South Africa's economy has been growing at almost 5% a year for the past several years – 32 consecutive quarters of positive growth. Following the global economic recession, this figure was expected to drop in 2008/09, but will accelerate moderately in 2010 and beyond.

Accelerated and Shared Growth Initiative for South Africa (AsgiSA)

AsgiSA was launched in February 2006. Government and stakeholders identified six "binding constraints on growth" that needed to be addressed to achieve its target of halving unemployment and poverty between 2004 and 2014.

These binding constraints were:

- deficiencies in government's capacity
- the volatility of the currency
- low levels of investment infrastructure and infrastructure services
- shortages of suitably skilled graduates, technicians and artisans
- insufficient competitive industrial and service sectors and weak sector strategies
- inequality and marginalisation, resulting in many economically marginalised people being unable to contribute to and/or share in the benefits of growth and development (the Second Economy).

AsgiSA has also identified particular sectors of the economy for accelerated growth, such as:

- chemicals
- metals beneficiation, including the capital-goods sector
- creative industries (crafts, film, content and music)
- clothing and textiles
- durable consumer goods
- wood, pulp and paper.

Joint Initiative for Priority Skills Acquisition (Jipsa)

Jipsa, the skills-empowerment arm of AsgiSA, was launched in 2006.

Jipsa is a specific initiative within government's wider AsgiSA strategy, aimed at addressing the skills shortage and achieving a 6% growth rate, which is seen as key to halving poverty and unemployment by 2014. Jipsa is a joint initiative by social partners, including government, business, labour, and key role-players, such as the higher and further education and training sectors. Jipsa is not an implementing agency and as such does not directly train people.

Based on the priorities of AsgiSA, Jipsa's identified work areas are:

- high-level world-class engineering and planning skills for the network industries, and the transport, communications and energy sectors
- city, urban and regional planning and engineering skills desperately needed by South African municipalities
- artisan and technical skills, with those needed for infrastructure development enjoying priority.

In 2008, Department of Labour figures reflected an increase in the number of artisans in training. The 2007/08 service-level agreements (SLAs) signed between the various sector education and training authorities (Setas) and the Department of Labour reflected a total of 18 879 artisans to be registered.

By mid-2008, provisional Seta SLAs indicated that an additional 20 000 learners were registered for 2008/09. The Department of Education forecasted that the number of engineers graduating from universities would increase from about 1 500 per year to 2 000 per year by 2010.

Various initiatives to increase access of young people to high-quality education and skills acquisition are in place, such as teacher training for Mathematics, Science, information and communications technology (ICT) and language competence. One of the key initiatives is the transformation of further education and training (FET) colleges, by making them centres of the skills revolution offering outcome-based training. The participation of youth in urban, rural and farm areas is enhanced by the bursary scheme of R600 million over a three-year period to enable young people to access training opportunities at FET colleges.

Skills relevant to the local economic development needs of municipalities, especially developmental economists are also addressed.

The Government works with several provinces in recruiting for Jipsa placement opportunities. Provinces such as the Eastern Cape, Western Cape, Gauteng and KwaZulu-Natal have formed Jipsa offices that place unemployed graduates within government. KPMG employed 80 accounting trainees between 2006 and 2008, and half of them were rural unemployed graduates.

Another important Jipsa project that is creating opportunities for rural communities is

Siyenza Manje, implemented by the Development Bank of Southern Africa (DBSA). By mid-2008, the project saw 118 professionals placed at 101 municipalities. The project includes the Young Professionals Development Programme, which has seen 50 young graduates recruited and deployed in municipalities.

Economic indicators

Domestic output

South Africa's real gross domestic product (GDP) rebounded in the second quarter of 2008 and expanded at an annualised rate of 4,9%, following sluggish growth at a rate of only 2,1% in the first quarter.

This improvement in growth in the second quarter of 2008 reflected strong increases in the real value added by the primary and secondary sectors, which comfortably offset a further moderation in real output growth of the tertiary sector over the period.

The quarter-to-quarter change in the real value added by the primary sector rebounded from an annualised rate of decline of 13,9% in the first quarter of 2008 to a rate of increase of 16,9% in the second quarter. Real output of the mining sector, in particular, recovered in the second quarter of 2008, following a sharp contraction in the preceding quarter.

Real output growth in the agricultural sector edged higher from the first to the second quarter of 2008. Favourable weather conditions for field-crop production, combined with a marked increase in the acreage planted, resulted in higher output volumes over the period.

The size of the commercial maize crop was expected to increase from 7,1 million tons (Mt) in the 2006/07 production season to 11,6 Mt in the 2007/08 season.

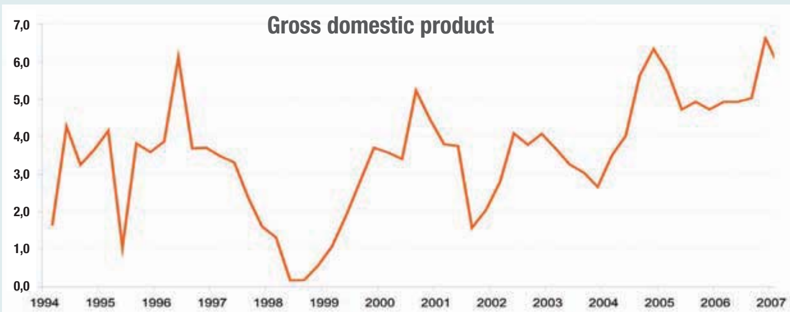
The real value added by the mining sector recovered some of its earlier losses in the second quarter of 2008 and rose at an annualised rate of 15,6%, following a contraction of 25,1% in the first quarter. On a year-on-year basis, however, real output of the mining sector still contracted in the second quarter. Production of gold, diamonds, coal and platinum increased in the second quarter of 2008, notwithstanding the fact that the mines had to operate at power levels fluctuating between 90% and 95% of their earlier electricity requirements.

The more stable supply of electricity and favourable commodity prices more than offset the loss of production due to continuing, but fewer, safety-related shutdowns over the period.

Having increased at an annualised rate of only 1% in the first quarter of 2008, the real value added by the secondary sector expanded at a rate of 12,3% in the second quarter, primarily due to the improved performance of the manufacturing sector.

Subsequent to a decline of 1,0% in the first quarter of 2008, output in the manufacturing sector expanded at an annualised rate of 14,5% in the second quarter. The improved performance of the sector could partly be attributed to base effects, following the subdued level of production in the preceding quarter. The increase in production was especially pronounced in the subsectors for food and beverages, and petroleum and petroleum-related products.

While production in the manufacturing sector recovered in the second quarter of 2008, it coincided with a further drop in business confidence levels. The utilisation of production capacity in the manufacturing sector receded from 85,4% in the first quarter of 2008 to 85,1% in the second quarter – slightly below the recent peak of 86,5% registered in the second quarter of 2007.



Source: *Development Indicators 2008*

The real value added by the sector supplying electricity, gas and water contracted marginally to a negative rate of 1,3% in the second quarter of 2008, compared with a strong decline at an annualised rate of 6,2% in the preceding quarter.

Exports of electricity to neighbouring countries were lower in the second quarter of 2008 than during the first quarter, while the volume of imported electricity increased during this period. Even though the average coal stockpiles at power stations still fell short of the targeted 20 days of supply, the supply of coal to Eskom and the availability of electricity improved considerably. However, a mild winter contributed to lower electricity demand in the second quarter.

Activity in the construction sector remained extremely buoyant considering that the real value added by the sector increased at an annualised rate of 10,6% in the second quarter of 2008, lower than the rate of 14,9% recorded in the first quarter. This moderation in growth reflected deteriorating conditions in the residential and non-residential building sectors, as developers increasingly felt the strain of higher interest rates and mounting inflationary pressures. The activity of the civil construction sector held up well in both quarters.

The pace of growth in the real value added by the tertiary sector slowed from 4,2% in the first quarter of 2008 to 1,4% in the second quarter, mainly reflecting notably slower growth registered in the trade sector.

The real value added by the trade sector, which increased at an annualised rate of 3,6% in the first quarter of 2008, declined at a rate of 2,2% in the second quarter – the first contraction since the third quarter of 2001. Slower output growth in the retail and motor trade subsectors was the main contributor to the weaker growth. Tighter credit conditions and inflationary pressures negatively affected consumer spending and consumer confidence levels in the second quarter of 2008.

Real output growth in the transport, storage and communications sector increased from an annualised rate of 3,5% in the first quarter of 2008 to 4,1% in the second quarter. Increased activity in both the transport and communications subsectors boosted performance in the sector.

Growth in the real value added by the finance, insurance, real-estate and business services sector decelerated from 4,9% in the first quarter of 2008 to 2,3% in the second quarter, following weaker growth in the subsector for finance. Likewise, activity in the real-estate sector tapered off somewhat.

The real value added by the general government sector decelerated noticeably from growth at an annualised rate of 4,6% in the first quarter of 2008 to 1,1% in the second quarter.

Domestic expenditure

In contrast to the rebound in growth in real domestic production in the second quarter of 2008, aggregate real gross domestic expenditure contracted at a rate of 4,2% over the same period.

This reversal in growth was brought about by substantially slower growth in all components of domestic final demand. In addition, real inventories were depleted over the period.

Growth in final consumption expenditure by households continued on a downward trend from its quarter-to-quarter peak registered in the first quarter of 2007. Having increased at an annualised rate of 3,3% in the first quarter of 2008, growth in household spending slowed to 1,2% in the second quarter, led by a sharp decline in the demand for durable goods.

In addition, real outlays on semi-durable and non-durable goods abated over the period.

A contraction in demand for personal transport equipment – mainly new motor vehicles – restricted growth in total spending on durable goods in the second quarter of 2008.

Spending on furniture, household appliances and on medical equipment also lost considerable momentum over the period. This moderation in spending was, however, partly countered by an increase in spending on durable recreational and entertainment goods. As a result, real expenditure on durable goods contracted at a rate of 14,9% in the second quarter of 2008, compared with a decline of 8,1% in the preceding quarter.

The declining demand for new motor vehicles reflected the confluence of overall slower economic activity, reduced income growth, high household debt levels, tighter credit conditions and rising fuel prices.

A contraction in spending on motor-car tyres, parts and accessories, together with subdued demand for clothing and footwear, resulted in slower growth in real expenditure on semi-durable goods in the second quarter of 2008. Real spending on the other subcategories of semi-durable goods also either slowed or contracted, causing growth in overall household expenditure on semi-durable goods to slow to a rate of 2,4% in the second quarter, compared with an increase of 10,5% in the first quarter of 2008.

Growth in real expenditure on non-durable goods slowed from an annualised rate of 3,0% in the first quarter of 2008 to less than half a percent in the second quarter. Private consumer demand for household fuel and power, medical and pharmaceutical products, and petroleum products contracted over the period. In addition, demand for all other categories of non-durable goods decreased. Increased prices of most of these components were particularly responsible for declining trends in real outlays on these items.

Quarter-to-quarter growth in real household expenditure on services increased from an annualised rate of 4,3% in the first quarter of 2008 to 6,5% in the second quarter. Spending on household services and transport and communications services more than offset decreased spending in the other categories over the period.

Growth in real disposable income of households eased from 2,6% in the first quarter of 2008 to an annualised rate of 2,0% in the second quarter. This moderation in growth was reflected in sustained growth in compensation of employees and slower growth in net income from property. Consistent with the slower pace of growth in consumer spending and the prevailing tighter credit conditions, growth in credit extended to households lost momentum in the second quarter of 2008.

As the pace of debt accumulation by households tapered off in the second quarter of 2008, the ratio of household debt to disposable income slowed notably to 76,7% during the second quarter of 2008 from 78,2% in the first quarter. However, the ratio of debt-service cost to disposable income of households rose from 11,3% in the first quarter of 2008 to 11,6% in the second quarter.

After increasing at a buoyant rate of 12,8% in the first quarter of 2008, real final consumption expenditure by general government turned around and declined at a rate of 1,4% in the second quarter. This contraction partly reflected the statistical effect of the high base set in the first quarter, when growth was boosted by the acquisition of a submarine in terms of government's Defence Procurement Programme.

Real gross fixed capital formation remained buoyant, although the pace of growth slowed from an annualised rate of 16,9% in the first quarter of 2008 to 9,1% in the second quarter. Capital investment by all institutional sectors moderated over the period.

Having increased at an annualised rate of 11,2% in the first quarter of 2008, growth in real fixed capital outlays by private business enterprises slowed to 9,9% in the second quarter. With the exception of the construction and commerce sectors, capital investment moderated in all other subsectors of the private sector over the period.

The upgrading of freeway networks provided further impetus to investment by contractors. Consumer demand, although subdued, continued to provide an incentive for the further expansion of retail space and, accordingly, gave rise to further growth in real fixed outlays by the commerce sector. In the agricultural sector, the acquisition of agricultural machinery proceeded briskly against the background of favourable product prices, increased production volumes and late summer rains.

Real fixed capital expenditure by public corporations remained quite strong and increased to an annualised rate of 9,9% in the second quarter of 2008. While investment expenditure in the sector supplying electricity, gas and water maintained its upward momentum to address electricity-supply constraints, the transport sector also advanced real capital investment in the second quarter of 2008. The refurbishment of coaches to improve rail services in particular contributed to increased investment in rail infrastructure.

Growth in gross fixed capital formation by general government decelerated in the second quarter of 2008. This slowdown in investment spending was evident among all three tiers of government. Provincial governments have broadly maintained their capital investment in addressing provincial infrastructural backlogs. Although real capital spending on transport equipment tapered off in the second quarter of 2008, the demand for trucks was supported by various infrastructural projects.

Real inventory investment reversed from an accumulation of R9,8 billion in the first quarter of 2008 to an inventory depletion of R6,8 billion in the second quarter. In part, the slower pace of inventory accumulation could be attributed to a

According to Ernst & Young, merger and acquisition activity rose sharply in South Africa in 2007, with total deal volumes up 81% over the previous year and the top 10 deals coming in at R208,1 billion, a 51,5% increase over the top 10 deals of 2006. Black Economic Empowerment was one of the main drivers.

reduction in inventories in the mining and manufacturing sectors. Since the maize-harvesting season started, the delivery of maize to silos has been giving rise to real inventory accumulation in the trade sector by increasing the agricultural stocks-in-trade. Real inventory investment subtracted 4,7 percentage points from growth in real gross domestic expenditure in the second quarter of 2008, compared with a positive contribution of 5,8 percentage points in the first quarter.

Price inflation

The steps taken by the Reserve Bank to bring down inflation are working. Inflation was projected to fall within the target range by the end of 2008 and to average 4,9% in 2009.

Overall consumer price inflation increased to 4,7% in 2006 and 7,1% in 2007.

Year-on-year CPIX inflation (consumer price index less mortgage interest rate) rose from 6,3% in April 2007 to 8,9% in January 2008 and 10,1% in March 2008.

The annual rate of increase in CPIX food prices stood at 13,6% in January 2008 compared to 8,3% in January 2007. During the course of 2007, food prices increased by more than 10%. The prices of basic foodstuffs such as maize, wheat, soyabeans and rice increased as a result of changing climatic conditions and rising demand.

Year-on-year headline inflation or the CPI stood at 10,6% in March 2008. Statistics South Africa ascribed the higher rate partly to a rise in the year-on-year CPI for food from 7,7% in March 2007 to 15,3% in March 2008.

CPIX inflation breached the upper band of the inflation target range between April 2007 and March 2008, for 12 consecutive months.

However, some factors were still of concern, necessitating continued vigilance in the application of anti-inflationary policy. These included:

- high and volatile international crude oil prices
- high grain prices due to adverse weather conditions, low inventories of agricultural goods and higher food prices
- uncertainty concerning exchange-rate developments
- salary and wage settlements being significantly in excess of the inflation target range
- possible second-round effects of the above-mentioned factors
- fairly high rates of money supply and private credit-extension growth alongside continued buoyancy in domestic demand conditions
- increases in certain administered prices in excess of the inflation target range.

In March 2008, South Africa's rating of 63,2% ranked it 52nd globally on the Heritage Foundation 2008 Index of Economic Freedom.

According to Century 21 South Africa – the local chapter of the world's largest real estate brand – the index, which covers 162 countries, took 10 specific freedoms into account.

These were business, trade, fiscal, freedom from government, monetary, investment, property, rights, labour and freedom from corruption.

In a country-by-country analysis, South Africa was rated above average in seven of the 10 areas and its overall score was much higher than the regional average.

South Africa ranked third-highest on the continent, behind Botswana and Mauritius, which placed it in the "mostly free" category.

According to the index report, the country's financial system was the most advanced in Africa and government had been working to increase the transparency of commercial regulations.

Exchange rates

After declining notably during the first quarter of 2008, the nominal effective exchange rate of the Rand recovered some of its losses during the second quarter. On balance, the weighted average exchange rate of the Rand increased by 3,6% from the end of March 2008 to the end of June 2008.

The strengthening of the domestic currency mainly occurred during April and May and was probably supported by the further tightening of the country's monetary policy. In addition, the continuation of the international credit-market turmoil during the second quarter probably helped to attract investors' excess funds to South Africa's financial markets in search of higher yields.

During June 2008, the exchange value of the Rand declined in response to a lower-than-anticipated interest rate increase by the Monetary Policy Committe (MPC) and the announcement of a larger-than-expected current-account deficit in the first quarter of 2008.

The depreciation of the nominal effective exchange rate of the Rand in June 2008 was further aggravated by a ratings agency's decision to change the outlook for South Africa's long-term issuer default rating from positive to stable. Despite lower international prices of certain commodities, and partly supported by the rebound in domestic output during the second quarter 2008, the exchange rate of the Rand strengthened by 7,8% from June 2008 to August.

Following a decline of 15,4% during the first quarter of 2008, the real effective exchange rate of the Rand increased by 7,5% in the second quarter. On balance, the inflation-adjusted effective exchange rate of the Rand declined by 9% in the first half of 2008.

The net average daily turnover in the domestic market for foreign exchange declined from US$17,3 billion in the first quarter of 2008 to US$17,1 billion in the second quarter. Non-resident investor participation in the spot market decreased gradually over the period.

Foreign trade and payments

The deterioration in the current-account deficit was mainly attributed to continued strong import demand, which coincided with relatively weak growth of merchandise exports. The trade deficit consequently widened from R26,7 billion in the fourth quarter of 2007 to R61,4 billion or 2,8% of GDP in the first quarter of 2008. Net service, income and current transfer payments to the rest of the world continued to grow in the first quarter of 2008.

Having increased by 4,8% in the fourth quarter of 2007, the volume of merchandise exports shrank by 7,2% in the first quarter of 2008. Despite the general slowdown in the global economic activity, the international demand for South African mining products such as coal, platinum, base metals and gold remained strong.

The volume of manufactured exports advanced further in the first quarter of 2008, mainly due to the exportation of motor vehicles made possible by ongoing investment spending in the motor manufacturing industry.

Notable increases in the international prices of certain South African export commodities, alongside the depreciation of the Rand, raised rand prices of merchandise exports by 16% from the fourth quarter of 2007 to the first quarter of 2008. The turmoil in global financial markets and lower production volumes led to an increase of almost 20% in international commodity prices. The value of merchandise exports consequently advanced by 7,7% in the first quarter of 2008, following an increase of 6,8% in the final quarter of 2007.

The export proceeds of South African gold producers edged higher by 2,2% in the first quarter of 2008, primarily due to a 32,6% increase in the average realised Rand price of gold, which more than offset a contraction of almost 23% in the physical quantity of net gold exports over the period.

On the London market, the fixing price of gold rose by 17,5% from US$789 per fine ounce in the fourth quarter of 2007 to US$927 per fine ounce in the first quarter of 2008. In mid-March 2008, the gold price momentarily rose above US$1 000 per fine ounce before receding to marginally below US$900 per fine ounce by the end of May 2008. The gold price was buoyed by United States (US) dollar weakness and rising energy prices. Vibrant domestic demand continued to support growth in import volumes.

The physical quantity of imported goods advanced by 3,4% in the first quarter of 2008, after virtually no growth in the preceding quarter. Despite the higher growth, the country's import penetration ratio, which had fluctuated around 27,5% in the final three quarters of 2007, remained unchanged in the first quarter of 2008.

Alongside the depreciation of the Rand, the average price level of imported goods rose by 9% in the first quarter of 2008. The outcome of the rise in import prices and import volumes culminated in a relatively sharp increase of 12,7% in the value of merchandise imports in the first quarter of 2008.

The negative imbalance on the service, income and current transfer account with the rest of the world widened in the first quarter of 2008, albeit at a slower pace, to record a deficit of R133,2 billion.

Interest and dividend payments in 2007 and the first quarter of 2008 accounted for more than 40% of total service, income and current transfer payments compared with an average ratio of 34% during the period 2004 to 2006.

South Africa's terms of trade improved considerably in the first quarter of 2008 after deteriorating somewhat in the previous quarter. Although the depreciation in the exchange value of the Rand inflated the Rand price of merchandise imports, the renewed increase in international commodity prices caused export prices to accelerate at a considerably faster pace.

The Industrial Development Corporation has launched a R1-billion scheme to finance emerging entrepreneurs. The scheme seeks to eliminate problems in the funding process. Some R400 million has been earmarked for female entrepreneurs and R50 million for the disabled.

Department of Trade and Industry

The aim of the Department of Trade and Industry is to lead and facilitate access to sustainable economic activity and employment for all South Africans.

The department also aims to catalyse economic transformation and development, and to provide a predictable, competitive, equitable and socially responsible environment for investment, enterprise and trade for economic citizens. In this way, the department contributes to achieving government's vision of an adaptive and restructured economy, characterised by accelerated economic growth, employment creation and greater equity by 2014.

To contribute to greater shared growth in the country, the department is pursuing the goals of:

- significantly progressing Broad-Based Black Economic Empowerment (BBBEE)
- increasing the contribution of small enterprises to the economy
- contributing towards providing accessible, transparent and efficient access to redress
- contributing towards building skills, technology and infrastructure platforms from which enterprises can benefit
- increasing market-access opportunities for, and export of, South African goods and services
- increasing the overall level of direct investment, as well as investment in priority sectors
- repositioning the economy in higher value-added segments of value matrices in knowledge-driven manufacturing and services
- contributing towards the economic growth and development of the African continent within the New Partnership for Africa's Development (Nepad) framework
- building an efficient, effective and accessible organisation to achieve these outcomes.

These strategic objectives are achieved through the collective effort of the department's divisions and agencies that generate public value for economic citizens, and deliver products and services for clients and stakeholders.

These products and services include policy, legislation and regulation, finance and incentives, information and advice, and partnerships.

The department also achieves these objectives by pursuing a more targeted investment strategy, improved competitiveness of the economy, broadening the economic participation of historically disadvantaged individuals (HDIs) in the mainstream economy and ensuring policy coherence.

Broadening economic participation

Several of the department's programmes aim to bridge the economic divide and broaden economic participation by HDIs.

The Enterprise Business Unit is responsible for creating an enabling environment for small, micro, medium-sized and co-operative enterprises to contribute to the country's GDP and unemployment.

This responsibility entails the development of a legislative framework, policies, strategies and programmes aimed at lowering the barriers to entry and stimulating the participation of these enterprises in all sectors of the economy.

The unit implements its mandate through a range of institutions directly funded by the Department of Trade and Industry, and is responsible for evaluating and monitoring the performance of such institutions.

These institutions include:

- The South African Micro-Finance Apex Fund (Samaf) provides micro-finance to small and medium-sized enterprises (SMEs) through a network of financial intermediaries across South Africa. Samaf provides a framework for development micro-finance industry norms and standards, including sustainable lending methods. By May 2008, Samaf had distributed about R8,2 billion, benefiting about 9 000 savers and 1 700 SMEs.
- Khula Enterprise Finance is a key agency representing the interests of SMEs for access to lending through a network of both the public and private-sector partners.
- The Small Enterprise Development Agency (Seda) provides small enterprises around South Africa with a one-stop non-financial support service. It is supporting 26 incubators through the Seda Technology Programme.
- The Black Business Supplier Development Programme (BBSDP) disbursed over R86 million in the past four years
- The Isivande Supplier Fund was launched in March 2008. The fund aims to provide affordable enterprise loans, ranging from R30 000 to R5 million.

Other programmes include:

- implementing new policy and legislation to promote the development of co-operative enterprises
- implementing the BBBEE Strategy, focusing on the codes of good practice, the sector

charters and the establishment of the BEE Advisory Council
- introducing a specific strategy to empower women

Targeted investment strategy

The Investment Promotion and Facilitation business unit within Trade and Investment South Africa (Tisa) is mandated to develop and implement a targeted investment promotion and facilitation strategy. The strategy covers a range of issues that are important to fulfilling the Department of Trade and Industry's mandate of increasing the value of inward foreign direct investment (FDI), and is designed to target and focus interventions in this arena. The strategy is also explicitly aligned with the National Industrial Policy Framework (NIPF). It focuses on identifying and promoting specific investment opportunities in particular sectors, regions and products, rather than taking the generic approach of marketing South Africa as an attractive investment destination.

This will require a more co-ordinated approach to investment promotion by national, provincial and local government. Achieving this will be a priority in the first year of the Medium Term Expenditure Framework (MTEF) period.

The unit is dedicated to promoting investment opportunities, marketing investment projects, providing guidance with plant/site locations, especially in the industrial development zones (IDZs), and inputting into policy formulation by providing investment information.

The facilitation of investments involves arranging investment missions, including travel itineraries; improving the platform for the introduction of investors to key stakeholders in private and public sectors; introducing investors to potential joint-venture partners and black economic partnerships; providing advice and guidance on the prevailing regulatory environment; offering assistance with work-permit applications; providing logistical support for relocation; and a dedicated aftercare service.

South Africa's global positioning and integration

International Trade and Economic Development (ITED)

The ITED division of the Department of Trade and Industry aims to provide trade-policy leadership to contribute to South Africa's economic development. The ITED programme aims to strengthen trade and investment links with key economies, promote a strong and equitable multilateral trading system and foster African economic integration and development in line with Nepad.

The policy and programme developments in international trade development include:
- implementing the Southern African Customs Union (Sacu)-European Free Trade Area (EFTA) free trade agreement (FTA)
- concluding trade negotiations with Mercosur, a trading bloc consisting of Argentina, Brazil, Paraguay and Uruguay
- initiating preferential trade negotiations with India
- administrating various binational commissions (BNCs) with other governments
- advancing trade and economic development integration in the Southern African Development Community (SADC)
- ongoing participation in the Doha Round of trade multilateral negotiations in the World Trade Organisation (WTO)
- ongoing analysis of trade threats and opportunities
- offering policy oversight of the International Trade Administration.

African economic development

ITED has a strong developmental focus in its engagement with Africa. Partnerships with key countries on the continent are of strategic importance. South Africa's economy is inextricably connected to the southern African region, and the region's economic prospects are linked to the economic recovery of the continent. Nepad is the internationally agreed framework for the socio-economic development of the continent.

At a continental level, South African investment and trade with African countries has increased dramatically since 1994. Africa is now South Africa's fourth-largest export destination. South African investments in southern Africa alone totalled R14,8 billion in 2001. Trade with the rest of Africa totalled about R50 billion in 2007 and increased to R108 billion in 2007 with exports amounting to R68 billion and imports to about R40 billion. In the same year, South Africa's trade in the SADC region totalled some R68 billion with exports reaching R44 billion and imports R24 billion.

The following areas have been prioritised:
- infrastructure and logistics (roads, ports, etc.)
- energy

- information and communications technology (ICT)
- water and waste management
- transport
- construction
- oil and gas infrastructure
- agribusiness
- mining
- human-resource development (HRD).

During meetings of the World Economic Forum (WEF) for southern Africa, the formation of a business forum for southern Africa was announced to take advantage of investment opportunities in the region.

New Partnership for Africa's Development

The Department of Trade and Industry is among the key departments identified in South Africa to facilitate and implement the aims and objectives of Nepad. The department therefore acts as a catalyst for trade and economic development on the continent to alleviate poverty. Nepad recognises the need for infrastructure, industrial and skills development, and its impact on the continent's ability to become fully integrated into the global economy.

The department contributes to the Nepad agenda by mobilising the necessary support from relevant stakeholders internally and externally, and providing leadership and strategic guidance on trade and economic issues. The South African Government assists African countries in export diversification by promoting investment in infrastructure and industrial projects.

The Department of Trade and Industry, through its engagement with continental structures such as the African Union Commission (AUC) and the Nepad Secretariat, strongly advocates for finding African solutions to African problems and identifying partners to contribute to the continental development agenda.

One such programme is the African Peer Review Mechanism, which is a voluntary self-assessment tool that aims to encourage countries to adopt policies to promote good governance, democracy and high economic growth. It also encourages countries to share experiences in terms of best practice.

The department also supports the AUC and the Nepad Secretariat in the area of regional economic integration, which is a vehicle to ensure economies of scale, effective allocation of resources and larger markets in the region and on the continent. The framework for regional economic integration is contained in the Abuja Treaty.

The Abuja Treaty calls for the establishment of an African Economic Community to take place over a period of 34 years. Member states of the African Union (AU) should work towards eliminating overlapping memberships of regional economic communities; harmonising business laws, and industrial and tax policies; and establishing common standards and customs procedures.

Other important vehicles through which the continental developmental agenda is advanced are through South-South co-operation initiatives such as the China-Africa Forum and the New Asian African Strategic Partnership.

The acceleration of South-South trade and investment is one of the most significant features of recent developments in the global economy. South-South co-operation is premised on the concept that developing countries can capitalise on each other's strengths because of the alignment of their development goals.

This, however, does not preclude North-South co-operation, where developed and developing countries work in partnership to address Africa's developmental needs.

These include discussions and initiatives from the G8 and the European Union (EU)-Africa partnership.

Southern African Development Community

The SADC comprises Angola, Botswana, the Democratic Republic of Congo (DRC), Lesotho, Malawi, Madagascar, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

South Africa took over the chair of the SADC in August 2008. During the SADC Summit, the FTA was launched.

The theme of the SADC FTA is: "SADC FTA for Growth and Wealth Creation".

The FTA provides preferential space towards regional business and its citizens by opening up opportunities for investment by reducing market risk and transaction costs, and creating a network of regional businesses interconnection.

The FTA is a vital stepping stone towards a SADC Common Market, where the movement of people would be unrestricted and free.

Freeing trade in the region will create a larger market, releasing the potential for trade, economic growth and employment creation.

South Africa supports the establishment of a dedicated focal point within the Trade, Industry, Finance and Investment Directorate at the SADC Secretariat to co-ordinate the customs union programme and to ensure coherence between the activities of the Technical Working Group and other SADC structures.

Southern African Customs Union

Sacu consists of Botswana, Lesotho, Namibia, South Africa and Swaziland. The Sacu Secretariat is located in Windhoek, Namibia.

Sacu was established in 1910, making it the world's oldest customs union. It was administered by South Africa through the 1910 and 1969 agreements. The customs union collected duties on local production and customs duties on members' imports from outside Sacu. The resulting revenue was allocated to member countries in quarterly instalments using a revenue-sharing formula.

Negotiations to reform the 1969 agreement started in 1994, and a new agreement was signed in 2002. The new arrangement was ratified by Sacu heads of state.

The economic structure of the union links the member states by a single tariff and no customs duties between them. The member states form a single customs territory in which tariffs and other barriers are reduced substantially on all the trade between the member states for products originating in these countries. There is a common external tariff that applies to non-members of Sacu.

The landmark FTA between Sacu and the EFTA, comprising Iceland, Liechtestein, Norway and Switzerland, became operational on 1 May 2008.

Sacu signed a Trade, Investment and Development Co-operation Agreement with the USA in April 2008 and a Preferential Trade Agreement with Mercosur was concluded in June 2008.

The agreement manages and facilitates trade in industrial products, fish and other marine products, and processed agricultural products. Trade in basic agricultural products is governed by bilateral agreements with each of the EFTA states, the latter of which are party to the FTA. Most industrial goods, including fish and other marine products, now benefit from duty-free access to the EFTA states. The importation of products into Sacu will benefit greatly from the steady elimination of customs duties over a transitional period of time.

Trade with Europe

Trade relations with Europe, particularly with the European Union (EU), are pivotal to South Africa's economic development. The Trade, Development and Co-operation Agreement (TDCA) with the EU forms a substantial element of South Africa's reconstruction and development.

By August 2008, the United Kingdom (UK), Germany, Netherlands, Spain and Belgium were among South Africa's top 10 export destinations. Germany, the UK, Italy and France are among the top 10 countries from which South Africa's imports originate.

Since 2001, Germany has been South Africa's largest source of imports, showing annual growth of 18,5% between 2007 and 2008. In 2008, South Africa's biggest trade partner was The Netherlands.

European Union

The TDCA, which was provisionally implemented on 1 January 2000 and came into force on 1 May 2004, provides for the establishment of an FTA between South Africa and the EU. The TDCA commits South Africa to grant duty-free access to 86% of EU imports over a period of 12 years, while the EU will liberalise 95% of South Africa's imports over a 10-year period.

This agreement is expected to contribute towards the restructuring of the South African economy and its long-term economic growth. It covers trade and trade-related issues, development and economic co-operation, and political dialogue.

It also provides a legal framework for ongoing EU financial assistance on grants and loans for development co-operation, amounting to R900 million per year. Statistics compiled by the South African Revenue Service (Sars) show that the tariff preferences in the agreement are being used increasingly.

The historic South Africa-EU Summit, which took place within the context of South Africa-EU strategic relations was held in Bordeaux, France, in July 2008.

The EU is the world's largest trading bloc and generates about 30% of global GDP and 20% of global trade flows. It is the world's biggest aid donor to poor countries, contributing about half of global aid.

Implementation of the TDCA's trade provisions has been underway since 2000 with the aim of establishing a FTA between South Africa and the EU by 2012.

Total trade increased over five-fold, from R56,5 billion in 1994 to R313 billion in 2007.

In 2007, South Africa's exports to the EU-15 amounted to R137 billion. The EU ranked as South Africa's number one exporting region in 2007. South Africa's total imports from the EU-15 amounted to R176 billion in 2007, also ranking number one.

Europe remains the principal source of FDI in South Africa, accounting for around 80% of total FDI in 2005. Additionally, the EU accounted for about 66% of net foreign investment in South Africa in 2003 and 2004, and in 2005 the EU's share of the total assets held by foreigners in South Africa amounted to about 60%.

The EU is South Africa's largest development partner, representing about 70% of all overseas development assistance, with South Africa earmarked to receive 980 million euro between 2007 to 2013. The European Investment Bank has also approved a loan mandate of 900 million euro for South Africa.

The South Africa-EU TDCA continues to serve as the foundation of interaction between South Africa and the EU. The EU had proposed that South Africa enters into a strategic partnership, which it also has with countries such as Russia, India, Brazil. This partnership provides for the focus on broadening the political dialogue between South Africa and the EU, apart from the existing sound and good bilateral relations and the focus on trade and economic issues.

The Americas

North America

The USA is one of South Africa's leading trading partners. The country ranks second after Japan as a destination of South African exports and is third – after Germany and China – as a source of imports.

The trade balance with the USA changed from a deficit of R0,7 billion to a surplus of R1,1 billion in June 2008. Exports increased from R5,5 billion to R7,7 billion and imports increased from R6,2 billion to R6,6 billion. South Africa is a beneficiary of the USA's generalised system of preferances (GSP), which grants duty-free treatment to over 4 650 products. At the same time, South Africa is one of 38 beneficiaries of the Africa Growth and Opportunity Act (AGOA), which was promulgated in May 2000. In terms of the AGOA, 1 783 more products were added to the existing GSP products for duty-free treatment.

Although the AGOA was initially due to lapse in 2008, the US Government consented to requests by African countries, and extended the measure to 2015 under what is called the AGOA III amendments. Along with other member states of Sacu, South Africa has begun negotiations with the USA to enter into a trade investment development co-operation agreement, intended to provide a framework for deepening Sacu's trade and investment relations with that country.

Canada

Another significant trading partner in the Americas is Canada. Since the lifting of sanctions in 1994, bilateral trade between South Africa and Canada increased from R904 million in 1993 to R6,6 billion in 2006. South Africa is a beneficiary of Canada's General Preferential Tariff (GPT). GPT rates range from duty-free to reductions in the most favoured nation (MFN) rates.

Furthermore, South Africa and Canada have a memorandum of understanding (MoU) relating to the export of clothing and textile products to that country. The MoU allows a certain amount of clothing and textile products from South Africa to enter the Canadian market at a better-than-MFN tariff rate.

Additionally, over the past three years, an annual consultation forum was established to discuss matters of mutual interest in South Africa's relations with Canada. The forum has also become an important basis for strengthening trade relations.

Latin America

South Africa's major trading partners in Latin America are Brazil, Argentina, Chile, Mexico, Colombia and Peru. Most trade is with Brazil and Argentina, which are members of the Mercusor trade bloc. A framework agreement committing South Africa and Mercusor to an FTA was signed in 2000.

Asia

The trade deficit with Asia increased from R8,3 billion to R9,0 billion in June 2008. Exports to

Asia increased by R1,3 billion to R17,9 and imports increased by R1,9 billion to R26,9 billion.

South-east Asia and Australasia

Bilateral trade with south-east Asia, particularly the Association of South-East Asian Nations (Asean) members, increased rapidly from a low base in 1990. Asean presents South Africa with a potential market in excess of 520 million people.

Within the region, key partners for South Africa include Singapore, Thailand, Indonesia, Malaysia, Vietnam and the Philippines.

Between 2007 and 2008, exports grew by 39,8%. Imports grew by 9,1%.

In an effort to further expand engagement with the region, the Department of Trade and Industry is undertaking a number of joint trade committees with key Asean partners to expand trade and investment relations with the region.

Australia has always featured as a well-known partner for South Africa in the region.

North-east Asia

In 2008, South Africa and the People's Republic of China (PRC) celebrated 10 years of diplomatic relations.

The PRC is a key partner for South Africa in north-east Asia. The PRC's influence in the global economy has changed significantly in the last few decades as its share of international trade has increased, with China becoming a pillar of global economic growth.

The two countries engage regularly on economic issues through mechanisms such as the Joint Economic and Trade Committee. Research and discussions among key stakeholders domestically and within Sacu are continuing towards assessing the possibility of preferential negotiations with China.

South Africa is China's key trade partner in Africa, accounting for 20,8% of the total volume of China-Africa trade in 2007 figures. Total trade between South Africa and the PRC amounted to approximately R88 billion (about US$13 billion if the Rand/Dollar exchange rate for the end of December 2007 is taken into account) for the year 2007.

According to the abovementioned statistics, total trade between the PRC and South Africa increased from about R60,7 billion in 2006 to R88,3 billion in 2007. This represents an overall increase of about 45% if the total value of trade for the 2006 and 2007 years are compared.

Total trade between South Africa and Hong Kong amounted to about R7,4 billion for 2007, with a trade balance of about R1,8 billion in South Africa's favour.

China is the fifth-largest export destination for South Africa and offered the second-largest import market for the 2007 year.

Beyond bilateral and regional initiatives, South Africa and the PRC also co-operate in multilateral forums, including in the WTO, in the G20 and Non-Agricultural Market Access 11 groupings (Nama-11), based on shared developmental perspectives.

Japan is South Africa's largest trading partner in Asia and is among South Africa's top overall trading partners. The South Africa-Japan Partnership Forum is designed to strengthen bilateral ties between the two countries. The forum meets regularly and explores new initiatives aimed at expanding relations.

South Asia

India is a key partner for South Africa in South Asia, and total trade has been increasing rapidly since 1994. In March 2008, India was South Africa's 10th-biggest trade partner.

South Africa and India enjoy strong historical ties, which have translated into a firm political commitment. In light of these shared historical links, closer economic ties are being fostered using initiatives such as the Joint Ministerial Commission and through business engagements.

Developments in building economic relations with India are also expanding to include partners in Sacu, as reflected in the Sacu ministers' undertaking to pursue preferential trade area negotiations with India.

South Africa and India work closely in the India-Brazil-South Africa (IBSA) Forum. IBSA is not solely an economic initiative, but rather an undertaking by countries with shared interests in a multilateral system to address equitably political, social and economic matters.

This trilateral economic co-operation is informed by the reality that trade between the three countries is still relatively low, while further analysis reveals that there is considerable scope to increase trade volumes and expand the range of traded products between the three markets. In essence a more fundamental aim than the development of a giant trading bloc, the trade and investment undertakings under IBSA seek to cultivate and unleash the host of missed opportunities that exist.

South Africa also co-operates with India in the multilateral arena in areas of common interest in the WTO, most notably the G20 and Nama-11, as well as in other forums.

The South Africa-Pakistan Joint Commission serves as the platform from which trade and investment initiatives with Pakistan can be introduced.

Multilateral economic relations

The WTO, in partnership with the Bretton-Woods Institutions, the World Bank and the International Monetary Fund, has been setting the parameters for and directing the economic development policies of governments around the world.

This has had serious implications for the content, evolution and trajectory of economic development strategies being pursued by developing countries, including South Africa.

It is imperative for South Africa to influence and shape the configurations of the emerging system of global governance to address the needs and concerns of the developing world.

This is best done by participating actively and effectively in all multilateral forums, to ensure that South Africa's particular economic interests and developmental goals and objectives, as well as those of the African continent, are taken into account.

The Department of Trade and Industry, the New Partnership for Africa's Development (Nepad) Business Foundation and the Department of Foreign Affairs, in partnership with the Nepad and Southern African Development Community (SADC) secretariats, hosted a Nepad-SADC Infrastructure Projects Conference in Sandton, Johannesburg, on 8 August 2008.

The conference aimed to analyse regional integration within each development corridor, namely the North-South Corridor, to which Botswana, the Democratic Republic of Congo (DRC), South Africa, Zambia and Zimbabwe are party, and the Central Corridor, comprising Burundi, DRC, Rwanda, Tanzania and Uganda, to monitor and evaluate the status of projects and identify proactive actions for their successful implementation.

Subjects under discussion included the prioritisation of infrastructure projects for immediate action, and defining modalities for the establishment of effective and action-oriented public-private partnerships.

A key outcome of the conference was the development of a concrete plan of action targeting specific projects to be pursued by the private sector, in collaboration with the relevant authorities and interested parties.

United Nations Conference on Trade and Development (Unctad)

Unctad is an important resource organisation for South Africa and the African continent. The main goals of the organisation are to:

- Maximise the trade, investment and development opportunities of developing countries.
- Help developing countries face challenges arising from globalisation and integration into the world economy equitably. Such assistance is pursued through research and policy analyses, intergovernmental deliberations, technical co-operation and interaction with civil society and the business sector.

Unctad focuses on assisting developing countries to prepare for mandated and possible future negotiations in the WTO.

Unctad holds a conference every four years to set its priorities and guidelines, and to provide an opportunity to debate key economic and development issues.

Member states gathered in São Paulo, Brazil, in June 2004 for Unctad's 11th Ministerial Conference, which closed with the adoption of the Spirit of São Paulo Declaration and the São Paulo Consensus. These provide more detail on the role of Unctad in a globalising world.

The Spirit of São Paulo Declaration recognises that most developing countries, especially African and other least-developed countries, have remained on the margins of the globalisation process, and that there is a need to focus on the ability of international trade to contribute to poverty alleviation.

The São Paulo Consensus focuses on:

- development strategies in a globalising world
- building productive capacities and international competitiveness
- assuring development gains from the international trading system and trade negotiations
- fostering partnerships for development.

World Trade Organisation

South Africa regards its membership of the WTO as important because of the enhanced security and certainty in the multilateral trading system that WTO rules provide.

The country is an active participant and contributor towards a strengthened multilateral trading system, whose benefits are equitably distributed across the world community. South Africa wants to participate in shaping global governance to ensure beneficial and full integration of its economy, as well as those of other developing nations, into the global trading system.

South Africa's efforts to build an alliance of developing countries within the WTO, based on a common approach and consensus on key issues, bore fruit late in 2001, when an agreement was reached to launch a new round of trade negotiations, this time with a developmental agenda.

The WTO Doha Development Agenda set the work programme of the WTO in 2003/04. However, the work slowed down considerably after the fifth WTO Ministerial Conference held in Cancun, Mexico, in September 2003, when WTO members failed to reach agreement on key developmetal issues due to irreconcilable positions between developed and developing countries.

A positive outcome of the Cancun meeting was the formation of a grouping of developing countries known as the G20, which succeeded in pushing for significant reforms in agricultural trade, which the developed world strongly opposed. The failure to reach agreement in Cancun showed that developing countries are now participating more effectively in the WTO to ensure they also benefit from the rule-based trading system and globalisation. The G20 has become an important player in the Doha Development Agenda to ensure that the needs and concerns of the developing world are addressed.

After the failure of Cancun to agree on a work programme for continued Doha Development Agenda negotiations, the G20 highlighted agricultural reform as an important development tool. The group was also trying to narrow the differences between developed and developing countries to put the Doha negotiations back on track.

In July 2008, trade ministers from 30 countries gathered in Geneva, Switzerland, in another bid to reach agreement under the Doha Development Agenda. A few weeks later, world leaders met again in New York on Africa's special development needs and on the millennium development goals.

South Africa continues to favour the speedy conclusion of a developmental outcome to the Doha Round, to advance the interests of developing countries.

The G20 comprises Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela and Zimbabwe.

World Economic Forum

The WEF is a global investment forum and is held in different parts of the world. The WEF engages global leaders in business, and leaders of various countries in partnerships to shape global, regional and industry agendas. The forum discusses pertinent international issues, which include promoting Africa's growth, the impact of China and India's growth on other emerging economies, and climate change and its impact.

The 18th annual WEF on Africa was held in June 2008 in Cape Town.

Trade and Investment South Africa

A central task of the Department of Trade and Industry is to promote value-added exports and attract investment. The vision is one of a restructured and adaptive South African economy, characterised by growth, employment and equity (regional, spatial, gender and racial).

Tisa is a division of the Department of Trade and Industry and has a national mandate to develop the South African economy, focusing on facilitating and promoting investment and exports.

Tisa's mission is to provide strategic vision and direction so as to increase the level of direct investment flow, and to develop South Africa's capacity to export into various targeted markets.

Export development and promotion

Tisa is responsible for developing and promoting South African goods and services. It contributes directly towards the objectives of the Department of Trade and Industry by:

- identifying, researching and promoting market-access opportunities for South African exporters
- facilitating exports by matching potential exporters with foreign buyers
- developing and helping South African exporters to promote their products by providing non-financial support.

Promoting and facilitating investment

Tisa is responsible for attracting FDI, and developing and promoting investment by domestic and foreign investors. It offers:

- information on investing and the business environment in South Africa
- detailed sector information
- direct government support in the form of investment incentives
- investment facilitation and aftercare.

Export promotion and development

This area of the economy remains a challenge that is being addressed by the implementation of the Export Strategy that was approved in 2006. The aim of the strategy is to ensure that South African exports maintain their market share in traditional markets, and substantially increase their market share in prioritised, new high-growth markets through aggressive marketing and a larger exporter community.

To accomplish this, the focus has been on developing and expanding the local export community and culture, while also promoting South African products abroad through missions, pavilions and the use of the network of foreign offices.

Tisa's purpose is to increase South Africa's capacity to export by developing and implementing strategies for targeted markets, increase the level of direct investment flow and manage the department's network of foreign offices.

Objectives and measures are to:

- promote awareness of investment opportunities in South Africa by conducting three international investment conferences, 95 investment presentations, six South African exhibitions (pavilions) and five ministerial or presidential missions by March 2009
- improve the capacity of new exporters by training 200 new small exporters, reaching 2 000 customers and distributing 3 000 publications by March 2009
- promote South African products in targeted high-growth markets by conducting six international trade initiatives and 25 pavilions, and fund 50 trade missions through export councils and provincial investment-promotion agencies by March 2009
- facilitate markets for southern African products and services by promoting and implementing eight export projects in targeted countries by March 2009.

Enterprise and industry development

The Department of Trade and Industry's Enterprise and Industry Development Division's (EIDD) purpose is to provide leadership in the development of policies and strategies that create an enabling environment for competitiveness, equity and enterprise development.

The EIDD will contribute to realising the department's strategic objectives by:

- creating an enabling environment for all enterprise forums, including co-operatives, to prosper
- providing a framework to enable participation of women and black people in the economic mainstream
- identifying new geographic areas for greater economic stimulation
- providing a framework for industry norms and standards, including sustainable production methods
- influencing policy developments in skills building, technology and infrastructure
- providing policy direction in emerging sectors and repositioning the economy in higher-value segments to achieve competitiveness.

The EIDD has three business units, namely:

- Competitiveness and Industrial Development
- Enterprise Development
- Equity and Empowerment.

Incentives include the:

- Small Medium Enterprise Development Programme (SMEDP)
- Skills Support Programme
- Critical Infrastructure Programme (CIP)
- IDZs
- Foreign Investment Grant (FIG)
- Strategic Investment Programme.

The IDZs have been linked to the major international airports and to ports. By mid-2008, they existed at Coega, in East London, Richards Bay in KwaZulu-Natal and in the IDZ linked to OR Tambo International Airport in Gauteng.

The IDZs operate by providing particular infrastructure. The opportunities of concentration around that infrastructure are orientated particularly towards export activity. They offer duty-free entry of input, which is then used to manufacture products that are exported in a special customs administration arrangement.

A range of other incentives have also been developed in the IDZs. The Department of Trade and Industry, together with its partners in MinMec, have identified a need for a significant review of the operation of IDZs and for a new IDZ Act to be presented.

Among other things, the IDZ policy needs to deal with issues of governance, defining more clearly the roles of national government, of the province, of local government as well as of the authorities established to run particular IDZs.

There is a need for a clear funding stream and an incentive programme for IDZs. The Department of Trade and Industry lifted the moratorium on new IDZs, and the Mafikeng IDZ business plan was prepared.

By July 2008, other potential IDZs at the Kruger National Park Airport, at the Dube Trade Port and at the Harrismith Freight and Logistic Hub were being prepared.

The department has developed and discussed with MinMec another model to encourage broader spatial economic development, called special economic zones (SEZs) or regions. A number of candidates for SEZ status were identified, including the Mzimbuvo Development Zone in the Eastern Cape, the Northern Cape Diamond Hub, the Wadeville Industrial Corridor in Gauteng, the Durban Clothing and Textile SEZ, the agroprocessing SEZ in Mpumalanga, an SEZ for agroprocessing in the Western Cape, and a metal SEZ in KwaZulu-Natal.

The other key measure that has been developed since 1994 to promote more equitable spatial economic development has been the strategic development initiative or corridor programmes. These are programmes related to particular infrastructure developments such as road or transport links, which package together a series of investment opportunities linked to those infrastructural investments.

The Enterprise Organisation (TEO)

The Department of Trade and Industry's TEO provides incentives to stimulate or catalyse investment in infrastructure, HRD, integrated manufacturing and related activities, small-business development, specific regions, and technology and innovation.

A number of incentives are provided to both large and small businesses to improve their competitiveness. These include incentives under the SMEDP, the Competitiveness Fund, the Sector Partnership Fund and the BBSDP.

Several incentive programmes administered by the Department of Trade and Industry have made a vital contribution to growing industrial and services sectors, and SMEs.

The SMEDP has been the leading incentive, with 11 309 projects approved since its inception in 2000, and R12,7 billion in incentive value, of which R2,3 billion has been disbursed. From April 2006 to April 2008, 2 501 projects were approved for a R2,96-billion incentive value, of which over R6 000 million was disbursed.

The Enterprise Investment Programme comprises two distinct subprogrammes: the Tourism Support Programme (TSP) and the Manufacturing Investment Programme.

By July 2008, the Critical Infrastructure Programme had 19 projects approved with a qualifying investment value of R32 billion and an infrastructure investment of R9,2 billion. A related programme to support industrial infrastructure, the IDZ programme has also been attracting growing investment, and is valued at over R28 billion.

Workplace Challenge Programme

This supply-side programme of the Department of Trade and Industry (administered by the National Productivity Institute [NPI]) assists enterprises and industries to improve their productivity and competitiveness.

The programme focuses on improving workplace collaboration, adopting world-class manufacturing practices and disseminating best practices.

National Industrial Participation Programme (NIPP)

The conclusion of the NIPF and its endorsement by Cabinet in 2007 was a landmark achievement in the department's work on industrial development. The NIPF serves as a guide and an integrator of the Department of Trade and Industry's work in support of AsgiSA goals. It also plays a significant role in enabling co-ordination of government's Programme of Action (PoA); and focused partnerships and co-operation with the private sector, industry and labour, in tackling the challenges of industrial development.

Capital/transport equipment and metals, automotives and components, chemicals, plastic fabrication and pharmaceuticals, forestry, pulp and paper and furniture have been identified as four lead sectors in which growth interventions and key actions will be undertaken.

The focus of the work on industrial development will be on sectoral action plans, which will be prioritised and implemented within the framework of government's PoA for the Economic Cluster. Significant progress has been made in finalising key sector strategies, with some being targeted for implementation during the 2007/08 financial year (e.g. chemicals and pharmaceuticals, automotives, metals and capital equipment, forestry, pulp, paper and furniture, and clothing and textiles).

Implementation of business process outgoing (BPO) and tourism strategies is ongoing. The development and implementation of sector strategy interventions will be a continuous process, with priorities determined for each period, to ensure the broadest possible stimulation of growth and employment in the manufacturing and services sector.

The chemicals and allied industries, and the metals and engineering sectors summit agreements were signed in April 2008. These agreements serve as a framework within which government, business and labour engage in the pursuit of sustainable solutions to constraints affecting the sectors.

The NIPP has been a key contributor to industrial development, and by July 2008 some 150 projects had been implemented, involving US$7,5 billion in investments and exports and 12 000 direct jobs created.

There are two elements to the NIPP in South Africa, those emanating from non-defence procurements and those from defence procurement. The Department of Trade and Industry manages the NIPP, which becomes effective once the foreign content of a procurement, purchase or lease contract of government departments and parastatals exceeds US$10 million, in which case an NIPP obligation of 30% on the foreign content will be attracted.

The NIPP focuses on national objectives, mainly in the commercial environment. The objectives of the NIPP include fast-tracking investment, fostering partnerships in research and development and creating market opportunities for locally manufactured goods abroad.

By early 2008, the total value of NIPP obligations being monitored was estimated at more than US$15 billion. The programme has benefited South Africans by US$12,6 billion over the last 10 years as a consequence of the country's Strategic Defence Procurement and other government purchases.

This includes investment credits estimated at US$3,5 billion, with export and local sales, technology transfer, BEE and SMME promotion making up the balance. The benefits cover the areas of BEE, partnerships between participating entities and skills development.

NIPP investments have allowed major new injections of technology and skills transfer into South Africa. The vision of the department regarding stimulating innovation and high-growth sectors, and integrating South Africa as a vital part of high-value global supply chains is being realised.

South Africans have taken raw materials and moved them up the value chain. Mined gold is being turned into jewellery and base metals are used to produce super alloys. The NIPP has opened entirely new markets, sometimes with unique new products.

At the same time, the NIPP has become a major point of leverage for government's wider vision of growth with equity, as expressed in AsgiSA.

Concerted efforts have been made to maximise job creation, involve SMMEs, build BEE-owned enterprises and spread the benefits wherever possible to neglected regions and towns. Partnership projects arising out of the NIPP range from the manufacture of oil rigs for the international market to training opportunities in the nuclear and energy sectors.

Industrial Policy Action Plan (IPAP)

Cabinet adopted the National Industrial Policy Framework (NIPF) as its first action plan in 2007.

In August 2008, progress on sector strategies included:

- the announcement of the first draft outlining the new motor-industry support programme
- in the metals and chemicals sectors, the start of the implementation of National Economic Development and Labour Council (Nedlac) sector agreements reached with industry stakeholders had begun
- the launch of the National Tooling Initiative in support of the capital goods sector
- the development of the Draft Competitive Supplier Development Programmes (CSDPs) for Transnet and Eskom
- the prospected finalisation by the end of 2008 of the tariff review in clothing and textiles, chemicals and aluminium products
- the development of urgent interventions in clothing and textiles in consultation with industry stakeholders

In August 2008, the Minister of Trade and Industry, Mr Mandisi Mpahlwa, unveiled the R600-million Centurion Aerospace Village (CAV), near Pretoria.

The CAV includes Supplier Park Development, which consists of the aeromechanical manufacturing of parts and components that will be supplied to aerospace-related manufacturing.

The Supplier Park is also modelled with similar parks such as the Silicone Valley in California and Toulouse in France. The park is expected to directly create about 1 500 jobs.

The CAV was launched in 2006 to create an aerospace supplier park indicative of South Africa's innovative way of manufacturing. The project seeks to reposition the South African aviation sector to ensure its participation in the global aviation market.

- the achievement of good progress in the implementation of actions in AsgiSA priority sectors, such as the roll-out of the BPO Incentive Scheme and the launch of the TSP
- in forestry, the continuation of work in the Eastern Cape and KwaZulu-Natal and the investigation of new interventions for Mpumalanga and Limpopo.

In the cross-cutting areas identified by the IPAP, progress included a comprehensive review of industrial financing and developing new support programmes, including:

- launching an enterprise investment programme
- launching a film and TV production rebate
- agreement on the structure of tax incentives for industrial policy interventions
- the consideration of the Competition Amendment Bill by Parliament
- the development of a comprehensive trade policy to assure alignment with industrial policy, expected to be completed by the end of 2008
- the establishment of the Technology Innovation Agency.

Cabinet approved the shift to a three-year IPAP that, while retaining annual targets, will be aligned to government planning and budget cycles and allow for a longer time horizon for implementation of industrial policy actions.

Manufacturing

South Africa has developed an established and diversified manufacturing base that has demonstrated resilience and the potential to compete in a global economy. The manufacturing sector provides a locus for stimulating the growth of other activities, such as services and achieving specific outcomes, such as value addition, employment creation and economic empowerment. This platform of manufacturing presents an opportunity to significantly accelerate growth and development.

The Department of Trade and Industry's main functions regarding the manufacturing sector include:

- supporting increased investment in the sector
- enhancing the establishment of new manufacturing entities
- supporting new sustainable and profitable manufacturing entities.

Primary aspects of the Integrated Manufacturing Strategy (IMS) involve:

- improving market access for South African products in key markets
- promoting beneficiation and value addition
- finding ways to harness skills and expertise in South Africa so that they can be sold to other countries.

The IMS identifies the need to capture local knowledge, encourages large corporations and companies to make greater use of small businesses, and promotes greater integration between the different sectors of the economy so that they add value to each other.

The IMS also promotes BEE, small-business development, increased use of ICT, job creation, and a more equitable geographic spread of investment and economic activities.

The automotive industry is one of the key growth sectors that has contributed to the overall economic growth of South Africa. It contributed 7,53% to the country's GDP in 2006.

Growth in this industry can largely be attributed to the Motor Industry Development Programme (MIDP).

Details of a successor programme to the existing MIDP were announced in September 2008.

The Automotive Industry Programme was developed to stimulate production of automotive vehicles and components in South Africa and to encourage the expansion of motor-industry investment and employment. It will provide for:

- stable, moderate tariff protection
- a local assembly allowance, which will allow manufacturers with a plant volume of at least 50 000 units per year to import a percentage of components duty-free
- a production incentive that will be based on production value added
- an automotive investment allowance and company-specific support allowances to support approved programmes in such areas as training and skills development, localisation and research and development.

These elements form the core of the programme. Further work will be done to investigate the possible inclusion of certain components for medium and heavy commercial vehicles.

All stakeholders are satisfied that the new programme will form the basis for sustaining growth, employment and exports of the automotive industry until 2020 in line with government's objectives, in an increasingly competitive global environment.

Competition policy

The Competition Act, 1998 (Act 89 of 1998), promotes competition in South Africa to:

- enhance the efficiency, adaptability and development of the economy
- provide consumers with competitive prices and product choices
- promote employment and advance the social and economic welfare of South Africans
- expand opportunities for South African participation in world markets and recognise the role of foreign competition in the country
- ensure that SMEs have an equitable opportunity to participate in the economy
- promote a greater spread of ownership, in particular by increasing the ownership stakes of HDIs.

The functions of the Competition Commission include investigating anti-competitive conduct in contravention of the Act, assessing the impact of mergers and acquisitions on competition and taking appropriate action, monitoring competition levels and market transparency in the economy, identifying impediments to competition, and playing an advocacy role in addressing them.

The Competition Commission is independent but its decisions may be appealed to the Competition Tribunal and the Competition Appeal Court.

In May 2008, the Competition Amendment Bill was approved by Cabinet and introduced to Parliament.

Small, medium and micro-enterprises

A key focus of the Economic Cluster has been on strengthening integrated state financial and business development support for small enterprises through strengthened institutional mechanisms and more effective co-ordination.

A delivery network, integrating both financial and non-financial support for small enterprises, is complete and covers the entire country.

This network includes Seda, Samaf and Khula as well as departmental programmes to support co-operatives.

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> The Department of Trade and Industry hosted the South African Handmade Collection (SAHC) 2008 trade show from 31 July to 3 August 2008 at Gallagher Estate in Midrand.
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> The intention of the SAHC was to ensure that crafters in the rural areas of South Africa gain access to key markets, to accelerate economic growth and alleviate poverty in the country. The collection is a market-access programme, aligned with the objectives of the Accelerated and Shared Growth Initiative for South Africa.

Some of the projects to support small enterprises include:

- considering improved financial support to small enterprises, including the Khula direct retail finance option
- leveraging procurement to increase demand for goods and services from small enterprises by aligning the Broad-Based Black Economic Empowerment (BBBEE) Codes of Good Practice and the Preferential Procurement Policy Framework Act (PPPFA), 2000 (Act 5 of 2000)
- rolling out the 10 products for government procurement from small enterprises, including support for small enterprises
- setting up the small enterprise procurement call centre with appropriate dedicated resources and protocols across all government departments to ensure 30-day payment to small enterprises
- strengthening the Tourism Enterprise Programme (TEP) to promote tourism development
- giving focus on the status of business-development interventions critical to respond to the challenges of rural enterprising.

By August 2008, an integrated framework for SMMEs support had been presented and approved by the Trade and Industry MinMec and the process of aligning provincial growth and development strategies (PGDS) and integrated development plans (IDPs) had been initiated. This process will ensure that support for small enterprises is prioritised in PGDS and IDPs.

The TEP has been institutionalised into the Tourism Enterprise Partnership. The strategy for enterprise development has been approved and will focus on delivering sustainable jobs, and enterprises and transformation.

Nine areas have been identified as having the potential to enhance competitiveness of South Africa as a destination. A decision has been taken to pilot implementation of enterprise development in the Eastern Cape and KwaZulu-Natal. The focus will be on developing new products and training enterprises.

Communication on second-economy initiatives has seen the printing of the economic opportunities publication and a TV series broadcasted by the South African Broadcasting Corporation.

Institutional support framework

National Small Business Advisory Council (NSBAC)

The NSBAC advises on issues affecting owner-managed businesses.

The 15-member council comprises business owners, academics and international entrepreneurial experts.

Small Enterprise Development Agency

Seda aims to:

- improve geographic outreach
- achieve the desired impact on small enterprises
- provide a single access point for small enterprises
- establish critical partnerships to leverage resources and to enhance its service-delivery model and optimise resource usage
- align government's strategy of service delivery in a coherent manner.

Through Seda offices, entrepreneurs are able to get services, including the development of business plans, technical advice and marketing, as well as information on export support, tenders and incentives.

Seda offices are operational in all nine provinces and by mid-2008 there were 42 branch offices.

Seda also manages the Seda Technology Programme (STP) with an infrastructure of 26 centres in different industrial sectors countrywide to support SMMEs. Over the last three years, this has led to the creation of 154 SMMEs and extended support to 283 SMMEs.

By way of reaching out to enterprises not located in these incubation centres, the Technology Transfer Programme has over the past two years supported 56 technology-transfer interventions to the value of R29,8 million. All these transfers were to second-economy enterprises of which 39% were women-owned.

An incentive targeted at stimulating growth, employment and broadening participation was introduced in July 2008. This was announced by the Minister of Trade and Industry, Mr Mandisi Mpahlwa, at the launch of the Enterprise Investment Programme (EIP) in Pretoria.

The EIP comprises the Manufacturing Investment Programme and the Tourism Support Programme. The programme is accessible to both local and foreign-owned entities wishing to locate their operations in South Africa.

The EIP provides an investment grant of between 15% and 30% towards qualifying investment in plant, machinery and equipment and customised vehicles required for establishing new or expanding existing production facilities or upgrading production capability in existing clothing and textiles operations.

South African Micro-Finance Apex Fund

The Department of Trade and Industry launched Samaf to provide affordable and sustainable access to financial services for the poor. The goal of the fund is to:

- develop sustainable micro-finance institutions that can reach the very poor
- facilitate training for micro-entrepreneurs and financial co-operative clients
- provide back-office services for financial intermediary organisations approved as Samaf financial-services outlets linked through a centralised information technology (IT) platform
- provide mentoring, monitoring and a framework for industry norms and standards, including sustainable lending methods for the developmental micro-finance industry in South Africa.

Within Samaf's two-year existence from inception to March 2008, it approved a total sum of R96 million (R55 million for on-lending and R41 million for capacity-building). In this period, 40 financial intermediaries across the country provided lending windows for Samaf funds, creating a loan book of R22,5 million.

By May 2008, Samaf had disbursed about R8,2 million, benefitting about 9 000 savers and 1 700 SMEs.

Khula Enterprise Finance Limited (Ltd)

Khula Enterprise Finance Ltd was established in 1996 as a specialised agency in the Department of Trade and Industry to promote the development of South African SMEs.

It is also registered as an insurer under the Insurance Amendment Act, 2003 (Act 17 of 2003), and is governed by the regulations of the Financial Services Board. It is an independent, limited liability company with its own board of directors.

Khula's primary role is to facilitate small entrepreneurs' access to finance. It has developed various delivery mechanisms in the public and private sectors. It has strong relationships with commercial banks, the public and corporate sectors through which it delivers a variety of financial products. In addition to facilitating access to finance, Khula provides mentorship services through Khula Institutional Support Services, which provides counselling and practical support to entrepreneurs in establishing and managing businesses.

Khula's budget allocations increased from R34,1 million in 2006/07 to R69 932 million in 2008/09. The Khula Credit Indemnity Scheme has also been successfully revised with commercial banks to emphasise developmental imperatives associated with small business support.

Khula has also launched the first-ever South African Start-Up Fund, with an initial capital amount of R150 million, specifically for the benefit of new black entrepreneurs.

This fund, named the Business Partners-Khula Start-Up Fund, is implemented in partnership with Business Partners Ltd and has been operational since 2006.

Business Partners Limited

Business Partners Ltd is a specialised risk financier, providing customised and integrated funding, technical assistance, mentorship and property services to SMEs in South Africa, Kenya and Madagascar.

It is an unlisted public company whose major shareholders include Khula Enterprise Finance Ltd, Remgro Ltd, Sanlam Ltd, Billiton SA Ltd, Absa Group Ltd, Nedcor Ltd, FirstRand Ltd, Old Mutual Life Assurance Company of South Africa, Standard Bank Investment Corporation Ltd, Anglo Corporate Enterprises (Pty) Ltd and De Beers Holdings (Pty) Ltd.

Several specialist funds are owned and managed by Business Partners Ltd: three geographical business units, the Business Partners Empowerment Fund, the Business Partners Tourism Fund, the Business Partners Women's Fund and the Business Partners Youth Franchise Fund.

The Business Partners-Khula Start-Up Fund is managed by Business Partners Ltd in a joint venture with government.

Business Partners Ltd is committed to investing capital, skills and knowledge into viable entrepreneurial enterprises.

Technology for Women in Business (Twib)

Twib was established in 1998 by the Department of Trade and Industry to support the advancement of women in business, through the application of science and technology (S&T).

Twib's mandate is to accelerate women's empowerment and women-owned enterprise development by facilitating S&T-based business applications and systems, and to unlock constraints to enterprise innovation and growth. The programme is championed by the department's Gender and Women's Empowerment Unit.

In relation to the strengthening of the South African Women Entrepreneurs' Network (Sawen), the Department of Trade and Industry wants to provide integrated entrepreneurial services for women. This includes Twib, which has also been successfully brought under the full management of the department. To continue to support both ICT and IT solutions to grow female enterprises, Twib focuses on entrepreneurial skills and capacity-building as well as technology transfer.

Twib will also assist mainstream women in the BPO sector and thus grow female entrepreneurship in South Africa. A very important aspect of Twib is the "Techno-Girl" initiative through which, in partnership with Cell C, it intends to encourage and introduce young girls into techno-entrepreneurship.

South African Women Entrepreneurs Network

Sawen assists aspiring and existing business women with their business enterprises.

The network advocates policy changes, builds capacity and facilitates women's access to business resources and information.

Sawen is responsible for:

- organising networking forums at regional, national and international level
- lobbying and advocating for enabling and supportive policies
- gathering and updating a database of women-owned enterprises and the services rendered by these companies
- facilitating access to pertinent business information
- facilitating capacity-building and training
- providing business mentorship and counselling
- facilitating access to decision-makers.

Isivande Women's Fund (IWF)

The IWF was launched in March 2008. The fund aims to produce affordable enterprise loans, ranging from R30 000 to R5 million.

Industrial Development Corporation (IDC)

The IDC is a self-financing, South African state-owned national development-finance institution that provides finance to promote industrial and entrepreneurial development. Its primary objectives are to contribute to balanced sustainable economic growth in Africa and to the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens on the African continent.

The IDC identifies and funds projects in partnership with others and focuses on promoting and investing in viable new industries. It differentiates itself through risk-taking and flexibility in structuring, particularly in the promotion of BEE, SMEs, regional investment diversification and job creation.

IDC's highlights for 2008 include:

- funding approvals amounting to R8,5 billion
- R2,1 billion allocated for developments in the rest of Africa
- funding activities to assist in the creation and retention of more than 33 200 direct new jobs in South Africa (with more than 40% of these in rural areas and 1 900 in the rest of Africa)
- R5,2 billion approved for BEE enterprises (61% of the total)
- significant investment in SMEs (56% of the total number of projects funded)
- doubling Foskor's operational income to over R1 billion.

Consumer and corporate regulation

The Consumer and Corporate Regulation Division of the Department of Trade and Industry provides coherent, predictable and transparent regulatory solutions. This is achieved by developing and reviewing regulatory systems, including policies and legislation in the areas of competition; consumer, company and intellectual property regulation; as well as public-interest regulation relating to the liquor, credit, national lotteries and gambling sectors.

Corporate and consumer regulation has become a creative endeavour that seeks to serve the interests of both business and consumers, and to create a modern and globally competitive national economy.

In an endeavour to create a regulatory environment conducive to investment and enterprise, the Companies Bill was approved for submission to Parliament in 2008.

The Bill aims at, among other things, promoting the development of entrepreneurship and enterprise efficiency; creating flexibility and simplicity in the formation and maintenance of companies; encouraging transparency and high standards of corporate governance; and recognising the broader social role of enterprise.

The Bill proposes the establishment of the Companies and Intellectual Property Commission to administer and enforce the legislation.

A revised Consumer Protection Bill was expected to be resubmitted for Cabinet's approval to introduce it to Parliament during 2007/08. The Bill aims to build strong consumers, competitiveness and innovation in the economy.

It also aims to ensure that consumers are able to make well-informed buying decisions, are able to access a wide range of products and services based on honest and fair marketing and selling practices, have access to efficient and effective redress, and are educated about their rights and obligations.

The enforcement of the Bill will be ensured through the proposed National Consumer Commission.

The Companies and Intellectual Property Registration Office registers businesses and intellectual property rights, maintains related registries, and develops information for disclosure to stakeholders.

Black Economic Empowerment

Broad-Based Black Economic Empowerment Strategy

BBBEE is a government policy aimed at redressing past economic imbalances. Moreover, BEE is an important policy instrument aimed at broadening the economic base of the country, further stimulating economic growth and creating jobs while eradicating poverty.

The Codes of Good Practice for BBBEE were gazetted on 9 February 2007.

These codes are the culmination of the development of the BBBEE Strategy. The Codes of Good Practice on BBBEE assist and advise both public and private sectors on their implementation of the objectives of the BBBEE Act, 2003 (Act 53 of 2003). The codes provide definitions, interpretation and principles of BBBEE; different categories of BEE entiies; and qualification criteria for preferential procurement purposes and other economic activities.

The Codes of Good Practice also provide the weightings, indicators, targets and guidelines for stakeholders in the relevant sectors of the economy to draw up transformation charters for their sectors.

The BBBEE Strategy and its accompanying Codes of Good Practice are important instruments to facilitate the massively increasing participation of black people, thereby promoting the productive capacity of the economy.

BBBEE activity has shown a sharp rise with respect to the number and nature of transactions, involving new enterprises and new consumers. Large companies are forging deals which reflect the key characteristics of BBBEE. In this regard, the National Empowerment Fund's Asonge share scheme involving MTM shares and the Sasol Inzalo transactions stand out. Transactions concluded in 2007 involved R96 billion across a range of sectors, including mining, financial services, construction, oil and gas, telecommunications and food and beverage.

The Department of Trade and Industry gazetted a manual on 18 July 2008 to provide a framework for the accreditation and verification of BBBEE reporting.

The objectives of the manual are to set acceptable minimum standards of ethical conduct, underpinning the responsibility of verification agencies when performing verification and reporting on the BBBEE Scorecard, and outlining the procedures to be followed in providing assurance on whether the requirements of the BBBEE Codes of Good Practice have been met.

Black Business Supplier Development Programme

The BBSDP is a 20:80 cost-sharing cash-grant incentive scheme, offering support to black-owned enterprises in South Africa.

The scheme provides such enterprises with access to business-development services, assisting them to improve their core competencies, upgrade managerial capabilities and restructure to become more competitive.

It aims to foster links between growing, black-owned enterprises, and corporate and public-sector enterprises.

Any enterprise that is majority black-owned (50 plus one share), has a significant number of black managers, and a minimum trading history of one year qualifies for the programme.

Between 2004 and 2008, the BBSDP disbursed over R86 million.

Business process outsourcing and offshoring (BPO&O)

BPO&O is a major global trend, with a significant positive impact on developing countries possessing the required skills, cost advantage and infrastructure.

Over the next few years, the global BPO&O industry is forecast to grow at approximately 50% per year and, as a result, a window of opportunity exists for South Africa to realise significant value by developing this sector.

The sector has been forecast to create 100 000 new indirect jobs in South Africa and contribute up to R7,95 billion to the national economy in 2009.

Since the Department of Trade and Industry started supporting this sector in 2007, a significant number of direct and indirect jobs have been created and about R700 million in investment value realised.

In July 2008, the Department of Trade and Industry hosted the BPO&O National Policy Conference in Durban.

The conference aimed to:

- review the current BPO&O Policy
- create a networking platform for BPO&O investors
- create public awareness about the growing BPO&O industry in South Africa.

By July 2008, nine projects had been approved, 9 132 jobs had been created and R 658 million worth of investments had been made.

Technology support

By providing technology support to industry, the Department of Trade and Industry contributed to industry competitiveness in support of the industrial policy. To co-ordinate and streamline the Department of Trade and Industry's technology support to SMMEs, the following was achieved in 2007/08:

- After the successful merging of the Godisa Incubator Programme and the Technology Transfer Centre of the Department of Trade and Industry in 2006 into the STP, the department further successfully integrated the South African Quality Institute (SAQI) and the technology-transfer activities of the Twib into the STP, thereby adding quality services to SMMEs and support for technology transfer to women-owned businesses.
- Through the Support Programme for Industrial Innovation, the department supported 74 projects at a grant value of R78,3 million and a total project value of R306 million. Thirty-four percent of these projects were with BEE enterprises.
- In 2007, the Technology and Human Resources for Industry Programme supported 680

researchers and 2 054 students of whom 54% were black and 38% were female. More than 390 enterprises participated in the programme, of which 67% were SMMEs and 22% were BEE companies.

- Through the South African Intellectual Property Fund, the Department of Trade and Industry supported five SMMEs by providing venture capital. The department also trained five fund managers as interns for the industry.
- The Department of Trade and Industry contributed to the establishment of the Sisal Resusitation Project in Limpopo, creating industrial development opportunities for a co-operative in a rural area.
- The department hosted the first Department of Trade and Industry Technology Awards Event in Nelson Mandela Bay, Eastern Cape, during which top technology achievers in South Africa were acknowledged. Two bursaries were also awarded to two learners from disadvantaged communities.

State-owned enterprises (SOEs)

The Department of Public Enterprises is the shareholder representative for government, with oversight responsibility for the following SOEs: Alexkor, Broadband Infraco, Denel, Eskom, the Pebble-Bed Modular Reactor (PBMR), South African Airways (SAA), South African Express Airways (SAX), South African Forestry Company (Safcol) and Transnet.

SOEs have a critical role to play in advancing economic growth, since they are responsible for developing key infrastructure and manufacturing capacity. Infrastructure investments are a core part of the country's strategy for shared economic growth and development and SOEs are implementing comprehensive investment programmes to ensure that significant and sustained opportunities for investment are created in supplier industries.

Alexkor

The core business of Alexkor is diamond mining. A community claim to the land has recently been resolved, which paves the way for the restructuring of Alexkor. The settlement provides for the formation of a Pooling and Sharing Joint Venture (PSJV) between Alexkor and the Richtersveld Community.

The PSJV will put in place a mine-development plan and programme to upgrade sea-diamond resources and develop a business plan for a viable mining venture. Transfer of Alexkor's agricultural and mariculture assets to the community will empower them and create a basis for future development and wealth creation, not only for the Richtersveld community, but also for the Northern Cape.

Broadband Infraco

Broadband is viewed as a key driver of economic growth and wealth generation, and it is essential for South Africa to gain access to universally available, reliable and affordable broadband.

Affordable national long-distance and international connectivity will have a favourable impact on pricing and the availability of broadband.

Broadband Infraco, which became a standalone SOE in January 2008, has succeeded in operationalising and strengthening the national long-distance network, as well as providing additional capacity. Infraco has increased its footprint by 30% and doubled its capacity. It has provisioned route connectivity services at the core backbone and regional expansion sites. Additional fibre routes were added to close the long-distance ring and provide redundant capacities. The Africa West-Coast Cable will be prioritised by the Government to meet 2010 objectives as well as other short- to medium-term strategic projects.

Denel

A restructuring process has been undertaken, focusing on the corporatisation of distinct operating divisions. The introduction of strategic equity partnerships at business unit level is aimed at increasing market access and ensuring the transference of global skills, technology and manufacturing knowledge to Denel.

Eskom and the Pebble-Bed Modular Reactor

The State's key objective is to secure long-term, environmentally sustainable electricity for the country. Eskom will roll out an investment programme in excess of R300 billion over the next five years.

An important component of Eskom's capacity-generation programme is, among other things, the introduction of independent power producers, who will diversify the revenue sources for the building programme and help ensure security of supply.

Nuclear power, the most viable alternative to coal as a baseload source of electricity, is also expected to make a larger contribution to the energy mix. This will be done through conventional nuclear technology and the new fourth-generation high-temperature reactors offered by the PBMR.

The PBMR, a major development project, requires considerable initial investment by the project partners. By June 2008, the negotiation of the new shareholder's agreement, which will create a platform to attract additional equity partners, was at an advanced stage.

This project is important for the retention of skilled professionals within the South African industry. The success of the project will have a positive impact on the country's manufacturing sector and provide leading technology in the reduction of green house gas emissions.

South African Airways and South African Express

The Department of Public Enterprise's portfolio has recently been expanded through the acquisition of the SAX, a domestic airline focused on secondary routes. The SAX Board of Directors has approved the introduction of an exclusive cadet pilot programme, which is aimed at addressing the current shortage of pilots.

SAA was transferred from Transnet to the department on 31 March 2007. At the time, the airline was financially and operationally challenged and its continued sustainability was dependent on the implementation of a fundamental restructuring programme. The focus of this programme is to return the airline to profitability, which required cost cutting, route and fleet rationalisation and the implementation of more innovative revenue-management practices.

SAA won the 2007 Annual Airline Reliability Performance Awards, which were presented by Bombardier Aerospace on 16 June 2008 in Canada.

South African Forestry Company

The financial performance of Safcol has generally been positive in the recent past and the group has a strong balance sheet, including a positive cash position.

By May 2008, a substancial portion of the land on which Komatiland Forests (KLF), Safcol's main forestry plantation subsidiary, operates was subject to land claims. This could delay the execution of the transaction to dispose of KLF during 2008/09.

Transnet

The strong growth experienced by the economy over the past decade, coupled with the rapid pace of globalisation, has seen the demand for freight traffic surpasses all previous expectations – putting ever-increasing pressure on an already strained freight network.

Transnet has already made some progress towards addressing this challenge.

It has, over the last three years, achieved financial stability and has focused on the reorientation of the group around its core functions of freight transport within the rail, ports and pipelines sectors.

Transnet has also been successful in the continued implementation of a capital-investment programme aimed at improving the quality and capacity of its asset base over the last two years in particular, with a combined spend of some R27 billion.

Almost 60% of the R84-billion capital programme will go towards capacity-expansion projects while just above 40% will be spent on replacing outdated and unsafe infrastructure.

The R11,2-billion new Multi-Product Pipeline (MPP) between Durban and Gauteng is a priority project to ensure security of supply of liquid fuels to the Reef. The MPP Project, the largest single project in Transnet's portfolio, encompasses the replacement and expansion in capacity of the Durban to Johannesburg Pipeline Project. The MPP also addresses the capacity constraints in the Inland Network, which services the Alrode, Tarlton, Rustenburg, Witbank, Pretoria, Kroonstad and Klerksdorp regions, resulting from the increased demand requirements in these regions.

Transnet intends to invest about R26 billion in the next five years between its Port Authority and Port Terminals divisions, primarily to support growth in the dry-bulk, liquid bulk, containers, automotive and break-bulk sectors across the seven existing commercial ports and the new Ngqura Port.

Public works programmes

The Department of Public Works provides and manages the accommodation, housing, land and infrastructure needs of national departments; co-ordinates the national Expanded

Public Works Programme (EPWP); and optimises growth, employment and transformation in the construction and property industries.

Expanded Public Works Programme

The EPWP aims to facilitate and create employment opportunities for the poor and vulnerable through integrated and co-ordinated labour-intensive approaches to government infrastructure delivery and service provision.

The EPWP has reached and surpassed its target a full year before the set deadline.

When the programme was launched in May 2004, it aimed to draw significant numbers of the unemployed into productive work with the objective of creating a million job opportunities by 2009.

By the end of April 2008, the programme had already created 1 077 801 job opportunities, ahead of its scheduled 31 March 2009 time limit.

In 2006/07 alone, the programme created 439 099 work opportunities, going beyond its annual target of creating around 280 000 opportunities. Out of these job opportunities, the EPWP exceeded the 30% target of employing young people by 10%, bringing it to 40% and the 40% target of employing women by 7% to 47%.

With regard to training, which forms a critical part of the programme, person days set aside for training during 2007/08 totalled 2 082 155, achieving about 54% of the annual target of at least 3 800 000.

Construction and Property Industry Development Programme

Construction industry growth cannot be seen in isolation from the pressing need to transform the industry into one that performs better in terms of quality, employment, skills safety, health and the environment.

The Department of Public Works seeks to support and empower women-owned construction enterprises through its existing contractor-development programmes. Since the inception of the procurement reform process in 1995, the department has been actively involved in conceptualising and implementing programmes to promote emerging contractors in the built environment. These programmes included Targeted Procurement and the Emerging Contractor Development Programme (ECDP).

As part of the ECDP, the Contractor Incubator Programme (CIP) was initiated in 2004 by the Department of Public Works following the findings of the *Construction Industry Status Report* that was conducted for the Construction Industry Development Board (CIDB) in 2002 and the *ECDP Review*, conducted in 2004.

The CIP has since been piloted throughout the country and was formally launched by the Department of Public Works in Hoopstad, Free State, in November 2007. The CIP intends to provide support to existing small- to medium-size construction enterprises to enable them to become sustainable.

The small contractors will also receive much-needed help from the CIDB through its Triple Cs (construction contact centres) that are being set up throughout the country.

Triple Cs provide a hub for stakeholder partnerships to address the challenges of growth. The CIP will create an enabling environment within which existing contracting enterprises can develop into sustainable enterprises. In selecting these enterprises, preference is given to black-, women- and youth-owned contracting enterprises. The enabling environment comprises steady access to work opportunities and supply-side support measures for growing the targeted enterprises. The CIP targets contracting enterprises within categories three to seven on the CIDB grading. This enables these enterprises to be eligible to tender for contracts between R1,5 million and R30 million.

By August 2008, a total of 136 contractors were registered on the CIP, of whom 62 were women-owned contractors.

The department is also using its own expenditure as a way of meeting the challenges and of improving the businesses that are women-owned. The total value of contracts that were awarded to women-owned companies in the 2006/07 financial year amounted to R327 million. Between April 2007 and December 2007, R675 million was spent on women-owned companies, including non-construction enterprises.

The established industry has also responded positively to promote transformation and has signed the Construction Charter, which commits the industry to concrete targets in terms of BEE.

Most of the major companies have made progress towards these targets. The *Register* *of Contractors*, established by the CIDB, equips government and stakeholders with an important development tool and a clear understanding of the nature of contracting capacity and empowerment gaps across the industry.

Construction Industry Development Board

The CIDB was established by the Construction Industry Development Act, 2000 (Act 38 of 2000), as a statutory body (Schedule 3A public entity) to provide leadership to stakeholders; stimulate sustainable growth, reform and improvements in the construction sector; and improve its role in the economy. The CIDB is responsible to the Minister of Public Works, and comprises individuals appointed from the private and public sector.

Council for the Built Environment (CBE)

The CBE promotes the uniform application of policy and improves co-ordination between the building profession and government. It drives the transformation and improved performance of the building profession.

Labour programmes

The Department of Labour aims to reduce unemployment, poverty and inequality through policies and programmes, developed in consultation with social partners. These policies and programs are aimed at:

- improved economic efficiency and productivity
- skills development and employment creation
- sound labour relations
- eliminating inequality and discrimination in the workplace
- allevating poverty in employment
- enhancing occupational health and safety awareness and compliance in the workplace
- nurturing the culture of acceptance that worker rights are human rights.

Employment and skills development

The Employment and Skills Development Services (ESDS) and HRD Branch of the Department of Labour are responsible for achieving the strategic objectives and equity targets of the National Skills Development Strategy (NSDS) and contributing to the achievement of the objectives of the HRD Strategy (HRDS).

Legislation

The Department of Labour's Legislation Branch ensures the implementation of the following laws:

- Skills Development Act, 1998 (Act 97 of 1998), as amended.
- Manpower Training Act, 1981 (Act 56 of 1981), of provisions that are still in force.
- Skills Development Levies Act, 1999 (Act 9 of 1999), as amended, and the Income Tax Act, 1994 (Act 21 of 1994). In some aspects, the ESDS works closely with National Treasury and the South African Revenue Service (Sars).
- South African Qualifications Authority (Saqa) Act, 1995 (Act 58 of 1995), working closely with the Department of Education.

Human Resource Development Strategy

One of the Government's priorities for 2008 was to focus on skills development.

The HRD Strategic Framework: Vision 2015 was launched on 30 May 2008 by the then Minister of Public Service and Administration, Ms Geraldine Fraser-Moleketi.

The strategic framework is grounded and aligned to government priorities as encapsulated in Jipsa, AsgiSA, the NSDS II and the evolving HRDS.

The strategic framework stands on four pillars of strategic intervention:

- capacity-development initiatives: developing human capital for high performance and enhanced service delivery
- organisational support initiatives: enhancing organisational capacity and support to maximise the productivity of human capital
- governance and institutional support initiatives: ensuring that the HRD in the Public Service is effective
- economic growth and development initiatives: ensuring that the HRD plans, strategies and activities seek to integrate, promote and respond to the economic growth and development initiatives of government.

The strategy puts the individual public servant at the centre of skills transfer through capacity-development initiatives in the workplace.

The revised HRDS for the period 2009 to 2014 was approved in July 2008. One of the critical

In May 2008, the Department of Trade and Industry, in conjunction with the Buffalo City Municipality and the Organising Committee, hosted a 2010 Business Opportunities Workshop in Gonubi, East London.

The workshop aimed to expose enterprises to all economic-development products and opportunities inherent in the 2010 World Cup.

challenges that government has been addressing is to ensure that there is proper alignment between the skills that the education and training system produces and the needs of a developing society and economy.

The aim of this strategy is articulation between the subsystems (public-private and across government) for optimal achievement of systemic outcomes, to facilitate a continuing analysis of HRD and the functioning of the labour market. The intended outcomes will include improvements in the HRD Index and country ranking and in the measure and ranking of economic competitiveness, a reduction of the Gini coefficient and improvement in social cohesion.

The strategy includes the following commitments:

- accelerating training output in priority areas to achieve accelerated and shared economic growth
- ensuring universal access to high-quality and relevant education
- improving technological and innovation capability in the public and private sectors
- establishing efficient planning capabilities in the relevant departments and entities for the successful implementation of the HRDS for South Africa.

A monitoring and evaluation system was put in place with clear indicators to monitor the implementation of the strategy. A major review based on systematic evaluation studies and impact assessments will be conducted every five years.

Sector education and training authorities

The Seta Co-ordination Programme aims to:

- implement sector skills plans to develop appropriate skills
- develop and register learning programmes
- provide quality assurance of qualifications and standards of programmes in sectors
- disburse skills development levy funds.

The Seta sector skills plans have been formed on the basis of the first-ever formally published occupationally based national scarce skills list that has been integrated into the Department of Home Affairs' processes for scarce skills immigration work permits.

Seta sector skills plans have been automatically uploaded through an integrated data-collection process into the employment-services system to allow for a more efficient and accurate development of the annual national scarce skills list.

All 2010 targets set for the Seta programmes are expected to be met or exceeded:

- 106 869 unemployed people have already been registered on learning programmes, compared to the target of 125 000
- 87 869 workers were registered on qualifying learning programmes, compared to the target of 125 000
- 4 805 young people were registered on new venture-creation programmes, compared to the target of 10 000.

National Skills Authority (NSA)

The NSA is an advisory body, established in terms of the Skills Development Act, 1998, to advise the Minister of Labour on the NSDS, its implementation and other relevant matters. Its membership consists of organised business, labour and community organisations, government departments and representatives from the education- and training-provider community.

Key priorities for 2008/09 include accelerating the rate of disbursement related to the NSDS' annual targets, and support to the AsgiSA and Jipsa skills-development targets.

National Skills Fund (NSF)

The NSF, a statutory advisory body to the Minister of Labour on the NSDS, was established in 1999 as legislated by the Skills Development Act, 1998. The Minister of Labour, on advice from the NSA, allocates subsidies from the NSF. The Director-General of Labour is the accounting officer of the fund.

The NSF is funded by 20% of the skills development levies collected by Sars (of which 2% is paid to Sars as collection fees and 2% is allocated for administrative costs).

In 2008, the Department of Labour paid R11,4 million towards the training of at least 1 000 youth in civil engineering-related skills, all of whom had been placed in 2010 projects.

The projects, which were being showcased, culminated from an initiative by the department's provincial office in Johannesburg which, during 2007/08, funded a variety of skills-development projects in terms of the Social Development Funding Window of the National Skills Fund.

About R7,469 million was used in training 264 artisans. Many of these projects focused on scarce and critical skills in line with the Accelerated and Shared Growth Initiative for South Africa and the Joint Initiative on Priority Skills Acquisition.

By the end of September 2007, the NSF had disbursed R114 million from a total of R390 million to six provinces. About 48 268 unemployed people had undergone training valued at R127 million related to social-development-initiative projects, including the EPWP. Of those trained, 26% were in accredited training programmes, and 30 212 were placed in employment.

In the Adult Basic Education and Training programme, 16 463 unemployed learners were trained from a target of 20 000 while 5 590 unemployed learners were provided with bursaries to enter areas of scarce and critical skills learning, such as accounting and engineering.

By mid-2008, the legal status of the NSF was being addressed and proposed amendments had been incorporated into the Skills Development Amendment Bill.

Unemployment Insurance Fund (UIF)

The main tasks of the UIF are to:

- maintain an employer/employee database
- process claims and pay benefits
- invest excess funds
- reduce opportunities for fraud
- collect contributions.

The Unemployment Insurance Amendment Act, 2003 (Act 32 of 2003), deals with the administration of the fund and the payment of benefits. It also provides for the commissioner to maintain a database to pay benefits to beneficiaries. Sars continues to administer the Unemployment Insurance Contributions Act, 2002 (Act 4 of 2002).

Sars collects contributions from all employers whose workers pay employees' tax. The collection of contributions from all other employers is delegated to the Unemployment Insurance Commissioner.

According to the *UIF 2008 Annual Report*, it paid out more than R2 911 billion in 2007/08. The UIF has more than 1,1 million employees and 7,4 million employees on its database.

Occupational Health and Safety (OHS)

The OHS legislative framework consists of the OHS Act, 1993 (Act 85 of 1993), and 20 sets of regulations. Compliance is achieved by conducting inspections and investigations and providing advocacy and statutory services. Responsibility for OHS and workers' compensation in South Africa resides in three government departments.

The Department of Labour is responsible for workers' compensation in terms of the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993), and for OHS in terms of the OHS Act, 1993. The Department of Minerals and Energy is responsible for OHS in mines and mining areas, in terms of the Mine Health and Safety Act, 1996 (Act 29 of 1996). The Department of Health is responsible for compensating mineworkers in terms of the Occupational Diseases in Mines and Works Act, 1993 (Act 208 of 1993).

In 2007/08, the department's inspectors conducted more than 17 000 inspections.

Compensation Fund

The Compensation Fund administers the Compensation for Occupational Injuries and Diseases Act, 1993 as amended. The main objective of the Act is to provide compensation for disablement, illness and death resulting from occupational injuries and diseases.

Upgrading of the Compensation Fund's financial system began in January 2008. Expenditure on benefit payments increased from R1,7 billion in 2004/05 to R2,3 billion in 2007/08 due to the processing of 73% of backlog claims from 2000 to 2004. Cheque payments were discontinued and an electronic payment method was implemented from September 2007.

Achievements for 2006/07 included finalising 84% of the balance of backlog claims and processing 58% of current claims. In total, 868 076 claims were paid. A successful pilot project was conducted to decentralise claims registration and adjudication to labour centres. As a result, benefit payments were increased. All new claims received are now registered within 24 hours of receipt; and a new document-management system was piloted and implemented, improving the quality of electronic files.

Directorate: Collective Bargaining

The Directorate: Collective Bargaining has to:

- extend the collective bargaining system to cover more vulnerable workers
- ensure that the implementation and impact of the Labour Relations Act (LRA), 1995 (Act 66 of 1995), are optimised
- effectively monitor dispute resolution.

The Department of Labour ran a free employment-services system that registered 169 059 work-seekers and 15 364 job opportunities in 2007/08. Of the job seekers, 19 266 found employment.

The directorate:

- registers trade unions, employers' organisations and bargaining and statutory councils
- publishes bargaining council agreements for the extension thereof to non-parties
- promotes and monitors collective bargaining.

Dispute resolution

The Commission for Conciliation, Mediation and Arbitration (CCMA) is an independent dispute-resolution body created in 1996 in terms of the LRA, 1995. It does not belong to, nor is it controlled by, any political party, trade union or business.

Between November 1996 and 31 January 2007, the CCMA processed 1 069 400 labour disputes. The number of working days lost due to industrial action decreased by 68% since the LRA, 1995 came into operation. Although the CCMA receives about 120 000 referrals a year, it manages to settle an average of 70% of those cases.

Labour-market policy

The Labour-Market Policy Programme consists of three directorates, namely, Research Policy and Planning (RPP), Labour-Market Information and Statistics (LMIS) and International Relations (IR).

The Directorate: RPP is responsible for:

- analysing labour-market information and conditions
- identifying relevant labour-market interventions
- formulating labour-market policies
- researching, monitoring and evaluating policies affecting the labour market.

The Directorate: LMIS is responsible for:

- creating and maintaining capacity to monitor, analyse and disseminate labour-market information and statistics pertaining to trends in the labour market and the impact of labour-market policies
- creating and maintaining linkages with other producers and users of labour-market information and statistics, with the aim of avoiding duplication and promoting clear use of concepts
- developing the departmental library as an expanded resource centre on labour issues
- assisting other departmental directorates with statistical procedures to develop and monitor departmental activities.

The Directorate: IR is responsible for:

- developing strategies that will consolidate South Africa's presence in international forums
- monitoring developments in the African region and southern African subregion
- facilitating the department's participation in bilateral and multilateral organisations in the region
- discharging South Africa's obligations to international organisations of which the country is a member
- developing strategies to encourage conformity with international labour standards in the region.

Employment equity

To support and accelerate the implementation of the Employment Equity Act, 1998 (Act 55 of 1998), the Directorate: Employment Equity focused mainly on developing an employment-equity system aimed at strengthening the implementation and enforcement mechanisms of the Act. An online employment-equity reporting service was developed and implemented from 1 September 2005.

In addition, the Director-General Review System was developed to assess employers' substantive compliance with the Employment Equity Act, 1998. The programme continued to support capacity-building in trade-union organisations by means of the Strengthening of Civil Society Fund.

Acknowledgements

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