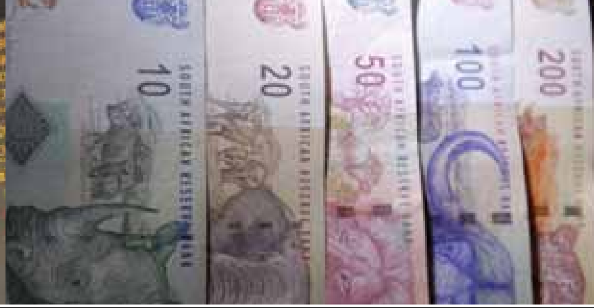
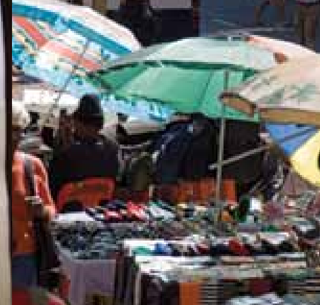
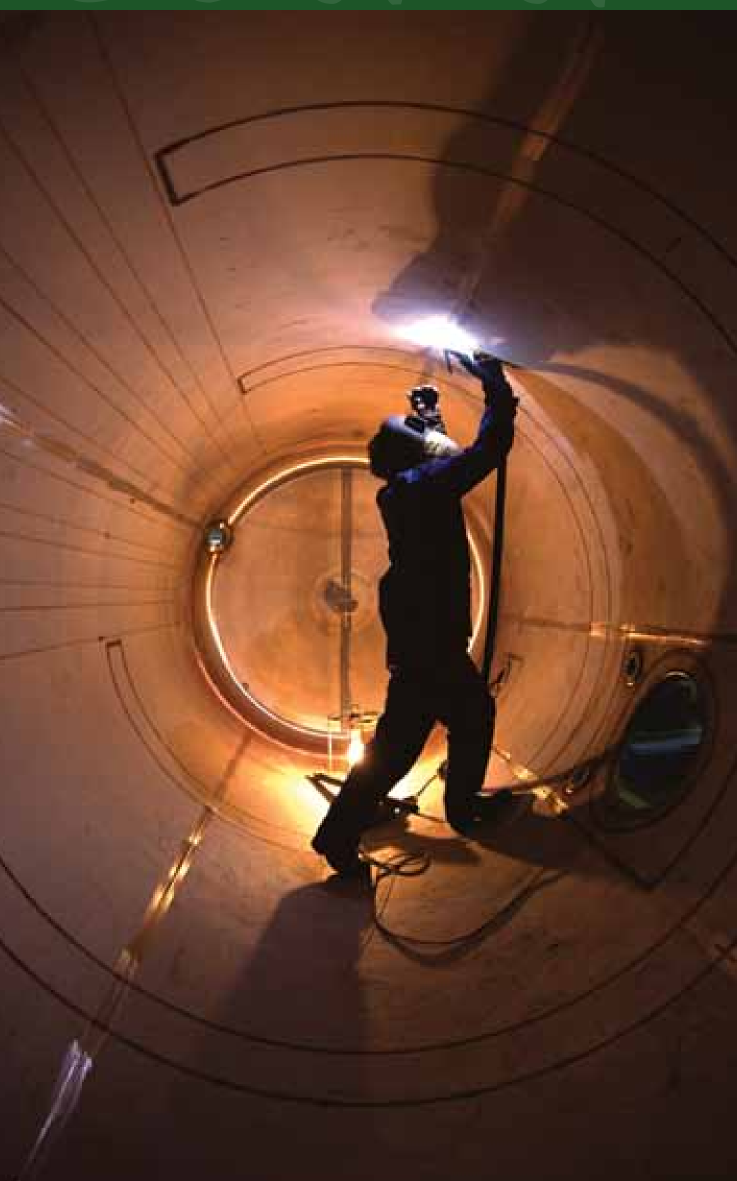




Economy



SOUTH
AFRICA
YEARBOOK
2011/12

Statistics South Africa (Stats SA) announced in May 2011 that the economy showed growth of 4,51% in the first quarter of 2011. Parallel to the weak growth of the advanced economies, economic activity in the developing economies also registered a slower pace of increase in the second quarter of 2011. Following the brisk rate of economic expansion recorded in the first quarter of 2011, real growth in the South African economy slowed substantially in the second quarter to an annualised rate of 1,3%.

Growth was expected to be 3,4% in 2012, rising to just over 4% in 2014 and 2015.

However, foreign investors are increasingly aware of the huge long-term growth possibilities that Africa presents. According to Ernst & Young's first *Africa Attractiveness Survey*, foreign direct investment (FDI) inflows into the continent will reach US$ 150 billion by 2015.

Published in May 2011, it combines an analysis of investment in Africa over the last decade with a survey of over 562 global executives' views about how and where investment will take place in the next decade.

The survey shows Africa has seen an 87% increase in inward FDI over the last decade, from 338 new projects in 2003 to 633 in 2010.

Economic indicators

Domestic output

The pace of real output growth in the South African economy slowed considerably in the second quarter of 2011.

Following growth at a revised annualised rate of 4,5% in the first quarter of 2011, the pace of increase in real gross domestic product (GDP) decelerated to only 1,3% in the second quarter.

Growth in real GDP, excluding the volatile primary sector, also moderated steeply from an annualised rate of 5,5% in the first quarter of 2011 to 1,6% in the second quarter.

The real value added by the primary sector continued to decline at an annualised rate of 5,2% in the second quarter of 2011, following a contraction of 3,9% in the first quarter.

The real output of the agricultural sector contracted at an annualised rate of 7,8% in the second quarter of 2011 – its second consecutive quarterly decline following a revised decrease of 3,7% in the first quarter.

The size of the commercial maize crop for 2011 is estimated at 10,7 million ton (Mt), lower than the 12,8 Mt harvested in 2010.

In the mining sector, real value added declined further at an annualised rate of 4,2% in the second quarter of 2011.

After having increased at an annualised rate of 11,1% in the first quarter of 2011, the real value added by the secondary sector contracted at a rate of 5,2% in the second quarter.

Subsequent to an increase of 14,5% in the first quarter of 2011, the real value added by the manufacturing sector declined at a rate of 7% in the second quarter, subtracting 1,1 percentage point from the overall rate of economic growth.

The negative impact of the natural disaster in Japan in March 2011 became evident in the second quarter when motor-vehicle production was adversely affected by supply disruptions in the sector's component segment.

The real value added by the electricity, gas and water sector increased moderately at an annualised rate of 0,9% in the second quarter of 2011, compared to an increase of 3,3% in the first quarter.

The pace of growth in the real value added by the tertiary sector increased from an annualised rate of 3,7% in the first quarter of 2011 to 4% in the second quarter.

Growth in the real value added by the trade sector decelerated from an annualised rate of 4,4% in the first quarter of 2011 to 4,1% in the second quarter, reflecting slower output growth in the retail and motor trade subsectors.

The lack of availability of certain vehicle components from Japan negatively affected the production of certain product lines in South Africa and, together with shortages in various models sourced from Japan, resulted in lower growth in the motor trade subsector.

In contrast, the real output of the wholesale trade subsector increased in the second quarter of 2011.

Growth in the real value added by the transport, storage and communications sector accelerated marginally from an annualised rate of 3,6% in the first quarter of 2011 to 4,1% in the second quarter.

According to the *Global Competitiveness Report 2011 to 2012,* which was released in September 2011, South Africa improved its ranking to attain 50th position and hold the second place among the BRICS (Brazil-Russia-India-China-South Africa) economies, remaining the highest-ranked country in sub-Saharan Africa on the World Economic Forum's global competitiveness index in 2011.

The stronger transport activity in the second quarter was broadly consistent with the increase in merchandise import and export volumes.

The pace of growth in real value added by the finance, insurance, real-estate and business services sector moderated from an annualised rate of 4,8% in the first quarter of 2011 to 2,9% in the second quarter.

The low level of activity in the banking sector in the second quarter reflected hesitant domestic demand conditions and relatively low levels of business and consumer confidence in the country.

In contrast to the general slowdown from the first to the second quarter of 2011, growth in the real value added by the general government sector accelerated from an annualised rate of 1,8% in the first quarter to 5,7% in the second quarter, mainly due to the higher level of employment in the sector.

Domestic expenditure

Consistent with the moderation in domestic production, growth in real gross domestic expenditure decelerated from an annualised rate of 7,9% in the first quarter of 2011 to 1,3% in the second quarter.

Real inventory investment slowed, while real gross fixed capital formation accelerated meaningfully over the period. Following a robust increase of 5,2% in the first quarter of 2011, growth in real final consumption expenditure by households slowed to an annualised rate of 3,8% in the second quarter.

The slower pace of increase in household spending was fairly broad-based, with spending being partly constrained by underlying inflationary pressures that affected the disposable income of households.

Alongside increased spending on computers and related equipment, expenditure on most other durable goods categories decelerated from an annualised rate of increase of 21,5% in the first quarter of 2011 to a still-high rate of 12,5% in the second quarter.

The persistent decline in the prices of both clothing and footwear boosted expenditure in this category, while households also prepared for cold winter temperatures to a greater extent than in previous years.

However, spending on motor-vehicle tyres, parts and accessories, and on recreational and entertainment goods continued to decline in the second quarter.

Households' real spending on non-durable goods increased at an annualised rate of 3,6% in the second quarter of 2011, which was roughly similar to the pace recorded in the preceding quarter.

Real expenditure on household fuel and power decelerated in the face of high prices, while spending on recreational and entertainment goods also edged lower.

In addition, spending on services, the largest category of spending by households, registered a slower pace of increase in the second quarter of 2011.

Following an annualised increase of 5,4% in the first quarter of 2011, growth in the real disposable income of households slowed to 4,1% in the second quarter.

Simultaneously, the nominal level of household debt increased further in the second quarter of 2011, albeit at a slower pace, indicating that households were somewhat less inclined to incur additional debt.

Sustained caution among consumers was reflected in the ratio of household debt to disposable income, which went from 76,8% in the first quarter of 2011 to 75,9% in the second quarter.

Real final consumption expenditure by general government contracted at an annualised rate of 0,1% in the second quarter of 2011, following an increase of 9,5% in the first quarter of the year.

Real government expenditure increased at an annualised rate of 4,3% in the first quarter of 2011 and 4,8% in the second.

Growth in real gross fixed capital formation accelerated from an annualised rate of 3,1% in the first quarter of 2011 to 4,1% in the second quarter.

The change in gross fixed capital formation contributed 0,7 percentage points to growth in real gross domestic expenditure in the second quarter of 2011 compared to a 0,6 percentage point contribution in the first quarter.

South Africa's ascension to the BRICS (Brazil-Russia-India-China-South Africa) grouping is recognition of the country's potential and places it alongside leading economies of the future. South Africa's economy is smaller than those of Brazil, Russia, India and China, but it is also the gateway to the African continent, linking the BRIC economies to more than a billion consumers. Africa is the fastest-growing region after China and India. South Africa is the 27th-biggest economy in the world, with a gross domestic product that the International Monetary Fund puts at US$354 billion.

Growth in real gross fixed capital formation by private business enterprises gathered further momentum and accelerated from an annualised rate of 2,7% in the first quarter of 2011 to 4% in the second quarter.

Real capital spending by the agricultural sector continued at a steady pace, boosted by prospects of relatively high commodity prices and the competitive pricing of agricultural equipment largely due to the relative strength of the Rand.

Global demand continued driving expansion in the mining sector. This gave rise to further capital outlays for the development of coal, gold and platinum mines.

Broadband capacity constraints in South Africa, fierce competition and an increased number of subscribers contributed to ongoing capital spending on the fibre-optic and cellular networks by enterprises in the communications sector.

Real fixed-capital expenditure by public corporations increased at a brisk annualised pace of 4,4% in the second quarter of 2011. This was moderately below the rate of 6,6% in the preceding quarter.

Eskom raised its capital spending on especially vehicles and machinery and other equipment as work on its ongoing projects continued, notably the construction of the Medupi, Kusile and Ingula power stations.

Transnet's ongoing capital projects, in particular the new multiproduct pipeline, gave rise to increased expenditure, especially on machinery, equipment and construction works.

Having contracted uninterruptedly for nine consecutive quarters, real gross fixed-capital expenditure by general government increased by 3,8% in the second quarter of 2011 as provincial and local government departments stepped up capital spending in the areas of housing and construction.

The level of real inventory accumulation slowed from the first to the second quarter of 2011 – real inventory investment (annualised at 2005 prices) amounted to R5,6 billion in the second quarter of 2011, compared to R9,3 billion in the first quarter.

The level of industrial and commercial inventories as a percentage of non-agricultural GDP increased further from 11,4% in the first quarter of 2011 to 11,8% in the second quarter.

Employment

The *Quarterly Employment Statistics Survey* of Stats SA shows that formal non-agricultural employment in the public and private sectors rose further in the first quarter of 2011, as the series recorded its fourth consecutive quarterly increase.

Public-sector employment rose at an annualised rate of 15,3%, outpacing the 1,9% rise recorded in the private sector by a fair margin.

Pronounced first-quarter employment gains expressed at annualised rates were noted in the non-gold mining sector (10,2%); the construction sector (6,9%); the community, social and personal services sector (3,9%); and the finance, insurance, real-estate and business services sector (1,4%). However, in the manufacturing and electricity sectors, employment levels were up only marginally.

Overall formal non-agricultural employment increased at an adjusted and annualised rate of 5% in the first quarter of 2011, roughly equal to 100 000 new job opportunities, bringing the level of enterprise-surveyed formal non-agricultural employment to 8,3 million. On a year-on-year basis, employment gains in the private sector accelerated from 0,4% in the fourth quarter of 2010 to 1,2% in the first quarter of 2011, while employment growth in the public sector accelerated from 3,5% to 6,7% over the same period.

In total, employment grew by 2,5% (202 000 jobs) in the year to the first quarter of 2011.

In the mining sector, employment gains occurred predominantly in the non-gold-mining industry, reflecting the relatively strong demand for South African commodities by especially Asian and other emerging market economies, alongside elevated commodity prices.

On a year-on-year basis, employment growth in the electricity sector went from 4,6% in the fourth quarter of 2010 to 5,2% in the first quarter of 2011, confirming the authorities' commitment to upgrading existing electricity-generation and transmission facilities.

Increases in demand in the first quarter of 2011 underpinned employment gains in the trade, catering and accommodation services sector, and in finance, insurance, real-estate and

In the *Annual Report* of the South African Reserve Bank, released in June 2011, it was reported that the value of bank notes in circulation in the year ended March 2011 increased by 6,41% to R72,7 billion from R68,3 billion in the 2009/10 financial year. The average value of coin in circulation increased from R3,8 billion in 2009 to R4,1 billion in 2010.

The New Growth Path (NGP) sets out a vision for creating a competitive, fair and socially cohesive economy. The NGP puts employment at the centre of economic policy. It identifies how greater efficiencies can be achieved in the economy, and the investments needed to create an advanced, 21st-century infrastructure. The NGP is expected to create large-scale, sustainable jobs in key sectors through a collaborative approach. This will encourage trade, innovation and economic growth of up to 7% per year – ensuring South Africa remains at the forefront of fast-growing emerging economies and an attractive investment destination. South Africa is open to increasing trade and investment among the BRIC (Brazil-Russia-India-China) countries, being a viable emerging market with potential as an innovative hub, a sound investment destination and a leading emerging market economy.

business services, which together account for around 42% of total formal non-agricultural sector employment.

Employment in the construction sector, which contracted in 2009 and 2010, increased by 6 700 jobs in the first quarter of 2011.

The official unemployment rate rose from 25% in the first quarter of 2011 to 25,7% in the second quarter.

The number of work seekers in the economy increased by roughly 600 000 to 2,2 million during 2011/12.

Price inflation

Headline consumer price inflation accelerated from 3,2% in September 2010 to 5,3% in the year to July 2011, remaining within the inflation target range of 3% to 6% for 18 consecutive months after entering it in February 2010.

Producer price increases for domestic output moderated in the second half of 2010 from a peak year-on-year rate of 9,4% in June 2010 to a low of 5,5% in January 2011, before accelerating to 8,9% in July 2011, particularly as a result of rising electricity prices.

Imported producer price inflation climbed markedly from 0,5% in November 2010 to 10,4% in June 2011, before moderating to 10,2% in July.

At agricultural level, imported producer price inflation rose to 13,6% in April 2011, before moderating in ensuing months to 5% in July.

The moderation in headline consumer price inflation since September 2008 continued until September 2010, speeding up steadily thereafter to 5,3% to July 2011.

Year-on-year consumer goods price inflation moderated to below the lower limit of the inflation target range in June 2010, amounting to 1,5% in September 2010, before surging to 5,1% in July 2011.

In the consumer goods basket, the food, housing and utilities categories registered rates of increase above the upper limit of the inflation target range, amounting to 7,5% and 12,8% respectively in July 2011.

Twelve-month headline consumer services price inflation decelerated to within the inflation target range in July 2010, moderating in subsequent months to 4,5% in February 2011, before rising to 5,5% in July 2011. In the consumer services basket, price increases in the health, transport and education categories exceeded the upper limit of the inflation target range in July 2011.

Changes in food prices at the manufactured level reverted to inflation from November 2010 and continued to climb in ensuing months to the level of 6,3% in July 2011.

At the agricultural level, a period of producer food price deflation lasting 26 consecutive months made way for inflation, when it soared to 8,9% in May 2011 before moderating again to 5% in July.

Total producer food price changes moved from deflation lasting 19 months to inflation from February 2011, amounting to year-on-year rates of 5,4% in June 2011 and 5,9% in July.

Year-on-year consumer food price inflation decelerated markedly to 1,1% in July 2010, but then picked up considerably and amounted to 7,5% in July 2011.

Over the same period, processed food price inflation accelerated from 1,2% to 8,9%, while unprocessed food price inflation went from 0,9% to 6,2%.

Twelve-month headline consumer services price inflation dropped to within the inflation target range in July 2010, moderating in subsequent months to 4,5% in February 2011, before rising to 5,5% in July 2011.

When comparing changes in the prices of the various food categories from July 2010 to July 2011, almost all the different food categories registered price increases over this period.

Price changes in three categories went from rates of decline in July 2010 to rates of increase in July 2011, with the oils and fats category moving from a rate of decline of 4,3% in July 2010 to a rate of increase of 24,1% a year later.

Of all the food categories, only inflation in the prices of milk, eggs and cheese as well as fish and vegetables decelerated in the year to July 2011. Price changes in meat, representing the highest individual weight of all the different food categories, reversed from a rate of decline of 0,1% to a rate of increase of 11,3% over the period.

If energy prices (predominantly electricity) are excluded from the calculation of headline consumer price inflation, an even lower rate of 3,9% results.

The 12-month increase of only three of the 12 categories exceeded the 6% upper limit of the inflation target range in July 2011.

The three categories that increased at rates above 6% in July 2011, with a combined weight of 40,43%, included food and non-alcoholic beverages, housing and utilities and education.

Twelve-month administered price inflation accelerated from 7,1% in September 2010 to 12% in June 2011, before receding to 11,7% in July 2011, marking the 20th consecutive month that the inflation rate for administered prices had exceeded the upper limit of the inflation target range.

During this period, petrol prices increased by 185 cents/litre, while the year-on-year increase in electricity prices amounted to 18,9%.

If the effect of petrol prices is excluded from the calculation of administered prices, the rate decreases to 9,3% in the year to July 2011.

If electricity prices are also excluded, the rate of increase in administered prices amounted to 6,8% in July 2011.

Inflation expectations, as reflected in the survey conducted by the Bureau for Economic Research in the second quarter of 2011, remained unchanged at 5,3% for 2011.

Inflation expectations for 2012 were revised slightly upwards from 5,7% to 5,8%.

Annual average Consumer Price Index (CPI) inflation is expected to accelerate from 4,3% in 2010 to 5,3% in 2011, before rising to 5,8% in 2012 and remaining there in 2013.

Exchange rates

Subsequent to a decline of 5% in the first quarter of 2011, the effective exchange rate of the Rand decreased by a further 1,5% from the end of March 2011 to the end of June.

The Rand depreciated most notably against the Euro and the Japanese Yen, partly as a result of the rescue packages granted to certain European

> South Africa's modern financial systems provide an ideal gateway for investment in the rest of Africa. Eight out of the 10 largest companies in Africa are based in South Africa, and the *World Investment Prospects Survey* of June 2011 rated the country as a top-20 economy for foreign direct investment.
>
> Other factors that make South Africa an ideal trade and investment destination are:
>
> - its mineral wealth: the country has the world's largest deposits of gold, chromium, platinum and manganese
> - the quality of South African institutions, its strong intellectual property protection, the accountability of its private institutions, and a stable and well-regulated financial sector
> - Johannesburg's JSE Ltd Stock Exchange is the 14th-largest equities exchange in the world, with a total market capitalisation of some R2,3 trillion.

countries to avoid sovereign debt restructuring and to assist Japan in recovering from the natural disaster it experienced earlier in 2011.

Elevated commodity prices and a weaker United States (US) Dollar partly supported the external value of the Rand in April 2011.

During July and August 2011, the nominal effective exchange value of the Rand decreased by 4% as it depreciated against all major currencies.

The real effective exchange rate of the Rand decreased by 0,7% in the year to June 2011.

The average net daily turnover in the domestic market for foreign exchange decreased from US$23,3 billion in the first quarter of 2011 to US$22,6 billion in the second quarter. This could largely be attributed to a decline in the value of non-resident swap transactions, which went from US$11,1 billion a day to US$9,5 billion a day over the period.

As a result, domestic banks' shares (authorised dealers in foreign exchange) in turnover in the domestic market for foreign exchange gained some ground.

Foreign trade and payments

International economic developments

Preliminary estimates suggest that the global economic recovery moderated significantly to an estimated annualised rate of around 2,5% in the second quarter of 2011.

Economic growth in excess of 5% was registered in the year to June 2010, followed by a slower pace of increase of about 4% in the second half of 2010 and the first quarter of 2011.

According to the June 2011 International Monetary Fund (IMF) *World Economic Outlook Update*, the global economy was expected to expand by 4,3% in 2011 and 4,5% in 2012.

The IMF also expected a slowdown in the second quarter of 2011, with global activity picking up in the second half of the year.

The JP Morgan global manufacturing Purchasing Managers Index declined from an average of 53,4 index points in the second quarter of 2011 to 50,1 index points in August 2011.

Although the pace of economic recovery slowed, annualised real output growth in the USA accelerated from 0,4% in the first quarter of 2011 to 1% in the second quarter, mainly driven by positive contributions from non-residential fixed investment, exports, personal consumption expenditure and federal government spending.

Although economic activity in Japan showed signs of improvement following the natural disasters that struck the country, real output shrank, recording annualised rates of decline of 3,6% in the first quarter of 2011 and 1,3% in the second quarter.

Industrial production fell by 2,8% in July 2011 compared to declines of 1,7% and 5,5% in the preceding two months – signalling a gradual moderation of supply constraints.

After recording annualised growth of 3,4% in the first quarter of 2011, the growth momentum in the Euro area moderated to 0,7% in the second quarter.

The slowdown in emerging Asia was due to the moderation of growth in China, India, Indonesia and the Philippines, and to a contraction in output registered in Thailand.

Growth in Latin America also slowed in the second quarter of 2011, mainly due to slower growth in Brazil, Argentina, Colombia, Peru and Ecuador, and to a decline in output recorded in Venezuela.

The slower growth registered in Europe was underpinned by a significant moderation of growth in Russia and Hungary.

Most countries in the sub-Saharan region are recovering from the slowdown after the global financial crisis.

Growth was expected to average 5,5% in 2011 and 5,9% in 2012.

The Brent crude oil price reached levels of US$127 a barrel early in April 2011. It retreated somewhat in the following months due to increased output by Saudi Arabia, the release of strategic crude oil reserves by the International Energy Agency (IEA), concerns about the Euro area debt crisis and the USA approaching its public-debt limit.

However, the IEA's decision not to continue releasing oil from emergency reserves and the announcement of a second bailout package for Greece in July 2011 contributed to higher crude oil prices.

Furthermore, production outages in countries not members of the Organisation of the Petroleum Exporting Countries, a weaker US dollar and prospects for higher seasonal demand in the third quarter of 2011 kept crude oil prices above US$115 a barrel for most of July 2011.

Oil prices increased to levels of around US$115 a barrel towards the end of August 2011.

In its August 2011 *Oil Market Report,* the IEA lowered global oil demand for 2011 to 89,5 million barrels a day and projected global oil demand at 91 million barrels a day in 2012.

According to the June 2011 *IMF World Economic Outlook Update*, projected inflation in advanced economies was revised upwards to 2,6% in 2011 and left unchanged at 1,7% in 2012.

Inflation in emerging-market and developing economies was left unchanged at 6,9% in 2011 and revised upwards to 5,6% for 2012.

Annual consumer price inflation in the USA accelerated sharply from the end of 2010, before stabilising at 3,6% in July 2011.

Core inflation reached 1,8% in July 2011.

Consumer prices in Japan rose due to higher commodity prices, with core price changes moving to positive territory.

2011 was a year which gave effect to the ethos of "Working Together" with a number of ground-breaking accords that committed government and various sectors to taking the country forward jointly. These include:

- Deepening social dialogue and partnership within the ambit of the National Economic Development and Labour Council.
- A historic Skills Accord, committing business and the State to enrol at least 30 000 artisan trainees over the next 12 months in training programmes.
- A Green Economy Accord between government and economic sectors, paving the way for new economic activity and jobs linked to efforts to make South Africa more responsive to the effects of climate change.
- A Basic Education Accord in terms of which government, business and labour will work together to improve learning and teaching in the country.
- A Local Procurement Accord, committing the social partners to work together to increase local procurement. The procurement regulations giving effect to this accord came into effect on 7 December 2011.

Annual harmonised index of consumer prices and core inflation for the Euro area trended upwards during the second quarter of 2011, reaching 2,7% and 1,6% in June 2011, before moderating to 2,5% and 1,2% in July respectively.

Inflationary pressures remained elevated in Russia, Turkey, China, India, Brazil and Argentina. Consumer price inflation in China accelerated further, reaching 6,5% in July 2011.

Current account

The pickup in global demand alongside elevated international commodity prices boosted South African producers' export earnings and brought about a steady widening of the surplus on the trade account of the balance of payments throughout 2010.

In the first half of 2011, imports rose stronger than exports, resulting in smaller trade surpluses in the first and second quarters.

These developments, and also a moderate increase in the shortfall on the services, income and current transfer account of the balance of payments, gave rise to the current-account deficit going from 1% of GDP in the fourth quarter of 2010 to 3,1% and 3,3% respectively in the first and second quarters of 2011.

Having contracted by 3,6% in the first quarter of 2011, the volume of merchandise exports rose by 3,7% in the second quarter, in part also reflecting the low base in the preceding quarter.

Although international commodity prices moved broadly sideways in US dollar terms from the first to the second quarter of 2011, the Rand price of a basket of South African mining exports declined over the period due to the appreciation of the Rand against the US Dollar.

The value of merchandise exports accordingly advanced by 3,4% in the second quarter of 2011, following an increase of 1,2% in the first quarter.

The fixing price of gold on the London market, however, increased by 8,7% from US$1 385 a fine ounce in the first quarter of 2011 to US$1 506 a fine ounce in the second quarter, reflecting investors' increased appetite for gold as a safe-haven investment amid prevailing uncertainty in global financial markets.

The price of gold surged to US$1 881 a fine ounce in August 2011, affected by large-scale global portfolio allocations in favour of commodities and by speculative transactions in the wake of the downgrading of US government debt by one of the credit-rating agencies, sovereign debt concerns in Europe and weakening global growth.

South Africa is a key player in global institutions and is performing an increasingly critical role in the fast-changing governance landscape.

The country is a member of the International Monetary Fund, the World Bank, the World Trade Organisation and the United Nations System, including the International Atomic Energy Agency. South Africa plays a pivotal role in reshaping global governance and financial and trade architecture. This is reflected in its membership of the G20 group of advanced and emerging economies which, in line with the shifting balance of global economic power, has begun to supersede the old G7/8.

Despite the moderate appreciation in the quarterly average exchange value of the Rand against the US Dollar, the realised Rand price of South Africa's net gold exports increased by 5,5% from the first quarter of 2011 to the second quarter.

Moreover, the volume of net gold exports advanced by 4,6%, after declining for three consecutive quarters.

Domestic gold producers benefited from the surge in demand for gold by, among other things, various central banks, amid uncertainty in global financial markets. Central banks that increased their gold holdings included Korea, Russia and Mexico. The value of South Africa's net gold exports consequently rose by 10,3% over the period.

The value of merchandise imports, which increased strongly in the first quarter of 2011, rose by a further 5,2% in the second, primarily due to an increase in the volume of imported goods.

Imports from Asia comprised crude oil originating from Saudi Arabia and Iran.

The volume of crude oil imports surged by 10,1% in the second quarter of 2011, whereas the volume of non-oil merchandise imports increased by 3,3%.

Although domestic demand for imported vehicles and transport equipment contracted somewhat in the second quarter of 2011, it remained fairly firm, still exceeding levels registered in 2010. At the same time, the value of imported capital goods declined.

The deficit on the services, income and current transfer account widened from R109,8 billion in the first quarter of 2011 to R110,6 billion in the second quarter.

Net current transfers to the other members of the Southern African Customs Union (Sacu)

In June 2011, the National Treasury's R9-billion Jobs Fund, which aims to create 150 000 jobs over three years, was accepting applications from companies and non-governmental organisations with innovative job-creation projects.

The aim was to give R2 billion in grants in the 2011/12 financial year to those companies in the private sector that create jobs. The fund will run for three years and will be administered by the Development Bank of Southern Africa (DBSA). The department chose the DBSA to administer the fund because of its footprint, which covers over 200 municipalities across the country and its experience in funding community development projects.

The fund will target four areas, namely: enterprise development, local infrastructure development, support for work seekers and institutional capacity-building.

Other initiatives that government put in place during 2011 included:

- establishing more than 300 cooperatives under the Comprehensive Rural Development Programme
- 521 831 work opportunities were created by the end of October 2011 through the Expanded Public Works Programme (EPWP)
- job opportunities for more than 80 000 people under the Community Work Programme
- 15 132 jobs created under the LandCare, Forestry Operations, Micro-Agricultural Financial Institutions of South Africa, Working for Fisheries and Comprehensive Agricultural Support programmes
- a further 83 791 job opportunities created in all nine provinces across 63 municipalities between April and September 2011
- 600 EPWP jobs through the Square Kilometre Array Project.

increased on the basis of a partial recovery in trade in merchandise as a new fiscal year commenced.

The Rand prices of both exports and imports rose in the second quarter of 2011.

Department of Economic Development

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

The department is responsible for:

- coordinating government departments, state entities and civil society's contribution to economic development
- ensuring the alignment of economic policies and government's political and economic objectives and mandate
- promoting government's goals of advancing economic development and opportunities for decent work.

Transforming the economy requires a pro-employment growth path that addresses structural aspects that constrain the absorption of large numbers of people into the economy and the creation of decent work. Government's new outcomes approach attempts to address this. The department contributes directly to the creation of decent work through inclusive economic growth (Outcome 4), and the ministerial service delivery agreement that was signed in October 2010.

The department has assumed responsibility for key outputs relating to this outcome, including:

- developing of the New Growth Path (NGP)
- analysing data on income distribution
- concluding social pacts to create decent work
- strengthening the implementation of the framework for South Africa's response to the international economic crisis
- developing spatial programmes
- developing the green economy
- implementing a multipronged strategy to reduce unemployment among the youth
- improving cost structures in the economy
- better integrating Second-Economy activities with the mainstream economy.

The department's budget is distributed as follows:

- R219,4 million for small business funding, through transfers to Khula and the South African Micro-Finance Apex Fund (Samaf)
- R141,8 million for the competition authorities
- R69,6 million for trade administration to the International Trade and Administration Commission (ITAC)
- R34 million for promoting agroprocessing to the Industrial Development Corporation (IDC)
- R23,3 million for policy development within the Department of Economic Development
- R35,1 million for economic planning and coordination
- R16,3 million for economic development and dialogue
- R55 million for administration and capital expenditure.

Economic planning and coordination

The Department of Economic Development's work on sector policy aims to support the Industrial Policy Action Plan (IPAP II) as well as rural economic development initiatives.

The department guides the work of three economic regulatory bodies, namely the Competition Commission, the Competition Tribunal and the ITAC; and three development finance institutions (DFIs), namely Khula, Samaf and the IDC.

The competition authorities will be strongly supported in their efforts to combat price-fixing, collusion and tender-rigging.

Social dialogue

In 2011, the department engaged in social dialogue with business and labour, who agreed to work closely with government to unlock the economy's jobs potential. As a first step, business, labour and government made far-reaching commitments towards the Skills Accord. In the discussions, businesses were asked to train artisans and technicians beyond their immediate needs; use their training facilities to the full; provide internships for graduates from Further Education and Training colleges and universities; and increase expenditure on training.

Organised labour was asked to recognise that persons trained in excess of company needs were not employees but trainees, that Sector Education and Training Authority governance needs be improved and that sector skills plans be aligned with the NGP.

New Growth Path

Cabinet endorsed the NGP in October 2010, and set a target for the generation of five million new jobs by 2020 to significantly reduce unemployment. The NGP drivers, resource drivers and institutional drivers will help realise inclusive growth and decent employment over the next 10 years.

Among the job drivers, the NGP identifies the following key sectors to support employment creation:

- infrastructure
- agriculture
- rural development and agroprocessing
- mining and beneficiation
- manufacturing, with the emphasis on implementing IPAP II
- the green economy
- the tourism, creative industries and business service industries.

Cross-cutting areas include the public and knowledge-based sectors, the social economy and African economic development.

The Department of Economic Development has two roles in the NGP's implementation, namely to:

- bolster the integration of diverse government policies, programmes and projects to support employment creation
- ensure that the DFIs and regulatory agencies for which it is responsible become central agents in achieving a more inclusive, equitable and jobs-rich economy.

By August 2011, government had created thousands of jobs, including:

- almost 60 000 jobs created by the Department of Trade and Industry's support and incentive programmes in 2010/11
- the support of over 100 000 smallholder farmers by the national and provincial agricultural departments
- environmental employment schemes, such as the Department of Water Affairs' Working for Water and the Working for Land programmes, which were expected to provide over 30 000 full-time job equivalents in 2011, and doubling to 60 000 in 2012
- a rural youth employment programme, which had created 7 500 jobs.

The NGP is not isolated from other government initiatives such as the IPAP II and various infrastructure programmes that will lead to job creation, which is the central focus of the NGP. These include:

- addressing the country's ageing water and sanitation infrastructure, which requires R10 billion over the next five years
- replacing commuter rail rolling stock at a budget of about R89 billion, to be accompanied by the recapitalising investment in related and auxiliary infrastructure
- redressing South Africa's modal imbalance of freight as an attempt to increase rail capacity and rail use capacity – Transnet has budgeted R35 billion for this
- arresting degradation of the non-toll road network (140 000 km of the total 750 000 km need to be maintained) will require R75 billion in the next few years
- Eskom plans to spend R550 billion in capital expenditure until 2017 and has to create an additional 50 GW by 2025.

Framework for South Africa's response to the international economic crisis

The Department of Economic Development leads the implementation of the measures in the framework for South Africa's response to the international crisis.

The following measures have been implemented:

Trade relations between India, Brazil and South Africa (IBSA) have improved despite the global economic recession. The IBSA international tripartite grouping is aimed at boosting cooperation between the three countries.

IBSA has done particularly well in the targets it set for increasing trade and is expected to achieve the target of US$25 billion dollar in combined trade by 2015.

- The IDC established a R6,1-billion fund to assist distressed companies. By February 2012, the IDC had saved and created 26 309 jobs.
- The IDC established a jobs fund, financed through the issue of a R2-billion development bond, which the Unemployment Insurance Fund (UIF) purchased. Some R219 million of this R2 billion is included in the R6,1-billion fund for distressed companies. It was announced in February 2012 that the UIF would invest another R2 million in job creation.
- The department, together with the Department of Labour, the IDC and the Commission for Conciliation, Mediation and Arbitration (CCMA), established a R2,9-billion training lay-off scheme, to provide for the training of workers as an alternative to retrenchment. By the end of January 2011, 6 351 workers had benefited.

Green economy

According to the *Green Jobs* report, released on 25 November 2011, growing South Africa's green economy could create more than 460 000 new jobs by 2025, while cutting the country's dependence on carbon-intensive industries.

Green-economy projects in South Africa will be boosted by a R25-billion investment by the IDC over the next five years.

The IDC is funding some of the renewable-energy initiatives such as the project to co-fund a solar water-heater undertaking for low-income housing. By April 2011, some 38 000 such units had been installed.

The IDC's funding will help support the Department of Energy's Integrated Resource Plan (IRP). It maps out how South Africa will double its electricity supply capacity over the next 20 years.

According to the IRP, renewable energy will supply as much as 42% of the country's power in the future; nuclear, 23%; coal, 15%; with a small amount of gas and hydro making up the difference.

Transnet's new pipeline is one of the projects that government is backing to ensure a more energy-efficient transport system in the future. The 550-km-long fuel pipeline is being constructed between Durban and Johannesburg.

Once operational, it's expected to reduce the number of tankers on the road by at least 60%, decreasing traffic congestion and the country's carbon footprint.

Government expects thousands of jobs will be created via green-economy projects in new sectors such as biotechnology, nanotechnology and prototype building technologies.

The projects are expected to play a significant role in the realisation of the NGP.

The IDC is also an investor in the Joule, the first locally designed fully electric car in South Africa. It's being developed in the Western Cape and expected to enter the market in 2012.

Competition policy

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

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

The Competition Amendment Act, 2009 (Act 1 of 2009), provides for:

- concurrent jurisdiction between the Competition Commission and other regulatory authorities
- provisions to address other practices that tend to prevent or distort competition in the market for any particular goods or services
- more guidance in relation to conducting market enquiries as a tool to identify and make recommendations with respect to conditions that tend to prevent, distort or restrict competition in the market for any particular goods or services
- provisions to hold personally accountable those individuals who cause firms to engage in cartel conduct
- authority to the Competition Commission to excuse a respondent to a complaint if the respondent has assisted the competition

authorities in the detection and investigation of cartel conduct.

The Department of Economic Development guides the work of the Competition Commission and the Competition Tribunal.

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

In 2011, the competition authorities focused on the construction industry. The commission identified 70 cases of possible price-fixing or collusion.

This is an important investigation for government since the NGP relies heavily on cost-effective infrastructure, with investments set at over a quarter trillion rand a year.

The Competition Tribunal adjudicates competition matters in accordance with the Competition Act, 1998. The tribunal is subject to the Constitution and the law, and acts independently. The tribunal may hear matters relating to mergers and acquisitions, complaints regarding cartels and other anti-competitive business practices, and may impose remedies, including the ordering of fines to be paid by transgressors.

In 2010/11, of the 229 notified mergers, 200 were unconditionally approved, 14 approved with conditions, and two were prohibited.

Significant mergers considered included the Walmart/Massmart, Pioneer Hi-bred/Pannar Seed, and Kansai/Freeworld. In the same period, 22 settlements were reached and a total of R794 million administrative penalties were levied, of which R490 million was paid into the National Revenue Fund.

Department of Trade and Industry

The Department of Trade and Industry aims to facilitate access to sustainable economic activity and employment for all South Africans.

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

The department's medium-term strategy is guided by three main objectives:

- increased investment levels
- enhanced labour absorption and competitiveness
- broader participation in the economy.

Meeting these objectives involves:

- coordinating the implementation of government priorities
- promoting direct investment and growth in the industrial and services economy
- focusing on creating employment
- raising the level of exports and promoting equitable trade
- promoting broader participation, equity and redress in the economy
- contributing to the development and regional integration of Africa within the New Partnership for Africa's Development (Nepad) framework.

In addition, the department's strategy has been aligned with government's 12 outcomes. The department contributes directly to the creation of decent employment through inclusive economic growth (Outcome 4) through the following outputs:

- faster and sustainable inclusive growth (Output 1)
- more labour-absorbing growth (Output 2)
- increased competitiveness to raise net exports, grow trade as a share of world trade and improve its composition (Output 4)
- improved support to small businesses and cooperatives (Output 6)
- the development of a competitive and integrated small, medium and micro-enterprise (SMME) sector.

The department will contribute to these outputs through specific programmes developed over the Medium Term Expenditure Framework (MTEF) period.

The department is responsible for managing government's industrial policy. It developed a detailed implementation plan, the IPAP II, released in February 2010. The document lays out specific projects, many of which are housed within the department's programmes and entities.

Besides its internal capacity, the Department of Trade and Industry relies on a group of specialised, regulatory and financial development agencies and institutions in supporting its economic growth, employment and equity ideals, and in delivering products and services to the economic citizens of the country.

These agencies or Council of Trade and Industry Institutions, include the:

- Small Enterprise Development Agency (Seda)
- Companies and Intellectual Property Commission
- National Empowerment Fund (NEF)
- Estate Agency Affairs Board
- Export Credit Insurance Corporation
- South African Bureau of Standards (SABS)
- National Credit Regulator
- National Lotteries Board
- National Gambling Board
- South African National Accreditation System
- National Consumer Tribunal
- National Consumer Commission
- National Metrology Institute of South Africa
- National Regulator for Compulsory Specifications.

Trade, investment and exports

Increasing the level of international trade is critical to domestic economic growth and development, and it is also an output linked to the outcome to create decent employment through inclusive economic growth.

The Department of Trade and Industry provides leadership on trade policy, and released the Trade Policy and Strategy Framework, which Cabinet adopted in July 2010.

South African trade by country (Rand'000) (Jan 2011 – Nov 2011)

South African exports	
Taiwan	8 463
Taly	12 106
Belgium	13 660
Zambia	14 678
Zimbabwe	15 596
Korea Rep South	15 599
Mozambique	15 683
Switserland	19 010
Netherlands	19 377
India	21 922
United Kingdom	26 470
Germany	40 304
Japan	50 900
United States	55 332
China	78 405
Imports	
Brazil	11 080
Sweden	11 980
Korea Rep South	14 742
Thailand	15 406
France	17 547
Italy	17 574
Nigeria	21 165
Iran	25 852
India	26 337
United Kingdom	26 950
Saudi Arabia	30 173
Japan	31 592
United States	53 493
Germany	71 914
China	94 210

Source: Department of Trade and Industry

The framework aims to promote the development of higher value-added, labour-absorbing production.

To complement this framework, the department has also developed strategies for export development and promotion, as well as investment promotion and facilitation.

Building on this framework, significant engagements took place within the Sacu, resulting in consensus being reached on a focused work programme in Sacu on industrialisation, infrastructure development, trade facilitation, revenue sharing and unified engagement in trade negotiations.

Complementary to the work undertaken within Sacu, the department continued to prioritise development and regional integration in Africa. Moreover, work was started to develop a common position on a tripartite free-trade area consisting of the Southern African Development Community (SADC), the East African Community and the Common Market for Eastern and Southern Africa.

A single integrated facilitation centre has been created to deal with investors and exporters.

By February 2011, the department had a network of 45 foreign economic offices abroad to facilitate business on behalf of South African companies.

The network is spread over 38 countries and provides a substantial footprint for South African business to access markets globally.

The department assists exporters by providing information, financial support and practical assistance to sustain growth in traditional markets and penetrate new high-growth markets, such as China, India, Russia and the Democratic Republic of Congo.

The focus is on investments that have a greater multiplier effect in the South African economy.

At multilateral level, South Africa continues to play a prominent and active role in the World Trade Organisation, and supports the consolidation of the G20 group of developing countries, which seeks to ensure a developmental outcome in industrial tariff negotiations.

Industrial development

The clothing, textiles and automotive sectors have been identified as key strategic sectors for which the Department of Trade and Industry will continue improving incentive schemes to boost manufacturing capacity and support job creation.

Industrial policy interventions to support developmental objectives will be reviewed.

The challenge is to substantially raise the level of industrial policy interventions in a range of sectors and simultaneously build the necessary capacity in the department to manage this upscaling.

In relation to incentives for industries and enterprises, further work is planned to align the industrial financing regime with industrial policy objectives.

Production incentives in the clothing and textiles and automotive sectors will be increasingly grant-based, thus reducing reliance on tax incentives.

Over the medium term, the department will also focus on improving the efficiency of the incentive administration system to record applications and deal with claims, verify information and document all correspondence.

Industrial Policy Action Plan II

The IPAP II 2011/12 to 2013/14 was launched in April 2011 as a three-year rolling industrial development road map. In terms of the breadth of the interventions outlined and the requirement of intergovernmental coordination and multistakeholder involvement, IPAP II was a first of its kind in South Africa.

Procurement policy

Cabinet approved revisions to the Preferential Procurement Policy Framework Act (PPPFA), 2000 (Act 5 of 2000), regulations, which, after promulgation, will allow for the:

- alignment of the PPPFA, 2000 with Broad-Based Black Economic Empowerment (BBBEE) codes
- Department of Trade and Industry to designate sectors or subsectors for domestic production at specified levels of local content
- development of sector-designation methodology and compilation of necessary research to designate a range of sectors
- introduction of localisation and supplier development within state-owned enterprises (SOEs), encouraging these entities to introduce new policies, processes and systems, and increase capacity-building to embed supplier procurement leverage more systematically.

Proof of the efficacy of this type of policy instrument is illustrated in the R4,2-billion anti-retroviral (ARV) government tender, 72% by value of which went to South African manufacturers with significant price reductions relative to the 2008 ARV tender.

Industrial financing

The IDC reviewed its business model and balance sheet, and identified R66 billion over the next five years for investment in the NGP and IPAP II sectors, depending on economic conditions.

Trade

ITAC has processed numerous applications for increases, rebates and reductions of duties, in line with IPAP priorities. The SABS has developed an early warning system to identify technical barriers to trade for exporters. Outcomes are distributed to exporters monthly.

Automotives

The finalised Automotive Investment Scheme (AIS) led to investment commitments of R13 billion, from assemblers and component suppliers, supporting 24 000 jobs in the sector.

Clothing and textiles

The roll-out of the Clothing Textile Competitive Programme (CTCP) and Production Incentive (PI), with 106 and 94 companies benefiting under the CTCP and PI respectively, was achieved.

Business process services

Investments of up to R40 million resulted in the creation of 950 jobs within nine months. Approval of R42 million for new investment commitments was linked to 806 jobs. A total of 3 400 recruits were trained under the Monyetla II Programme – 70% constitute guaranteed employment by a Business Process Outsourcing (BPO) consortium.

Green industries

The revision of building standards, which will require higher levels of energy efficiency and mandatory installation of solar water-heaters in new buildings, was completed.

The SABS finalised enabling standards for solar water-heaters; wind-energy turbines; energy-efficient lighting, appliances and products; electric batteries and alternative fuel vehicles; and co-generation of electricity and biofuels.

Significant progress in developing the renewable energy feed-in tariff rules was achieved.

The intra-departmental South African Renewables Initiative will leverage international climate finance to supplement domestic funding sources for renewable energy production linked to domestic manufacturing.

> South Africa chaired the Southern African Customs Union (Sacu) from 15 July 2010 to 15 July 2011. During its tenure, it successfully refocused the Sacu work programme, resulting in the development of a five-point work programme that is expected to unlock the development potential for the region when fully implemented.
>
> The five-point programme consists of trade facilitation, industrial development, unified engagement in negotiations, development of common institutions and the review of revenue-sharing formulas. By October 2011, action plans for each priority area were being developed.

Industrial development zones (IDZs)

Since the inception of the IDZ Project in 2001, over R4,8 billion has been allocated to the three IDZs. Coega received R3,5 billion; East London R1,2 billion; and Richards Bay R88,4 million. Thirty-eight investors with an investment value of R12,8 billion had been secured and 41 451 jobs created. Over the medium term, R1,6 billion has been allocated to the three zones: Coega R1,1 billion; East London R421,3 million; and Richards Bay R132,7 million.

The Coega IDZ, which is the flagship IDZ Project, was designated in 2001. The site near Port Elizabeth, which was originally a greenfield area, includes 11 500 ha of land and is adjacent to Ngqura deepwater port. Some of the key sectors at the Coega IDZ include:

- agroprocessing
- general manufacturing
- business process services
- energy
- the automotive industry
- petrochemicals.

Infrastructure programmes include road construction, earthworks, electricity, water and sewerage, factory buildings and offices.

The Coega IDZ is designed to attract private-sector investment in export-oriented industries. It aims to create jobs within the IDZ, promote the use of domestic industries outside Coega and boost growth through increased exports, technology transfer and increased employment.

Coega has a pipeline of 22 private commitments worth over R40 billion. By August 2011, 24 commitments worth R49 billion had been finalised.

A total of 10 investors with more than R500 million invested are already operational in the IDZ. The Coega Development Corporation's expenditure increased from R726 million in 2007/08 to R859,9 million in 2009/10 and decreased to R714 million in 2010/11.

The budget allocated to the corporation over the medium term is R1,1 billion. The corporation's expenditure is expected to decline to R308,2 million over the medium term.

The East London IDZ was designated in 2001. The zone's key focus sectors are:
- the automotive industry
- marine aquaculture
- agroprocessing
- the pharmaceutical industry
- information and communications technology
- electronics
- business process services
- the automotive supplier park.

Since inception, 25 investors have been secured, 21 of whom are operational on site and have generated investment worth R1,3 billion.

The zone has created 930 direct jobs and 11 300 construction jobs. It is projected to attract nine investors with an estimated investment value of R1,6 billion and 3 200 jobs over the medium term.

The East London IDZ received R124,9 million in 2007/08; R154 million in 2008/09; and R373,4 million in 2009/10.

In 2010/11, the zone received R198 million and over the MTEF is expected to receive R171,3 million in 2011/12; R150 million in 2012/13; and R100 million in 2013/14.

It is estimated that over 11 120 direct job opportunities are to be supported through the Critical Infrastructure Programme (CIP) over the MTEF.

The projects supported by the CIP have committed to support upstream and downstream industries to produce value-added products in line with national industrial policy.

The budget allocation for the programme increased from R60,2 million in 2007/08 to R80,7 million in 2010/11.

Over the MTEF, expenditure is set to rise to R191,7 million. The programme covers multiple sectors, including mining, tourism and manufacturing.

In September 2011, the Richards Bay IDZ commenced its Phase 1A development in preparation for forthcoming investors.

The 216-ha industrial estate was promulgated in 2002 as a public entity, with 60% of its shares held by the KwaZulu-Natal Department of Economic Development and Tourism and 40% by the City of uMhlatuze, the municipality that incorporates Richards Bay and Empangeni.

The Richards Bay IDZ is developing infrastructure to enable investors to locate in KwaZulu-Natal. The sectoral focus of the zone includes aluminium clustering, wood, chemicals and mineral beneficiation.

In 2006/07, the zone attracted an investment of R650 million from Tata Steel. The zone projected to secure eight investors with an investment value of R1,2 billion and create 600 jobs over the medium term.

The zone's allocation was R68,4 million in 2009/10 and R20 million in 2010/11.

Over the MTEF, the allocation will increase to R30 million.

Broadening participation

One of the key industrial policy goals is the promotion of a broader-based industrial path where there is more participation by historically disadvantaged economic citizens and marginalised regions in the mainstream of the industrial economy. To this end, the department will promote enterprise development, economic empowerment, the development of skills, the facilitation of economic infrastructure, and enhance technology and innovation.

The focus will be on:
- improving productivity
- reducing the regulatory burden and cost of doing business
- improving access to finance for SMMEs and cooperatives

South Africa's Motor Industry Development Programme (MIDP) – set to be replaced by a new programme in 2013 – has facilitated more than R32 billion in investments since 2000, with R4 billion expected to be invested in 2011.

The motor industry is a substantial employer in South Africa, contributing at least 6% to the country's gross domestic product and almost 12% to its total exports. An estimated 90 000 people are directly employed in automotive manufacturing, while about 200 000 are employed in retail and aftermarket. activities. A new incentive programme, the Automotive Production and Development Programme, will come into effect in 2013, seeking to pick up where the MIDP leaves off by stimulating the expansion of local production to 1,2 million vehicles a year by 2020. The sector will also benefit from new preferential procurement regulations that came into effect in December 2011.

- improving innovation in the domestic economy
- promoting the development and sustainability of SMMEs and cooperatives
- encouraging entrepreneurship and self-employment.

Business-development support programmes will be strengthened and regulatory impact assessment will be addressed to create a conducive environment for enterprise growth.

The department will work to increase and diversify economic opportunities for black people, and for black-owned and women-owned enterprises, especially in priority industrial sectors.

It will undertake a review of the BBBEE legislation and regulations to enhance efficiency, and expand opportunities for broader participation in the economy. Special attention will be given to preferential procurement and black supplier development initiatives.

Small, medium and micro-enterprises

The Department of Trade and Industry aims to foster the growth of SMMEs and cooperatives by:

- facilitating the provision of business-development support to expand the current number of SMMEs (estimated at two million) and to increase the contributions of SMMEs and cooperatives to GDP from the current estimated 40% to 45% by 2014
- funding equipment to assist with the establishment of 300 small-scale cooperatives over the next three years, resulting in 1 500 new jobs or memberships of cooperatives
- facilitating access to procurement opportunities for SMMEs and cooperatives during the course of 2012 by overseeing the implementation of the 10-products strategy, which is aimed at increasing the share of SMMEs and cooperatives in government and SOEs procurement
- integrating entrepreneurship into the curriculum and research activities of four universities and two Further Education and Training Colleges over the next three years
- strengthening and upscaling the incubator programme to generate 600 new enterprises that can provide at least 5 000 jobs by 2014
- aligning BEE with industrial policy to facilitate the increased participation of black people and women in priority sectors by 2013
- supporting 60 innovative projects and at least 6 000 students to participate in the development of new technologies over the next three years, thus contributing to the establishment of new SMMEs
- supporting the development of at least three underdeveloped areas through targeted interventions by 2014
- improving the competitiveness of at least 120 companies by 2013 through the Workplace Challenge Programme.

Institutional support framework National Small Business Advisory Council (NSBAC)

The NSBAC advises on issues affecting owner-managed businesses. The 15-member council comprises business owners, academics and international entrepreneurial experts.

There are three primary working groups in each of the following primary areas:

- access to finance
- demand and markets
- regulatory review.

Small Enterprise Development Agency

Seda provides non-financial business-development and support services for small enterprises in partnership with other role players. Its mission is to develop, support and promote small enterprises to ensure their growth and sustainability. It aims to enhance the competitiveness and capabilities of small enterprises through coordinated services, programmes and projects and to ensure equitable access to business-support services.

In terms of IPAP II, the agency is expected to contribute to the following action programmes prioritised by the department over the medium term:

- providing accessibility to financing for the national tooling initiative
- mentoring small- to medium-component manufacturers
- participating in the skills transfer and technology upgrading programme for small-scale saw millers
  developing and establishing business-management structures
- providing training to charcoal manufacturing enterprises and cooperatives in communities showing interest in charcoal production.

In April 2011, the Minister of Trade and Industry, Dr Rob Davies, announced that Seda was to roll out support for 250 SMME incubation schemes over the next five years as the first phase towards a target of 1 000 small business incubators.

Seda's Cooperatives and Community Public-Private Partnership programmes aim to grow sustainable enterprises in rural and peri-urban areas.

The programmes, which focus on agroprocessing, community tourism and protected areas, mining and mineral beneficiation and trading and auxiliary sectors, have assisted over 100 cooperatives with a collective membership of about 3 000 since inception in September 2009.

Seda assisted cooperatives with registration as a formal business enterprise, and provided them with cooperative, business-management, customer-care and start-up training.

South African Micro-Finance Apex Fund

Samaf's work is guided by the Department of Economic Development.

The fund has been operational since 2006 and provides wholesale funding and capacity-building support to on-lending financial intermediaries for the provision of affordable financial services to the enterprising poor in South Africa.

The fund focuses on establishing a network of sustainable micro-finance institutions and will provide loans amounting to R230 million over the medium term to on-lending financial intermediaries.

This represents a substantial increase in the entity's operations, with disbursements projected to go from R33 million in 2010/11 to R101 million in 2013/14.

The entity focuses on rural and semi-urban areas and contributes to the national priorities of creating decent work and rural development.

Samaf has implemented a major review and evaluation to assess the efficiencies and effectiveness of its operating model in achieving its mandate and will continue implementing the recommendations of the review over the medium term.

Khula Enterprise Finance Limited

Khula's work is guided by the Department of Economic Development.

Established in 1996, Khula is dedicated to the development and sustainability of SMMEs in South Africa.

The company is a wholesale finance institution, which operates across the public and private sectors, through a network of channels, to supply much-needed funding to small business. Khula's channels include South Africa's leading commercial banks, retail financial institutions, specialist funds and joint ventures in which Khula itself is a participant.

Research has shown that there is a significant portion of the SMME market that is underserviced by financial institutions. Khula plans to correct this by offering loans directly to SMMEs. A pilot project was approved for 2011/12 and R55 million allocated to fund this trial.

A full business plan for the pilot was developed in 2011. As from the 2011/12 financial year, 50% of all new loans issued by Khula Enterprise would be allocated to women.

As a DFI focusing on small businesses, Khula Enterprise Finance has been a financial facilitator for the development of the rapidly growing SME sector in South Africa.

Business Partners Limited

Business Partners Ltd is a specialist risk-finance company for SMEs in South Africa and selected African countries. The company actively supports entrepreneurial growth by providing specialist risk finance for SMEs, specialist sectoral knowledge and added-value services to viable small and medium businesses.

It is an unlisted public company whose major shareholders include Remgro Ltd, Khula, major South African banks, insurance companies, mining houses and others.

Business Partners Ltd has 22 offices throughout South Africa.

Over the past few years, Business Partners' reach was extended into Africa, with country-specific pilot SME investment funds providing scalable risk-finance solutions in Kenya and Madagascar. The establishment of SME risk-finance funds in Mozambique and Rwanda was finalised in 2010. Groundwork was also undertaken in 2010/11 to establish a southern African SME risk-finance fund covering Namibia, Malawi, Zambia and Zimbabwe.

National Empowerment Fund

The NEF was established by the NEF Act, 1998 (Act 105 of 1998), to promote and facilitate black economic equality and transformation. It 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's strategic objectives over the medium term are to:
- encourage and promote savings, investments and meaningful economic participation by black people
- promote and support business ventures pioneered and run by black enterprises
- promote the universal understanding of equity ownership among black people
- contribute to creating employment opportunities
- encourage the development of a competitive, effective and inclusive equities market.

South African Women Entrepreneurs Network (Sawen)

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

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

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

Isivande Women's Fund

The IWF aims to accelerate women's economic empowerment by providing affordable, usable and responsive finance.

> In the automotive sector, government's industrial incentive schemes and the solid platform for investment are attracting new investment by major multinational corporations.
>
> In February 2011, it was announced that Mercedes-Benz would use South Africa as one of only four locations globally to build the next-generation popular C-class vehicle at its East London plant, creating about 1 500 new jobs in supplier industries.
>
> General Motors will produce the Spark entry-level passenger car at its Port Elizabeth plant, creating 500 additional jobs. Volkswagen is producing the new Polo left-hand drive in Uitenhage for export markets. Ford Motor Company is assembling the new-generation pick-up truck at its Pretoria plant and will increase the local content of its vehicles from 35% to more than 60%.
>
> From August 2011, BMW started producing the new 3-series all-wheel drive in South Africa. Toyota has announced a major expansion of its warehouse capacity, involving close to R10 billion in new investment and creating additional work opportunities.

It renders financial support for deals requiring start-up funding, involving business expansion, rehabilitation, turnaround and franchising. It provides loans that range from R30 000 to R2 million per business, with a maximum loan-repayment period of five years.

Industrial Development Corporation

The IDC is a national DFI and has been reporting to the Department of Economic Development since April 2010.

The primary objective of the corporation is to support industrial capacity development in line with the NGP and IPAP II.

The main outcome that the corporation aims to achieve is to facilitate the creation of sustainable employment opportunities.

Secondary outcomes include regional equity, a more vibrant SMME sector, BBBEE, new entrepreneurs in the economy and environmentally sustainable growth.

The corporation aims to more than double its funding over the next five years to R100 billion, compared with the R39 billion over the five years to 2009/10.

In April 2011, the Minister of Economic Development, Mr Ebrahim Patel, announced that the IDC would invest R102 billion over the next five years to improve the industrial sector.

Technology support

The Department of Trade and Industry 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 the following transfer payments and subsidies:
- the Seda's Technology Programme, which is managed by Seda to finance and support early, seed and start-up technology-based ventures
- Thrip, which is managed by the National Research Foundation to support research and technology development
- the SPII, which is managed by the IDC, to support a wide group of enterprises that promote technological development through financial assistance

In April 2011, the Consumer Protection Act, 2008 (Act 68 of 2008), came into effect. The law ensures an implied six-month guarantee on any goods purchased, regardless of the guarantees offered by the specific supplier.

The law also protects consumers against direct marketing. It provides for an exclusion register, which makes it illegal for salespeople to communicate electronically with a consumer whose name has been listed on this register.

Consumers contacted by direct marketing are allowed a five-day cooling-off period after entering into a sales agreement. One of the important elements introduced by the Act is the acknowledgement of the rights that all consumers enjoy.

- the Workplace Challenge Programme, which finances and supports world-class manufacturing and value-chain efficiency improvements in South African companies.

Black Economic Empowerment

BEE remains an important government policy to address the monopoly domination of the economy, which remains an obstacle to the goals of economic transformation, growth and development.

The BBBEE Advisory Council monitors the implementation of BBBEE by all organs of state, public entities, government departments, sector charter councils and the general public at large. Other tasks of the advisory council include:

- policy refinement and amendment of legislation to address identified gaps
- finalising the alignment of the PPPFA, 2000 to BBBEE Codes of Good Practice
- increasing BEE verification capacity and refining the accreditation process.

The department aims to integrate gender equity measures into more of its programmes.

The Codes of Good Practice for BBBEE assist and advise both the public and private sectors on their implementation of the objectives of the BBBEE Act, 2003 (Act 53 of 2003).

The codes provide definitions, interpretation and principles of BBBEE; different categories of BEE entities; and qualification criteria for preferential procurement purposes and other economic activities.

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

The BEE Advisory Council has recommended a review of the BEE codes and of the BBBEE Act, 2003 to harmonise the implementation of BEE across government. The council also recommended stern measures to eradicate the fraudulent practice of fronting. The council aims to shift the focus of BEE away from equity investment and ownership towards productive activities.

In August 2011, the implementation of BBBEE received a boost when the Minister of Trade and Industry launched the BBBEE Management Development Programme (MDP).

The programme, which will be offered by the University of South Africa and the University of the Witwatersrand, is aimed at ensuring uniformity and consistency in the application and implementation of BBBEE.

It will create and build capacity in the BBBEE verification industry. The programme presents career opportunities for new entrants into this industry and students can now elect to study BBBEE as a profession.

Black Business Supplier Development Programme (BBSDP)

The BBSDP is a cost-sharing grant offered to black-owned small enterprise to assist them to improve their competitiveness and sustain 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 on a 80:20 cost-sharing basis.

The objectives of the incentive scheme are to:

- fast-track existing SMMEs that exhibit good 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.

Consumer and corporate regulation

The Consumer and Corporate Regulation Division of the Department of Trade and Industry aims to develop and implement coherent, predictable and transparent regulatory solutions that provide access to redress for inventors and consumers, and renders policy coherence and certainty and efficient regulatory services for business.

The Consumer Protection Act, 2008 (Act 68 of 2008), was signed into law in April 2009.

Business process outsourcing and offshoring

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

In 2010, investments of R40 million in the business process services sector led to the creation of 950 new jobs. Approval of a further R42 million worth of new investment commitments linked to 806 jobs was made. Under the Monyetla II Programme, 3 400 recruits were trained, of whom 70% have been guaranteed employment by the BPO consortium.

Monyetla, which means "opportunities", was launched in 2008 by the Business Trust, the Department of Trade and Industry and BPeSA, the traditional association for companies operating in the business process service and outsourcing market, as a pilot project to provide the unemployed youth of South Africa with employment through the BPO industry.

In September 2011, the Department of Trade and Industry approved grants worth R157,76 million for the BPO incentive scheme. The grants will be disbursed to 10 projects over the next three years and are expected to create more than 11 000 jobs. The incentives will be used to offset expenditure to make applicants globally competitive when servicing offshore clients out of South Africa. The grants cover only a portion of the operational costs related to the project. Disbursements are not made upfront but are paid only after confirmation that jobs have been created.

The jobs created by the beneficiaries have to be in place for a minimum period of three years. This implies that if a company creates additional employment at the end of the third year it will have to retain all jobs over a period of five years.

Department of Public Enterprises

The Department of Public Enterprises provides shareholder management to nine SOEs: Alexkor, Broadband Infraco, Denel, Eskom, the South African Forestry Company (Safcol), South African Airways (SAA), South African Express Airways (SAX) and Transnet.

The SOEs are strategic instruments of industrial policy and core players in the NGP. The department aims to provide decisive strategic direction to the SOEs so that their businesses are aligned with the national growth strategies arising out of the NGP.

In relation to government's 12 outcomes, the Department of Public Enterprises contributes directly to creating an efficient, competitive and responsive economic infrastructure network (Outcome 6). Over the medium term, the department will focus on:

- improving the delivery and maintenance of infrastructure and monitoring the roll-out of the Transnet and Eskom build programmes
- achieving policy and regulatory clarity in sectors in which the SOEs operate
- improving the operational efficiencies of the SOEs, particularly in relation to the reliable delivery of rail and ports services and the reliable generation, distribution and transmission of electricity
- developing operational indicators for each of the required suboutputs identified as part of the delivery agreement.

During 2010/11, the department used 98% of its R555,5-million budget and SOEs made good progress in enhancing the State's developmental agenda. Steps were taken to enhance the performance of the department by, among other things:

- committing to ensure the security of electricity supply by approving a funding strategy for Eskom
- restoring leadership stability in Transnet
- commencing the fleet renewal plan at SAA
- investing in Broadband Infraco's national backbone fibre optic network, which enabled the company to provide strategic international connectivity to operators in the SADC region and on the west coast of Africa.

State-owned enterprises

SOEs invested over R105 billion, mostly in infrastructure, during 2011/12.

The NGP sets the target of five million new jobs by 2020. The SOEs can contribute by:

- expanding their direct employment
- providing the infrastructure that can unlock jobs in the private sector and in rural areas
- expanding procurement of locally manufactured components and consumer goods used by SOEs, thereby expanding employment in the SOE supply chains

By June 2011, there were over 9 000 learners enrolled in training processes in state-owned enterprises (SOEs). The bulk of the training was related to scarce and critical skills – 2 242 engineering students, 1 064 technicians and 4 273 artisan students.

The Department of Public Enterprises increased the output of artisans from SOE training facilities by 60% to 6 780 students in 2011/12.

- providing skills to the wider economy through their mandate to produce more artisans and other key skills
- keeping tariffs for services competitive and thus helping to reduce input costs in the economy.

Accordingly, the vision for the department is to drive investment, efficiencies and transformation in its portfolio of SOEs, their customers and their suppliers to unlock growth, create jobs and develop skills.

The Medium Term Strategic Framework (MTSF) for 2009/14 states the need to review the SOEs as part of the economic transformation agenda.

In July 2011, Cabinet announced that President Jacob Zuma was heading the Infrastructure Commission, which was set up to improve visibility and coordination of South Africa's R860-billion public investment drive. It will include all spheres of government, various national departments and SOEs.

It will seek to unblock regulatory and funding constraints, set five-year project priorities, create certainty about expected developmental and industrial spin-offs, support the revitalisation of rail infrastructure, gain a handle on the life-cycle maintenance challenge and improve linkages to poor and rural communities.

Alexkor

Alexkor's distinctive competencies are its quality of diamonds and its unique land and marine mineral resources. Alexkor focuses on implementing the Richtersveld land restitution order imposed on it by the Land Claims Court.

It obliges Alexkor to transfer land and mineral rights to the Richtersveld community, establish Alexander Bay as a formal township, undertake environmental rehabilitation and establish a pooling and sharing joint venture with the Richtersveld Mining Company for future mining activities.

By June 2011, significant progress had been made in the implementation of the Deed of Settlement. All Alexkor state and Northern Cape Provincial Government land, including land-mining rights, had been transferred, except the township erven.

There was a redirection of Alexkor's strategy to ensure that it operated on a commercially viable basis and contributed towards the socio-economic upliftment of the communities and regions in which it operated.

Alexkor was also mandated to explore opportunities to procure new mining ventures to secure new revenue streams and ensure its future growth. This entails:

- exploring opportunities for downstream beneficiation to contribute to job creation
- developing requisite skills
- investing in research and development
- economic growth, sustainable development and cost-effective support for the broader policies of government.

This new strategy will ensure the company's long-term viability, while contributing to the socio-economic upliftment and development of the Richtersveld region.

South African Forestry Company

In 1998, Cabinet took a decision to restructure Safcol and the former Department of Water Affairs and Forestry's plantations in South Africa. Having noted and acknowledged that the plantations are affected by land-reform issues, Cabinet resolved that the process of state forestry restructuring should proceed in a way that would cater for and protect the right of land-reform beneficiaries in future.

To implement the Cabinet decision, government entered into lease agreements with four forestry companies, namely Mountain to Ocean in the Western Cape, Amathole and Singisi in the Eastern Cape and SiyaQhubeka in KwaZulu-Natal, where levels of unemployment are high.

Safcol aims to contribute to rural welfare and development.

It provides almost 2 200 permanent jobs and 2 000 contractual jobs in rural areas in Mpumalanga, Limpopo and KwaZulu-Natal.

In 2011, the Department of Trade and Industry explored a range of different business models and institutional structures through which the developmental impact of Safcol's human and financial resources could be optimised.

Consultation with key stakeholders took place before the matter was taken to Cabinet for consideration. Downstream economic activities in rural areas, from timber-milling to furniture manufacture, have also been encouraged.

In 2011, a process was underway with the Department of Rural Development and Land Reform to dispose of the remaining shareholding in the four privatised forestry companies to the communities surrounding Safcol's forestry operations.

As almost 61% of land under Safcol's operation is subject to land claims, the department is playing a proactive role in facilitating the resolution of these claims through effective interdepartmental cooperation.

Broadband Infraco

Broadband Infraco provides strategic international connectivity to operators in the SADC region and on the West Coast of Africa. Broadband Infraco operates within specific focus areas of the telecommunications sector in South Africa.

In 2011, the department explored strategic synergies between Infraco and Sentech to optimise capacity.

The network established 13 600 km of long-distance fibre, as well as five open-access points of presence in key metropolitan areas. A further seven open access points to roll out broadband access in remote rural areas and to facilities such as hospitals, clinics and schools were also established.

Wholesale long-distance connectivity prices have come down by more than 75% over the past two years, partly as a consequence of the establishment of Broadband Infraco, thus further unlocking economic value by reducing the cost of connectivity.

Denel

Denel (Pty) Ltd 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.

A structured mechanism is required to effect the necessary alignment of Denel's business plan with the requirements of the Department of Defence.

Shrinking defence budgets have resulted in downscaling certain procurement programmes, with lower economies of scale and increasing unit costs.

Denel was expected to accelerate its efforts towards skills development and transformation. The company is expected to generate skills across the full spectrum, ranging from artisan level to engineers and high-tech technologists.

Eskom

During 2011/12, Eskom invested over R76 billion in infrastructure.

Its rolling capital investment programme increased from R92 billion in 2005 to R549 billion in 2011.

Through its Medium-Term Power Purchase Programme, Eskom signed contracts with five independent power producers, totalling some 373 MW of capacity. It also signed up about 200 MW of municipal generation for the 2011 winter.

The African Development Bank approved a US$365-million loan to Eskom for the 100-MW Concentrated Solar Power Plant and the 100-MW Wind Power Plant.

Eskom submitted a US$250-million loan application to the World Bank for funding from the Clean Technology Fund.

In 2011, Eskom provided apprenticeships to 10 000 young people – up from 4 500 – and implemented a youth programme to support about 5 000 young people to find their way into employment – up from 200 – by 2015.

South African Airways

SAA's primary focus on the African continent is to establish itself as a leading network carrier from OR Tambo International Airport to other primary airports across the continent. SAA plans to introduce additional routes and frequencies to broaden operations and improve its African footprint.

This strategic focus is also fundamental to SAA's strategy to strengthen its balance sheet as the African market boasts good demand and better profit margins.

The department commenced with the fleet renewal plan at SAA with the acquisition of the Airbus A300-200 long-range aircraft.

Between 2011 and 2015, SAA will acquire 25 additional aircraft capable of varying ranges, which will be used for long-range as well as domestic and regional hauls. These new fuel-efficient aircraft are expected to improve the airline's service offering and have a positive impact on SAA's reputation as a leading airline on the continent.

South African Express

SAX has a route network covering four African countries and acts as a strategic feeder, connecting secondary airports with each other and also with large hub airports.

In 2010/11, SAX embarked on a fleet renewal plan, with the objective of meeting demand over the next 10 years aimed at delivering improvements in reliability, introducing cleaner technology to reduce greenhouse gas emissions and offering greater customer comfort while remaining cost-efficient.

The acquisition of new aircraft commenced in 2011 and is expected to result in average capacity growth of 8,6% per year over the next four years.

Transnet

Transnet is a public company wholly owned by government. It is the largest and most crucial part of the freight logistics chain that delivers goods to each South African. Transnet delivers thousands of tons of goods daily around South Africa, through its pipelines and to and from its ports.

Transnet's budget for 2011/12 was R25,8 billion, of which R15,1 billion (58,6%) was spent on rail. Transnet's rolling five-year investment programme is expected to total R110,6 billion.

The New Multi-Product Pipeline connecting Durban with Johannesburg will ensure the supply of liquid fuels to the hinterland.

Public works programmes

The Department of Public Works is responsible for providing official accommodation for all national departments and all members of Parliament, and rendering construction- and property-management services to client departments at national level. The department is also responsible for providing leadership for and coordinating the Expanded Public Works Programme (EPWP).

The department's planning is aligned with government's MTSF and three of the Government's 12 outcomes: decent employment through inclusive economic growth (Outcome 4); sustainable human settlements and an improved quality of household life (Outcome 8); an efficient, effective and development-oriented public service; and an empowered, fair and inclusive citizenship (Outcome 12).

The EPWP is supporting Outcome 4, focusing on alleviating youth unemployment and meeting targets for annual work opportunities created.

The Department of Public Works is required to contribute land for low-income housing to the Department of Human Settlements in support of Outcome 8. In this regard, the department has identified 9 000 ha of land to be transferred to the Department of Human Settlements over the medium term.

In support of Outcome 12, the department will continue ensuring the provision of quality infrastructure and office accommodation to its clients by implementing building and maintenance programmes that support service delivery and will ensure that state buildings are accessible to all citizens.

By June 2011, 45 municipalities were implementing the Community Work Programme, giving almost 90 000 individuals work opportunities and a steady income.

The innovative Food for Waste Programme has communities collecting waste and receiving compensation in the form of food parcels. By August 2011, over 3 000 job opportunities had been created for poor and vulnerable communities through the programme.

By 2011, 39 municipalities were participating in the programme. It was also helping municipalities to deal with the waste-management backlog.

Expanded Public Works Programme

In 2011, Phase Two of the EPWP was in the second year of implementation. The programme had committed to delivering 4,5 million work opportunities over five years.

Cabinet's adoption of the NGP provides more opportunities for the EPWP in the area of job creation.

The National Youth Service, a critical component of the EPWP, will continue benefiting from the building and maintenance programmes of the Department of Public Works and client departments. The EPWP is a major benefactor of the infrastructure sector projects and this will continue over the medium term. The social and environmental sectors will continue implementing upscaled projects to contribute to the attainment of the EPWP's work opportunity targets.

The EPWP had been allocated R679 million for incentive grants to municipalities and R267 million for provinces.

The EPWP created 643 116 work opportunities in 2010/11, exceeding its target of 642 000 work opportunities for the financial year.

The sector breakdown of work opportunities created under the EPWP in 2010/11 is:
- infrastructure: 277 100
- environment and culture: 107 189
- social: 131 979
- non-state (community works programme): 92 136
- non-profit organisations: 34 712.

Building, maintenance and capital works programmes

Implementation of all departmental programmes pertaining to building, maintenance and capital works will continue over the medium term. Some of the projects include:
- upgrading 110 facilities to allow access to the disabled
- upgrading and constructing 45 department offices
- developing 12 national government precincts
- redeveloping 136 infrastructure-related border-post centres.

These projects were funded from the capital works budgets of the Department of Public Works and client departments.

In January 2011, the Department of Public Works announced a R150-million budget to rid the country of potholes and mud schools. The multimillion-Rand project is expected to create at least 14 000 jobs. It started in March 2011.

Construction and Property Industry Development Programme

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

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

The National Contractor Development Programme is jointly managed by the Department of Public Works and its entity, the Construction Industry Development Board (CIDB). It entails registering and empowering contractors through various developmental interventions.

The scarcity of skills in the construction and built-environment sectors requires targeted ongoing human capital-development initiatives by the department. It is facing major challenges around operational resources and the filling of strategic professional and technical skills in areas like project management, financial management and business analysis, which are critical for it to deliver on its the mandate. The department is addressing these challenges by working on a number of initiatives, such as learnerships and internships in some professional councils in partnership with the Council for the Built Environment (CBE), a bursary scheme for students, a young professionals programme and adult basic education and training.

Construction Industry Development Board

The CIDB was established by the Construction Industry Development Act, 2000 (Act 38 of 2000), as a statutory body to:
- provide leadership to stakeholders
- stimulate sustainable growth
- reform and encourage improvements in the construction sector
- improve its role in the economy.

The CIDB reports to the Minister of Public Works and comprises individuals appointed from the private and public sector.

Council for the Built Environment

The CBE is a statutory body established under the CBE Act, 2000 (Act 43 of 2000). It 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) for promoting good conduct within the professions, transforming them and advising government on built environment-related issues.

Labour programmes

The aim of the Department of Labour's programmes is to regulate the labour market through policies and programmes developed in consultation with social partners, which are aimed at:
- improved economic efficiency and productivity
- employment creation
- sound labour relations

- eliminating inequality and discrimination in the workplace
- alleviating poverty in employment
- enhancing occupational health and safety (OHS) awareness and compliance in the workplace
- nurturing the culture of acceptance that worker rights are human rights.

To contribute to the strategic priorities of government, over the next three years, the department will focus on service-delivery outcomes and strategic objectives which include: contributing to decent employment creation; protecting vulnerable workers; promoting equity in the labour market; strengthening social protection; promoting sound labour relations; monitoring the impact of legislation; enhancing multilateral and bilateral relations; and strengthening the institutional capacity of the department.

The Department of Labour prides itself on contributing indirectly to employment through the UIF and Compensation Fund (CF) reserves' investment in a commercial socially responsible investment portfolio with the Public Investment Corporation.

As part of a drive to ensure decent work, the department will pursue its target to inspect some 200 000 workplaces and ensure 80% compliance with all labour legislation.

The Department of Labour has an infrastructure network of 421 service points spread across the country. These include 126 labour centres, 31 satellite offices, 19 mobile offices, 153 visiting points, and also services provided at Thusong Service Centres.

As part of government's commitment and effort to bring about a society based on justice and equality for all, the department identified policy gaps in some pieces of legislation and submitted the following amendments to Parliament:

- Labour Relations Amendment Bill, 2010
- Basic Conditions of Employment Amendment Bill, 2010
- Employment Equity Amendment Bill, 2010
- The new Employment Services Bill, 2010.

The Department of Labour was addressing policy gaps in sheltered employment factories (SEF), concentrating specifically on accommodating the needs of people with disabilities and gender equality.

One of the department's key aims in amending labour legislation is to address labour brokering and its associated abusive tendencies.

The new Employment Services Bill sets out the proposed legal framework for the operation of employment services. The Bill also sets out the role of Productivity South Africa under the mandate of the department and provides a legal basis for the operation of SEF.

During 2010/11, the department's Employment Services for South Africa (Essa) registered 472 179 job seekers. The service linked 70% of these registered jobseekers to career counselling, skills-development interventions, work-placement opportunities and UIF and CF benefits.

Through Essa, the department aims to provide assistance to 51 500 workers in distressed sectors over the 2011/12 to 2015/16 period.

There are 151 000 people from designated groups who will be placed in training and income-generating opportunities over the 2011/12 to 2015/16 period. The total targeted group comprises 10 000 youth, 15 000 women and 4 000 persons with disabilities.

The SEF, which falls under the Public Employment Services Branch, aims to increase orders for goods leading to the creation of jobs for 3 500 people with disabilities over the same period. In addition to job creation, the SEF aims to accommodate more people with disabilities from disadvantaged communities, as it previously accommodated only a certain category of ex-combatants.

About 3 200 learners will be recruited between 2011/12 to 2015/16 to participate in the SEF's Centre of Excellence to train them as mentors and place in both the SEF and in the open economy.

Unemployment Insurance Fund

The main tasks of the UIF are to:

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

The Property Incubator Programme and the Construction Incubator Programme of the Department of Public Works are linked to the transformation of the property and construction industries. The Property Incubator Programme aims to bring previously disadvantaged individuals into the property sector. Under the Contractor Incubator Programme, the department will provide support to users and custodian departments regarding the development of life-cycle asset-management plans.

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).

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.

During 2010/11, the UIF experienced a decrease in unemployment benefit payments compared to the same period in 2009/10. This was mainly due to the effects of the recession wearing off, highlighting the importance of the UIF as a safety net during times of unemployment and economic crisis.

In the period up to March 2011, the UIF paid benefits totalling R5,3 billion to 693 000 people, as opposed to R5,7 billion to 779 604 beneficiaries in 2009/10

The UIF identified a number of projects in pursuit of the decent work agenda in South Africa. The fund invested R35 billion of its R52-billion portfolio in government, municipal and parastatal bonds (including an investment in the IDC through the purchase of a R2-billion bond in 2010), as well as money-market instruments that support infrastructure projects aimed at creating jobs. The UIF paid out over R1,4 billion to unemployed and retrenched workers between April and June 2011.

Occupational Health and Safety

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

The Department of Labour is responsible for workers' compensation in terms of the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993), and for OHS in terms of the OHS Act, 1993. The Department of 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).

The Employment Services for South Africa (Essa) is an employment service provided by the Department of Labour's Public Employment Services Branch, whereby those who are unemployed and prospective employers register on the system. The system matches people to posts.

The *Essa Research Report* revealed that over 700 000 of the 4,3 million unemployed people were registered as work seekers on the Essa system.

From 2007 to 2010, 251 748 opportunities were registered with Essa, growing by an average of 96%. There are 2 714 employers registered on Essa.

Compensation Fund

The CF administers the Compensation for Occupational Injuries and Diseases Act, 1993, as amended. The fund financially supports workers who have become injured or ill owing to injuries or accidents at work.

In 2011, the CF invested R9 billion in support of investment in infrastructure projects aimed at creating jobs.

The CF processed injured-on-duty claims and paid compensation benefits in 2010/11 to the amount of R2,1 billion.

In terms of medical claims, the CF paid 186 563 medical accounts in 2010/11 worth R1,9 billion, compared to 135 829 accounts worth R1,5 billion in the same period in 2009/10. Revenue of R4,5 billion was raised in 2010/11. Because of increased debt-collection capacity, debt worth R431 million was recovered. The CF's total investments increased by R3,2 billion, from R23,3 billion to R26,5 billion.

The CF aimed to increase the number of registered employers in 2011/12 to improve revenue collection through employer assessments.

To promote a return to work, development of skills and an improvement in the functionality of injured and diseased employees, the CF began developing an integrated comprehensive policy framework for rehabilitation, reintegration and return to work of its beneficiaries. This will require amendment of the Compensation for Occupational Injuries and Diseases Act, 1993. The amendments are projected to be promulgated in 2014/15.

Directorate: Collective Bargaining

The Directorate: Collective Bargaining has to:

- extend the collective bargaining system to cover more vulnerable workers

- ensure that the implementation and impact of the Labour Relations Act (LRA), 1995 (Act 66 of 1995), are optimised
- effectively monitor dispute resolution.

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

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

Despite the caseload pressures, the CCMA meets and often exceeds its performance targets. In 2010/11, the number of pre-conciliations increased by 4%, with a significant 9% increase in the number settled. The total number of conciliations scheduled outside the 30-day period decreased by 72%.

The actual number of cases settled increased by 9%, with the final settlement rate standing at 69%, the highest it has been in years.

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

The Directorate: RPP is responsible for:
- analysing labour-market information and conditions
- identifying relevant labour-market interventions
- formulating labour-market policies
- researching, monitoring and evaluating policies affecting the labour market.

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

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

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

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

For 2011 EE reporting, only those employing more than 150 employees were expected to submit EE reports. The EE Unit of the Department of Labour analysed 4 211 EE reports in 2011, compared with 3 369 reports in 2009.

In September 2011, the department embarked on a national roadshow hosting a series of workshops with stakeholders to create awareness concerning compliance with the law and help employers understand how to follow requirements of the Act.

The focus of the 2011 EE roadshows was on promoting and gathering public comments on the Draft Revised Code of Good Practice on HIV and AIDS in the World of Work and Employment and EE reporting requirements for 2011.

The *11th Commission on EE Annual Report,* which covered the period from 1 April 2010 to 31 March 2011, showed that 18 534 reports were received, of which 16 698, covering more than 5,2 million employees, were analysed.

National Economic Development and Labour Council (Nedlac)

Nedlac was established in terms of the Nedlac Act, 1994 (Act 35 of 1994). It requires organised labour, organised business, community-based organisations and government, as a collective, to:

- promote the goals of economic growth
- participate in economic decision-making and social equity
- seek to reach consensus, and conclude agreements on matters pertaining to social and economic policy
- consider all proposed labour legislation relating to labour-market policy before it is introduced in Parliament
- consider all significant changes to social and economic policy before they are implemented or introduced in Parliament
- encourage and promote the formulation of coordinated policy on social and economic matters.

Over the medium term, the council will continue to focus on the implementation of the national framework for South Africa's response to the global economic crisis, and on policy work on trade, investment and industrial development matters.

Acknowledgements

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