existing legislative provisions will be required to remove restrictions on information sharing in the manner recommended, e.g. the R&D tax incentive administered under Section 11D of the Income Tax Act.</p>	
<p>Recommendation 7: The IDICC should oversee the appointment of a service provider to design and develop a comprehensive and on-line grant and document management system, which can be used for the administration of all DTI incentives; and by extension, can be made available for the use by any other Department or Agency involved in the delivery of incentives. In developing the system, the service provider should review existing systems across government and identify opportunities for re-use, expansion or collaboration to minimise costs. The system should enhance the administration of incentives and meet minimum reporting and financial management (PFMA) requirements. Consideration should be given to utilising the National Treasury or alternatively the DTI as the procurement / contracting party.</p>		<p>The development of an on-line grant and document management system is supported. Before developing a new system, it is proposed that an information sharing workshop be hosted for incentive managers to exchange information about the existing IT systems. This can be systems that are currently in use and those that are under development. Starting from this base may save resources if an existing systems can be identified what can be scaled up to the level recommended here. It will be valuable if draft functional specifications can be developed against which incentive managers can benchmark their existing systems – as part of preparation for the information sharing workshop.</p> <p>Two points are not clear:</p> <p>Firstly, it is not clear why an IT solution proposed in recommendation 6 (single register of all beneficiary firms) and recommendation 7 (on-line grant and document management system) are presented separately. A single IT system can be designed to have both these functionalities.</p> <p>Secondly, it is not clear how the IGICC is going to appoint a service provider. Appointment of a service provider should be assigned to a specific department. The DTI is the most</p>

		appropriate place for this work to be initiated, given that it hosts most of the incentives, in terms of number and value.
Recommendations to enhance the evaluation of the incentive system		
Recommendation 8: The DPME should review the status and the depth of all internal and external evaluations , across all of the incentives identified in this study (with budgets of more than R 100 million per year). Those incentives that have not yet been subjected to an independent evaluation should be prioritised for inclusion in the national evaluation plan.	Agree with recommendation	
Recommendation 9: All departments responsible for the administration of business incentives (existing and new) should develop a comprehensive monitoring and evaluation framework , and sufficient resources should be made available for monitoring and evaluation in programme budgets. Based on the National Incentives Policy Framework, the DPME should issue guidelines to assist departments in the design and implementation of M&E frameworks, and to advise on appropriate costs.		M&E plans are important. However, given the budget constraints, it may be economical for the DPME to work with officials in the departments to assist them in developing M&E plans. Recommendation 5 (adopting and enforcing minimum standards for annual reporting by all major incentives) can partly address the issue that Recommendation 9 seeks to address.
Recommendation 10: All ex-ante assessments and ex-post evaluations of new or existing incentives should be made public.	Agree with recommendation	
Recommendations to enhance the application of the Public Finance Management Act Agree with recommendation		
Recommendation 11: The National Treasury (including the Budget Office, Public Finance, Office of the Chief Procurement Officer and the Account General), in collaboration with the Auditor General, should develop a practice note to the Public Finance Management Act setting out clear guidance as to the treatment of incentives to assist departments in budgeting for and managing incentives over multiple financial years, and to	Agree with recommendation	

<p>clarify accounting, reporting and verification requirements. Specifically, this must address the significant risk incentives face with respect to the current roll-over process and ensure the availability of contracted funding amounts.</p>		
<p>Recommendations to review components of the incentive system Agree with recommendation</p>		
<p>Recommendation 12: The National Treasury, in collaboration with SARS, should undertake a review of all of the tax incentives identified in this study and assess whether they are still relevant, effective and efficient. In undertaking this review reference should be made to the findings and recommendations of the Davis Tax Commission.</p>	<p>Agree with recommendation Furthermore, the terms of reference/ scoping document for the review should be developed in consultation with the departments responsible for administration of the tax incentives.</p>	
<p>Recommendation 13: The Department of Science and Technology, in consultation with the DTI, should undertake a review of South Africa’s overall support offering for the commercialisation of research and development, including policies and programmes to advance the digital economy, compared to international best practice. Specific attention should be given to the use of demand-side incentives to encourage the up-take and spread of new technologies.</p>	<p>Agree with recommendation</p>	
<p>Recommendation 14: The Department of Higher Education and Training should introduce a common budget and programme reporting framework for all SETAs; and should establish a mechanism through which the SETAs can share ideas and collaborate on skills initiatives that are currently delivered by individual SETAs but could be replicated and delivered more effectively across all sectors.</p>	<p>DST is unable to comment on recommendation 14.</p>	