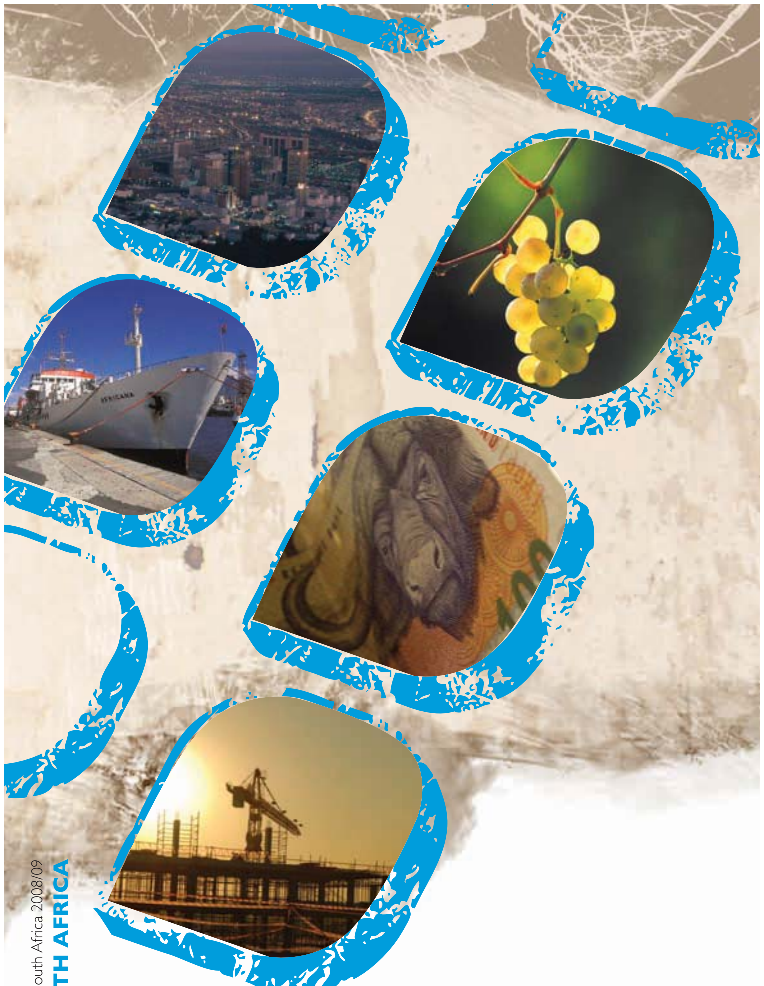

In line with promoting foreign investment in South Africa and positioning the country as a financial centre for Africa, foreign companies, governments and institutions may list on South Africa's bond and securities exchanges.

Broadening economic participation

Broad-Based Black Economic Empowerment (BBBEE) is a government policy aimed at redressing past economic imbalances. BEE is an important policy instrument aimed at broadening the economic base of the country, further stimulating economic growth and creating jobs while eradicating poverty.

The Codes of Good Practice for BBBEE were gazetted on 9 February 2007. These codes are the culmination of the development of the BBBEE Strategy that seeks to enhance the economic participation of black people by growing the economy and reducing income inequality.

Several of the department's programmes aim to bridge the economic divide and broaden economic participation by historically disadvantaged individuals (HDIs).

These institutions include:

- The South African Micro-Finance Apex Fund (Samaf) that provides micro-finance to small and medium-sized enterprises (SMEs) through a network of financial intermediaries across South Africa. Samaf provides a framework for development micro-finance industry norms and standards, including sustainable lending methods. By May 2008, Samaf had distributed about R8,2 billion, benefiting some 9 000 savers and 1 700 SMEs.
- Khula Enterprise Finance Ltd is a key agency representing the interest of SMEs for access to lending through a network of both the public and private-sector partners.
- The Small Enterprise Development Agency (Seda) provides small enterprises around South Africa with a one-stop non-financial support service. It is supporting 26 incubators through the Seda Technology Programme.
- The Black Business Supplier Development Programme disbursed over R86 million in the past four years.
- The Isivande Supplier Fund was launched in March 2008, and aims to provide affordable enterprise loans, ranging from R30 000 to R5 million

Other initiatives include:
- implementing new policy and legislation to promote the development of co-operative enterprises
- implementing the BBBEE Strategy, focusing on the codes of good practice, the sector charters and the establishment of the BEE Advisory Council
- introducing a specific strategy to empower women.

Department of Trade and Industry

The aim of the Department of Trade and Industry is to lead and facilitate access to sustainable economic activity and employment for all South Africans.

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.

The July 2007 Cabinet Lekgotla approved the Industrial Policy Action Plan for the Economic Cluster, to faciliate and support industrial development through the implementation of targeted programmes.

By August 2007, key action plans in four broad sectors – capital goods; transport equipment and metals, automotive assembly and components; chemicals, plastics and pharmaceuticals; and forestry, pulp and paper – had been finalised for immediate implementation.

By July 2008, Cabinet noted the following progress:

Metal fabrication, capital and transport equipment

Key import duties were reviewed and duties on carbon and stainless steel were removed. The National Tooling Initiative was launched in March 2008.

According to Ernst & Young, merger and acquisition activity rose sharply in South Africa in 2007, with total deal volumes up 81% over the previous year and the top 10 deals coming in at R208,1 billion, which is a 51,5% increase over the top 10 deals of 2006. Black Economic Empowerment was one of the main drivers.

Automotives and components

A replacement scheme to the Motor Industry Development Programme had been developed. An empowerment plan for the automotives and components sector was being finalised and was expected to be completed by December 2008.

Chemicals, plastics and pharmaceuticals

The import duty on upstream chemical products and the study on increasing polypropylene value-added products had been finalised.

Investment had been secured for the fluoro-chemicals expansion initiative and the next step was to secure sufficient land for the project.

Wood, paper and furniture

New afforestation targets had been set in collaboration with the Department of Water Affairs and Forestry and AsgiSA-EC (Ltd). In the Eastern Cape and KwaZulu-Natal, and an agreement had been reached on general authorisations for afforestation in areas that are not water-stressed. New opportunities are being investigated in Mpumalanga and Limpopo.

A service-provider was appointed to collect data on the small-scale saw-milling industry in Limpopo, Mpumalanga, the Eastern Cape and KwaZulu-Natal.

A furniture incubator was scheduled to start operating in November 2008.

Clothing and textiles

Measures had been implemented to recapture and stabilise the domestic clothing and textile market. Country-of-origin labelling has been in place since July 2007. Quotas for certain Chinese imports have been in place since January 2007. The Interim Textile and Clothing Development Programme, formerly known as the Duty Credit Certificate Scheme, was extended until March 2009 with limited tradability.

A Textiles Engineering Centre of Excellence has been established at the Council for Scientific and Industrial Research.

Trade and Investment South Africa (Tisa)

Tisa, a division of the Department of Trade and Industry, aims to develop the South African economy by focusing on investment and export development and promotion, and sector policy development.

Tisa is responsible for developing the following priority sectors:

- agroprocessing
- chemical and allied industries
- clothing, textiles, leather and footwear
- cultural industries
- exportable services (business process outsourcing) (BPO)
- information and communications technology and electronics
- metals and mineral-based industries
- tourism
- transport industries.

The unit is dedicated to promoting investment opportunities, marketing investment projects, providing guidance with plant/site locations, especially in industrial development zones (IDZs) and inputting into policy formulation by providing investment information.

BPO is being implemented. By July 2008, nine projects had been approved, 9 132 jobs created and R658 million worth of investment made.

National Industrial Participation Programme (NIPP)

The NIPP has been a key contributor to industrial development. By July 2008, some 150 projects had been implemented, involving US$7,5 billion in investments and exports. Some 12 000 direct jobs had been created.

The Industrial Development Corporation has launched a R1-billion scheme to finance emerging entrepreneurs. The scheme seeks to eliminate problems in the funding process.

Some R400 million has been earmarked for female entrepreneurs and R50 million for the disabled.

The Department of Trade and Industry manages the NIPP, which becomes effective once the foreign content of a procurement, purchase or lease contracts of government departments and parastatals exceeds US$10 million, in which case an NIPP obligation of 30% on the foreign content will be attracted.

The NIPP focuses on national objectives, mainly in the commercial environment. The objectives of the NIPP include fast-tracking investment, fostering partnerships in research and development and creating market opportunities for locally manufactured goods abroad.

By early 2008, the total value of NIPP obligations being monitored was estimated at more than US$15 billion. The programme has benefited South Africans by US$12,6 billion over the last 10 years as a consequence of the country's Strategic Defence Procurement and other government purchases.

This includes investment credits estimated at US$3,5 billion, with export and local sales, technology transfer, BEE and small, medium and micro-enterprise (SMMEs) promotion making up the balance. The benefits cover the areas of BEE, partnerships between participating entities and skills development.

Spatial development

One of South Africa's key industrial policies remains its commitment to fostering sustainable industrial development in areas where poverty and unemployment are at their highest. This objective is implemented through spatial development initiatives (SDIs), which focus high-level support on areas where socio-economic conditions require concentrated government assistance, and where inherent economic potential exists.

The SDI programme consists of 11 local SDIs and four IDZs that are at varying stages of delivery. The SDIs are the Maputo Development Corridor; Lubombo SDI; Richards Bay SDI, including the Durban and Pietermaritzburg nodes; Wild Coast SDI; Fish River SDI; West Coast Investment Initiative; Platinum SDI; Phalaborwa SDI; and the Coast-2-Coast Corridor.

The SDI concept focuses on:

- industry by means of the KwaZulu-Natal and Fish River SDIs
- agritourism, as in the Lubombo and Wild Coast SDIs
- a sectoral mix, for example, the Maputo Development Corridor.

IDZs are located near major transport nodes such as ports or airports. The benefits of IDZs include support to investing companies, especially for greenfield development projects; access to transport for export purposes; waiver of import duties for products that are produced for export; and subsidies for providing skills training to employees.

The IDZs are in Coega/Ngqura, East London, Saldanha and Richards Bay.

By July 2008, the IDZ programme had attracted investment valued at R28 billion.

The Enterprise Organisation (Teo)

Teo's purpose is to stimulate and facilitate the development of sustainable competitive enterprises through the efficient provision of effective and accessible supply-side incentive measures.

It contributes to the realisation of the Department of Trade and Industry's strategic objectives by:

- developing incentives in support of identified policies and sector strategies
- efficiently administering the department's incentive programmes
- facilitating access to and impact of products and services rendered by Teo through a focused business-development effort.

The Small, Medium Enterprise Development Programme (SMEDP) has been a leading incentive. From April 2006 to April 2008, 2 501 projects were approved for a R2,96-billion incentive value, of which over R6 000 million had been disbursed.

The Enterprise Investment Programme comprises two distinct subprogrammes, namely the Tourism Support Programme and the Manufacturing Investment Programme.

By July 2008, the Critical Infrastructure Programme had 19 projects approved with qualifying investment value of R32 billion and infrastructure investment of R9,2 billion.

Taxation

International tax agreements are important for encouraging investment and trade flows between nations, by providing certainty about the tax framework. By reaching agreement on the allocation of taxing rights between residence and source countries of international investors, double taxation agreements provide a solid platform for growth in international trade and investment. South Africa has tax agreements with many countries.

Exchange control

Exchange control is administered by the South African Reserve Bank (SARB) on behalf of the Minister of Finance. The bank is assisted in this task by a number of banking institutions that have been appointed by the Minister of Finance as authorised dealers in foreign exchange. These institutions undertake foreign-exchange transactions for their own account with their clients, within limits, and subject to conditions laid down by the SARB.

The Government is committed to an open capital market and the gradual relaxation of exchange controls.

Part of the process of gradual exchange-control liberalisation and financial-sector strengthening is the shift to a system of prudential regulation governing the foreign portfolio investment of institutional investors, such as long-term insurers and pension funds.

Prudential regulations are applied internationally to protect policy-holders and pensioners from excessive risk, and typically include restrictions on foreign-asset holdings, set at a certain percentage of an institution's total assets or liabilities.

As an interim step towards prudential regulation, retirement funds, long-term insurers, collective investment-scheme management companies and investment managers are allowed to transfer funds from South Africa for investment abroad:

- Retirement funds and the underwritten policy business of long-term insurers may invest up to 20% of total retail assets. Investment managers registered as institutional investors for exchange-control purposes, collective-investment scheme management companies and investment-linked business of long-term insurers are restricted to 30% of total retail assets under management.

- Institutional investors are allowed to invest an additional 5% of their total retail assets by acquiring foreign-currency denominated portfolio assets in Africa through foreign-currency transfers from South Africa or by acquiring approved inward-listed instruments based on foreign reference assets or issued by foreign entities listed on the Bond Exchange of South Africa (Besa) or JSE Ltd, respectively.
- Foreign companies, governments and institutions may list instruments, including derivative instruments, based on foreign reference assets, on South Africa's bond and securities exchanges.
- Institutional investors are required to report on a quarterly basis on the allocation of assets according to the major asset classes and provide information from institutions in excess of the foreign-asset limit on proposed portfolio adjustments to bring foreign asset levels back in line.

With effect from 20 February 2008, the pre-approval process for foreign direct investment (FDI) was removed for transactions totalling less than R50 million per company per year. Authorised dealers will administer the directives and guidelines on these types of investments. The exchange-control requirement that a shareholding of at least 25% is obtained was replaced with the requirement that at least 10% of the foreign target entity's voting rights must be acquired.

Where the total cost of FDI exceeds R50 million per company per calendar year, an application must be submitted to the SARB Exchange Control prior to the investment being made.

As a further alternative mechanism of financing offshore investments or to repay existing offshore debt, applications by corporates to engage in corporate asset or share-swap transactions and requests for share placements offshore by locally listed companies, are considered.

The corporates that have existing approved subsidiaries abroad are allowed to expand such activities without prior approval, subject to certain conditions. Dividends declared by the offshore subsidiaries of South African corporates may be retained offshore and used for any purpose, without recourse to South Africa.

Authorised dealers may also extend foreign currency-denominated facilities to South African corporates for financing approved FDI.

To further enable South African companies, trusts, partnerships and banks to manage their foreign exposure, they are, with effect from 20 February 2008, permitted to participate without restriction in the rand futures market on the JSE Ltd. This dispensation is also extended to investment in inward listed (foreign) instruments on the JSE Ltd and Besa.

JSE Limited

The JSE Limited is licensed as an exchange under the Securities Services Act, 2004 and is Africa's premier exchange. It has operated as a marketplace for the trading of financial products for nearly 120 years. In this time, the JSE has evolved from a traditional floor-based equities trading market to a modern securities exchange providing fully electronic trading, clearing and settlement in equities, financial and agricultural derivatives and other associated instruments. The JSE is also a major provider of financial information.