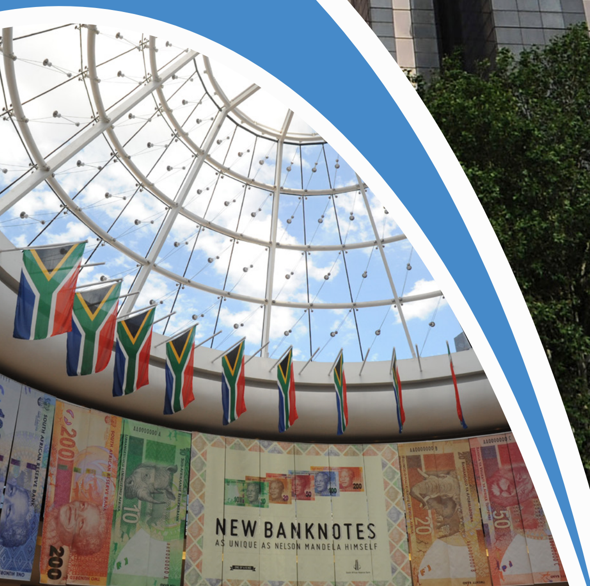

South Africa **Yearbook** 2018/19

Economy

Over the past year, government has worked to end policy inertia and uncertainty that have undermined confidence and constrained investment in the economy. New partnerships with the private sector have led to large-scale investment commitments.

As several commissions probing allegations of corruption and wrongdoing continue their work, a special directorate is being established to investigate and prosecute serious crimes that have been brought to light. Government is reforming state-owned companies, with Eskom as its immediate focus.

Faster growth is needed to expand employment and raise the revenues needed to support social development. While progress is being made on various short-term initiatives, South Africa needs to implement a range of structural reforms that will bolster confidence, investment and economic growth. The State's capacity to implement policy also needs to be strengthened.

The South African economy slumped sharply in the first three months of 2019, contracting by 3.2%. Seven of the ten industries took a knock, with manufacturing, mining and trade the biggest contributors to the fall. Construction, mining and trade were in recession.

The 3.2% decline was the biggest quarterly fall in economic activity since the first quarter of 2009, when the economy – under strain from the global financial crisis – tumbled by 6.1%.

The manufacturing industry was the biggest drag on growth in the first quarter of 2019, falling by 8.8%. This was driven mostly by declines in petroleum, transport and wood and paper.

Mining failed to lift itself out of recession, registering its third consecutive quarter of negative growth. A fall-off in diamond, iron ore and coal production pulled the industry down by 10.8%. This was mining's biggest decline since the first quarter of 2016.

Weaker wholesale, retail and motor sales dragged the trade industry down by 3.6%. South Africa's trade industry is now in recession, this being its second consecutive quarter of negative growth.

Agriculture production slumped by 13.2% after registering a 7.9% rise in activity in the fourth quarter of 2018. A slowdown in the production of field crops (wheat, sunflower seeds, and tobacco) and horticultural products (vegetables, citrus and deciduous fruits) weakened performance in the first quarter.

Construction entered its third consecutive quarter of negative growth, slipping by 2.2%. Decreases were reported for activities related to residential and non-residential buildings, as well as construction works.

The construction industry has seen only one quarter of positive growth over the previous two years. In fact, the total value added of the industry fell from R109.6 billion in the first quarter of 2017 to R106.8 billion in the first quarter of 2019 (at constant 2010 prices).

On the employment front, the construction industry shed 142 000 jobs in the first quarter compared with the fourth quarter of 2018, contributing over half of the 237 000 jobs lost across the entire economy.

Government, finance and personal services were the three industries that posted positive growth figures, keeping their heads above water in the first quarter. Government activity expanded by 1.2%, mostly as a result of increased civil service employment contracts related to the run-up to the general election. Finance and business services, the largest industry in the South African economy, edged up 1.1%, and personal services also expanded by 1.1%.

Key facts from the gross domestic product (GDP) release for the first quarter of 2019:

- Real GDP in the first quarter was down 3.2% quarter-on-quarter (seasonally adjusted and annualised).
- Unadjusted real GDP in the first quarter was flat (0% growth) year-on-year.
- Nominal GDP in the first quarter of 2019 was estimated at R1.20 trillion, lower than the R1.26 trillion recorded in the fourth quarter of 2018.
- Expenditure on GDP in the first quarter fell by 3.4% quarter-on-quarter (seasonally adjusted and annualised), largely as a result of declining exports, weaker fixed capital investment and falling household consumption expenditure.

Economic indicators

Domestic outlook

The environment remains challenging. The medium-term economic outlook has been revised down, with GDP growth forecast to reach 1.5% from an estimated 1.7% at the time of the 2018 medium term budget policy statement. The weaker outlook projects a slow improvement in production and employment following

poor investment growth in 2018, and a moderation in global trade and investment. The medium-term outlook is subdued, with GDP growth projected to reach 2.1% in 2021, supported by a gradual improvement in confidence, more effective public infrastructure spending, and a better commodity price outlook than previously assumed.

In the first three quarters of 2018, real value added in the mining and agriculture sectors contracted. The mining sector is expected to remain under pressure over the medium term, largely as a result of low commodity prices.

Real value added in manufacturing increased by 0,9% in the first three quarters of 2018 compared with the same period in the previous year. An upturn during the third quarter was driven by food and beverages, and motor vehicles and parts. Trade performance also improved. Exports, led by base metals and vehicles, grew by 8.2% in 2018 compared the previous year.

Household consumption

Over the first nine months of 2018, household spending grew by 1.9%, on par with the same period in the previous year. This was driven by increased demand in the first quarter of the year, carried by a stronger rand, higher confidence and low inflation of durable and semi-durable goods.

Household spending growth lost momentum as the year progressed due to subdued wage and employment growth, reduced confidence, and rising petrol and electricity prices.

Household consumption is forecast to grow by 1.5% in 2019. Weak employment growth and further declines in real wages are expected to constrain household incomes. Household wealth is also expected to remain under pressure in 2019, following a sharp decline in equity prices at the end of 2018, and limited growth in house prices.

Over the medium term, household spending is expected to benefit from a recovery in economic activity and net wealth, and lower levels of indebtedness.

Global outlook

The global economy continues to grow, but signs of slowing growth have emerged. The International Monetary Fund (IMF) has lowered its projection for global growth to 3.5% in 2019 and 3.6% in 2020, from a prior estimate of 3.7% in both years.

Over the past six months, GDP growth projections for the United States (US), China and Europe have been revised down. Trade tensions between the US and China have contributed to weaker confidence and growth outlooks, and lower crude prices have reversed recent optimism about prospects for oil-exporting economies. World trade is expected to expand by 4% over the medium term, down from 5.3%.

In developed economies, growth is returning to lower long-term averages. The potential for tariff increases and retaliation among large economies still poses a risk to global trade. Nevertheless, US demand remains strong, oil prices have eased and monetary policy tightening is becoming less aggressive, which will offer some support to medium-term global growth.

In developing countries, growth is expected to decline from 4.6% in 2018 to 4.5% in 2019, mainly due to lower oil prices and trade risks, before rising to 4.9% in 2020. The weak performance of sub-Saharan Africa's two largest economies – Nigeria and South Africa – continues to weigh on the region. The IMF projects Nigeria to grow by 2% this year and 2.2% in 2020. Economic growth for most economies in the region, including Kenya and Rwanda, is expected to exceed 4% over the next five years.

Developing countries remain vulnerable to swings in investor sentiment. Financial market conditions, which stabilised in the middle of last year, have become more volatile since the end of 2018. Short-term uncertainty has added to concerns about trade tensions and slower global growth.

Investment

Investment growth remains subdued. Investment fell by 0.3% year-on-year in the first three quarters of 2018, following a 0.7% expansion in the same period in 2017. Investment by private businesses and general government declined.

As a percentage of GDP, investment has persistently declined, reaching a 13-year low of 17.7% in the third quarter of 2018. The combination of low growth in employment, investment and productivity continues to restrain economic growth.

Investment growth is projected to rise from 1.5% in 2019 to 3% in 2021 as confidence gradually increases, worn-out capital is replaced and the state improves its ability to execute capital projects.

However, concerns about electricity supply and slower global growth pose risks to the near-term outlook.

The Investment Summit affirmed that South Africa remains an attractive investment destination, with R300 billion in investments pledged across a variety of sectors. Efforts by the President's investment envoys yielded another $28 billion in investment pledges.

Employment

Private-sector employment growth has been slowing since 2011. Job creation remains stagnant. The unemployment rate declined marginally from an average of 27.5% in 2017 to 27.1% in 2018. However, this is largely the result of the growth in the number of discouraged work seekers, who are not counted in the unemployment rate. The labour market obstructs easy entry into employment, particularly for young people.

Net employment rose by 225 000 in 2018, mostly due to an increase in the informal non-agricultural sector. Private-sector employment growth was flat over the first three quarters of 2018. Lower industrial employment has been partially offset by stronger growth in services.

Employment in gold mining has fallen during seven of the last eight quarters ending September 2018. Mining employment is expected to remain under pressure, with several companies announcing restructuring or mine closures.

The national minimum wage and other legislative amendments have come into effect, providing much-needed certainty in the labour market.

Through the National Economic Development and Labour Council, business and labour have committed to support job creation and retention. Exemptions and shifts in working hours are expected to limit the job losses from upward wage adjustments as a result of the national minimum wage.

According to the first Quarterly Employment Statistics survey of 2019 released by Statistics South Africa, employment decreased by 0.5% (86 000), while unemployment increased by 3.7% (220 000) when compared to the first quarter of 2018.

The number of persons who were not economically active

increased by 3.1% (470 000) over the year.

The working-age population increased by 149 000 or 0.4% in the first quarter of 2019 compared to the fourth quarter of the previous year. Compared to the first quarter of 2018, the working-age population increased by 605 000 or 1.6%. The number of employed persons decreased by 237 000 to 16.3 million, while the number of unemployed persons increased by 62 000 to 6.2 million, resulting in a decrease of 176 000 (down by 0.8%) in the number of people in the labour force. The absorption rate decreased by 0.7 of a percentage point to 42.6% and the unemployment rate increased by 0.5 of a percentage point to 27.6% compared to the fourth quarter of 2018.

Employment decreased in all four of the sectors in the first quarter of 2019. The formal sector recorded the largest employment losses of 126 000, followed by the informal sector (68 000), private households (31 000) and agriculture (12 000). Employment gains were recorded in transport (59 000), trade (25 000), utilities (16 000) and manufacturing (14 000).

The number of discouraged work-seekers and the number of people who were not economically active for reasons other than discouragement increased by 156 000 and 169 000, respectively, between the fourth quarter of 2018 and the first quarter of 2019, resulting in a net increase of 325 000 in the not economically active population.

When comparing the employment in the formal sector in the first quarter of 2019 with the same period lin 2018, the loss of 135 000 jobs was mainly driven by community and social services (164 000), manufacturing (72 000), construction (53 000) and trade (16 000). Formal sector employment in other industries increased with finance and other business services recording the largest gains of 124 000, while transport and mining gained 29 000 and 18 000 jobs, respectively.

Compared to the same period in 2018, employment in the informal sector increased in five industries in the first quarter of 2019. Annual employment gains were recorded in the trade (85 000), transport (35 000), manufacturing and utilities (with 3 000 each) and mining (2 000) industries. On the other hand, the largest employment losses were recorded in the community and social services (47 000), construction (39 000) and finance and other business services (10 000) industries.

The percentage of young persons aged 15 – 24 years who were not in employment, education or training (NEET) increased from 32.4% in the first quarter of 2018 to 33.2% in the first quarter of 2019. In this age group, the NEET rate for males increased by 1.9 percentage points, while the rate for females decreased by 0.2 of a percentage point. The NEET rate for females was higher than that of their male counterparts in both years.

Price inflation

Headline inflation slowed from 5.3% in 2017 to 4.7% in 2018, as lower food and services inflation offset high petrol inflation in the second half of the year. Fuel inflation rose to 20.1% in the second half of 2018 due to higher oil prices, putting upward pressure on public transport and freight costs. As a result of these large fuel price increases, the Department of Energy is reviewing the basic fuel price formula.

Consumer price index (CPI) inflation is expected to reach 5.2% in 2019 in response to rising food inflation associated with higher fuel and agricultural input prices. The headline CPI (for all urban areas) annual inflation rate in March 2019 was 4.5%. This rate was 0.4 of a percentage point higher than the 4.1% from February 2019. On average, prices increased by 0.8% between February 2019 and March 2019.

Electricity inflation is also expected to increase in 2019. The National Treasury assumes an annual adjustment of 10% in electricity prices in each of the next three years, effective from July 2019.

Core inflation – which excludes the impact of food, electricity and fuel prices – remains stable at about 5% over the medium term.

Exchange rates

Developing-country currencies depreciated sharply during 2018 due to higher risk aversion, trade tensions and rising US interest rates. The JP Morgan Emerging Markets Currency Index fell by 11.1% over the year. The rand performed in line with these trends, depreciating by 13.3% against the US dollar and 9.8% against the euro. Risk aversion and volatility remain high, although the rand has partially recovered. Between September 2018 and January 2019, the rand appreciated by 11.5% against the US dollar.

Despite the weaker nominal exchange rate, South Africa's inflation remains higher than that of trading partners. The real effective exchange rate appreciated by 2.4% over the first 11 months of 2018, signalling a loss of export competitiveness.

Creating partnerships for growth

The October 2018 Jobs Summit strengthened the partnership between government, business, labour and communities. Highlights included:

- improving the efficiency of government spending, for example by increasing placement ratios in the private sector for beneficiaries of public employment programmes, and receiving local procurement commitments from the private sector.
- project-specific collaboration, as demonstrated by partnerships between commercial farmers, lenders and black farmers.
- improving policy certainty through consultations that respond to affected groups, evidenced in both the extension of the employment tax incentive as well as changes in the training lay-off scheme.

The Youth Employment Service, a business-led initiative launched in March 2018, offers one-year work experience and training alongside job placement services. Government supports the initiative, which also benefits from the employment tax incentive and enhanced broad-based black economic empowerment recognition.

The National Minimum Wage (NMW) was implemented in January 2019. The NMW of R20 an hour represents a marked increase in income for more than six million workers – or 47% of South Africa's labour force – who earn less than R20 an hour. This rate is subject to future adjustments in terms of the National Minimum Wage (NMW) Act of 2018.

The NMW is expected to significantly improve the lives of millions of low-paid workers and begin to address the challenge of wage inequality.

The Jobs Summit resulted in an agreement to extend the employment tax incentive, which was due to lapse in 2019, for 10 years.

The Small Business and Innovation Fund will help entrepreneurs and small businesses to navigate the pre-start-up phase and provide support as they scale up their enterprises. This will complement the work of the CEO Initiative's SME Fund, which has raised R1.4 billion to date, with about R500 million expected to be committed for debt and equity investments in SMEs by the first quarter of 2019.

The financial sector has committed to invest R100 billion over five years in black industrial enterprises and firms. The Financial Sector Transformation Council is working with the Department of Trade and Industry to finalise guidelines for the disbursement of this funding.

The infrastructure fund announced as part of the President's economic stimulus and recovery plan is intended to encourage capital investment by the private sector and development finance institutions in public infrastructure. The fund will build on work under way in government to improve the planning and management of large infrastructure projects.

Government expenditure

Government remains commited to prioritising social infrastructure, health services, access to education and social protection.

Since the 2018 The Medium Term Budget Policy Statement (MTBPS), risks from Eskom and adverse economic conditions have required substantial spending adjustments.

To limit growth in public debt and respond to poor revenue performance, baselines have been reduced by R50.3 billion over the next three years relative to the 2018 MTBPS. Proposed spending increases total R75.3 billion, of which R69 billion is set aside for reconfiguring Eskom. As a result, non-interest expenditure has been increased by R21.6 billion in 2019/20, R1.9 billion in 2020/21 and R1.4 billion in 2021/22.

Government expenditure is set to increase on average by 7.8% over the Medium term, from R1.67 trillion in 2018/19 to R2.09 trillion in 2021/22. Expenditure continues to grow above inflation, with real expenditure growth averaging 2.4%. Funding has been reprioritised to improve service delivery, mainly in health, roads, public transport and educational infrastructure. In addition, R5 billion is set aside for the infrastructure fund. Provisional allocations of R4.3 billion have been made, mainly for road maintenance and broadband.

Compensation of employees remains the largest category of spending, accounting for an average 34.4% of expenditure over the Medium term. Government is implementing measures to contain the public-sector wage bill, which will produce some savings and assist in rebalancing the composition of expenditure.

The 2018 MTBPS proposed reprioritisation of R33.4 billion over the next three years, while leaving the expenditure ceiling unchanged. Of this total, R16.9 billion was allocated to infrastructure programmes (including in schools), clothing and textile incentives, and public employment programmes. The remaining R16.5 billion was allocated to various programmes that assist in building capacity and delivering services.

Since the 2018 MTBPS, however, serious risks have materialised that require immediate attention to protect the public finances and limit the increase in public debt. As a result, the 2019 budget proposes further baseline reductions. Even with these reductions, the expenditure ceiling will be raised by R16 billion over the medium term, mainly to finance the reconfiguration of Eskom.

As far as possible, the expenditure allocations have been lowered in line with the goal of improving the effectiveness and composition of spending. Reductions mainly affect specific departmental programmes and transfers to public entities.

Over the medium term, government will take additional steps to manage growth in compensation. The combination of natural attrition and active measures allow for a reduction of compensation budgets by R5.3 billion in 2019/20, R11 billion in 2020/21 and R10.7 billion in 2021/22. Wage increases for members of Parliament and provincial legislatures are frozen in 2019/20. In addition, public entities are encouraged to freeze salaries of employees earning R1.5 million or more a year in 2019/20, while those earning between R1 million and R1.5 million a year should receive a below-inflation increase of 2.8%. This follows several years of below-inflation increases for senior management in national and provincial government.

Government has reduced allocations to specific programme. The Special Defence Account, which manages the acquisition and upgrading of main weapon systems and technology for the Department of Defence, was reduced by R5 billion in 2021/22. Goods and services budgets in public entities are lowered by 1%.

The public-service wage bill constitutes the largest share of government expenditure by economic classification, crowding out other spending. The wage agreement reached in 2018 adds to these pressures. Government will continue to manage the wage bill by helping departments to fund pension penalties for employees who retire early. This upfront spending is expected to reduce future compensation costs.

In 2016, government introduced legally binding compensation ceilings for national departments. These ceilings remain unchanged over the Medium term ahead, with departments expected to absorb any shortfall within their current allocations.

National and provincial government will work with municipalities to improve governance and confront weaknesses in financial management.

Overall growth

According to the 2018/19 budget speech, in 2017/18 the economy grew by 0.7% and is projected to grow by 1.5% in 2019. The output of the South African economy is now R4.7 trillion.

According to The United Nations Conference on Trade and Development 's January 2019 Investment Trend Monitor, South Africa reversed the drop in Foreign Direct Investment (FDI) inflows since 2014 and recorded a strong recovery in 2018, with inflows amounting to $7.1 billion compared to $1.3 billion in the previous year. This was driven by large investments in mining, petroleum refining, food processing, informatioon and communication technologies and renewable energy.

Financial ranking

South Africa's performance in the 2018 World Bank's Ease of Doing Business Index (EDB) was ranked at 82nd out of 190 economies.

The World Bank noted two areas of improvement in the EDB 2018, being: South Africa has made starting a business easier by reducing the time for online business registration, and the country improved the monitoring of electricity outages through recording data to monitor outages better.

The World Bank's Ease of Doing Business Report, which was released in October 2018, is an indicator of the ease of doing business in various economies around the world.

The 2018 Ibrahim Index of African Governance (IIAG) report, also shows that South Africa has fallen from 6th to 7th position. The IIAG provides an annual measure of governance efficiency of African countries.

The report covers 54 countries and base its analysis on 100 indicators that are drawn from 36 independent sources which together fall into four broad thematic categories: Safety & Rule of Law; Participation & Human Rights; Sustainable Economic Opportunity; and Human Development.

South Africa's performance also showed a decline in the 2018-2019 World Economic Forum (WEF) Global Competitiveness Index. The country now ranks 61st out of 140 economies assessed in the annual s urvey.

South Africa's national strengths can be found in the Finance System ranking 18th, its Market Size at 35th, with strong performance in Business Dynamics at 56th, the Labour Market at 55th, with a relatively good ranking for Economic Stability at 57th. In the context of the Fourth Industrial Revolution it is notable that South Africa ranks 46th for Innovation Capability.

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 National Development Plan (NDP), the New Growth Path (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).

In contributing to South Africa's economic growth and long-term vision detailed in the NDP, the EDD will, over the medium term, continue to focus on providing support to development finance institutions and regulatory bodies, facilitating infrastructure initiatives, providing black women and youth with access to employment and entrepreneurship opportunities, and supporting provinces in economic planning.

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 Medium Term Strategic Framework (MTSF).

The department's 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 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 R1.4 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.

For the 2018/19 financial year, the department was allocated R1.07 billion.

Interventions in infrastructure initiatives

The department will continue to provide secretariat services to the Presidential Infrastructure Coordinating Commission in its implementation of 18 national strategic infrastructure projects such as the construction of power plants, schools, health care facilities, roads, ports, water pipelines and bus route systems. The nature of this support includes unblocking or facilitating applications for permits or licences to accelerate the implementation of projects. Key infrastructure projects, which are in the 18 national strategic infrastructure projects, are expected to be unblocked over the medium term through the easing of regulatory challenges.

This will be done by engaging and coordinating with all parties involved in the planning and adjudication of projects, and overcoming challenges such as by-laws. Through these interventions, municipal services will be made available for new and existing investments in the water and sanitation, logistics, housing, health, transport, energy, agri-logistics, education, and Information and Communication Technology (ICT) sectors.

Over the Medium term, in the Investment, Competition and Trade programme, R82.7 million is allocated for the secretariat's work, and R165 million to the technical project management unit to enhance its capacity to assist departments with project preparation and make projects more appealing to investors.

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.

Over the medium term, the department was expected to use 30 economic development initiatives to promote employment, empowerment and development in all the provinces. These engagements are intended to help identify and support the implementation of common initiatives such as skills development, employment creation, local procurement and the green economy; and responses to sector-wide industrial conflict and the uncertain global economic environment.

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.

Providing black women and youth with access to employment and entrepreneurship opportunities

The meaningful growth of the South African economy requires social partnerships and the provision of support to women and young people, particularly those who have been historically disadvantaged. In recognition of this, the department plans to deliver nine initiatives in support of women and young people over the medium term. These include engaging and mobilising economic stakeholders to channel investments towards women and young people; easing regulatory challenges in employment-generating sectors such as manufacturing, retail and ICT; coordinating the advancement of social accords; and producing reports on the facilitation of employment and entrepreneurship opportunities for black women and youth. Funding for these initiatives is provided in the Growth Path and Job Drivers subprogramme, which has an allocation of R77.3 million over the medium term, in the Growth Path and Social Dialogue programme.

Strategic support to development finance institutions and regulatory bodies

The department realises its mandate largely through its entities, and oversees them to enhance their impact on economic transformation, job creation and industrial development.

Over the medium term, transfers to entities account for an estimated 86.1% (R2.9 billion) of the department's total expenditure. The Competition Commission is set to receive the largest transfer (R935.7 million), followed by the Small Enterprise Finance Agency (R764.9 million), the Industrial Development Corporation (R701.3 million), the International Trade Administration Commission (R338.8 million), and the Competition Tribunal (R114.6 million). Spending on compensation of employees, by comparison, accounts for an estimated 9.2% (R314.6 million) of total expenditure.

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. The commission's total budget for 2018/19 was R282 million.

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 received a budget of R35 million 2018/19.

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 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.

The ITAC's budget for 2018/19 was R102 million.

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 (SEFA)

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.

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.

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

SEFA received a budget of R229 million for the 2018/19 financial year.

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.

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 will be the point of 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, 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.

Over the medium term, the Green Fund is expected to receive additional allocations from the economic competitiveness and support package of R95 million in 2018/19, R111 million in 2019/20 and R117.1 million in 2020/21.

Direct investment into projects, including co-investments and additional support realised thus far, amount to R285 million, with contributions from the private sector amounting to R91 million.

Drawing investment from the private sector is one of the key mandates of the fund. As investments begin to show favourable returns, it is expected that private sector investors will invest without any state involvement.

As a result, direct investment is expected to exceed R500 million over the medium term.

Department of Trade and Industry (the dti)

The mission of the dti is to promote structural transformation towards a dynamic industrial and globally competitive economy; provide a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development; broaden participation in the economy to strengthen economic development; and continually improve the skills and capabilities of the dti to effectively deliver on its mandate and respond to the needs of South Africa's economic citizens.

The department's strategic objectives are to: facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation; build mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives; facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth; create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner; and promote a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery.

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.

This work entails implementing the industrial policy action plan through the promotion of industrialisation and the expansion of production in value-added sectors with the aim of creating employment opportunities. As such, over the medium term, the department will focus on providing industrial finance and incentives, developing industrial infrastructure and strengthening South Africa's export capabilities.

Key products and services

Economic empowerment

The dti provides strategic direction in the development of policies and strategies that promote enterprise growth, empowerment and equity in the economy.

Trade, exports and investment

The dti plays a critical role in the promotion of economic development and meaningful participation in the global economic and trade environment. It achieves this by working to build an equitable multilateral trading system that facilitates development, and strengthens trade and investment links with key economies.

The dti recognises the importance of promoting trade and inward investment, and building trade and investment relations. It focuses on encouraging exports, to leverage global growth for the development of the South African economy, through the establishment of collaborative agreements with existing trading partners and dynamic fast-growing emerging markets. The dti, in partnership with the Provincial Investment Promotion Agencies, undertakes investment and export promotion activities in targeted markets that are aligned to South Africa's international relations and cooperation agreements.

- Financial Assistance (incentives): the dti provides financial support to qualifying companies in various sectors of the economy. Financial support is offered for various economic activities, including manufacturing, business competitiveness, export development and market access, as well as foreign direct investment.
- Legislation and Business Regulation: 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 dti in providing competitive and socially responsible business and consumer regulations, for easy access to redress and efficient markets.

Priority areas

Providing industrial finance and incentives

Part of the department's mandate is to provide or facilitate industrial financing to maximise productivity in identified economic sectors. This funding is mainly budgeted for in the Industrial Development programme and the Incentive Development and Administration programme.

Activities in the Industrial Development programme involve developing industrial policies, strategies and programmes that seek to strengthen identified economic sectors. Key initiatives that are currently implemented through funding from the programme include the clothing and textiles competitiveness programme; Intsimbi future production technologies initiatives, which facilitate the development of technical skills in the manufacturing sector; and the National Cleaner Production Centre, which supports South African industry to improve competitiveness and reduce environmental waste through the implementation of resource efficient and cleaner production methodologies. Funding for the clothing and textiles competitiveness programme constitutes 38.7% (R2.3 billion) of total spending in the Industrial Development programme over the Medium term. R600 million over the same period is reprioritised towards the clothing and textiles competitiveness programme to increase investment, competitiveness and exports in the sector.

The Incentive Development and Administration programme is responsible for the administration of key incentive measures such as grants, loans and tax allowances. The programme aims to promote industrialisation, sustain inclusive economic growth and transform the South African economy by supporting industrial enterprise development and monitoring compliance with the Broad-Based Black Economic Empowerment (BBBEE) Amendment Act, 2013 (Act 46 of 2013). As part of the programme, over the medium term, the department plans to attract private-sector investment amounting to R60 billion by implementing the black industrialists programme and other incentives in sectors such as agro-processing, metals fabrication, and chemicals and plastics.

Through its incentives, the department aims to provide financial support to an estimated 2 800 enterprises or projects to support an estimated 60 000 jobs over the period ahead. Manufacturing incentives account for 59.7% (R10.6 billion) of the Incentive Development and Administration programme's budget over the Medium term, with the department expecting to support 1 200 manufacturing enterprises over the same period. However, allocations for manufacturing incentives are expected to decrease at an average annual rate of 8.3%, from R3.5 billion in 2018/19 to R2.7 billion in 2021/22. Allocations to the Incentive Development and Administration programme are also expected to decrease, from R5.6 billion in 2018/19 to R5.5 billion in 2021/22, at an average annual rate of 0.4%. This decrease is due to allocations to the economic competitiveness and support package being made only up to 2020/21.

Developing industrial infrastructure

The department promotes industrialisation by spending on infrastructure projects in the Infrastructure Investment Support subprogramme in the Incentive Development and Administration programme. Activities carried out in the programme relate to facilitating the establishment of special economic zones (SEZs) and industrial parks. This includes supporting the implementation of infrastructure development and critical infrastructure projects.

Through the SEZs incentive, the department provides financial support for bulk infrastructure and top structures to improve industrialisation, regional development, exports and employment, as well as attract foreign and domestic direct investment. Over the medium term, the department plans to designate an additional SEZ in Mogwase (North West) to focus on renewable energy and technology, agro-processing, logistics, and mineral beneficiation. Allocations for the SEZs incentive are expected to increase at an average annual rate of 21.7%, from R900 million in 2018/19 to R1.6 billion in 2021/22.

The critical infrastructure programme contributes to lowering the cost of doing business in South Africa. Over the Medium term, the department plans to revitalise roads, and bulk water and electricity supply in 26 industrial parks across the country, and in the process support an estimated 85 000 jobs. Activities will also involve supporting 40 strategic critical infrastructure projects such as power substations, cogeneration power plants, bulk infrastructure, and technical testing facilities for aerospace and defence. This work will be carried out at an estimated cost of R706.1 million over the medium term in the Infrastructure Investment Support subprogramme.

Strengthening export capabilities

In line with the department's continuing effort to build capacity to increase South African exports, over the medium term, it plans to continue implementing the integrated national export strategy. An estimated 2 674 South African companies will be assisted to participate at 15 national pavilions, trade missions, and trade and investment initiatives with the emphasis on increasing support to women-owned enterprises. To carry out these activities, R761.8 million over the Medium term is allocated to the Export Marketing and Investment Assistance programme in the Incentive Development and Administration programme.

Investment promotion

The dti plays a critical role in the promotion of economic development and meaningful participation in the global economic and trade environment. It achieves this by working to build an equitable multilateral trading system that facilitates development, and strengthens trade and investment links with key economies. A significant feature of the dti's international engagement also involves work to support African regional economic integration and development cooperation.

The dti recognises the importance of promoting trade and inward investment, and building trade and investment relations. It focuses on encouraging exports, to leverage global growth for the development of the South African economy, through the establishment of collaborative agreements with existing trading partners and dynamic fast-growing emerging markets.

The dti, in partnership with the Provincial Investment Promotion Agencies, undertakes investment and export promotion activities in targeted markets that are aligned to South Africa's international relations and co-operation agreements.

Invest SA is a division of the dti which provides a One-Stop-Shop service to investors. It provides investment promotion, facilitation and aftercare services which are geared towards fast-tracking projects and reducing government red tape.

Industrial parks/special economic zones

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.

According to the 2018/19 – 2020/21 Industrial Policy Action Plan (IPAP), SEZs have proven to be an effective policy instrument for propelling industrialisation in some of the world's leading developing economies.

A number of incentives are available to ensure SEZs growth, revenue generation, creation of jobs, attraction of FDI and international competitiveness.

These SEZ incentives include:

Preferential 15% Corporate Tax:

Businesses (prescribed in section 24 (4) of the SEZ Act, 2014 (Act 16 of 2014)) that are located in a SEZ may be eligible for tax relief, including the reduced rate of corporate income taxation. In addition to satisfying the requirements of the Act, further criteria for some of the available tax incentives are stipulated in the Income Tax Act, 1962 (Act 58 of 1962.)

Building Allowance:

Businesses and Operators (prescribed in section 1 of the SEZ Act of 2014) operating within a SEZ may be eligible for tax relief, including the building allowance, subject to requirements contained in the Income Tax Act of 1962.

Employment Incentive:

Businesses and Operators operating within a SEZ may be eligible for tax relief, including the employment tax incentive subject to requirements contained in the Employment Tax Incentive Act, 2013 (Act 26 of 2013).

Customs Controlled Area:

Businesses and Operators located within a customs controlled area of a SEZ will be eligible for tax relief as per the Value-Added Tax Act, 1991 (Act 89 of 1991), the Customs and Excise Act, 1964 (Act 91 of 1964), the Customs Duty Act, 2014 (Act 30 of 2014) and the Customs Control Act, 2014 (Act 31 of 2014).

12i Tax Allowance:

The 12i Tax Incentive is designed to support Greenfield investments (new industrial projects that utilise only new and unused manufacturing assets), as well as Brownfield investments (expansions or upgrades of existing industrial projects). The new incentive offers support for both capital investment and training.

Black Industrialists

The Black Industrialists Policy aims to leverage the government's capacity to unlock the industrial potential that exists within black-owned and managed businesses that operate within the South African economy through deliberate, targeted and well-defined financial and non-financial interventions as described in the IPAP and other government policies.

This policy targets entities that should have extensive experience, operations and track record in their respective or envisaged industrial sectors and value chains. It is expected that the entities supported will:

- Expand their current operations or businesses to become major players in the domestic and/or global markets within 10 years of being in the programme;
- Start a new operation or business that can enable them to become major players in the domestic and/or global markets within 10 years of being in the programme; and
- Acquire an existing or new business that can enable them to become major players in the domestic and/or global markets within a specified period.
- Such entities should be operating in the manufacturing sectors of the economy in line with the industrialisation path as articulated in the IPAP.

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.

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

Budget
For the 2018/19 financial year, the dti's allocated budget was R9.5 billion. During the 2018/19 financial year, departmental revenue collected amounted to R73 million, a decrease of R33 million when compared to R106 million in the previous financial year. The decrease is due to fines and penalties levied in the previous financial year in respect of non-performance by certain companies participating in the National Industrial Participation Programme and alternative dispute resolutions issued by the B-BBEE Commission.

The department has a total budget of R30.2 billion over the Medium term, of which 82% (R24.8 billion) is expected to be transferred to public corporations and private enterprises, and departmental agencies and accounts for incentive programmes. Spending on compensation of employees accounts for 10.7% (R3.3 billion) of the department's budget, increasing at an average annual rate of 5%, from R987.5 million in 2018/19 to R1.1 billion in 2021/22. Cabinet has approved reductions to the department's baseline budget amounting to R78.5 million over the Medium term, which will be effected mainly on the department's manufacturing development incentives and transfers to entities.

Role players
Presidential Infrastructure Coordinating Commission
The PICC has the following 18 strategic integrated projects:
- 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, technical assistance, 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.

Business Partners Limited 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.

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.

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:

- The Small Enterprise Development Agency's (SEDA) 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.

Programmes and projects

Industrial Policy Action Plan

The IPAP is firmly entrenched in government's overall policy and plans to address the key challenges of economic and industrial growth and race-based poverty, inequality and unemployment. It is a key component of the President's Nine Point Plan and is aligned to the policy perspective of Radical Economic Transformation. It is guided by the vision of the NDP.

The IPAP is a product of the Economic Sectors, Employment and Infrastructure Development Cluster. The responsibility for its implementation lies with government as a whole and a wide range of entities, including SOCs.

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.

Key focus areas of IPAP 2018:

- Grow the economy.
- Strengthen efforts to raise aggregate domestic demand - mainly through localisation of public procurement and intensified efforts to persuade the private sector to support localisation and local supplier development.
- Step up South Africa's export effort.
- Create and reinforce policy certainty and programme alignment.
- Strengthen ongoing efforts to build a less concentrated, more competitive economic and manufacturing environment in which barriers to entry for new entrants are lowered.
- Build a stronger system of industrial finance and incentives to support and secure higher levels of private sector investment in the productive sectors of the economy and grow exports.
- Press ahead with technology-intensive, value-adding beneficiation projects which fully leverage South Africa's comparative resource endowment advantage into a global competitive advantage.
- Optimise technology transfer and diffusion and, working closely with the Department of Science and Technology, further ramp up the effort to commercialise 'home-grown' R&D in key sectors.
- Support the further strengthening of energy-efficient production and carbon mitigation efforts and measures in a manner that allows for sustainable adaptation by all the energy-intensive sectors of the economy.
- Understand, grasp and prepare for the foreseeable effects of the Digital Industrial Revolution and emergent disruptive technologies, collaboratively adapting South Africa's productive

and services sectors to meet the challenges, including those relating to employment displacement.

Automotives

The automotive industry remained the largest and leading manufacturing sector in the domestic economy.

The automotives sector has performed exceptionally well. The dti has established a team of technical experts to develop a post-2020 Automotives Master Plan.

The mandate of the team is to examine the entire automotive sector and not just the existing Automotive Policy Development Plan, which will include light, medium and heavy vehicles and motorcycles.

The purpose is to ensure that in the context of long-term policy certainty, a post-2020 Master Plan will create a framework to secure even higher levels of investment and production, higher exports, deepening localisation and expanding employment.

The dti initiated the Medium and Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS), a subcomponent of the Automotive Investment Scheme (AIS), an incentive designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.

The MHCV-AIS provides for a non-taxable cash grant of 20% of the value of qualifying investment in productive assets by medium and heavy commercial vehicle manufactures and 25% of the value of qualifying investment in productive assets by component manufactures and tooling companies for MHCV's as approved by the dti.

Some of the conditions are that the applicant must:

- be a registered legal entity in South Africa in terms of the Companies Act, 2008 (Act 71 of 2008 (as amended); Companies Act, 1973 (as amended); or the Close Corporations Act, 1994 (as amended), and must undertake manufacturing in South Africa
- be a taxpayer in good standing and must, in this regard, provide a valid tax clearance certificate before the MHCV-AIS grant is disbursed; the grant will only be applicable to investment in assets that will be used in the entity's South African operations
- submit a business plan with a detailed marketing and sales plan, a production plan, budget and projected financial income statement, cash-flow statement and balance sheet, for a period of at least three years for the project submit a B-BBEE certificate, ITAC Registration certificate, projected financial income statement, cash-flow statement and balance sheet for a period of at least three years of the relevant division, cost centre or branch where the project is located, if applicable submit a cost benefit analysis for the project in cases where it cannot provide information in respect of a cost centre.

Clothing and textiles

After government set a 100% local content requirement, the clothing, textiles, leather and footwear sector saw the reintroduction of products where local production had been discontinued.

These include technical fabrics, protective footwear, protective fabrics and chambray fabrics.

This intervention, supported also by the Clothing and Textile Competitiveness Improvement Programme, has contributed to turning the sector around. In response to the flood of cheap clothing imports, government has increased the import duty on clothing to 45% in line with World Trade Organisation regulations.

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.

South African Emerging Black Filmmakers Incentive Scheme

The South African Emerging Black Filmmakers Incentive is available to South African black-owned qualifying productions. It aims to nurture and capacitate emerging black filmmakers to take up big productions and contribute towards employment opportunities.

The dti expected to spend R100 million to support emerging black filmmakers by the end of March 2018.

World Economic Forum (WEF) 2019

The 49th WEF took place from 22 to 25 January 2019 in Davos, Switzerland.

The 2019 theme for this international gathering was "Globalization 4.0: Shaping a Global Architecture in the Age of the Fourth Industrial Revolution."

President Cyril Ramaphosa led the South African delegation to the event. The primary objective of the South African delegation was to strengthen partnerships and collaboration for inclusive economic growth and development in South Africa, with particular emphasis on increasing international investment into the country.

South Africa has the most developed, diversified, technologically advanced and industrially integrated economy on the African continent. The country remains one of the preferred investment destinations in Africa and is also an important gateway for markets and other business opportunities throughout the continent.

The WEF is an independent, international organisation whose aim is to contribute to more positive outcomes in the world by engaging business, political leaders, academia and other leaders of society to inform and shape the global, regional and industry agendas.

South African Premier Business Awards

The South African Premier Business Awards is an annual event hosted 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 6th South African Premier Business Awards were held on 13 March 2019 at the Sandton Convention Centre in Johannesburg.

The winners were as follows:

- Black Industrialist Award: Afro-zonke Projects and Investment.
- Enterprise Development Award: Saab Grintek Defence (Pty) Ltd.
- Exporter Award: Saab Grintek Defence (Pty) Lt.
- Investor Award: Coega Development Corporation.
- Manufacturer Award: J Bunyan Timbercraft CC T/A Timbercraft.
- Proudly South African: Jane Massey Trading RSAMade.
- SMME Award: Eco Smart and Ndoukhulu Hydraulic and Mining Supplier.
- Women-owned Award: CTE Investments (Pty) Ltd Eco Smart.
- Play Your Part Award: Intercessor Army Franchising.
- Young Entrepreneur Award: Bathu Swag (Pty) Ltd.

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.

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 Department of Public Enterprises (DPE) is the shareholder representative for government with oversight responsibility for seven state-owned companies (SOCs) in its portfolio, namely the South African Airways (SAA), the South African Express Airways, Transnet, Eskom, Denel, the South African Forestry Company (SAFCOL) and Alexkor. The mandate of the DPE is to fulfil oversight responsibilities over these SOCs to ensure that they contribute to the realisation of government's strategic objectives, as articulated in the NDP, MTSF, the New Growth Path and 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 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.

To restore proper corporate governance, new boards with appropriately experienced directors, have been appointed at Eskom, Denel, Transnet, SAFCOL, and the South African Express Airways.

A Presidential SOE Council has been established to provide political oversight and strategic management in order to reform, reposition and revitalise SOEs, so that they can play their role as catalysts of economic growth and development.

Where SOEs are not able to raise sufficient financing from banks, from capital markets, from development finance institutions or from the fiscus, other mechanisms, such as strategic equity partnerships or selling off non-strategic assets will be explored.

Strengthening state-owned company oversight

Over the medium term, the department plans to continue assessing the corporate plans of these companies to ensure that key performance indicators in their compacts are incorporated appropriately, and will enhance its monitoring and reviewing of the companies' financial and operational performance. The department is developing operating procedures to standardise and enhance its analysis of the financial and operational performance of these companies, and, where necessary, intervention measures will be developed with a view to align the performance of SOCs with the NDP vision.

In 2018/19, the Minister of Public Enterprises appointed new boards of directors in all SOCs to strenghthen their governance systems. In 2019/20, the department plans to conduct five evaluations on the performance of the new boards of directors, in line with the companies' shareholder compacts. Working with other relevant departments, the DPE plans to align policies affecting the air transportation sector, with a view to positioning state airlines to support growth in trade and tourism, and thereby create jobs. In addition, proposals have been made for the implementation of an optimal corporate structure for state airlines, which will facilitate closer collaboration between the SAA and the South African Express Airways. The department will oversee and support the implementation of the approved structure.

Over the medium term, the department will continue developing a government shareholder management policy that aims to clarify how government will go about exercising its role as shareholder. The policy seeks to improve the performance of SOCs through good corporate governance by setting explicit goals, and requiring the companies' boards and management to monitor performance. Performance incentives for executives will be transparently and directly linked to desired outcomes, including audit outcomes.

Budget

The department's budget for the 2018/19 financial year was R6.5 billion. The department's oversight activities are mainly funded in the SOCs Governance Assurance and Performance, and Business Enhancement, Transformation and Industrialisation programmes. The combined budget for these programmes is expected to decrease at an average annual rate of 71.6% over the medium term, from R6.5 billion in 2018/19 to R146 million in 2021/22. This is due to additional funding of R1.2 billion allocated to the SAA and R5 billion allocated to the SAA during the 2018/19 adjustments budget.

Spending on goods and services, mainly driven by travel and subsistence and consultants, is expected to increase at an average annual rate of 6.3%, from R97.5 million in 2018/19 to R117.1 million in 2021/22. Spending on compensation of employees, which is set to increase at an average annual rate of 7.2 per cen, from R171.4 million in 2018/19 to R211.2 million in 2021/22, constitutes the department's largest cost driver.

Role players

The DPE oversees the following seven SOCs, which are key drivers of economic growth:

South African Airways

The SAA is the South African national flag carrier. Its vision is to be Africa's leading world-class airline. 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 of delivering a commercially sustainable, world-class air passenger and aviation services in South Africa, the rest of the African continent as well as internationally, the SAA operates to 32 destinations worldwide, carrying 8.5 million passengers and 115 260 tonnes of cargo annualy with a fleet size of 62 aircraft.

The airline's turnaround strategy has been fine-tuned to take into account changes in the operating environment. In the turnaround strategy it was anticipated that the SAA would return to profitability in the 2020/21 financial year. The airline is on-track with implementation, projecting that it will achieve losses lower than the R5.2 billion budgeted for in the 2018/19 financial year.

The Department will be evaluating options for introducing a Strategic Equity Partner at the group level, to bring management expertise, expand the reach of the SAA's route network and reduce future fiscal burden.

South African Express

The South African Express Airways is a regional carrier providing scheduled air transportation of passengers, air charter services, air cargo and mail services on thin secondary routes in South Africa and the South African Development Community (SADC) region. The airline is currently operating from OR Tambo International Airport and Cape Town International Airport to 10 destinations carrying 1.8 million passengers a year with a total of 10 active aircraft.

The South African Express Airways was established in 1994 as a regional carrier, providing feeder air services that connect with the South African Airways (SAA) route network. The airline's mission is to operate sustainably an integrated route network connecting secondary and hub airports with a market footprint spanning countries in the SADC region, including Angola, Botswana, Namibia, the Democratic Republic of Congo, Mozambique, Zimbabwe and Zambia.

The South African Express Airways's services were suspended in May 2016 and May 2018 by the South African Civil Aviation Authority. The airline is currently rebuilding its operations. It has developed a strategic turnaround plan with five pillars focused on addressing governance, profitability, operational efficiency, customer value proposition and human capital. The airline expects to improve its profitability in the 2019/20 financial year.

The department is currently looking at incorporating the South African Express into the SAA with an objective of enhancing operational coordination and realising efficiencies and synergies. It is anticipated that integration would improve both the operational and financial performance of both the South African Express and SAA.

Denel

Denel is the largest manufacturer of defence equipment in South Africa and operates in the military aerospace and landward defence environment. Incorporated as a private company in 1992 in terms of the South African Companies Act, 1973 (Act 62 of 1973), Denel's sole shareholder is the South African Government. Denel is a national security asset, with the primary purpose of designing, developing, manufacturing and supporting defence materiel. Denel is also assigned to retain and maintain strategic and sovereign defence industrial capabilities. Denel sources about 60% of its revenue from exports and 40% from the local market mainly the Department of Defence.

The Denel Board was appointed in May 2018. By the end of July 2018, the company had finalised a turnaround strategy that is focused on restructuring it to reduce costs, improving programme management, disposing of non-core and non-strategic assets as well as partnering with the private sector to grow the business. This plan was refined when finalising the 2019 Corporate Plan.

The 2017/18 and 2018/19 financial years have been the most difficult years in over a decade for the SOC. The entity experienced crippling liquidity challenges that affected operations and delivery of key projects. As a result, the positive trend of growing revenue and improving profitability was reversed. Denel had to request not only the rollover of existing guarantees, but additional guarantees (bringing the total facility to R3.43 billion) to enable the company to raise funding. The board is mandated to drive the turnaround of the business and to improve the stakeholder environment which is key to the sustainability of Denel.

Denel has an order book of R18 billion and has a strong pipeline of opportunities in excess of R30 billion. Government continues to provide support to Denel. The company's guaranteed facility was increased by R1 billion, which took the total guarantee facility to R3.43 billion and the term of the guarantees was extended for a period of five years expiring in 2023.

The department will be giving consideration to the option of bringing in Strategic Equity Partners into some of the businesses. The main aim is to open new sources of capital, develop new technologies and processes, provide market access, safeguard the sovereign and strategic defence capabilities and support other national objectives.

Transnet

Transnet is the largest freight transport company in the continent and most crucial part of the freight logistics chain that delivers goods in South Africa.

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.

A new Interim board was appointed in May 2018, which has been acting decisively on the forensic report findings and improving governance in the Transnet business.

The company is focusing on improving its operational performance to reduce the cost of freight handling and transportation. The department continues to work with Transnet to develop, implement and monitor concrete plans for improving efficiency; reducing administered prices; and achieving a shift of rail addressable commodities from road to rail.

Over the medium-term, Transnet was able to increase the tonnage moved on rail to above 226 metric tons per annum and average crane moves per hour ranged between 28 and 30 moves. The anchorage waiting time has decreased significantly to 30 hours, contributing to improved productivity and efficiency across the eight commercial ports.

Transnet, with its responsibility of providing and operating rail, ports and pipelines infrastructure has continued to create adequate capacity ahead of demand. However, considering the economic climate, the company is reviewing its investment programme. This is to ensure alignment of capacity with demand so as to avoid the freight transportation system having to bear unnecessary overhead costs. There may be a need to extend the planned capital programme from seven to 10 years, due to slower growth in the economy and a decrease in export demand for mining commodities.

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 new locomotives, and delivery on Operation Phakisa initiatives, which relate to the oceans economy.

Transnet made substantial investments in South Africa's national transport economic infrastructure. These include R107 billion in the county's rail freight network, R18 billion in the commercial ports infrastructure and R17 billion in the national pipeline network. Overall, approximately R168 billion has been invested over the previous six years of the Market Demand Strategy, and Transnet intends to invest a further R153 billion in capital over the next five years to 2022/23.

South African Forestry Company

SAFCOL was established as a SOC in 1992 under the Management of State Forests Act of 1992 for the management of and control over State commercial plantation forests. The company's activities include forestry management, and timber harvesting and processing.

SAFCOL plays a critical role in the sector as a grower of sawlogs for supply in the forestry value chain, ranging from the sawmilling, furniture manufacturing, mining and pulp and paper industries mainly in Mpumalanga, Kwazulu Natal and Limpopo. Komatiland Forests, a subsidiary of SAFCOL, owns and operates one processing plant in Limpopo and has two in Mpumalanga, with one mothballed and operating on one rented facility.

SAFCOL's operating land is under land claims, posing a huge threat in the future of SAFCOL. While awaiting settlement of land claims, SAFCOL is investing in neighbouring communities. Furthermore, SAFCOL, through Komatiland Forest, has 80% shareholding in IFLOMA – a state-owned forestry company in Mozambique. This ownership will enable the growth of SAFCOL into African countries.

Eskom

Eskom generates 95% of the electricity used in South Africa and 45% of the electricity used in Africa. It is governed by the Eskom Conversion Act, 2001 (Act 13 of 2001), and is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors.

Eskom has concluded a turn-around plan to deal with its short term recovery and long term sustainability. The turn-around strategy is premised on driving efficiencies and containment of operational costs, ensuring clean governance, driving operational excellence and operational performance improvements.

In the 2019 State of the Nation Address, President Cyril Ramaphosa announced major reforms that government will undertake to restructure the electricity sector so that it is appropriately positioned to respond to the changes taking place in the sector. These will start with the separation of the three Eskom divisions (Generation, Transmission and Distribution) into separate entities under Eskom Holdings. The government has approved R23 billion for the next three financial years to assist with the re-organisation of Eskom.

The deterioration of generation plant performance over the past months has resulted in insufficient capacity to meet the country's electricity demand in November and December 2018 and again in February and March 2019. This meant that rotational load shedding had to be implemented to protect the integrity of the National Grid. Energy availability moved from 78% in the 2017/18 financial year to 70.4% in March 2019. The Generation Recovery Programme is a consolidation of the critical "pain points" requiring added support and focus. This will allow Eskom to fast-track improvement in generation performance and, ultimately, improve availability of plants in the long run.

Over 7.4 million households have been connected to the grid and over 160 307 connected by non-grid technology since 1994. As at 31 December 2018, 108 467 households were connected during the 2018/19 financial year. Three units at Medupi Power Station are currently producing 2 382 MW to the national grid. Medupi Power Station is expected to be completed during the 2020/21 financial year. Kusile Power Station is currently producing 800 MW to the grid. Kusile Power Station's remaining five units are expected to be complete during the 2022/23 financial year. As at 31 January 2017, all four units of Ingula Pumped Storage Scheme were providing power to the grid. As at 31 December 2018, 334 km of transmission lines were installed and 540 MVA transmission transformer capacity installed and commissioned. As at 31 December 2018, a total of 31 176 jobs were created across the capital expansion programme (Medupi, Kusile, Ingula and Power Delivery Projects).

Alexkor

Alexkor mines diamonds in the Alexander Bay area, including marine mining and land mining. Alexkor was established in terms of the Alexkor Limited Act, 1992 (Act 116 of 1992) to mine marine and land diamonds in Alexander Bay.

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.

Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture (Alexkor RMC PSJV) commenced with the exploration of new shallow water channels which were previously unexplored. Over 6 000 carats were produced against a target of 5 000 carats at the shallow water operations.

Despite the introduction of new diamond mining operations, Alexkor RMC PSJV did not achieve its targeted annual production of 57 000 carats. The diamond operations achieved 48 434 carats. The decline in revenue was further exacerbated by the disruption of the deep sea mining operations. The deep sea mining vessel caught fire in April 2017 which resulted in extensive damages. The deep sea operations were expected to resume in the second quarter of 2018/19.

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.

Over the medium term, the department will focus on: developing, evaluating and reviewing strategies and legislation for small enterprises and cooperatives; increasing support for small enterprises; and developing and supporting cooperatives.

Budget

The department has a total budget of R8.1 billion over the medium term, 72.8% (R5.9 billion) of which is for transfers to the Small Enterprise Development Agency for its operations, and the Small Enterprise Finance Agency for administering the small business and innovation fund. The department's expenditure is expected to increase at an average annual rate of 24.4%, from R1.5 billion in 2018/19 to R2.9 billion in 2021/22. This is mainly due to allocations amounting to R3.2 billion over the Medium term to operationalise the small business and innovation fund.

For the 2018/18 financial year, department was allocated R1.48 billion.

Developing, evaluating and reviewing strategies and legislation for small enterprises and cooperatives

In seeking to fulfil its mandate to provide strategic and legislative drivers that stimulate entrepreneurship and economic transformation, the department plans to undertake various legislative and policy reviews and amendments, which are expected to be completed by 2020. Key among these are drafting the National Small Business Amendment Bill, which seeks to standardise the definition of SMMEs to allow for the development of more appropriate policy and support interventions; and reviewing the integrated strategy on the promotion of entrepreneurship and small enterprises to enable it to be responsive to current economic conditions and business life cycles.

Over the medium term, the department plans to conduct research focused on examining barriers to entry and other impediments to small businesses that result in increases to the cost of doing business in South Africa. Research findings will assist the department, in partnership with other stakeholders, to develop strategies related to reducing red tape, accessing markets and conducting business rescue. These activities will be carried out in the Sector Policy and Research programme which has a budget of R117.3 million over the Medium term. Expenditure in the programme is expected to increase at an average annual rate of 12.3% from R29.9 million in 2018/19 to R42.3 million in 2021/22.

Increasing support for small enterprises

The department provides support for small enterprises directly and indirectly through the SEDA and the SEFA. However, the black business supplier development programme and the national informal business upliftment scheme are implemented directly by the department.

The black business supplier development programme offers a cost-sharing grant for small enterprises to acquire tools, machinery, equipment and training to a maximum of R1 million per applicant, while the national informal business upliftment scheme aims to develop and grow informal businesses by providing financial, non-financial and infrastructure support services.

Over the medium term, 2 360 small enterprises are expected to benefit from the black business supplier development programme, which is allocated R906.5 million. Over the same period, 5 612 informal businesses are expected to benefit from the national informal business upliftment scheme and 45 informal business structures are expected to be supported through the scheme's infrastructure facility, which provides a 50-50 cost-sharing grant for public and private sector investments in economic infrastructure.

Developing and supporting cooperatives

The department will continue providing financial support to cooperatives through the cooperatives incentive scheme. The scheme provides a 100% grant to the maximum of R350 000 per registered primary cooperative and R11 million per registered clustered cooperatives. In doing so, the scheme intends to improve the viability and competitiveness of cooperatives by lowering the cost of doing business. Over the Medium term, the scheme aims to support 890 cooperatives with a total allocation of R278.7 million.

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 Work Programme (EPWP). The DPW 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.

Over the medium term, the DPW will continue to focus on: creating employment opportunities; providing better oversight, better cooperation and better service delivery; facilitating skills development in the construction and property sectors; reviewing and developing policy; and improving governance and mitigating risk. These objectives contribute towards the realisation of outcome 4 (decent employment through inclusive growth), outcome 6 (an efficient, competitive and responsive economic infrastructure network) and outcome 12 (an efficient, effective and development-orientated public service) of government's 2014-2019 medium-term strategic framework.

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).

Budget

Over the medium term, 86.6% (R21.6 billion) of the department's total budget is allocated to transfers and subsidies for the operations of the department's entities, and conditional grants to provinces and municipalities for the implementation of the expanded public works programme. An estimated 7.1% (R1.8 billion) of the department's total budget over the period ahead is allocated to spending on compensation of employees.

For the 2018/19 financial year, the department's budget allocation was R7.5 billion.

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 2018/19 was R174.4 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 2018/19 was R53.7 million.

Agrément South Africa

The board is mandated to certify non-standardised or unconventional built environment construction products, materials and systems through technical assessments that verify whether such products, materials and systems are fit for purpose. The board's total budget for 2018/19 was R34.8 million.

Independent Development Trust

The Independent Development Trust has evolved from a grant-making organisation into a responsive development agency with a well-established footprint across South Africa. The trust's total budget for 2018/19 was R349.2 million.

Programmes and projects

Expanded Public Works Programme

The department leads and coordinates the expanded public works programme, which provides an important avenue for labour absorption and income transfers to poor households in the short to medium term.

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.

To date, the programme has created a total of 3.5 million work opportunities in the infrastructure, social, environment and culture sectors, in line with the demand for labour. The department aims to create a further 4.4 million work opportunities through the programme over the Medium term through transfers and subsidies to public bodies, such as provinces, municipalities and non-profit organisations, amounting to an estimated R7.7 billion.

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.

The department will continue to provide technical support, particularly through data capturing and verification, to public bodies implementing the programme. The department expects to spend R1.1 billion for the management of the programme in the EPWP, of which: R573.3 million is for compensation of employees for the administration of the programme; and R507.4 million for goods and services, with R241.2 million of the R507.4 million earmarked for data capturing and verification.

Better oversight, better cooperation, better service delivery

The department is mandated to provide office accommodation to client departments, and ensure that its buildings are maintained to an acceptable standard and that property rates are paid to municipalities. The department leads and coordinates policies and legislative frameworks that guide the implementation of the public works function at provincial and municipal level, and oversees and manages the performance of provinces. It manages its portfolio of immovable assets through the Property Management Trading Entity. The department will continue to monitor programmes in the sector and provide support on processes related to planning and performance management. Accordingly, over the medium term, the department aims to sign 45 cooperation and protocol agreements for joint service delivery with provinces and municipalities, and establish non-punitive mechanisms, such as interdepartmental forums, to address negative audit outcomes. To carry out its oversight role, R105 million over the medium term is allocated in the Intergovernmental Coordination programme, with spending on compensation of employees accounting for 77.7% (R81.6 million) of this amount.

Skills development in the construction and property sectors

To improve the delivery of infrastructure in the public works sector, the department plans to support skills development and transformation in the built environment sector. As part of its efforts to increase the throughput of built environment graduates and invest in young built environment professionals, the department's skills pipeline strategy makes provision for technical bursary schemes, internships, learnerships, property management training and artisan development, with structured workplace training to expedite professional development and registration.

In giving expression to this strategy, the department will ensure the participation of an estimated 1 100 beneficiaries over the medium term in the department and Property Management Trading Entity's skills development programme. Skills development activities will be carried out in the Professional Services subprogramme in the Intergovernmental Coordination programme through an allocation of R89.4 million over the medium term.

Reviewing and developing policy

The department is responsible for regulating the construction and property sectors, and ensuring that they transform in line with the vision articulated in the NDP . Towards the development of a public works act that will provide an overarching legislative framework for the sector, over the medium term, the department will continue its review of the Construction Industry Development Board Act, 2000 (Act 38 of 2000), the Council for the Built Environment Act, 2000 (Act 43 of 2000) and the founding acts for the six built environment professional councils. It will also continue finalising its reviews of the 1997 and 1999 white papers on public works. These reviews are expected to culminate in a draft document in 2019/20 that will take into account comments from key stakeholders in the public works sector and construction industry, and establish mechanisms to ensure the transformation of the construction and built environment sectors.

Expenditure for activities related to the regulation and transformation of the construction and built environment sectors is expected to amount to R111 million over the medium term.

Improving governance and mitigating risk

To bring about greater efficiencies in the delivery of services and contribute towards good governance and ethical practices, the department aims to improve various internal policies, processes and systems. This includes the implementation of a holistic strategy aimed at preventing fraud, which emphasises the application of proactive measures to enhance operational efficiency.

The strategy seeks to put in place key controls that address the risk of fraud by aligning financial and business internal control systems with the department's fraud risk management plan to increase awareness about the risk of fraud. Through these measures, the department aims to limit fraud and corruption, ensure the efficient use of State resources, and improve service delivery and stakeholder confidence. An estimated R142.2 million over the medium term is allocated in the Administration programme to carry out governance, risk and compliance activities.

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, and
- 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.

The Department of Labour supports efforts towards realising the goals of the NDP in terms of resolving workplace disputes and improving labour relations, enhancing occupational health and safety, and facilitating job creation.

Outcome 4 (decent employment through inclusive growth) of government's 2014 – 2019 medium-term strategic framework gives overall strategic direction to the department's work. Over the medium term, the department will focus on increasing workplace inspections, supporting work seekers, and regulating the workplace to establish minimum working conditions and fair labour practices.

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, 1993 (Act 85 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.

Budget

Cabinet approved budget reductions amounting to R103.2 million over the Medium term have been effected across all programmes on goods and services (R35 million); compensation of employees (R49.5 million); and transfers to departmental entities (R18.7 million) for a freeze on salary increases for senior management staff earning more than R1.5 million per year and a 2.8% increase for senior managers earning between R1 million and R1.49 million per year. The reduction in spending on compensation of employees is expected to result in a decrease of 202 funded posts and a net decrease in total headcount, from 3 346 in 2018/19 to 3 337 in 2021/22.

Cabinet-approved budget increases amounting to R151.6 million over the medium term have been effected on transfers to public entities. The Commission for Conciliation, Mediation and Arbitration receives an additional R107.6 million over the Medium term to address increasing caseloads, and provide training to commissioners and assessors to preside over advisory arbitration processes and conduct balloting and certification processes. The transfer to the National Economic Development and Labour Council is expected to increase by R44 million over the medium term to: fund the council's contribution for a staff pension plan and medical aid, cover shortfalls in cost of living adjustments, fund the next presidential jobs summit, and address other operational costs arising from the council's increasing workload.

Key to achieving this is the inspection of workplaces for compliance with employment law. In pursuit of creating healthy and safe workplaces and responding to persistent non-compliance by employers, the department has amended the OHS Act of 1993 to introduce compulsory provisions, such as permitting inspectors to administer fines and allowing employees to leave the workplace if conditions are unhealthy or unsafe.

The amended act, which is targeted for implementation in 2020/21, makes provision for health and safety representatives in the service of employers to check for compliance through routine inspections.

Over the medium term, the department will collaborate with the Compensation Fund to increase the number of occupational health and safety inspectors. This is intended to provide improved services to employees and employers, and ensure that the most vulnerable employees are protected. In this regard, R1.6 billion is allocated over the medium term in the Compliance, Monitoring and Enforcement subprogramme in the Inspection and Enforcement Services programme for the inspection and enforcement of employment law. The Compensation Fund has budgeted R172.6 million in 2019/20 for 500 additional inspectors. The number of inspections for compliance is expected to increase from 218 732 in 2018/19 to 220 692 in 2021/22.

For the 2018/19 Financial, the department was allocated R3.29 billion.

Supporting work seekers

Through the Employment Services South Africa system, the department provides a free service, including employment counselling, to recruit and place work seekers in various work and learning opportunities. Over the medium term, the department plans to introduce new measures to accelerate the placement of registered work seekers. These include: improving the quality of information on work seekers and employment opportunities to accurately match work seekers with work opportunities, reviewing workflow processes to respond promptly to requests from employers, subjecting matched candidates to rigorous counselling services to provide employers with shortlists, and signing partnership agreements.

The department also aims to facilitate greater access to the labour market for work seekers with matric and post-school qualifications, as well as those affected by barriers to entry such as low literacy levels, poor skills, and a lack of funds to undertake job searches. Accordingly, the department has self-service stations at 62 of its 126 labour centres to encourage work seekers to register and seek employment. 64 additional self-service stations are expected to be rolled out in 2019/20, as work seekers registered on the Employment Services South Africa system are expected to increase from 700 000 in 2019/20 to 800 000 in 2021/22. In 2019/20, the department expects to roll out the situation-specific evaluation expert assessment tool, which will be used to profile work seekers registered on the Employment Services South Africa system to assist with their placement.

As part of the department's efforts to improve and modernise its counselling services, it has deployed one principal psychologist in each province and 128 career counsellors across all labour centres, and introduced an electronic interest and competency self-assessment system for work seekers. Over the Medium term, activities in the Public Employment Services programme will also involve work with the European Union on a project aimed at assessing the impact of counselling services. This will include tracking the placement of counselled work seekers in self-employment, cooperatives and further learning institutions.

The department anticipates the number of counselled work seekers to increase from 210 000 in 2019/20 to 230 000 in 2021/22. Over the medium term, the Public Employment Services programme will work with the Employment Services Board and the International Labour Organisation to develop national and labour migration policies, and provide advice on the implementation of employment schemes to the Minister of Labour.

The number of employment opportunities registered through the Employer Services subprogramme in the Public Employment Services programme is expected to increase from 90 000 in 2019/20 to 100 000 in 2021/22, at an estimated cost of R23.2 million over the same period. R402.1 million over the Medium term has also been allocated in the subprogramme for counselling, placement and advocacy campaigns and to pilot free registration opportunities on the Employment Services South Africa system with partner organisations by means of a memorandum of agreement. Training will be provided to employment services practitioners and strict quality control measures will be introduced to verify all work opportunities registered with the department.

To carry out all the department's activities related to supporting work seekers, R588.1 million is allocated over the medium term in the Work Seeker Services subprogramme.

Regulating the workplace to establish minimum working conditions and fair labour practices

To reduce income inequality in South Africa, the department, with social partners at the National Economic Development and Labour Council, will continue to set standards, institute minimum wages for vulnerable workers and monitor compliance with the Employment Equity Act of 1998.

The National Minimum Wage Bill came into effect on 1 January 2019. The department plans to establish a national minimum wage commission and secretariat in 2019/20, as per the bill, which will be responsible for reviewing, making adjustments to and monitoring the social and economic impact of the national minimum wage, which is set at R20 per hour. As such, activities over the medium term in the Labour Policy and Industrial Relations programme will involve performing the secretariat function and housing the national minimum wage commission, for which R114.1 million is budgeted over the Medium term for operations.

The Employment Equity Amendment Bill, with its corresponding draft regulations, were published for public comment on 21 September 2018, to be tabled in Parliament for discussion and finalisation in 2019. Amendments to the Employment Equity Act of 1998 and regulations are primarily aimed at empowering the minister to regulate the setting of sector-specific employment equity numerical targets; and the promulgation of section 53 of the Act, which deals with the issuing of an employment equity compliance certificate as a prerequisite for accessing state contracts.

South Africa co-chairs the International Labour Organisation's (ILO) global commission on the future of work, a first for the country and for Africa. The conference committee, chaired by South Africa, offers a platform for robust discussions on the future of the organisation's development cooperation in supporting constituents to achieve sustainable development and decent work for all. These discussions are expected to culminate in the formal adoption of a global report in 2019. To this end, R200 000 is allocated in the Labour Policy and Industrial Relations programme in 2019/20.

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 ILO 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.

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 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.

Commission for Conciliation, Mediation and Arbitration

The CCMA aims to promote social justice and economic development in the world of work, and to be the best dispute management and dispute resolution organisation. The commission's total budget for 2018/19 was R988.2 million.

National Economic Development and Labour Council

The council 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 2018/19 was R34.4 million.

Productivity South Africa

Productivity South Africa aims to improve the productive capacity of the economy through interventions that encourage social dialogue and collaboration between government, labour and business. The entity's total budget for 2018/19 was R287.6 million.

Employment figures

According to the Quarterly Labour Force Survey, Quarter 2: 2019, the working-age population increased by 150 000 or 0.4% in the second quarter of 2019 compared to the first quarter of the same year. Compared to the second quarter of :2018, the working-age population increased by 601 000 or 1.6%. The number of employed persons increased by 21 000 to 16.3 million in the second quarter of 2019, and the number of unemployed persons also increased by 455 000 to 6.7million compared to the first quarer, resulting in an increase of 476 000 (up by 2.1%) in the number of people in the labour force. The absorption rate decreased by 0.2 of a percentage point to 42.4% and the unemployment rate increased by 1.4 percentage points to 29.0% compared to the firstquarter of 2019. Employment increased in two of the four sectors with the informal sector recording the largest employment gains of 114 000 followed by the Agriculture sector with 5 000.

The formal sector and private households declined by 49 000 each, resulting in the net increase of 21 000 in total employment. The number of discouraged work-seekers and the number of people who were not economically active for reasons other than discouragement decreased by 248 000 and 77 000, respectively, between the first and the second quarters of 2019, resulting in a net decrease of 326 000 in the not economically active population. Compared to a year ago, employment increased by 0.2% (25 000),unemployment increased by 9.4% (573 000) and the number of persons who were not economically active increased by 3 000.

Employment increased for the first time in quarter two since 2015, after experiencing declines in the past consecutive second quarters of 2016, 2017 and 2018.

The number of employed persons increased in six of the ten industries, with the largest increases recorded in Trade (84 000), Community and social services (48 000), Construction (24 000) and Manufacturing (9 000). However, employment losses were recorded in Private households (49000),Transport (42 000), Mining (36 000) and Finance and other business services (21 000).

Compared to the same period last year, employment gains of 25 000 persons were largely driven by Trade (210 000), Finance and other business services (96 000) and Manufacturing (45 000). Meanwhile, construction had the largest losses of 113 000 during the same period.

Following a decrease in the formal sector employment in the first quarter of 2019(126 000), employment declined by 49 000 in this sector.

Compared to the same period lin 2018, a loss of 14 8000 jobs in the formal sector employment was mainly driven by Construction (116 000), Transport (65 000), Community and social services (62 000), Mining (51 000)and Utilities (8 000). The percentage of young persons aged 15 – 24 years who were not in employment, education or training decreased by 0,9 of a percentage point to 32.3% (3.3 million) compared to the first quarter. Of the 20.4 million young people aged 15 – 34 years, 40.3% were not in employment, education or training – a decrease of 0.3 percentage points compared to Q1:2019.

Youth Employment Service

In 2018, President Cyril Ramaphosa launched the Youth Employment Service (YES). The initiative aims to see more than one million young South Africans being offered paid work experience over the next three years, as part of placing the needs of and opportunities for young people at the

The initiative is a collaborative effort between government, business, labour and civil society. The initiative is informed by research, which has shown that one year of work experience, coupled with a curriculum vitae and reference letter, increases a young person's chances of finding employment by three times.

The programme has three channels through which employment opportunities can occur:

- Corporate work experiences: businesses that participate in the programme create one-year paid positions for youth aged between 18 and 35, in addition to these organisations' current employment numbers, YES is an additive
- SMME host placements: businesses that do not have the capacity to place more people in their organisations, have the option of sponsoring the salary for a one-year placement in small and medium enterprises (In year one for seven to 10 months)
- SMME development: young people are empowered to start and grow their own businesses, with support from YES in the form of training, seed funding and value-chain integration.

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, 1993 (Act 130 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 reaching 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 is 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.

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.