

# POCKET GUIDE TO SOUTH AFRICA



DOING BUSINESS IN SOUTH AFRICA

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The Department of Economic Development is responsible to develop economic policy with broad, cross-cutting focus so that macro and micro-economic policy reinforce each other and are both aligned to the electoral mandate.

The department is responsible for economic development planning and works with other departments to ensure coordination around a programme that places decent work at the centre of government's economic policies to secure better employment outcomes. The department's 2011/12 budget was distributed as follows:

- R219,4 million for small business funding, through transfers to Khula and the South African Micro-Finance Apex Fund (Samaf). In April 2012, the Small Enterprise Finance Agency (Sefa) was launched, consolidating Khula, Samaf and the Industrial Development Corporation's (IDC) small business leading book.
- R141,8 million for the competition authorities
- R69,6 million for trade administration to the International Trade and Administration Commission (ITAC)
- R34 million for promoting agroprocessing to the IDC
- R23,3 million for policy development within the Department of Economic Development
- R35,1 million for economic planning and coordination
- R16,3 million for economic development and dialogue
- R55 million for administration, the Department of Economic Development and capital expenditure.

Khula, Samaf and the Industrial Development Corporation's (IDC) lending book merged to form the Small Enterprise Finance Agency (Sefa). Sefa was launched in April 2012.

In 2011, the Industrial Development Corporation (IDC) increased its investment target to R102 billion over five years, a substantial increase over past rates of investment. It introduced a new low-cost lending facility for jobs-rich projects, at prime less 3%. It refocused investment to the New Growth Path industrial sectors.



Over the past 12 months, IDC approvals of funding grew strongly, from R8,7 billion to R13,5 billion, an increase of 55%.

One of the corporation's programmes include the following: IDC support for Ford encouraged the company to invest R3,4 billion here, and select South Africa as one of only three global production hubs for the Ford Ranger, for export to 148 countries, supporting jobs in Ford and its supplier companies.

## Broadening economic participation

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

The focus is on:

- improving productivity
- reducing the regulatory burden and cost of doing business
- improving access to finance for small, medium and micro-enterprises (SMMEs) and cooperatives
- improving innovation in the domestic economy
- promoting the development and sustainability of SMMEs and cooperatives
- encouraging entrepreneurship and self-employment.

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

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

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

## Department of Trade and Industry

The Department of Trade and Industry aims to lead and facilitate access to sustainable economic activity and employment for all South Africans. South Africa has trading relationships with over 200 countries and territories.

The department also aims to catalyse economic transformation and development, and to provide a predictable, competitive, equitable and socially responsible environment for investment, enterprise and trade for economic citizens.

In this way, the department contributes to achieving government's vision of an adaptive and restructured economy,

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characterised by accelerated economic growth, employment creation and greater equity by 2014.

To contribute to greater shared growth in the country, the department is pursuing the goals of:

- significantly progressing BBBEE
- increasing the contribution of small enterprises to the economy
- contributing towards providing accessible, transparent and efficient access to redress
- contributing towards building skills, technology and infrastructure platforms from which enterprises can benefit
- increasing market-access opportunities for, and export of, South African goods and services
- increasing the overall level of direct investment, as well as investment in priority sectors
- repositioning the economy in higher value-added segments of value matrices in knowledge-driven manufacturing and services
- contributing towards the economic growth and development of the African continent within the New Partnership for Africa's Development framework
- building an efficient, effective and accessible organisation to achieve these outcomes.

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



Proudly South African is a *Buy Local* Campaign launched by government, organised business, organised labour and community organisations (represented in the National Economic Development and Labour Council) to boost job creation by promoting South African companies and locally made products. By

buying Proudly South African, consumers/businesses are making a personal contribution to nation-building. Buy Local helps to fight unemployment and in the process also serves to alleviate poverty, crime and disease. In addition, consumers get an assurance of quality because only quality products carry the logo (mark of quality). The Proudly South African logo identifies companies/organisations that are members of the campaign or have been accredited by the campaign. Active members may only use the Proudly South African mark of quality to ensure that it maintains its integrity.



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

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

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

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

The department has a network of foreign economic offices abroad to facilitate business on behalf of South African companies.

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

Progress has been made in trade integration in the Southern African Development Community (SADC). Over the medium term, the SADC will focus on addressing rules of origin, trade facilitation and non-tariff barriers.

## Industrial Policy Action Plan (IPAP)

The IPAP II 2011/12 to 2013/14 was launched in April 2011 as a three-year rolling industrial development road map. In terms of the interventions outlined and the requirement of intergovernmental coordination and multistakeholder involvement, IPAP was a first of its kind in South Africa. The IPAP represents a qualitative step forward in government's industrial policy efforts and achieved much progress.

## Green economy

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

More environment-friendly initiatives are expected to be implemented over the next few years as the country embarks on a renewable energy drive.

The IDC is funding some of the renewable energy initiatives such as the IDC project to co-fund a solar water-heater undertaking for low-income housing. By May 2012, more than 262 000 units had been installed countrywide.

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

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

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

The projects are expected to play a significant role in the realisation of the New Growth Path.

### **Taxation**

South Africa has a residence-based tax system, which means residents are – subject to certain exclusions – taxed on their worldwide income, irrespective of where their income was earned. Non-residents are, however, taxed on their income from a South African source. Foreign taxes are credited against South African tax payable on foreign income.

Most of the State's income is derived from income tax, although nearly a third of total revenue from government taxes comes from indirect taxes, primarily VAT.

### **Exchange control**

Exchange-control regulations are administered by the South African Reserve Bank (SARB) on behalf of the Minister of Finance. The Minister of Finance has also appointed certain banks to act as authorised dealers in foreign exchange, as well as authorised dealers with limited authority in foreign exchange, which gives them the right to buy and sell foreign exchange, subject to conditions and within limits prescribed by the Financial Surveillance Department (FSD) of the SARB. Authorised dealers are not agents of FSD, but act on behalf of their customers.

Since 1994, South Africa has considerably reformed its exchange-control policies. The approach has been directed at the gradual liberalisation and relaxation of exchange controls, with the intention of replacing them

with a strategy aligned to the broader macroprudential approach as part of the long-term exchange-control reform strategy.

There have been gradual exchange-control reforms concerning individuals, corporates and institutional investors. The liberalisation has been focused on progressively increasing the individual foreign capital allowance, increasing institutional investors' foreign exposure and allowing South African firms to raise capital and expand their operations offshore from a domestic base.

## Banking industry

As at the end of December 2010, 33 banking institutions – 12 locally controlled, six foreign-controlled, 13 registered branches and two mutual banks – were reporting data to the Bank Supervision Department of the Reserve Bank. There were also 41 international banks with authorised representative offices in South Africa. The banking industry is characterised by a high degree of concentration, with four banks, ABSA Bank Ltd, The Standard Bank of South Africa Ltd, FirstRand Bank Ltd and Nedbank Ltd, dominating the sector.

## JSE Limited

As South Africa's only full-service securities exchange, the JSE Ltd connects buyers and sellers in different markets such as equities, which include a primary and secondary board; equity derivatives; agricultural derivatives; and interest-rate instruments. The JSE Ltd is one of the top 20 exchanges in the world in terms of market capitalisation.

The JSE Ltd is the market of choice for local and international investors looking to gain exposure to the leading capital markets in South Africa and the broader African continent. The JSE Ltd also provides companies with the opportunity to raise capital in a highly regulated environment through its markets: the Main Board and AltX, the Alternative Exchange. A respected brand associated with high market integrity, the JSE Ltd is regarded as a mature, efficient, secure market with world-class regulation, trading, clearing, settlement assurance and risk management.



MEDUPI BOILER  
HYDROSTATIC PRESSURE TEST  
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