SOUTH AFRICA

Yearbook

2021/22

Finance and Economy

Finance and Economy

The economy grew by an estimated 4.8% in 2021 compared with the 5.1% projected in the 2021 Medium Term Budget Policy Statement (MTBPS). The downward revision reflects a sharp third-quarter contraction driven by a new wave of COVID-19, the outbreak of public violence in July 2021, heightened global uncertainty and modest growth expectations for the fourth quarter following renewed power cuts.

Nevertheless, the growth outlook for 2022 has improved slightly since the 2021 MTBPS. Structural constraints have reduced potential economic growth for the past decade and remain an impediment to the recovery. During 2021, the economic effects of the pandemic – lost jobs and delayed investments – were exacerbated by inadequate electricity supply, with the highest levels of load-shedding to date.

There are signs that this combination of factors has led to scarring – defined as medium-term economic performance below pre-pandemic projections. Higher global inflation, monetary policy adjustments, commodity price changes and emerging geopolitical risks also contribute to elevated uncertainty over the medium term. The initial recovery in economic growth during 2021 was not matched by higher employment or investment, and the slow take-up of vaccinations leaves the country vulnerable to new waves of COVID-19 infections. Real GDP growth of 2.1% was projected for 2022, and growth is projected to average 1.8% over the next three years.

Government's previously announced economic reforms are under way, though at an uneven pace. More rapid implementation of these reforms, complemented by fiscal consolidation to provide a stable foundation for growth, will ease investor concerns about South Africa, and support a faster recovery and higher levels of economic growth over the long term. Reducing regulatory constraints, providing effective services, and coordinating and sequencing economic interventions will bolster public and private investment, which will, in turn, increase resilience and support economic transformation.

Economic reconstruction and recovery

As South Africa begins to emerge from the shadow of the COVID-19 pandemic, it confronts deep-rooted social and economic problems. Foremost among these are the crises of poverty and unemployment. The Economic Reconstruction and Recovery Plan, announced in October 2020, includes a comprehensive health response to save lives and curb the spread of the pandemic; interventions to restore economic activity while controlling the health risks; and reforms to support a sustainable, resilient and inclusive economy.

It was developed through extensive consultations between government, business, labour and civil society. In the short term, the plan focuses on high-impact reforms – speeding up the expansion of electricity generation; creating jobs to sustain livelihoods; rolling out infrastructure aligned with the National Development Plan (NDP); and supporting manufacturing, localisation and beneficiation. The measures will be taken to rebuild confidence, kick-start the economy and continue to mitigate the effects of the pandemic. Structural reforms will also promote faster, more inclusive growth and employment over the medium to long term.

The economy began to bounce back from the pandemic lockdowns in 202, but the recovery weakened in the second half of the year. GDP growth is expected to average 1.8% over the next three years. Significant risks to the outlook include the emergence of new COVID-19 variants in the context of low vaccination levels, rising global inflation, and continued disruptions to power supply.

Longstanding structural constraints entrench South Africa's high levels of poverty and unemployment. Government continues to advance a multifaceted strategy to achieve higher and sustained economic growth rates. These reforms are intended to build private-sector confidence and investment. The combined impact of structural reforms, support for small business and new infrastructure investment will enable higher rates of growth and job creation over the long term. Over the next three years, government will introduce additional measures to improve the delivery of public infrastructure and attract private capital.

Over the medium term, government will devote considerable attention to strengthening the fight against corruption flowing from the reports of the State Capture Commission, cutting red tape for small businesses and strengthening the green transition. In line with government's international and domestic commitments to climate change adaptation and mitigation, National Treasury plans to pilot a climate budget tagging methodology, which can inform future spending priorities and budget reforms.

Operation Vulindlela

Operation Vulindlela, a joint initiative of The Presidency and National Treasury, is accelerating implementation of the Economic Reconstruction and Recovery Plan by accelerating priority structural reforms. It is based on similar delivery unit initiatives in countries such as the United Kingdom and Malaysia, as well as lessons learnt in South Africa.

The initiative is staffed by a full-time technical team that draws on additional expertise and capacity in the public and private sectors. The team is expected to assist the economic cluster, Cabinet and the President to coordinate and accelerate the implementation of a limited number of priority reforms.

Government, through Operation Vulindlela, has made progress on several key reforms outlined in its October 2020 economic recovery plan. The amendment of Schedule 2 of the Electricity Regulation Act, 2006 (Act 4 of 2006), raising the licensing threshold from 1 to 100 megawatts (MW), has made it possible for private power generators to sell directly to customers. This will reduce pressure on the national grid and alleviate the risk of power cuts. The pace and scale of private generation will largely depend on the ease of the National Energy Regulator of South Africa registration process, which needs to be streamlined. Amended regulations also enable municipalities to self-generate or procure power directly from independent power producers. Over the longer term, creating a competitive energy market will help contain the costs of generating electricity and support GDP growth. Government has announced the corporatisation of the Transnet National Ports Authority as an independent subsidiary of Transnet and appointed an interim board. The separation of port infrastructure and operations will create incentives for efficiency and competitiveness between port service providers – reducing delays, improving services and introducing cost discipline.

However, critical reforms in the telecommunications space have been delayed, constraining innovation and access to better-priced data. These reforms include the release of spectrum through an auction and digital migration, delayed due to recent legal challenges launched by mobile operators. In addition, the Independent Communications Authority of South Africa's possible recall of temporary spectrum at the end of November will affect the quality of digital services for those working from home and leave millions of households without free access to educational and health websites. Government assigned this spectrum in April 2020 to alleviate pressure on digital services in light of the COVID-19 lockdowns.

The durability of the recovery will depend on the implementation of a broad range of structural reforms that inspire confidence and create an enabling environment for accelerating and sustaining economic activity. In the context of limited fiscal space, reforms that require little budgetary support – including regulatory reforms that enhance competition – are being prioritised.

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 four 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 conference has drawn delegates from South Africa and the rest of the world with the objective of showcasing the investment opportunities available in the country. To date, the SAIC has attracted more than R1.14 trillion worth of investment commitments.

As South Africa seeks to recover from the economic challenges exacerbated by the COVID-19 pandemic, tackling unemployment, poverty and inequality among others remains a key priority for government.

The fourth SAIC, which took place on 24 March 2022, built on the successes of the previous editions, successfully showcasing the strengths and competitive advantages that South Africa offers and why the country is an ideal investment destination for local as well international investors looking for a foothold into the rest of Africa.

Economic indicators

Domestic outlook

National Treasury projected real economic growth of 4.8% in 2021 and 2.1% in 2022, compared with 2021 MTBPS estimates of 5.1% and 1.8%, respectively. Real GDP growth is expected to moderate to 1.7% in 2024. Although South Africa is still expected to return to pre-pandemic production levels this year, it is important to note that the economy was in recession before the outbreak of the pandemic – largely due to the impact of existing structural constraints.

Global uncertainties and an uneven domestic recovery will weigh on the economic outlook over the medium term. While the outlook for 2022 has been revised upward, persistent structural constraints continue to inhibit the pace of the recovery from COVID-19 and longer-term growth. Accelerated implementation of reforms is necessary to create jobs and encourage investment over the medium term.

Household consumption

Household spending is estimated to have grown by 5.6% in 2021, following a contraction of 6.5% in 2020. Spending levels were recovering until July, but fell in response to the public violence, and remain below pre-pandemic levels. Consumer confidence declined, and retail operations and supply chains were severely affected.

Household consumption is expected to grow by 2.5% in 2022. Over the next three years, it is supported by sustained growth in private-sector wages, growth in household credit extension and relatively low borrowing costs. Consumption is supported in the near term by the extension of the special COVID-19 social relief of distress grant in 2022/23, and a relatively mild fourth wave of infections followed by further easing of COVID-19 restrictions at the end of 2021. Nonetheless, a weak employment outlook and higher inflation are likely to limit the pace of recovery in 2022. Sustained GDP growth and job creation are needed for higher consumption.

Global outlook

After the resurgence of COVID-19 infections towards the end of 2021, the International Monetary Fund (IMF) lowered its expectation for global growth in 2022 from 4.9 to 4.4%. Alongside new restrictions, elevated inflation, withdrawal of the US fiscal support package and the consequences of volatility in China's troubled real-estate sector have reduced growth projections.

A key risk is that new COVID-19 variants will prolong the pandemic and disrupt economic activity. Vaccination rates in developing countries are much lower than in their developed counterparts, and the emergence of new variants increases global vulnerability. There remains a high degree of uncertainty over the trajectory of the virus and policy responses.

The shape of the global recovery has exacerbated inequality across countries and sectors. By the end of 2022, developed countries will have returned to pre-pandemic output levels, but developing countries will not have fully recovered. In many cases, employment continues to recover more slowly than GDP.

Inflation is proving more persistent than expected, particularly in the United States, as a result of disruptions to global supply chains and rising energy costs. In developed countries, consumer price inflation is expected to rise from 3.1%in 2021 to 3.9%in 2022. As supply imbalances diminish and monetary policy changes take effect, inflationary pressures are expected to start dissipating in 2023. In developing countries, consumer price inflation is expected to rise marginally from 5.7%to 5.9%in 2022, before falling to 4.7%in 2023. Prices in global equity markets declined towards the end of 2021 amid higher expected real interest rates, but remain relatively high as a result of strong corporate earnings.

The IMF expects earnings to surpass pre-pandemic levels in most sectors in 2022. In 2021, global bond yields rose broadly in response to mounting inflation and expectations of tightening monetary policy. Low yields in developing countries have been supported by accommodative monetary policy in developed countries. As developed countries begin to raise interest rates, this will reverse. The US dollar strengthened significantly in 2021 on expectations that the Federal Reserve would raise interest rates, reinforcing rand depreciation that began in mid-2021.

Capital flows to developing economies, excluding China, have declined, posing a particular threat to highly indebted countries. Government debt-to-GDP levels in developing economies rose from 54% at the end of 2019 to 63% by the end of 2021. Tightening financial conditions put these economies at risk of financial stress and could slow their recovery.

While some major commodity prices declined during the second half of 2021, prices remain above pre-pandemic levels (final quarter of 2019) providing further support to commodity exporters. In the near term, a further easing in iron ore, platinum and palladium prices is expected. Conversely, oil and coal prices are expected to continue to increase in response to the recovery in demand. Over the longer term, easing coal and iron ore prices are expected to offset gradually rising precious metal prices.

Investment

Gross fixed-capital formation contracted in the third quarter of 2021. As a result, investment remains about R84.6 billion below pre-pandemic levels – with private investment, the largest component of fixed-capital formation, accounting for 84% of the shortfall. Renewed investment in fixed capital is vital to economic recovery and growth. Higher and more effective public-sector investment, specifically in network industries such as transport and energy, is needed to catalyse a sustained recovery.

Structural constraints, weak demand and low confidence are expected to weigh on private investment prospects in the short to medium term. As government stabilises and reduces its debt, real interest rates are likely to decline, creating more space for private investment. The rollout of energy infrastructure planned through the Renewable Independent Power Producer Programme, embedded generation projects and investment in bulk infrastructure will support both public and private investment over the medium term. The implementation of outstanding policy initiatives, energy investments and a gradual improvement in confidence will boost investment in 2022 and 2023.

In 2021, government welcomed car maker Ford's investment into the South African economy. The new Ford investment at the manufacturer's Silverton plant, when completed, will pump R1.3 billion in wages and salaries annually into the economy. The R16 billion in investment is expected to cover expansion of the Ford assembly plant in phases to reach a capacity to assemble 200 000 vehicles locally, principally centred on the new Ford Ranger bakkie.
An anticipated 1 200 jobs will be created in the Ford plant with thousands of additional jobs at suppliers to the company.
The company has been in negotiation with the Department of Trade, Industry and Competition on the expansion of the plant, making it one of the largest Ford Ranger plants outside of the United States of America.

Credit rating

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.

Inflation

Headline inflation is projected at 4.8% in 2022 and 4.4%in 2023. Food and energy prices – especially municipal rates from rising electricity prices, high domestic food inflation and elevated fuel prices – are expected to be the key sources of inflationary pressure in 2022.

Fuel prices were up 40.4% in the year to December 2021 owing to higher global crude oil prices. Fuel prices are expected to ease during 2022, but remain elevated and above the 2019 average price level. Global supply- demand imbalances triggered an acceleration in the price of raw materials and intermediate inputs, which will continue to put upward pressure on consumer inflation. Medium-term risks to the inflation outlook are to the upside, primarily as a result of price pressures from food and non-alcoholic beverages, along with petrol, energy and other administered prices. Although the forecast assumes 2022 and 2023 electricity prices rise in line with Eskom's application for a tariff increase in 2022/23, there is a risk that electricity inflation may exceed the assumption due to increasing costs of ensuring electricity supply.

Government expenditure

Total consolidated government spending is expected to grow at an average annual rate of 3.2%, from R2.08 trillion in 2021/22 to R2.28 trillion in 2024/25. The social wage will make up 59.4%of total non-interest spending over this period. Economic development and community development grow faster than other functions at 8.5% and 7.9% respectively.

This is mainly due to the allocation of additional funding to address the backlog in the rehabilitation of the non-toll road network and to the local government equitable share to cover shortfalls from bulk services that cannot be recovered through charges to poor households. Spending in other functions grows marginally or contracts, mainly due to downward revisions to spending implemented in the 2021 budget, or once-off allocations made in 2021/22 and 2022/23.

Debt-service costs will average R333.4 billion annually over the MTEF period. At 10.7%, they grow faster than any function.

Current payments form the largest share (60.4%) of the budget. Compensation of employees is the biggest cost driver in this category, and the second-largest spending item after transfers and subsidies. It will increase at an average annual rate of 1.8%, from R665.1 billion in 2021/22 to R702 billion in 2024/25. Departments remain responsible for budgeting within their compensation ceilings.

Transfers and subsidies constitute 33.4%of the budget, with the bulk of these transfers funding social grants. The three-year allocation of R76.9 billion for payments for financial assets is mainly for the recapitalisation of Eskom and the Land Bank.

Financing strategy

Government aims to finance its borrowing at the lowest possible cost within a set of strategic risk benchmarks. Within this financing strategy, government determines the best mix of debt instruments and maturities to finance the gross borrowing requirement, while minimising refinancing risk, currency risk and overall borrowing costs.

In 2021/22, the gross borrowing requirement was financed through a combination of domestic short- and long-term loans, foreign-currency loans and cash balances. Government continued its bond-switch programme – exchanging shorter-dated bonds for longer ones – to reduce refinancing risk and manage the large number of short-term redemptions falling due. In addition, government accessed lower-cost funding from international financing institutions.

Government continues to develop South Africa's capital market and ensure a diversified portfolio of instruments. A floating rate note and domestic rand-denominated sukuk (Islamic bond) remain part of the funding strategy. To promote domestic savings, a South African retail savings top-up bond will be offered to the public in April 2022. Individuals and informal groups can invest from R500 and top up in increments of R100 in this low-risk, accessible and competitive three-year bond.

Trade, Industry and Competition

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 with the development and implementation of various sectoral master plans as part of the Reimagined Industrial Strategy, which presents a multipronged approach to industrial development with emphasis on building partnerships with the private sector to secure job-creating investment. This will entail a focus on providing industrial finance, developing industrial infrastructure, and enhancing competition oversight to support the implementation of key interventions of South Africa's economic reconstruction and recovery plan.

Providing industrial finance

In support of the ERRP, initiatives in the Industrial Financing programme are aimed at growing sustainable and competitive enterprises through providing direct or indirect access to industrial financing.

Over the period ahead, the dtic will continue to provide 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 51.6% (R7.6 billion) of the Industrial Financing programme's budget over the medium term. The department will also provide financial assistance or support through the clothing and textiles competitiveness programme, which has a budget of R1.8 billion over the medium term in the Industrial Policy programme. It expects to provide financial assistance or support to 404 clothing and textile firms.

Developing industrial infrastructure

A critical part of the ERRP includes interventions to build catalysts for investment through infrastructure development. Support for infrastructure investment is provided mainly through the Industrial Financing programme, and includes the development of special economic zones (SEZs) and the roll-out of infrastructure within industrial parks, with 12 parks set to be revitalised over the medium term in support of the District Development Model.

"The Infrastructure Investment Support subprogramme is allocated R5.3 billion over the medium term, increasing at an average annual rate of 0.4%, from R1.76 billion in 2021/22 to R1.79 billion in 2024/25. Of this, R4.6 billion is allocated for SEZs, R359.6 million for critical bulk infrastructure such as water, electricity and sewerage connections, and R424.6 million for industrial parks.

Legislation

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

- Broad-Based Black Economic Empowerment (BBBEE) 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).

Budget

For the 2021/22 financial year, the dtic was allocated R11.8 billion. The department received additional allocations amounting to R2.1 billion in 2021/22. Of this amount, R800 million was to create work opportunities through the presidential employment initiative, and R1.3 billion was to respond to the social unrest in July 2021 and the negative impact of the COVID-19 pandemic.

As a result of this high baseline, spending in the Industrial Financing programme is expected to decrease at an average annual rate of 4.8%, from R6.2 billion in 2021/22 to R5.4 billion in 2024/25. Allocations to the programme account for an estimated 49.3% (R15.5 billion) of the department's expenditure over the MTEF period, mainly to fund incentive programmes. The department's total expenditure is expected to decrease at an average annual rate of 3.7%, from R11.8 billion in 2021/22 to R10.6 billion in 2024/25.

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 will continue to focus on modernising its information and communications technology (ICT) systems to make services such as company registration and the submission of annual returns easier. These improved capabilities are expected to create a reputable business environment by effectively regulating the behaviour of companies and the intellectual property system, protecting intellectual property, increasing knowledge and awareness of intellectual property rights, and promoting compliance with company law and relevant legislation.

The ICT Modernisation Project accounts for an estimated 11.2% (R240 million) of the commission's total expenditure over the medium term. Of this amount, R192 million is provided for maintaining secure, accurate, and accessible registration services for companies and intellectual property; and R9.8 million for training and mentoring personnel to use the system more effectively to handle queries and develop capabilities in intellectual property services.

Companies Tribunal

In its contribution to the creation of a just, fair and ethical regulatory business environment, in line with the Companies Act of 2008, the Companies Tribunal facilitates the resolution of company disputes through mediation, conciliation and arbitration. Through this work, the tribunal aims to support sustainable enterprise development and a business environment that attracts investment.

Over the medium term, it will continue to facilitate the resolution of company disputes through mediation, conciliation and arbitration, thereby contributing to the creation of a just, fair and ethical regulatory business environment. The entity will further focus on improving the case management system to enable better interaction between tribunal members and clients while allowing for cases to be managed more efficiently. As a result, the number of cases is expected to increase from 27% in 2021/22 to 60% in 2024/25.

Competition Commission

The Competition Commission 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 will focus on strengthening its internal capacity to enable it to execute its expanded mandate, which includes the prosecution and criminalisation of certain offences in terms of the Competition Amendment Act of 2018. One way in which it plans to begin doing this is by reviewing its organisational structure to ensure that it is aligned with its expanded mandate in terms of amendments to the Act, and the new strategy arising from there.

The commission has a large load of complex cases and many respondents contest proceedings, which places pressure on its personnel. As the commission seeks to strengthen its internal capacity to cope with these demands, spending on compensation of employees is expected to increase at an average annual rate of 3.9%, from R293.5 million in 2021/22 to R329.2 million in 2022/23. This accounts for an estimated 59.9% (R945.8 million) of spending over the medium term. Total expenditure is expected to increase at an average annual rate of 4.1%, from R479.8 million in 2021/22 to R542.1 million in 2024/25.

Competition Tribunal

The Competition Tribunal adjudicates all large corporate mergers and allegations of restrictive practices brought before the tribunal by the Competition Commission and other interested parties. Its quasi-judicial nature prevents it from setting proactive objectives or embarking on focused interventions that target any sector or emphasise any specific criteria in its decision-making.

As such, the tribunal's caseload is determined by complaint referrals and notified mergers, and each case is adjudicated on its merits.

Over the medium term, the tribunal will focus on continuing to provide responsive and reliable adjudication services to deal with the cases brought before it. Expenditure in this regard is expected to comprise 49.7% (R92.3 million) of total estimated spending over the medium term. To strengthen organisational capacity to deliver on its mandate of holding hearings and adjudicating matters and educating and creating awareness among stakeholders on matters relating to competition, the tribunal plans to fill 6 vacant posts over the period ahead. Accordingly, compensation of employees is expected to account for 65.7% (R121.3 million) of total expenditure, increasing at an average annual rate of 4.4%.

Export Credit Insurance Corporation

The Export Credit Insurance Corporation was established in terms of the Export Credit and Foreign Investments Insurance Act, 1957 (Act 78 of 1957), to facilitate and encourage South Africa's export trade by underwriting export credit loans and investments outside South Africa.

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

Over the medium term, the corporation will focus on proactively attracting business from new and existing customers to facilitate more exports and cross-border investments, with the value of projects planned for approval amounting to US$1.68 billion (about R25.6 billion). In its efforts to achieve this target while contributing to increased sustainability and stakeholder satisfaction, the corporation aims to maintain a competent and competitive workforce, enhance and automate key business processes and systems, and pursue good governance, transformation and sound risk management practices.

The corporation's four-year ICT strategic plan (2020/21 to 2023/24) seeks to digitally transform the business. In this regard, R10.8 million is allocated towards the automation of 46 identified business processes in the areas of human capital management, risk and compliance, finance management, procurement management, contract management, customer relationship management, underwriting, portfolio management and investment management.

Industrial Development Corporation

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

Over the medium term, the corporation plans to continue to contribute to job creation and an inclusive economy by facilitating investment of more than R100 billion. Of this amount, R48.7 billion will be provided directly to black industrialists; and R12.9 billion is earmarked for companies owned by historically disadvantaged groups, particularly women and young entrepreneurs. This funding is aimed at supporting businesses operating in targeted industries and special economic zones, and that enable 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.

Small Enterprise Finance Agency

The Small Enterprise Finance Agency was established in April 2012. It combines the small business operations of Khula Enterprise Finance, the South African Micro-Finance Apex Fund and the small business component of the IDC. The agency is a wholly owned subsidiary of the IDC and derives its mandate from the Industrial Development Act of 1940, particularly the objectives related to the development of small, medium and micro enterprises (SMMEs).

Over the medium term, the agency will focus on implementing economic recovery programmes, and will continue to manage COVID-19 relief programmes such as the SMME Debt Relief Fund and the Business Growth/Resilience Facility. As a result, the agency expects to approve R6.3 billion in finance over the period ahead for SMMEs and cooperatives and disburse R5.1 billion.

In August 2021, Cabinet approved the incorporation of the Small Enterprise Finance and Cooperative Banks Development Agency into the Small Enterprise Development Agency (SEDA). The merger of these entities will enable integrated government support to small, medium and micro enterprises as well as cooperatives with effect from April 2022.

A proposed single agency will provide both financial and non-financial support to these businesses. By pooling all the resources together, the agency will be more impactful and accessible in all districts and metros.

The approved incorporation will result in the reclassification of the SEDA (which will be renamed later) in terms of the Public Finance Management Act, 1999 (Act 1 of 1999), from a Schedule 3A to a Schedule 2 entity.

International Trade Administration Commission (ITAC)

The ITAC was established through the International Trade Administration Act of 2002. The aim of the commission is to foster economic growth and development, raise income levels, and promote investment and employment in South Africa and the Southern African Customs Union (SACU) area, by establishing an 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 key strategic objectives are to ensure appropriate contribution to growth and development, and provide continued support to the dtic and government 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 with the objective of promoting domestic manufacturing activity, employment retention and creation, and international competitiveness.

In carrying out its duties, the commission plans to issue 8 000 import and 8 000 export permits, conduct 40 container inspections and initiate investigations on 70% of new anti-dumping cases in each year over the medium term.

National Consumer Commission

The National Consumer Commission was established in terms of Section 85 of the Consumer Protection Act of 2008, with jurisdiction across South Africa. The commission aims to conduct investigations against suppliers allegedly engaging in prohibited conduct; promote the resolution of disputes between consumers and suppliers; and promote compliance with the Act through advocacy, education and awareness.

Over the medium term, the commission will 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 will also seek to facilitate the resolution of disputes between consumers and suppliers in a speedy, cost-effective, fair and transparent manner.

National Consumer Tribunal

The National Consumer Tribunal was established as an independent adjudicative entity in terms of the National Credit Act (NCA), 2005 (Act 34 of 2005). It is mandated to review decisions made by the National Credit Regulator (NCR) and the National Consumer Commission, and adjudicate on applications and referrals in terms of NCA of 2005 and the Consumer Protection Act of 2008.

Various parties can bring cases before the tribunal, including the National Credit Regulator, the National Consumer Commission, consumers, credit providers, debt counsellors and credit bureaus. The tribunal may impose remedies and/or administrative penalties, as provided for in the Acts.

Over the medium term, the tribunal will continue to focus on the adjudication of cases and manage the expected increase in its caseload from a forecast of 28 250 cases in 2021/22 to 30 250 cases by 2024/25. As the entity implements the provisions of the National Credit Amendment Act (2014), it anticipates receiving 50 000 debt- relief intervention applications annually. Despite the expected increase in the number of cases, the commission still plans to reduce the average number of days it takes from the date of complete filing of debt rearra gement agreements to the date of issuing order to filing parties per year from 65 in 2021/22 to 55 in 2024/25.

National Credit Regulator

The NCR was established in terms of Section 12 of the National Credit Amendment Act, 2019 (Act 7 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 persons, 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 and investigating complaints; enforcing the National Credit Act (2005); and assisting consumers who qualify for debt relief interventions.

To achieve this, the regulator plans to conduct 1 420 investigations into the cost of credit, with the target of up to 90% enforcement action to be taken for noncompliance; and conduct 1 330 investigations into reckless lending and/or collection of prescribed debt, with the target of up to 85% enforcement action to be taken for noncompliance. The regulator also plans to conduct 690 and 150 consumer education and awareness campaigns on consumer rights and deceptive and unfair practices, respectively; and to register 99% of applications within 6 business days of receipt of signed proposed conditions and payment of registration fees.

National Empowerment Fund

The fund 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 BEE. The fund has five core divisions, namely SMMEs, rural development, venture capital, corporate finance and women-empowerment funds.

Funding approvals are projected to increase from R800 million in 2021/22 to R1.2 billion in 2024/25, driven mainly by the uMnotho Fund, the iMbewu Fund, the Rural and Community Development Fund, the Strategic Projects Fund and the Women Empowerment Fund. These funds are expected to support 11 251 job opportunities over the period ahead through prioritising businesses in the manufacturing, agro-processing, minerals beneficiation, infrastructure and tourism sectors.

National Gambling Board (NGB)

The National Gambling Board is mandated to maintain a legal, safe and crime-free gambling environment, and protect gamblers from being exploited. 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 broad-based public education and awareness campaigns about the dangers of gambling.

Over the medium term, the board will focus on coordinating activities such as the development of policy and regulations between the national and provincial spheres of government to establish uniform norms and standards for the gambling industry.

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 integrity of the national lottery is carried out with all due proprietary, protection of player participation and ensuring that the distribution for good causes are impacting the communities.

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

The National Regulator for Compulsory Specifications was established in terms of the Measurement Units and Measurement Standards Act of 2006, to administer compulsory specifications, otherwise known as technical regulations. The regulator aims to protect the health and safety of the public and the environment by administering and maintaining compulsory specifications, implementing a regulatory and compliance system, and engaging in market surveillance to ensure compliance.

Over the medium term, the regulator will continue to implement the processed meat compulsory specification for regulating the processed meat market by conducting regular inspections in the sector. In this regard, an estimated 2 123 inspections will be conducted in each year over the medium term on locally produced frozen products, and fishery and canned meat processing factories and vessels.

South African Bureau of Standards

The South African Bureau of Standards 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 bureau will continue to revitalise testing operations and facilities in targeted areas such as the cement sector, radiation protection services and the automotive industry. The bureau will also ensure that standard development processes are improved to enable industrialisation and faster turnaround times, particularly to support the implementation of the local verification programme.

South African National Accreditation System

The South African National Accreditation System 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 entity will focus on strengthening accreditation effectiveness to support local manufacturing and improve access to export markets by helping South African firms to meet increasingly demanding conformity assessment requirements

> The 2021 Annual Front Office Business Process Outsourcing (BPO) Omnibus Survey ranked South Africa first in the world as a destination for BPO. The survey was extended to over 600 executives from eight key sourcing markets, including Australia, Canada, France, Germany, Italy, Spain, the United Kingdom and the USA.
>
> It affirms the proactive work of government and the sector in building the country's BPO capacity, with a strong growth in call centres, technical support, and back and front office services for major multinational and South African firms.
>
> The country's sophisticated digital infrastructure, skilled workforce, knowledge in technology and financial services, and proficiency in English, continue to make it an attractive destination for BPO.

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 Bhisho, the province's capital and King William's Town. It was one of the first IDZs in South Africa to become operational and represents an ideal choice for the location of exported manufacturing and processing. Its location provides investors with connections to major markets both locally and across the globe.
- The Saldanha Bay IDZ in the Western Cape is expected to serve as the primary oil, gas and marine repair engineering and logistics services complex in Africa, servicing the needs of the upstream oil exploration industry and production service companies operating in the oil and gas fields off sub-Saharan Africa. Situated approximately two hours north of Cape Town, the IDZ will include logistics, repairs and maintenance, as well as fabrication activities.
- The Dube TradePort is a catalyst for global trade and a portal between KwaZulu-Natal and the world. It is the only facility in Africa that brings together an international airport, a cargo terminal, warehousing, offices, a retail sector, hotels and an agricultural area. Located 30 km north of Durban, 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

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

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

The objectives of the incentive scheme are to:

- draw existing SMMEs exhibiting potential for growth into the mainstream economy;
- grow black-owned enterprises by fostering linkages between black SMMEs and corporate and public-sector enterprises;
- complement current affirmative procurement and outsourcing initiatives of corporate and public-sector enterprises; 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 BBBEE 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 2022 WEF was held from 22 to 26 May in Davos Switzerland. Human Settlements Minister and Cabinet's Economic Cluster Head Mmamoloko Kubayi led the South African delegate at the annual meeting. The team's primary focus was to promote South Africa as an attractive investment destination.

The meeting provided an opportunity for government to share an update on the Economic Reconstruction and Recovery Plan, promote the country's economic reforms, and advance important public-private partnerships to support the country's development objectives.

Team South Africa also focused on:

- unpacking government's priorities for supporting higher levels of economic growth through areas such as infrastructure and industrial growth;
- outlining the country's commitment to higher economic growth by committing to faster implementation of structural reforms through Operation Vulindlela;
- committing to addressing climate change, the green economy and transitioning to lower carbon emissions;
- committing to deepening economic cooperation in Africa and globally, and simulating trade; and
- implementing reforms that will support the ease of doing business, such as reducing data costs and one-stop shops for setting up businesses.

The 2022 event convened at the most consequential geopolitical and geo-economic moment of the past three decades and against the backdrop of a once-in-a-century pandemic. The meeting brought together over 2 000 leaders and experts from around the world, all committed to a "Davos Spirit" of improving the state of the world.

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.

Budget

The DPE's budget for the 2021/22 financial year was R39.2 billion. Total expenditure is expected to decrease at an average annual rate of 79.5%, from R36.2 billion in 2021/22 to R310.9 million in 2024/25. This is due to substantial allocations made to Eskom (R31.7 billion), South African Airways (R4.3 billion) and Denel (R3.0 billion) in 2021/22 for the settlement of debt and interest.

Payments for financial assets account for 98.2% (R23.6 billion) of total expenditure over the period ahead. These include additional amounts of R21.9 billion for Eskom and R1.8 billion for South African Airways in 2022/23. Compensation of employees is the department's second-largest expenditure item, increasing at an average annual rate of 5.8%, from R159 million in 2021/22 to R188.1 million in 2024/25. To ensure that the department remains within the expenditure ceiling for compensation of employees over the medium term, only critical vacant posts, will be filled.

State-owned companies

The operational and financial health of many state-owned companies continues to decline. Over the past 12 months, several have missed their capital investment and loan disbursement targets. A number of these companies do not have sustainable business models and cannot continue to operate or honour their obligations without state support, draining scarce resources from social and economic programmes.

Investors have increasingly expressed an unwillingness to extend capital to such entities without government guarantees, leaving many state-owned companies at risk of defaulting on their debts. At the same time, the COVID-19 pandemic and associated lockdowns have reduced operational income and slowed restructuring plans.

To reduce their demands on limited public resources, SOCs need to develop and implement sustainable turnaround plans that align with their mandates, incorporate long-term structural considerations in their sectors and identify appropriate funding models. The Presidential State-Owned Enterprises Council is developing a new approach to government's management of these companies: some will be retained, while others may be disposed of or consolidated. The future SOCs will be informed by the value they create and whether they can be run in a sustainable manner.

In 2022/23, National Treasury will publish a framework outlining the criteria for government funding of SOCs. Government will guide and support credible restructuring plans. Guaranteed debt continues to have the full backing of government.

Alexkor

Alexkor mines diamonds in the Alexander Bay area, including marine mining and land mining. Alexkor was established in terms of the Alexkor Limited Act, 1992 (Act 116 of 1992), to mine marine and land diamonds in Alexander Bay. The company holds a 51% share in the Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture.

Over the medium term, the company will focus on expanding its diamond-mining operations. Although Alexkor mined more than 28 000 carats per year in 2019/20 and 2020/21, production did not increase year-on-year. Due to a lack of geological information and the relatively low carat value of its diamonds, particularly land-based ones, the joint venture struggled to attract investment.

To increase revenue, Alexkor acquired a licence to sell and market diamonds through the State Diamond Trader in November 2021. The DPE's immediate focus is to review Alexkor's operations to ensure it becomes sustainable. A service provider is expected to be appointed by the beginning of 2022/23 to help determine an optimal operating model for the State's mineral assets. Alexkor's liquidity has improved due to the settlement of significant obligations and reduced personnel costs. The company is solvent and does not have long-term debt, which has reduced its risk assessment as a going concern.

Denel

Denel was incorporated as a private company in 1992, 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 restructuring, which entails optimising its cost structure and implementing its new operating business model to better position it for future sustainability. The new operating model reduces Denel's structure from six core business units to three – 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 entity's 2021/22 balance sheet shows that it continues to face liquidity and solvency challenges. It does not have sufficient cash to meet operational requirements, including the payment of salaries and suppliers. This has resulted in core business units operating at an average capacity of less than 30%. Denel has lost experienced personnel with critical skills, which threatens the sustainability of various defence industrial capabilities.

Government has allocated the military and aerospace equipment manufacturer R3 billion to cover capital and interest payments on guaranteed debt. Broader alignment is required between the Department of Defence, the DPE, National Treasury and other relevant stakeholders to agree on Denel's future.

This will enable Denel to implement its strategic plan to consolidate operations, dispose of non-core assets and move ahead with identified strategic equity partnerships.

Eskom

Eskom is governed by the Eskom Conversion Act, 2001 (Act 13 of 2001), and is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Significant progress has been made on the unbundling of 3 subsidiaries: transmission, generation and distribution. The transmission division was corporatized in 2021/22, and the generation and distribution divisions are expected to be corporatised in 2022/23.

Eskom continues to rely on government guarantees and equity injections to finance its operations. At 64%, Eskom's generation performance was poor in 2021/22, mainly due to a 27% incidence of unplanned plant breakdowns. Delayed and inadequate maintenance has resulted in deteriorating and unreliable performance, leading to higher maintenance costs. The Eskom Board cancelled its Short-Term Power Purchasers Programme – which aims to procure power from existing facilities with excess capacity, enabled through short-term contracts – because the regulator granted approval for cost recovery for only one of the three years applied for. This increased Eskom's financial risk due to tariff uncertainty. Eskom continues to focus on improving generation performance and reducing load-shedding.

By 31 March 2021, Eskom had used R281.6 billion of its R350 billion government guarantee facility, with another R7 billion committed. As Eskom redeems some of its maturing debt, it creates space within the limits of the facility. Taking into account redemptions over the period, the Minister of Finance approved a special dispensation to allow the utility to access additional guaranteed debt of R42 billion in 2021/22 and R25 billion in 2022/23, which is still within these limits. Meanwhile, government has provided Eskom with equity support of R31.7 billion in 2021/22.

Although Eskom has registered its transmission unit as a subsidiary with the Companies and Intellectual Property Commission, it missed its deadline of 31 December 2021 to complete the legal separation of this unit, in part because lenders have not yet approved the proposed restructuring. The generation and distribution entities are expected to complete legal separation by 31 December 2022. Eskom has prepared financial statements for the three entities and has applied to the regulator for a transmission licence.

To improve maintenance at power stations and ensure the availability of power, the Generation Recovery Plan focuses on detecting defects; reducing trips and full load losses; and accelerating the return of serviced units following long-term forced outages, partial load losses and boiler tube leaks, particularly at the Medupi and Kusile power stations. Medupi's last unit was commercialised in July 2021, and three of the six units at Kusile have been completed. As part of transitioning from coal to renewable energy technologies, in line with government's energy policy, Eskom is in the process of decommissioning old coal-fired power stations. Komati power station, which was expected to be decommissioned in 2022, would be the first pilot site for this transition

Eskom's financial position remains weak, and the entity is not able to generate enough cash from operations to cover debt obligations when they become due. As at 30 September 2021, Eskom's debt amounted to R392 billion, while municipal arrears amounted to R40.9 billion. Given this weak financial position, government has committed to providing financial support to assist with the company's debt-service obligations, with an additional R21.9 billion allocated for this in 2022/23.

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 SAA was placed under business rescue in 2019 to create a value proposition within the restructured SAA which would make it an attractive proposition for a potential partner. In August 2020, the business rescue practitioners published an approved business rescue plan. To implement the plan, R10.5 billion was allocated in the 2020 second adjustments budget.

The restructured airline resumed operations in September 2021, operating domestically and regionally. However, the fourth wave of the COVID-19 pandemic negatively affected its restart and ramp-up plan as some destinations closed borders to South African carriers. Because the airline was in business rescue between December 2019 and April 2021, it did not generate any revenue from scheduled flights during this period, only a few charter flights.

The airline's total guaranteed debt was R16.4 billion. To settle it, government paid R10.2 billion in 2020/21, R4.3 billion in 2021/22, and is expected to pay the remaining R1.8 billion in the second quarter of 2022/23. The airline is in the process of disposing of some non-core assets as required by the appropriation conditions.

Government is in the process of concluding the sale of its majority shareholding in the airline to a strategic equity partner that is expected to bring in the funding and skills required to strengthen its balance sheet and improve operations. This partnership is expected to be finalised by the beginning of 2022/23. Over the medium term, the airline will focus on improving its operations as international flights resume.

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.

Over the medium term, the company will continue seeking viable partnerships to diversify its product offering by increasing its production of new timber products and investing in the tourism sector. Furthermore, the company plans to continue supporting communities near its operations through providing business opportunities, training and other services.

The company is still struggling to increase investment in its strategic projects – particularly the Timbadola processing plant and the IFLOMA Mozambican investment – to ensure increased revenue in the future. However, with its current board and a full executive team, there has been a gradual shift in the company's ability to raise funding. The company reported revenue of R920 million for 2020/21 – up by 11% from the previous year despite challenging economic conditions. However, this still represents a loss of R45 million because of high fixed operating expenses.

Increasing processing capacity through upgrading the Timbadola processing plant is one of the short- to medium-term activities envisaged to increase revenue. This will further reduce operating costs, particularly for repairs and maintenance.

The company's liquidity and solvency position is satisfactory as it is not highly indebted. It can raise funding based on the strength of its balance sheet and project viability without support from the fiscus.

Transnet

Transnet provides and operates freight transportation services and infrastructure. The company's current operating model is geared towards lowering the cost of doing business in South Africa, promoting a modal shift from road to rail, creating partnerships with the private sector, developing skills, and supporting demand and market access for local producers and suppliers.

To sustain and expand its capacity, over a 5-year period ending in 2024/25, Transnet planned to invest R127.7 billion, 75.7% (R96.7 billion) of which was earmarked to be invested in rail, ports and pipeline infrastructure across its operating divisions. However, capital expenditure for 2020/21 was reduced by 14%, from R18.6 billion to R15.9 billion, due to the closure of some project sites during the COVID-19 pandemic. In 2021/22, the company expects capital expenditure to amount to R11.8 billion – 12% less than its original target of R13.5 billion. An estimated 80% of this capital expenditure will be from internally generated funds to reduce reliance on debt.

The state rail and ports operator, reported a net loss of R8.3 billion in 2020/21, down from a restated net profit of R2.9 billion in the prior year. Restrictions on economic activity associated with COVID-19 affected rail, port and pipeline sales. Rail volumes also suffered from cable theft, power failures, vandalism, adverse weather and derailments. The bulk and container terminals operated at reduced capacity during the initial lockdown. Pipeline volumes were lower than the prior year due totravel restrictions and the impact of fuel theft.

However, the situation looks likely to improve. The resolution of contract disputes to acquire locomotives is set to improve the availability of rolling stock and maintenance material, as well as Transnet's ability to access certain parts from original equipment manufacturers. Security implementation plans are being prioritised within Transnet and in collaboration with state security agencies and related government departments to address the recurring loss of revenue and the unavailability and unreliability of the rail network due to security incidents in freight corridors.

The cost of these incidents in 2021/22 is estimated to be more than R2 billion. Some Transnet customers are also open to collaborating to limit the occurrence of security incidents.

Through regular engagements and site visits, the DPE will monitor the implementation of structural reforms to ensure Transnet's economic recovery and address inefficiencies in the freight transport sector. In June 2021, the President announced the establishment of the Transnet National Ports Authority as an independent subsidiary of Transnet in line with the National Ports Act of 2005. New port equipment will be procured with the objective of reversing the negative effects of a lack of maintenance at ports over the years.

The company will actively seek private-sector participation in port and rail freight. This investment in ports, which is envisaged to be in place by the end of 2022/23, is expected to contribute to the modernisation of, and improvements in the capacity of the Ngqura Container Terminal, Durban Container Terminal Pier 2, and Kaalfontein Automotive Terminal.

The cost of the Durban Port expansion alone is projected to be more than R100 billion. Private-sector investment is also expected to contribute to the migration from road to rail and reduce the cost of logistics. The DPE will collaborate with the Department of Transport to ensure the implementation of the Road-to-Rail Strategy.

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 will 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:

- Industrial Development Corporation 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).

Budget

For the 2020/21 financial year, the DSBD was was allocated R2.6 billion. Expenditure is expected to increase at an average annual rate of 0.6%, from R2.6 billion in 2021/22 to R2.7 billion in 2024/25. Transfers and subsidies account for 89.6% (R7 billion) of the department's budget over the period ahead, while 7.8% (R657 million) is allocated for compensation of employees and 2.5% (R191.3 million) for goods and services.

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 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 by facilitating the establishment of new incubators in these areas. Over the MTEF period, the agency plans to support an estimated 10 500 SMMEs and cooperatives to be competitive in local markets; and create 17 500 jobs within the SMME ecosystem.

To achieve these targets, expenditure is expected to increase at an average annual rate of 2.9%, from R870.8 million in 2021/22 to R949.6 million in 2024/25.

Department of Public Works and Infrastructure (DPWI)

The DPWI is mandated to be the custodian and portfolio manager of national government's immovable assets. Since the establishment of the Property Management Trading Entity, the DPWI's role consists of policy formulation, coordination, regulation and oversight relating to the provision of accommodation and expert-built environment services to client departments at national level; and, through the entity, the planning, acquisition, management and disposal of immovable assets in the department's custody.

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

Over the medium term, the DPWI will continue to focus on creating work opportunities and facilitating skills development in the construction and built environment sectors. An estimated 87.4% (R22.7 billion) of the department's budget over the medium term is allocated to giving effect to this focus through transfers and subsidies for the operations of its entities, and for conditional grants to provinces and municipalities for the implementation of the expanded public works programme.

The department continues to lead and coordinate the expanded public works programme, which aims to create work opportunities through the use of labour-intensive methods across the three spheres of government. An estimated R8.2 billion over the MTEF period is allocated for transfers and subsidies – mainly to provinces, municipalities, and non-profit organisations – to create further employment opportunities. The department plans to monitor and evaluate the implementation of the programme over the medium term by ensuring that 69 public bodies are provided with programme coordination support and 290 public bodies are provided with technical support at an estimated cost of R1.2 billion in the EPWP. This will be supplemented by four reports in each year over the medium term on the work opportunities created by public bodies within the programme's reporting system. The EPWP has a total budget of R9.4 billion, increasing at an average annual rate of 3.4%, from R2.9 billion in 2021/22 to R3.2 billion in 2024/25.

Building state capacity in the built environment and property management sectors is central to the department's work. Activities within the Intergovernmental Coordination programme aim to restore the skills pipeline in the built environment and meet the country's longer-term infrastructure delivery objectives.

This entails either restoring or replacing the skills pipeline, through which a variety of skills required within the built environment sector emerge. The department seeks to increase the number of beneficiaries participating in skills pipeline intervention programmes from 1 000 in 2021/22 to 1 200 in 2024/25. For activities related to skills development, R95.5 million is allocated over the medium term in the Professional Services subprogramme in the Intergovernmental Coordination 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);
- BBBEE 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).

Budget

For the 2021/22 financial year, the DPWI's budget allocation was R8.4 billion.

Entities

Agrément South Africa

Agrément South Africa was established to, among other things, evaluate the fitness for purpose of non-standardised products or systems used in the construction industry and 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, and, in this regard, the entity has indirect links with strategic national planning documents. The functioning and operations of the entity are guided by the DPWI, and legislation and mandates governing the built environment.

Over the period ahead, the entity plans to approve 9 eco-labelling scheme specifications; develop technical criteria and identify suitable experts for assessing unconventional construction products and verifying whether they are fit for purpose; evaluate, assess and approve infrastructure development technologies to better direct investments, particularly in the basic education sector; ensure the affordability and diversity of construction products that are available in the market; and conduct annual inspections of certificate holders and licensees for unconventional construction products.

Over the same period, the entity also plans to conduct validity reviews for 182 certificates that have expired to determine if they are still operating as initially intended and issue another 3-year certificate where necessary. Expenditure for these activities is within an allocation of R38.5 million over the medium term in the Technical Services programme, accounting for an estimated 25.5% of the entity's total budget.

Construction Industry Development Board

The CIDB is mandated to provide strategic leadership to construction industry stakeholders to stimulate sustainable growth; oversee transformation in the industry by encouraging and facilitating the participation of historically disadvantaged groups; establish and promote best practice among role players in the construction delivery process in both the public and private sectors; ensure the uniform application of policy across all spheres of government; set and uphold ethical standards across the industry; ensure improved procurement and delivery management, and equitable procurement practices; and develop systematic methods for monitoring and regulating the industry's performance and its stakeholders, including the registration of projects and contractors.

Over the MTEF period, the board aims to achieve sound corporate governance and promote an ethical environment in its aim to achieve a clean audit; enforce compliance with its prescripts and provide enabling tools in the form of a register of contractors that facilitates the procurement of targeted enterprises and enables client departments, including the DPWI, to provide expanded work opportunities to black-owned and black-managed contractors; offer development support to contractors and clients as part of its efforts to attain the desired outcomes of transformation and inclusive growth; and monitor and evaluate the industry's performance to ensure that it contributes to development.

The Best Practice Project Assessment Scheme, which is aimed at augmenting developmental programmes for small and emerging contractors in the sector, was implemented in 2021. Functioning as a framework for the entire sector, the scheme will ensure that infrastructure meaningfully contributes to South Africa's developmental goals, and encourages knowledge transfer, upskilling, environmentally sustainable building and a safer construction industry. To carry out these activities, R31.2 million is set aside over the period ahead.

The infrastructure delivery management system provides a documented body of knowledge and set of processes that represent generally recognised best practices for technical and non-technical managers to refer to in the delivery of infrastructure and the management of its life cycle. The board plans to create capacity for at least 404 client departments on the system at a projected cost of R108 million over the MTEF period.

Council for the Built Environment

The council is a statutory entity established by the Council for the Built Environment Act of 2000. The Act mandates the council to promote and protect the interests of the public on built environment issues; promote and maintain a sustainable built and natural environment; promote the ongoing development of human resources in the built environment; promote 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 in the built environment; promote appropriate standards of health, safety and environmental protection within the built environment; promote cooperation between councils and government on training standards and other issues that affect training in the sector; and serve as a forum for built environment professionals to engage with one another on 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.

Over the medium term, the council will focus on driving programmes aimed at creating economic opportunities for historically disadvantaged groups, embarking on policy reforms to enable transformation in the built environment sector, and collaborating with various sectors to professionalise occupations within the built environment. Accordingly, the council plans to support 148 districts on the implementation of the structured candidacy programme while ensuring that the sector drives demand and increases productivity. An estimated R16.8 million over the MTEF period has been set aside for the required advisory services.

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 PFMA of 1999.

Over the medium term, the trust will continue 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. These projects are expected to create 193 000 work opportunities through the Expanded Public Works Programme. A further 8 935 estimated work opportunities are expected to be created. over the same period through the programme portfolios of cooperatives, non-profit organisations and community-based organisations.

In terms of the Public Finance Management Act of1999, the trust is expected to operate on a full cost-recovery basis. Since the decline in interest rates precipitated 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 is working with the department to develop a financially sustainable business and funding model to ensure its continued operation.

Property Management Trading Entity

The Property Management Trading Entity was established following a decision that costs related to accommodation be devolved from the DPWI to client departments. The entity performs the immovable asset management function 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 for maximum return. On a cost recovery basis, the entity finances the purchase, construction, refurbishment and maintenance of nationally owned government properties; and manages the leases of privately owned properties accommodating national departments.

Over the medium term, the entity will focus on developing precincts to support efficient and integrated government planning by grouping departments that provide similar services to make service delivery more efficient; and refurbishing and maintaining government buildings in its portfolio. To achieve these objectives, the entity plans to spe d R66.8 billion over the medium term, which includes R4.4 billion allocated 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 48 infrastructure projects to retrofit buildings to make them more accessible. The department will also carry out refurbishment, repair and capital projects for 24 departments, including correctional centres, police stations, courts and office buildings. The execution of these projects is expected to cost R19.3 billion over the medium term.

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.

By facilitating the resolution of workplace disputes, improving labour relations, enhancing occupational health and safety, and facilitating job creation, the DEL supports the realisation of the NDP's vision of eliminating poverty and reducing inequality. In giving effect to this vision, Priority 1 (economic transformation and job creation) of government's 2019-2024 MTSF provides the overall strategic direction for the department's work.

Over the medium term, the department will focus on providing support to work seekers, increasing safety and fairness in the workplace, and regulating the workplace to establish minimum working conditions and fair labour practices.

Supporting work seekers

Facilitating access to decent employment is central to the department's work. As such, over the medium term, it plans to register 2.7 million work seekers, provide counselling to 750 000 work seekers and place 180 000 work seekers in registered employment opportunities.

To provide more young people with access to employment opportunities, an additional employment youth centre will be established in Germiston (Gauteng) over the medium term to complement those in Cape Town (Western Cape), De Aar (Northern Cape), Durban and Newcastle (KwaZulu-Natal), and Johannesburg (Gauteng). To reduce the cost of looking for employment and accessing learning opportunities for young people in remote areas, 9 mobile employment youth centres will also be set up over the medium term.

The development of the national employment policy is expected to facilitate the provision of support to work seekers. It is aimed at providing a conducive policy environment to improve investment and productivity, and create employment through targeted interventions at the sector, firm and work-seeker levels.

Accordingly, the department hopes to finalise the national labour migration policy by 2022/23, which will improve the governance of labour migration as well as the protection and empowerment of all work seekers. The policy will also create alignment with the labour migration policies of other countries within the Southern African Development Community.

The department is set to receive an additional R304.9 million in 2022/23 and R372.2 million in 2023/24 for the continuation of the pathway management network, which comprises an ecosystem manager and an innovation fund. The network will stimulate demand by creating more employment opportunities, supporting increased access to relevant education and training interventions, assisting young people in making choices in terms of access to learning and/or earning, and identifying barriers to entry into the labour market. More than 1 million young people are expected to be actively involved in the network over 2 years, targeting 255 000 job opportunities in total. The innovation fund will enable the scaling up of the different components of the network through the introduction of between 12 and 15 new partners over the medium term.

The Public Employment Services programme receives an allocation of R2.6 billion over the medium term, decreasing at an average annual rate of 9.7%, from R883.2 million in 2021/22 to R649.5 million in 2024/25, due to the allocations for the presidential employment initiative in 2022/23 and 2023/24.

Increasing safety and fairness in the workplace

Through conducting a targeted 891 216 employment law compliance inspections over the MTEF period, the department aims to improve compliance with occupational health and safety standards for various sectors and as such, increase fairness in the workplace, especially for young people, disabled people and women.

In addition, 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 that ensure compliance and workplace safety. Over the medium term, the department plans to serve 95% of noncompliant employers with legal notices within 14 calendar days of inspections per year. In addition, 65% of noncompliant employers who fail to comply with served notices will be referred for prosecution within 30 calendar days per year.

Expenditure for these activities is within the Inspection and Enforcement Services programme, which is allocated 16.8% (R2 billion) of the department's budget over the medium term, increasing at an average annual rate of 0.9%.

Regulating the workplace practices

The department will conduct an annual review of the national minimum wage, including the development of monitoring mechanisms to measure its impact on the economy, collective bargaining, the reduction of income differentials, and proposed adjustments. Sectors pegged below the national minimum wage, such as domestic work, will be required to be adjusted to align with the national minimum wage by the end of 2022/23.

The Commission for Conciliation, Mediation and Arbitration spearheads the department's efforts to advance such efforts towards economic development, social justice, labour peace and the democratisation of the workplace. As a result, the commission expects to receive 79.3% (R3.2 billion) of the allocation to the Labour Policy and Industrial Relations programme over the medium term.

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).

Budget

For the 2021/22 financial year, the DEL was allocated R3.8 billion.

The department's total budget over the medium term is R11.7 billion after a baseline increase of R52.8 million for salary adjustments in 2022/23, an additional R120 million over the MTEF period to the Commission for Conciliation, Mediation and Arbitration for increasing caseloads, and a total of R677.2 million in the first two years of the MTEF period for the pathway management network, a presidential employment initiative. Expenditure on compensation of employees accounts for an estimated 36.6% (R4.3 billion) of the total budget over the MTEF period, with transfer payments to entities amounting to 36.5% (R4.3 billion).

Entities

Commission for Conciliation, Mediation and Arbitration

The legislative mandate of the CCMA is primarily derived from the Labour Relations Act of 1995, as amended. As per the provisions of the act, the commission is mandated to advance, among other deliverables, economic development, social justice, labour peace and the democratisation of the workplace.

This mandate is further extended by other statutes dealing with employment law. Over the medium term, the commission will focus on implementing its 5-year strategy, which prioritises a dispute-resolution and enforcement service delivery model, a dispute-prevention and management strategy and service delivery model, a human resources strategy, and an integrated governance strategy.

Due to socioeconomic challenges and the impact of the COVID-19 pandemic, the commission's caseload is anticipated to increase from 158 168 in 2021/22 to 185 929 in 2022/23. To address this increasing caseload, an additional R120 million is allocated over the medium term to the dispute resolution and enforcement services programme to employ more part-time commissioners. Hence, 73.2% (R2.4 billion) of the commission's budget over the MTEF period is allocated to dispute resolution and enforcement mediation to support collective bargaining, and capacity-building processes to ensure fairness in the workplace.

Compensation Fund

The Compensation Fund is mandated to administer the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993), as amended, which makes provision for the compensation of employees who are disabled as a result 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.

The fund's focus over the medium term will be on restoring its reputation as a trusted provider of social security to workers; and providing an efficient and effective safety net that strengthens social protection, particularly for vulnerable workers, by rehabilitating, reintegrating and returning employees who have sustained occupational injuries or contracted work-related diseases to work. The fund plans to enhance its capacity to deliver services through advocacy sessions aimed at improving performance, administration and operational efficiency. The improved performance will be measured through an expected improvement in the turnaround time for adjudicating claims, from 85% within 30 working days in 2021/22 to 90% within 5 working days in 2024/25.

A concession was published in 2020 to delink COVID-19 from the requirements of the act and authorise the fund to pay benefits to employees who contract the virus at work or in the execution of their duties, whereas other claimants must submit doctors an accident reports first. The COVID-19 benefit will be available as long as the state of disaster remains in effect.

National Economic Development and Labour Council (Nedlac)

The Nedlac is mandated to promote economic growth, social equity and participation, and seeks to create impact by enabling its social partners to contribute meaningfully to these processes. As such, over the medium term, the council will focus on addressing relevant social and economic issues by building an effective and accountable institution to facilitate collaboration between leaders of business, community, government and labour constituencies.

Over the medium term, the council intends to move away from physical meetings and conduct all meetings online as this is more cost effective, and will free up resources for building the capacity of the council and its social partners. The council's work has extended from providing input on socioeconomic policy and legislation to collaborating with social partners to mitigate the effects of the COVID-19 pandemic and promote South Africa's subsequent economic recovery. In addition to the council's response to these twin challenges, it will still focus on its core function of enabling its social partners' ontributions to critical policy and legislative matters in the fight against poverty, unemployment and inequality.

Productivity South Africa

Productivity South Africa 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 will focus on supporting the improvement of South Africa's competitiveness and the sustainability of its enterprises, specifically SMMEs, through its competitiveness improvement services, and business turnaround and recovery programmes.

Unemployment Insurance Fund

The mandate of the UIF is 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, 2001 (Act 63 of 2001). Over the medium term, the fund will focus on providing social insurance benefits, improving coverage to vulnerable groups and contributors, job creation and job preservation initiatives.

The UIF provides short-term benefits to qualifying workers who are out of work due to retrenchment, illness, or adoption or maternity leave. In 2020/21, it established the Temporary Employee/Employer Relief Scheme to support workers and firms affected by the COVID-19 pandemic. This scheme has paid out R61.5 billion in relief to about 5 million workers. The fund also introduced a benefit for workers affected by public violence in KwaZulu-Natal and Gauteng in July 2021, paying R10.1 million to about 2 700 affected workers by the end of January 2022.

Projected benefit payments are set to decrease from R40.7 billion in 2021/22 to R23.3 billion in 2024/25 as temporary COVID-19 relief winds down. The fund will incur an average annual cash deficit of R8.6 billion over the medium term due to higher benefit payments arising from the Unemployment Insurance Amendment Act (2017), which came into effect in 2019/20, exceeding the contributions received. Net asset value is expected to grow to R132.9 billion in 2024/25 due to an increas in technical reserves to cover outstanding or potential future payments.

Employment figures

The official unemployment rate breached a previous high yet again in the third quarter of 2021, reaching 34.9%. The labour market came under strain amid renewed COVID-19 lockdowns and the outbreak of public violence in July 2021. Of the 660 000 jobs lost in the third quarter, 309 000 were in the trade sector (retail trade, wholesale trade, motor trade, catering and accommodation), which was severely affected by the July violence. Trade sector employment fell to the lowest level since the Quarterly Labour Force Survey began in 2008. The lingering effect on sentiment may weigh on job prospects through 2022.

These events aggravated longstanding problems in the labour market. More than three-quarters of jobless people (78.5%) are in long- term unemployment – defined as unemployment for a year or longer. Job losses continue to be more pronounced in lower-skilled occupations, including sales and services, craftspeople, clerks and elementary workers – many of which were highly sensitive to the pandemic restrictions. There remain 2.1 million fewer people employed in the third quarter of 2021 compared with the final quarter of 2019. As such, government's reform agenda is crucial to foster growth and employment.

The results of the Quarterly Labour Force Survey (QLFS) for the first quarter of 2022 show that the number of employed

persons increased by 370 000 to 14.9 million, while the number of unemployed persons decreased by 60 000 to 7.9 million compared to the fourth quarter of 2021, resulting in an increase of 310 000 (up by 1.4%) in the number of people in the labour force. The number of discouraged work-seekers decreased by 54 000 (down by 1.4%) and the number of people who were not economically active for reasons other than discouragement also decreased by 112 000 (down by 0.8%) between the two quarters, resulting in a net decrease of 166 000 in the not economically active population.

Employment decreases were observed in private households (down by 186 000) and the agricultural sector (down by 23 000), while employment gains were observed in the formal sector (up by 408 000) and the informal sector (up by 171 000). Compared to a year ago, total employment decreased by 81 000 persons. The number of unemployed persons increased by 8.6% (620 000), while the number of persons who were not economically active increased by 0.2% (39 000).

The Presidential Employment Initiative, which was launched in response to the impact of the COVID-19 pandemic, with a focus on unemployed youth has provided support to more than 840 000 people through a combination of job creation, job retention and income and skills support interventions.

A total of R12.6 billion was allocated for the first phase, which started in October 2020, and R10.9 billion was allocated for the second phase, which started in October 2021.

Over the next two years, R18.4 billion is allocated for the third phase of the initiative to create over 500 000 targeted short-term jobs in each year.

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 ensure 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. The department is 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 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 plans 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. To date, the fund has 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 Government Technical Advisory Centre 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 through the local government financial management grant, the neighbourhood development partnership grant, the programme and project support grant, and the infrastructure skills development grant. Transfers to these grants are projected to amount to R6.9 billion over the medium term through the Facilitation of Conditional Grants subprogramme in the Public Finance and Budget Management programme. This amount includes additional funding of R800 million in 2022/23 and R855.6 million in 2023/24, through the neighbourhood development partnership grant, for the implementation of the presidential employment initiative in metropolitan municipalities.

Managing future spending growth and fiscal risk

Over the medium term, the department will ensure that all government departments remain 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 subprogrammes, 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 will continue to finance 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

Over the medium term, the Office of the Chief Procurement Officer will continue to monitor government procurement through platforms such as the e-tender portal and the publication of data pertaining to supply chain management spending, including COVID-19 relief measures. These activities will be carried out in the Programme Management for Financial Accounting and Supply Chain Management Systems subprogramme in the Financial Accounting and Supply Chain Management Systems programme. Allocations to the subprogramme account for 10% (R368.8 million) of the programme's budget over the MTEF period.

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, improving the quality of data, eliminating the duplication of systems and resources, and limiting the use of manual processes. The department anticipates that the template for the system's software interface will be piloted at selected national and provincial departments in 2022/23, and that rollout will commence in 2023/24. To this end, R1.3 billion over the medium term is allocated in the Financial Systems subprogramme in the Financial Accounting and Supply Chain Management Systems programme.

Facilitating international and regional cooperation

South Africa's shareholding in multilateral development banks ensures that the country has direct representation in the governance structures of these institutions and amplifies the voice of developing countries and the Global South. Through its membership, the South African government also benefits from the technical support that these institutions provide in the implementation of government programmes, as well as the potential of accessing financing at lower than market rates.

To this end, over the MTEF period, South Africa will support the recapitalisation of the World Bank with an amount of R778.7 million and the African Development Bank with R1.9 billion. These amounts are allocated in the International Development Funding Institutions subprogramme in the International Financial Relations programme.

A further R4.6 billion over the period ahead is allocated for Common Monetary Area compensation payments to Namibia, Lesotho and Eswatini. This expenditure is within the African Integration and Support subprogramme in the International Financial Relations programme.

Public procurement reforms

Initiatives led by the Office of the Chief Procurement Officer 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.

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 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.

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.

Legislation and policies

National Treasury's mandate is guided by a legislative framework that includes the:

- PFMA of 1999, which ensures that public funds are managed by a less rigid environment for financial management, with a stronger emphasis on the prudent use of state resources, improved reporting requirements and the use of management information to enhance accountability;
- Municipal Finance Management Act, 2003 (Act 56 of 2003), which applies to all municipalities and municipal entities, and national and provincial organs of state, to the extent of their financial dealings with municipalities;
- Cooperative Banks Act, 2007 (Act 40 of 2007), provides for the establishment of the Cooperative Banks Development Agency (CBDA) as a public entity under the executive authority of the Minister of Finance;
- SARB Act, 1989 (Act 90 of 1989);
- Division of Revenue Act, 2012 (Act 5 of 2012);
- Appropriation Act, 2012 (Act 7 of 2012);
- Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2012 (Act 13 of 2012);
- Adjustments Appropriation Act, 2012 (Act 17 of 2012);
- Division of Revenue Amendment Act, 2012 (Act 18 of 2012);
- Financial Markets Act, 2012 (Act 19 of 2012);
- Tax Administration Laws Amendment Act, 2012 (Act 21 of 2012);
- Taxation Laws Amendment Act, 2012 (Act 22 of 2012);
- Credit Rating Services Act, 2012 (Act 24 of 2012);
- Development Bank of Southern Africa (DBSA) Act, 1997 (Act 13 of 1997);
- Land and Agricultural Development Bank Act, 2002 (Act 15 of 2002);
- Financial Advisory and Intermediaries (FAIS) Act, 2002 (Act 37 of 2002);
- Financial Intelligence Centre (FIC) Act, 2001 (Act 38 of 2001);
- PIC Act, 2004 (Act 23 of 2004);
- South African Revenue Service (SARS) Act, 1997 (Act 34 of 1997);
- Tax Administration Act, 2011 (Act 28 of 2011);
- Lotteries Act, 1997 (Act 57 of 1997);
- National Gambling Act of 2004;
- Lotteries Amendment Act, 2013 (Act 32 of 2013); and
- NCA of 2005.

Budget

For the 2021/22 financial year, National Treasury was allocated R876.6 billion. The department's budget over the medium term is R2.8 trillion, of which 59.9% (R1.7 trillion) is for transfers to provincial governments for the provincial equitable share. Cabinet has approved an increase on the department's baseline budget amounting to R74 billion over the medium term. A large portion of these funds will be disbursed to the provincial equitable share for adjustments related to compensation of employees in provincial departments, inflationary adjustments for non-governmental organisations within provincial departments of social development, and for the implementation of the presidential employment initiative in provincial departments of education. Debt-service costs amount to 34.4% (R1 trillion) of the department's budget over the MTEF period. Distributing the general fuel levy to metropolitan municipalities represents 1.7% (R46.9 billion) of the department's spending over the period ahead.

The department has the following increases to its baseline over the medium term: R3 billion to the South African Revenue Service to build the capacity of human resources and implement ICT projects; R304.5 million to the Development Bank of Southern Africa for the social housing programme; and R51 million to the Financial Intelligence Centre to support its operations by increasing capacity to produce intelligence reports, its capability to analyse big data, and its ability to respond timeously to intelligence product stakeholders.

Entities

Accounting Standards Board (ASB)

The ASB develops uniform standards of generally recognised accounting practice for all spheres of government in terms of Section 216 (1) (a) of the Constitution and the PFMA of 1999. A further function of the board is to promote transparency in and the effective management of revenue, expenditure, assets and liabilities of the entities to which the standards apply.

The board's new three-year work programme will focus on catching up with international developments. The International Public Sector Accounting Standards Board and International Accounting Standards Board have issued several standards of significant importance to public sector financial reporting. These include standards on social benefits and related obligations and leases.

The board plans to issue five documents and complete three research projects on the setting of international best practice standards and the current suite of standards for all spheres of government in 2022/23.

Cooperative Banks Development Agency

The CBDA was established in terms of the Cooperative Banks Act of 2007, as amended, with the SARB as the sole supervisor of cooperative banks. The agency is mandated to provide for the registration and supervision of deposit-taking financial services cooperatives, and savings and credit cooperatives, collectively referred to as cooperative financial institutions. The agency also facilitates, promotes and funds the education and training of these institutions. Over the medium term, the agency will focus on collaboration and partnerships with stakeholders as a new approach in addressing challenges to assist in the seamless implementation of institutional development, organisational strengthening, the enhancing of operational efficiency through innovative technology interventions and solutions, and expanding the footprint of sustainable cooperative banking Institutions through a holistic support programme.

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 building 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 measure the socioeconomic impact of the projects it funds. It will actively support infrastructure development in municipalities to address backlogs and expedite the delivery of essential social services to create sustainable living conditions within communities and improve quality of life.

Financial and Fiscal Commission (FFC)

The FFC derives its mandate from the FFC Act, 1997 (Act 99 of 1997). The commission's mandate is to advise relevant legislative authorities on the financial and fiscal requirements for the national, provincial and local spheres of government in terms of Section 220 of the Constitution.

Over the medium term, the commission aims to publish policy research papers and conduct briefings on a broad range of topics, including the restoration of local government public finances and the impact of the COVID-19 pandemic and related recovery strategies.

Financial Intelligence Centre

The FIC was established by the FIC Act of 2001. The Act mandates the centre to identify proceeds of unlawful activities, combat activities related to money laundering, combat the financing of terrorist and related 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.

Over the medium term, the centre will focus on expanding its analytical ability by stabilising and maintaining its ICT network and systems. Accordingly, spending on goods and services accounts for 35.4% (R371.3 million) of the centre's budget over the period ahead. Compensation of employees is the centre's main cost driver, spending on which increases at an average annual rate of 3.7%, from R194.1 million in 2021/22 to R216.1 million in 2024/25.

Financial Sector Conduct Authority

The authority was established in terms of the Financial Sector Regulation Act, 2017 (Act 9 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 that are licensed in terms of a financial sector law.

The authority also assumed the business operations of the Financial Services Board, which ceased to exist on March 2018. The authority's ongoing objective is to play a meaningful role in promoting growth, employment and poverty reduction 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 ensuring the integrity and efficiency of formal markets and allied institutions, protecting consumers of financial services, improving access to financial services, and providing financial literacy programmes. The outcomes-based regulatory and supervisory approach, named Treat Customers Fairly, will underpin the regulation and supervision of the conduct of financial services providers.

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 (1996). 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, 1976 (Act 84 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, 1996 (Act 69 of 1996).

The agency will continue to focus on improving service delivery by enhancing IT infrastructure, optimising office space and employing new personnel as client service agents. Outdated and obsolete systems and applications will be replaced to enhance staff productivity, speed up the processing of claims and effectively manage pension queries.

Core pension administration functions, including benefit payments and membership maintenance processes, are also expected to be improved.

Government Technical Advisory Centre

The Government Technical Advisory Centre is mandated to assist organs of state in building their capacity for efficient, effective and transparent financial management. Its 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 for projects undertaken and any ancillary support.

The centre's primary contribution lies in helping to build a capable state so that it can, in turn, implement key government institutional policies and plans guided by the NDP and the centre's associated implementation plan.

Independent Regulatory Board of 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 board will focus on developing and maintaining auditing and ethical standards that are internationally comparable; providing an appropriate framework for the education and training of adequately qualified auditors; inspecting and reviewing the work of registered auditors; and investigating and taking appropriate action against registered auditors who do not comply with standards and are guilty of improper conduct.

Land and Agricultural Development Bank of South Africa

As a development finance institution, the mandate of the Land Bank is to address agricultural and rural development in South Africa. 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 PFMA of 1999.

Accordingly, the bank is expected to play a pivotal role in advancing agriculture and rural development. Liquidity constraints over the medium term require that the bank focuses on maintaining a healthy loan book, securing funding for liabilities and reducing the number of non-performing loans. It will seek to ensure its financial sustainability by increasing the development loan book so that it becomes a predominant portfolio."In addition to R3 billion allocated through the 2020 adjustments budget, the 2021 Budget announced conditional allocations of R5 billion to the Land Bank in 2021/22 and R1 billion in each of the two subsequent years.

Due to delays in concluding negotiations with lenders, the R5 billion transfer to the Land Bank is unlikely to materialise in 2021/22. The 2022/23 fiscal framework makes provision in the contingency reserve for a R5 billion conditional allocation to the Land Bank.

Office of the Ombud for Financial Services Providers (FSPs)

The legislative mandate of the Office of the Ombud for FSPs is stated in the FAIS 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. Over the medium term, the ombud will focus on ensuring that cases are properly assessed and appropriately handled until finalisation; informing stakeholders on the role and functions of the ombud; acquiring appropriate skills to properly discharge the mandate and ensuring that such skills are retained; ensuring that risk is adequately managed; and ensuring that appeals/reviews of decisions are appropriately dealt with.

Office of the Pension Funds Adjudicator

The Office of the Pension Funds Adjudicator investigates and determines complaints lodged in terms of the Pension Funds Act, 1956 (Act 24 of 1956). In terms of the Act, the adjudicator is required to ensure a procedurally fair, economical and expeditious resolution of complaints by ensuring that its services are accessible to all, investigating complaints in a procedurally fair manner, reaching a just and expeditious resolution of complaints in accordance with the law, incorporating innovation and proactive thought and action in its activities, and providing opportunities for individual growth. The office has jurisdiction only over funds that are registered under the act.

Over the medium term, the office aims to reduce turnaround times by resolving 85% of pension fund complaints received within six months by developing staff capability, restructuring its internal processes and continuing to modernise its current ICT systems. The entity will also intensify its engagement with relevant stakeholders, such as regulators and pension funds, and will continue its community outreach programmes to create awareness about its existence and mandate.

Public Investment Corporation

The PIC, established by the PIC Act of 2004, is 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.

The corporation makes investments through the Isibaya Fund under the guidance of the Developmental Investment Framework of the GEPF. This requires the corporation to find a balance between financial returns and support for long-term economic, social and environmental outcomes. The corporation's developmental investments are focused on economic and social infrastructure; sustainability projects; enterprise development; and SMMEs in the manufacturing, tourism, mining and agro-processing sectors.

Over the medium term, the corporation will focus on financial sustainability and fulfilling its legal and investment mandates. At the same time, the corporation will seek to entrench the culture of accountability expected of an asset management company. As an important component of the corporation's business, the ICT subcommittee of the board will continue to exercise oversight on IT governance in line with best practice.

South African Revenue Service

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 ongoing focus is on providing government with more than 90% of the revenue it requires to meet its policy and delivery priorities. It aims to do this by modernising its ICT systems to encourage e-filing, improving taxpayers' experience, monitoring compliance and making tax collection more efficient.

Over the period ahead, the revenue service will focus on improving voluntary compliance by making taxpayers and traders aware of their tax obligations, making it easier and less costly to meet these obligations, and instituting a credible threat of detection and consequences for those who do not comply. R1 billion per year over the medium term is allocated to the entity to achieve these objectives."

The rebuilding of SARS is evident in improved revenue collection and compliance trends. Over the past year, SARS has recruited an additional 490 staff across various levels and skills areas, and has invested R430 million in refreshing and modernising its ICT infrastructure. The dedicated new unit focused on high-wealth individuals is taking shape.

The multi-year customs modernisation programme is under way, with an initial focus on improving Beitbridge border operations through data-driven risk profiling and number plate recognition. SARS will expand the modernisation programme to other ports of entry over the medium term.

SARS has intensified its work to counter criminal and illicit activity. Over R5 billion has been collected through enforcement activities, yet more can be done in this area. SARS has initiated a review of all businesses that received payments from national and provincial government over the past five years. The ongoing review has revealed a number of cases of non- compliance – and enabled SARS to register businesses that were not previously in the tax base, while boosting revenues.

SARS has implemented the majority of the Nugent Commission recommendations and is now aligning the outstanding recommendations with those of the State Capture Commission. A National Treasury discussion document regarding the broader governance and oversight reforms outlined in the recommendations from both commissions will soon be published for public comment. Concurrently, legislative amendments will be proposed.

South African Special Risks Insurance Association (SASRIA)

The SASRIA was established in 1979. It 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. It has paid dividends to government in all but two years since 1999/2000. These dividends, generated from its surpluses, amounted to R12.8 billion. The outbreak of public violence and looting in July 2021 led to a large number of claims totalling R32 billion. SASRIA was unable to meet its payment obligation from its available cash reserves, investments and reinsurance coverage.

To help settle claims and ensure that the insurer has sufficient capital to meet regulatory requirements, government has allocated R22 billion to SASRIA in the current financial year. This includes R3.9 billion through the Second Special Appropriation Act, 2021 (Act 15 of 2021), R11 billion through the 2021 adjustments budget and R7.1 billion allocated through section 16 of the Public Finance Management Act, which is used to respond to unforeseen and unavoidable circumstances. To strengthen its ability to respond to risks without relying on government, SASRIA will increase premium prices, review reinsurance arrangements and explore ways to increase its client base.

Over the medium term, the association will focus on improving its financial performance and revising its reinsurance structure, where 40% of the insurance business is ceded to reinsurers with catastrophe cover of R10 billion in years one and two.

Tax administration

National Treasury is responsible for advising the Minister of Finance on tax policy issues that arise in local, provincial and national government. As part of this role, National Treasury must design tax instruments that can optimally fulfil their revenue-raising function and policy objectives. These tax instruments must be aligned to the goals of government's economic and social policies.

A single, modern framework for the common administrative provisions of various tax Acts administered by the SARS, generally excluding customs and excise, was established by the Tax Administration Act of 2011. The Act simplifies and provides greater coherence in South African tax administration law. It eliminates duplication, removes redundant requirements and aligns disparate requirements that previously existed in different tax acts administered by the SARS.

The Act provides for common procedures across the various tax Acts and strives for an appropriate balance between the rights and obligations of the SARS and the rights and obligations of taxpayers in a transparent relationship.

Office of the Tax Ombud

The Office of the Tax Ombud is intended to provide taxpayers with an impartial and low-cost mechanism to address service, procedural or administrative difficulties that taxpayers have not been able to resolve through the SARS's complaints management channels.

South African tax system

Government aims to raise revenue in an equitable, efficient and sustainable manner to support South Africa's development objectives. Over the past two years, tax policy has focused on broadening the tax base, improving administration and lowering rather than raising tax rates. Government intends to continue with this approach by avoiding tax rate increases to the degree possible, subject to major expenditure decisions.

South Africa has a residence-based income tax system. Residents are, subject to certain exclusions, taxed on their worldwide income, irrespective of where their income was earned. Non-residents are taxed on their income from a South African source, subject to relief under double taxation agreements. Foreign taxes are credited against South African tax payable on foreign income.

The Personal Income Tax, Company Income Tax and VAT in aggregate, remain the largest sources of tax revenue.

Taxes on income and profits

This category comprises taxes on persons and individuals; taxes on companies – both inclusive of Capital Gains Tax and withholding tax on royalties; interest on overdue Income Tax; Dividends Tax and withholding tax on interest.

Personal Income Tax

This tax is levied on the taxable income of individuals and trusts. It is determined for a specific year of assessment. Taxable capital gains form part of taxable income. The main contributors to Personal Income Tax are employment income from salary and wage earners, pensioners, income generated from sole-proprietor activities and partnerships, and other income such as rental and interest above a certain threshold. The tax rates applicable to Personal Income Tax-related taxable income are progressive, marginal rates ranging from 18% to 45%.

As a means of collecting Personal Income Tax from salary, wage and pension income, a mechanism known as Pay-As-You-Earn (PAYE) is in operation. It enables employers to withhold tax due to the SARS from employees and pay this over to the authority monthly and reconciled biannually.

Company Income Tax

The tax is levied on the taxable income of companies and close corporations and cooperatives. After Personal Income Tax and VAT, Company Income Tax has been the largest contributor to total tax revenue for the past decade.

Although the current headline Company Income Tax rate is 28%, some sectors of the economy have different effective tax rates due to sector-specific tax dispensations and deductions.

Exceptions to the 28% flat rate are the lower, progressive tax rates that apply to qualifying small and micro enterprises, as well as a reduced tax rate that applies to companies operating in designated SEZs.

Dividends Tax

Dividends Tax is a final tax at a rate of 20% on dividends paid by resident and by non-resident companies in respect of shares listed on the Johannesburg Stock Exchange (JSE). Dividends are tax exempt if the beneficial owner is a South African company, retirement fund or other exempt person.

Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances. The tax is to be withheld by companies paying the taxable dividends or by regulated intermediaries in the case of dividends on listed shares.

The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend.

Taxes on payroll and workforce

Taxes on payroll and workforce include the Skills Development Levy and the UIF contributions. The Skills Development Levy is a compulsory levy intended to fund training costs incurred by employers.

Skills Development Levy

Affected employers contribute to a skills development fund that is used for employee training and skills development. This levy is payable by employers at a rate of 1% of the total remuneration paid to employees. Employers paying annual remuneration of less than R500 000 are exempt from the payment of this levy.

Taxes on property

Taxes on property comprise Donations Tax, Estate Duty, Securities Transfer Tax and Transfer Duty.

Donations Tax

Donations Tax is levied at a rate of either 20% or 25% on the value of the donation, depending on the aggregate value of the property being disposed of in a specific tax year. An annual exemption of R100 000 is available to natural persons.

Estate Duty

Estate Duty is levied at a rate of 20% and at 25% on the dutiable amount of the deceased estate that exceeds R30 million. Specific deductions and abatements are allowed from the total value of the estate.

Securities Transfer Tax

The tax is levied at a rate of 0.25% on the transfer of listed or unlisted securities. Securities consist of shares in companies or members' interests in close corporations.

Transfer Duty

The Transfer Duty is levied on the acquisition of property at progressive rates from 0% to 13% for all persons including companies, close corporations and trusts.

The marginal rate of 13% applies to the portion of the value of property exceeding R11 million from 1 March 2020.

Domestic taxes on goods and services

Domestic taxes on goods and services comprise VAT, specific excise duties, ad valorem excise duties, the Fuel Levy, the Road Accident Fund (RAF) Levy, environmental levies and the Health Promotion Levy. VAT is the largest source of revenue in this category.

Value-Added Tax

VAT is levied at a rate of 15% on goods and services with some exemptions and zero-ratings. It is also levied on the importation of goods and services into South Africa. The quoted or displayed price of goods and services must be VAT-inclusive. A person who supplies goods or services is liable to register for VAT, if the income (taxable supply) earned is more than R1 million in a 12-month period, or when there is a reasonable expectation that the income will exceed this amount.

A person can also register voluntarily for VAT, if the income earned from supplying goods or services for 12 months exceeded R50 000.

Fuel taxes

The General Fuel Levy is imposed on petrol and diesel (including biodiesel) manufactured in or imported into South Africa. The Fuel Levy is not earmarked, but it implicitly increases the cost of road transport to encourage more efficient and sustainable road use.

The RAF Levy is imposed on petrol and diesel manufactured in or imported into South Africa. The RAF Levy funds the RAF's motor vehicle accident insurance scheme.

For the first time, fuel prices in South Africa exceeded R20/l for inland unleaded petrol in December 2021 due to higher crude oil prices and exchange rate depreciation. To support consumers and the economic recovery, no increases will be made to the general fuel levy on petrol and diesel for 2022/23, providing tax relief of R3.5 billion. There will also be no increase in the RAF levy.

In combination, these changes will ensure that fuel taxes as a percentage of the price of fuel are below 40%. The last time that the fuel price was not increased due to a change in either the general fuel levy or the RAF levy was in 1990. In 2021/22, taxes accounted for on average 34%of the price of petrol and 38%of the price of diesel – a ratio that is below that of India and Mexico, and far lower than the 60%common in Europe.

Environmental levies

Government has responded to the serious global challenge of environmental pollution and climate change by introducing several environmental taxes that are intended to modify behaviour of the country's citizens for sustainable development of the economy.

International Air Passenger Departure Tax

Passengers departing on flights to Botswana, Lesotho, Namibia and Eswatini (known as the BLNS countries) pay a departure tax of R100 per passenger, while passengers on other international flights pay R190.

Plastic Bag Levy

The Plastic Bag Levy was introduced to reduce litter and encourage plastic bag reuse. To further discourage consumers from buying plastic bags, and to support reuse and recycling, it was proposed that the plastic bag levy be increased from 25c/bag to 28c/bag, in line with inflation, from 1 April 2022.

Government aims to reduce single-use plastics. An upstream plastic tax and a tax on single-use plastics will be investigated.

Electricity Generation Levy

The levy was introduced to encourage sustainable electricity generation and use. The levy is applied to electricity generated from non-renewable sources and costs 3.5 cents per kilowatt hour.

Incandescent Bulb Levy

The levy was introduced to promote energy efficiency by discouraging the use of incandescent light bulbs. The incandescent light bulb levy was increased from R10 to R15 per light bulb from 1 April 2022.

Carbon dioxide (CO2) Motor Vehicle Emissions Levy

The CO2 Motor Vehicle Emissions Levy on passenger and double-cab vehicles was introduced to encourage the manufacture and purchase of more energy efficient motor vehicles..

Government proposed an increase on the vehicle emissions tax rate on passenger cars from R120 to R132/gCO2/km and increase the tax on double cabs from R160 to R176/gCO2/km from 1 April 2022.

The carbon tax rate increased from R134 to R144 per tonne of carbon dioxide equivalent, effective from 1 January 2022. The carbon fuel levy for 2022 increased by 1c to 9c/l for petrol and 10c/l for diesel from 6 April 2022, as required by legislation. It was proposed that the carbon tax cost recovery quantum for the liquid fuels refinery sector increase from 0.56c/l to 0.63c/l from 1 January 2022.

Tyre Levy

The levy on new pneumatic tyres was introduced to encourage efficient tyre use. Although the Tyre Levy is not earmarked, it indirectly supports the responsible recycling of obsolete tyres. The current rate is R2.30/kilogram.

Health Promotion Levy

The levy applies to specific sugary drinks and concentrates used in the manufacture of sugary drinks to combat obesity and promote healthier consumer beverage choices.

The health promotion levy for beverages with more than 4 g of sugar content per 100 ml was increased from 2.21c/g to 2.31c/g from 1 April 2022. Consultations will also be initiated to consider lowering the 4g threshold and extending the levy to fruit juices.

Diamond Levy

A diamond export levy on unpolished diamonds exported from South Africa was introduced, effective from November 2008 at a rate of 5% of the value of such diamonds.

Trade agreements

The SARS administers a number of trade agreements or protocols or other parts or provisions thereof, and other international instruments, in terms of the Customs and Excise Act of 1964, which are enacted into law when published by notice in the Government Gazette. The full texts of these types of agreements contain the following:

- Treaty of the SADC and protocols concluded under the provisions of Article 22 of the Treaty.
- Agreement between South Africa and the USA regarding mutual assistance between their customs administrations.
- Southern African Customs Agreement between the governments of the Botswana, Lesotho, Namibia, South Africa and Eswatini.
- Memorandum of Understanding between South Africa and China on promoting Bilateral Trade and Economic Cooperation.
- Free Trade Agreement between the European Free Trade Association states and the SACU states.
- Common Market of the South comprising of Argentina, Brazil, Paraguay and Uruguay and the SACU comprising of Botswana, Lesotho, Namibia, South Africa and Eswatini which was implemented on 1 April 2016.
- Economic Partnership Agreement between the SADC Economic Partnership Agreement states, of the one part, and the EU and its member states of the other part, which was implemented on 10 October 2016.

Southern African Customs Union

The SACU Secretariat is located in Windhoek, Namibia. The union was established in 1910, making it the world's oldest customs union. Negotiations to reform the 1969 agreement started in 1994, and a new agreement was signed in 2002. The member states form a single customs territory in which tariffs and other barriers are eliminated on substantially all the trade between the member states for products originating in these countries; and there is a common external tariff that applies to non-members of the SACU.

Excise duties

Excise duties are levied on certain locally manufactured goods and their imported equivalents. Specific excise duties are levied on tobacco and liquor products. Ad valorem excise duties are levied on products such as motor vehicles, cellular telephones, electronics and cosmetics.

The targeted excise tax burdens for wine, beer and spirits are 11%, 23% and 36% of the weighted average retail price, respectively. Excise duties have increased more than inflation in recent years, resulting in a higher tax incidence. Government proposes to increase excise duties on alcohol by between 4.5 and 6.5% for 2022/23.

The targeted excise tax burden as a percentage of the retail selling price of the most popular brand within each tobacco product category is currently 40%. The consumption of cigars has moved towards more expensive brands, requiring a higher-than-inflation increase to maintain the targeted tax burden. Government proposes to increase the excise duty rate by between 5.5 and 6.5%. Review papers on the alcohol and to accord excise duties policy framework will be released shortly for comment.

Beer powders

The current excise duty regime applies a flat excise rate for traditional African beer powder of 34.7c/kg. There are similar products in the market. In the interest of equity, these products will be included in the tax net with an excise equivalent to the powder rate from 1 October 2022.

Vaping

Following public consultation, government proposes to apply a flat excise duty rate of at least R2.90/ml to both nicotine and non-nicotine solutions. The proposal will be included in the 2022 Taxation Laws Amendment Bill for further consultation before being introduced from 1 January 2023.

Customs duties

Customs duties are imposed by the Customs and Excise Act of 1964. Ordinary Customs Duty is a tax levied on imported goods and is usually calculated on the value of goods imported and collected by the customs unit within the SARS. Customs Duty rates in Part 1 of Schedule 1 and trade remedies relating to the importation of goods – anti-dumping, countervailing and safeguard duty are set out in Schedule 2 of the schedules to the Act and are determined through trade policy in terms of the International Trade Administration Act of 2002 administered by the International Trade Administration Commission.

The Customs Control Act of 2014 and the Customs Duty Act of 2014 were promulgated in July 2014 to provide a platform for the modernisation of customs administration that achieves a balance between effective customs control, the secure movement of goods and people into and from South Africa and the facilitation of trade and tourism.

In addition, VAT is also collected on goods imported and cleared for home consumption.

Rates on property

Property-related taxes include municipal rates and charges for refuse and sewerage which are collected by municipalities.

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, 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.

SARB celebrates centenary

The year 2021 marked 100 years of the SARB's existence. The bank celebrated 100 years of existence on 30 June 2021. When the bank was established, the world had just emerged from World War I, leading to unusual financial and monetary conditions. Its primary objective was to restore and maintain order in the issue and circulation of domestic currency, and restore the gold standard to the pre-World War I rate of exchange. The first batch of banknotes ordered from England was issued to the public on 19 April 1922.

The monetary policy framework adopted at the SARB's founding was the gold standard, linking banknotes to gold. However, the Great Depression and its link to weaknesses in the gold standard ushered in a period of monetary policy reform. A new policy direction linked the value of the South African pound to the British pound sterling, and the further decision to join the Bretton Woods agreement in 1946 as a leading member of the International Monetary System.

In the 1950s, the Decimal Coinage Commission recommended that South Africa formally introduce a decimal system, which eventually led to the introduction of the rand in 1961. The early 1960s, amid the introduction of a new currency, also saw signs of inflation, resulting in anti-inflationary measures that, by 1967, slowed the rate of price increases. These troubles ushered in a period of economic policy reform that eventually led to the current modern approaches to monetary and fiscal policy.

Leading up to the 1980s, South Africa was in deep political and economic turmoil. At the height of the anti-apartheid struggle, inflation hit a high of 18.4% in 1986, and annual growth slowed to 1.6% for the decade. Significant capital outflows resulting from the debt default and economic sanctions saw another policy reform: exchange controls. The SARB adopted a broadly defined money supply growth target framework. Inflation gradually slowed towards the end of the decade, averaging 12.9% in 1989. The SARB Act, 1994 (Act 29 of 1944) was replaced by the SARB Act of 1989, which contained the revised primary objective wording of “monetary stability and balanced growth”.

The 1990s ushered in a renewed spirit among South Africans with the advent of democracy. Continuity amidst the change was crucial for the smooth transition to democracy and gaining international investor confidence. This led to then President Nelson Mandela asking Dr Chris Stals to continue serving as Governor. A critical pillar to this was ensuring that the SARB as an institution was stable, by retaining institutional memory and the requisite skills, while at the same time preparing to transform the organisation.

The SARB debuted its ‘Big Five’ banknote series, and introduced a R5 coin, commemorating the inauguration of the country’s first democratically elected President Mandela. As part of its tradition of reflecting the country’s history, the bank released a newly designed R5 coin commemorating its centenary. The adoption of the Constitution in 1996 saw the SARB bestowed greater responsibility in the rebuilding of the economy. Central bank independence emerged as an effective way of ensuring that monetary policy focused on the key objective of keeping prices stable. To ensure that the SARB could pursue that objective independently and effectively, the late 1990s was marked by further enquiry into monetary policy frameworks.

The early 2000s saw the country’s biggest policy shift, the adoption of the Inflation-Targeting Framework. At the time, South Africa was the 13th country to introduce this policy framework. Then Reserve Bank Governor Tito Mboweni, was tasked with guiding the bank through this uncharted territory. The inflation target, set by the Minister of Finance in consultation with the SARB, is between 3% and 6%. The adoption of inflation targeting saw a radical change in the way in which the SARB communicated with the public, focusing on transparency through communication, and ensuring that independence and accountability worked hand-in-hand.

The flexibility of the Inflation-Targeting Framework and its anchoring of public expectations about inflation assisted the country to weather the global financial crisis in 2008 and 2009. With the critical role of financial institutions in that crisis underscored, then Governor Gill Marcus helped to expand the SARB’s mandate to explicitly include financial stability. In doing so, a financial stability committee was formed and resources expanded for its work. Around 2010, Cabinet approved the move towards the Twin Peaks Model. The Financial Sector Regulation Act of 2017 paved the way for the formation of the Prudential Authority. In April 2018, the Prudential Authority was officially launched, amalgamating the SARB’s Bank Supervision Department, the Insurance Division of the Financial Services Board and the Supervisory Team of the Co-operative Banks Development Agency.

The SARB was born at a time when the world was exiting the devastating impact of the 1918 Spanish flu pandemic. As the bank approached its centenary, the world began grappling with the COVID-19 pandemic. The rise of the COVID-19 pandemic in South Africa mandated forceful containment measures to abate the human cost associated with the virus. While these measures minimised the impact on human lives, they came at a great cost to the economy.

In anticipation of the economic shock that would ensue, the SARB responded with a broad array of actions to limit the economic damage. The SARB’s policy responses encompassed monetary policy instruments, interventions in financial market operations, regulatory tools as well as collaborations with other entities to provide relief to the economy and enable the financial sector to help customers in need.

In addition, through its participation in global forums, the SARB contributed to the strengthening of the global financial safety net. South Africa entered the COVID-19 crisis with stable and low inflation rates and moderate inflation expectations, giving the SARB significant policy space to provide support to households and firms, primarily through the reduction in the repurchase (repo) rate. The repo rate was cut by a cumulative 275 basis points between March and July 2020. At the current rate of 3.5% (from 6.5% on 1 January 2020), the repo rate is at an all-time low, while the prime rate, at 7.0%, is at a 54-year low.

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. During the COVID-19 pandemic, the SARB implemented additional liquidity providing measures, both overnight and term repurchase operations, to ensure that there was sufficient flow of liquidity through the system. In addition, the SARB implemented a bond purchase programme, to manage the dysfunction in the domestic government bond market and to increase the value of its Monetary Policy Portfolio, which is used in long-term reverse repos.

To keep the refinancing system effective, the SARB stays abreast of market and other structural developments. The refinancing system, or Monetary Policy Implementation Framework, together with the toolkits used to manage money market liquidity, is currently under review, with the objective of enhancing its effectiveness and efficiency. A consultation paper was published in November 2021, with comments expected by end February 2022. The new Monetary Policy Implementation Framework (MPIF) was expected to be implemented during the course of 2022.

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 effect 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.

Since the onset of the COVID pandemic, the shortage has been kept at somewhat smaller levels than normal, between R30-35 billion, as opposed to R56 billion pre-pandemic. Under the proposed MPIF, it is envisaged that the SARB will run a money market surplus position with banks earning the policy rate on excess reserves (up to certain limits).

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.

During 2021, the SARB implemented various measures to strengthen the governance framework and enhance the credibility of Jibar. The Jibar Code of Conduct and Operating Rules were revised to include an increase in the pricing commitment of contributing banks and new provisions that apply under abnormal market conditions. Strate (Pty) Ltd was appointed as the primary publishing agent for Jibar-related post-trade disclosures, which are published daily on the SARB and Strate's websites. These efforts should ensure that Jibar remains robust and reliable until such a time when the rate ceases to exist.

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 Financial Sector Regulations 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.

Gold and foreign-exchange reserves

The bank is the custodian of the country's official gold and foreign-exchange reserves. Subsequent to the conversion of the negative net open foreign currency position in May 2003 into a positive position, gross foreign exchange reserves grew to approximately US$57 billion in January 2022.

The accumulation and management of reserves is guided by the risk tolerance of the bank through the Strategic Asset Allocation, which seeks to ensure capital preservation, liquidity and return.

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 (PA)

The passing of the Financial Sector Regulation (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.
- establishinga 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 shifts 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 our jurisdiction.

As part of the broader Southern African Development Community (SADC) payments integration initiative, the SARB is facilitating the development of a SADC low-value cross-border payment solution known as the Transactions Cleared on Immediate Basis (TCIB). This solution was developed and launched in a controlled live environment on 30 July 2021.

The TCIB service is built on ISO 20022 messaging standard, and it is designed to be an instant payment offering within SADC available on a 24-hour seven-days a week basis throughout the year. Both banks and non-banks are allowed to offer services in the TCIB payment scheme if they meet the set TCIB access criteria.

The SADC currencies or any approved currencies are used to execute the TCIB payment instructions. In this system, transactions may be initiated through multiple channels such as the mobile phones or approved agents which are also used for cash-in and cash-out services.

The TCIB payment instructions are cleared at the SADC Regional Clearing and Settlement System Operator and settled daily through the SADC-RTGS system or via correspondent banking arrangements where the settlement currency is not yet onboarded on the SADC-RTGS system. In essence, TCIB is an open-loop retail payment system within the SADC region where interoperability between a bank and a non-bank has been enabled.

With the anticipated uptake of the system, the TCIB would transcend the cross-border payments challenges and provide an effective low cost, high speed, wide access, and transparent solution to the SADC retail cross border payments.

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.

Following a sharp decline in South Africa's headline consumer price index (CPI) during 2020, general prices in the economy started moving higher in 2021. Headline inflation breached the mid-point of the 3-6% target range in May 2021 and remained elevated in early-2022, due to sharply higher oil prices and elevated food inflation. Core inflation, on the other hand, remained well-contained, averaging 3.2% in 2021, down from 3.3% in 2020, due to very low services inflation and low core goods inflation. Core inflation, however, also started showing upward momentum at the start of 2022, which is consistent with the recovery in economic activity as well as constraints on global supply chains.

Headline inflation is projected to remain above target in 2022, and to gradually return to the target over the medium term. Keeping the expectations for inflation anchored closer to the target midpoint is a key objective of monetary policy. Better anchored expectations of future inflation could support lower interest rates and can be realised by achieving a prudent public debt level, increasing the supply of energy, moderating administered price inflation, and keeping wage growth in line with productivity gains. Such steps will enhance the effectiveness of monetary policy and its transmission to the broader economy.

Recent Monetary Policy Committee forecasts show headline CPI averaging 5.8% in 2022 and returning close to the target in 2023. Although the target breach is attributed to food and petrol prices, inflationary pressures have broadened, in line with the normalisation of economic activity from the pandemic-induced lows.

Meanwhile, core inflation is forecast to increase to 4.2% in 2022 and to remain elevated at 5.0% in 2023, before easing somewhat to 4.7% in 2024. Core goods and services price inflation is forecast to remain elevated throughout the horizon. The risks to the inflation outlook are skewed to the upside. Global producer price and food price inflation have also continued to surprise higher in recent months and could do so again, particularly if the war in the Ukraine persists into the crop growing season.

The distribution of risks to this forecast, as captured in the inflation fan charts, is skewed to the upside. It nonetheless indicates a fairly high probability that inflation will be within the target range throughout the forecast period (2022-2024), with 63% of the probability distribution between 3% and 6%. The chance of inflation being outside the target is smaller, with 35% of the distribution above the upper bound and 2% below it, over the full forecast period. The chance of a target overshoot is substantially higher in 2022, however, with almost half of the distribution above the upper bound of the target range.

Since early 2021, however, inflation expectations have risen again, after declining steadily in recent years. Average surveyed expectations of future inflation have increased to 5.1% for 2022, while current-year market-based surveyed expectations for inflation have also increased to 5.5%. Long-term inflation expectations derived from the break-even rates in the bond market have also increased. This raises the issue of how firmly inflation expectations are anchored and to what extent it is forward-looking as opposed to being backward-looking and thus data-reactive, which may call for stricter monetary policy.

The banking industry

As at the end of December 2021, 31 banking institutions were registered and supervised by the PA of the SARB: 18 banks, and 13 local branches of international banks. South Africa's banking sector is dominated by the five largest banks, which collectively held 89.9% of total banking sector assets as at 31 December 2021. Local branches of international banks contributed 5.8% as at 31 December 2021. The remaining banks operating in South Africa represented 4.3%.

In addition, as at the end of December 2021, four mutual banks and five cooperative banks were registered and supervised by the PA. At that date, there were also 29 authorised representative offices of international banks in South Africa.

Furthermore, the PA has taken over the regulatory oversight of cooperative financial institutions (CFIs) from the CBDA and is currently supervising 24 CFIs.

Banking entities registered in South Africa	
2021	
Banks1	18
Local branches of foreign banks	13
Mutual banks	4
Cooperative banks	5
Representative offices	29
1 Includes active banks and banks exempted by the Registrar of Banks (with effect from 1 July 1996) in terms of the Supervision of Financial Institutions Rationalisation Act, 1996 (Act 32 of 1996) and Section 1(cc) of the Banks Act, 1990 (Act 94 of 1990).	

The insurance industry

As at the end of December 2021, the PA was responsible for the supervision of 148 institutions:

- 64 life insurers,
- 71 non-life insurers,
- 8 professional reinsurers and
- 5 micro insurers.

South Africa's life insurance sector is dominated by the five largest insurers, which collectively held 72% of the total assets while non-life insurance sector is dominated by eight large insurers, which held 55% of gross premiums as at September 2021. All eight professional reinsurers are foreign owned and constitute less than 2% of the total insurance industry assets. During 2021, five micro insurers were registered. In addition, the PA was also regulating the RAF and the South African branch of Lloyd's.

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 Financial Sector Conduct Authority and the Prudential Authority 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).

Exchanges	• The Johannesburg Securities Exchange Limited (JSE) • ZAR- X (Pty) Ltd • Cape Town Stock Exchange (Pty) Limited (CTSE) 4AX previously 4 Africa Exchange (Pty) Limited • A2X (Pty) Limited • Equities Express Stock Exchange (Pty) Limited.
Central Securities Depositories	• Strate (Pty) Limited • Granite CSD (Pty) Limited
Associated Clearing Houses	• JSE Clear (Pty) Limited – In 2021, JSE Clear (Pty) Limited applied for an independent clearing house licence. This is currently under review by the Authorities. • Strate (Pty) Limited

Exchange rates

The South African rand depreciated, on balance, by 4.0% against the US dollar during 2020 and by 8.0% during 2021. While the exchange rate of the rand appreciated by 2.2% in the first half of 2021 as a result of rising international commodity prices, positive investor sentiment towards emerging market currencies and an initial dovish monetary policy stance in the US, the rand exchange rate depreciated by 10.0% in the second half amid concerns over higher global inflation, domestic civil unrest, a more hawkish US monetary policy stance, a decline in international commodity prices, concerns regarding a slowdown in Chinese economic growth and the continuation of scheduled electricity outages.

On a trade-weighted basis, the rand decreased, on balance, by 7.9% in 2020 and by 5.1% in 2021. Despite continued trade surpluses supporting the exchange rate of the rand during 2021, concerns regarding developments in Chinese financial markets increased global risk aversion and weighed on emerging market currencies during the second half of 2021.

The detection of a new COVID-19 variant in South Africa towards the end of 2021, negatively affected investor sentiment towards the rand exchange rate and outweighed the impact of the 25-basis point increase in the repurchase (repo) rate and the positively received 2021 MTBPS.

Foreign debt

South Africa's total external debt decreased from US$165.0 billion at the end of September 2021 to US$160.9 billion at the end of December. Foreign currency-denominated external debt increased from US$81.3 billion at the end of September 2021 to US$82.0 billion at the end of December, while rand-denominated external debt, in US dollars, decreased from US$83.8 billion to US$78.9 billion over the same period. The increase in foreign currency denominated external debt was due to an increase in long-term loans of the private non-banking sector as well as government loan finance obtained from the New Development Bank. The decrease in rand-denominated external debt could mainly be attributed to a decrease in short-term deposits of the banking sector and the repayment of short-term loans by the private non-banking sector. South Africa's total external debt, in rand terms, increased from R2 498 billion at the end of September 2021 to R2 557 billion at the end of December as the exchange value of the rand depreciated against the US dollar.

Exchange controls

Exchange control regulations are administered by the SARB, on behalf of the Minister of Finance. The Minister has delegated to the Financial Surveillance Department of the SARB the responsibility of appointing certain banks to act as authorised dealers in foreign exchange, as well as certain entities to act as authorised dealers in foreign exchange with limited authority, which gives them the right to buy and sell foreign exchange, subject to conditions and within limits prescribed by the department. Authorised dealers are not agents for the Financial Surveillance Department, but act on behalf of their customers.

As at the end of February 2022, a total of 27 banks were authorised to act, for the purposes of the regulations, as authorised dealers; three banks as restricted authorised dealers in respect of permissible credit card transactions and 23 entities as authorised dealers in foreign exchange with limited authority. In terms of exchange control policy, there are no limitations as to how much money may be brought into South Africa, but there are certain limitations on the amount of money that may be transferred out of South Africa.

For all non-South Africans, there is no limitation on transferring money out of South Africa that has been previously introduced into the country. Up to R25 000 in cash, per resident (natural person), may be taken when proceeding on visits outside the Common Monetary Area, to meet travellers' immediate needs on return to South Africa. Foreign visitors to South Africa may introduce foreign currency in any amount and in any form (for example, foreign bank notes or travellers' cheques) and may export any funds originating from instruments of foreign currency (including foreign bank notes) imported into South Africa on their arrival. No more than R25 000 may be exported in SARB notes.

The term "emigration" as recognised by the SARB was phased out with effect from 2021-03-01. All emigration applications from this date onwards are processed by the South African Revenue Service based on a dispensation confirming that the taxpayer has ceased to be a resident for tax purposes. The Authorised Dealer must verify the individual's tax compliance status via SARS eFiling through the use of the TCS PIN. In addition, South Africans can transfer up to R1 million abroad for any legal purpose, including investments, without the requirement to obtain a TCS PIN letter. Private individuals may in the same calendar year that they ceased to be resident for tax purposes transfer up to R1 million as travel allowance, without the requirement to obtain a TCS PIN. This is a once-off dispensation and unutilised portions may not be availed of in subsequent years. The withdrawal of retirement funds (lump sum benefits) may only be paid to individual members who have remained non-tax resident for at least three consecutive years. Requests by South African individuals to transfer additional funds are considered by the Financial Surveillance Department. As of 2021-01-01, the full 'loop structure' restriction has been lifted to encourage inward investments into South Africa.

Tax compliant individuals may invest authorised foreign capital in excess of the R10 million foreign capital allowance per calendar year via foreign domiciled and registered trusts.

Private individuals may as part of their single discretionary allowance and/or foreign capital allowance, export multi-listed domestic securities to a foreign securities register in a jurisdiction where such securities are listed, subject to tax compliance and reporting to the Financial Surveillance Department via a Central Securities Depository Participant, in conjunction with an Authorised Dealer.

Private individuals may utilise the investment portion of their single discretionary allowance and/or foreign capital allowance to participate in online foreign exchange trading activities (e.g. trading global currencies against each other, trading a contract for difference, trading in foreign stock, commodities including crypto currencies and trading foreign indices using the online trading platform of the broker concerned). South African credit, debit and virtual cards may not be utilised to fund international trading accounts.

Resident individuals can receive and retain abroad monetary and other legitimate gifts and donations received from a non-resident source without having to declare it to an Authorised Dealer. Resident individuals may also retain foreign assets inherited from a South African estate, and residents with authorised foreign assets may lend or dispose of such authorised foreign assets to other South African residents, subject to local tax disclosure and compliance.

Private individuals who ceased to be resident for tax purposes may remit abroad, on a once-off basis, remaining cash balances not exceeding R100 000 in total, without reference to SARS.

Non-residents living and working in South Africa may now be granted lending facilities (i.e. mortgage bonds) for residential property, subject to normal lending criteria. South African companies and mandated state-owned companies may transfer up to R5 billion per calendar year for bona fide new outward foreign direct investments into companies, branches and offices outside the CMA, subject to certain administrative requirements. South African entities listed on any South African authorised exchange may register with the Financial Surveillance Department and transfer funds from the parent company to a domestic treasury management company (DTMC) – a South African holding company for African and offshore operations, incorporated in South Africa and with its effective management place in South Africa – up to R5 billion a calendar year in respect of new investments, expansions as well as other transactions of a capital nature. Up to this amount, there is no restriction on transfers in and out of the holding company, provided such transfers are not undertaken to avoid tax.

Additional amounts of up to 25% of the listed company's market capitalisation are considered, on application to the Financial Surveillance Department, provided there are demonstrated benefits to South Africa. Unlisted entities may establish one DTMC for African and foreign operations, subject to certain administrative requirements. Annual transfers up to R3 billion a calendar year into a DTMC may be effected in respect of new investments, expansions as well as other transactions of a capital nature.

In addition, companies operating in the financial sector, such as banks and insurance companies may also apply to the Financial Surveillance Department for the DTMC dispensation, provided they meet certain set criteria.

Transfers from the parent company to the DTMC, up to R5 billion, a calendar year may be effected in respect of new investments, expansions as well as other transactions of a capital nature. Additional amounts may be considered, on application, to the Financial Surveillance Department and the PA. Excess income or profits of offshore branches and offices of South African companies may be retained offshore.

Institutional investors are all retirement funds, long-term insurers and collective investment scheme management companies. Investment managers may elect to register with the Financial Surveillance Department as institutional investors. The limit on foreign portfolio investments by institutional investors is applied to an institutional investor's total retail assets under management.

The prudential limits of 30% and 40%, respectively as well as the African allowance of 10% have been combined as of 2022-02-23 into a single limit of 45% of total retail assets under management applicable to all institutional investors. It should be noted that compliance with the prudential limit does not preclude an institutional investor from also having to comply with any relevant prudential regulations as administered by the Financial Sector Conduct Authority. Institutional investors may open foreign currency accounts with Authorised Dealers for the purpose of obtaining offshore exposure in terms of the prudential limit.

These accounts may be funded by either converting Rand to foreign currency through an Authorised Dealer or by accepting foreign currency deposits emanating from the disinvestment proceeds of foreign assets. Current customer foreign currency accounts held by institutional investors will have to be converted to foreign currency accounts within three months. Since 2014, South African listed companies have been permitted to secondary list on foreign exchanges and/or list depository receipt programmes in the offshore market to facilitate local and offshore foreign direct investment expansions, subject to certain administrative requirements.

Non-resident entities, local authorised dealers and the JSE are allowed to issue inward listed instruments referencing foreign assets on the JSE. Local collective investment scheme management companies registered with the Financial Sector Conduct Authority and regulated under the Collective Investment Scheme Control Act, 2002 (Act 45 of 2002), are allowed, with the prior approval of the Financial Surveillance Department, to inward list exchange traded funds referencing foreign assets on a South African exchange.

Approved debt and derivative instruments as well as exchange traded funds referencing foreign assets, that are inward listed on a South African exchange, traded and settled in Rand, are classified as foreign. Inward listed shares remain classified as domestic.

As stated in the Budget Review 2020, a new capital flow management system was expected to be put in place over a period of 12 months. All foreign-currency transactions will be allowed, except for a risk-based list of capital flow measures and/or transactions that pose a high risk in respect of illegitimate cross border financial flows. This change will increase transparency, reduce burdensome and unnecessary administrative approvals and promote certainty.

Some of the main features of the new capital flow management system are:

- a shift from exchange controls to capital flow management measures to regulate cross-border capital flows;
- stronger measures to fight illegitimate financial cross-border flows and tax evasion;
- strengthening cooperation between the FIC, SARB, SARS and other law enforcement agencies; and
- enhanced cross-border reporting requirements.

In the interim, National Treasury continues to modernise South Africa's capital flows management framework through the announcement of exchange control reforms. The Financial Surveillance Department will also develop a new legislative framework based on the Currency and Exchanges Act, 1933 in respect of the new capital flow management framework to be introduced.

Foreign exchange

The Foreign Exchange Operations section within the Financial Markets Department is entrusted with the responsibility of conducting foreign exchange operations of the SARB and monitoring foreign exchange activities of authorised dealers and the broader market participants.

This function also involves engaging with various market participants locally and offshore, including official institutions to gather market information and intelligence to support internal decision-making in the implementation of monetary policy, exchange rate policy and management of the SARB's foreign exchange reserves.

To this end, the Foreign Exchange Section performs the following functions:

- Conducting spot and forward foreign exchange transactions for the purpose of accumulating foreign exchange reserves;
- Conducting foreign exchange swap transactions in the domestic forward market for domestic liquidity management;
- Managing the foreign exchange reserves working capital portfolio by investing funds in term deposit accounts with foreign banks and official institutions;
- Servicing the foreign exchange needs of the SARB and its clients, including government;
- conducting research and analysis into movements and trends across financial markets;
- analysing the impact of the SARB's foreign exchange operations;
- promoting the effective function of the domestic financial markets by monitoring and gathering of market information and market intelligence in developments in the local and international markets;
- providing management information on the foreign exchange markets to the senior management of the department as well as the executive management of the SARB; and
- performing administrative functions of the South African Foreign Exchange Committee, which has been established under the sponsorship and leadership of the SARB.

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.

Other financial institutions

Collective investment schemes

These are investment structures where individual investor funds are pooled with those of other investors. Qualified asset managers regulated by the FAIS Act of 2002 invest these funds on behalf of the investor. Each investor owns units (participatory interest) in the total fund.

Recognised representative bodies

Section 6(3) (iii) of the FAIS Act of 2002 provides for the Registrar of FSPs to delegate any of its powers, in terms of the Act, to anybody recognised by the Act.

Two such functions, the consideration of applications for licences under Section 8 and the consideration of applications for approval of compliance officers under Section 17 (2) of the Act, were delegated to two recognised representative bodies. As recognised examination bodies, another four bodies are responsible for developing and delivering the regulatory examination.

Advisory Committee on FSPs

The Minister of Finance appointed the Advisory Committee on FSPs, whose function is to investigate and report, or advise on any matter covered by the FAIS Act of 2002.

The advisory committee comprises a chairperson, a representative of the Council for Medical Schemes, established by Section 3 of the Medical Schemes Act, 1998 (Act 131 of 1998), persons representative of product suppliers, FSPs and clients involved in the application of this Act.

The members of the advisory committee, except for the registrar and deputy registrar, who are ex officio members, hold office for a period determined by the Minister.

Licensing of FSPs

The Registrar of FSPs authorises and renders ongoing supervision of the following FSPs:

- Financial advisers and intermediaries who provide financial services without discretion;
- Those who offer discretionary intermediary services, in terms of financial product choice, but without implementing bulking;
- Hedge-fund managers;
- Investment administrators specialising mainly in the bulking of collective investments on behalf of clients (linked investment services providers); and
- Those who represent assistance business administrators who render intermediary services, in terms of the administration of assistance business (funeral policies), on behalf of an insurer to the extent agreed to in a written mandate between the two parties.

Insurance companies

Insurance is an agreement between a policyholder and an insurance company. Insurers are regulated by the Insurance Act No 18 of 2017, as implemented in South Africa on 1 July 2018. In terms of this Act, all insurance companies must be registered by both the Financial Sector Conduct Authority and SARB's Prudential Authority and must comply with the provisions of this Act. The insurance industry has appointed a short-term and long-term insurance Ombudsman to mediate dispute resolution between insurers and policy holders.

Retirement funds

The purpose is to encourage South Africans to save more. Employer contributions to retirement funds have become an employee fringe benefit for tax purposes. Individuals will be able to receive a tax deduction on employer and employee contributions to a pension fund, provident fund or retirement annuity fund up to 27.5% of the greater of remuneration and taxable income. An annual cap on deductible contributions of R350 000 apply.

In addition, government is exploring ways to increase retirement fund coverage to all workers.

Government bonds

The National Treasury has worked with the JSE, the SARB, STRATE, primary dealer banks and the World Bank to implement an electronic trading platform for government bonds.

Non-resident holdings of government bonds increased significantly until 2020, partly as a result of extremely low interest rates in advanced economies, which prompted global investors to look for better returns in developing countries. South Africa's sophisticated capital markets and strong institutions also support continued investment flows. However, non-resident holdings have come off their highs, as South Africa was excluded from the World Government Bond Index following downgrades to the country's sovereign rating to below investment grade by Moody's rating agency.

As a category, international investors remain the largest holders of domestic government bonds. Holdings by Non-residents peaked at 43% in March 2019 and thereafter declined sharply to 28.4% in January 2022 largely owing to the perceived increase in emerging market risk associated with the COVID-19 crisis.

Domestic long-term borrowing

Domestic long-term borrowing consists of fixed-rate, inflation-linked and retail savings bonds. Between April 2021 and January 2022, government raised R316 billion by issuing domestic long-term debt. Fixed-rate bonds accounted for 82% of bond issuances, with inflation-linked instruments making up the remainder. Fixed-rate bonds were issued across a range of maturities.

About 70% of bonds issued had maturities of between four and 15 years. In 2021/22, the South African government bond yield curve flattened as short-dated yields discounted prospects for higher domestic policy rate while the longer dated yields reflected a relatively light issuance in that area of the curve. Government was able to issue more bonds in the short to-medium term, minimizing its average borrowing costs. Over the medium term, domestic long-term borrowing will increase by an average of R295 billion annually.

International borrowing

Government issues debt in global capital markets to meet part of its foreign-currency commitments, set benchmarks and diversify funding sources.

The rand equivalent of these loans and interest payments changes with the exchange rate. To manage this risk, portfolio benchmarks limit foreign-currency debt to 15% of the portfolio. In 2021/22, government is expected to raise US$3 billion in international capital markets to fund its foreign-currency commitments. Over the medium term, government is projected to raise an additional US$11 billion in global capital markets. As part of the International Monetary Fund general special drawing right (SDR) allocation to member countries, government received about US$4.2 billion in SDRs in August 2021.

The government started to fully finance its foreign currency commitments in 2017 – by borrowing in global capital markets. This marked a shift from previous practice. The rand value of this international debt fluctuates with exchange rates, which is why the strategic risk portfolio benchmark limits foreign currency debt to 15% of the total portfolio.

Government debt

Government's steadfast commitment to restoring sustainability to the public finances is supported by narrowing deficits and debt stabilisation. Debt-service cost is expected to increase from R268 billion in fiscal 2021/22 to R302 billion (15.3% of total expenditure) in fiscal 2022/23, and further to R364 billion in fiscal 2024/25. In fiscal 2021/22, government's gross borrowing requirement narrowed from R600 billion (10.8% of GDP) to R404 billion (6.5% of GDP) and is expected to decline further to R342 billion (4.7% of GDP) in fiscal 2024/25.

The smaller borrowing requirement in 2021/22 was the result of improved revenue collections which reflected the recovery in economic activity following the easing of COVID-19 lockdown restrictions as well as the elevated level of most international commodity prices.

The significantly smaller borrowing requirement in 2021/22 was mainly financed through the net issuances of government bonds and, to a lesser extent, Treasury bills. The gross loan debt of national government is now expected to stabilise at 75.1% of GDP in 2024/25. As a share of total gross loan debt, domestic debt continued to account for about 90%.

Government's resilient fiscal and debt management policies have enabled it to continue raising the funds required to meet its spending commitments over the past year. Contingent liabilities are projected to increase from R1.15 trillion in 2021/22 to R1.23 trillion in fiscal 2024/25.

Johannesburg Stock Exchange

The JSE is a licensed exchange for all securities that was established in 1887. It offers secure and efficient primary and secondary capital markets across a diverse range of securities, spanning equities, derivatives and debt markets. In keeping with international practice, the JSE regulates its members and ensures that the markets operate in a transparent way, ensuring investor protection. Similarly, issuers of securities must comply with the JSE listings requirements, which ensure sufficient disclosure of all information relevant to investors.

The role of the JSE includes regulating applications for listing and ensuring that listed companies continue to meet their obligations. It also provides the stock exchange news service through which company news, including price-sensitive information, is distributed to the market.

The JSE has reclassified its equity instruments in line with the Financial Times Stock Exchange (FTSE) Russel Industry Classification Benchmark. This has led to the introduction of the FTSE/JSE Africa Index Series that makes the South African indices comparable to similar indices worldwide.

The Financial Sector Conduct Authority has granted four new stock exchange licenses in recent years. ZAR X started trading in February 2017, followed by 4 Africa Exchange in September 2017 and A2X Markets (primarily a secondary listings market) in October 2017. The fourth new exchange, the black economic empowerment-focused Equity Express Securities Exchange, started trading in December 2017.

Together with the JSE, South Africa now has five licensed stock exchanges. The new exchanges were established to increase diversity and economic inclusion for the advancement of economic growth and development. On most of the new stock exchanges only equity type products can be traded.