2016/17 SOUTH AFRICA YEARBOOK

ECONOMY

In its January 2017 World Economic Outlook Update, the International Monetary Fund (IMF) kept the global real economic growth outlook unchanged at 3,4% for 2017.

The political economy is taking centre stage in the world economy, with the rise of economic populism in parts of the developed world, the backlash against globalisation, the continued rise of China and the impact of the fourth industrial revolution, all which very directly affect the South African economy and jobs. The country subsequently needs a coherent strategy to deal with these.

South Africa's economy is trade-exposed, with exports accounting for almost R1 in every R3 of the wealth created annually.

Technological innovation, dubbed the Fourth Industrial Revolution, is reshaping the future of work, industrial production and social interaction. The rise of robotics and artificial intelligence will have a profound impact on South Africa too.

The country's rate of economic growth and job creation needs to be enhanced.

In 2016/17, the economy grew by 0,3% and was projected to grow by 1% in 2017/18. The total income produced by the economy every year at this point stood at R4,3 trillion. Net foreign direct investment worth R33 billion flowed into South Africa, a growth of 50%. Yet employment grew by only 51 000 in 2016/17.

These modest gains were well below what South Africa needed to address the challenges of poverty, inequality and unemployment. But they were gains, made at a difficult time during which the country faced a significant countrywide drought, weak economic performance in the rest of the continent, recessions in Nigeria, Russia and Brazil, as well as sharply slower growth on the African continent.

During 2016, government worked hard with business and labour to avoid a recession, and succeeded. Taking the long view, since the adoption of the New Growth Path (NGP) in October 2010, the economy has created 2,4 million new jobs and total employment rose from 13,7 million to 16,1 million people.

The labour-intensity of growth improved: jobs grew faster than the economy as a whole, with employment growth of 1,5% for each 1% of real gross domestic product (GDP) growth. government needs to build on this to deepen a jobs-rich growth path.

The roadmap back to investment grade and – crucially – to address the needs of the country's citizens requires that government develops a new "national deal" that includes the following:

- develop a credible growth plan that places emphasis on sectors and market opportunities with high growth and job-creation potential, attracts investment and ensures effective implementation of the Nine-Point Plan.
- transform the economy to make it more inclusive, bringing black South Africans, young people, the rural poor and the urban unemployed into the economy with accelerated actions against high levels of economic concentration, inequality, social exclusion and joblessness.

- ensure integrity in governance and decision-making, manage fiscal policies responsibly and sustainably, to inspire confidence among citizens
- deepen partnerships, with greater efforts to pursue a social compact between government, business and labour.

Successful implementation of the above will increase overall confidence in the economy and are the key to improving investment and demand and growth and inclusivity.

South Africa's National Development Plan (NDP) is aimed at reducing unemployment, inequality and poverty by 2030; providing a strong platform for collaboration among business, government, labour and civil society.

The plan promotes enhanced competitiveness, expanded infrastructure, greater spatial efficiency in growing cities and accelerated rural development. It prioritises measures to build a capable, effective State that delivers services to citizens while encouraging business investment and growth.

To counter unemployment levels, especially among young people, government aims to create six million work opportunities by 2019.

Economic indicators

Domestic output

Global economic activity remained subdued in 2016, with growth moderating somewhat in the fourth quarter following a slowdown in activity in advanced economies, in particular the United States (US). The improved prospects for advanced economies alongside, as forecast the the IMF's annual report, expected fiscal stimulus in the US contrasts with less favourable prospects for some emerging market economies.

Inflation accelerated somewhat in the fourth quarter of 2016 and in the opening months of 2017 in some countries as the international prices of crude oil, metals and mineral commodities increased.

However, underlying inflationary pressures remained fairly muted, especially in advanced economies. Monetary policy in advanced economies diverged further when the US policy interest rate was increased in December 2016 and again in March 2017, as the growth outlook in that country appears more robust.

Monetary policy settings also differed among emerging market economies, with some central banks tightening policy due to weaker currencies while others eased policy, given subdued output growth and muted inflationary pressures.

In South Africa, real economic growth slowed further and turned negative in the fourth quarter of 2016. The contraction at an annualised pace of 0,3% in the fourth quarter of 2016 in GDP was in step with the current downward phase of the business cycle.

For 2016, real economic growth slowed to a mere 0,3% – the lowest annual growth rate since 2009. However, the increase in the composite leading business cycle indicator since May 2016 suggests improved economic activity in 2017.

The contraction in real GDP in the final quarter of 2016 resulted from declines in real output of the primary and secondary sectors. Despite improved rainfall after the devastating prolonged drought, agricultural output contracted for an eighth consecutive quarter, albeit only marginally.

Real value added in the mining sector contracted on account of lower production in all major mineral groups. Manufacturing production contracted for a second successive quarter, affected by a lack of demand and persistent weak sentiment.

Growth in real output of the tertiary sector accelerated in the fourth quarter of 2016, as real output of the commerce sector switched from a contraction in the third quarter to an expansion. The real value added by the finance and transport subsectors expanded at a slightly faster pace during the quarter under review.

Real growth domestic expenditure

While real production contracted marginally, real gross domestic expenditure (GDE) contracted by a more significant 1,9% in the fourth quarter of 2016. The de-accumulation of real inventories, particularly in the mining sector, contributed the most to the contraction in real GDE.

In addition, real final consumption expenditure by government increased at a slower pace in the final quarter of 2016, partly due to the normalisation in spending after the municipal elections in August. This was partly offset by an increase in real gross fixed capital formation.

Viewed from the expenditure side, the change in real inventories subtracted significantly from growth in real GDP in the final quarter of 2016, while real net exports made a marked positive contribution. For 2016, gross fixed capital formation and the change in inventories subtracted from overall economic growth, while real net exports made a positive contribution.

Real consumption expenditure by households

The pace of increase in real consumption expenditure by households remained unchanged in the fourth quarter of 2016.

Following seven consecutive quarters of contraction, real spending on durable goods increased marginally in the fourth quarter, as a further decline in spending on transport goods was fully countered by increased spending on all other durable goods components.

Growth in real spending by households on semi-durable goods accelerated briskly in the fourth quarter of 2016, buoyed by increased spending on clothing and footwear, household textiles, and recreation and entertainment goods.

By contrast, real outlays by households on non-durable goods and services advanced at a slower pace in the final quarter of 2016. Relative to disposable income, households reduced their indebtedness in the fourth quarter of 2016.

The contraction in real gross fixed capital formation in 2016 represented the first negative annual growth rate since 2010. The percentage of GDP fell to below the 20% level on an annual basis for the first time since 2012. Following four successive quarterly declines, real capital spending increased in the final quarter of 2016. Growth in real capital outlays by government accelerated notably in the fourth quarter of 2016, supported by capital spending on water infrastructure projects, the maintenance of roads and the refurbishment of schools in the quarter under review.

By contrast, real fixed capital expenditure by public corporations contracted for a second consecutive quarter, while capital outlays by the private sector contracted for a fifth successive quarter, suppressed by weak output growth and persistent low business confidence.

Employment

Within an environment of subdued output growth, the domestic economy struggled to create sufficient employment opportunities.

In the fourth quarter of 2016, the seasonally adjusted unemployment rate increased to its highest level since the global financial crisis.

Wage settlements moderated slightly in 2016, and while growth in nominal unit labour cost accelerated to 5,7% in the fourth quarter of the year, it remained within the inflation target range.

Price inflation

Headline consumer price inflation has breached the upper limit of the inflation target range since September 2016 and accelerated to 6,8% in December, before moderating marginally in January 2017.

The acceleration in consumer price inflation resulted largely from higher fuel prices and a pickup in price inflation of exchange rate sensitive durable and semi-durable consumer goods following delayed pass-through from currency depreciation in 2015.

In addition, consumer food price inflation remained elevated. However, given expectations of a bumper maize crop in 2017, domestic maize prices have receded notably in recent months and should assist in lowering consumer food price inflation in due course.

Moreover, average inflation expectations moved lower over the entire forecast period as analysts, business people and trade union representatives all lowered their expectations.

Exchange rates

The external value of the rand appreciated further on a trade-weighted basis in the fourth quarter of 2016, supported by higher international commodity prices and reduced global anddomestic uncertainty.

In December 2016, two prominent international credit rating agencies decided to keep South Africa's sovereign credit ratings unchanged, which further improved sentiment towards the rand.

Global trade volumes increased in the final quarter of 2016, while higher rand prices of South African export commodities contributed towards a strengthening in the terms of trade.

Trade balance: Import-export

The trade balance switched from a small deficit in the third quarter of 2016 to a sizeable surplus in the fourth quarter.

The value of merchandise exports increased in the final quarter of the year alongside improved demand for domestically produced goods and higher commodity prices.

Mining exports increased significantly over the period, in particular iron ore and coal exports.

The value of merchandise imports receded further as domestic demand remained subdued. This coincided with a narrowing of the shortfall on the services, income and current transfer account, as the net income deficit narrowed following a notable increase in dividend receipts from abroad.

Consequently, the deficit on the current account of the balance of payments narrowed significantly to 1,7% of GDP in the fourth quarter of 2016. For 2016, the deficit narrowed to 3,3% of GDP from 4,4% in 2015.

The smaller current account deficit was financed through net portfolio inflows, while direct and other investment registered outflows in the fourth quarter of 2016.

South Africa's net international investment position remained positive, but retreated further to 9% of GDP at the end of September 2016 as the market value of the country's foreign liabilities increased, while that of foreign assets declined somewhat.

South Africa's gross gold and other foreign exchange reserves amounted to US$46,7 billion at the end of February 2017, and covered on average 5,2 months' worth of imports of goods and services, and income payments in the fourth quarter of 2016.

Economic growth and money supply

Year-on-year growth in the broadly defined money supply remained fairly subdued in the final quarter of 2016, before accelerating somewhat in January 2017.

Deposit holdings of households grew at a faster pace than that of the corporate sector over the period under review. Growth in bank credit extended to the domestic private sector slowed further in the final quarter of 2016 to a multi-year low as growth in loans and advances to the corporate sector, which remained the driving force, slowed notably over the period.

Growth in bank advances to households, which has been very subdued over the past three years, moderated further as household finances remained under pressure.

South African bond yields trended generally lower throughout 2016. However, from mid-August to November 2016 the downward trend was interrupted, in response to a combination of international and domestic factors.

The downward trend in bond yields nevertheless continued from December 2016 following the appreciation in the exchange value of the rand and as South Africa's sovereign credit ratings remaining unchanged, among other factors. The All-Share Price Index of the JSE Limited trended lower in the fourth quarter of 2016, but has subsequently recovered.

Government expenditure

The year-on-year rate of increase in national government's expenditure exceeded original 2016 Budget projections in the first nine months of fiscal 2016/17, while that of revenue fell short as most revenue sources performed below budgeted projections.

Nevertheless, in the first nine months of fiscal 2016/17 the non-financial public sector borrowing requirement narrowed as the non-financial public enterprises and corporations experienced a smaller cash shortfall and local governments experienced higher cash surpluses compared with the same period a year earlier.

Government's fiscal space continued to be constrained by, among other factors, persistent weak economic growth, higher debt levels and debt-service costs, and mounting spending pressures.

Against this backdrop, the budget for fiscal 2017/18 was delivered in February 2017, reaffirming government's continued commitment to a measured and prudent consolidation path.

This would be achieved through a combination of tax increases, notably personal income tax, and a reduction in government's expenditure ceiling.

As a percentage of GDP, the budget deficit is expected to narrow over the medium term. In addition, government expected to record a primary surplus in fiscal 2016/17 and over the medium term.

Overall growth

In fact, according to the 2017/18 budget speech, in 2016/17 the economy grew by 0,3% and is projected to grow by 1% this year. The total income produced by the economy every year is now R4,3 trillion. Net foreign direct investment worth R33 billion flowed into South Africa, a growth of 50%.

Economic Development Department (EDD)

The EDD has assumed responsibilities relating to the creation of decent employment through inclusive economic growth, including the implementation of certain aspects of the NDP, the NGP and the national infrastructure plan as captured in outcomes 4, 6 and 7 of government's 2014-2019 Medium Term Strategic Framework (MTSF).

The department is also responsible for five public entities, comprising three regulatory bodies and two development finance institutions. These are: the Competition Commission, the Competition Tribunal, the International Trade Administration Commission of South Africa (ITAC), the Industrial Development Corporation (IDC) of South Africa and the Small Enterprise Finance Agency (Sefa).

Legislation

In line with these responsibilities, the department's mandate includes the administration of the following legislation:

- The Industrial Development Act, 1940 (Act 22 of 1940).
- The Competition Act, 1998 (Act 89 of 1998).
- The International Trade Administration Act, 2002 (Act 71 of 2002).
- The Infrastructure Development Act, 2014 (Act 23 of 2014).

Budget and funding

The EDD aims to drive government's priorities of job creation, inclusive economic growth and industrialisation, and to support the alignment of the State in implementing policies.

The department focuses its work in relation to Outcome 4 (decent employment through inclusive growth) of government's 2014 – 2019 MTSF.

The department's 2009 NGP for creating the jobs that South Africa needs aims for the collective achievement of a more developed and equitable economy and society over the medium term, in the context of sustained growth.

It sets out critical markers for employment creation and growth, and identifies where viable changes in the structure and character of production can generate a more inclusive and greener economy over the medium to longer term.

To that end, it combines macroeconomic and microeconomic interventions. Over the medium term, the department will make interventions aimed at integrating its NGP, including: interventions in infrastructure initiatives, support to provinces on economic planning, and strategic support to development finance institutions and regulatory bodies.

Cabinet has approved reductions of R8,3 million for 2017/18 and R13,5 million for 2018/19 to the department's compensation of employees budget. The reductions are part of Cabinet's decision to lower the national aggregate expenditure ceiling. The department's operational expenditure is largely on compensation of employees for the skilled personnel required to drive its policy and coordination interventions.

A reduction in personnel will be mitigated through partnerships with higher education institutions to provide technical expertise as it is required. After consultation with the Department of Public Service and Administration and National Treasury, the department will develop and implement a plan to manage its personnel expenditure within its reduced personnel budget.

The department's goods and services budget has been reduced, by R1,2 million for 2016/17, R1,2 million for 2017/18 and R1,4 million for 2018/19, particularly in travel and subsistence. The department plans to mitigate the impact of the reductions by shifting expenditure from nonperforming areas.

Interventions in infrastructure initiatives

The EDD continues its work as secretariat to the Presidential Infrastructure Coordinating Commission (PICC), which focuses on 18 national strategic integrated projects (SIPs). The secretariat's work is budgeted for in the Investment, Competition and Trade programme. R51,5 million over the medium term is allocated to compensation of employees in this programme.

The EDD will provide 60 annual progress reports to Cabinet on the SIPs and unblock, fast-track and facilitate other infrastructure projects. The focus includes unblocking water use licence applications and environmental impact assessments so that projects can commence.

As the chair of the Saldanha-Northern Cape development corridor (SIP 5), the EDD will drive the corridor's implementation over the medium term. The Saldanha-Northern Cape development corridor promotes integrated rail and port expansion and back-of-port industrial capacity, strengthens maritime support capacity for oil and gas along the African

West Coast, and expands iron ore mining production and beneficiation.

Support to provinces on economic planning

The EDD was expected to continue supporting provinces on economic planning through a number of spatial, local and provincial economic initiatives. By the end of 2015, support was being provided to the Free State, Eastern Cape, Northern Cape, North West, Limpopo and KwaZulu-Natal.

Over the medium term, the department was expected to use 30 economic development initiatives to promote employment, empowerment and development in all the provinces. Support to provinces on economic planning is budgeted for in the Growth Path and Social Dialogue programme, and the increase in activities over the medium term drives expenditure to grow at an average annual rate of 12,4%, from R27,9 million in 2015/16 to R39,6 million by 2018/19.

Strategic support to development finance institutions and regulatory bodies

The EDD continues to oversee and provide strategic direction to the development finance institutions and regulatory bodies reporting to it. This work accounts for 81% of total departmental spending over the medium term, or R1,7 billion, in the Investment, Competition and Trade programme.

The EDD will evaluate development finance institutions' performance on the impact of jobs. The department expects to have four strategic engagements per year with development finance institutions over the medium term, to improve administrative efficiencies and decrease turnaround times for project approvals.

The department will also undertake 14 engagements with the trade and competition regulatory bodies to improve administrative efficiencies and ensure that the competition authorities address the abuse of market power and support government's employment, industrialisation and development objectives.

To further support the work of the competition authorities, the allocation over the medium term to the Competition Tribunal has been increased to strengthen its capacity.

Regulatory and development finance institutions

Competition Commission

The Competition Commission is a statutory body constituted in terms of the Competition Act of 1998. It is empowered to investigate, control and evaluate restrictive business practices, including the abuse of dominant positions and mergers; and to promote the advocacy of competition issues to achieve equity and efficiency in the South African economy.

Competition Tribunal

The Competition Tribunal was established in terms of the Competition Act of 1998. All large corporate mergers and allegations of restrictive practices are brought before the tribunal by the Competition Commission and interested parties for adjudication. The tribunal's total budget for 2016/17 was R41,4 million.

International Trade Administration Commission of South Africa

The ITAC is mandated to manage an efficient and effective trade administration system. It was established in terms of the International Trade Administration Act of 2002. The commission's total budget for 2016/17 was R88,7 million.

The ITAC is mandated to foster economic growth and development to raise incomes and promote investment and employment, in South Africa and within the Common Customs Union Area.

This is done by establishing an efficient and effective system for the administration of international trade, subject to this Act and the Southern African Customs Union Agreement.

The core functions are customs tariff investigations, trade remedies, and import and export control.

Industrial Development Corporation of South Africa

The IDC is a national development finance institution established in terms of the Industrial Development Act of 1940 with the objective of leading industrial capacity development.

This entails aligning its priorities with those identified in terms of government policies and programmes related to industrial development, including relevant elements of the NDP, the NGP and the Industrial Policy Action Plan (IPAP).

Small Enterprise Finance Agency

The Sefa was established in 2012 and combines the operations of Khula Enterprise Finance, the South African Micro-Finance Apex Fund and the IDC's small business operations.

The SEFA provides non-financial business-development and support services for small enterprises.

This is in partnership with other role players ensuring their growth, sustainability and enhancing their competitiveness and capabilities through coordinated services, programmes and projects.

New Growth Path

The NGP is government's vision to place jobs and decent work at the centre of economic policy. It sets a target of five million new jobs to be created by 2020.

It sets out the key jobs drivers and the priority sectors that we will focus on over the next few years. It is based on strong and sustained, inclusive economic growth and the rebuilding of the productive sectors of the economy.

Infrastructure development in particular is a foundation for more jobs and addressing rural underdevelopment.

Green economy

South Africa is committed to pursuing and exploring opportunities in its transition to an inclusive, low-carbon, resource-efficient green economy.

Government aims to use all opportunities in the green economy to create jobs and cut carbon emissions. High-tech innovations will help employment grow over the long term, as new technology spreads throughout the economy and transforms other, larger sectors. South Africa's chemical industry is of substantial economic significance, contributing around 5% to the GDP and approximately 25% of manufacturing sales.

The Green Fund is budgeted for in the Environmental Programmes programme, receiving 3,8% or R290,5 million of the programme's budget over the medium term.

Established in 2011, the Green Fund is a national fund providing catalytic finance for investment in green initiatives that will support South Africa's transition towards a green economy.

The fund is additional and complementary to existing fiscal allocations, focusing on innovative projects that need to cover a funding or financing gap. The fund is managed by the Development Bank of Southern Africa on behalf of the Department of Environmental Affairs.

Department of Trade and Industry (the dti)

The work of the dti supports Outcome 4 (decent employment through inclusive growth), Outcome 7 (comprehensive rural development and land reform) and Outcome 11 (create a better South Africa, a better Africa and a better world) of government's 2014 – 2019 MTSF.

The department is also committed to implementing the Nine-Point Plan to ignite growth and create jobs. The department plays a critical role in facilitating three of the nine priority interventions:

- beneficiation through adding value to mineral resources
- a more effective implementation of a higher impact IPAP
- encouraging private sector investment.

These national priorities inform the dti's spending priorities over the medium term, which are:

- increased investment facilitation
- manufacturing incentives
- supporting exports
- industrial spatial development.

The dti will also focus on developing a programme to promote the long term sustainable development of black industrialists. The programme will accelerate the participation of black industrialists in the national economy, both in terms of their numbers and their influence.

The department will create multiple, diverse instruments for black industrialists to enter targeted industrial sectors and value chains that are aligned with government developmental priorities and specifically the IPAP.

By mid-2016, more than 22 black industrialists had been supported to the value of more than R1,5 billion, mainly in agro-processing; plastic and pharmaceuticals; electro technical equipment; and metals sectors. More than 2 000 jobs were created across the sectors.

A related medium-term priority for the department is the establishment of a Broad-Based Black Economic Empowerment (B-BBEE)Commission to enforce the BEE regulatory framework. The commission will strengthen and foster collaboration between the public and private sector in safeguarding the objectives of the B-BBEE Amendment Act, 2013 (Act 46 of 2013).

By mid-2016, the IDC had provided R28 billion to black-owned businesses, and more than R53 billion for B-BBEE.

Legislation, policies and strategies

The dti develops and reviews regulatory systems in the areas of competition, consumer protection, company and intellectual property, as well as public interest regulation.

It also oversees the work of national and provincial regulatory agencies mandated to assist the department in providing competitive and socially responsible business and consumer regulations, for easy access to redress and efficient markets.

The department's work is governed by a broad legislative framework. These include the:

- The BBBEE Act, 2003 (Act 53 of 2003)
- The Consumer Protection Act, 2008 (Act 68 of 2008)
- The Co-Operatives Amendment Act, 2013 (Act 6 of 2013), which amended the Co-Operatives Act, 2005 (Act 14 of 2005)
- The Copyright Act, 1978 (Act 98 of 1978)
- The Intellectual Property Laws Rationalisation Act, 1996 (Act 107 of 1996)
- The Liquor Act, 2003 (Act 59 of 2003)
- The Patents Act, 1978 (Act 57 of 1978)
- The Small Business Development Act, 1981 (Act 112 of 1981)
- The Trade Marks Act, 1993 (Act 194 of 1993).
- The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) as amended
- The BBBEE Amendment Act of 2013 aims to strengthen the implementation of BBBEE and its reporting across the economy, as well as to put in place mechanisms to deal with non-compliance.

The latter Act has several objectives, including aligning it with other legislation that deals with BBBEE and the Codes of Good Practice. It also seeks to establish the BBBEE Commission to create an institutional environment for monitoring and evaluating BBBEE.

Some of the key material amendments in the BBBEE Amendment Act of 2013 refer to:

- aligning the Act and the codes, which comprises an interpretation clause extended to include a trumping provision that stipulates that the BBBEE Amendment Act will trump any law that was in force prior to the commencement date of the Act
- establishing the BBBEE Commission as an entity within the administration of the dti, headed by a commissioner appointed by the Minister; the commission will be responsible for overseeing, supervising and promoting adherence to the act, as well as the monitoring and evaluation of BBBEE
- setting clear penalties, which include a minimum penalty of 10 years imprisonment (and/or a fine) or if the offender is not a natural person, a fine of 10% of its annual turnover.

Role players

Presidential Infrastructure Coordinating Commission

The PICC has the following 18 SIPs:

- Durban-Free State-Gauteng Logistics and Industrial Corridor
- South Eastern node and corridor development
- Unlocking the economic opportunities in North West
- Saldanha-Northern Cape Development Corridor
- Integrated Municipal Infrastructure Project
- Integrated Urban Space and Public Transport Programme
- Green Energy in support of the South African economy
- Electricity Generation to support socio-economic development
- Electricity Transmission and Distribution for all
- Agri-Logistics and Rural Infrastructure
- revitalisation of public hospitals and other health facilities
- rational school build programme
- Higher Education Infrastructure
- rxpanding access to communication technology
- SKA and MeerKat
- regional integration for African cooperation and development
- Water and Sanitation Infrastructure Master Plan.

The main objective of the PICC awareness campaign is to promote infrastructure development initiatives across the country, whilst showcasing the tangible benefits in terms of job creation and mainstreaming access to social services.

Business Partners Limited

Business Partners Limited is a specialist risk-finance company that provides customised financial solutions, sectoral knowledge, mentorship, business premises and other added-value services for formal small and medium enterprises in South Africa and selected African countries. The company is passionate about funding, supporting and mentoring entrepreneurs.

The organisation considers financing applications up to R50 million in all sectors of the economy — with the exception of on-lending activities, direct farming operations, underground mining and non-profit organisations — to those formal small and medium businesses whose gross assets are under R100 million, where annual turnover does not exceed R200 million and/or employees are less than 500 in number.

Applications for financing below R500 000 are usually not considered; and the company does not operate in the informal or micro enterprise sectors.

National Empowerment Fund (NEF)

The NEF was established by the NEF Act, 1998 (Act 105 of 1998), to promote and facilitate black economic equality and transformation.

The NEF provides finance and financial solutions to black businesses across a range of sectors. It also structures accessible retail savings products for previously disadvantaged people based on state-owned equity investments.

Its mandate and mission is to be government's funding agency in facilitating the implementation of BBBEE, in terms of the BEE codes of good practice.

The fund has five core divisions: small and medium enterprises, rural development, venture capital, corporate finance, and women empowerment funds.

South African Women Entrepreneurs' Network (SAWEN)

SAWEN is a South African national network that facilitates and monitors the socio-economic advancement of women entrepreneurs and their positive impact on the country's economy.

The objectives of SAWEN are to:

- provide a national vehicle that brings women and women's groups together to address the challenges faced by them
- lobby government, public and private institutions on such issues, but not limited to policy, legislation and/or proposed legislation affecting either directly and indirectly the trade and commerce activities of women entrepreneurs
- align SAWEN with other bodies or organisations with similar business interests at both national and international level, and to leverage the relationships arising out of these alignments for the benefit of its members
- facilitate access to business resources, information and opportunities for South African women entrepreneurs in a way that promotes their effective participation in the global economy
- profile and affirm women in business leadership positions in both public and private sectors.

To buttress government's intent of strategic intervention in women's economic empowerment, the dti has been using vehicles such as SAWEN, the Isivande Women's Fund (IWF), Bavumile and Technology for Women in Business (TWIB).

The Ligugu Lami Awards acknowledge women entrepreneurs and encourages them to take pride in their achievements.

Isivande Women's Fund

IWF is an exclusive fund that aims to accelerate women's economic empowerment by providing more affordable, usable and responsive finance than is currently available. The IWF assists with support services to enhance the success of businesses. It pursues deals involving start-up funding,

business expansion, business rehabilitation, franchising and bridging finance.

The fund is managed by the IDC on behalf of the dti through a development fund manager.

IDF Managers is an SME financier aimed at supporting the creation of self-sustaining black-owned and women-owned businesses in South Africa by providing primarily financial and non-financial support to its investee companies.

The IDF Managers is responsible for reviewing eligible business plans requiring funding of R30 000 to R2 million.

The women-owned enterprises have to meet the following criteria:

- at least six months in operation
- requires early stage, expansions and growth capital
- 50% plus one share owned and managed by women
- have potential for growth and commercial sustainability
- improved social impact in the form of job creation.

Small Business Finance Agency

The Sefa was established on 1 April 2012 following the merger of South African Micro Apex Fund, Khula Enterprise Finance Ltd and the small business activities of the IDC.

Sefa's mandate is to foster the establishment, survival and growth of small, medium and micro enterprises (SMMEs) and contribute towards poverty alleviation and job creation.

Sefa has a regional footprint of nine offices around the country and it lends between R500 and R5 million to SMMEs.

The target market is survivalists, SMMEs, including co-operatives falling in the following funding gap:

- Survivalists and microenterprises – loans between R500 and R50 000
- Small enterprises – loans between R50 000 and R1 million
- Medium enterprises – loans between R1 million and R5 million.

In March 2017, SA Taxi, one of the country's few developmental credit providers, signed a R100 million financing agreement with Sefa.

Resources

Technology support

The dti implements skills development, economic infrastructure, and innovation and technology programmes to support priority sectoral and regional industrial development plans.

Some of the key programmes include the Technology and Human Resource for Industry Programme (THRIP), the Support Programme for Industrial Innovation (SPII) and the Centre for Entrepreneurship and Technology Programme.

Provision is also made for transfer payments and subsidies to:

- SEDA's Technology Programme, which is managed by SEDA, to finance and support early, seed and start-up technology-based ventures
- THRIP, which is managed by the National Research Foundation, to support research and technology development
- the SPII, which is managed by the IDC, to support a wide group of enterprises that promote technological development through financial assistance
- the Workplace Challenge Programme, which finances and supports world-class manufacturing and value-chain efficiency improvements in South African companies.

Black Economic Empowerment

BEE is not only a political and social necessity for redressing the wrongs of the past, but will also help broaden economic participation, which will contribute to economic growth.

Programmes and projects

Black Business Supplier Development Programme

The Black Business Supplier Development Programme is a cost-sharing grant offered to black-owned small enterprises to help them improve their competitiveness and sustainability, to become part of the mainstream economy and create employment.

The programme provides grants to a maximum of R1 million: R800 000 for tools, machinery and equipment on a 50:50 cost-sharing basis; and R200 000 for business development and training interventions per eligible enterprise to improve their corporate governance, management, marketing, productivity and use of modern technology.

The objectives of the incentive scheme are to:

- draw existing SMMEs exhibiting potential for growth into the mainstream economy
- grow black-owned enterprises by fostering linkages between black SMMEs and corporate and public-sector enterprises
- complement current affirmative procurement and outsourcing initiatives of corporate and public-sector enterprises
- enhance the capacity of grant-recipient enterprises to successfully compete for corporate and public-sector tenders and outsourcing opportunities.

Industrial Policy Action Plan

The IPAP 2016/17 – 2018/19 is informed by the vision set out for South Africa's development provided by the NDP. The IPAP is a key pillar of the Nine-Point Plan, which seeks to ignite economic growth and create much-needed jobs.

Automotives

The automotive industry remained the largest and leading manufacturing sector in the domestic economy. Export sales recorded an improvement in December 2016, up by 7% (18 668 units) compared to exports in December 2015.

Industry new vehicle export sales were estimated to have added a further R105 billion to the total industry revenue for 2016.

The 2016 vehicle exports represented the highest annual industry export figure on record. Total vehicle exports at 344 822 units were up on the 333 847 vehicles exported in 2015.

Business process services (BPS)

South Africa's BPS sector continued to maintain its status as a leading global outsourcing destination, while steadily moving up the value chain in terms of service offerings.

BPS already accounts for 200 000 jobs nationally and is one of the country's fastest-growing sectors, with double digit growth over the past five years.

Special Economic Zones

The South African Government, in an effort to reposition itself in the world economy, established the Industrial Development Zones (IDZ) programme.

SEZs are geographically designated areas of a country set aside for specifically targeted economic activities, supported through special arrangements (that may include laws) and systems that are often different from those that apply in the rest of the country.

The purpose of the SEZ programme is to:

- expand the strategic industrialisation focus to cover diverse regional development needs and context
- provide a clear, predictable and systemic planning framework for the development of a wider array of SEZs to support industrial policy objectives, the IPAP and the NGP
- clarify and strengthen governance arrangements, expand the range and quality of support measure beyond provision of infrastructure
- provide a framework for a predictable financing framework to enable long-term planning.

There are currently five operating IDZs in South Africa, namely:

- The Coega IDZ is the largest IDZ in southern Africa. It was designated in 2001 and became South Africa's first IDZ. It lies in the Nelson Mandela Bay Metropolitan Municipality in the Eastern Cape, which is strategically located on the east-west trade route to service both world and African markets. The Coega IDZ leverages public sector investment to attract foreign and domestic direct investment in the manufacturing sector with an export orientation. The IDZ has attracted investment in the agro-processing, automotive, aquaculture, energy, metals logistics and business process services sectors. This has advanced socio-economic development in the Eastern Cape region through skills development, technology transfer and job creation.
- The Richards Bay IDZ is a purpose-built and secure industrial estate on the north-eastern South African coast. The N2 business corridor links the province's two major ports, Durban and Richards Bay, and connects with Maputo in Mozambique and, ultimately, areas of East Africa. It is linked to an international sea port of Richards Bay, tailored for manufacturing and storage of minerals and products to boost beneficiation, investment, economic growth and, most importantly, the development of skills and employment. First-world infrastructure allows for the full exploitation of the areas' natural and strategic advantages. Through the superb industrial infrastructure, well-established network of shipments, tax and duty-free incentives, the IDZ aims to encourage international competitiveness and the attraction of export-orientated manufacturing investment.
- The East London IDZ has become a prime industrial park in South Africa, renowned for its customised solutions for various industries including automotive, agro-processing

and aqua-culture. The IDZ offers growth-oriented companies a specialised manufacturing platform, innovative industrial and business solutions access to new markets and strategic industry networks. The IDZ, one of the country's leading specialised industrial parks, is located in Buffalo City, the municipal area which also incorporates Bhisho, the province's capital and King William's Town. It was one of the first IDZs in South Africa to become operational and represents an ideal choice for the location of exported manufacturing and processing. Its location provides investors with connections to major markets both locally and across the globe.

- The Saldanha Bay IDZ in the Western Cape is expected to serve as the primary oil, gas and Marine Repair engineering and logistics services complex in Africa, servicing the needs of the upstream Oil Exploration Industry and Production service companies operating in the oil and gas fields off sub-Saharan Africa. Situated approximately two hours north of Cape Town, the IDZ will include logistics, repairs and maintenance, as well as fabrication activities.
- The Dube TradePort is a catalyst for global trade and a portal between KwaZulu-Natal and the world. It is the only facility in Africa that brings together an international airport, a cargo terminal, warehousing, offices, a retail sector, hotels and an agricultural area. Located 30 km north of Durban, Dube TradePort is positioned between the two biggest sea ports in southern Africa, and linked to the rest of Africa by road and rail. The following two areas have been designated as comprising the IDZ: the Dube TradeZone and the Dube AgriZone. The Dube TradeZone aims to focus on manufacturing and value-addition primarily for automotive, electronics and fashion garments. The facility involves warehousing, manufacturing, assembling real estate resource, complete with a single facility in which all freight forwarders and shippers are located (Dube TradeHouse), which enjoys a direct link to the adjacent Dube Cargo Terminal via an elevated cargo conveyor system. The Dube AgriZone – a high-tech, future farming facility and host to the continent's largest climate-controlled growing area under glass – will focus on high-value, niche agricultural and horticultural products. The AgriLab will look into specialised tissue culture, greenhouses, flowers and plants, all of which require swift air transportation.

South African Emerging Black Filmmakers Incentive Scheme

Government offers a package of incentives to promote its film and television production industry. The incentives consist of the South African Black Filmmakers Incentive, a subprogramme of the South African Film and Television Production and Co-Production Incentive, which aims to provide assistance to local film producers in the production of local content.

The objective of the incentive is to nurture and capacitate emerging black filmmakers to take up big productions and contribute towards employment opportunities.

It is available to South African local black-owned qualifying productions with a total production budget of R1 million and above.

The incentive provides financial assistance to a qualifying applicant in the form of a rebate of up to 50% for the first R6 million of the Qualifying South African Production Expenditure (QSAPE) and 25% thereafter. No cap is applicable for this rebate.

Business process outsourcing and offshoring

Business process outsourcing and offshoring is a major global trend, with a significant positive impact on developing countries with the required skills, cost advantages and infrastructure.

Under the Monyetla 2 Programme, 3 400 recruits were trained, of which 70% have been guaranteed employment by the business process outsourcing consortium.

South African Premier Business Awards

The South African Premier Business Awards is hosted annually by the the dti in partnership with Proudly South African and Brand South Africa. The awards recognise business excellence and honours enterprises that promote the spirit of success and innovation as well as job creation, good business ethics and quality. These awards bring together all single sectored awards, among others technology, manufacturing and women in business.

The 2016 awards dinner was held on 6 December 2016 at the Sandton Convention Centre in Johannesburg. The winners were as follows:

- Enterprise Development Support Award: M Dreyer cc
- Manufacturer Award: Aerosud Aviation (Pty) Ltd
- Investor of the Year Award: Solar Capital
- Exporter Award: Saab Grintek Defence
- Black Industrialist Award: Thata uBeke Manufacturing (Pty) Ltd
- Play Your Part Award: Nestle South Africa and Bidvest Protea Coin (Pty) Ltd
- Proudly South African Award: Ekurhuleni Artisans and Skills Training
- SMME Award: Computers 4 Kids cc and AM Group (Pty) Ltd (joint recipients)
- Women Owned Award: Icebolethu Group
- Young Entrepreneur Award: Baclan Energy Pty Ltd trading as E-Waste Africa.

The Lifetime Achiever Award went to Ms Gloria Serobe, Executive Director of WIPHOLD and CEO of Wipcapital. Ms Serobe has more than 30 years of experience in leading public and private domestic and multinational institutions.

The Awards are jointly hosted by the dti, Brand South Africa and Proudly South African. Tsogo Sun, Old Mutual and the Johannesburg Stock Exchange are sponsors to the Awards.

International cooperation

The Investment and Trade Initiative (ITI) is part of the dti's objective to create market penetration for South African value-added products and services, and to promote South Africa as a trade and investment destination.

In February 2016, the dti participated in the seventh ITI to India. In March 2016, the dti lead a delegation of businesspeople on an ITI in Porto Alegre and São Paulo, Brazil. The objective of the ITI to Brazil was to increase exports of value-added products to the Brazilian market.

South African companies have made inroads into the Brazilian market, with select products being marketed by companies with a strategic and long-term perspective of the Brazilian market which have been able to penetrate and unlock long-term and sustainable exports.

The ITI focuses on showcasing South Africa's diverse range of capabilities to produce world-class products and services in the targeted sectors, which include agro-processing (rooibos tea, dried fruits, spices, sauces, frozen fish and sparkling 100% fruit juice), industrial chemicals and automotive components.

South African companies have developed highly specialised skills and products and there are various opportunities for South African companies to market their expertise and collaborate in projects with their Brazilian counterparts.

The programme of the ITI includes trade and investment seminar, business-to-business meetings and sector-specific business site visits to companies in São Paulo and Porto Alegre.

Department of Public Enterprises (DPE)

The mandate of the DPE is to ensure that the state-owned companies (SOCs) in its portfolio are directed to serve government's strategic objectives, as articulated in the NDP, the NGP and the IPAP.

In the current economic climate, SOCs have emerged as key instruments for the State to drive its developmental objectives of creating jobs, and for enhancing equity and transformation.

The SOCs in the DPE's portfolio form the cornerstone of the economy and their capacity would be strategically used to support the delivery of the NDP's outcomes, making the strengthening of oversight tools for the SOCs crucial to socio-economic transformation.

The department does not directly execute programmes but seeks to leverage off state ownership in the economy to support the delivery of key outcomes outlined in the NDP and government's 2014-2019 MTSF.

The DPE oversees the six SOCs in its portfolio: Alexkor, Denel, Eskom, the South African Forestry Company (SAFCOL), South African Express Airways and Transnet. The DPE aims to ensure that they are financially sound and pursuing government's national development objectives, in particular Outcome 6 (an efficient, competitive and responsive economic infrastructure network) of the 2014 – 2019 MTSF.

Over the medium term, the department is expected to focus on strengthening its oversight functions, increasing the public sector's investment in the economy, reducing SOCs' reliance on the fiscus, and ensuring their financial sustainability.

Role players

Alexkor

Alexkor was established in terms of the Alexkor Limited Act, 1992 (Act 116 of 1992) to mine marine and land diamonds in Alexander Bay. In line with Outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 MTSF, the company is exploring opportunities in energy through coal and limestone mining opportunities, which will require the organisation to expand its operations beyond the Northern Cape.

Alexkor has further commissioned and started a study into non-mining activities in the Northern Cape which the Richtersveld community could pursue from the proceeds of the pooling and sharing joint venture.

The land-mining rights and 49% of the mining operations were ceded to the Richtersveld community following the conclusion of the land restitution agreement with government in 2007. Alexkor remains the owner of the sea-mining rights and 51% of the mining operations.

The mining operations with the land and sea-mining rights have been pooled into an unincorporated entity called the Alexkor Pooling and Sharing Joint Venture. The mining operations employ 250 people.

The settlement agreement included, among other things, the restoration of land and mineral rights, the formation of the pooling and sharing joint venture, environmental rehabilitation, and the establishment and development of the town at Alexander Bay.

As a result, since November 2013, the town has been made official and now forms part of the Richtersveld Municipality. Progress to date includes the upgrade of residential properties' electrical and water reticulation systems, and the transfer of the mine operations restored with the land mining rights to the Richtersveld Mining Company. The implementation of the plan to rehabilitate mining areas has also begun.

The company has also undertaken an initial study to explore alternative revenue streams to improve its financial position. Alexkor will continue to work towards improved sustainability over the medium term.

South African Forestry Company

SAFCOL is government's forestry company conducting timber harvesting, timber processing and related activities, both domestically and internationally.

The company also contributes to education and healthcare infrastructure through maintaining its commitment to support the growth and transformation of the communities in which it operates and promoting socio-economic development.

It provides almost 5 000 permanent and contractual jobs in rural areas in Mpumalanga, Limpopo and KwaZulu-Natal.

Broadband Infraco

Broadband Infraco is an SOC that operates within specific focus areas of the country's telecommunications sector.

It is intended to improve market efficiency in the long-distance connectivity segment by increasing available long-distance network infrastructure.

Broadband Infraco provides long-distance national and international connectivity to licensed private sector partners, licence-exempt projects of national importance and previously underserviced areas.

Broadband Infraco also provides strategic international connectivity to operators in the Southern African Development Community region and on the west coast of Africa.

Broadband Infraco fibre optic network currently comprises approximately 14 000 km of fibre and 158 Points of Presence countrywide.

Denel

Denel is the largest manufacturer of defence equipment in South Africa and operates in the military aerospace and landward defence environment.

It is an important defence contractor and a key supplier to the South African National Defence Force (SANDF), both as a manufacturer of original equipment and service provider for the overhaul, maintenance, repair, refurbishment and upgrade of equipment in the SANDF's arsenal.

Denel supplies systems and consumables to end-users, as well as subsystems and components to its industrial client base.

It also has a number of equity partnerships, joint ventures and cooperation agreements with international players in the defence industry.

Eskom

Eskom's mandate is to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors.

It contributes to the realisation of Outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 MTSF.

Eskom generates 95% of the electricity used in South Africa and 45% of the electricity used in Africa.

South African Airways

SAA is South Africa's national airline and operates from OR Tambo International Airport in Johannesburg, Gauteng. Its principal activities include providing scheduled air services for the transportation of passengers, freight and mail to international, regional and domestic destinations. In fulfilling its mission to be an African airline with global reach, it operates to 38 destinations worldwide and provides a competitive, quality air transport service within South Africa and to major cities worldwide.

South African Express

South African Express Airways was established in 1994 as a regional carrier operating domestic and regional flights, serving secondary routes in South Africa and the continent, including regional routes to Botswana, Namibia, Democratic Republic of the Congo, Zimbabwe and Zambia.

It also provides feeder air services that connect with the South African Airways network.

Transnet

Transnet's mandate is to contribute to lowering the cost of doing business in South Africa, enable economic growth, and ensure security of supply through providing appropriate port, rail and pipeline infrastructure in a cost-effective and efficient manner.

This is in line with Outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 MTSF.

Considering the economic climate, the company is reviewing its investment programme to ensure that it is optimised and remains affordable, which may necessitate an extension in planned capital programme expenditure from seven to 10 years, due to a decrease in export demand for commodities.

Notwithstanding these challenges, over the medium term and beyond, Transnet will continue with a number of key infrastructure and equipment projects.

These include the rollout of the manganese expansion project, the berth-deepening and reconstruction of Durban Container Terminal Pier 2, the doubling in size of the Overvaal Tunnel, the delivery of the 1 064 locomotives, and delivery on Operation Phakisa initiatives, which relate to the oceans economy.

Government Employees Pension Fund (GEPF)

The GEPF is Africa's largest pension fund, with more than 1,2 million active members, in excess of 400 000 pensioners and beneficiaries, and assets worth more than R1,6 trillion.

State workers and retirees, including departmental bureaucrats, teachers, nurses and members of the police force are among its members.

Department of Small Business Development (DSBD)

The mission of the DSBD is to create a conducive environment for the development and growth of small businesses and co-operatives through the provision of enhanced financial and non-financial support services.

The DSBD creates a conducive environment for the development and growth of small businesses and co-operatives through the provision of:

- enhanced financial and non-financial support services
- competitiveness, market access
- promotion of entrepreneurship, advancing localisation
- leveraging on public and private procurement.

The department leads an integrated approach on the promotion and development of small businesses and co-operatives, focusing on the economic and legislative drivers that would stimulate entrepreneurship to contribute to radical economic transformation.

According to the Goldman Sachs 2015 Report on Small Business, the South African economy can grow by 5% over the next five years if government and the private sector invest R12 billion in 300 000 small businesses.

Department of Public Works (DPW)

The DPW is mandated to be the custodian and portfolio manager of national government's immovable assets.

Following the operationalisation of the Property Management Trading Entity in 2015/16, the DPW's role will now be policy formulation, coordination, regulation and oversight relating to the provision of accommodation and expert built environment services to client departments at the national government level; as well as, through the Property Management Trading Entity, the planning, acquiring, managing and disposing of immovable assets in the department's custody.

The DPW is further mandated to coordinate and provide strategic leadership in job creation initiatives through the implementation of the Expanded Public Works Programme (EPWP). Public works is constitutionally designated as a concurrent function exercised by both the national and provincial spheres of government.

As articulated in government's 2014 – 2019 MTSF and the NDP, slow economic growth and the associated unemployment are expected to characterise South Africa's economic performance over the medium term.

Against this background, the DPW is expected to contribute to providing labour-intensive work opportunities and income support to low-skilled or unskilled unemployed people by coordinating the EPWP.

The DPW enables participating government and non-government bodies to identify and bring into the programme labour-intensive projects with a significant capacity to absorb low-skilled work seekers.

Legislation and policies

The DPW is governed by the following legislation:

- The State Land Disposal Act, 1961 (Act 48 of 1961).
- The Occupational Health and Safety (OHS) Act, 1993 (Act 85 of 1993), compels the DPW to prepare health and safety specifications for any intended construction project and contractors making a bid, or appointed to perform construction work with the specifications.

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 of 1993.
- The Department of Mineral Resources 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 mine workers, in terms of the Occupational Diseases in Mines and Works Act, 1993 (Act 208 of 1993).

Role players

Construction Industry Development Board (CIDB)

The CIDB provides leadership to stakeholders; stimulates the growth, reform and improvement of the construction sector; and enhances the industry's role in the South African economy. The board's total budget for 2016/17 was R126 million.

Council for the Built Environment (CBE)

The CBE is an overarching body that coordinates the six built-environment professional councils – architecture, engineering, landscape architecture, project and construction management, property valuation and quantity surveying – to promote good conduct within the professions, transform them and advise government on built-environment related issues.

The CBE is also an appeal body to ensure protection of the public interest. As such, the CBE and the six councils for the professions maintain, and apply, standards for built-environment professionals' conduct and practice to effectively protect the interests of the public. The council's total budget for 2016/17 is R45 million.

Programmes and projects

Expanded Public Works Programme

The EPWP is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed.

The EPWP is a nationwide programme covering all spheres of government and SOEs.

The programme provides an important avenue for labour absorption and income transfers to poor households, in the short to medium term.

EPWP projects employ workers on a temporary or ongoing basis with government, contractors, or other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions.

The EPWP creates work opportunities in four sectors, namely infrastructure, non-state, environment and culture and social, by:

- increasing the labour intensity of government-funded infrastructure projects
- creating work opportunities through the Non-Profit Organisation programme and Community Work Programme
- creating work opportunities in public environment and culture programmes
- creating work opportunities in public social programmes.

The EPWP also provides training and enterprise development support, at a subprogramme level.

Since 2012/13, the EPWP has created 4 185 426 work opportunities, and targets creating an additional 4 205 730 work opportunities by the end of 2018/19.

As the coordinator of the programme, the DPW will monitor the quality of the programme's delivery of infrastructure and services to the poor (including training), and it will encourage greater participation in the programme and community ownership of it.

Spending on transfers and subsidies for the EPWP was set to increase from R1,7 billion in 2015/16 to R2,3 billion in 2018/19, at an average annual rate of 11%.

For coordinating the programme, the department projects spending R1 billion over the medium term, specifically on compensation of employees and goods and services; including R622 million for personnel providing support at the provincial level for administering the programme grants.

Department of Labour

The mandate of the Department of Labour is to regulate the labour market through policies and programmes developed in consultation with social partners, which are aimed at:

- improving economic efficiency and productivity
- facilitating decent employment creation
- promoting labour standards and fundamental rights at work
- providing adequate social safety nets to protect vulnerable workers
- promoting and enforcing sound labour relations
- eliminating inequality and discrimination in the workplace
- enhancing occupational health and safety awareness and compliance in the workplace
- giving value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for competitiveness of enterprises that is balanced with the promotion of decent employment.

Legislation and policy

The department administers the following legislation:

- The Labour Relations Act, 1995 (Act 66 of 1995), applies to all workers and employers, and aims to advance economic development, social justice, labour peace and the democracy of the workplace.
- The Employment Equity Act, 1998 (Act 55 of 1998), applies to all employers and workers and protects workers and job seekers from unfair discrimination, and also provides a framework for implementing affirmative action.
- The Unemployment Insurance Act, 1996 (Act 30 of 1996), provides security to workers, when they become unemployed.
- The OHS Act of 1993 provides and regulates health and safety at the workplace for all workers.
- The National Economic Development and Labour Council (NEDLAC) Act, 1994 (Act 35 of 1994).
- Skills Development Act, 1998 (Act 97 of 1998 as amended), develops and improves the skills of the South African workforce.
- The Employment Services Act, 2014 (Act 4 of 2014), promotes employment, growth and workplace productivity.

Labour Policy and Industrial Relations

The Labour Policy and Industrial Relations Branch supervises policy research, labour market information and statistical services.

This includes regulation of labour and employer organisations and bargaining councils, dealing with all the Department of Labour's responsibilities and obligations in relation to the International Labour Organisation and other international and regional bodies with which the South African Government has formal relations, as well as the effective functioning of the Commission for Conciliation, Mediation and Arbitration (CCMA) and NEDLAC.

The CCMA is an independent dispute-resolution body created in 1996, in terms of the Labour Relations Act of 1995.

It does not belong to, nor is it controlled by, any political party, trade union or business.

The CCMA was established to provide South Africans with an accessible, user-friendly and affordable labour-dispute resolution system.

Workers who have allegedly been unfairly dismissed, or are the victims of various unfair labour practices, are able to approach the CCMA alone or with certain categories of recognised representatives to seek redress for workplace wrongs.

The Labour Policy and Industrial Relations programme receives R9,1 million in 2017/18 and R9,7 million in 2018/19 to establish a national minimum wage fixing mechanism, to adjust the level of the wage periodically, and to review the impact of the national minimum wage.

Role players

Unemployment Insurance Fund (UIF)

The UIF is a public entity of the Department of Labour that contributes to alleviating poverty in South Africa by providing effective short-term unemployment insurance to all workers who qualify for unemployment and related benefits.

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.

The South African Revenue Service (SARS) continues to administer the Unemployment Insurance Contributions Act, 2002 (Act 4 of 2002).

The fund is financed through contributions from employees and employers, as legislated in the Unemployment Insurance Contributions Act of 2002, as well as return on investments.

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.

The fund's mandate and job-creation initiatives contribute to three core elements identified in the NDP (social protection through the provision of unemployment insurance to all workers in the country; employment through investment in job creation projects; and quality education and skills development through training initiatives) that aim to provide unemployed beneficiaries with various artisan skills.

In addition to improving benefits, the fund aims to improve its efficiency by improving the rate at which claims are processed and paid from five weeks in 2015/16 to four weeks in 2017/18, and then to three weeks in 2018/19.

The fund also aimed to save an estimated 35 000 jobs over the medium term by assisting distressed companies through an allocation of R229,1 million to Productivity South Africa's turnaround solutions programme.

The training lay-off scheme is an alternative to retrenchment for companies in distress. Participation in this scheme will ensure that beneficiaries of the fund do not lose their jobs, and are reskilled to remain active in the labour market

Compensation Fund (CF)

The Department of Labour administers the CF, which compensates workers who are victims of occupational disability, occupational disease and fatal work incidents.

The services of the Compensation for Occupational Injuries and Diseases Act of 1993 were extended and are rendered at provincial level.

To further strengthen social protection, the fund is working on amendments to the Compensation for Occupational Injuries and Diseases Act of 1993 to include domestic workers as beneficiaries; develop a rehabilitation, reintegration and return to work policy for injured and diseased workers; and increase benefits.

The CF will work towards the continual enhancement and improvement of its claims registration, payments and automated adjudication systems to improve service delivery, and the marketing and promotion of its online claims registration portal.

These initiatives are expected to lead to an increase in spending over the medium term in the administration programme from R827,4 million in 2015/16 to R1,1 billion in 2018/19.

The Umehluko integrated claims management enables employers and medical service providers to report accidents and submit medical reports online. Using this system, the fund's clients can track the status of their claims at any time, and it is set to improve the percentage of medical claims finalised per year within a three-month period from 60% or 199 476 in 2015/16 to 80% or 313 783 in 2018/19.

In an effort to strengthen social protection and alleviate poverty, the fund's board reviewed the existing compensation and pension benefits, and increased the minimum payout by 7% from R3 878 to R4 151 per month. The fund also planned to increase the number of employers registered with the fund from 592 972 in 2015/16 to 719 126 in 2018/19 to increase the number of workers covered.

The fund's main source of revenue is the levies payable by employers based on a determined percentage of the annual earnings of their employees and the risk category of the employer.

Total revenue collected in 2015/16 amounted to R11,3 billion, and was estimated to grow to R20,3 billion in 2018/19. It is being used to pay benefits and cover the cost of administering the fund.

National Economic Development and Labour Council

NEDLAC requires organised labour, organised business, community-based organisations and government to work as a collective to promote the goals of economic growth, and social and economic equity. The council's total budget for 2016/17 was R30,9 million.

Organised business is represented by Business Unity South Africa, which brings together the Black Business Council and Business South Africa.

Organised labour is represented by the three main labour federations in South Africa: the Congress of South African Trade Unions, the Federation of Unions of South Africa and the National Council of Trade Unions.