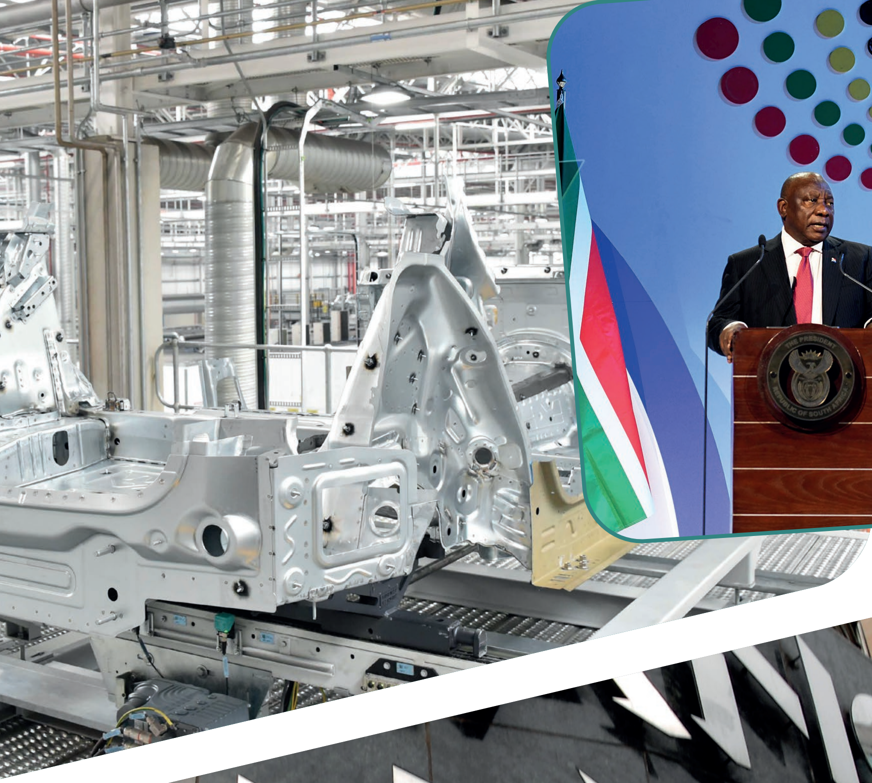

SOUTH AFRICA YEARBOOK 2022/23

Finance and Economy

Finance and Economy

Economic activity in South Africa decreased in the third quarter of 2023 as real gross domestic product (GDP) contracted by 0.2% following a revised expansion of 0.5% in the second quarter. The real gross value added (GVA) by the primary and secondary sectors contracted anew, while that by the tertiary sector expanded further.

The level of real GDP was 0.7% lower in the third quarter of 2023 compared to a year earlier, while the average level of real output in the first three quarters of 2023 was 0.3% higher than in the corresponding period of 2022. The contraction in the real GVA by the primary sector in the third quarter of 2023 resulted from lower agricultural and mining output. The real GVA by the agricultural sector contracted sharply and reflected the lower production of field crops as well as horticultural and animal products, with the poultry industry weighed down by the avian influenza outbreak.

Mining output decreased anew as production volumes decreased in seven of the 12 subsectors, with platinum group metals (PGMs), gold, manganese ore, other metallic minerals and coal contributing the most to the contraction. The real output of the secondary sector reverted from an expansion in the second quarter of 2023 to a contraction in the third quarter. Manufacturing and construction output decreased, while the real output of the electricity, gas and water supply sector increased.

Production volumes decreased in eight of the 10 manufacturing subsectors, reflecting subdued domestic and global demand conditions, with activity also impeded by ongoing electricity load-shedding, rising production costs, supply chain disruptions and logistical constraints.

Real economic activity in the construction sector contracted further as civil construction as well as residential and non-residential building activity decreased. After contracting for five consecutive quarters, the real output of the sector supplying electricity, gas and water expanded in the third quarter of 2023. The volume of both electricity produced and consumed increased, reflecting improved electricity generation capacity.

The real output of the tertiary sector increased further in the third quarter of 2023 as the real output of the general government and personal services sectors as well as the finance, real estate and business services sector increased further. The expansion in the real GVA by the finance, insurance, real estate and business services sector resulted from increased activity in the monetary intermediation, real estate and business services subsectors.

The real output of the transport, storage and communication sector reverted to an increase following a decrease in the previous quarter as activity in land and air transportation, transport support and communication services increased.

The real output of the commerce sector contracted further in the third quarter as real wholesale and motor trade activity decreased, while real retail trade increased marginally. The average level of the real output of the commerce sector in the first three quarters of 2023 was 1.6% lower than in the corresponding period of 2022.

Real gross domestic expenditure (GDE)

GDE declined by 3.0% in the third quarter of 2023 following an increase of 1.3% in the second quarter. Real final consumption expenditure by households and gross fixed capital formation contracted in the third quarter while real final consumption expenditure by general government increased, alongside a notable de-accumulation in real inventory holdings.

The change in real inventory holdings subtracted 2.3 percentage points from growth in real GDP in the third quarter of 2023, while real gross fixed capital formation and final consumption expenditure by households deducted a further 0.5 and 0.2 percentage points respectively. By contrast, real net exports contributed 2.9 percentage points to overall real GDP growth.

Real final consumption expenditure by households decreased further in the third quarter of 2023, in line with the decline in the real disposable income of households. Household spending on durable goods contracted further as real purchases of personal transport equipment as well as computers and related equipment declined, with the decrease in passenger vehicle sales a reflection of the restrictive lending environment amid higher interest rates and elevated vehicle prices.

Real outlays on non-durable goods contracted further as real spending on petroleum products and household fuel, power and water decreased. By contrast, real household spending on semi-durable goods reverted to an increase in the third quarter as spending increased in most categories.

Household debt

Household debt as a percentage of nominal disposable income decreased to 61.9% in the third quarter of 2023 from 62.5% in the second quarter as the increase in nominal disposable income exceeded that in household debt. Households' cost of servicing debt as a percentage of disposable income edged higher to 8.9% in the third quarter from 8.8% in the second quarter due to the combination of higher debt and interest rates.

Households' net wealth declined in the third quarter of 2023 as total assets decreased and total liabilities increased. The decline in total assets was due to the lower market value of equities as the FTSE/JSE All-share Index (Alsi) declined by, on balance, 4.8% in the third quarter, while the value of housing stock increased.

Real gross fixed capital formation contracted in the third quarter of 2023 as capital spending by the private and public sector decreased. The lower private fixed investment was largely driven by reduced investment in computer software, computer equipment and construction works. Measured by asset type, real gross fixed capital outlays on all asset categories decreased in the third quarter, except for transfer costs.

Despite the contraction, the average level of real gross fixed capital formation in the first three quarters of 2023 was 4.9% higher than in the same period of 2022. Total household-surveyed employment increased notably by a further 399 000 (2.4%) in the third quarter of 2023, surpassing its pre-COVID-19 peak following broad-based job gains. Employment increased significantly in the formal and agricultural sectors and, to a lesser extent, in the informal and private household sectors.

Formal sector employment was largely driven by job gains in the finance, insurance, real estate and business services sector as well as in the community, social and personal services sector, which likely reflected the continued uptake in employment related to the Presidential Youth Employment Initiative as well as the Expanded Public Works Programme (EPWP).

Labour force

The total labour force increased by 1.3% to 24.6 million in the third quarter of 2023, supported by the significant increase in employment. This, together with a decrease in the number of officially unemployed persons, resulted in a further decline in South Africa's official unemployment rate from 32.6% in the second quarter of 2023 to 31.9% in the third quarter.

The not economically active population decreased by 186 000 (1.1%) persons in the third quarter of 2023, with the expanded unemployment rate, which includes discouraged work seekers, decreasing for an eighth successive quarter to 41.2% in the third quarter of 2023 from a recent peak of 46.6% in the third quarter of 2021.

The year-on-year pace of increase in formal non-agricultural nominal remuneration per worker moderated from 5.5% in the first quarter of 2023 to 4.3% in the second quarter as nominal remuneration growth per worker slowed in both the public and private sectors. The average wage settlement rate in collective bargaining agreements was 6.4% in the first nine months of 2023 compared with 6.0% in the corresponding period of 2022.

Growth in labour productivity in the formal non-agricultural sector slowed further from 0.6% in the first quarter of 2023 to no growth in the second quarter as year-on-year employment growth exceeded that in output. Likewise, growth in nominal unit labour cost in the formal non-agricultural sector slowed from 5.0% in the first quarter to 4.3% in the second quarter as year-on-year output growth accelerated at a faster pace than that in total remuneration.

Growth in economy-wide nominal unit labour cost accelerated from 3.5% in the second quarter of 2023 to 5.6% in the third quarter as year-on-year growth in the compensation of employees accelerated while that in output slowed.

Headline consumer and producer price inflation

Domestic inflationary pressures started easing from mid-2022 before increasing somewhat in recent months. Both headline consumer and producer price inflation accelerated in September and October 2023 as a result of production cost pressures from electricity load-shedding, rising fuel prices and elevated food prices — which were partly impacted by the avian influenza outbreak.

Producer price inflation of final manufactured goods accelerated from 2.7% in July 2023 to 5.8% in October, largely due to the higher price inflation of coal, petroleum, chemical, rubber and plastic products as well as, to a lesser extent, food products. Headline consumer price inflation accelerated from a recent low in July 2023 to 5.9% in October, reflecting higher goods price inflation amid higher fuel prices and elevated food prices.

Conversely, consumer services price inflation trended broadly sideways from July to September 2023, before slowing in October. Underlying inflationary pressures continued to moderate, with core inflation slowing to below the midpoint of the inflation target range in October 2023.

South Africa's trade surplus with the rest of the world widened to R189 billion in the third quarter of 2023 from R22.2 billion in the second quarter as the value of merchandise imports decreased much more than that of merchandise and net gold exports.

Value of exports

The decrease in the value of exports reflected lower prices, while that of imports reflected a notable decline in volumes. South Africa's terms of trade deteriorated further in the third quarter of 2023 as the rand price of imported goods and services increased while that of exports decreased along with the further decline in international commodity prices.

The value of merchandise exports decreased by 3.0% in the third quarter of 2023 as increases in manufacturing and agricultural exports were outweighed by a decrease in the exports of non-gold mining products. The decrease in mining exports in the third quarter reflected lower exports of PGMs, mineral products – specifically iron ore and coal – base metals and articles thereof as well as pearls, precious and semi-precious stones.

The further increase in the value of manufacturing exports benefitted from higher exports of vehicles and transport equipment, which outweighed the lower exports of other manufactured goods, especially chemical products, textiles and articles thereof, machinery and electrical equipment as well as prepared foodstuffs, beverages and tobacco.

The value of merchandise imports decreased by 9.5% in the third quarter of 2023 following 12 consecutive quarterly increases. Manufacturing imports decreased sharply, with agricultural and mining imports also contracting, but to a lesser extent. Import values decreased in almost all manufacturing subcategories, with the largest declines recorded in machinery and electrical equipment, chemical products, resins and articles thereof as well as vehicles and transport equipment.

The value of mining imports decreased slightly as the lower value of base metals and articles thereof as well as pearls, precious and semi-precious stones were weighed down by reduced imports of copper wire and rough diamonds. The shortfall on the services, income and current transfer account increased slightly to R208 billion in the third quarter of 2023 from R207 billion in the second quarter and, as a ratio of GDP, remained unchanged at 3.0%.

The wider deficit could mainly be attributed to larger deficits on the services and income accounts along with a smaller deficit on the current transfer account. This, together with the larger trade surplus, resulted in a narrowing of the deficit on the current account of the balance of payments from R185 billion (2.7% of GDP) in the second quarter of 2023 to R19.3 billion (0.3% of GDP) in the third quarter.

The net inflow of capital on South Africa's financial account of the balance of payments (excluding unrecorded transactions) increased to R39.7 billion in the third quarter of 2023 from R2.3 billion in the second quarter. On a net basis, all financial account categories, excluding portfolio investment, recorded inflows.

South Africa's total external debt decreased from US$162.2 billion at the end of March 2023 to US$155.5 billion at the end of June. However, expressed in rand terms, South Africa's total external debt increased from R2 889 billion to R2 944 billion over the same period as the exchange value of the rand depreciated against the US dollar.

South Africa's positive net international investment position (IIP) increased further from a revised R1 798 billion at the end of March 2023 to R2 128 billion at the end of June, reflecting a significantly larger increase in foreign assets than in foreign liabilities.

Nominal effective exchange rate (NEER)

The exchange value of the rand had a notable impact on foreign assets and, to a lesser extent, on foreign liabilities as the NEER of the rand declined, on balance, by 4.3% in the second quarter of 2023. While the US Standard & Poor's (S&P) 500 Index continued its strong growth in the second quarter of 2023, the Alsi declined slightly, further contributing to the increase in the positive net IIP.

The NEER increased, on balance, by 2.5% in the third quarter of 2023 following increases in July and September and a decrease in August. During the third quarter, the exchange value of the rand appreciated due to improved investor sentiment following the outcome of a stronger-than-expected expansion of the domestic economy in the second quarter and the reduced severity of electricity load-shedding.

However, concerns about global economic growth and the effects of prolonged elevated global interest rates partly countered the positive impact of these developments. The NEER decreased by 1.7% from the end of the third quarter of 2023 to 30 November amid higher domestic inflation and lower business confidence.

The yield on 10-year South African rand-denominated government bonds fluctuated higher from 10.29% on 2 February 2023 to 12.23% on 4 October. This reflected heightened concerns over South Africa's fiscal outlook alongside a deterioration in revenue collection, the deprecation in the exchange value of the rand and higher international bond yields. Subsequently, the yield declined to 11.24% on 30 November, tracking the appreciation in the exchange value of the rand and lower international bond yields.

The total nominal value of outstanding listed and unlisted rand-denominated debt securities issued by residents and non-residents in the domestic primary debt market increased by 9.4% year on year to R6.3 trillion at the end of October 2023. General government accounted for 72.4% (R4.6 trillion) of the total amount of debt securities in issuance in the domestic primary debt market at the end of October 2023, with funding activity reflecting government's larger borrowing requirement. The nominal net issuance of rand-denominated debt securities in the domestic primary debt market by financial corporations in the first 10 months of 2023 was 28.2% lower than in the corresponding period of 2022, mainly reflecting much smaller net issuance of unlisted debt securities by banks.

Year-on-year growth in the broadly defined money supply (M3) decelerated from a post-COVID-19 high of 11.2% in June 2023 to 6.1% in October. The recent slowdown in M3 growth reflected a notable deceleration in the growth in deposit holdings of companies and, to a lesser extent, that of households as it was supported by higher interest rates. Although growth in all three maturity categories slowed over this period, growth in long-term deposits and in short- and medium-term deposits still outpaced that in the more liquid cash, current account and other demand deposits.

Year-on-year growth in total loans and advances extended by monetary institutions to the domestic private sector decelerated from a high of 9.9% in February 2023 to a low of 4.7% in October as loans to companies slowed at a faster pace than loans to households. The moderation in credit extended to companies reflected a slowdown in general loans, mortgage advances, credit card advances and overdrafts.

The year-on-year growth in loans and advances to the household sector decelerated gradually for nine consecutive months to 5.2% in October 2023 following a broad-based slowdown across the various types of credit categories. The higher interest rate environment alongside muted income growth continued to impact negatively on households' ability to borrow. The preliminary non-financial public sector borrowing requirement increased significantly by R168.7 billion year on year to R219.3 billion in the first six months (April–September 2023) of fiscal 2023/24. This reflected the significantly higher cash deficit of the consolidated general government, in particular national government, largely due to lower cash receipts from operating activities related to lower revenue collections in most tax categories.

In addition, all other levels of general government recorded smaller cash surpluses, while the non-financial public enterprises and corporations, or state-owned companies, recorded a cash deficit in the first six months of fiscal 2023/24 compared to a surplus in the first six months of the previous fiscal year.

National government's cash book deficit of R253.0 billion in the first half of fiscal 2023/24 was R89.0 billion more than in the first half of fiscal 2022/23 as expenditure growth outpaced that in revenue. The primary deficit was also substantially larger relative to the corresponding period of the previous fiscal year.

National government's total gross loan debt increased by 9.2% year on year to R5 080 billion as at 30 September 2023. The increase could be attributed to a rise in the outstanding stock of both domestic and foreign debt, owing to net issuances as well as the exchange rate revaluation effects brought about by the depreciation in the exchange value of the rand against other major currencies.

National Treasury

National Treasury's legislative mandate is based on Section 216(1) of the Constitution of the Republic of South Africa of 1996, which calls for the establishment of a national treasury to ensure transparency, accountability and sound financial controls in the management of South Africa's public finances. This role is further elaborated on in the Public Finance Management Act, 1999 (Act 1 of 1999) as well as the Municipal Financial Management Act (MFMA), 2003 (Act 56 of 2003). The department is
mandated to:

- promote national government's fiscal policy and the coordination of macroeconomic policy;
- ensure the stability and soundness of the financial system and financial services;
- coordinate intergovernmental financial and fiscal relations;
- manage the budget preparation process;
- enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities, public entities, and constitutional institutions; and
- oversee the implementation of the provincial and local government infrastructure portfolio.
- ensure financial management governance and compliance with the PFMA of 1999 and the MFMA of 2003 across all spheres and entities in government.

Section 5(2) of the MFMA of 2003 further mandates the department to monitor municipal budgets, and promote good budgeting and fiscal management by municipalities.

The mandate extends to the issuance of regulations on all aspects of the act, including investments, borrowing, budgeting, accounting, assets, reporting, competencies, expenditure, cost containment, supply chain, public-private partnerships, financial misconduct and criminal procedures.

Over the medium term, the department planned to focus on reviewing tax policy; supporting sustainable employment; supporting infrastructure development and economically integrated cities and communities; managing future spending growth, fiscal risk and government's assets and liabilities; streamlining government procurement; strengthening financial management in government; and facilitating regional and international cooperation.

The department's budget over the medium term is R3 trillion, of which 59.2% (R1.8 trillion) is for transfers to provincial governments for the provincial equitable share. Cabinet has approved budget increases amounting to R76.9 billion over the MTEF period to the provincial equitable share for adjustments related to compensation of employees.

Debt-service costs account for 35.6% (R1.1 trillion) of direct charges against the National Revenue Fund over the medium term. However, Cabinet has approved an increase on debt-service costs of R18.6 billion over the period. The following increases have been made for transfers to departmental agencies over the medium term:

- R1.5 billion for the South African Revenue Service to implement capital projects;
- R226.4 million for Secret Services for operations; and
- R265.3 million for the Financial Intelligence Centre, also for operations. An additional R91.3 million has been allocated to compensation of employees for cost-of-living adjustments.

Reviewing tax policy

To meet government revenue requirements and improve the fairness of the tax system, over the MTEF period, the department will continue developing tax policy proposals, drafting tax legislation such as the Rates Bill and Taxation Laws Amendment Bill, and drafting tax regulations to implement proposals. To this end, allocations to the Tax Policy subprogramme in the Economic Policy, Tax, Financial Regulation and Research programme amount to R98.4 million over the medium term, comprising 19.2% of the programme's budget.

Supporting sustainable employment

The Jobs Fund offers matched funding grants across four funding windows – enterprise development, work opportunities through infrastructure development, support for work seekers and institutional capacity building.

Grant funding is made available through a competitive process to initiatives that innovatively solve employment challenges and have the potential to be scaled up. The fund's portfolio of projects is valued at an estimated R9 billion. Since the Jobs Fund's inception in 2011, project partners in the private sector, as well as nongovernmental organisations, have committed R13.5 billion in matched funding.

As at 31 December 2022, the fund had disbursed R6.4 billion and leveraged an additional R12.7 billion from project partners. The fund is allocated R1.4 billion over the medium term in the Government Technical Advisory Centre (GTAC) subprogramme in the Public Finance and Budget Management programme.

Supporting infrastructure development and economically integrated cities and communities

The department will continue to facilitate conditional grants and provide financial incentives for infrastructure planning and development to municipalities.

This is through the local government financial management grant, aimed at promoting and supporting financial management reform and building capacity in municipalities; the neighbourhood development partnership grant, aimed at developing and implementing urban network plans; the project preparation support grant, aimed at and supporting metropolitan municipalities in developing a pipeline of investment-ready capital programmes and projects; and the infrastructure skills development grant, aimed at increasing the pool of professional engineers, planners and other built environment professionals in local government.

Transfers to the grants are projected to be R6.3 billion over the medium term in the Facilitation of Conditional Grants subprogramme in the Public Finance and Budget Management programme.

Managing future spending growth, fiscal risk and government's assets and liabilities

Over the next three years, the department planned to continue coordinating the national budgeting process and oversee expenditure planning in the Programme Management for Public Finance and Budget Management, Public Finance and Budget Office and Coordination subprogrammes.

These subprogrammes were allocated R519.7 million over the period ahead in the Public Finance and Budget Management programme. The department also aimed to continue promoting and enforcing prudent financial management of state-owned entities through financial analysis and oversight.

To this end, over the MTEF period, the department aimed to review all corporate plans, annual reports and guarantee applications received from schedule 2 and 3B public entities. To carry out these activities, R409.9 million was allocated over the medium term across subprogrammes in the Asset and Liability Management programme.

Streamlining government procurement

The Office the Chief Procurement Officer planned to ensure that the Public Procurement Bill is passed through Parliament in 2023/24. The Bill is aimed at ensuring that the state uses and leverages procurement to advance economic opportunities for historically disadvantaged people, women, young people, people with disabilities and small businesses; and promote local production.

Preferential procurement regulations that provide for categories of preference in the awarding of bids in government were approved in January 2023 and will be implemented over the MTEF period. As such, over the next three years, the department aimed to support the implementation of regulations across government.

These activities will be carried out in the Programme Management for Financial Accounting and Supply Chain Management (SCM) Systems subprogramme in the Financial Accounting and SCM Systems programme, which is allocated R375.7 million over the medium term.

Strengthening financial management in government

Government's integrated financial management system is designed to enhance the effectiveness of back-end public service functions by improving access to information and the quality of data, eliminating the duplication of systems and resources, and limiting the use of manual processes.

Over the MTEF period, the department aimed to continue developing the system. Preliminary work for the implementation of some of its modules, such as eRecruitment, a centralised public service recruitment system and the establishment of a centre of excellence, which will provide technical support to users, commenced in 2022.

The department aimed to work towards their implementation over the medium term. R1.1 billion over the medium term was allocated towards the integrated financial management system.

Facilitating international and regional cooperation

Activities carried out in the International Financial Relations programme will continue to advance South Africa's interests through representation in international and regional financial institutions, as well as managing bilateral and multilateral relationships through regional engagements.

International commitments for the acquisition of shares in the African Development Bank and World Bank, along with related transfer payments, constitute an estimated 31.3% (R2.7 billion) of spending in the International Financial Relations programme over the MTEF period. The department also facilitates regional cooperation within the Common Monetary Area with a budget allocation of R4.9 billion over the medium term.

These funds are made available for compensation payments to Namibia, Lesotho and Eswatini for the use of the rand currency in these countries. The department's key regional engagements over the next three years include providing technical support to regional capacity building institutions such as the Collaborative Africa Budget Reform Initiative, the International Finance Facility for Immunisation, the Commonwealth Fund for Technical Cooperation, the African Institute for Economic Development and Planning, and the International Monetary Fund's Regional Technical Assistance Centre for Southern Africa.

To support these engagements, R88.8 million over the medium term is allocated in the African Integration and Support subprogramme in the International Financial Relations programme.

Operation Vulindlela (OV)

OV, a joint initiative of The Presidency and National Treasury, is accelerating implementation of the Economic Reconstruction and Recovery Plan (ERRP) by accelerating priority structural reforms.

OV aims to modernise and transform network industries, including electricity, water, transport and digital communications. These network industries are the bedrock of economic growth, and are essential to creating a globally competitive economy. In addition, reforms to the visa regime are being prioritised to attract skills and promote growth in tourism.

The implementation of structural reforms is crucial to sustain our economic recovery and to address the underlying causes of low economic growth and high unemployment. Many of these reforms have been delayed for a number of reasons, but their urgency is increased by the need to support a swift economic recovery.

OV monitors progress and actively supports implementation. Its aim is to fast-track the implementation of high-impact reforms, addressing obstacles or delays to ensure execution on policy commitments.

South Africa Investment Conference (SAIC)

In 2018, President Cyril Ramaphosa committed to raising over R1.2 trillion worth of investments over a five-year period. South Africa has, so far, hosted five annual investment conferences, at which the President set out the policy context and reforms, and the private sector provided feedback and made pledges to invest. The conferences have drawn delegates from South Africa and the rest of the world with the objective of showcasing the investment opportunities available in the country. By 2023, five years had passed since President Cyril Ramaphosa embarked on an ambitious investment drive to raise R1.2 trillion in new investment to boost the economy of South Africa.

At the 5th SAIC held at the Sandton Convention Centre in Sandton, Johannesburg on 13 April 2023, the intial target was surpassed when over R1.5 trillion was raised through investment commitments. The SAIC successfully showcased South Africa as an ideal investment destination for local and international investors looking for a foothold into the rest of Africa.

Economic indicators

Domestic outlook

Domestically, National Treasury forecast a 0.8% growth in Real GDP in 2023. This is 0.1 percentage points lower than the growth projection at the time of the 2023 Budget. Growth is projected to average 1.4% from 2024 to 2026. These growth rates are not sufficient to achieve the country's desired levels of development. However, our economy has shown signs of resilience.

By mid-2023, Real GDP, a measure of economic performance, is now above pre-pandemic levels. In the first half of the year, the economy grew by 0.9% despite record levels of load-shedding. The tourism sector grew more than 70% in the period, driven by the arrival of more than five million international tourists. Agriculture expanded by 7.8% in the period compared to 2022, while the construction, transport and communications sectors also achieved strong growth.

In the words of President Ramaphosa, these are the reasons for hope. Unfortunately, since February 2023, the risks to the economy that government was warned about, including the decline in global commodity prices that granted us substantial revenue in 2022, elevated inflation and the Rand depreciation, materialised. As a result, public finances became significantly weaker.

The main budget deficit increased by R54.7 billion compared with the 2023 Budget estimates. This reflected lower revenue performance, higher wage bill costs and higher projected debt-service costs. The main reasons for this were a sharp fall in corporate income tax, particularly from the mining sector, although personal income tax collection was better than forecast.

The result of the shortfall was a substantial worsening in the main budget deficit in the current fiscal year. National Treasury projecting a deficit of 4.9% of GDP compared to the previous estimate of 4.0%.

Under these circumstances, measures to stabilise public finances and reform the economy to generate higher growth are essential. National Treasury recognises that alongside these measures, its most effective way of funding government is through an efficient tax administration and by broadening the tax base.

SARS is expected to continue its focus on enforcing compliance in areas such as debt collection, fraud prevention, curbing illicit trade, voluntary disclosures, and encouraging honest taxpayers to comply voluntarily. Every additional Rand of revenue collected is one Rand less which we have to borrow.

Global outlook

The International Monetary Fund forecasts global growth to slow from 3.5% in 2022 to 3% in 2023 and 2.9% in 2024. The weaker growth outlook for China, South Africa's largest trading partner; the lower commodity prices; and the risk that the US interest rates will remain higher for longer, means the global economic environment is less supportive of South Africa's growth prospects.

Credit ratings

- On 20 May 2022, S&P affirmed South Africa's long term foreign and local currency debt ratings at 'BB-' & 'BB' and revised the outlook to positive from stable. According to S&P, recent favourable terms of trade in South Africa had improved the external and fiscal trajectory, while the country's reasonably large net external asset position, flexible currency and deep domestic capital markets provide strong buffers against shifts in external financing.
- On 7 July 2022, Fitch also affirmed the country's long term foreign and local currency debt ratings at 'BB-' and maintained the stable outlook. The affirmation took into consideration that government's debt trajectory was lower than previously anticipated as well as recent improvements in several key credit metrics, including the current account balance.
- On 18 November 2022, S&P affirmed South Africa's long term foreign and local currency debt ratings at 'BB-' & 'BB' and maintained the positive outlook. The agency highlighted that government's economic and fiscal reforms could improve the country's medium-term growth and debt trajectory. Also, higher-than-expected tax revenue, relative to the agency's expectations six months ago, will help to reduce the fiscal deficit as a proportion of GDP. However, on 8 March 2023, S&P revised South Africa's credit rating outlook back to stable from positive, citing that economic growth in South Africa is facing increasing pressure from infrastructure constraints, particularly severe electricity shortages.
- On 25 November 2022, Fitch affirmed South Africa's long term foreign and local currency debt ratings at 'BB-' and maintained the stable outlook. The agency highlighted that the affirmation considered the recent over-performance of revenue and government's strong efforts to control expenditure which, if continued successfully, could bring about debt stabilisation. However, the agency assumed a substantial part of recent higher revenues to be temporary and saw public sector wage demands pointing to increased upward pressure on spending.

In May 2022, S&P Global Ratings (S&P) revised South Africa's credit rating outlook to positive from stable, while affirming the long term foreign and local currency debt ratings at 'BB-' and 'BB', respectively.

According to S&P, recent favourable terms of trade in South Africa have improved the external and fiscal trajectory, while the country's reasonably large net external asset position, flexible currency and deep domestic capital markets provide strong buffers against shifts in external financing. In addition, the agency expects South Africa to post a current account surplus in 2022 for the third consecutive year, as prices for key metals and mining exports have risen significantly since the start of the Russia-Ukraine conflict.

S&P also noted some improvement on the implementation of key reform targets under Operation Vulindlela, as well as higher than-expected tax revenue.

In December 2021, Fitch Ratings (Fitch) affirmed South Africa's long-term foreign and local currency debt ratings at 'BB-' and revised the outlook from negative to stable.

According to Fitch, the revision of the outlook to stable reflected the "faster than expected" economic recovery, the surprisingly strong fiscal performance and significant improvements in key fiscal indicators, following the rebasing of national accounts.

Producer price inflation

Producer price inflation for electricity and water slowed somewhat to 16.1% in October 2023 from a recent high of 18.3% in July, reflecting the switch from winter to summer tariffs for Eskom's direct customers. Despite the recent moderation, prices have remained elevated following the 18.45% electricity price increase for municipal customers effected in July 2023 and Eskom's 18.65% tariff increase for direct customers implemented in April.

Producer price inflation for agriculture, forestry and fishing products accelerated from a low of 4.5% in May 2023 to 12.0% in October due to a notable quickening in agricultural producer prices. Producer price inflation of mining products slowed from 2.8% in August 2023 and recorded deflation of 2.2% in October, mostly due to a 9.1% year-on-year decrease in the coal and gas category, reflecting the high base in 2022 when coal prices soared on account of higher global demand to supplement the gas shortages in Europe.

Headline consumer price inflation moderated for four consecutive months up to July 2023, whereafter it gradually accelerated again to 5.9% in October 2023. The acceleration reflected higher goods prices amid higher fuel prices and elevated food prices. Conversely, consumer services price inflation trended broadly sideways from July to September 2023, before slowing further in October.

Department of Trade, Industry and Competition (the dtic)

The dtic leads economic development policy formulation and planning. It also facilitates access to sustainable economic activity and employment for all South Africans through an understanding of the economy, knowledge of economic opportunities and potential, and anticipation of future economic trends.

The department catalyses economic transformation and development, and provides a predictable, competitive, equitable and socially responsible environment for investment, enterprise and trade for economic citizens. In addition, it contributes to achieving government's vision of an adaptive and restructured economy characterised by accelerated economic growth, employment creation and greater equity.

The NDP presents a broad vision for sustainable industrialisation and economic development and transformation in South Africa and, by extension, Africa. This vision is expressed specifically in terms of Priority 1 (economic transformation and job creation) and Priority 7 (A Better Africa and World) of government's 2019-2024 Medium Term Strategic Framework (MTSF).

The dtic will continue to develop and implement various sectoral master plans over the MTEF period. These are key components of the reimagined industrial strategy, which presents a multipronged approach to industrial development, with an emphasis on building partnerships with the private sector to secure investment that creates jobs. Over the period ahead, this entails focusing on supporting the implementation of key interventions of South Africa's economic reconstruction and recovery plan, particularly by providing industrial finance, developing industrial infrastructure, and enhancing competitiveness and localisation.

The department's total expenditure is expected to increase at an average annual rate of 0.5%, from R10.9 billion in 2022/23 to R11.1 billion in 2025/26. Spending in the Incentives programme, mainly to disburse funds for industrial financial assistance, is expected to increase at an average annual rate of 3.2%, from R5.3 billion in 2022/23 to R5.8 billion in 2025/26.

Allocations to the programme account for an estimated 51.1% (R16.9 billion) of the department's expenditure over the MTEF period. The Transformation and Competition programme's baseline is expected to decrease at an annual average rate of 17.3% due to the Social Employment Fund for the presidential employment initiative not being extended beyond 2023/24.

Providing industrial finance

In support of the economic reconstruction and recovery plan, initiatives in the Incentives programme are aimed at growing sustainable and competitive enterprises through providing direct or indirect industrial financing. Over the next three years, the dtic aimed to continue providing financial support to the Automotive Incentive Scheme, the Black Industrialist Programme, the Agro-processing Support Scheme, the strategic partnership programme. and the aquaculture development and enhancement programme.

Allocations to the Manufacturing Incentives subprogramme account for an estimated 51% (R8.8 billion) of the Incentives programme's budget over the medium term. The department also planned to provide financial assistance or support to 300 clothing and textile firms through the clothing and textiles competitiveness programme, which has a budget of R1.8 billion over the period ahead in the Sectors programme. Through these incentive programmes, the department expects to leverage R83 billion in private sector investment.

A further R728.8 million over the medium term was reprioritised, mainly from the department's operational budget, as it implements the new energy vehicle roadmap. The roadmap is intended to enhance the transitioning of the automotive industry in South Africa from internal combustion engines to electric motors, in line with global trends.

Developing industrial infrastructure

A critical part of the economic reconstruction and recovery plan includes interventions to catalyse investment through infrastructure development. This includes subsidising bulk infrastructure and top structures (factories) in special economic zones, and rolling out infrastructure to revitalise a targeted 16 industrial parks over the medium term.

These subsidies are provided mainly through the Infrastructure Investment Support subprogramme in the Incentives programme, with R4.5 billion over the MTEF period allocated for special economic zones, R443.4 million for industrial parks and R372.7 million for critical bulk infrastructure such as water, electricity and sewerage connections.

Enhancing industrial competitiveness and localisation

The dtic aimed to enhance industrial competitiveness at firm and sector level through conditions on financial incentives and local procurement policies that encourage industry to use local products. This entails disbursing funds to technical institutions such as the Proudly South African campaign to support sectoral work on master plans and projects that aim to improve industrialisation and competitiveness, and increase localisation.

Through collaboration between government, business and labour, these policy interventions are aimed at building local industrial capacity for the domestic and export markets.

Expenditure for this work is within allocations amounting to R2.5 billion over the medium term in the Industrial Competitiveness subprogramme in the Sectors programme. A further R30 million over the period ahead is allocated to the South African Bureau of Standards (SABS) for local content verifications.

Legislation

The mandate of the dtic is derived from a broad legislative framework, which includes the:

- Broad-Based Black Economic Empowerment (B-BBEE) Act, 2003 (Act 53 of 2003);
- Companies Act, 2008 (Act 71 of 2008);
- Competition Act, 1998 (Act 89 of 1998), as amended;
- Consumer Protection Act, 2008 (Act 68 of 2008);
- Industrial Development Act, 1940 (Act 22 of 1940);
- International Trade Administration Act, 2002 (Act 71 of 2002);
- Manufacturing Development Act, 1993 (Act 187 of 1993); and
- SEZs Act, 2014 (Act 16 of 2014).

Entities

Companies and Intellectual Property Commission (CIPC)

The CIPC was established in terms of Section 185 of the Companies Act of 2008 to register companies, close corporations, cooperatives, trademarks, patents, designs and copyright, and enforce rules and regulations. Over the medium term, the commission aims to provide its services globally – 24 hours a day, seven days a week – and modernise its ICT systems to strengthen and expand the use of virtual channels such as the BizPortal website and mobile app.

An estimated R240 million over the medium term is earmarked for ICT modernisation, of which R192 million is to provide for maintaining secure, accurate and accessible registration services for companies and intellectual property.

About R9.8 million of this amount is for training and mentoring personnel to use the system more effectively to handle queries and develop their capabilities in intellectual property services. The number of education and awareness workshops on company and intellectual property law is set to increase from 30 in 2022/23 to 40 in 2025/26.

These activities are expected to drive an increase in projected spending on goods and services from R245.6 million in 2022/23 to R263 million in 2025/26 at an average annual rate of 2.3%. Expenditure on compensation of employees is expected to increase at an average annual rate of 4.4%, from R424.2 million in 2022/23 to R483.2 million in 2025/26, in line with inflationary adjustments.

Companies Tribunal

The Companies Tribunal was established in 2011 as a juristic person in terms of the Companies Act of 2008 and became operational in 2012. It is mandated to mediate and adjudicate disputes between companies and make orders in a manner that is simple, ethical, efficient, equitable, transparent, accountable and impartial, without fear, favour or prejudice.

Over the medium term, the tribunal planned continue facilitating the resolution of company disputes through mediation, conciliation and arbitration, thereby contributing to the creation of a just, fair and ethical regulatory business environment. Through its work, the tribunal aims to support sustainable enterprise development and create a business environment that attracts investment.

To enable better interaction between tribunal members and clients while allowing for cases to be managed more efficiently, the tribunal will aim to increase applicants' uptake of the case management system from 60 in 2022/23 to 70 in 2025/26.

Total expenditure is expected to increase at an average annual rate of 8.6%, from R24.8 million in 2022/23 to R31.8 million in 2025/26, driven by an increase in transfers from the department to build capacity to reverse the trend of the decreasing caseload, improve marketing and communications to improve the public's awareness of the tribunal, and improve hearing facilities.

The tribunal expects to derive more than 98.1% (R88.4 million) of its revenue over the MTEF period through transfers from the department. Revenue is expected to increase at an average annual rate of 7.8%, from R24.5 million in 2022/23 to R30.7 million in 2025/26.

Competition Commission

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

Over the medium term, the commission planned to continue focusing on strengthening its internal capacity to enable the execution of its expanded mandate, which includes the prosecution and criminalisation of certain offences, such as the abuse of dominance, in terms of the Competition Amendment Act of 2018.

This has led the commission to review its organisational structure, which is expected to result in an increase in the number of personnel from 261 in 2022/23 to 279 in 2025/26. Expenditure on compensation of employees is projected to increase *at an average annual rate of* 3.2%, from R315 million in 2022/23 to R346.5 million in 2025/26.

This low rate of increase is the result of a high baseline in 2022/23 due to the receipt of additional allocations to build capacity. Compensation of employees accounts for an estimated 60.9% (R996.6 million) of spending over the medium term. Total expenditure is expected to increase at an average annual rate of 2.2%, from R529 million in 2022/23 to R564.7 million in 2025/26.

The commission expects to derive 85% (R1.5 billion) of its revenue over the medium term through transfers from the dtic and the remainder through fees paid by external parties, mainly for transactions for filing for mergers and acquisitions. Revenue is anticipated to increase in line with expenditure.

Competition Tribunal

The Competition Tribunal was established in terms of the Competition Act of 1998 to promote and maintain competition in South Africa by adjudicating matters pertaining to restrictive practices, the abuse of dominant positions, and mergers. The tribunal's work supports national and departmental priorities aligned with economic transformation, job creation and the facilitation of a capable, ethical and developmental state.

Over the medium term, the tribunal will focus on adjudicating cases in a timeous, responsive and reliable manner. Expenditure on this core function is expected to comprise 47.1% (R99.3 million) of total spending over the medium term. As the tribunal relies on its personnel to carry out its work, spending on compensation of employees is expected to account for 61.5% (R130.8 million) of total spending, increasing at an average annual rate of 5.8%, from R39 million in 2022/23 to R46.2 million in 2025/26.

The tribunal expects to derive 67.8% (R133.9 million) of its revenue over the medium term through transfers from the department and the remainder through fees for merger applications. Revenue is expected to increase at an average annual rate of 5.8%, from R59.7 million in 2022/23 to R70.8 million in 2025/26.

Export Credit Insurance Corporation (ECIC)

The ECIC was established in terms of the Export Credit and Foreign Investments Insurance Act of 1957, as amended, to provide political and commercial risk insurance on behalf of government for the facilitation of export trade and cross-border investments.

By providing comprehensive export credit and investment insurance solutions to South African exporters doing business in risky sectors or countries, the corporation contributes to the expansion of exports, economic growth and the creation of jobs.

Over the medium term, the ECIC aimed to focus on attracting business from new and existing customers to facilitate more exports and cross-border investments. It expects to do this by absorbing political and commercial risks, and protecting financial institutions and exporters through its insurance products. Accordingly, over the period ahead, the corporation planned to approve 12 projects worth a total of US$1.7 billion, and a targeted 21 export companies are set to benefit from the Export Passport training programme.

The entity has earmarked R88.6 million over the medium term for its contribution to trade facilitation programmes. Total expenditure is expected to decrease at an average annual rate of 29.8%, from R1.6 billion in 2022/23 to R564.4 million in 2025/26, mainly due to the significant increase in the revised spending estimate in 2022/23 attributable to a claim of R753.8 million for a project in distress. Payments for the interest make-up scheme, which is winding down, are expected to amount to R398.5 million over the medium term. As a result, spending on liability is expected to decrease from R537.9 million in 2022/23 to R194.4 million in 2025/26.

Revenue is expected to increase at an average annual rate of 13.1%, from R1.1 billion in 2022/23 to R1.6 billion in 2025/26. This is mainly driven by the transition in accounting standards from international financial reporting standard 4 to 17, which increases the value of the premium in the suspense account. The increase is further attributed to the anticipated increase in projects underwritten over the medium term, and income earned on invested insurance premiums.

Industrial Development Corporation (IDC)

The IDC is a development finance institution established in terms of the Industrial Development Act of 1940 to lead the development of industrial capacity by investing in individual business enterprises, and by acting as a catalyst for the creation or revitalisation of industries.

The corporation planned to facilitate investment of more than R160 billion over the medium term to contribute to the creation of employment and an inclusive economy. Of this amount, R22.4 billion will be provided to black industrialists and R36.6 billion will be earmarked for companies owned by historically disadvantaged groups, including women and young entrepreneurs.

This funding is aimed at supporting businesses operating in targeted industries such as manufacturing, agriculture and agro-processing, mining and minerals beneficiation, and special economic zones that promote localisation. The corporation expects to bring in a strategic equity partner to take over some of the equity in its major subsidiaries, resulting in a significant decrease in expenditure and revenue as the operational activities of subsidiaries shift to the partner. Accordingly, expenditure is expected to decrease at an average annual rate of 22.2%, from R20.9 billion in 2022/23 to R9.8 billion in 2025/26.

Similarly, revenue is expected to decrease at an average annual rate of 12.2%, from R23.6 billion in 2022/23 to R16 billion in 2025/26. The corporation expects to generate 87.6% (R50.6 billion) of its revenue over the medium term through interest income from loans and other revenue streams, such as dividends from equity investments. The sale of goods and services by the corporation's subsidiaries accounts for the remaining 12.4% (R2 billion).

Small Enterprise Finance Agency (sefa)

The sefa was established in 2012 and is a wholly owned subsidiary of the IDC that derives its mandate from the Industrial Development Act of 1940, particularly the objectives related to the development of SMMEs. The agency contributes to the sustainability and development of SMMEs and cooperatives in both the formal and informal sectors by providing access to finance through innovative solutions.

Over the medium term, the agency aimed to focus on implementing economic recovery programmes and offering loans to promote financial inclusion, focusing particularly on enterprises owned by young people, women, people with disabilities and people based in townships. The agency expects to disburse R5.3 billion in finance for SMMEs and cooperatives over the period ahead.

To improve operational efficiency in this regard, the agency plans to digitise systems for core lending processes such as originating loans, conducting due diligence, and processing approvals and disbursements; and back office business processes such as finance and procurement, human capital and facilities, governance, risk and compliance. The digitisation drive is expected to cost R48 million over the MTEF period.

Expenditure is expected to increase at an average annual rate of 4.1%, from R1.1 billion in 2022/23 to R1.2 billion in 2025/26. To meet the agency's medium-term objectives, spending on goods and services is expected to account for an estimated 71.8% (R2.6 billion) of total expenditure. Revenue is expected to increase at an average annual rate of 11.4%, from R826 million in 2022/23 to R1.1 billion in 2025/26, due to the realisation of deferred grants income as part of the implementation of the economic recovery programmes.

Transfers from the department are estimated to account for 56.8% (R1.8 billion) of the agency's revenue over the medium term. The rest of its revenue is generated by interest on loans and advances to clients, fees on loans, and rental income.

International Trade Administration Commission (ITAC)

The ITAC was established in terms of Section 7 of the International Trade Administration Act of 2002. It is mandated to foster economic growth and development, raise income levels, and promote investment and employment in South Africa and the common customs area by establishing an efficient and effective administration system for international trade.

The commission's core functions are to conduct customs tariff investigations, institute trade remedies, and provide import and export controls. Its ongoing strategic focus is contributing to the growth and development of local industries, and providing continued support to the department and government.

Over the medium term, it planned to achieve this by regulating the movement of specific goods across the borders of South Africa; conducting trade remedy investigations in accordance with policy and domestic and international law; and setting tariffs in an effort to promote domestic manufacturing activity, employment retention and creation, and international competitiveness. In carrying out its duties over the medium term, the ITAC planned to issue 16 000 import and 12 000 export permits, conduct 120 scheduled container inspections and 1 800 unscheduled container inspections, and initiate investigations on 80% of new anti-dumping cases.

The commission will focus on strengthening its internal capacity over the medium term to enable the execution of its expanded mandate, which includes the development, establishment and management of the metal trade licence regime.

This includes implementing the scrap metal trade strategy to curb damage to critical economic infrastructure as a result of the higher demand for scrap metal locally and internationally. Compensation of employees is the commission's main cost driver, constituting an estimated 82.5% (R304.8 million) of total spending over the period ahead.

Total expenditure is expected to increase at an average annual rate of 4.7%, from R110 million in 2022/23 to R126.1 million in 2025/26. Transfers from the department account for an estimated 98.6% (R363.6 million) of the commission's revenue over the period ahead. Revenue is set to increase in line with expenditure.

National Consumer Commission (NCC)

The NCC was established in terms of section 85 of the Consumer Protection Act of 2008, with jurisdiction across South Africa. The commission conducts investigations against suppliers allegedly engaging in prohibited conduct; promotes the resolution of disputes between consumers and suppliers; and promotes compliance with the act through advocacy, education and awareness.

Over the medium term, the commission will continue to focus on conducting investigations into suspected suppliers and enforcing their compliance with the Act, conducting education and awareness campaigns to ensure greater compliance, and reforming legislation or practices that are inconsistent with the Act.

In doing this, it seeks to facilitate the resolution of disputes between consumers and suppliers in a speedy, cost-effective, fair and transparent manner by finalising 80% of investigations and finalising 90% of investigations in which further enforcement action was taken within prescribed timelines. As this work is labour intensive, compensation of employees accounts for an estimated 68.4% (R152.7 million) of the commission's projected spending over the medium term. Total expenditure is expected to increase at an average annual rate of 9.8%, from R61.6 million in 2022/23 to R81.5 million in 2025/26, mainly driven by an additional allocation of R9 million over the medium term to implement cost-of-living adjustments. The commission expects to derive 97.9% (R221.6 million) of its revenue over the medium term through transfers from the department and the remainder through interest on investments.

National Consumer Tribunal

The National Consumer Tribunal was established in terms of the National Credit Act of 2005 as an independent adjudicative entity. It is mandated to review decisions made by the National Credit Regulator (NCR) and the NCC, and adjudicates on applications and referrals in terms of the National Credit Act of 2005 and the Consumer Protection Act of 2008. Various parties bring cases before the tribunal, including the NCR, the NCC, consumers, credit providers, debt counsellors and credit bureaus. The tribunal may impose remedies and/or administrative penalties, as provided for in the acts.

The tribunal will continue to focus on the adjudication of cases and manage the expected increase in its caseload from 26 000 in 2022/23 to 27 000 in 2025/26 owing to the implementation of regulations pertaining to the National Credit Amendment Act of 2014. Despite this increase, the tribunal intends to reduce the average number of days to issue orders to filing parties from 60 in 2022/23 to 50 in 2025/26.

Due to the nature of the tribunal's work, compensation of employees accounts for an estimated 67.4% (R152.9 million) of total spending, increasing at an average annual rate of 5.8%, from R45.3 million in 2022/23 to R53.6 million in 2025/26. Total expenditure is expected to increase at an average annual rate of 3.4%, from R70.6 million in 2022/23 to R78.2 million in 2025/26. The tribunal expects to derive 77.7% (R173.5 million) of its revenue over the medium term through transfers from the department. Revenue is set to increase in line with expenditure.

National Credit Regulator

The NCR was established in terms of Section 12 of the National Credit Amendment Act, 2019 (Act 7 of 2019), and is responsible for regulating the South African credit industry. The regulator is mandated to promote the development of an accessible credit market, particularly to address the needs of historically disadvantaged people, low-income individuals, and remote, isolated or low-density communities. Over the medium term, the regulator will focus on carrying out education, research and policy development, registering industry participants, investigating complaints and enforcing the National Credit Act of 2005.

To achieve this, the regulator plans to: conduct 1 440 investigations into the cost of credit and take enforcement action in 86% of cases where noncompliance is detected; conduct 1 260 investigations into reckless lending and/or collection of prescribed debt and take enforcement action in 85% of cases where non-compliance is detected; and conduct 15 investigations on the removal of debt records and take enforcement action in 86% of cases where noncompliance is detected.

It also seeks to evaluate all annual compliance reports submitted by credit bureaus and certified by an independent auditor, and take enforcement action in 86% of cases where noncompliance is detected. The regulator also plans to conduct 534 consumer education and awareness activities over the period ahead, with 60 of these focusing on responsible credit borrowing, 24 on financial literacy and 450 on credit marketing practices.

To enable the regulator to meet these targets, total expenditure is expected to increase at an average annual rate of 4.2%, from R138.8 million in 2022/23 to R157.1 million in 2025/26. Spending on compensation of employees accounts for an estimated 60% (R270.3 million) of total expenditure, increasing at an average annual rate of 4.1%. Spending on goods and services is expected to increase at an average annual rate of 7.4%, from R47.1 million in 2022/23 to R58.5 million in 2025/26, mainly as a result of quarterly workshops to encourage the unregistered credit lenders to register in terms of the National Credit Act of 2005.

This is expected to lead to an increase in registration fee revenue at an average annual rate of 5.6%, from R49.8 million in 2022/23 to R58.7 million in 2025/26. The regulator expects to derive 59.3% (R263.7 million) of its revenue over the MTEF period through transfers from the department and the remainder through registration fees.

National Empowerment Fund (NEF)

The NEF was established in terms of the NEF Act, 1998 (Act 105 of 1998), to promote and facilitate black economic empowerment (BEE) and economic transformation. In providing financial and non-financial support to black businesses and structuring accessible retail savings products for black people, the fund is mandated to implement the codes of good practice for black economic empowerment.

Funding is disbursed to beneficiaries through 5 core divisions: small, medium and micro enterprises (SMMEs), rural development, venture capital, corporate finance and women empowerment. Funding approvals are projected to increase from R1 billion in 2022/23 to R2 billion in 2025/26, driven by high demand for funding mainly from the uMnotho Fund, the iMbewu Fund, the Rural and Community Development Fund, the Strategic Projects Fund and the Women Empowerment Fund as most businesses recover from the impact of the COVID-19 pandemic. By supporting businesses in priority sectors such as manufacturing, agroprocessing, minerals beneficiation, infrastructure and tourism, these funds are expected to sustain and create 15 854 job opportunities over the period ahead.

Expenditure is expected to increase at an average annual rate of 11.1%, from R351.2 million in 2022/23 to R481.8 million in 2025/26, mainly due to an increase in spending on goods and services driven by the increase in demand for funding. Spending on compensation of employees constitutes an estimated 58% (R779.4 billion) of total expenditure. The entity derives its revenue mainly through interest and dividends. Revenue is expected to increase at an average annual rate of 10.1%, from R360.9 million in 2022/23 to R482 million in 2025/26, also driven by the expected increase in lending activities.

National Gambling Board (NGB)

The NGB was established in terms of the National Gambling Act of 2004. It is mandated to maintain a legal, safe and crime-free gambling environment, and protect gamblers from exploitation. The board's ongoing focus is on monitoring the socioeconomic patterns of gambling activities; conducting research on the impact of addictive and compulsive gambling; maintaining a national central electronic monitoring system, a national registry of gambling machines and devices, and other prescribed national registers; and conducting public education and awareness campaigns about the dangers of gambling.

Over the medium term, the board will focus on establishing uniform norms and standards for the gambling industry by coordinating activities such as the development of policy and regulations between the national and provincial spheres of government. To promote responsible gambling, the board plans to conduct 30 broad-based public educational interventions about the risks and socio-economic impact of gambling across the country over the period ahead.

Expenditure is expected to increase at an average annual rate of 2.6%, from R259.7 million in 2022/23 to R280.1 million in 2025/26. Goods and services accounts for 80.1% (R647.9 million) of expenditure, mainly driven by management fees for the national central electronic monitoring system.

The board expects to generate 84.6% (R696.5 million) of its revenue over the medium term from the national central electronic monitoring system and the remainder through transfers from the department. Revenue is expected to increase at an average annual rate of 2.7%, from R259.7 million in 2022/23 to R281.3 million in 2025/26.

National Lotteries Commission (NLC)

The NLC has a dual mandate to regulate and prohibit lotteries and sports pools, provide for matters connected therewith, and to ensure that funds are distributed equitably and expeditiously to advance the socio-economic well-being of communities in need. Over the MTEF period, the commission will continue to ensure that the national lottery maintains its integrity, that players are protected through the regulation of lotteries and sports pools, and that charitable disbursements have positive effects on communities.

The commission plans to disburse R4.5 billion to beneficiaries over the medium term. Total expenditure is expected to decrease at an average annual rate of 0.6%, from R643.8 million in 2022/23 to R632.2 million in 2025/26.

Compensation of employees accounts for an estimated 53.4% (R953.8 million) of total spending, decreasing at an average annual rate of 2.4%, from R358.9 million in 2022/23 to R333.6 million in 2025/26. Revenue is expected to decrease in line with expenditure, mainly due to the expiration of the national lottery operator's licence, which results in operations being temporarily halted.

The commission expects to derive 99.2% (R1.8 billion) of its revenue over the medium term from the national lottery operator.

National Metrology Institute of South Africa

The National Metrology Institute of South Africa is mandated by the Measurement Units and Measurement Standards Act, 2006 (Act 18 of 2006), to ensure that South Africa has a scientifically valid and internationally comparable and accepted measurement system, and that the international system of units is correctly applied. Without this measurement infrastructure, it is difficult to manufacture to international specifications and ensure the integrity of export and import commodities. The entity's work is, therefore, important for health, safety and law enforcement.

Over the medium term, the institution will continue to invest in the development of new and improved national measurement standards, reference materials and reference methods in line with industrial requirements.

National Regulator for Compulsory Specifications (NRCS)

The NRCS was established in terms of the NRCS Act of 2008, as amended, to administer compulsory specifications, otherwise known as technical regulations.

The regulator aimed to protect public health, safety and the environment and promote fair trade by ensuring that businesses produce, import or sell products or provide services that comply with minimum safety and environmental requirements. Accordingly, it plannned to perform 67 290 inspections over the medium term and remove or destroy noncompliant products. The regulator is in an advanced stage of implementing enterprise resource planning software.

Full implementation of the software, which will take place over the MTEF period, is expected to improve operational efficiency by improving turnaround times, data quality and reporting that informs decision-making.

Expenditure is expected to increase at an average annual rate of 4.6%, from R571.1 million in 2022/23 to R653.2 million in 2025/26. Spending on compensation of employees constitutes an estimated 76.9% (R1.4 billion) of total spending over the medium term.

The regulator expects to derive 71.8% (R1.3 billion) of its revenue over the medium term through levies charged to manufacturers and the remainder through transfers from the department. Revenue is expected to increase at an average annual rate of 4.6%, from R571.1 million in 2022/23 to R653.6 million in 2025/26.

South African Bureau of Standards

The SABS was established as a statutory body in terms of the Standards Act, 2008 (Act 8 of 2008), and is part of South Africa's standardisation, quality assurance, accreditation and metrology technical infrastructure institutions.

The bureau is mandated to develop, promote and maintain South African national standards; render conformity assessment services; and promote the quality of commodities, products and services. The bureau's overarching objective is to protect the integrity of the South African market, protect consumers, create a competitive advantage and facilitate access by South Africans to local and international markets.

Over the medium term, the SABS aimed to continue revitaliseing testing operations and facilities in targeted sectors such as cement, radiation protection services and the automotive industry. The bureau also intends to improve its standard development processes to enable industrialisation and faster turnaround times. It expects to do this by enhancing digital collaborative tools to effectively engage with stakeholders that participate in its technical committees.

Expenditure is expected to increase at an average annual rate of 3.1%, from R851.6 million in 2022/23 to R934.1 million in 2025/26. Spending on compensation of employees accounts for an estimated 52.3% (R1.4 billion) of total medium-term spending.

The SABS expects to generate 63.6% (R1.7 billion) of its revenue over the MTEF period from fees for certification, testing, the sale of publications, and consulting and training services, and the remainder through transfers from the department. Revenue is expected to increase at an average annual rate of 3.6%, from R843.9 million in 2022/23 to R939.1 million in 2025/26.

South African National Accreditation System (SANAS)

The SANAS was established in terms of the Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act, 2006 (Act 19 of 2006).

It is mandated to accredit or monitor for good laboratory practice and compliance; promote accreditation as a means of facilitating international trade to enhance South Africa's economic performance and transformation; promote the competence and equivalence of accredited bodies; and promote the competence and equivalence of good laboratory practice facilities compliant with the Act. Over the medium term, the SANAS aimed to focus on strengthening the effectiveness of accreditation to support local manufacturing and improve access to export markets for South African firms.

This involves regulating and monitoring compliance with conformity requirements so that South African products are not rejected, and encouraging and promoting the accreditation of calibration, testing and verification laboratories, certification and inspection bodies, rating agencies, and any other type of body that may be added to its scope of activities.

Expenditure is set to increase at an average annual rate of 4.5%, from R133.9 million in 2022/23 to R152.6 million in 2025/26. Spending on compensation of employees constitutes an estimated 51.7% (R226 million) of total expenditure over the period ahead. The SANAS expects to generate 75.2% (R328.2 million) of its own revenue over the medium term through fees collected from accredited facilities, new applications, commercial training and interest income; and the remainder through transfers from the department. Revenue is expected to increase in line with expenditure.

Industrial parks/SEZs

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

The purpose of the SEZ Programme is to:

- expand the strategic industrialisation focus to cover diverse regional development needs and context;
- provide a clear, predictable and systemic planning framework for the development of a wider array of SEZs to support industrial policy objectives, the Industrial Policy Action Plan (IPAP) and the New Growth Plan;
- clarify and strengthen governance arrangements, expand the range and quality of support measures beyond provision of infrastructure; and
- provide a framework for a predictable financing framework to enable long-term planning.

There are currently five operating Industrial Development Zones (IDZs) in South Africa:

- The Coega is the largest IDZ in southern Africa. It was designated in 2001 and became South Africa's first IDZ. It lies in the Nelson Mandela Bay Metropolitan Municipality in the Eastern Cape, which is strategically located on the east-west trade route to service both world and African markets. The Coega IDZ leverages public sector investment to attract foreign and domestic direct investment in the manufacturing sector with an export orientation. It has attracted investment in the agro-processing, automotive, aquaculture, energy, metals logistics and Business Process Services (BPS) sectors. This has advanced socio-economic development in the Eastern Cape region through skills development, technology transfer and job creation.
- The Richards Bay IDZ is a purpose-built and secure industrial estate on the north-eastern South African coast. The N2 business corridor links the province's two major ports, Durban and Richards Bay, and connects with Maputo in Mozambique and, ultimately, areas in East Africa. It is linked to an international sea port of Richards Bay, tailored for manufacturing and storage of minerals and products to boost beneficiation, investment, economic growth and, most importantly, the development of skills and employment. First-world infrastructure allows for the full exploitation of the area's natural and strategic advantages. Through the superb industrial infrastructure, well-established network of shipments, tax and duty-free incentives, the IDZ aims to encourage international competitiveness and the attraction of export-orientated manufacturing investment.
- The East London IDZ has become a prime industrial park in South Africa, renowned for its customised solutions for various industries, including automotive, agro-processing and aqua-culture. The IDZ offers growth-oriented companies a specialised manufacturing platform, innovative industrial and business solutions access to new markets and strategic industry networks. The IDZ, one of the country's leading specialised industrial parks, is located in Buffalo City, the municipal area which also incorporates Bisho, the province's capital and King William's Town. It was one of the first IDZs in South Africa to become operational and represents an ideal choice for the location of exported manufacturing and processing. Its location provides investors with connections to major markets both locally and across the globe.
- The Saldanha Bay IDZ in the Western Cape is expected to serve as the primary oil, gas and marine repair engineering and logistics services complex in Africa, servicing the needs of the upstream oil exploration industry and production service companies operating in the oil and gas fields off sub-Saharan Africa. Situated approximately two hours north of Cape Town, the IDZ will include logistics, repairs and maintenance, as well as fabrication activities.
- The Dube TradePort is a catalyst for global trade and a portal between KwaZulu-Natal and the world. It is the only facility in Africa that brings together an international airport, a cargo terminal, warehousing, offices, a retail sector, hotels and an agricultural area. Located 30 km north of Durban, the Dube TradePort is positioned between the two biggest sea ports in southern Africa and linked to the rest of Africa by road and rail. The following two areas have been designated as comprising the IDZ: the Dube TradeZone and the Dube AgriZone. The Dube TradeZone aims to focus on manufacturing and value-addition primarily for automotive, electronics and fashion garments. The facility involves warehousing, manufacturing, assembling real estate resources, complete with a single facility in which all freight forwarders and shippers are located (Dube TradeHouse), which enjoys a direct link to the adjacent Dube Cargo Terminal via an elevated cargo conveyor system. The Dube AgriZone – a high-tech, future farming facility and host to the continent's largest climate-controlled growing area under glass – will focus on high-value, niche agricultural and horticultural products. The AgriLab will look into specialised tissue culture, greenhouses, flowers and plants, all of which require swift air transportation.

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

These SEZ incentives include:

- **Preferential 15% Corporate Tax:** Businesses (prescribed in Section 24 (4) of the SEZ Act of 2014, that are located in a SEZ may be eligible for tax relief, including the reduced rate of corporate income taxation. In addition to satisfying the requirements of the Act, further criteria for some of the available tax incentives are stipulated in the Income Tax Act, 1962 (Act 58 of 1962).
- **Building Allowance:** Businesses and operators (prescribed in Section 1 of the SEZ Act of 2014) operating within a SEZ may be eligible for tax relief, including the building allowance, subject to requirements contained in the Income Tax Act of 1962.

- **Employment Incentive:** Businesses and operators operating within a SEZ may be eligible for tax relief, including the employment tax incentive, subject to requirements contained in the Employment Tax Incentive Act, 2013 (Act 26 of 2013).
- **Customs Controlled Area:** Businesses and operators located within a customs-controlled area of a SEZ will be eligible for tax relief as per the Value-Added Tax (VAT) Act, 1991 (Act 89 of 1991), the Customs and Excise Act, 1964 (Act 91 of 1964), the Customs Duty Act, 2014 (Act 30 of 2014), and the Customs Control Act, 2014 (Act 31 of 2014).
- **12i Tax Allowance:** The 12i Tax Incentive is designed to support Greenfield investments (new industrial projects that utilise only new and unused manufacturing assets), as well as Brownfield investments (expansions or upgrades of existing industrial projects). The new incentive offers support for both capital investment and training.

Black industrialists

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

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

- expand their current operations or businesses to become major players in the domestic and/or global markets within 10 years of being in the programme;
- start a new operation or business that can enable them to become major players in the domestic and/or global markets within 10 years of being in the programme; and
- acquire an existing or new business that can enable them to become major players in the domestic and/or global markets within a specified period.

Such entities should be operating in the manufacturing sectors of the economy in line with the industrialisation path as articulated in the IPAP.

Black Business Supplier Development Programme (BBSDP)

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

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

The objectives of the incentive scheme are to:

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

Role players

Presidential Infrastructure Coordinating Commission (PICC)

The PICC has the following 18 strategic integrated projects:

- Durban-Free State-Gauteng Logistics and Industrial Corridor;
- South Eastern node and corridor development;
- Unlocking economic opportunities in North West;
- Saldanha-Northern Cape Development Corridor;
- Integrated Municipal Infrastructure Project;
- Integrated Urban Space and Public Transport Programme;
- Green Energy in Support of the South African Economy;
- Electricity Generation to Support Socio-economic Development;
- Electricity Transmission and Distribution for All;
- Agri-Logistics and Rural Infrastructure;
- Revitalisation of Public Hospitals and Other Health Facilities;
- Rational School-build Programme;
- Higher Education Infrastructure;
- Expanding Access to Communication Technology;
- Square Kilometre Array and MeerKat;
- Regional Integration for African Cooperation and Development; and
- Water and Sanitation Infrastructure Master Plan.

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

Business Partners Limited

Business Partners Limited is a specialist risk-finance company that provides customised financial solutions, technical assistance, mentorship, business premises and other added-value services for formal small and medium enterprises in South Africa and selected African countries.

The company considers financing applications up to R50 million in all sectors of the economy — with the exception of on-lending activities, direct farming operations, underground mining and non-profit organisations — to those formal small and medium businesses whose gross assets are under R100 million, where annual turnover does not exceed R200 million and/or employees are less than 500. Applications for financing below R500 000 are usually not considered; and the company does not operate in the informal or micro enterprise sectors.

South African Women Entrepreneurs' Network (SAWEN)

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

The objectives of SAWEN are to:

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

Isivande Women's Fund (IWF)

The IWF is an exclusive fund that aims to accelerate women's economic empowerment by providing more affordable, usable and responsive finance than is currently available. The IWF assists with support services to enhance the success of businesses. It pursues deals involving start-up funding, business expansion, business rehabilitation, franchising and bridging finance. The fund is managed by the IDC on behalf of the dtic through a development fund manager.

The Identity Development Fund (IDF) Managers

This is a small to medium enterprise financier aimed at supporting the creation of self-sustaining black-owned and women-owned businesses in South Africa by providing primarily financial and non-financial support to its investee companies.

The IDF Managers are responsible for reviewing eligible business plans requiring funding of R30 000 to R2 million. The enterprises have to meet the following criteria:

- At least six months in operation;
- Requires early stage, expansions and growth capital;
- 50% plus one share owned and managed by women;
- Have potential for growth and commercial sustainability; and
- Improved social impact in the form of job creation.

Programmes and projects

Industrial Policy Action Plan

The adoption of the National Industrial Policy Framework in 2007 introduced a very significant reorientation of South Africa's industrial policy landscape. Its main thrusts have been captured, developed and refined in successive annual iterations of the IPAP. This has become the 'laboratory' for government's broad approach to industrialisation.

The focus areas of the IPAP 2018/19 – 2020/2 were:

- public procurement and local content;
- industrial financing and incentives;
- developmental trade policy;
- african integration and industrial development;
- SEZs; and
- innovation and technology.

Furniture Industry Master Plan (FIMP)

The FIMP sets clear guidelines and targets for the furniture manufacturing industry and guides public sector procurement as part of government's efforts to support and stimulate the industry. It has the potential to reposition the country in the sector.

The industry in South Africa sits firmly within the manufacturing sector of the national economy. While its contribution was at less than 1% to the GDP when compared to other manufacturing industries, it is a relatively low capital investment requiring job. It is one of the most labour-intensive industries, with a potential to contribute to the reduction of unemployment, and increase the export and development of SMMEs. It contributes to the geographical spread of economic activity, since the products can be developed in rural areas with minimal investment.

The established resources and manufacturing base make it an attractive sector to capitalise on the available opportunities. It has the potential to grow its contribution to both employment and economic growth, as prescribed by the National Industry Policy Framework and the Industrial Policy Action Tool. Designs can also play a significant role in industry development and beneficiation of raw material. It is possible to position the local industry as a producer of high value products that are based on quality and on differentiated designs.

Sectoral focus areas

Automotives

The automotive industry remains an important pillar of South Africa's industrial landscape. Government has established a team of technical experts to develop a post-2020 Automotives Master Plan. The mandate of the team is to examine the entire automotive sector and not just the existing Automotive Policy Development Plan. The purpose is to ensure that in the context of long-term policy certainty, a post-2020 master plan will create a framework to secure even higher levels of investment and production, higher exports, deepening localisation and expanding employment.

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

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

Some of the conditions are that the applicant must:

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

Clothing and textiles

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

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

Business Process Services

South Africa's BPS sector continued to maintain its status as a leading global outsourcing destination, while steadily moving up the value chain in terms of service offerings. BPS already accounts for 200 000 jobs nationally and is one of the country's fastest-growing sectors, with double digit growth over the past five years.

South African Emerging Black Filmmakers Incentive Scheme

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

World Economic Forum (WEF)

The 2023 Annual Meeting of the World Economic Forum was held from 16 to 20 January under the theme "Cooperation in a fragmented world". South Africa delivered a bold and assured message at the 2023 Annual Meeting, that the country is open to investment and is ready to partner with the local and global community to lift the country's economy on to a higher, jobs-rich and more sustainable growth path.

The worldwide energy, food and cost of living crises, driven by the conflict between Russia and the Ukraine and fast-rising consumer inflation, were among the key issues that policy makers and businesspeople grappled with. The climate crisis and its related socioeconomic and ecological impact were also high-up on the agenda.

Leader of the South African delegation, Minister of Finance Enoch Godongwana, along with his colleagues, the Minister of International Relations and Cooperation Naledi Pandor, Minister of Trade, Industry and Competition Ebrahim Patel, and Minister of Human Settlements Mmamoloko Kubayi, took the unique opportunity of the Annual Meeting to engage world leaders in business, government, academia and civil society on these and other South Africa specific issues.

The delegation was accompanied by a group of local business leaders and executives from the country's top companies and banks, and together 'Team South Africa' put forward the message of a country with vast potential for investment.

The South African delegation acknowledged that addressing the electricity shortage in the country is the first and most important step to unlocking faster economic growth, creating employment, and attracting investment.

South African Premier Business Awards

The South African Premier Business Awards is an annual event hosted by the dtic in partnership with Proudly South African and Brand South Africa.

The awards recognise business excellence and honour enterprises that promote the spirit of success and innovation as well as job creation, good business ethics and quality. These awards bring together all single sectored awards, among others technology, manufacturing and women in business.

International cooperation

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

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

South African companies have developed highly specialised skills and products and there are various opportunities for them to market their expertise and collaborate on projects with their Brazilian counterparts. The programme of the ITI includes trade and investment seminars, business-to-business meetings and sector-specific business site visits to companies in São Paulo and Porto Alegre.

Department of Public Enterprises (DPE)

The DPE is the shareholder representative for government with oversight responsibility for seven SOCs in its portfolio, namely the South African Airways (SAA), the South African Express Airways, Transnet, Eskom, Denel, the South African Forestry Company (SAFCOL) and Alexkor. The department is the primary interface between government and these companies, and provides input into the formulation of policy, legislation and regulation. In executing its responsibilities, the DPE seeks to direct and support improvements in the financial, commercial and operational performance of these companies and their contribution to the South African economy, and support transformation.

Well-governed and financially sustainable public entities play a vital role in national development. In recent years, however, the combined results of financial mismanagement and corruption have led to a severe deterioration in the financial position of many public entities, leaving them unable to deliver on their mandates. A growing number have required state guarantees or bailouts to remain afloat – straining national budgets, draining resources that could be spent on social and economic needs, and setting back economic recovery.

The PFMA of 1999 requires SOCs to generate sufficient financial resources from their operations to meet obligations to employees, tax authorities, the public and debt holders. Several entities cannot meet these obligations.

SOCs in financial distress are expected to expedite the implementation of reforms, which include facilitating private-sector participation, costing developmental mandates and streamlining operations to focus on core mandates. Several reviews are under way that will inform the shape of legislative reforms.

Chapter 13 of the NDP identifies the potential of SOCs to build a capable and developmental state. This is given expression by Priority 1 (economic transformation and job creation) of government's 2019 – 2024 MTSF, with which the mandates of SOCs are closely aligned. To coordinate reforms in state-owned companies, over the MTEF period, the department will continue to provide the necessary technical and advisory support to the presidential state-owned enterprises council in its efforts to reform, revitalise and reposition state-owned companies.

The department has reprioritised R17.5 million over the medium term to: review the treasury management practices of state-owned companies; verify candidates for boards; assess the state's diamond mineral assets; facilitate the unbundling of Eskom; operationalise the presidential state-owned enterprises council; develop the Government Shareholder Management Bill as the overarching legislation aimed at strengthening and standardising the governance and oversight of state- owned enterprises; and conduct forensic investigations into alleged cases of corruption and malfeasance within state-owned companies. Due to capability challenges, the department will use consultants for this work.

Alexkor

Alexkor was established in terms of the Alexkor Limited Act (1992) to mine marine and land diamonds in Alexander Bay, Northern Cape. The outcome of the land and restitution award to the Richtersveld Community resulted in the formation of the Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture, wherein Alexkor holds a 51% share interest on behalf of government, and the Richtersveld Community holds 49%. Alexkor does not have any other mining operations outside the joint venture.

Over the medium term, Alexkor aimed to focus on implementing the turnaround strategy for its diamond mining operations, which have significantly declined in the past three years. Symptomatic of this was production averaging below 30 000 carats over the period and the company not being able to reach the benchmark of more than 45 000 carats that had been achieved previously.

Some challenges to underproduction include a lack of funds to undertake exploration activities and maintenance of old infrastructure. An immediate intervention is to seek mining contractors with the financial and technical capabilities to undertake large-scale mining operations. In the long term, Alexkor's role should be determined in accordance with the challenges it faces. To achieve this, the DPE conducted a study, which was expected to be completed in 2023/24, to determine the optimal shareholding structure for Alexkor. This study will take into account the current market characteristics of the diamond mining industry in relation to government's developmental agenda.

The company was not able to submit detailed performance, expenditure, revenue and personnel data at the time of publication, hence no tables are included.

Denel

Denel was incorporated as a private company in 1992 in terms of the Companies Act of 1973, with the South African government as its sole shareholder. It operates in the military aerospace and landward defence environment and provides strategic defence equipment.

The company's broad focus over the medium term will be on implementing its turnaround plan, which entails rolling out its new operating model, restructuring and optimising its cost structure. The new operating model reduces Denel's structure from 6 core business units to 3 – engineering, manufacturing, and maintenance and overhaul.

This change will not only result in decreased expenditure, but in the improved allocation of critical resources. It will also require that the company accelerate its disposal of non-core assets and businesses, improve supply chain policies and align its IT infrastructure with its new organisational structure.

The company's revenue decreased from R2.8 billion in 2020/21 to R1.5 billion in 2021/22 due to persistent liquidity challenges. This was exacerbated by fixed costs and under-recoveries across the group, resulting in the company continuing to be loss making, thereby eroding its solvency. This, among other things, is related to the company having lost experienced personnel with critical skills over the years, which threatens its sustainability. To fund the turnaround plan's response to these challenges, the company expects to access funds through proceeds from the sale of non-core disposals and shareholder recapitalisation. To improve the company's 2021/22 and 2022/23 balance sheets, government allocated R3.2 billion over that period to settle guaranteed debt.

To augment this, government allocated an additional R3.4 billion in 2022/23 through the Special Appropriation Act of 2022. The cash injection will be used to implement the turnaround plan, settle legacy obligations and address the company's liquidity requirements to support operations and execute its order pipeline.

Eskom

Eskom is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Significant progress has been made on the company's legal separation into three subsidiaries: transmission, generation and distribution. In this regard, the National Transmission Company of South Africa was corporatised in December 2021, and will be operationalised once the National Energy Regulator of South Africa (NERSA) issues its licence. The National Electricity Distribution Company of South Africa is expected to be corporatised during 2023/24. The company's new board has been tasked with ensuring a performance turnaround for operations. This was expected to result in improving energy availability from 58% as at 30 September 2022 to 66.5% by 2025/26. The low availability of energy was due to high unplanned breakdowns and unit trips, which account for 30.8% of the company's non-availability of generation capacity.

To improve operational performance, the board is working with the national energy crisis committee, which was established by the President in July 2022. The committee's purpose is to oversee the implementation of an action plan to end load shedding and achieve energy security in the country.

As part of the company's build programme, the Kusile Power Station was expected to be completed in May 2024. Interventions and modifications to repair construction defects at the Medupi and Kusile power stations were expected to be completed by the end of 2023. This includes the recent failure of the flue-gas ducting that has impacted units 1 to 3 of the Kusile Power Station.

To support the transition from coal to renewable energy, in line with government's energy policy, Komati power station was shut down on 31 October 2022 and is being repurposed with renewable energy technologies that will supply clean electricity to the economy and the public.

Based on the company's 2022/2023 to 2026/27 financial plan, expenditure is projected to increase at an average annual rate of 5.4%, from R299.6 billion in 2022/23 to R351.1 billion in 2025/26. Generation is Eskom's main cost driver, constituting 59.7% (R570.6 billion) of its total budget over the medium term. Spending on goods and services across divisions constitutes 61.5% (R604.1 billion) of the company's budget.

Revenue is expected to increase at an annual average rate of 8.9%, from R279.5 billion in 2022/23 to R361.3 billion in 2025/26. Revenue is mainly derived from the sale of electricity, which increased by 2.1%, from R204.5 billion in 2020/21 to R247 billion in 2021/22, due to a regulatory tariff increase of 15.1% imposed on customers supplied directly by Eskom. Revenue in 2022/23 is projected to increase to R279.5 billion, driven by a 9.61% tariff increase.

The company's net loss is projected to increase to R20 billion in 2022/23, worsening from the R12.3 billion reported in 2021/22. Net debt decreased by R11.7 billion to R389.1 billion in 2021/22, while municipal arrears amounted to R44.89 billion in 2021/22 and are expected to increase to R57.7 billion in 2022/23.

As such, Eskom's financial position remains weak and the company is not able to generate enough cash from operations to cover debt obligations. Given this weak financial position, government has committed an additional R21.9 billion in 2022/23 to assist with the company's debt-service obligations.

South African Airways

The SAA operates a full-service network in the international, regional and domestic markets. The airline is responsible for promoting air links with South Africa's key business, trading and tourism markets across the world, and contributing to key domestic air linkages. The company was placed under business rescue in December 2019 and exited the process in April 2021.

It resumed operations in September 2021, operating domestically and regionally, and has since been operating six aircraft. Over the MTEF period, the airline plans to increase its operations and improve its service offering, for example, by expanding its route network.

Government is in the process of concluding the sale of its majority shareholding in the company to a strategic equity partner. This is expected to attract the funding and skills required to strengthen the airline's balance sheet and improve its operations.

The partnership was expected to be finalised by the end of 2022/23, but due to outstanding matters such as regulatory approvals from the Competition Commission and the Air Services Licensing Councils, it is expected to be concluded in 2023/24.

Expenditure is expected to increase at an average annual rate of 50.8%, from R4.6 billion in 2022/23 to R15.9 billion in 2025/26. This significant increase is attributed to an increase in operations with the lifting of COVID-19 restrictions. Spending on goods and services constitutes 87.2% (R32 billion) of total expenditure, mainly driven by fuel, leases and maintenance costs.

Revenue is expected to increase at an annual average rate of 62.8%, from R3.9 billion in 2022/23 to R16.6 billion in 2025/26. It is mainly derived from the sale of air tickets, which constitutes 99.7% of total revenue. This significant increase is attributed to the airline's anticipated increase in operations.

South African Express

South African Express Airways has experienced severe operational and financial challenges for several years, and despite financial support from government, has been unable to recover. The airline was placed under business rescue in February 2020 but was unable to restructure, leading to it being placed under provisional liquidation in April 2020. By October 2020, the process of receiving expressions of interest had commenced. It was expected that the airline would be sold in the fourth quarter of 2021/22.

South African Forestry Company

The SAFCOL was established in 1992 in terms of the Management of State Forests Act 1992 (Act 128 of 1992). It is mandated to ensure the sustainable management of plantation forests, increase downstream timber processing, and play a catalytic role in rural economic development and transformation.

The company contributes to approximately 1 772 direct jobs and more than 1 000 employment positions in small to medium companies through community projects and other services. Over the medium term, the company plans to improve its performance by implementing its 50:50 revenue strategy, which entails plantation, processing and other businesses contributing equally.

The company will also focus on increasing its processing capacity through upgrading the Timbadola processing plant in Limpopo. This

will reduce operating costs at the plant, particularly for repairs and maintenance. Expenditure is expected to increase at an average annual rate of 8.4%, from R1.4 billion in 2022/23 to R1.8 billion in 2025/26. The operations of Komatiland Forests, the company's main revenue-generating division, constitutes 80.7% of total expenditure over the MTEF period. Overall, spending on goods and services constitutes 72.6% (R3.7 billion) of the company's budget, while compensation of employees accounts for 22.8% (R1.3 billion) over the next three years.

The company derives most of its revenue from the sale of sawlogs and lumber. Revenue is expected to increase at an average annual rate of 10.1%, from R1.5 billion in 2022/23 to R2 billion in 2025/26, due to an anticipated higher demand for the company's products over the medium term.

In 2021/22, the company reported R1.2 billion in revenue, a 33% increase from the R920.8 million realised in 2020/21. The increase was due to a favourable log and lumber market. Following years of losses, the company reported a profit of R83.6 million and declared a R1 million dividend at its 2022 annual general meeting.

The company's fixed costs remain high, something it plans to monitor over the period ahead to remain profitable. Liquidity and solvency positions remain strong and the company is not highly indebted. As such, it is in a position to raise funds on the strength of its balance sheet without government support.

Transnet

Transnet provides and operates freight transportation services and infrastructure. The company's key strategic objectives include improving logistics competitiveness, promoting a modal shift from road to rail, increasing logistics connectivity, attracting private investment, developing skills and promoting reindustrialisation. To sustain and expand its capacity, over the five-year period ending in 2026/27, Transnet planned to invest R99 billion, 44.5% (R44 billion) of which was earmarked to be invested in the rail sector, another 44.5% (R44 billion) at ports and 6% (R6 billion) on pipeline infrastructure. However, these investments were hindered due to the company having to reduce capital expenditure in 2022/23 by 9.2%, from R18 billion to R16.4 billion, because of liquidity constraints associated with limited profitability.

Significant turnaround in operations, and as such the company's financial position, in the short term have been impacted by events such as severe damages at the port of Durban and along the KwaZulu-Natal rail corridor due to flooding in the province in April 2022. To assist the company with repairs, government allocated R2.9 billion in 2022/23 through the Special Appropriation Act of 2022.

To assist with clearing the backlog in its infrastructure build, maintenance and modernisation programme, Transnet is actively seeking private sector participation in its operations. Investment from the private sector is also expected to contribute to the migration from road to rail, with the aim of reducing the total national cost of logistics. The DPE was working with Transnet to develop a turnaround plan that will address various operational and infrastructure funding challenges.

Expenditure is expected to increase at an average annual rate of 2.5%, from R81.3 billion in 2022/23 to R87.6 billion in 2025/26. Over the period ahead, Transnet Freight Rail operations constitute 59% (R152.7 billion) of total expenditure.

Overall, spending on compensation of employees constitutes 34.4% (R86.5 billion), while goods and services constitutes 29.3% (R75.9 billion) and provision for depreciation accounts for 18.5% (R46.7 billion).

Transnet derives most of its revenue from freight, port and pipeline operations, amounting to 97.6% (R261.7 billion) of total revenue. Revenue is expected to increase at an annual average rate of 4.2%, from R83.9 billion in 2022/23 to R95.1 billion in 2025/26.

The relatively low revenue growth was offset by cost savings and significant fair value adjustments. The latter was linked to the reversal of previous downward valuations during the COVID-19 pandemic. As a result, the entity reported a net profit of R5 billion in 2021/22 compared to a loss of R8.4 billion in 2020/21.

Department of Small Business Development (DSBD)

The DSBD is tasked with the responsibility of leading and coordinating an integrated approach to the promotion and development of entrepreneurship, small businesses and cooperatives; and ensuring an enabling legislative and policy environment to support their growth and sustainability. The realisation of this mandate is expected to lead to a transformed and inclusive economy driven by sustainable, innovative small, medium and micro enterprises (SMMEs) and cooperatives.

Over the medium term, the DSBD will focus on providing support to SMMEs, including by establishing infrastructure to expose SMMEs and cooperatives to new markets; providing greater access to finance forstartups; providing greater access to finance for startups; finalising amendments to the National Small Enterprise Act, 1996 (Act 102 of 1996) and developing master plans for the meaningful int egration of small businesses into the mainstream economy.

The department supports SMMEs primarily through its entity, the Small Enterprise Development Agency (SEDA), through an allocation of R2.8 billion over the medium term. Additional support amounting to R509 million over the MTEF period will be provided to SMMEs through internally administered incentives such as the Craft Customised Sector Programme and the Cooperatives Development Support Programme in the Development Finance programme, and the Product Markets Programme in the Sector and Market Development programme.

Over the period ahead, the DSBD aimed to intensify its establishment of affordable, safe and modernised spaces where SMMEs and cooperatives can meet potential buyers. Through this exposure to new product markets, small enterprises, particularly those in townships and rural areas, which have more opportunity to test, certify and improve their products. The department aims to link 750 SMMEs and cooperatives to international market opportunities, with particular emphasis on enterprises run by women, young people and people with disabilities. Expenditure for these activities is within an allocation of R254.6 million over the MTEF period in the Sector and Market Development programme.

Access to finance, particularly for the first three stages of a business's life cycle (ideation, proof of concept and market entry), is crucial for sustainability. To this end, the DSBD will continue to roll out the Township and Rural Entrepreneurship Fund with the aim of supporting 100 000 township and rural enterprises by 2024. This initiative will be implemented through the SEDA at an estimated cost of R2.9 billion over the medium term.

In addition, the department has introduced a blended finance model to provide financing amounting to R827.3 million over the medium term to enterprises traditionally not supported by commercial banks and existing development finance institutions. The department has allocated R218.7 million over the same period to the Cooperatives Development Support Programme to continue supporting cooperatives to ensure their meaningful contribution to job creation and economic growth.

In an effort to establish a small enterprise ombud service, regulate and license businesses owned by foreign nationals, regulate unfair business practices, and review the definition of SMMEs to arrive at an inclusive understanding, the department aims to finalise amendments to the National Small Enterprise Act, 1996 (Act 102 of 1996) over the medium term.

To ensure small businesses are able to access opportunities and dedicated support measures, the department plans to develop a national small enterprise master plan and contribute to the development of a creative industries master plan. Spending for these initiatives is within an allocation of R416 million over the MTEF period in the Sector and Market Development programme.

Legislation and policies

The DSBD's mandate is guided by a legislative framework that includes the:

- IIDC Act, 1940 (Act 22 of 1940);
- National Small Business Act, 1996 (Act 102 of 1996);
- National Small Business Amendment Act, 2004 (Act 29 of 2004);
- Small Business Development Act, 1981 (Act 112 of 1981);
- Cooperatives Act, 2005 (Act 14 of 2005); and
- Cooperatives Amendment Act, 2013 (Act 6 of 2013).

Entity

Small Enterprise Development Agency

The SEDA was established in 2004 in terms of the National Small Business Amendment Act, 2004 (Act 29 of 2004). It is mandated to implement the government's small business strategy, design and implement a standard and common national delivery network for the development of small enterprises, and integrate government-funded small enterprise support agencies across all spheres of government.

Over the medium term, the agency will continue to promote business competitiveness, viability and localisation, with a particular focus on the development of township, rural and informal businesses and start-ups by facilitating the establishment of a targeted 250 business incubators over the period ahead. This will be funded by allocations amounting to R503.3 million over the medium term and complemented by private-sector funding.

Over the MTEF period, the agency plans to help 9 000 SMMEs and cooperatives become competitive in local markets, and create 15 000 jobs within the SMME ecosystem. To achieve these targets, expenditure is expected to decrease at an average annual rate of 2.2%, from R1 billion in 2022/23 to R943.7 million in 2025/26, mainly as a result of the high baseline in 2022/23 due to the receipt of relief funding for the floods in KwaZulu-Natal. The agency expects to derive 97.3% (R2.7 billion) of its revenue over the medium term through transfers from the department. Revenue is expected to decrease in line with expenditure.

Department of Public Works and Infrastructure (DPWI)

As set out in the Government Immovable Asset Management Act of 2007, the DPWI is mandated to be the custodian and portfolio manager of government's immovable assets.

Since the establishment of the Property Management Trading Entity in 2015/16, the department's role includes policy formulation, coordination, regulation and oversight relating to the provision of accommodation and expert built environment services to client departments at the national level; and, through the entity, the planning, acquisition, management and disposal of immovable assets in the department's custody.

The department is also mandated to coordinate and provide strategic leadership in initiatives for the creation of jobs through the implementation of the EPWP. Public works is constitutionally designated as a concurrent function exercised by the national and provincial levels of government.

Over the medium term, the department will continue to focus on creating work opportunities by leading and coordinating the EPWP; providing policy and sector oversight; building state capacity to facilitate skills development and strengthen the skills pipeline; and providing direct support to sponsors of priority public infrastructure projects.

Expenditure is expected to increase at an average annual rate of 5.5%, from R8.2 billion in 2022/23 to R9.6 billion in 2025/26. An estimated 85.6% (R23.5 billion) of the department's total budget over the next three years is allocated to transfers and subsidies for the operations of its entities, and for conditional grants to provinces and municipalities to implement the EPWP.

Coordinating the EPWP

The department aimed to continue its efforts to coordinate the EPWP, which aims to create work opportunities using labour-intensive methods across the three spheres of government. An estimated R8.5 billion is allocated over the medium term for transfers and subsidies, mainly to public bodies such as provinces and municipalities across government, as well as non-profit organisations, to carry out activities as part of the programme. In its efforts to continually improve the programme, the department plans to monitor and evaluate reports and impact studies on the programme's implementation over the period ahead, and provide 269 public bodies with technical support in the infrastructure, social, environment and culture sectors.

To enhance the budgets of public bodies implementing and reporting on EPWP projects, R1.3 billion over the medium term is allocated through incentive grants to support the programme's coordination function. All departmental activities related to the EPWP are carried out through the EPWP programme, which is allocated R9.7 billion over the next 3 years.

Providing policy and legislative oversight

The department plays an oversight role in the implementation of key legislation and policy frameworks in the public works sector. These include the Intergovernmental Relations Framework Act of 2005 and the district development model, which guide the implementation of the public works function at the provincial and municipal levels.

The department gives effect to these frameworks by supporting joint programmes across all three spheres of government through its provision of coordination and intervention services, which are aimed at improving the coherence and impact of government's service delivery across the country. The department's work in this regard involves regular meetings with sector governance structures such as the committee of the Public Works and Infrastructure Minister and members of the executive council. For the department to carry out its oversight role, R80.5 million is allocated over the period ahead in the Intergovernmental Relations and Coordination subprogramme in the Intergovernmental Coordination programme.

Building state capacity to strengthen the skills pipeline

Building state capacity in the property management and built environment sectors is central to the department's work. This entails either restoring or replacing the skills pipeline, through which a variety of skills required within the built environment sector emerge.

The department aims to increase the number of beneficiaries participating in skills pipeline intervention programmes, such as the economic reconstruction and recovery programme, from 1 100 in 2022/23 to 1 300 in 2025/26. For this purpose, R90.1 million is allocated over the period ahead in the Professional Services subprogramme in the Intergovernmental Coordination programme.

Providing support to public infrastructure projects

The department's Infrastructure South Africa division has identified the need to provide direct support through the allocation of project preparation resources to sponsors of priority public infrastructure projects, with the aim of expediting investor-friendly projects. The department will support sponsors with business planning packaging, prefeasibility and feasibility studies, technical designs, and legal and regulatory approvals in alignment with the Infrastructure Development Act of 2014, as amended. To prepare these projects, R600 million over the period ahead is allocated in the Infrastructure Development Coordination subprogramme in the Property and Construction Industry Policy and Research programme.

Legislation and policies

The DPWI's mandate is guided by a legislative framework that includes the:

- Government Immovable Asset Management Act, 2007 (Act 19 of 2007);
- Infrastructure Development Act, 2014 (Act 23 of 2014);
- Land Affairs Board Act, 1987 (Act 101 of 1987;
- Construction Industry Development Board Act (CIDB), 2000 (Act 38 of 2000);
- Council for the Built Environment (CBE) Act, 2000 (Act 43 of 2000);
- State Land Disposal Act, 1961 (Act 48 of 1961);
- Municipal Property Rates Act, 2004 (Act 6 of 2004);
- Spatial Planning and Land Use Management, 2013 (Act 16 of 2013);
- National Environmental Management Act, 1998 (Act 107 of 1998);
- Integrated Coastal Management Act, 2008 (Act 24 of 2008);
- Occupational Health and Safety Act, 1993 (Act 181 of 1993);
- National Building Regulations and Building Standards Amended Act, 1984 (Act 36 of 1984);
- Water Services Act, 1997 (Act 108 of 1997);
- Critical Infrastructure Protection Act, 2019 (Act 8 of 2019);
- PFMA of 1999;
- Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000);
- Public Service Act,1994 (Act 30 of 2007) as amended;
- Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act 4 of 2000);
- Employment Equity Act, 1998 (Act 55 of 1998);
- Public Administration Management Act, 2014 (Act 11 of 2014);
- Basic Conditions of Employment Act, 1997 (Act 75 of 1997);
- B-BBEE Act of 2003;
- Labour Relations Act, 1995 (Act 66 of 1995) as amended;
- Protected Disclosure Act, 2000 (Act 26 of 2000);
- Promotion of Access to Information Act, 2000 (Act 2 of 2000); and
- Promotion of Administrative Justice Act, 2000 (Act 3 of 2000).

Entities

Agrément South Africa

Agrément South Africa was established by the Agrément South Africa Act (2015) to evaluate the fitness of purpose of non-standardised products or systems used in the construction industry for which a national standard does not exist.

The implementation of the entity's mandate is dependent on the synchronisation of its work plan with government's national priorities and other national plans. The entity has indirect links with strategic national planning documents in this regard. The functioning and operations of the entity are guided by the department, and legislation and mandates governing the built environment.

Over the medium term, the entity planned to focus on the implementation of programmes that promote social cohesion and safer communities. So that consumers are assured that manufacturers conform to recognised environmental standards, the entity plans to issue 45 eco-labelling schemes over the medium term and conduct annual quality and compliance inspections.

Through collaborations with various entities, Agrément South Africa plans to certify 82 products and systems over the period ahead, and conduct a market usage analysis of the certified products and systems. These activities are expected to cost R41.6 million over the next hree years.

Total expenditure was expected to increase at an average annual rate of 4.3%, from R36.8 million in 2022/23 to R41.7 million in 2025/26. Spending on compensation of employees accounts for an estimated 69.4% (R83.4 million) of the entity's budget over the MTEF period.

The entity expects to generate 90.2% (R106.8 million) of its revenue through departmental transfers. Revenue is set to increase at an average annual rate of 4.3%, from R36.8 million in 2022/23 to R41.7 million in 2025/26.

Construction Industry Development Board

The CIDB is a schedule 3A public entity established in terms of the CIDB Act of 2000. The board is mandated to provide strategic leadership to stakeholders in the construction industry to stimulate sustainable growth in the sector, oversee transformation in construction by encouraging and facilitating the participation of historically disadvantaged groups in the industry, and establish and promote best practice among public and private sector role players in the construction delivery process.

It also ensures the uniform application of policy across all spheres of government, sets and upholds ethical standards across the industry, ensures improved procurement and delivery management and equitable procurement practices, and develops systematic methods for monitoring and regulating the performance of the industry and its stakeholders, including the registration of projects and contractors.

Over the medium term, the board plans to introduce the best-practice project assessment scheme in the provincial and local spheres of government. The scheme will continue to focus on developing small and emerging contractors in the sector. Accordingly, the board plans to develop at least 4 guidelines and instruction notes. Expenditure was expected to increase at an average annual rate of 4.4%, from R195.6 million in 2022/23 to R222.5 million in 2025/26. Spending on compensation of employees accounts for an estimated 62% (R396.5 million) of the entity's budget over the MTEF period.

Transfers from the department account for 39.9% (R251.9 million) of the board's revenue over the period ahead, and 44% is set to be generated through registrations and interest on investments. Revenue is set to increase at an average annual rate of 4.4%, from R195.6 million in 2022/23 to R222.5 million in 2025/26.

Council for the Built Environment (CBE)

The CBE is a statutory entity established by the CBE Act of 2000. The Act mandates the council to: promote and protect the interests of the public regarding built environment issues; promote and maintain a sustainable built and natural environment; promote the ongoing development of human resources in the built environment and the sound governance of built environment professions; facilitate participation by built environment professionals in integrated development in the context of national goals; ensure the uniform application of norms and guidelines set by councils for professions throughout the built environment; and promote appropriate standards of health, safety and environmental protection within the built environment and cooperation between the councils and government on training issues that affect the sector and the standards of such training.

In addition, the CBE serves as a forum where built environment professionals can discuss relevant issues. The council is an overarching body that coordinates the six councils for built environment professions (architecture, engineering, landscape architecture, project and construction management, property valuation and quantity surveying).

One of the CBE's key interventions over the medium term was to transform the built environment sector, and build partnerships and collaborations with an emphasis on including women and young graduates in the skills pipeline.

This was planned to be achieved by implementing the structured candidacy programme in workplaces, which involves establishing a functional database of built environment mentors to guide candidates employed by the State. Another key intervention is to rebuild the built environment sector to drive demand and increase productivity. An estimated R16.7 million is set aside to carry out these activities.

Expenditure was expected to increase at an average annual rate of 3.1%, from R58.4 million in 2022/23 to R64.1 million in 2025/26. The council expected to derive 93.2% (R171.6 million) of its projected revenue over the medium term through transfers from the department. Revenue increases in line with expenditure.

Independent Development Trust (IDT)

The IDT was established in 1990 as a grant-making institution for the development of disadvantaged communities in South Africa, particularly in rural areas. It is listed as a schedule 2 public entity in terms of the Public Finance Management Act (1999). In terms of the act, the trust is expected to operate on a full cost-recovery basis.

Since the decline in interest rates brought on by the global financial crisis in 2008, the trust has experienced a notable decrease in income from its investment accounts, prompting it to repeatedly turn to the fiscus for bailouts.

It is against this background that the trust was working with the department to develop a sustainable business and funding model to ensure its continued operation. The entity was uncertain about its future operations and was awaiting direction from the board and Minister of Public Works and Infrastructure. If it continues to exist, it aimed to focus on empowering poor communities by providing project management services for delivering and refurbishing social infrastructure such as schools, clinics and community centres, mainly in rural areas.

Should this be the case, the IDT expects to create an estimated 240 000 work opportunities through the EPWP over the medium term, and an additional 14 335 work opportunities through other programmes. To carry out these activities, the trust is dependent on an estimated allocation of R19.4 billion over the MTEF period from the DPWI and other client departments.

Expenditure was expected to increase at an average annual rate of 10.8%, from R358.7 million in 2022/23 to R487.6 million in 2025/26. Spending on compensation of employees accounts for an estimated 51.5% (R710.9 million) of the entity's total expenditure. The trust derives its revenue mainly from project management fees and government grants.

If the trust continues to exist, total revenue is expected to increase at an average annual rate of 23.2%, from R267.5 million in 2022/23 to R499.7 million in 2025/26, mainly driven by an increase in management fees charged to client departments.

Property Management Trading Entity

The Property Management Trading Entity was established following a decision in 2006 to devolve accommodation costs from the DPWI to client departments.

The entity manages immovable assets on behalf of the department, including the provision of residential and office accommodation for user departments at the national government level; and acquires, manages, operates, maintains and disposes of immovable assets in the department's custody. The entity was established to apply professional business approaches in managing and optimising the state's immovable asset portfolio to ensure that returns cover expenditure.

On a cost-recovery basis, the entity finances the purchase, construction, refurbishment and maintenance of state-owned government properties, and manages the leases of privately owned properties accommodating national departments. Over the medium term, the entity planned to focus on developing precincts to support efficient and integrated government planning by grouping departments that provide similar services, and refurbishing and maintaining government buildings in its portfolio.

To achieve these objectives, the entity plans to spend R68.8 billion over the medium term, which includes R4.5 billion for ad hoc building maintenance. A key component of the entity's funds will be channelled towards improving access for people with disabilities, which will include completing 26 infrastructure projects to retrofit buildings to ensure that they are accessible.

The entity also plans to carry out refurbishment, repair and capital projects for 24 departments, including correctional centres, police stations, courts and office buildings. These projects are expected to cost R17.1 billion over the medium term. In line with the entity's mandate, expenditure is expected to decrease at an average annual rate of 7.5%, from R18.8 billion in 2022/23 to R14.9 billion in 2025/26, as the entity's clients gradually begin to take over payment for their own municipal services.

Spending on goods and services, the department's main cost driver, accounts for an estimated 77.1% (R42.8 billion) of its total budget over the medium term. Revenue, which is mainly generated from charging management fees to client departments for accommodation, is expected to decrease at an average annual rate of 4.2%, from R22.4 billion in 2022/23 to R19.7 billion in 2025/26.

This is because of a projected decrease in the collection of management fees as a result of the municipal payment function being devolved to client departments.

Department of Employment and Labour (DEL)

The DEL was created in recognition of the need to respond to increasing levels of unemployment, inequality and poverty in South Africa. It plays a significant role in reducing unemployment, poverty and inequality by pursuing the objectives of decent work through employment creation and enterprise development; setting of standards and the protection of rights at work, including the facilitation of equal opportunities and social dialogue; and the provision of social protection. The mandate of the department is to regulate the labour market through policies and programmes developed in consultation with social partners.

These aim to:

- improve economic efficiency and productivity;
- facilitate the creation of decent employment;
- promote labour standards and fundamental rights at work;
- provide adequate social safety nets to protect vulnerable workers;
- promote and enforce sound labour relations;
- promote equity in the workplace;
- eliminate inequality and unfair discrimination in the workplace;
- enhance occupational health and safety awareness and compliance in the workplace; and
- give value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for the competitiveness of enterprises, balanced with the promotion of decent employment.

In working towards the vision of eliminating poverty and reducing inequality over the medium term, the department will focus on increasing safety and fairness in the workplace, providing support to work seekers, regulating the workplace, and engaging in multinational platforms, such as the Brazil-Russia-India-China-South Africa (BRICS) group of countries, to shape the future of work and protect workers' rights.

The department has a budget of R12.1 billion over the period ahead after increases of R96.9 million for cost-of-living adjustments; R140 million for regional office accommodation; R90 million for capital works at supported employment enterprise factories; and R67.5 million for the National Economic Development and Labour Council for the operations of the Presidential Climate Commission, which it temporarily houses.

Increasing safety and fairness in the workplace

Through its advocacy programmes, which include 12 seminars and six conferences over the medium term, the department plans to increase its national footprint by ensuring compliance with employment law. This was expected to improve fairness in the workplace, especially for young people, people with disabilities and women, and transition workers from the informal to the formal economy.

To ensure compliance with the law and occupational health and safety standards, the department plans to conduct 894 312 employer inspections over the period ahead.

The implementation of the case management system in 2022/23 is expected to ensure that the department's business processes are fully modernised, which will lead to, among other things, more focused inspections. Over the medium term, the department planned to improve and strengthen its enforcement function.

This entails ensuring that 65% of employers who fail to comply with served notices are issued with fines and/or penalties and are referred for prosecution within 30 calendar days, and that 95% of noncompliant employers are served with legal notices within 14 calendar days.

Spending for these activities is within the Inspection and Enforcement Services programme, which is allocated 16.4% (R2 billion) of the department's budget over the medium term. Spending in the programme increases at an average annual rate of 4.9%, from R614.9 million in 2022/23 to R709.2 million in 2025/26.

Providing support to work seekers

Facilitating access to decent employment is central to the department's work and is primarily funded through the Public Employment Services programme. Over the medium term, it plans to register 2.9 million work seekers, provide counselling to 780 000 work seekers and place 195 000 work seekers in registered employment opportunities.

In 2022/23, the department drafted the South African National Employment Policy in partnership with the International Labour Organisation. The purpose of the policy is to determine a sustainable approach to employment growth. In line with the policy, the department plans to establish an employment war room over the medium term.

The purpose of this intervention is to bring together government departments, business experts, and labour and community organisations. The department also aimed to focus on implementing an accessible framework for active labour market policies that supports work seekers by, among other things, digitising applications for vacancies and providing employment counselling through the Employment Services of South Africa system.

This is expected to be done in collaboration with private employment agencies with the aim of facilitating viable pathways to employment. The Employment Services of South Africa online app has been developed and will go live on 1 April 2023. Limited data and internet access are still hindrances to work seekers. In addition, all youth employment centres that were built in 2022/23 will have free Wi-Fi. Internet connectivity will also enable work seekers to access other tools that assist youth to better understand their career aspirations and build capacity.

In 2022/23, the department drafted the new national migration policy and proposed amendments to the Employment Services Act of 2014. A strong focus over the MTEF period will be on the rapid implementation of these amendments, which is expected to provide more employment opportunities for young South Africans, particularly in the hospitality, tourism and agriculture sectors.

The department will receive R372.2 million in 2023/24 to continue the pathway management network, which is a Presidential Employment Initiative. The network is expected to create opportunities for employment, support increased access to relevant education and training interventions, assist young people in making choices about learning and/or earning, and identify barriers to entry in the labour market.

More than one million young people are expected to be actively involved in the network over the next two years, with the aim of creating 255 000 job opportunities by 2024/25. Different components of the network will be scaled up over the medium term, such as the Innovation Fund, with the introduction of new partners. Spending for these activities is within the Public Employment Services programme, which is allocated 21.3% (R2.4 billion) of the department's budget over the medium term. Spending in the programme is set to decrease at an average annual rate of 10.6%, from R1 billion in 2022/23 to R725.6 million in 2025/26, as a result of allocations for the presidential employment initiative not continuing over the MTEF period.

Regulating the workplace

The department plans to conduct an annual review of the national minimum wage over the medium term. This will include the development of monitoring mechanisms to measure its impact on the economy, collective bargaining, the reduction of income differentials, and proposed adjustments.

The Commission for Conciliation, Mediation and Arbitration (CCMA) spearheads the department's efforts in this regard and is set to receive an estimated 77.6% (R3.3 billion) of the Labour Policy and Industrial Relations programme's allocation over the medium term.

Shaping the future of work and protecting workers' rights

Over the period ahead, South Africa's key engagement in multinational platforms includes assuming The Presidency of the BRICS group of countries for 2023. The department hopes to use this platform, as well as the ministerial meeting on labour and employment in September 2023, to shape the future of work and protect the rights of workers in new forms of employment.

The following priorities are expected to be deliberated on in the BRICS forum: building sustainable enterprises, including new forms of employment; increasing productivity; promoting labour rights and decreasing decent work deficits in the context of economic recovery after the COVID-19 pandemic; ensuring universal social protection and minimum basic income; and promoting decent work by closing skills gaps in the informal economy. For this purpose, the department has budgeted R15 million in the Labour Policy and Industrial Relations programme.

Employment

Total household-surveyed employment increased sharply by 399 000 (2.4%) in the third quarter of 2023, surpassing its pre-COVID-19 peak for the first time as job gains were broad-based, according to Statistics South Africa's Quarterly Labour Force Survey (QLFS).

Formal sector employment increased significantly by 287 000 (2.5%) in the third quarter followed by an increase of 61 000 (6.8%) in the agricultural sector, a 29 000 (0.9%) increase in the informal sector and 22 000 (2.0%) more jobs recorded in the private household sector.

Formal sector employment was largely driven by job gains of 236 900 (9.1%) in the finance, insurance, real estate and business services sector as well as 118 800 (3.0%) in the community, social and personal services sector, which likely reflected increased temporary public sector employment.

The year-on-year pace of increase in total household-surveyed employment accelerated to 979 000 (6.2%) in the third quarter of 2023 but was still lower than the recent peak of 1.5 million (10.4%) in the third quarter of 2022. The total number of new and renewed job postings on the PNet web platform increased by 3.4% in the third quarter of 2023, with total job postings 10.0% higher in October 2023 compared with October 2019, before the onset of the COVID-19 pandemic.

However, the employment outlook remains sensitive to the weak economic growth environment, associated with electricity load-shedding, elevated production costs, low business confidence and higher interest rates. Despite the gloomy outlook, investment in renewable energy development is expected to contribute to job creation in the coming years while also supporting economic growth, according to a report on renewable energy and jobs.

About 13.7 million such jobs had been created globally in 2022 along with 12.7 million in 2021, consistent with the mission of the Global Accelerator on Jobs and Social Protection.

Employment contracts of a limited duration increased by 5.8% on a quarter-to-quarter and seasonally adjusted basis in the third quarter of 2023, partly reflecting the continued uptake in employment related to the Presidential Youth Employment Initiative (PYEI) as well as the EPWP. Employment contracts of a permanent nature increased by 3.5%, while those of an unspecified duration increased by 4.8% in the third quarter of 2023.

South Africa's total labour force increased by 1.3% to 24.6 million in the third quarter of 2023, supported by the significant increase in the total number of employed persons alongside a decrease in the number of officially unemployed persons.

Consequently, South Africa's official unemployment rate decreased further from 32.6% in the second quarter of 2023 to 31.9% in the third quarter. Similarly, the seasonally adjusted unemployment rate decreased marginally from 32.3% to 32.0% over the same period.

Encouragingly, the International Labour Organization (ILO) reported that the unemployment rate in the BRICS7 countries had decreased to 4.8% in 2022 and was expected to decrease further to 4.7% in 2023.

Legislation and policy

The DEL derives its legislative mandate from the Constitution of the Republic of South Africa, 1996, particularly the Bill of Rights, which is given effect through a number of Acts that regulate labour matters in South Africa. The most important of these are the:

- Labour Relations Act of 1995;
- Basic Conditions of Employment Act of 1997;
- Employment Equity Act of 1998;
- Occupational Health and Safety Act of 1993; and
- Employment Services Act, 2014 (Act 4 of 2014).

Entities

Commission for Conciliation, Mediation and Arbitration

The CCMA derives its legislative mandate primarily from the Labour Relations Act of 1995, as amended. The provisions of the act mandate the commission to advance and foster, among other things, economic development, social justice, labour peace and the democratisation of the workplace.

Over the medium term, the commission aimed to focus on implementing its five-year strategy, which prioritises, among other things, an improved dispute resolution and enforcement model complemented by the implementation of a dispute prevention and management strategy in response to an anticipated increase in cases, and an ICT modernisation programme to support its priority areas.

The commission anticipates an increase in its caseload from 185 929 in 2022/23 to 213 513 in 2025/26, mostly as a result of slow economic growth. To accommodate this projected increase, it has allocated an estimated 72.7% (R2.4 billion) of its budget over the MTEF period to dispute prevention, resolution and enforcement; and mediation to support collective bargaining and capacity building processes to ensure fairness in the workplace.

An estimated 9.1% (R303.8 million) of total expenditure is allocated to ICT initiatives such as enhancing the case management system, upgrading hardware and consolidating systems to provide business intelligence and improve ICT connectivity and compliance with legislative imperatives.

Expenditure is expected to increase at an average annual rate of 3%, from R1.1 billion in 2022/23 to R1.2 billion in 2025/26. Spending on compensation of employees accounts for an estimated 57.4% (R1.9 billion) of the commission's budget over the MTEF period, increasing at an average annual rate of 2.9%, from R608.9 million in 2022/23 to R664.2 million in 2025/26. Revenue is almost entirely derived from transfers from the department. The commission is set to derive 98.8% (R3.3 billion) of its revenue over the period ahead through transfers from the department.

Compensation Fund

The mandate of the Compensation Fund is to administer the Compensation for Occupational Injuries and Diseases Act (COIDA) of 1993, which makes provision for the compensation of employees who are disabled because of occupational injuries and diseases sustained or contracted at work, and the compensation of the nominated beneficiaries of employees who die from such injuries or diseases.

Over the medium term, the fund will focus on improving the services it provides to its beneficiaries and other stakeholders. It plans to achieve this through its new CompEasy system, which, over the medium term, is expected to improve turnaround times for adjudicating and processing all accepted and approved claims from 85% within 10 working days in 2022/23 to 95% within the same period in 2025/26.

Expenditure is expected to increase at an average annual rate of 4.1%, from R9.4 billion in 2022/23 to R10.7 billion in 2025/26, mainly driven by the payment of claims and pension benefits, which comprise an estimated 70.9% (R21.8 billion) of total projected spending over the period ahead. The fund derives 62.1% (R33.2 billion) of its revenue over the MTEF period through assessment levies on active registered employers. Total revenue is expected to decrease at an average annual rate of 4.7%, from R20.2 billion in 2022/23 to R17.5 billion in 2025/26, due to accounting for fair value adjustments in 2022/23.

National Economic Development and Labour Council (Nedlac)

The Nedlac is a statutory body established by the Nedlac Act of 1994. It is mandated to promote economic growth, participation in economic decision-making and social equity, and seeks to create impact by enabling its social partners to contribute meaningfully to these processes by seeking consensus and concluding agreements on matters pertaining to social and economic policy.

Over the medium term, the Nedlac aimed to focus on addressing the high cost of living, particularly the prices of fuel and food; engaging in social dialogue on key socioeconomic issues; providing input on labour legislation and policy, including as they pertain to migration; resolving disputes; extending labour protection to non-standard forms of work; improving public procurement, including engaging on regulations to support the proposed new Public Procurement Bill; providing support to the Presidential Climate Commission; and implementing a revised constitution and protocols to contribute to making the council more effective, efficient and representative.

Following Cabinet's decision in 2022, the Presidential Climate Commission and its budget were shifted from the Department of Forestry, Fisheries and the Environment to the DEL to be temporarily housed at the council. As a result, the council is set to receive an estimated R252.9 million over the medium term, of which R67.5 million is earmarked for the operations of the climate commission.

This arrangement will cease once the Climate Change Bill is passed and the commission is established as a standalone public entity. Expenditure is expected to increase at an average annual rate of 10.9%, from R72.3 million in 2022/23 to R98.8 million in 2025/26, mainly driven by the shift of the Presidential Climate Commission to the council. The council expects to derive 98.8% (R276.8 million) of its revenue over the MTEF period through transfers from the department.

Productivity South Africa

Productivity South Africa was established in terms of section 31 of the Employment Services Act of 2014 as a juristic person and entity of the DEL. In terms of the act, it is mandated to promote employment growth and productivity, and thereby contribute to South Africa's socio-economic development and competitiveness. Over the medium term, the entity planned to support the improvement of South Africa's competitiveness and the sustainability of its enterprises – specifically small, medium and micro enterprises – through its competitiveness improvement services, and business turnaround and recovery programme.

Expenditure is expected to decrease at an average annual rate of 2.5%, from R173.4 million in 2022/23 to R160.7 million in 2025/26. This is due to the medium-term funding for the business turnaround and recovery programme being aligned with the previous hree years' actual performance. Costs for the turnaround programme are covered by the Unemployment Insurance Fund (UIF).

Over the past three years, the actual costs have been much less than what was agreed on due to Productivity South Africa not meeting some of the requirements, and because of capacity constraints. As a result, the agreed funding has been reduced to what the fund has actually paid in the past. However, these funds do not affect Productivity South Africa's performance as the turnaround programme is run on behalf of the UIF.

The entity expects to derive 86.9% (R396.9 million) of its revenue over the period ahead through transfers from the DEL; the dtic and the UIF. The balance of revenue is expected to be generated mainly through services rendered to companies in economic distress. Revenue is expected to decrease in line with expenditure.

Unemployment Insurance Fund

The UIF is mandated to alleviate poverty by providing effective short-term unemployment insurance to all workers who qualify for unemployment and related benefits, as legislated in the Unemployment Insurance Act of 2001. Over the medium term, the fund aimed to focus on providing social insurance benefits and improving coverage to vulnerable groups and contributors.

Through its flagship labour activation programme, the fund assists the department to realise its expanded mandate of coordinating job creation. It intends to enhance the employability of 240 000 programme participants by placing them in training and/or job opportunities, with 75 000 of these planned to be recruited in 2023/24. Funding agreements have also been concluded with 48 institutions to provide training, ranging from specialised short-term skills programmes to three-year artisan training programmes, to a targeted 36 198 learners.

The fund will review the training interventions offered by these partners over the MTEF period to ensure that their exit strategies result in gainful employment for beneficiaries who can then become contributors to the fund. The fund has budgeted R10.6 billion over the medium term to carry out these activities.

In ensuring that contributors remain employed, the fund, through its Temporary Employer/Employee Relief Scheme, provides support to distressed businesses seeking to retain their employees. The CCMA administers this scheme on behalf of the fund and considers applications.

Under the scheme, 75% of an employee's basic salary is funded up to a maximum amount of R17 119.44 per month for a maximum of 12 months. The fund has budgeted R4.3 billion over the next three years for this programme. The department's 126 labour centres have traditionally been a key channel through which the fund's clients access its services.

To respond to the widespread use of digital platforms and technologies, the fund plans to build on its existing technological capabilities to enhance functionality and alleviate queues at labour centres. The fund has budgeted R18 million over the medium term for this purpose. To augment the capability of labour centres, the fund plans to deploy kiosks in strategic places and deploy mobile buses in each province for outreach initiatives in remote and densely populated areas. The fund has budgeted R94 million for the deployment of 21 buses, 11 in 2023/24 and 10 in 2024/25. Total expenditure over the medium term is expected to amount to R102.4 billion, increasing at an average annual rate of 4.4%, from R31.2 billion in 2022/23 to R35.5 billion in 2025/26.

The fund expects to derive 67.4% (R74.6 billion) of its revenue over the period ahead through contributions from employees and employers, as legislated by the Unemployment Contributions Act of 2002. Remaining income is received through interest earned on investments. Total revenue is expected to increase at an average annual rate of 3.4%, from R34.3 billion in 2021/22 to R37.9 billion in 2024/25.

Finance

National Treasury supports economic growth and development, good governance, social progress and rising living standards through the accountable, economical, efficient, equitable and sustainable management of public finances, the maintenance of macroeconomic and financial sector stability, and the effective financial regulation of the economy.

The department's legislative mandate is based on section 216(1) of the Constitution, which calls for the establishment of a national treasury to enforce compliance with measure for transparency, accountability and sound financial controls in the management of the country's public finances.

This role is further elaborated in the PFMA of 1999 and the Local Government: Municipal Finance Management Act, 2023. The department is among others mandated to:

- promote national government's fiscal policy and the coordination of its macroeconomic policy;
- ensure the stability and soundness of the financial system and financial services;
- coordinate intergovernmental financial and fiscal relations;
- manage the budget preparation process; and
- enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities of public entities, and constitutional institutions.

The NDP details a vision of building an inclusive economy that advances social equality. This vision is supported by various government priorities, including economic transformation and job creation, education, skills and health, spatial integration, human settlements and local government, a capable, ethical and developmental state and a better Africa and world. The work of National Treasury is closely aligned with these priorities, particularly in its aim to address the challenges of inequality and poverty.

Over the medium term, the department will focus on reviewing tax policy and strengthening regulation in the financial sector, supporting sustainable employment, supporting infrastructure development and economically integrated cities and communities, managing future spending growth and fiscal risk, managing government's assets and liabilities, making government procurement more efficient, strengthening financial management in government, and facilitating regional and international cooperation.

Reviewing tax policy and strengthening regulation in the financial sector

To improve fairness in the tax system, over the medium term, the department planned to make tax proposals part of the annual budgeting process. These proposals will be given effect through technical work such as research, the hosting of workshops and consultations with affected parties. Once this work is completed, necessary legislative amendments will be drafted.

These activities will be carried out in the Tax Policy subprogramme in the Economic Policy, Tax, Financial Regulation and Research programme. Allocations to the subprogramme account for 20.3% (R96.3 million) of the programme's total budget over the medium term.

The department's role in regulating the financial sector will continue to ensure that it is safe and provides value- added customer services. Accordingly, over the medium term, the department will focus on preparing, drafting and consulting on legislation to complete the framework for the twin peaks regulatory model. These activities will be carried out in the Financial Sector Policy subprogramme in the Economic Policy, Tax, Financial Regulation and Research programme. Allocations to the subprogramme account for 15.9% (R75.5 million) of the programme's budget over the medium term.

Supporting sustainable employment

The Jobs Fund leverages the technical expertise of project partners to provide support to beneficiaries. This could be in the form of providing holistic support to small and medium-sized enterprises or ensuring better results in training and the matching of unemployed youth with available jobs. By mid-2023, the fund had disbursed R5.8 billion to projects in various sectors, including agriculture and infrastructure development. Partners have contributed R11.6 billion to the fund.

Over the medium term, the department anticipates spending R1.7 billion on Jobs Fund activities related to the creation of sustainable employment and sharing good practice with the market. Related activities will be carried out in the GTAC subprogramme in the Public Finance and Budget Management programme.

Managing future spending growth and fiscal risk

Over the medium term, the department aimed to ensure that all government departments remained within the spending limits approved by Cabinet, provide financial analyses of government programmes, and advise on policy and service delivery trends. Future spending growth and fiscal risks in government will continue to be managed through the implementation of spending reviews.

These activities will be carried out in the Programme Management for Public Finance and Budget Management, Public Finance and Budget Office and Coordination sub-programmes, which are allocated a combined 4% (R497.5 million) of the Public Finance and Budget Management programme's budget over the medium term.

Managing government's assets and liabilities

The department planned to continue financing government's gross borrowing requirement – which comprises the budget balance and maturing debt – in the domestic and international capital markets. Government's financing strategy is informed by strategic portfolio risk benchmarks for interest, inflation, currency and refinancing.

The department will continue to manage cash resources to ensure that government remains liquid and surplus cash is invested optimally. In addition, the department will continue its oversight of the financial management of state-owned companies. To carry out these activities, R374 million is allocated in the Asset and Liability Management programme over the medium term.

Making government procurement more efficient

The Office of the Chief Procurement Officer (OCPO) aims to modernise the state procurement system to be fair, equitable, transparent, competitive and cost effective; enable the efficient, economic, effective and transparent use of financial and other resources, including state assets, for improved service delivery; and promote, support and enforce the transparent and effective management of state procurement and the sound stewardship of government assets and resources.

Public procurement reforms

Initiatives led by the OCPO aim to deliver lower-cost goods and services more efficiently and transparently through streamlined processes, strategic sourcing, transversal tenders and improved use of technology. The goal is to reduce bureaucratic inertia and red tape and stamp out corrupt procurement practices.

Transparent availability of the Act, regulations, guidelines and codes on easily accessible central online portal that is publicly available free of charge to civil society and media to access and scrutinise and monitor procurement. SA Public procurement is not familiar with the term "Value for Money" and do not know how to incorporate it in the procurement cycle.

OCPO has drafted a "Guidance Note" on Value for Money in the Procurement Cycle in anticipation of the PPB, which will be issued in 2023/2024 after consultation.

Central Supplier Database (CSD)

The CSD maintains a database of organisations, institutions and individuals who can provide goods and services to government. It serves as the single sourceonly source of key supplier information for organs of state, providing consolidated, accurate, up-to-date, complete and verified supplier information to procuring organs of state.

This is expected to reduce the administrative and cost burden of procurement, as the requisite documents will only need to be submitted once for a predetermined period. Access to procurement processes and procurement information makes provision for the Public Procurement Office to determine requirements for the disclosing of information by institutions. Measures for the public, civil society and media are able to access, scrutinize and monitor public procurement.

This is expected to reduce the administrative and cost burden of procurement, as the requisite documents will only need to be submitted once for a predetermined period.

eTender Publication Portal

The portal provides a single point of entry to identify business opportunities with government. Utilisation of the eTenders Publication Portal has improved. The portal contributes to reducing duplication, fragmentation and inefficiency in government tender publications. Making the information readily available and ensuring that bids are advertised in a competitive process supports government institutions to secure the best suppliers to provide goods or services.

Vulekamali Portal

In an effort to ensure that its services are accessible to the broader South African society, National Treasury launched an online portal that makes information on the country's budget more accessible to ordinary South Africans. The Vulekamali Portal presents information in a simplified format and shows citizens how public resources are generated and used.

The portal enables the public to make their inputs, not only in influencing government policy directive as articulated through the budget, but also having access to the budget process and the information contained in the budget. The portal is a private-public partnership between Imaliyethu and National Treasury. It is a good platform for young South Africans, especially the academia, to access budgeting information to help them gain critical insights.

GoMuni Database for Local Government

The introduction of the MFMA in 2003 laid the foundation for the municipal financial management reforms. One of the reforms was to develop a comprehensive reporting system for local government which included:

- creation of a Local Government Database and Reporting System (GoMuni) to facilitate the collection and storage of financial and non-financial data;establishment of a culture of monthly reporting in terms of Section 71 of the MFMA by all 278 municipalities; and
- The routine publication of budget and in-year financial performance information for local government, escalating the performance of local government into the public domain.

A sound reporting system facilitates transparency, better in-year management and oversight of budgets and better policy decisions on funding allocations at a national and provincial level.

The reports available on GoMuni are management tools and early warning mechanisms for municipal management and councils to improve municipal performance. The aim of an early warning system is to provide government with timely information on the state of municipalities' finances that highlights possible areas of risk so that such risks can be investigated and mitigated before they give rise to serious problems.

There is a need for information on municiapl performance by various stakeholders such as South African Reserve Bank (SARB), STATSSA, Department of Water Affairs (DWA), NERSA, CoGTA, AGSA and universities, A central reporting system eliminates duplication of effort where various department request the same information from the same municipality.

GoMuni also provides information on municipal performance to the public. The Municipal Money portal on GoMuni 'demystification' information about municipal spending, thereby promoting transparency and enabling citizens to hold their municipalities accountable. Municipal Money is designed to present key municipal financial information to a general audience, who do not necessarily have any financial background or knowledge.

In addition, a range of municipal documentation is available for downloading on GoMuni, such as the Integrated Development Plans, budgets, in-year performance reports, annual financial statements and annual reports. Information on municipalities that are placed under intervention; the socio-economic profiles of municipalities are also available on GoMuni.

GoMuni also offers a host of training materials, tool kits and training session recordings on municipal finance, urban reforms and the municipal standard chart of accounts (mSCOA).

Legislation and policies

National Treasury's mandate is determined by Chapter 13 of the Constitution and various laws. Some of the key laws are the:

- PFMA of 1999, which applies national and provincial departments and government components, national and provincial public entities and constitutional institutions;
- Municipal Finance Management Act, 2003, which applies to municipalities and municipal entities
- Preferential Procurement Policy Framework Act, 2000
- Financial Sector Regulation (FSR) Act, 2017 and other financial sector laws
- Annual budget legislation
- Various taxation laws
- Government Employees Pension Law and other government related pension laws
- Legislation of various public entities in the portfolio of the Minister of Finance, e.g. South African Revenue Service, Development Bank of Southern Africa, Financial Sector Conduct Authority (FSCA), Financial Intelligence Service, Public Investment Corporation (PIC), Land and Agriculture Development Bank, Independent Regulator for Auditors, Accounting Standards Board and SASRIA
- From Abigail: Division of Revenue Act, 2023 (Act 5 of 2023);
- Division of Revenue Amendment Act, 2022 (Act 22 of 2022).

Entities

Accounting Standards Board (ASB)

The ASB was established to develop uniform standards of generally recognised accounting practice for all spheres of government in terms of Section 216(1)(a) of the Constitution and the Public Finance Management Act of 1999. The board also promotes transparency and the effective management of the revenue, expenditure, assets and liabilities of the entities to which the standards apply. In line with its mandate, the board will implement its Taking Stock programme, which involves a mix of projects to ensure that stakeholders are not overburdened with too many new or revised reporting requirements. Over the next three years, a major focus of the board will be on developing and implementing standards of generally recognised accounting practices using the information contained in the annual financial statements of its stakeholders, and ensuring these are in line with best practice.

Expenditure is expected to increase at an average annual rate of 3.1%, from R14.7 million in 2022/23 to R16.1 million in 2025/26. Compensation of employees of the board's seven employees account for an estimated 72.6% (R33.3 million) of its expenditure over the period ahead, increasing from R10.9 million in 2022/23 to R11.7 million in 2025/26 at an average annual rate of 2.4%.

Expenditure on goods and services, the second-largest spending item, is expected to increase at an average annual rate of 5.5%, from R3.7 million in 2022/23 to R4.3 million in 2025/26, due to the anticipated appointment of a consultant to assist with standard-setting activities for the Taking Stock programme. Revenue, which is derived mainly through transfers from the department, is expected to increase in line with expenditure.

Cooperative Banks Development Agency (CBDA)

The CBDA was established in terms of the Cooperative Banks Act 2007. The agency is mandated to facilitate, support and develop cooperative banking with the strategic focus of driving growth and sustainability in the cooperative banking sector, and contributing to a transformed financial services sector in terms of ownership and meaningful participation in the mainstream banking sector.

The CBDA also promotes access to finance for SMMEs and the financial inclusion of underserved communities through the provision of retail banking services. Over the medium term, the agency will focus on expanding the footprint of sustainable, professionalised, modernised and technology-enabled cooperative banking institutions, thereby increasing the sector's membership base, member deposits and assets.

This plan includes collaboration and partnerships with stakeholders to assist in developing institutions, strengthening organisations, enhancing operational efficiency through innovative technology interventions and solutions, and expanding the footprint of sustainable cooperative banking institutions through a holistic support programme. The agency will also work towards merging with the SEDA and the Sefa over the MTEF period.

The aim of the merger is to address the fragmentation and poor coordination of support provided to SMMEs and cooperatives at the local and provincial levels of government. Expenditure is expected to decrease at an average annual rate of 0.5%, from R27.1 million in 2022/23 to R26.7 million in 2025/26. This is due to a projected decrease in spending on goods and services owing to a reduction in operational activities in anticipation of the merger.

Spending on the compensation of 18 employees is the agency's main cost driver, increasing at an average rate of 3.2%, from R13.9 million in 2022/23 to R15.3 million in 2025/26. Revenue, which is expected to decrease in line with expenditure, is derived mainly through transfers from the department.

Development Bank of Southern Africa

The DBSA was reconstituted in terms of the DBSA Act of 1997 as a development finance institution with the primary purpose of promoting economic development and growth. The bank also promotes the development of human resources and institutional capacity by mobilising financial and other resources from national and international private and public sector partners for sustainable development projects and programmes in South Africa and other Southern African countries.

Over the medium term, the bank aims to create a sustainable infrastructure development ecosystem while accelerating and scaling up its development and implementation of catalytic infrastructure, which will entail driving investments in sectors such as energy, transport and logistics, water and sanitation, ICT, health, human settlements and education.

For example, in the energy sector, the bank will intensify activities around the Just Transition framework, which seeks to address the strategic positioning of the bank as a responsible investor, in line with nationally determined contributions and South Africa's commitments to decarbonisation. This includes supporting and financing the implementation of the Independent Power Producer Programme.

For purposes of scaling up the development and implementation of catalytic infrastructure over the MTEF period, the bank plans to disburse R15 billion by 2025/26. Interest payments account for a projected 53.2%(13.6 billion) of the bank's total spending over the period ahead.

Expenditure is expected to increase at an average annual rate of 5.7%, from R7.3 billion in 2022/23 to R8.6 billion in 2025/26, driven mainly by the high level of expected disbursements over the MTEF period. The bank derives revenue mainly from interest and fees from investments. Revenue is expected to increase at an average annual rate of 9.1%, from R9.3 billion in 2022/23 to R12.1 billion in 2025/26.

Financial and Fiscal Commission (FFC)

The FFC derives its mandate from the Financial and Fiscal Commission Act of 1997, which requires the commission to advise relevant authorities on financial and fiscal requirements for national, provincial and local spheres of government in terms of section 220 of the Constitution.

Other legislation that informs the commission's mandate includes the Borrowing Powers of Provincial Governments Act of 1996, the Intergovernmental Fiscal Relations Act of 1997, the Provincial Tax Regulation Process Act of 2001, the Municipal Finance Management Act of 2003, the Municipal Systems Amendment Act (2003), the Municipal Fiscal Powers and Functions Act of 2007, and the Money Bills Amendment Procedure and Related Matters Act of 2009. Over the medium term, the commission will focus on providing stakeholders, including Parliament, with recommendations to improve the credibility of the South African fiscal framework and the effectiveness of public spending. The commission's contribution will include other policy research papers and briefings on a wide range of fiscal and financial topics.

It will also focus on its organisational redesign and the relocation of its Johannesburg office to its office in Cape Town. After the organisational redesign, the commission is set to increase its number of personnel from 42 in 2022/23 to 60 in 2025/26. Accordingly, spending on compensation of employees, the commission's main cost driver, is expected to increase at an average annual rate of 9.3%, from R37.4 million in 2022/23 to R48.8 million in 2025/26.

Spending on goods and services is expected to decrease at an average annual rate of 5.2%, from R26.4 million in 2022/23 to R22.5 million in 2025/26, due to an expected decrease in spending on consultants and travel as a result of the relocation. The commission derives its revenue mainly through transfers from the department. These are set to increase in line with expenditure over the period ahead.

Financial Intelligence Centre

The FIC was established by the FIC Act of 2001 to combat money laundering activities and the financing of terrorist and related activities, identify the proceeds of unlawful activities, exchange information with law enforcement and other local and international agencies, supervise and enforce compliance with the Act, and facilitate effective supervision and enforcement by supervisory bodies in terms of the act.

To deliver on this mandate and protect the integrity of South Africa's financial system, the Act works in conjunction with other legislation, which includes the Prevention of Organised Crime Act of 1998, the Protection of Constitutional Democracy Against Terrorist and Related Activities Act of 2004, and the South African Police Service Act of 1995.

To address concerns identified in the Financial Action Task Force action plan, as well as in response to the recommendations from the state capture commission, over the medium term, the centre will focus on augmenting its human resource capacity, and enhancing and maintaining its ICT network and systems. This is expected to enable it to improve its oversight responsibility and combating of financial crimes and terror financing by enhancing analytical software to reinforce the integrity of South Africa's financial system and improving access to information for clients. As a result, expenditure is expected to increase at an average annual rate of 7.2%, from R371.1 million in 2022/23 to R457.5 million in 2025/26.

An additional R265.3 million over the period ahead is allocated to augment human resource capacity. The centre plans to add 107 permanent personnel to its establishment over the medium term with interdisciplinary skills in supervision and monitoring, forensic accounting, enforcement, compliance and strategic analysis to combat money laundering and counter terror financing and related activities.

This is expected to drive an increase over the MTEF period in the number of high-priority financial intelligence reports issued to stakeholders from 65 to 80, the number of medium-priority to lower-priority reports from 600 to 750, and the number of elevated financial intelligence reports on illicit financial flows from 20 to 45.

Spending on compensation of employees is expected to increase at an average annual rate of 13%, from R203.9 million in 2022/23 to R294.5 million in 2025/26. Spending on goods and services is expected to decrease at an average annual rate of 0.8%, from R150.1 million in 2022/23 to R146.7 million in 2025/26 as contract staff are made permanent.

Financial Sector Conduct Authority

The FSCA was established in 2018 by the FSR Act of 2017 as one of the two pillars of the twin peaks model for regulating the financial sector. As such, the authority assumes the role of the market conduct regulator of financial institutions that provide financial products and services, and financial institutions licensed in terms of financial sector legislation.

The authority assumed the business operations of the Financial Services Board (FSB) in 2018/19. The authority's ongoing objective is to play a meaningful role in promoting growth and employment, and reducing poverty through regulating the financial services sector and protecting consumers, and promoting an integrated approach to financial inclusion and employment.

Over the medium term, the authority will focus on implementing its revised strategy, which is aimed at enabling it to be more responsive and forward-looking, and includes an expanded mandate to supervise banks. These objectives are intended to improve industry practices to achieve fair outcomes for financial customers; act against misconduct to support confidence and integrity in the financial sector; promote the development of an innovate, inclusive and sustainable financial sector; empower households and small businesses to be financially resilient; and accelerate the transformation of the authority into a socially responsible, efficient and responsive conduct regulator.

This will be done by conducting environmental assessments to identify and understand trends; attracting specialist expertise to deal with emerging issues such as climate change; and proactively monitoring pricing and selling practices, new business models and financial products.

The authority's expenditure estimates include an amount of R13 million per year to establish the Ombud Council, which is a distinct regulatory body over the financial sector and statutory ombud schemes over the period ahead.

Compensation of employees accounts for an estimated 64.1% (R1.9 billion) of the authority's expenditure, increasing from R587.3 million in 2022/23 to R672 million in 2025/26 at an average annual rate of 4.6%. Total spending is expected to increase at an average annual rate of 4.9%, from R905.9 million in 2022/23 to R1 billion in 2025/26.

The authority generates revenue mainly through levies raised from financial institutions and fees for their licensing. Revenue is expected to increase at an average annual rate of 6.9%, from R887.4 million in 2022/23 to R1.1 billion in 2025/26. This includes additional allocations of R13 million per year over the medium term to establish the Ombud Council and appoint its personnel.

Government Pensions Administration Agency (GPAA)

The GPAA provides pension administration services to the Government Employees Pension Fund in terms of the Government Employees Pension Law of 1996 and the Associated Institutions Pension Fund Act of 1963. Post-retirement medical subsidies are administered as provided for and regulated by resolutions of the Public Service Coordinating Bargaining Council, military pensions are administered in terms of the Military Pensions Act of 1976, injury-on-duty payments are administered in terms of the Compensation for Occupational Injuries and Diseases Act of 1993, and special pensions are administered in terms of the Special Pensions Act of 1996.

The agency aims to optimise its performance over the medium term through its modernisation programme. This will entail procuring new pension administration, client relationship management and financial management solutions. These interventions are expected to lead to a reduction in turnaround times for processing and paying benefits from 45 days to less than 25 days, improve the management and accuracy of client data, and enable the agency to reach 65% of clients through digital platforms.

These investments are expected to drive an increase in spending on goods and services at an average annual rate of 11%, from R479.9 million in 2022/23 to R656.6 million in 2025/26, and an increase in total expenditure at an average annual rate of 6.4%, from R1.2 billion in 2022/23 to R1.5 billion in 2025/26.

Spending on compensation of employees, which accounts for 47.7% of the agency's planned spending, is expected to increase at an average annual rate of 3.2%, from R620.8 million in 2022/23 to R683.2 million in 2025/26. The agency derives its revenue mainly through administration fees charged to its major clients – the Government Employees Pension Fund (GEPF) and National Treasury. Revenue is expected to increase in line with expenditure.

Government Employees Medical Scheme (GEMS)

GEMS is South Africa's largest restricted membership medical scheme, with 805 544 principal members and more than 2.1 million beneficiaries. GEMS was created specifically to provide healthcare cover for public service employeesbeginning of GEMS was a historic moment when in 2002, the Cabinet approved a framework policy on a restricted (closed) medical scheme for further development by an interdepartmental working group. The approved framework policy centred on the principles of equity, efficiency and differentiation:

- Equity where employees have equal access to the most extensive set of equal basic benefits under equitable remuneration structures, subject to affordability.
- Efficiency regarding the costs and delivery of benefits.
- Differentiation, where employees choosing more extensive cover have equal access to higher benefits subject to their needs.
- Government's commitment to an equitable and affordable medical scheme.

GEMS was registered on 1 January 2005, in terms of the Medical Schemes Act, 1998 (Act No. 131 of 1998), specifically to meet the healthcare needs of government employees. The implementation of GEMS is a positive step that positions government as an employer of choice that truly cares for the health and wellbeing of its employees.

Government Employees Pension Fund

The GEPF is a defined benefit fund that manages pensions and related benefits on behalf of government employees in South Africa. Established in 1996, it is the largest pension fund in South Africa and one of the largest pension funds in Africa and the world with approximately more than 1.265 million active members and about 473 312 pensioners and other beneficiaries. Its current benefit structure offers members:

- Withdrawal benefits;
- Retirement benefits;
- Ill-health or Disability benefits; and
- Death benefits.

The GEPF is governed by the Government Employees Pension (GEP) Law (1996). The executive authority of the GEPF is the Board of Trustees ("Board"). The GEPF has outsourced its administration and investment activities to the GPAA and the PIC respectively.

Government Technical Advisory Centre

The GTAC was established in terms of the Public Service Act of 1994 and is mandated to assist organs of state in building their capacity for efficient, effective and transparent financial management.

The centre's overarching objectives are to render consulting services to government departments and other organs of state, provide specialised procurement support for high-impact government initiatives, render advice on the feasibility of infrastructure projects, and provide knowledge management and ancillary support for projects.

Over the medium term, the entity will focus on assisting organs of state to build their capacity for efficient public financial management, and work towards a revised funding model that will allow it to be more financially sustainable. To achieve this, it plans to strengthen partnerships between government, the private sector and civil society by convening spaces for policy formulation, service delivery and accountability; become a thought leader on impediments to the effective functioning of government; and provide fast-tracked, flexible and specialised expertise within the remit of the Public Finance Management Act of 1999.

Expenditure is expected to decrease, from R321.7 million in 2022/23 to R283.3 million in 2025/26, as the centre anticipates low demand from departments for technical services as a result of funding limitations. Compensation of employees accounts for a projected 57.1% (R510 million) of planned spending, increasing at an average annual rate of 6.6%, from R146.7 million in 2022/23 to R177.9 million in 2025/26.

This increase will be offset by an anticipated decrease in spending on goods and services. The centre derives its revenue through allocations from the department, the recovery of costs from other departments and organs of state, donor funds, administration fees and interest. Revenue is expected to decrease at an average annual rate of 4.1%, from R321.7 million in 2022/23 to R283.3 million in 2025/26, in line with the expected low demand for the centre's services.

Independent Regulatory Board for Auditors (IRBA)

The IRBA was established in terms of the Auditing Profession Act, 2005 (Act 26 of 2005), and became operational in April 2006. The board is mandated to: protect the public by regulating audits performed by registered auditors; improve the development and maintenance of internationally comparable ethical and auditing standards for auditors that promote investment and, as a consequence, employment in South Africa; set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and provide for procedures for disciplinary action in instances of improper conduct.

Over the medium term, the IRBA aimed to focus on ensuring that it is sustainable and relevant; ensuring the quality of industry audits; facilitating comprehensive stakeholder engagements; and conducting disciplinary hearings and investigations, which will require the appointment of consultants.

Expenditure is expected to increase at an average annual rate of 7.5%, from R182.5 million in 2022/23 to R226.6 million in 2025/26. Spending on compensation of employees, the board's main cost driver, is expected to increase at an average annual rate of 6.9%, from R122 million in 2022/23 to R149.2 million in 2025/26.

The IRBA is set to receive 23.6% (R147.9 million) of its revenue over the period ahead through transfers from the department and the remainder through the registration of auditors and trainees, annual renewal charges, and fees for the inspection of registered auditors. Revenue is expected to increase in line with expenditure.

Land and Agricultural Development Bank of South Africa

As a development finance institution, the mandate of the Land and Agricultural Development Bank of South Africa is to address agricultural and rural development. The bank operates in the primary agriculture and agribusiness sectors, and is regulated by the Land and Agricultural Development Bank Act of 2002 and the Public Finance Management Act of 1999.

The bank is expected to play a pivotal role in advancing agriculture and rural development. Due to liquidity constraints, over the MTEF period, the bank will aim to reduce the size of its loan book, funding liabilities and the ratio of non-performing loans to total gross loans. It also plans to increase its development loan book over the medium term to become a predominant portfolio. Expenditure is expected to decrease at an average annual rate of 18.9%, from R3.1 billion in 2022/23 to R1.6 billion in 2025/26, mainly driven by the projected decrease in interest expenses as a result of constrained disbursements and customer settlements.

Interest expenses account for an estimated 48.5% (R3.1 billion) of total expenditure, and decrease at an average annual rate of 23.7%, from R1.8 billion in 2022/23 to R801.6 million in 2025/26. Expenditure on goods and services, the second-largest cost area, is expected to decrease at an average annual rate of 13.6%, from R872.7 million in 2022/23 to R563.1 million in 2025/26, due to cost-cutting measures implemented in line with the projected reduction in the loan book.

Spending on compensation of employees also decreases, at an average annual rate of 13.5%, from R367.7 million in 2022/23 to R238.1 million in 2025/26, mainly as a result of the bank not approving salary and board member fee increases and performance bonuses over the MTEF period. The bank has been operating in default since April 2020. Despite its challenges, it has been able to repay 43% of its debt at the time of default.

The bank expects to generate R8.4 billion in revenue over the medium term, 95.1% of which is expected to be derived through interest income, decreasing at an average annual rate of 9%, from R2.7 billion in 2022/23 to R2 billion in 2025/26, in line with the projected reduction in the loan book.

Office of the Ombud for Financial Services Providers (FSPs)

The legislative mandate of the Office of the Ombud for Financial Services Providers is stated in the Financial Advisory and Intermediary Services Act of 2002, in terms of which the organisation is established. The Act gives the ombud statutory powers to consider and dispose of complaints against financial services providers, primarily intermediaries selling investment products.

The ombud will focus on the needs and requirements of its stakeholders over the medium term by ensuring that cases are properly assessed and appropriately handled until finalisation, informing stakeholders on the role and functions of the ombud, acquiring and retaining appropriate skills to fulfil its mandate, ensuring that risk is adequately managed across the enterprise, and ensuring that appeals or reviews of its decisions are appropriately dealt with.

Expenditure is expected to increase at an average annual rate of 3.7%, from R69.9 million in 2022/23 to R77.9 million in 2025/26. Spending on compensation of employees accounts for 62.1% (R151.1 million) of the ombud's total planned expenditure, increasing at an average annual rate of 4.2%, from R43.3 million in 2022/23 to R49 million in 2025/26.

The ombud derives revenue mainly through levies collected by the Financial Sector Conduct Authority from financial services providers. This is set to increase at an average annual rate of 7.8%, from R62.2 million in 2022/23 to R77.9 million in 2025/26, in line with the introduction of the special levy on banks.

Office of the Pension Funds Adjudicator

The Office of the Pension Funds Adjudicator is mandated to investigate and determine complaints lodged in terms of the Pension Funds Act of 1956. The office's mandate became effective in January 1998.

The adjudicator is required to ensure the procedurally fair, economical and expeditious resolution of complaints in terms of the Act by: ensuring that its services are accessible to all; investigating complaints in a procedurally fair manner; justly and expeditiously resolving complaints in accordance with the law; incorporating innovation and proactive thought and action in its activities; and providing opportunities for individual growth. The adjudicator has jurisdiction only over funds that are registered under the Pension Funds Act of 1956.

Over the MTEF period, the adjudicator plans to develop the capability of its staff, restructure internal processes and continue to modernise its ICT systems in an effort to resolve 85% of pension fund complaints within six months. It will also aim to intensify its engagements with relevant stakeholders such as regulators and pension funds, and continue to conduct outreach programmes to create awareness about its existence and mandate.

Expenditure is expected to increase at an average annual rate of 6.2%, from R87.4 million in 2022/23 to R104.7 million in 2025/26, mainly due to planned capital investments in ICT infrastructure and the automation of key processes, as well as increased legal and professional fees related to complaints management.

Spending on compensation of employees, the main cost driver, is expected to increase at an average annual rate of 3.1%, from R54.7 million in 2022/23 to R60 million in 2025/26. The adjudicator derives its revenue mainly through levies collected from pension funds. Revenue is projected to increase at an average annual rate of 5.9%, from R83.1 million in 2022/23 to R98.6 million in 2025/26.

Public Investment Corporation

The PIC was established by the PIC Act of 2004 as a registered financial services provider wholly owned by government, with the Minister of Finance as its shareholder representative. The corporation is mandated to invest funds on behalf of its clients, as agreed upon with each client and approved by the Financial Sector Conduct Authority. The corporation's clients are public sector entities, most of which are pension, provident, social security, development and guardian funds.

Over the medium term, the corporation will focus on implementing client mandates through its highly skilled investment team, maintaining a robust communication technology platform, applying risk management practices, and ensuring that its investment decisions are based on sound principles.

Expenditure is expected to increase at average annual rate of 2.6%, from R913.6 million in 2022/23 to R988.1 million in 2025/26. Spending on compensation of employees accounts for 47.5% (R1.4 billion) of the corporation's expenditure over the medium term, increasing at an average annual rate of 2.2%, from R438.1 million in 2022/23 to R467 million in 2025/26.

The corporation derives its revenue mainly through fees charged for the management of client assets, board fees and interest income. Revenue is set to increase at an average annual rate of 14.7%, from R1.3 billion in 2022/23 to R2 billion in 2025/26, mainly as a result of an anticipated increase in management fees, growth in the corporation's equities portfolio, and an increase in assets under management.

South African Revenue Service

In terms of the SARS Act of 1997, the SARS is mandated to collect all revenue due to the state and administer trade to support government in meeting its key developmental objectives for growth. This involves facilitating legitimate trade, protecting South Africa's ports of entry, and eliminating illegal trade and tax evasion.

As its principal contribution to South Africa's economic and social development, the revenue service's focus over the medium term will continue to be on providing government with more than 90% of the revenue it requires to meet its policy and delivery priorities by collecting all of the revenue target set by the Minister of Finance.

As the achievement of this goal is contingent on how easy it is for taxpayers and traders to comply with their tax obligations, by 2025/26, the entity plans to ensure that 85% of taxpayers and traders are satisfied with the clarity of guidance it provides, and to conduct auto-assessments on 95% of standard taxpayers.

It aims to do this effectively through modernising its ICT systems to encourage eFiling, improve the experience of taxpayers, monitor compliance and make tax collection more efficient, develop and administer a tax and customs system of voluntary compliance, and, where appropriate, enforce tax directives responsibly and decisively.

The entity plans to collaborate with law enforcement agencies such as the South African Police Service, the National Prosecuting Authority, the Financial Intelligence Centre and the Special Investigating Unit to enforce tax compliance by taxpayers and traders, and address illicit financial flows. The entity has established a syndicated tax and customs crime division responsible for investigating criminal and illicit organised crime and syndicated evasion schemes across all taxes.

The division is mandated to investigate suspected tax-related crimes specifically identified by the state capture commission reports, and to support the entity's investigating directorate in cases relating to other unlawful activities where tax fraud or evasion are implied, given the strong link between tax crimes and other financial crimes such as money laundering and illicit financial flows.

Accordingly, the entity has used additional funding of R1 billion per year allocated for the 2022 MTEF period to recruit critical skills and ICT capacity to improve tax compliance and contribute towards countering money laundering and terror financing. The entity has filled 187 of the targeted 337 posts to be filled through this allocation and will continue its recruitment drive into the MTEF period.

A further R1.5 billion is added to the entity's baseline over the medium term to fund its capital projects. Expenditure is expected to increase at an average annual rate of 1%, from R12.2 billion in 2022/23 to R12.6 billion in 2025/26. The entity is set to derive 95.8% (R35.9 billion) of its revenue through transfers from the department. These allocations are set to increase at an average annual rate of 1.4%, from R11.6 billion in 2022/23 to R12.1 billion in 2025/26.

South African Special Risks Insurance Association (SASRIA)

The SASRIA was established in 1979 and registered in terms of Section 21 of the Companies Act of 1973. In line with the amendments of the SASRIA Act of 1998 and the Companies Act of 2008) government became the company's sole shareholder. The association is mandated to support the insurance industry by providing cover for special risks such as riots, strikes, political unrest, terrorist attacks, civil commotion, public disorder and labour disturbances.

Over the medium term, the insurer aims to rebuild its capital base through: passing on higher premiums to the industry; revising its reinsurance structure, which requires 40% of its insurance business to be ceded in 2023/24 and 2024/25 to reinsurers with catastrophe cover of R10 billion; and taking account of equity contributions to settle all valid claims related to the civil unrest in KwaZulu-Natal and Gauteng in July 2021.

The association's expenditure is expected to increase at an average annual rate of 7.1%, from R4 billion in 2022/23 to R4.9 billion in 2025/26, due to the ceding of projected reinsurance costs to reinsurers. The bulk of this spending is on goods and services, which accounts for an estimated 95.7% (R14.6 billion) of the insurer's budget over the period ahead.

Compensation of employees is expected to increase at an average annual rate of 4%, from R173.4 million in 2022/23 to R194.8 million in 2025/26, mainly due to new appointments, annual increases and performance bonuses. To reduce reliance on consultants, the association's number of personnel is expected to increase from 159 to 187 over the MTEF period.

The association is set to derive 99.3% (R18.7 billion) of its revenue through annual premium increases and customer retentions. Revenue is expected to increase at an average annual rate of 3%, from R5.9 billion in 2022/23 to R6.4 billion in 2025/26.

Compliance levels

Tax Register

The SARS continues to broaden the tax base and expand its taxpayer and trader register. Contributing positively to the ease of registration are bulk registrations at places of employment and an online facility to register staff when submitting their monthly PAYE returns.

The SARS registration policy stipulates that everyone formally employed, regardless of their tax liability, must be registered for Personal Income Tax. If employees are not registered, it is the duty of the employer to register them with the SARS.

Tax compliance

Tax compliance is mirrored in the tax collected from the various types of tax. It is the duty of every taxpayer to ensure that they are registered for the necessary taxes, that all tax returns are submitted by the relevant due dates and that all taxes are paid as and when is required.

Payment channels

The majority of taxpayers are now using electronic payment platforms which significantly improve turnaround times. Cash collections at branches have been reduced because of the risks associated with them. From 1 May 2020, cheque payments in South Africa may not be in excess of R50 000. Payment methods other than branch payments are:

- eFiling: this requires a taxpayer to register as an eFiling client in order to make electronic payments using this channel; and
- payments at banks: taxpayers can make either an internet banking transfer or an over-the-counter deposit.

Voluntary Disclosure Programme

A permanent Voluntary Disclosure Programme was introduced in terms of the Tax Administration Act of 2011, in October 2012. The programme is part of a package of compliance measures aimed at encouraging non-compliant taxpayers to regularise their tax affairs.

International tax treaties

South Africa has a number of double taxation agreements and tax information exchange agreements. In 2014, the Organisation for Economic Cooperation and Development (OECD), working with the Group of Twenty countries and other stakeholders, developed the Standard for Automatic Exchange of Financial Account Information – the Common Reporting Standard (CRS).

The CRS requires the reporting to tax authorities by certain financial institutions of information in relation to financial accounts they hold for non-resident taxpayers. This information is then automatically exchanged between tax authorities each year in order to tackle cross-border tax evasion. South Africa is an early adopter of the CRS.

The USA Foreign Account Tax Compliance Act Intergovernmental Agreement is also in force between the governments of the USA and South Africa to exchange information automatically under the provisions of the double taxation agreements between the two countries.

Role players

Auditor-General of South Africa (AGSA)

The AGSA strengthens South Africa's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

The AGSA is one of the Chapter 9 institutions mandated by the Constitution to fulfil certain functions. These institutions are not part of government and do not have a duty to be part of the mechanisms of cooperative government. The independence of the AGSA is, therefore, respected and strengthened.

As mandated by the Constitution and the Public Audit Act, 2004 (Act 25 of 2004), the AGSA is responsible for auditing national and provincial departments and administrations, all municipalities and any other institution or accounting entity required by national and provincial legislation to be audited by the AGSA.

Various business units provide auditing services, corporate services and specialised audit work, such as performance audits, information system audits and audit research and development. The AGSA also has an international auditing complement.

Financial sector

South African Reserve Bank

The primary purpose of the SARB is to achieve and maintain price stability in the interest of balanced and sustainable economic growth in South Africa. Together with other institutions, it also plays a pivotal role in ensuring financial stability. The SARB is the central bank of South Africa. It was established in 1921, in terms of a special Act of Parliament and the Currency and Banking Act, 1920 (Act 10 of 1920), which was the direct result of abnormal monetary and financial conditions that had arisen during and immediately after World War I.

The SARB is governed by the SARB Act of 1989, as amended. In terms of the Constitution, it has been given an important degree of autonomy in the execution of its duties. Since its establishment, the SARB has always had private shareholders who have limited rights. It has more than 700 shareholders. Its shares are traded on the over-the-counter share-trading facility managed by the SARB. Its operations are not motivated by a drive to return profits, but to serve the best interests of all South Africans.

The SARB's head office is in Pretoria and it has cash centres in Cape Town, Durban and Johannesburg. The SARB must submit a monthly statement of its assets and liabilities to National Treasury and an annual report to Parliament. The Governor of the SARB holds regular discussions with the Minister of Finance and appears before the Parliamentary Portfolio and other select committees on finance, from time to time.

The SARB has a unique position in the economy, as it performs various functions and duties not normally carried out by commercial banks. Although the functions of the SARB have changed and expanded over time, the formulation and implementation of monetary policy has remained one of the cornerstones of its activities.

The SARB publishes monetary policy reviews, and regular regional monetary-policy forums are held to provide a platform for discussions on monetary policy with broader stakeholders from the community.

Functions

The primary function of the SARB is to protect the value of South Africa's currency. In discharging this role, it takes responsibility for, amongst others:

- ensuring that the South African money, banking and financial system as a whole is sound, meets the requirements of the community and keeps abreast of international developments;
- assisting the South African Government, as well as other members of the economic community of southern Africa, with data relevant to the formulation and implementation of macroeconomic policy; and
- informing the South African community and all stakeholders abroad about monetary policy and the South African economic situation.

System of accommodation

The SARB's refinancing system is the main mechanism used to implement its monetary policy. Through its refinancing system, the SARB provides liquidity to banks, enabling them to meet their daily liquidity requirements. Specifically, banks are required to hold balances at the SARB worth 2.5% of their liabilities, which ensures they have adequate liquidity to settle interbank transactions.

The main instrument for providing liquidity is repo transactions, whereby the SARB lends against high-quality collateral at an interest rate – the repo rate – which is set by the Monetary Policy Committee. The repo rate is the key operational variable in the monetary-policy implementation process, affecting short-term rates throughout the financial system and transmitting from there to the economy at large.

The refinancing system also provides for supplementary and automated standing facilities to meet the banking sector's overnight liquidity needs.

Creating a liquidity requirement

The SARB creates a liquidity requirement – also known as a money market shortage – to ensure that banks seek financing at the SARB, and thereby pay the repo rate. To affect this shortage, the SARB uses a variety of tools to drain surplus liquidity. It can remove liquidity from the market by issuing debentures, or by engaging in reverse repos or FX swaps. It can also shift government's deposits from the market to the SARB.

Promoting the efficient functioning of domestic financial markets

To promote price discovery in the domestic money market, the SARB calculates the South African Benchmark Overnight Rate, which includes the overnight foreign exchange rate. The SARB also conducts surveillance on the calculation of the Johannesburg Interbank Average Rate (Jibar), which is widely used as reference rate.

Following the review of the rate setting of the Jibar and the subsequent code of conduct, additional initiatives involve the improvement and broadening of existing money-market benchmark and reference rates according to global guidelines.

The SARB, together with market participants, designed alternative interest rate benchmarks based on international best practice to broaden the set of available benchmarks and provide an alternative risk-free rate that will replace Jibar. Using historical bona fide transactions data, the benchmarks were tested and published in a feedback report. One of the benchmarks, namely ZARONIA, has been designated has the preferred successor rate for Jibar. However, there is a significant amount of work that needs to be done before a transition to the successor rate can be initiated.

The SARB also engages with other stakeholders to promote the efficient functioning of markets.

Special liquidity assistance and stability in the financial sector

In terms of its 'lender-of-last-resort', the SARB may, in certain circumstances, provide liquidity assistance to banks experiencing liquidity problems, for example to provide liquidity against a broader range of collateral as was the case in 2007. The type and conditions of emergency assistance will vary according to specific conditions and will be provided in terms of the SARB's Emergency Liquidity Assistance Policy.

Also, as part of the broader mandate of the SARB and the upcoming FSR Bill, resolution planning, crisis preparedness and monitoring systemic risks in the financial sector are priority, all aimed at protecting and enhancing financial stability, as well as to deepen South Africa's resilience to external shocks. In view of the interrelationship between price and financial system stability, the bank monitors the macro-prudential aspects of the domestic financial system. The objective of financial stability is to prevent costly disruptions in the country's financial system.

Service to government

The SARB manages the country's official gold and foreign exchange reserves. In addition, the SARB provides portfolio management, debt issuance, and custody and settlement services to government and other clients/counterparties, while also managing the inherent market and operational risks associated with these services.

Banker and adviser to government as well as funding agent

As the funding agent for government, the main services provided are administering the auctions of government bonds and Treasury bills, participating in the joint standing committees between the SARB and National Treasury, and managing the flow of funds between the exchequer account and tax and loan accounts. The SARB also acts as banker to government and as such, manages the Exchequer and Paymaster General Accounts in the books of the SARB.

Administration of exchange control

The SARB is responsible, on behalf of the Minister of Finance, for the day-to-day administration of exchange controls in South Africa.

Provision of economic and statistical services

The bank collects data and compiles economic statistics, which are then interpreted and published in its Quarterly Bulletin and other statistical releases on the SARB's website to inform the public and policy formulation.

Prudential Authority

The passing of the FSR Act, 2017 (Act 9 of 2017) marked an important milestone on the journey towards a safer and fairer financial system that is able to serve all citizens.

The Act gave effect to three important changes to the regulation of the financial sector by:

- giving the SARB an explicit mandate to maintain and enhance financial stability.
- creating a prudential regulator, the PA. The authority is responsible for regulating banks, insurers, cooperative financial institutions, financial conglomerates and certain market infrastructures.
- Establishing a market conduct regulator, which is located outside of the SARB.

The PA is a juristic person operating within the administration of the SARB and consists of four sections: Financial Conglomerate Supervision; Banking, Insurance and Financial Market Infrastructure Supervision; Risk Support; and Policy, Statistics and Industry Support.

The national payment system

The bank is responsible for overseeing the safety and soundness of the national payment system. The main aim is to reduce interbank settlement risk, with the objective of reducing the potential of a systemic risk crisis emanating from settlement default by one or more of the settlement banks. Of utmost importance to payments, is the safety, efficiency, integrity and stability of the system. Following the initial vision for the national payment system, a high-value real-time gross settlement system was implemented in 998.

This system lies at the heart of the payments ecosystem and ensures that all economic transactions in the economy reach finality through settlement in central bank money. Further the system is important in managing the liquidity positions of banks, and in practically enabling monetary policy transmission. Each day, more than R350 billion is settled safely in the core system. In value terms, the significance of the system is gauged through its turning of value equivalent to the country's GDP, every 12 to 15 days.

The bank is in the process of modernising the system, to align it with the emerging needs and technologies, including, over time, the likely use of other forms of settlement assets, including tokenization of the rand. Other efforts that are in place in relation to tokenization include Project Khokha 2, which will look at understanding the regulatory and policy implications of tokenized debentures within a decentralised financial market architecture. The SARB is also catalysing the development and implementation of a faster retail payment system, to enhance an efficient and inclusive national payment system.

It is further recognised that the payment services landscape continues to be shaped by emerging exponential technologies, such as bigtech, fintech, artificial intelligence, big data analytics, cloud computing, distributed ledgers, mobile technologies, and new form factors, such as QR codes.

These enable new technology-savvy firms to enter the payment services domain. Propelled by COVID-19 lockdown conditions and technological advancements, a gradual shift to more online digital payment services was observed, necessitating a focused and comprehensive strategy on digital payments, and a robust cyber resilience framework to promote the overall safety of the national payment system.

Further, the National Payment System Act 78 of 1998 will be amended to support access, innovation, competition and financial inclusion by introducing activity-based licensing and regulation thus allowing non-banks to offer payment services without the need to partner with a bank. Information gathered through a Fintech landscaping survey, indicate that more than 220 Fintech firms were identified in South Africa, spanning across eight categories of financial services, including digital savings and deposits, insurtech, alternative lending, capital raising and, most significantly, digital payments. This has seen new innovations that leverage crypto assets, crowdfunding, robo-advice for investments, and open banking efforts by the market using granular financial data enter the system.

Crypto assets activities remain under the spotlight, with the SARB monitoring the adoption and use of these assets for payment purposes, assessing the potential impact on the existing national payment system and determining the required/appropriate regulatory intervention. Additionally, efforts are underway to develop solutions to regularise the practice of screen scraping, paving the way for the enablement and regulation of open banking in the jurisdiction.

Banker to other banks

The bank acts as the custodian of the cash reserves that banks are legally required to hold or prefer to hold voluntarily, with the bank.

Banknotes and coins

The SARB has the sole authority to produce, issue and destroy South African currency, and is entrusted to ensure the availability and integrity of the South African rand. The Currency Management Department (CMD), is responsible for managing and overseeing the cash supply chain, from planning, distribution and issuance to destruction of cash; as well as the integrity of our currency, ensuring it is used with confidence and pride by regularly improving security features and mitigating counterfeiting. This mandate is embedded within sections 10 and 14 of the SARB Act 90 of 1989.

The CMD operates in conjunction with two subsidiaries of the SARB; the South African Mint Company (RF) Proprietary Limited, mints coins on behalf of the SARB while the South African Bank Note Company (RF) Proprietary Limited, prints banknotes on behalf of the SARB. . The legal tender status of South African banknotes and coins is derived from section 17 of the SARB Act 90 of 1989.

The SARB also ensures the availability and adequacy of banknotes and coins throughout the country, in line with section 10(1)(a)(i)–(v) of the SARB Act 90 of 1989. It is responsible for the bulk issuance and distribution of banknotes and coins, and for meeting public demand for cash. Banknotes are distributed from the SARB's three cash centres into the cash supply chain, while coin distribution has been outsourced to SBV Services. The CMD is responsible for ensuring an adequate supply of banknotes to meet seasonal demand and for the quality of banknotes in circulation.

Monetary policy

The SARB is responsible for monetary policy in South Africa. Its constitutional mandate in this regard is to protect the value of the currency in the interest of balanced and sustainable economic growth. To give effect to this mandate, the SARB uses a flexible inflation targeting framework, which aims to maintain consumer price inflation between 3% and 6%.

The SARB has expressed its preference for inflation expectations to converge towards the mid-point of the target range, so as to minimise the risk of prolonged deviations from target in the event of unexpected price shocks.

Financial market infrastructures

The PA is also responsible for the prudential supervision of market infrastructures which includes exchanges, central securities depositories, clearings houses, central counterparties and trade repositories. In 2021, licensed PA-regulated market infrastructures included five exchanges, two central securities depositories and two clearing houses.

The FSCA and the PA are working together with the National Treasury of South Africa to review the existing Financial Markets Act 19 of 2012. The Financial Markets Act 19 of 2012 is one of the primary legislations governing licensed financial market infrastructures in South Africa (excluding payment systems).

Foreign debt

South Africa's total external debt decreased from US$162.2 billion at the end of March 2023 to US$155.5 billion at the end of June. However, expressed in rand terms, South Africa's total external debt increased from R2 889 billion to R2 944 billion over the same period as the exchange value of the rand depreciated against the US dollar.

Foreign currency-denominated external debt decreased from US$90.1 billion at the end of March 2023 to US$89.1 billion at the end of June due to a repayment of loans by the private non-banking sector as well as a US$500 million international bond redemption by the domestic banking sector.

The decrease was partially countered by a US$500 million South African National Roads Agency Sustainability Loan extended to national government. Rand-denominated external debt, expressed in US dollars, decreased from US$72.1 billion at the end of March 2023 to US$66.4 billion at the end of June.

The decrease can mainly be attributed to the decrease in the US dollar value of rand-denominated external debt due to the depreciation in the exchange value of the rand and a decline in the loan liabilities of the domestic banking and private non-banking sectors. These factors were partially countered by non-residents' net purchases of bonds in the domestic capital market. South Africa's total external debt as a ratio of annual GDP16 decreased from 41.0% at the end of March 2023 to 40.7% at the end of June. The ratio of external debt to export earnings decreased from 112.3% to 111.4% over the same period.

Turnover in the South African foreign exchange market

The net average daily turnover in the South African FX market decreased by 9.7% from US$15.3 billion in the second quarter of 2023 to US$13.8 billion in the third quarter, following an increase of 4.0% in the previous quarter.

The decrease in net turnover in the third quarter could mainly be attributed to fluctuations in the exchange value of the rand. FX transactions against the rand declined from US$11.7 billion in the second quarter to US$10.2 billion in the third quarter. Transactions in third currencies decreased from US$3.7 billion in the second quarter to US$3.6 billion in the third quarter.

Net average daily counterparty participation by non-residents in the rand market decreased from US$7.3 billion in the second quarter of 2023 to US$6.3 billion in the third quarter. Monetary sector participation in the rand market decreased for a third consecutive quarter from US$1.8 billion in the second quarter of 2023 to US$1.6 billion in the third quarter, while resident participation declined from US$2.6 billion to US$2.4 billion over the same period.

Net average daily swap transactions in the rand market decreased from US$8.0 billion in the second quarter of 2023 to US$6.7 billion in the third quarter – the second consecutive quarterly decrease. Forward transactions remained unchanged from the second to the third quarter of 2023 at an average of US$1.0 billion, while spot transactions declined from US$2.7 billion to US$2.6 billion over the same period.

The decrease in net average daily turnover in third currencies could be attributed to reduced participation by non-residents from US$3.1 billion in the second quarter of 2023 to US$3.0 billion in the third quarter, while that of the monetary sector and residents averaged US$0.2 billion and US$0.4 billion respectively.

In the market for third currencies, US dollar against the euro transactions remained unchanged from the second to the third quarter of 2023 at US$1.8 billion. Similarly, US dollar against the yen transactions have remained unchanged at an average of US$0.2 billion since the fourth quarter of 2022. Transactions of the US dollar against the Swiss franc averaged US$0.2 billion from the second to the third quarter of 2023, while transactions of the US dollar against the British pound declined from US$0.8 billion to US$0.7 billion. US dollar transactions against other currencies increased marginally from US$0.3 billion to US$0.4 billion over the same period.

The microlending industry

The NCA of 2005 allows the credit market to function in a robust and effective manner. The Act replaced the Usury Act, 1968 (Act 73 of 1968), and the Credit Agreements Act, 1980 (Act 75 of 1980). It regulates the granting of consumer credit by all credit providers, including micro lenders, banks and retailers.

The NCR and the National Consumer Tribunal play a vital role in ensuring enforcement, promoting access to redress and adjudicating contraventions of the Act. Out of a population of over 54 million, South Africa has over 18 million credit-active consumers.

The NCR is responsible for regulating the South African credit industry. Its mandate includes:

- carrying out education, research and policy development;
- registering industry participants;
- investigating complaints; and
- ensuring that the Act is enforced.

In terms of the Act, the NCR has to promote the development of an accessible credit market to meet the needs of people who were previously disadvantaged, earn a low income or live in remote, isolated or low-density communities.

The National Consumer Tribunal adjudicates various applications and hears cases against those who contravene the Act. The Act provides for the registration of debt counsellors to assist over-indebted consumers. Debt counsellors are required to undergo training approved by the NCR through approved training service providers appointed by the regulator.