Chapter 7

Economy

South Africa is the most advanced economy on the African continent. Blessed with a wealth of natural resources, the country contains wide disparities of wealth, with obvious implications for broader socio-political policy directions. Given its history of inequalities and its location as an African country whose fate is bound up with that of its neighbours, South Africa has a strong shared set of interests with the developing economies of the world. On occasion it has taken a leadership role in this regard.

South Africa's economy displays many world-class features. These include a sophisticated financial and physical infrastructure, good telecommunications and energy supply networks, and one of the top 10 stock exchanges in the world. At their best, South African companies are competitive with the world's biggest and best. The challenge is to translate this into levels of investment high enough to promote an economic growth large enough to reduce the country's substantial unemployment levels.

An open economy trading aggressively within the world economy, South Africa's concerns centre on increasing access to the markets of the development world and being allowed to compete freely on equal terms. South Africa, like other developing economies, is highly susceptible to trends in the economies of its major trading partners (the United States [US], United Kingdom [UK], Europe and the Far East). Regional political instabilities sometimes negatively affect investor perceptions. South Africa, however, has been highly commended for its successful macroeconomic policies. Amongst emerging markets world-wide, South Africa is a leader and a competitive producer of not just raw commodity exports but also high value-added goods, such as motor vehicles.

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Domestic output

During the course of 1997 and the first half of 1998, the growth in total real gross domestic product (GDP) slowed down and subsequently turned negative in the third quarter of 1998. It recovered again slightly in the fourth quarter of 1998 and throughout 1999 and 2000. The quarter-to-quarter growth in total real production accelerated from a seasonally adjusted and annualised rate of 1,9% in the first quarter of 2000 to 3,9% in the third quarter. It slowed down slightly to 3,2% in the fourth quarter. As a result of these developments, the growth in aggregate output slowed down from 2,5% in 1997 to only 0,7% in 1998. It accelerated again to 1,9% for 1999 and 3,1% for 2000 as a whole. The increase in real economic growth in 2000 can be attributed to increases in the real output by the secondary and tertiary sectors. In addition, real value added by the agricultural sector remained strong

Real GDP

Percentage change at seasonally adjusted and annualised rates

Sector	1999					2000				
	1st qr	2nd qr	3rd qr	4th qr	Year	1st qr	2nd qr	3rd qr	4th qr	Year
Primary sectors	2,6	1,0	1,3	2,4	0,7	-5,2	0,8	7,9	0,6	0,5
Agriculture	6,5	2,6	4,5	6,3	3,4	-8,6	7,5	24,1	0,8	3,8
Mining	0,1	0,0	0,9	-0,2	-1	-2,8	-3,6	-2,4	0,5	-1,8
Secondary sectors	-1,1	0,5	4,2	5,7	-0,3	2,0	2,2	3,5	4,3	3,2
Manufacturing	0,1	0,7	4,6	6,0	-0,2	2,7	2,3	3,9	4,6	3,6
Tertiary sectors	3,8	4,3	4,0	4,2	3,3	2,9	3,5	3,4	3,0	3,6
Non-agricultural sectors	2,2	2,9	3,7	4,4	2,0	2,3	2,7	3,1	3,2	3,1
Total	2,0	2,6	3,6	4,2	1,9	1,9	2,9	3,9	3,2	3,1

Source: South African Reserve Bank
Quarterly Bulletin, March 2001

during 2000 as it increased by 3,8% for the year as a whole.

The real value added by the primary sectors increased by 0,5% for 2000 as a whole, compared with about a similar increase of 0,7% in 1999. This was the net result of an increase in the real output of the agricultural sector. Mining output declined by 1,8%.

The real value added by the secondary sectors, which had shown increases at annualised rates of 2,2% in the second quarter and 3,5% in the third quarter of 2000, accelerated in the fourth quarter, to a rate of 4,3%. This substantial increase in the quarter-to-quarter growth can be attributed to higher manufacturing production and a further increase in the real value added by the sector supplying electricity, gas and water. For 2000 as a whole, the real value added by the secondary sectors increased by 3,2%, compared to a marginal decline of 0,3% in 1999.

The growth in the real value added by the tertiary sectors remained buoyant throughout 2000. Consequently, the share of the tertiary sectors as a percentage of total value added increased from 64,4% in 1998 to 65,9% in 2000. Growth at seasonally adjusted and annualised rates facilitated between 2,9% and 3,5% for the four quarters of 2000.

Domestic expenditure

For 2000 as a whole, real gross domestic expenditure increased by 2,7% compared with a decline of about 0,2% in 1999. The increase in 2000 can be attributed to an increase in domestic final demand and a build-up of inventories. Aggregate real gross domestic expenditure increased sharply in the first quarter of 2000 but faltered somewhat in the second quarter when it declined by 1,1%. Growth returned at a rate of 3,6% in the third quarter of 2000.

This high level of aggregate spending was sustained in the fourth quarter. The growth in the fourth quarter was, however, not as vigorous as in the third quarter, and increased marginally by 0,5%.

After the growth in real final consumption, expenditure by households slowed down to a seasonally adjusted 2,8% in the second quarter of 2000. It accelerated again to 3,5% in the third quarter and 3,3% in the fourth quarter. This acceleration can be attributed to an improvement in sentiment and consumer confidence about future income growth. Consequently, the growth in real final consumption expenditure by households for the calendar year accelerated from 1,1% in 1999 to 3,2% in 2000.

Real gross domestic expenditure

Percentage change at seasonally adjusted and annualised rates

Components	1999					2000				
	1st qr	2nd qr	3rd qr	4th qr	Year	1st qr	2nd qr	3rd qr	4th qr	Year
Final consumption expenditure by households	-0.4	2,6	4,1	3,0	1,1	3,4	2,8	3,5	3,3	3,2
Final consumption expenditure by general government	-1,6	-1,5	-2,2	-2,9	-1,9	-7,6	1,1	0,8	1,6	-2,5
Gross fixed capital formation	-22,9	-9,4	-2,9	-0,3	-6,0	2,6	3,1	6,2	6,7	1,3
Domestic final demand	-5,0	-0,3	1,7	1,3	-0,7	1,2	2,5	3,4	3,6	1,9
Change in inventories (R billion)	-8,4	5,3	-4,2	1,8	-1,4	8,1	2,4	4,7	0,4	3,9
Gross domestic expenditure	-11,7	9,6	-3,5	4,5	-0,2	5,9	-1,0	3,6	0,5	2,7

Source: South African Reserve Bank
Quarterly Bulletin, March 2001

GDP by type of economic activity at current prices and at basic prices (R million), 1997–2000

Period	Agriculture, forestry & fishing	Mining and quarrying	Manufacturing	Construction	Electricity, gas & water	Transport and communications	Trade	Other	Total (GDP at basic prices)
1997	25 325	40 524	124 604	19 386	20 386	57 765	85 858	251 570	625 418
1998	24 453	43 445	129 057	20 682	20 964	63 499	89 222	279 061	670 383
1999	24 555	44 187	135 952	21 262	21 408	71 340	95 159	309 384	723 247
2000	25 375	51 563	148 875	22 152	22 995	80 063	103 923	339 047	793 993

Source: Statistics South Africa

All major categories of household spending participated in the spending boom of 2000. Growth in spending on durable goods, however, slowed down in the fourth quarter of 2000 as prospective buyers of new motorcars delayed their purchases until the new registration year, and spending on furniture and household appliances lost some momentum.

Real final consumption expenditure by general government declined from quarter to quarter by 7,6% in the first quarter of 2000. Growth made a turn-around from the second quarter and increased at an average of 1% in the second and third quarters and by 1,6% in the fourth quarter. For 2000 as a whole, growth in real government consumption expenditure declined by 2,5%, compared with a decline of 1,9% recorded in 1999.

This decline in real government consumption expenditure was the result of declines recorded in intermediate consumption and compensation of employees, reflecting government's determination to contain the extent of the public sector. The ratio of final consumption expenditure by general government to GDP consequently declined from 19,4% in 1999 to 18,4% in 2000.

The upward momentum in real gross fixed capital formation since the first quarter of 2000 was sustained throughout the year. Growth in this spending aggregate accelerated from an annualised rate of 2,6% in the

Financial account of the balance of payments (R million), 1994–2000							
	1994	1995	1996	1997	1998	1999	2000
Financial account							
Direct investment							
Liabilities	1 348	4 502	3 515	17 587	3 104	9 184	6 083
Assets	-4 388	9 059	-4 485	-10 831	-9 841	11 914	-3 913
Net direct investment	-3 040	-4 557	-970	6 756	-6 737	-2 730	2 170
Portfolio investment							
Liabilities	10 298	10 651	17 983	51 563	50 452	83 883	11 793
Assets	-290	-1 631	-8 407	-20 983	-30 077	-31 537	-25 628
Net portfolio investment	10 008	9 020	9 576	30 580	20 375	52 346	-13 835
Other investment							
Liabilities	-1 554	17 217	7 492	-1 330	6 534	-16 995	10 044
Assets	-1 055	-1 899	-2 704	-8 957	-2 872	-10 271	-7 933
Net other investment	-2 609	15 318	4 788	-10 287	3 662	-27 266	2 111
Balance on financial account	4 359	19 781	13 394	27 049	17 300	22 350	-9 554

Source: South African Reserve Bank

first quarter of 2000 to 6,7% in the fourth quarter, pushing growth for the full calendar year to 1,3%, from a decline of 6% in 1999.

This turnaround in gross fixed capital formation was the net result of an increase in private-sector fixed capital formation of 5,2% in 2000 and fixed capital outlays of general government departments. These remained at the same level as attained in 1999.

Inventory accumulations slowed down abruptly in the fourth quarter of 2000, following strong build-ups in the first three quarters of the year. Smaller net additions to inventories were reported by all sectors of the economy, but the manufacturing sector stood out with a minimal net addition to its inventories. Despite the cutbacks in the fourth quarter, for the whole of 2000 there was a net addition to inventories of R3,9 billion at constant 1995 prices. This followed a number of inventories valued at R1,4 billion in 1991.

Information

Early in November 2000, South African Ministers and Directors-General met senior World Bank and International Monetary Fund (IMF) officials to discuss all aspects of the economy. Specific attention was paid to ways in which growth could be stimulated and job creation accelerated.

Price inflation

Consumer price inflation (CPI) fell from 15,3% in 1991 to 5,3% in 2000, rising to 7,8% in February 2001. This steady decline of consumer price inflation during the nineties has been the result of sound monetary and fiscal policies and the opening of the economy to international trade and capital flows. In more recent years, movements in the CPI have been determined mainly by changes in mortgage interest costs and in petrol and food prices.

Consumer price inflation excluding mortgage rates (CPIX) accelerated gradually from 6,9% in 1999 to 7,8% in 2000, and remained constant at 7,7% for January and February 2001. According to Reserve Bank models, there is a 60% chance that the inflation target, aimed to reduce the annual average CPIX to between 3% and 6%, will be reached in 2002. Independent surveys and the yield differential between conventional 10-year government bonds and inflation-linked debt show that inflation expectations

Production and consumer price indices, 1994–2000

	Production prices of goods for domestic use (June 2000 = 100)			Consumer prices (2000 = 100)			
				Goods			
Period	Goods produced in South Africa	Imported goods	All goods	Food	All goods	Services	All items
1994	66,7	67,2	66,1	65,8	66,8	65,6	66,7
1995	73,0	73,9	71,1	71,5	71,8	72,7	72,5
1996	78,1	79,5	75,0	75,9	76,2	79,6	77,8
1997	83,7	85,5	78,7	83,3	82,4	86,9	84,4
1998	86,6	88,6	81,1	88,4	87,4	93,7	90,3
1999	91,6	93,2	87,4	92,8	92,7	97,7	94,9
2000	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: South African Reserve Bank

are falling. Lower oil prices and a slowdown in the US economy are helping to reduce external pressure on domestic inflation.

Production price inflation has risen sharply in recent years. The annual increase in the all-goods production price index accelerated from 3,5% in 1998 to 5,8% in 1999 and 9,2% in 2000, the highest rate of increase in five years.

Factors underlying the recent acceleration in production price inflation include the rise in the prices of energy and food over the past two years, the depreciation of the Rand against a basket of currencies, and the somewhat faster increases than before in the production prices of South Africa's major trading partners. The production price inflation and CPI moved in opposite directions in the second half of 2000. This distorted the long-established relationship between movements in the production price index and the consumer price index. According to this relationship, changes in the production price index usually foreshadow consumer price changes with a lead time of two or three months. It is not certain if the relationship will be re-established in coming months, but there is a real risk that consumer price increases may accelerate in response to prior increases in production prices. A number of reasons can be listed for the current breakdown in the relationship between changes in production prices and consumer prices:

- Changes in the general level of interest rates automatically have a strong impact on the consumer price index.
- Consumer services have a weighting of 45% in the overall consumer price index, whereas the production price index deals only with goods prices.
- Imported goods have a weighting of 27% in the production price index, whereas it is estimated that the weighting of imported goods in the consumer price index amounts to roughly 5%.
- The consumer price index takes account of changes in indirect taxes such as value-added tax and customs and excise duties, whereas changes in these areas are not reflected in changes in the production price index.
- The rise in the international price of crude petroleum had a greater impact on the production price index than on the consumer price index. Changes in international crude oil prices are directly reflected in the imported component of the all-goods production price index. By contrast, the consumer prices of petrol and diesel are partially disconnected from the full changes in international petroleum prices because indirect taxes drive a large wedge between the price of crude petroleum and the pump

price of petrol and diesel. All the taxes levied on petrol and diesel are specified as an absolute fixed amount, which does not change in line with the international petroleum price. The higher these taxes as a portion of the final price of petrol and diesel, the smaller will be the percentage increase in the petrol and diesel price for a given increase in the international oil price.

Foreign trade and payments

A strong improvement in South Africa's trade balance with the rest of the world cancelled out the higher deficit on the services and income account. This contributed towards a narrowing of the deficit on the current account in 2000. The surplus on the trade account increased from R25,4 billion in 1999 to R29,5 billion in 2000. Overall, the deficit on the current account declined from 0,4% of GDP in 1999 to 0,3% of GDP in 2000.

The depreciation of the Rand strengthened the competitiveness of South African manufacturers in export markets, which impacted positively on merchandise export volumes in the second half of 2000. The volume of merchandise exports, which declined by about 6% in the second quarter of 2000, increased by about 7% in the third quarter and 5% in the fourth quarter.

The physical quantity of merchandise exports increased by 10% in 2000 as a whole, after a growth of some 3% in 1999.

The seasonally adjusted and annualised value of merchandise exports rose from R183,1 billion in the second quarter of 2000 to R190,5 billion in the third quarter and R219,1 billion in the fourth quarter. The increase in the fourth quarter of 2000 was a continuation of the growth, which started in the second quarter of 1999, strongly influenced by fairly benign conditions in the global economy.

The value of net gold exports, seasonally adjusted and annualised, increased from R25,7 billion in the fourth quarter of 1999 to R28,4 billion in the third quarter of 2000, but declined to R27,2 billion in the fourth quarter. The higher value of gold exports in 2000 resulted entirely from an increase in the Rand price of gold.

The volume of merchandise imports contracted in the second quarter of 2000, but increased in the first, third and fourth quarters. The higher level of general economic activity in 2000 lifted the volume of imports for the year as a whole to 9,5% above that of 1999.

From the first to the second quarter of 2000, import volumes decreased to such an extent that the seasonally adjusted and annualised value of merchandise imports increased by only 0,5% despite a 5,5% increase in import prices. The value of merchandise imports grew from about 7% in the third quarter of 2000 to about 10% in the fourth quarter as a result of 3% growth in import volumes and a 7% growth rate in import prices. For the year 2000 as a whole, the value of merchandise imports grew strongly at a rate of 26,5% compared to a decline of about 1% in 1999.

The deficit on the services account widened considerably from the first half of 2000 to the second half. Investment income payments increased strongly in the second half of 2000. Dividend payment on foreign direct investment (FDI) in the economy rose from an annualised rate of R12,4 billion in the first half of 2000 to R16,6 billion in the second half, following primary listings of a number of South African corporates on foreign stock exchanges. The deficit on the services account widened from R28,7 billion in 1999 to R32,5 billion in 2000.

Changed attitudes by international investors towards risk-taking in South Africa, and heightened volatility in asset prices, resulted in the financial account of the balance of payments fluctuating between inflows and outflows throughout 2000. The surplus on the financial account of R4,2 billion in the first quarter of 2000 changed to a deficit of R5,6 billion in the second quarter. This deficit was reversed during the third quarter when a surplus of R10,9 billion was recorded. During the fourth quarter of 2000, a small deficit of R1,3 billion was recorded.

In 2000 as a whole, the net inflow of capital was R8,5 billion compared with a net inflow of R29,5 billion in 1999.

The bulk of FDI inflows for 2000 came for the acquisition of a domestic information technology company by a US corporation. Inward direct investment declined from R9,1 billion in 1999 to R6,1 billion in 2000. Direct outward investment recorded an outflow of R3,9 billion in 2000, compared to an outflow of R11,8 billion in 1999. The decline in the outflow can be attributed to the sale of equity held by South African companies in a UK property company to a non-resident party. Net direct investment changed from an outflow of R2,7 billion in 1999 to an inflow of R2,2 billion in 2000.

Portfolio investment into South Africa increased by R11,8 billion in 2000, compared with R83,9 billion in 1999. Portfolio investment outflows decreased from R31,5 billion to R25,6 billion over the same period.

Net portfolio investment outflows amounted to R13,8 billion in 2000 as a whole, compared with an inflow of R52,3 billion in 1999.

Other foreign investment into South Africa recorded an outflow of R4,6 billion in the fourth quarter of 2000, compared with an inflow of R5,7 billion in the third quarter. Other foreign investment out of South Africa increased from R2,7 billion in the third quarter of 2000 to R3,4 billion in the fourth quarter.

The country's net international reserves increased by R5,1 billion in 2000 as a whole, compared with an increase of R25,9 billion in 1999.

Total gross gold and other foreign exchange reserves increased to R84,2 billion at the end of December 2000. South Africa's gross international reserves increased by R15,1 billion or by 22% in 2000, compared with an increase of R26,9 billion in 1999.

In US Dollar terms, South Africa's gross gold and other foreign exchange reserves decreased from US$11,2 billion at the end of 1999 to US$11,1 billion at the end of 2000. Aggregate import cover, i.e. the value of gross international reserves expressed as a ratio of the value of imports of goods and services, deteriorated from 15,5 weeks at the end of 1999 to 15 weeks at the end of 2000.

The average exchange value of the Rand against a basket of currencies decreased on balance by 12,4% from the end of 1999 to the end of 2000, compared with an increase of 0,6% during 1999.

From the end of 1999 to the end of 2000, the external value of the Rand depreciated by 12,1% against the Euro and by 8,7% against the Japanese Yen.

International trade and economic development

The International Trade and Economic Development Division (ITEDD) of the Department of Trade and Industry is primarily responsible for the formulation of trade policy and programmes designed to increase South Africa's market access. At the same time it wants to ensure that the country's commitments are honoured in the multilateral, rules-based trading system underpinned by the World Trade Organisation (WTO). It is generally agreed that a closed economy will fare worse than an open economy in an era of globally integrated production and rapid technological diffusion. Therefore, dismantling barriers to trade, and especially those barriers faced by South African exporters, is a critical component of any economic strategy that takes the idea of sustainable growth seriously. ITEDD's global economic strategy takes the idea of sustainable growth as its departure point. Furthermore, it is not developed in isolation but is part of South Africa's broad industrial strategy. It was formulated in light of the country's relations with the South African Development Community (SADC), the rest of Africa, the new African Initiative, and economic relations with developed and developing trading partners in the North and South.

Since 1994, the (Rand) value of both South Africa's exports and imports in manufactured goods has more than doubled. Even accounting for inflation and the depreciation in the Rand since 1994, exports, and importantly, exports in manufactured goods, have exhibited strong upward trends. South Africa's export base is diversifying rapidly with success having been achieved most notably in processed agricultural goods, automobiles and a number of categories of industrial machinery.

Nevertheless, South Africa is situated on the southern tip of a continent whose exports as a percentage of world imports constituted just 2,1% in 1998. Moreover, Africa's export base is limited, and attempts to expand it too quickly will be thwarted by what may be termed, in a number of cases, severe supply-side constraints. As with all other economies, South Africa's success is intimately tied to the success of the region and continent of which it is a part. ITEDD is committed to the pursuit of market access for South Africa, more effective efforts at subregional and continental integration, and the strategic and positive engagement of the region and the continent in the World Trade Organisation (WTO).

Trade relations

Trade relations with Africa and the Middle East

Africa forms the focus of South Africa's global economic strategy, within which government pursues a strong developmental agenda. Partnerships with countries on the continent are therefore considered vital and strategic. The view is that South Africa's own success is inextricably linked to the economic recovery of the continent. The developmental challenges must be viewed in light of the opportunities for South African economic agents and, ultimately, the prospect of a mutually beneficial, self-enforcing, economic existence. The relationship between South Africa and the continent is underscored by noting the structure of trade flows that currently exist.

In 1999, approximately 30% of South Africa's exports were destined for the continent. Unfortunately, this was not mirrored by imports from the continent, accounting for only 30% of South Africa's total imports. Nevertheless, this trade imbalance has largely been offset by South Africa's investment on the continent, aimed at infrastructural projects designed to enhance the productive capacities of African economies. In addition to bilateral trade relations and the normal aspects involved in forging economic relationships, the Department is committed to increase South Africa's involvement in large capital projects on the continent.

The following areas have been prioritised: power generation, transmission and distribution; telecommunications; water and waste management; transport; construction; oil and gas infrastructure; agro-processing; and mining.

The Department of Trade and Industry has set up adequate infrastructure within the Department, in foreign offices and with the Department's family of institutions and other parastatals to realise South Africa's participation in key products on the continent. During the meetings of the World Economic Forum for Southern Africa, the formation of a Business Forum for Southern Africa was announced – a joint initiative between the Department and the private sector, established to take advantage of investment opportunities in the region. The Department, through Trade and Investment South Africa (TISA), has established trade and investment promoting offices on the continent for the purpose of facilitating trade and investment flows between South Africa and the continent. The offices are located in the following countries: Egypt, Nigeria, Ghana, Uganda, Kenya, Ethiopia, Tanzania, Zimbabwe, Mauritius, the United Arab Emirates, Saudi Arabia, Israel and Iran.

Information

The second session of the Binational Commission for Co-operation between Algeria and South Africa was held in October 2001 in Pretoria. Twinning agreements were signed between Tshwane and Algiers and between Durban and Oran.

Southern Africa

In southern Africa, South Africa seeks to restructure regional arrangements promoting industrialisation. The Department is proposing a process where interested manufacturing platforms are the basis for regional industrial strategy. This entails using southern Africa as an integral part of supply chains for globally competitive manufacturing processes. Through a combination of sectoral co-operation, policy coordination and trade integration, South Africa's regional policy aims to achieve a dynamic regional economy capable of competing effectively in the global economy.

Southern African Development Community (SADC)

The centrepiece of South Africa's foreign economic policy is the SADC, comprising Angola, Botswana, the Democratic Republic of Congo (DRC), Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Within the SADC, a smaller group of countries – South Africa, Botswana, Lesotho, Namibia and Swaziland – operate the Southern African Customs Union (SACU). SACU amounts to a single trade (due to the way the statistics are configured) and tariff regime with no internal barriers, and with customs revenue shared according to an agreed formula.

Although a sizeable share of South Africa's exports is destined for SACU (currently estimated at R15 billion) and other SADC countries, South Africa imports relatively little from the region. Trade with SADC countries has increased significantly from R16 billion to R22 billion during the period 1998–2000. Imports amounted to R2,6 billion, giving an overall export-import ratio of 7:1. While there is an acceptance, due to the structural nature of the economies, that South Africa's imports from the region are not (in the foreseeable future) going to equal its exports to the region, the potential for further trade has certainly not been realised. The trade profile itself is heavily weighted in terms of beneficiated and manufactured goods, while imports are dominated by primary products.

A disaggregation of South Africa's exports to SADC by country reveals that Zimbabwe is by far the most important market, followed by Mozambique, Zambia, Mauritius, Malawi, Tanzania and Angola. In the past two years trade with Zimbabwe has been reduced as internal conditions in that country continue to deteriorate. This trend is likely to continue if conditions do not improve.

Mozambique is South Africa's second-largest export market with trade having increased dramatically over the past three years.

The figures in exports to Mozambique for 2000 reflect an 80% increase on the previous year. If this trend continues, Mozambique could become South Africa's third-largest trading partner in Africa within the next few years. Zambia is South Africa's third largest trading partner. The remaining seven countries are Mauritius, Malawi, Tanzania, Angola, DRC and Seychelles.

The order of importance of these markets changes from year to year as internal conditions in these countries affect their ability to import. Despite the internal problems in Angola and DRC, they have remained in South Africa's top 10 export markets in Africa in the past eight years.

As is the case with exports, South Africa's imports from the region are focused on a few countries, with the top 10 countries accounting for between 80 and 90% of total imports from Africa. Zimbabwe is again South Africa's top market in Africa, followed by Mozambique, Malawi, Zambia and Angola.

South Africa's interests and objectives in the southern African region are guided by strong linkages between the domestic and regional economy.

As the market for a large proportion of South Africa's high value-added exports, the growth of these domestic industries is inextricably linked to the growth of the region's economies.

The SADC Free Trade Agreement

Tremendous progress has been achieved in negotiations, including the launching of the implementation phase of the SADC Protocol on Trade on 1 September 2000, which encompasses the establishment of a SADC Free Trade Area by 2008. Since the launch of the implementation phase of the Protocol, 10 member states have deposited their instruments of implementation. Outstanding issues such as the need to improve market access and to resolve the rules of origin for remaining chapters are receiving attention. A Trade Implementation Unit was set up at the SADC Secretariat to coordinate the day-to-day implementation of the Protocol. Furthermore, the Cut, Make and Trim unit (relating to agreements in clothing and textiles), reiterated its decision to eliminate core non-tariff barriers that have led to cumbersome procedures and that have, in turn, tended to impede intra-SADC trade. These developments are expected to enhance SADC capacity to participate in regional and international trade.

Europe continues to be SADC's largest trading partner. Most SADC exports are destined for the US, UK, Japan, Italy and Germany. Germany, US, UK, Japan and France are the main sources of SADC imports.

South African Customs Union (SACU)

There has been substantial progress in the negotiation of a new SACU agreement. New institutional features include the Council of Ministers, responsible for taking decisions on all matters pertaining to the SACU agreement, a SACU tariff body responsible for making recommendations to the Council on tariffs and trade remedies, a small SACU Secretariat responsible for rendering administrative and support services to the tribunal and other SACU structures, and a dispute settlement mechanism similar to the one already in place in the SADC. SACU members also agreed on the establishment of national bodies responsible for receiving tariff applications from each member state. Importantly, concensus was also reached on a new revenue-sharing formula. A draft of the new SACU agreement will be ready for ministerial submission before the end of 2001.

Information

In December 2000, small and medium-sized enterprises (SMEs) received a boost when the Industrial Development Corporation (IDC) and the Japan Bank for International Co-operation signed a R770-million loan agreement. The deal was expected to benefit not only local SMEs but also those in the southern African region.

Trade with Europe

Europe is the largest source of investment for South Africa and accounts for almost half of South Africa's total foreign trade. Seven of South Africa's top 10 trading partners are European countries.

Since the end of South Africa's isolation and the gradual easing of exchange control announced in July 1997, Europe has become an important destination for South African investment and a vehicle for effective integration into the global economy. At the same time, European investment in South Africa has assumed a larger and more important dimension.

Both bilateral development co-operation and multilateral development programmes through the European Union (EU) form a substantial element of South Africa's reconstruction and development. Relations with Europe, with the EU as the pivot, are economically crucial.

The UK, with its historic links to South Africa, is South Africa's third-largest trading partner and the largest foreign investor in South Africa. In 2000, South African exports to Britain totalled R18,9 billion. Imports from Britain totalled R16,1 billion during the same period. This represents an increase in the Rand value of trade in 1999 of R3,6 billion and R2,1 billion respectively.

Germany is currently South Africa's second-largest trading partner and an influential member of the EU. South African exports to Germany amounted to R16,4 billion in 2000 while imports for the same period amounted to R24,8 billion. Both exports to and imports from Germany increased from 1999 levels of R12,2 billion and R19,8 billion respectively.

The Germany-South Africa Binational Commission intends building further on the strong commercial links that already exist between the two countries.

Trade and investment between South Africa and France is improving. In 2000, South African exports to France totalled R3,9 billion. Imports from France totalled R7,8 billion in the same period.

Trade between South Africa and Switzerland is worth more than R8 billion a year. South African exports to Switzerland amounted to R3,7 billion in 2000 while imports amounted to R4,4 billion in the same period. Moreover, Switzerland represents an important source of FDI investment, with almost 400 Swiss companies currently operating in South Africa.

Trade with Belgium is strong. Exports to Belgium amounted to R6,4 billion in 2000 while imports totalled R2,9 billion in the same period.

Bilateral relations between South Africa and Sweden remain strong. Over the last few years, there have been a number of high-profile visits to both countries.

South African exports to Sweden exceeded R1 billion in 2000 while imports totalled R2,9 billion.

Trade relations between South Africa and Denmark have deepened significantly in recent years. Total trade between the two countries exceeded R1,3 billion in 2000.

Italy is one of South Africa's top seven trading partners.

Trade between the two countries has averaged R3 billion a year for the last five years, and Italian investment in South Africa totalled $123 million in 2000.

Trade between South Africa and Portugal is growing steadily. In 1999, total trade amounted to R765 million. In 2000, the Rand value of total trade increased to just under R1 billion.

South Africa is the Netherlands' main trading partner in Africa and is seen as a gateway to interaction with the rest of the continent. Likewise the Netherlands is one of South Africa's top 10 trading partners and offers prospects of increased involvement in the EU, especially in light of the Trade, Development and Co-operation Agreement (TDCA) signed with the EU.

South Africa's relations with central and eastern Europe are becoming increasingly important in terms of both regions' domestic economic realignment and global integration. Total trade between South Africa and central and eastern Europe amounted to R2,5 billion in 2000. This represents a percentage increase in the Rand value of total trade on the previous year of 39%.

Information

At the end of November 2000, EU foreign ministers and the SADC met in Gaborone for the fourth SADC-EU ministerial conference. The biennial conference follows the Ministers' first meeting in Berlin, Germany in 1994, although the EU has assisted the SADC since 1976. The major concerns addressed at the conference were political issues and SADC regional integration. Since 1976, the EU has made available 500 million Euros for regional co-operation in southern Africa.

European Union (EU)

The historic TDCA between South Africa and the EU was signed on 11 October 1999 and ratified by both the South African and EU parliaments in November 1999. It was provisionally implemented on 1 January 2000, pending ratification by the parliaments of EU member states as well as concurrence from the other SACU member states. The Agreement establishes a free trade area (FTA) between South Africa and the EU, liberalising about 90% of trade over a period of 12 years. South Africa will grant duty-free access to 86% of EU imports over a period of 12 years, while the EU will liberalise 95% of South Africa's imports over a 10-year period. The Agreement is a key component of South Africa's trade policy since the EU is the country's largest trade and investment partner, accounting for about 40% of South Africa's total world trade.

The expected impact on trade and investment flows between South Africa and the 15 EU member states will contribute towards the restructuring of the South African economy and its long-term economic growth potential. The Agreement covers trade and related issues, and co-operation in the economic, social and political fields. It also provides a legal framework for ongoing EU financial assistance in grants and loans for development co-operation, which amounts to some R900 million per annum.

Statistics compiled by the South African Revenue Service for 2000 show that increasing use is being made of the tariff preferences in the Agreement and more so on the export side. South African exports under the FTA exceed imports from the EU, although this constitutes only about 2% of total trade with the EU, particularly on the export side.

The Wines and Spirits Agreement has not been finalised, and negotiations are continuing.

The completion of the Agreement may well depend on a mutually beneficial resolution of the Agreement that the EU has expressed an interest to link with the Wines and Spirits Agreement.

Cotonou Agreement

South Africa is a member state of the Africa, Caribbean, and Pacific (ACP) Group but a qualified member of the Cotonou Agreement (signed 23 June 2000 in Cotonou, Benin) in the sense that in the case of trade and development co-operation the TDCA takes precedence over the Cotonou Agreement. The Cotonou Agreement is a trade and aid framework between the EU and 77 members of the ACP countries, and its main aim is to reverse the economic and technological marginalisation of ACP countries in the global trade and investment arena.

The Agreement states that future EU-ACP relations will be characterised by the following:

- a stronger political partnership between the EU and ACP
- decentralised co-operation, which involves active participation of civil society and the private sector in the planning of national development strategies
- reformed financial co-operation programmes of European Development Fund's financial resources amounting to 24 billion Euros
- WTO-compatible Regional Economic Partnership Agreements (REPAs), covering essentially all trade, and implemented over 10–12 years as of 1 January 2008.

South Africa, SACU and SADC in REPAs

As a region, SADC has complex political, institutional and economic issues that render an SADC-EU REPA in the time-frame suggested in the Cotonou Agreement very difficult, even though a region-wide FTA is envisaged in 2008.

With the announcement of the Everything But Arms (EBAs) initiative for Least Developed Countries (LDCs) only three non-LDCs, i.e. Mauritius, Seychelles and Zimbabwe, which are outside SACU, will, in the immediate future, be outside any existing arrangement in the post-Cotonou era. There are several issues that South Africa should carefully study and assess, especially the possible negative effect of the REPAs on the process of regional integration.

The ACP Group is to embark on negotiations with the EU on REPAs in September 2002. So far, six regions or geographical configurations have been identified which include SADC as a possible regional grouping to negotiate a REPA – essentially free trade agreement with the EU.

The Americas

North America

The US is one of South Africa's key trade partners. The relationship between the two countries has been deepening steadily since 1994. The Rand value of South African exports to the US has increased markedly from R5,2 billion in 1993 to over R25 billion in 2000. Notwithstanding the Rand's depreciation, this represents a notable increase in South African exports to the US since 1993. Furthermore, South Africa recorded a trade surplus of approximately R3,4 billion in 2000, following a number of years during which South Africa persistently ran a deficit. However, the structure of trade between the two countries remains very similar. The US tends to export higher value-added products to South Africa while South African exports to the US consist largely of unprocessed and semi-processed materials. Nevertheless, export opportunities for South African products do exist in the fields of auto components, footwear and leather, wine, machinery, chemicals, jewellery, and cut flowers.

South Africa is a beneficiary of the US's Generalised System of Preferences (GSP), which grants duty-free treatment for more than 4 650 products. South Africa is also a beneficiary of the recently promulgated Africa Growth and Opportunity Act (AGOA), which permits duty-free entry of clothing and (selected) textiles into the US until 30 September 2008, subject to certain strictly defined criteria and policy reforms. Under AGOA, South Africa receives additional GSP (duty-free) treatment for 1 897 products until 2008. AGOA was proclaimed by former US President Bill Clinton on 2 October 2000 and originally designated 34 countries in sub-Saharan Africa as eligible for the trade benefits of AGOA. On 18 January 2001, Swaziland was designated as the 35th AGOA-eligible country. The US Government will work with eligible countries to institute policy reforms, and with the remaining 13 sub-Saharan African countries to help them achieve eligibility. Ultimately, AGOA provides greater transparency and more certainty about GSP benefits for traders and investors alike.

The South Africa-US Binational Commission has established institutional structures to strengthen their relationship in trade and investment. The two committee structures within the Commission – the Trade and Investment Committee between the Department of Trade and Industry and the US Department of Commerce, and the Trade and Investment Council between the Department and the Office of the US Trade Representative – are likely to remain substantively the same. The Council itself was established in terms of the Trade and Investment Framework Agreement, concluded in 1998.

Canada is South Africa's second-largest trade partner in North America. Since the lifting of sanctions in 1994, bilateral trade between the two countries has been on the increase, from R756 million in 1993 to R3,3 billion in 2000. Export opportunities for South Africa exist in: capital equipment (mining and machinery supplies), plastics, clothing and textiles, and agro-processing. South Africa is a beneficiary of Canada's General Preferential Tariff (GPT). GPT rates range from duty-free to reductions in the most favoured nations rates. South Africa has a Memorandum of Understanding with Canada relating to the export of clothing and textile products to Canada.

Latin America

South Africa's major trading partners in Latin America are Brazil, Argentina, Chile, Mexico and Peru.

South Africa and Mercosur (Argentina, Brazil, Paraguay, Uruguay, Bolivia and Chile) signed a Framework Agreement in December 2000 in Brazil. It commits both parties to negotiate and conclude an FTA over a period of time.

However, as the first step towards achieving this goal, the parties agreed to exchange preferences in certain sectors in the early stages of the negotiation process. This is likely to take place towards the end of 2001 or beginning of 2002.

Trade between South Africa and Mercosur has grown substantially from R2,7 billion in 1994 to R6 billion in 2000. South Africa has been experiencing a trade deficit with both Brazil and Argentina, which are the two major economies within Mercosur. In 1999, this amounted to R663 million in the case of Argentina and R428 million in the case of Brazil. For 2000, the deficit was R677 million in the case of Argentina, and R680 million in the case of Brazil. For 1999 and the first half of 2000, the growth of two-way trade was hindered by the devaluation of the Brazilian Real. This deficit gap is likely to be narrowed in the foreseeable future as a result of the FTA. Both South Africa and Brazil regard each other as strategic partners (the launching of the Joint Commission in December 2000 bears testimony to this) with co-operation taking place in multilateral fora such as the WTO.

Notwithstanding South Africa's strong ties with Mercosur, Chile is increasingly becoming an important partner for South Africa. South African mining companies are heavily involved in mining activities in Chile. There is great potential for the export of capital equipment and steel products. Two-way trade amounted to R459 million in 2000, which shows a great improvement from the R343 million in 1999.

Trade between South Africa and Mexico has grown from R922 million in 1999 to R1,4 billion in 2000. The balance of trade has been in favour of South Africa for a number of years. In 2000, South Africa had a trade surplus of R458 million as compared to R330 million in 1999. There is potential to increase South African exports to Mexico, particularly in the areas of electronics and arts and crafts.

Two-way trade between South Africa and the Caribbean Community increased from R170 million in 1999 to R206 million in 2000. For the period since 1994, trade has always been in favour of South Africa. For example, in 2000, the South African trade surplus amounted to R22 million compared to R20 million in 1999.

Bilateral trade between South Africa and the Andean Community (Peru, Ecuador, Bolivia, Colombia and Venezuela) has been growing at a relatively slow pace since 1994. Total trade between South Africa and the region was R433 million in 1994 as compared to R457 million in 2000. South African trade surplus was R240 million in 2000 compared to R157 million in 1999. The Andean Community, more especially Colombia and Peru, offers great potential for South African companies participating in the mining industry.

Trade between South Africa and the central American countries (Honduras, Guatemala, Nicaragua, Panama, Costa Rica, El Salvador and Belize) is still very modest even though there has been major progress since 1994. In 2000, two-way trade was R76,8 million compared to R108 million in 1999, with South Africa enjoying a surplus of R22,9 million and R676 000 in 1999 and 2000 respectively.

Asia

South and south-east Asia and Australasia

South Africa is a member of the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC), a project-based regional economic grouping of 19 countries washed by the Indian Ocean. This group covers the eastern coastline of Africa, the Arabian peninsula, southern Asia and Singapore, Indonesia and Australia.

The IOR-ARC member countries account for around 10% of world trade. Currently, South Africa is involved in three main projects:

- development, upgrading and management of seaports, maritime transport, insurance and re-insurance
- study on cross-border financial services in the IOC-ARC
- technology co-operation in the Indian Ocean Rim.

Total trade with India has been increasing rapidly since 1994. According to the latest figures, total two-way trade between the two countries stands at $2 billion, with the trade balance in favour of South Africa.

With a view to stimulating trade flows and other economic activities, South Africa and India established an Indo-South African Commercial Alliance that meets under the auspices of the Joint Ministerial Commission (JMC).

The two countries are exploring the possibility of an FTA.

Relations with Australia have also been

cemented via the JMC. Total trade with Australia amounted to R8,2 billion in 2000.

Bilateral trade with south-east Asia increased rapidly off a low base from 1990. This trade is more or less evenly spread between Singapore, Malaysia, Indonesia and Thailand. The percentage of total south-east Asian trade that any one country captures ranges between 19% and 28%.

Total trade with these countries amounted to R11,47 billion in 2000, with the trade balance being slightly in South Africa's favour. This was mostly accounted for by a large trade surplus with Indonesia, while Malaysia and Singapore ran surpluses with South Africa. However, in 1998, the economic crisis contributed to the emergence of a large trade imbalance with the region. The most notable impact was a sharp decline in the value of South Africa's exports mirrored by a rise in the value of imports from the region. Total trade amounted to R8,9 billion. The situation began to return to normal in 1999 as South African exports to the region recovered towards the end of the year. In 1999, trade totalled R10,4 billion.

South Africa has built its strongest ties in south-east Asia with Malaysia. This is evident in Malaysia being the second-largest investor on a cumulative basis in South Africa since 1994.

This investment totalled approximately R6,67 billion and was concentrated in telecommunications, energy and oil, and property.

Notwithstanding South Africa's strong ties with Malaysia, Thailand is increasingly coming into focus as a key partner for South Africa.

North-east Asia

Japan is South Africa's largest trading partner in Asia and its fourth-largest overall trading partner. It is also becoming South Africa's third-largest export destination during 2000. At the end of 2000, total trade between the two countries stood at R31,7 billion.

The Partnership Forum, designed to strengthen bilateral ties between Japan and South Africa, met for the first time in January 1999 on the occasion of a visit to South Africa by former Japanese Prime Minister, Ryutaro Hashimoto. The Forum met again in July 2001. Investment from Japan has to date totalled around US$500 million.

South Korea is South Africa's fourth-largest bilateral trading partner in Asia. Total bilateral trade in 2000 amounted to R7,6 billion, a slight increase from the 1999 value of R7,3 billion, as the Korean economy continued its recovery during the period. Investment from South Korea has to date totalled around US$55 million.

Economic and trade relations between South Africa and the People's Republic of China have grown rapidly since the formal establishment of diplomatic relations. Total trade with China amounted to R9,34 billion in 2000. This represents an increase of 40% in the Rand value of trade on the previous year.

The first meeting between Africa and China took place in Beijing in October 2000 to explore ways of dealing with globalisation and increased political and economic co-operation between the two sides. China committed RMB 10 billion (R9,1 billion) for debt relief to African countries.

A mid-term review of the China-African Forum was held in July 2001. The rolling-out of projects has commenced.

South African exports to Taiwan amounted to R3,69 billion in 2000. Imports amounted to R4,22 billion in the same period.

Multilateral economic relations

The WTO in partnership with the Bretton Woods Institutions (the World Bank and the IMF), have been setting the parameters for and directing the economic policies for governments around the world. This has had serious implications for the content, evolution and trajectory of economic development strategies being pursued by the developing countries, including South Africa. As the process of globalisation is being questioned, it is imperative for South Africa to influence and shape the configurations of the emerging system of global governance. This is best done by participating actively and effectively in all multilateral fora to ensure that its particular economic interests and development objectives, as well as those of the continent, are taken into account.

United Nations Conference on Trade and Development (UNCTAD)

UNCTAD is an important resource organisation for South Africa and the continent. The main goals of the organisation are to:

- maximise the trade, investment and development opportunities of developing countries
- help them face challenges arising from globalisation and integration into the world economy on an equitable basis.

This is pursued through research and policy analysis, intergovernmental deliberations, technical co-operation, and interaction with civil society and the business sector.

UNCTAD is focusing much of its energy on assisting developing countries to prepare for mandated and possible future negotiations in the WTO.

World Trade Organisation (WTO)

South Africa regards its membership of the WTO as very important because of the enhanced security and certainty in the multilateral trading system provided by WTO rules.

South Africa is an active participant and contributor towards a strengthened multilateral trading system whose benefits are equitably distributed across the world community.

South Africa wants to participate in the shaping of global governance to achieve beneficial and full integration of its economy into the global trading system.

South Africa is seeking to build an alliance of developing countries within the WTO, based on a common approach and consensus on key issues. The focus has been to launch a new round of negotiations, which would be aimed at putting the concerns of developing countries at the centre of the WTO work programme.

Cairns Group

The Cairns Group is an association of countries exporting agricultural products with the objective of free and fair trade in the global agricultural market.

It is negotiating as a group in WTO agricultural negotiations.

The Group consists of Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay.

World Economic Forum (WEF)

The WEF, an annual meeting of world economic leaders, held in Davos, Switzerland, has become the world's global business summit.

At the end of January 2001, President Thabo Mbeki briefed the meeting on the Millennium Partnership for the African Recovery Programme (MAP). The South Africa WEF Summit was held in Durban, South Africa in June 2001. The Summit was a platform through which business and political leaders of the region could define and advance southern Africa's aims. A number of African Heads of State also participated.

The presence of top regional and international business executives with the political establishments made the Summit an important networking occasion, and the MAP initiative received prominent attention.

Export and investment promotion

A central task of the Department of Trade and Industry in South Africa is to promote value-added exports and to attract investment.

It does so in a variety of ways, including incentives to existing and prospective exporters, large and small alike, to obtain strategic market information. It provides business contracts, sector analyses and advice on all major foreign markets.

The Department also coordinates a number of sector- and project-specific export development initiatives in partnership with domestic business organisations and other stakeholders.

These include emerging small exporters, with particular sensitivity to the needs of the formerly disadvantaged.

In September 2000, the Minister of Trade and Industry announced the first of a set of new investment incentives approved by Cabinet.

The new incentives are a result of government's overall review of South Africa's performance as an attractive investment destination for domestic as well as FDI. According to the new incentives, government has extended the qualification criteria to improve the quality and quantity of both domestic and foreign investment. In some instances, the range of qualifying for the incentives has been lowered, while in others, the range has been increased.

While the previous incentives tended to focus on growing the manufacturing sector, the new incentives also include other sectors. These sectors are tourism, certain business services, information and communication technology, high-value agriculture, agro-processing, recycling, biotechnology industries, aquaculture and cultural industries.

The expansion of the sectors covered under the new incentives reflects government's desire to encourage economic growth, particularly in employment-intensive industries. The manufacturing sector still remains an important sector in the new suite of incentives. The new SME Development Programme caters for assistance on an investment in qualifying assets of up to R100 million.

Trade and Investment South Africa (TISA)

TISA is the premier agency for marketing South Africa internationally. The core business of TISA is the growth of South Africa's exports and the attraction of investment to this country.

To do this as part of South Africa's national economy strategy requires a focused approach, identifying longer-term scenarios and targeting key growth sectors for high-growth, value-added sectors. In this respect, TISA implements this strategy within South Africa and abroad.

It operates a number of units dedicated to specific aspects of what is essentially a business process rather than a one-off event. Sector specialists and strategic analysts work together to oversee targeted export incentives.

Logistics specialists identify and take steps to eliminate bottlenecks in the supply chain for both exporters and investors.

Export growth sectors currently identified for special attention in South Africa include auto and auto components, and knowledge-economy integrated communication technology sectors. An early indicator of success is that South Africa now produces all the 3-Series BMW right-hand drive vehicles world-wide.

Once up and running within South Africa, exporters and investors receive specialised aftercare from TISA to ensure they thrive and grow. TISA integrates South Africa as a pivotal part of global supply networks ranging from textiles to motor vehicles.

Central to this process is promoting South Africa as a brand and packaging the South African product for sales and marketing. In this TISA plays a key role alongside other government agencies, led by the Presidency.

Abroad, TISA's 55 staff members located in 43 regional offices within South Africa's diplomatic centres world-wide are its sales and marketing team. They provide core market intelligence and identify opportunities, target key investors in priority growth sectors, and bring specific sectoral expertise into the equation. The regional managers operate on the lines of international best-practice as pioneered by leading trading nations such as Singapore and Ireland. The TISA offices utilise the full range of communications to bring this message across, from negotiations to exhibitions, handing over prospective leads to domestic-based facilitators to ensure TISA is a one-stop-shop for investors and exporters.

TISA carefully monitors its successes and is a flexible, customer-led organisation in terms of the services it delivers and the financial incentives it oversees. There are, for example, the TISA-funded sector-specific Export Councils and the financial Export Marketing and Investment Assistance (EMIA) export incentive scheme.

In 2000, the sectors prioritised by TISA realised R4 billion in trade growth, and R6,1 billion in fixed inward investment in the country's manufacturing sector. Key investments in South Africa in which TISA was instrumental in 2000 ranged from catalytic convertors to spark plugs to a new international hotel chain. TISA plays a leading role in imaging South Africa as a leading internationally competitive business destination.

The EMIA consists of export marketing research, FDI research, outward-selling missions, inward-buying missions, inward-investment missions, outward investment recruitment missions, and foreign exhibitions. The EMIA also offers assistance to industry-specific sectors and includes a special dispensation for SME exporters.

The Export Credit Finance Guarantee Scheme for SMEs has been introduced. The Scheme facilitates finance for SMEs that lack working capital to procure materials and services for the execution of an export order and/or financing export trade debtors for a period of up to 180 days. Pre- and post-shipment finance can be obtained for export orders. Finance is provided by banks, and can constitute up to 90% of export orders. Guarantees are issued by the Credit Guarantee Insurance Corporation (CGIC) and are reinsured by the Department of Trade and Industry.

The exporter has to be an independently-owned business whose total assets do not exceed R5 million or whose labour force does not exceed 200. The loan application should not exceed R1 million and not be less than R50 000.

The Export Finance Scheme for Capital Projects is becoming more popular among financial institutions and contractors. Through this Scheme, exporters of capital projects are able to compete internationally by offering prospective overseas buyers competitive repayment rates denominated in US Dollars. Such credit facilities are available over a maximum repayment period of 10 years. Africa, and southern Africa in particular, has proved to be a popular market for South African exporters of capital projects. There has also been an increase in insurance cover extended to South African short-term exports.

Export credit insurance provides an exporter with insurance protection against financial loss owing to non-receipt of payment of a legally enforceable debt due and payable by a non-South African importer to the exporter for goods and services delivered. Insurance is available through the CGIC with reinsurance provided by the Department of Trade and Industry.

Undertakings wishing to import or export goods that are subject to control may obtain permits from the Director of Imports and Exports, Private Bag X192, Pretoria, 0001. Permits must be renewed annually.

Registration with the local Controller of Customs and Excise is required of all factories subject to excise duties, as well as all enterprises that import on a regular basis. Information regarding specifications for existing or new products and guidance on quality control are available from the South African Bureau of Standards.

Excise duty is levied on certain locally produced goods, of which potable spirits, beer, cigarettes, tobacco, motor cars and certain petroleum products yield the highest revenue.

Industrial policy

The Department of Trade and Industry's Enterprise and Industry Development Division (EIDD) has as its particular concern moving trade and industrial policy in South Africa towards an internationally competitive status, capitalising on the country's competitive and comparative advantages. The emphasis is also on the world-wide trend towards knowledge-intensive economies, and on creating an environment for vigorous enterprise development through developing suitable policies and strategies. Special attention is also given, as in the case of exports and investment, towards black economic empowerment and regional growth within the SADC.

The Department has approved 78 applications to the amount of R53,7 million as part of the Support Programme for Industrial Promotion (SPII). Some 39 projects to the tune of R28 million have been completed.

SPII is designed to promote technology development in manufacturing industries in South Africa through support for innovation of competitive products and/or processes.The SPII Programme, funded by the Department of Trade and Industry and administered by the Industrial Development Corporation (IDC), offers two schemes, namely the Matching Scheme and the Feasibility Scheme. The Matching Scheme gives a grant of 50% of the actual direct costs incurred in development activity, up to a maximum grant amount of R1,5 million per project. The Feasibility Scheme supports the preparation of a feasibility study for potentially innovative projects by means of a grant of 50% of the costs of a consultant. The grant is limited to R30 000 and only small, medium or micro enterprises (SMMEs) qualify for support.

As an integral part of the Government's Growth, Employment and Redistribution (GEAR) strategy, the industrial policy strives to achieve a balance between greater openness and improvement in local competitiveness, whilst pursuing a process of industrial restructuring aimed at expanding employment opportunities and productive capacity.

South Africa has made strides in opening the domestic economy to international competition, which include

- a market-related and competitive exchange rate
- no restrictions on the type or extent of foreign investments
- the strengthening of competition policy
- abolishing exchange control for non-residents and substantial reduction in that applicable to residents
- a significant reduction in tariff barriers, ahead of the WTO timetable, resulting in the lowest (trade-weighted) average rate of protection in the SADC region
- a proactive strategy to attract foreign strategic equity partners into the process of restructuring State assets
- the availability of attractive investment incentives to enhance international competitiveness and technology transfer with the means to facilitate FDI.

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 operationalised through the 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 programmes focus government attention across the various national, provincial and local government spheres with the goal to fast-track investments and maximise synergies between various types of investments.

South Africa's approach to SDIs is based on the objective of operationalising South Africa's commitment to the African Renaissance.

As a result, SDIs are increasingly focused on the southern African region, with the Maputo Development Corridor leading to substantial investments in South Africa and Mozambique.

The rationale for economic integration in southern Africa is based on the premise that economic integration can yield greater developmental benefits by the collective use of economic policies.

The following issues can also be attended to far more effectively through the adoption of a regional approach:

- the SADC countries' attempts to achieve self-sufficiency, industrialisation and modernisation of their economies
- obtaining increased bargaining power for SADC countries in international markets

- facilitating and mobilising investments, from both local and foreign sources, which will increase with a broader and integrated market to attract the interest of foreign investors.

The SDI concept may have a variety of focuses, such as:

- Industrial – KwaZulu-Natal and Fish River SDIs.
- Agro-tourism – Lubombo SDI and Wild Coast SDI.
- Sectoral mix – Maputo Development Corridor.
- Industrial development zones (IDZs) – Coega, Saldanha and East London. In February 2001, work started on the long-awaited Coega Deep Water Harbour and industrial development near Port Elizabeth in the Eastern Cape. It is expected that 10 000 jobs will be created during the construction phase of the Harbour and industrial zone.
- Second Generation SDI: The Gauteng Special Economic Zone (SEZ) focuses on high-technology manufacturing, information technology, telecommunications, food processing and cultural activities.

The SDI programme consists of 11 local SDIs and four IDZs at varying stages of delivery. They are the following:

- SDIs: 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 Coast 2 Coast Corridor
- SEZs: Gauteng SEZ
- IDZs: Coega IDZ, East London IDZ, Saldanha IDZ and Richards Bay IDZ.

The Government's IDZ policy is designed to boost exports and jobs.

A National Development Zone Authority (NDZA) will be responsible for the regulation, facilitation and administration of IDZs. It is also envisaged that each IDZ will have a local NDZA to carry out the regulatory and approval process. The development and the management of zones will be done by the private sector.

At the end of November 2000, tenders for the development of the Lubombo SDI, the exclusive tourism investment opportunities valued at over R1 billion, were released. The tenders included the development of the Nsubane-Pongola Development Node, the Great St Lucia Wetlands Park, and the Lubombo-Goba, Ponda do Ouro, Kosi Bay and Sibaya nodes. Developments in the region will result in the establishment of a transnational park, the development of tourism-related infrastructure, and improved access to roads.

Success of the first phase included: upgrading of the N2 road, the construction of a new R234-million road through the Lubombo tourist area from Hluhluwe to Maputo, and substantial investment in tourism infrastructure. The next phase will focus on the Western Shore and the Coastal Reserve (Kosi Bay, Lake Sibaya and Sodwana).

By the end of November 2000, government had committed R630 million to the project.

National Industrial Participation Programme (NIPP)

A number of large government contracts may be awarded to foreign suppliers on the basis of competitiveness and appropriate technology, which could lead to certain economic consequences. The more critical consequences are job losses, a drain on foreign reserves, a reduction in industrial and commercial activities, a reluctance to invest in technology and training by local manufacturers, and the curtailing of research and development activities.

The NIPP of the Department of Trade and Industry is designed to address these issues. On 30 April 1997, the Cabinet endorsed the Industrial Participation (IP) Policy and Guidelines. This means that all State and parastatal purchase and lease contracts (goods and services) signed after this date, exceeding a certain level of imported content, are subject to an IP obligation. No contract can be awarded to a tenderer if the latter has not satisfied the IP requirements.

The IP obligation is benchmarked on the imported content of the contract. Any contract having an imported content equal to or exceeding US$10 million has an IP obligation. The obligation amounts to 30% of the imported content.

IP arrangements to satisfy the obligation include investments, subcontracting, export promotion, licensor production, supply arrangements, and research and development collaboration. These economic activities have to be generated in seven years.

Manufacturing

According to figures released by Statistics South Africa in February 2001, South African manufacturing production rose by 4,4% in 2000 from 1999, with increases reported in 19 of the country's 27 manufacturing divisions. Sales of manufactured products increased by 12,5% in 2000 to R49,782 billion.

Key functions of the Department of Trade and Industry in manufacturing are:

- supporting increased investment in the manufacturing sector
- enhancing the establishment of new manufacturing entities
- supporting new sustainable and profitable manufacturing entities.

Competition policy

The Competition Act, 1998 (Act 89 of 1998), which came into effect on 1 September 1999, is aimed at anti-competition practices, eliminating abuse of dominant positions and the strengthening of merger control. The Act provides for the establishment of a Competition Commission, Competition Tribunal and Competition Appeal Court to replace the former Competition Board.

The Act aims to outlaw the following main areas of business practice:

- Restrictive practices between businesses, or between businesses, their supplier(s) and customers, which hinder competition. These include price-fixing, collusive tendering, restricting output, investment and market sharing.
- The abuse of a dominant position, which, according to the Act, is defined as a market share of 35% or more.

The Competition Second Amendment Act, 2000, (Act 39 of 2000), is a direct response to the accumulated experience of the first year of the Competition Act, 1998.

The Competition Second Amendment Act, 2000 effected a number of changes, the most important being the deletion of Section 3(1)(d), as well as an amendment to the provisions, which only allowed the Minister to change the thresholds in relation to merger control and abuse of dominance every five years.

Section 3(1)(d) was amended to cater for concurrent jurisdiction over competition matters between competition authorities and sector regulators. Furthermore, the Minister can now change the thresholds for merger controls and abuse of dominance whenever the need arises.

In addition to the Act, new Rules for the Proceedings in the Competition Commission and the Competition Tribunal, new thresholds for the notification of mergers and acquisitions, as well as new forms became effective.

In terms of the new regulations, the lower threshold for mergers has been raised from R50 million for combined annual turnover/asset value to R200 million, and the value of the primary target firm/asset value has now been raised from R5 million to R30 million.

Information

In February 2001, President Thabo Mbeki and several Cabinet Ministers met with a delegation of leaders from big business. The meeting formed part of the ongoing work of the President's Big Business Working Group (BBWG).
The BBWG consists of 20 senior business leaders who meet regularly with the President and Ministers to discuss strategic issues.
The meeting in February focused on further elaboration by the Government on its envisaged economic programme, as it was spelled out in the President's State of the Nation address on 9 February 2001. The meeting also discussed regional issues, including progress on government's interactions with the DRC, Zimbabwe and Swaziland.

Furthermore, the fees for merger notification have been significantly reduced and simplified. A single fee for intermediate mergers of R75 000 has been introduced. Prior to the amendments, fees for intermediate mergers ranged from R5 000 to R250 000. The fee for large mergers has been halved from R500 000 to R250 000.

During 2000, the Competition Commission was responsible for amendments to the Act, establishment of the Competition Court of Appeal, and advising the Minister on large mergers.

Small enterprises

The Enterprise, Commerce and Industry Development Division of the Department of Trade and Industry is responsible for policy and strategy development, programme development, monitoring and evaluation, consultation and relationship-building in the areas of black economic empowerment and enterprise development, SMMEs, co-operatives, business regulation, consumer protection and sector development.

Small businesses in South Africa absorb more than half the people formally employed in the private sector and contribute about 42% of the country's GDP. There are an estimated three million micro-enterprises in the country.

The key objectives of government's National Strategy for Small Business are to

- create an enabling environment for small enterprises
- level the playing-fields between bigger and small businesses, as well as between rural and urban businesses
- facilitate greater equalisation of income, wealth and earning opportunities, and address the legacy of apartheid-based disempowerment of black business
- support the advancement of women in all business sectors
- create long-term jobs
- stimulate sector-focused economic growth
- strengthen cohesion between small enterprises
- prepare small business to meet the challenges of an internationally competitive economy.

Institutional support framework

The main pillars of support are the Department of Trade and Industry's Chief Directorate: Enterprise Development (formerly the Centre for Small Business Promotion), the State-owned Ntsika Enterprise Promotion Agency (Ntsika), Khula Enterprise Finance (Khula Ltd), National Manufacturing Advisory Centres (NAMACS), and Technology for Women in Business (TWIB).

Chief Directorate: Enterprise Development

The Chief Directorate is responsible for the formulation of policies and strategies and the coordination and efficient implementation of government's National Small Business Strategy. Its mission is to create an enabling environment for the development of SMMEs.

Ntsika Enterprise Promotion Agency

Ntsika's mission is to render non-financial support services to the SMME sector through a broad range of intermediaries. This is achieved through initiatives in the areas of management and entrepreneurship development, marketing and business linkages, research and business development services, and targeted assistance.

The achievements of Ntsika can be categorised into capacity-building of the retail distribution network and direct services to SMMEs through these retailers.

According to Ntsika's annual report, the total number of Local Business Service Centres accredited is 72. A total of 3 979 SMMEs were established through various Ntsika programmes.

According to the *1999 State of Small Business in South Africa*, 296 small businesses were assisted to win tenders worth R131 million.

The Trade and Investment Development Programme is a three-track programme that assists a potential exporter to eventually become a competitive, fully-fledged exporter.

Khula Enterprise Finance

Khula is a wholesale agency, which provides financial support for small businesses through intermediaries. Its financial products include loans, a national credit guarantee scheme, grants, institutional capacity-building, equity funds and mentorship schemes.

The achievements of Khula can be categorised into support to financial intermediaries as retail distribution networks and direct services to SMMEs.

Under the first category, some 2 800 bank branches have access to the Standard and Emerging Credit Guarantee schemes. Some 750 credit guarantees have been issued to the value of R125 million.

By December 1999, 32 retail financial intermediaries had been assisted under the capacity-building scheme. The scheme provided seed loans to finance portfolios and operating expenses worth R27 million, and business loans for lending to SMMEs worth R70 million.

Khula also participates in the provincial equity funds and has spent R5 million to partly fund joint ventures, expansion and recapitalisation.

The Thuso Mentorship network provides entrepreneurs with pre-loan business plans and post-loan support in the form of management of technical expertise.

NAMAC

NAMAC's role is to supply high-quality advisory and information services to new and existing SMMEs to ensure improvement in their quality, competitiveness and productivity.

TWIB

The project aims to enhance the use of technology by women in business, promote and nurture innovation among women, create role models for other women, and encourage young girls and women to choose careers in science and technology.

National Empowerment Fund (NEF)

The NEF Trust was established to facilitate the redressing of economic inequality from past unfair discrimination against historically disadvantaged persons. The NEF Trust must be capitalised primarily through receiving shares of State-owned enterprises (SOEs) undergoing restructuring. It is envisaged that the Trust will promote empowerment through the following: an investment trust that will market investment units to historically disadvantaged individuals; a portfolio trust that will warehouse the shares of SOEs, which will thereafter be sold to historically disadvantaged individuals; and an equity management fund to provide venture capital among historically disadvantaged groups.

The Fund buys shares in privatisation utilities from government at a discount of up to 20% to resell to previously disadvantaged people. One of the NEF's functions is investor education to ensure awareness of the economic environment and basic economic literacy.

The Fund operates at three levels, initially targeting low-income individual earners and progressing towards savings clubs and equity finance agreements for SMEs.

Business Partners Ltd

The vision of Business Partners is to successfully invest capital, skills and knowledge into new or growing SMEs, and contribute to the economies of the southern African countries, thereby creating jobs and wealth. Government has a 20% stake in the company, and its major private-sector shareholders include Rembrandt South Africa, Sanlam Ltd, Billiton SA Ltd, Old Mutual, Anglo American Corporation, De Beers and the four major banks.

Business Partners invests only in formal SMEs that require amounts between R150 000 and R15 million by way of equity, quasi-equity and term debt structured to the individual needs of the client. The company uses a viability-based investment approach, compensating for the risk taken by negotiating a minority equity stake in the investee companies.

Business Partners also invests in well located SME business premises, and manages nine property portfolios consisting of more than 75% in industrial premises. The properties provide premises to about 4 000 small and medium-sized businesses.

Business Partners has just over R1,2 billion in shareholders' equity, and operates through a network of 23 offices located in the major cities and towns across South Africa.

The 2000/01 financial year approvals amounted to R578,5 million for investment into 766 viable SME projects across the country. This is an increase of 24,1% from the same period last year. The number of equity investments (where Business Partners acquired an equity stake) went up 25,6% from 156 to 196 at an average investment of R1,4 million per project.

Since its inception in 1981, Business Partners has invested R4,1 billion in over 27 000 formal SMEs. These investments have helped to facilitate the creation and/or maintenance of more than 500 000 jobs.

Restructuring of State assets

SOEs in South Africa continue to play a critical role in the current phase of economic restructuring where the focus shifts from macroeconomic stability to the development of a sustainable growth trajectory. It is envisaged that their accelerated restructuring will contribute significantly to improving the overall competitiveness of the country's economy, both from a macro- and a micro-economic perspective. Clearly, restructured SOEs will play a significant developmental role in South African society via the integration of public, private and social capital and expertise.

SOEs currently and in the future will play a significant role in integrating the economies in southern Africa, in particular within the SADC region, by providing an integrated platform for transport, communications and energy.

Already considerable progress has been made, and restructuring plans have been approved by the Cabinet to ensure that the major parts of the restructuring initiatives are completed by 2004.

Transport

In the transport sector, the restructuring of Transnet has already started to yield results. Transnet declared a net profit of R780 million for the first time in many years, despite inheriting a liability of approximately R23 billion in 1994.

The restructuring of Portnet is under way and will see the separation of Portnet into a port development agency, port operations, and a regulatory authority. The restructuring of Portnet is envisaged to result in improved competitiveness of South Africa's ports, thereby ensuring that the country plays a more significant role in south-south trade relations. The ports policy was expected to be finalised during 2001.

An increased investment of R3,5 billion over a three-year period is envisaged in port infrastructure in Richards Bay, Durban and Coega. The concessioning of certain elements of port operations will also commence in 2002.

Considerable progress has been made in the restructuring of Spoornet. Cabinet will focus on a strategy which shifts freight from road to rail to minimise the considerable financial burden for the ongoing maintenance of roads in South Africa.

Focused attention will be given to enhancing the efficiency of general freight operations and integrating it with port operations. This will provide the backbone for a seamless logistic system which is intended to move freight from point of manufacture to the end-user cost- and time-effectively.

The SAirGroup, which owns 20% of SAA, has an option to exercise a call option for a further 10% shareholding. The option has

Information

According to figures released by Statistics South Africa, the total number of liquidations in South Africa recorded in the first seven months of 2000 decreased by 19,2% (from 2 445 to 1 976) compared with the same period in 1999.
The total number of insolvencies recorded for the first six months of 2000 fell by 41,8% (from 3075 to 1789) compared with the first six months of 1999.

been extended to December 2001.
(See chapter: *Transport.*)

Telecommunications

In the telecommunications arena, the Government is committed to a process of managed liberalisation within the sector, to reduce costs, improve efficiency and competitiveness, and encourage new entrants into the sector. SOEs, in particular Transnet and Eskom, are engaging competitively in the African telecommunications market. They are expected to play an important role during the issuing of licenses to other national telecommunications operators in South Africa.

On the information technology (IT) front, the IT capabilities of Denel, Transnet and Eskom were merged into a single entity called arivia.kom, which started trading on 8 January 2001.

This company is now the fourth-largest IT company in South Africa, with an expected turnover in excess of R1 billion.
(See Chapter: *Communications*.)

Energy

Considerable progress has been made with the restructuring of Eskom. The Eskom Conversion Bill was tabled in June 2001, which will see Eskom incorporated as a limited liability company. In preparation for the need for additional energy in 2007, a regulatory framework for the introduction of independent power producers into the South African energy market is being developed.
(See chapter: *Minerals and Energy*.)

Defence

The restructuring of Denel is intended to ensure that South Africa remains competitive in certain niche sectors, while also promoting diversification into the high-value civilian and commercial product range.

Noting the consolidation of the defence industry globally, the proposed partnership with BAE Systems is intended to provide greater access to global markets, increased technology interchanges, and increased domestic manufacturing capability.

Public works programmes

Since 1994, public works programmes have been harnessed to contribute directly to the process of reconstruction and development in South Africa.

This followed the establishment of the National Public Works Programme (NPWP) as a framework through which public works programmes would be aligned to the social and economic development of the country. It includes rural poverty alleviation and construction industry transformation.

The Community-Based Public Works Programme (CBPWP) and the Construction Industry Development Programme (CIDP) constitute the crucial elements of the NPWP.

Community-based Public Works Programme (CBPWP)

The CBPWP is an essential component of government's Integrated Rural Development Strategy. The International Labour Organisation (ILO) in 1997 judged it to be the leading public works programme in over 30 developing countries.

The Programme is geared to achieve poverty relief and infrastructure investment by

- targeting identified poverty pockets within the rural areas
- capacity-building within local communities and local governments
- maximising job creation during implementation
- targeting rural women, in particular female-headed households with dependants
- incorporating operation and maintenance to ensure sustainability of assets
- constructing useful infrastructure to improve access to trade opportunities
- skills training appropriate to project requirements.

In 2000/01, the CBPWP built 981 community projects and created job opportunities for 22 619 people from a budget of R374 million, employing 43% women and 42% youth.

Conscious efforts to continuously improve the Programme resulted in the enhanced capacity of the CBPWP. The introduction of multi-year cash flow-based budgeting in 2000 improved the management of expenditure, and allowed the forward planning of future projects. With a budget of R378 million, the CBPWP will sustain the delivery momentum into 2001/02.

Construction Industry Development Programme (CIDP)

Since 1994, the Department of Public Works has championed a range of initiatives and coordinated the development of a comprehensive construction industry development policy as part of its contribution to national reconstruction, growth and development.

Launched in April 1999, the *White Paper Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry* concluded a three-year process of policy development, construction and implementation.

During 2000 and 2001, industry-wide co-operation ensured landmark progress towards implementing the vision and strategy outlined in the White Paper.

The most significant milestone was the passage of legislation that creates the framework for ongoing industry development. The eight pieces of legislation, enacted in December 2000, established

- the Construction Industry Development Board (CIDB) to promote industry growth, delivery and best-practice performance of clients and suppliers
- the Council for the Built Environment (CBE) to promote improved coordination between the professions and government for the attainment of development goals
- an enabling regulatory framework for the professions, re-enacting the laws regulating architects, engineers, quantity surveyors and property valuers and recognising two new professions, namely landscape architects and project and construction managers.

Construction Industry Development Board (CIDB)

The Deputy President of South Africa, Mr Jacob Zuma, launched the CIDB on 24 April 2001.

The launch of the CIDB marked the end of a three-year process that had engaged all construction industry stakeholders in a collective drive to lay the foundation of construction industry development. The CIDB was initially funded by the Department of Public Works with a first-year budget of R11,5 million. Projections anticipate that this allocation may rise to approximately R20 million by its third year of operation, when its capacity and business operations should begin to peak.

The CIDB Act, 2000 (Act 38 of 2000), equips the Board with statutory functions and instruments to drive implementation. The aims of the CIDB are to

- provide a focal point for leadership in construction industry development
- enhance industry stability and sustainable growth to promote South Africa's economic and social objectives
- work towards unlocking bottlenecks, promoting best-practice, and enhancing capacity to deliver quality infrastructure
- promote transformation and the participation of all role-players in the mainstream construction economy.

The professions

Several Acts have been passed to create an integrated framework for the development of the professions. The legislation opens the professions to greater transparency and public accountability. The public will now have representation on councils previously the preserve of the professions.

New legislation will establish the CBE to promote the equal application of policy on matters of national priority. The Council will promote innovation to meet the demands of both the South African society and rapid global change. It will create a dynamic interface between the professions and government.

It will also enable greater public access to professional services by recognising different categories of the professions and creating new possibilities for career path development within each profession. The Acts aim to ensure the highest professional standards through the promotion of Continuous Professional Development so that professionals must continuously demonstrate their competence. High technical and moral standards, social responsibility, improved public protection, health and safety will promote the image and stature of the professions.

Finally, it will accelerate the transformation of the current statutory councils promoting representation in terms of race, gender, disability and regional representation.

The CBE was expected to be in place by the end of 2001. The Department of Public Works will support the initial operation of the CBE and the Council for Construction and Project Management with a once-off grant of approximately R2 million.

The year ahead

A significant focus will be on the operational aspects of the new institutions. These institutions have the potential to mobilise the talent and energy of all industry stakeholders to promote a new ethos of delivery. To harness this energy, the Department is initiating a study on the state of the industry and its performance. This will promote a collaborative process to establish targets for construction industry improvement and key performance indicators (KPI's) for growth, delivery and transformation. KPI's that would support industry improvement would need to cover issues such as:

- improved investment and capital spending as a measure of growth
- reduced costs, defects and delivery times as a measure of value for money and reduced risk to clients
- improved profit margins to the industry through reduced adversity, claims and litigation that characterise construction as a risky investment and further erode the bottom lines
- improved participation of the emerging sector, including women
- improved health and safety.

The key to improvement lies in innovation and best-practice, requiring intensive co-operation between the industry and its clients in the public and private sectors.

The Department will take forward the work done to improve the public sector's payment record, and is targeting a 10% reduction in delayed payments for selected provinces and 20% for the national Department of Public Works in 2001/02.

Emerging Contractor Development Programme (ECDP)

Help-desk support

During 2000/01, the ECDP has extended its full-time help-desk facility. Help-desk functions include:

- data capturing and maintenance
- advice on the expectations of the Department and its obligations in terms of contract procurement and administration
- basic counselling of contractors
- registration and categorisation of contractors
- advice and referral to available support such as the Ntsika tender advice centres and Khula's financial services.

Contractors registered on the ECDP database increased to over 2 500 compared with 1 500 during the previous year. The number of active women contractors increased from 118 to 247. There has been a noticeable increase in the number of awards to contractors on the database. However, because of the increasing number of contractors registered on the database, there has not been a marked growth of contractors from one category to another. As a result, the ECDP has opted to fine-tune its focus towards those contractors who can perform and be counted among industry leaders. A process is under way to ensure that the screening process is tightened up and that committed contractors benefit from the available support.

Access to finance

Efforts to promote access to finance by emerging contractors are showing positive results. Within the Strategic Empowerment Programme, the Department has succeeded in mobilising the support of Khula and the IDC to ensure that all successful contractors in this Programme will gain access to bridging finance for working capital and performance guarantees. In 2001, the IDC agreed to make R20 million available for the Programme.

Mentoring

The mentorship programme was finalised during 2000, and will be introduced on strategic projects totalling R99 million to ensure that competent black contractors emerge into the mainstream construction economy. Mentorship is being incorporated in contracts out on tender, and mentors have been identified and accredited with the assistance of the University of Pretoria.

Promoting women in construction

Women have won and executed relatively small, but significant, public works contracts in virtually all provinces. To support this trend, all ECDP activities endeavoured to prioritise support to construction enterprises owned and managed by women. Women were well represented in the Contract Entrepreneurial Training (CET) programme and the Targeted Procurement Workshops, in some provinces making up 50% of the participants. Two workshops targeting women in particular were held in Port Elizabeth and Durban. The ECDP Database is being upgraded to ensure that job opportunities are targeted more frequently to women.

Training and capacity-building

Successful development and implementation of the Targeted Procurement Methodology has increased the market share of black- and women-owned construction enterprises and meet the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000). However, targeted (affirmative) procurement alone is not enough to raise the level of participation without measures to further develop the capacity of emerging black business. The Department has embarked on an extensive training campaign in all nine provinces, addressing general business skills, tendering and procurement, and specialist training in areas such as electricity and plumbing. This programme, with specific focus on women, will reach

- 1 000 contractors through interactive workshops on procurement
- over 200 contractors trained in management and contracting skills, using the CET Programme developed with the ILO.

Contractor Entrepreneurial Training Programme

Towards the end of 2000/01, ECDP launched a pilot CET Training Programme in eight provinces. The Eastern Cape was exempt since 24 contractors registered on the ECDP database had already received training, using the CET programme in that province. The pilot training programme provided training to 15 top-performing contractors per province to

- test the suitability of the CET training materials
- suggest and make recommendations for the future roll-out of the Programme.

By June 2001, 120 contractors had been trained.

Affirmative procurement workshops

Concurrent to the CET training, the ECDP facilitated affirmative procurement workshops in all provinces.

The purpose of the one-day workshops was to

- advise contractors on the opportunities available in each province
- enhance the capacity of emerging contractors to tender, using the Targeted Procurement documentation and completing the contract participation goals
- address specific problems that contractors face in tendering
- provide an opportunity for networking.

The Department will seek to achieve the following during 2001/02:

- developing provincial capacity to run training workshops on a quarterly basis
- piloting, in at least two provinces, the introduction of Sakhasonke Clubs to promote best-practice and networking.

State property holdings and asset management

The Department of Public Works is the custodian of the State's fixed property portfolio. Through the Chief Directorate: State Property Holdings, the Department ensures that the State obtains the best social and financial returns from its property portfolio.

Government-wide fixed-asset management framework

Fixed-asset management is one of the unit's major activities, as they often

- have lengthy acquisition periods
- are usually very costly to manage and maintain
- can be difficult to sell or to change their use
- occupy a prominent position as a resource that impacts significantly on the macro-economic, socio-political and physical landscape of the country.

The Department compiled the Fixed Asset Management Framework to provide guidance on the manner in which fixed assets are handled by government. It was submitted to Cabinet in January 2001. The first step taken to address the challenges confronting government in aligning fixed assets to service delivery is the devolution of accommodation budgets to individual departments.

This will be followed by the devolution of the control of functional fixed assets to the respective departments that utilise them. Within this approach, the role of the Department of Public Works will be that of an asset manager on behalf of government, and landlord on behalf of State-owned accommodation. Ideally, the Government should not be in competition with the private sector in this area. The Department of Public Works continues to play the role of title deed holder and custodian of the State's fixed assets. The Fixed Asset Management Framework will be underpinned by the following principles:

- Fixed assets exist only to support delivery of current and future government services, with relatively few properties retained for the purposes of national symbolic and heritage significance.
- The full costs of providing, operating and maintaining fixed assets should be reflected on the individual department's budgets, including the introduction of 'user pays' charges in State-owned properties. Client departments must have a certain minimum capacity to advise Heads of Departments on property-related activities.
- Fixed-asset management must be guided by and reflect the whole Government asset policy framework.
- Ownership of fixed assets or title deed holding will remain in a centralised entity within national, provincial and local governments, and will not be devolved to individual departments within government.

Disposal of redundant State-owned properties

The Department of Public Works, as a custodian of national State-owned fixed property, is faced with the continuous challenge to manage its property portfolio as effectively as possible and to deal with redundant and underutilised properties.

Redundant properties will be disposed of through an open tender process, and underutilised properties will be made available to the private sector for co-use with the relevant State department in a similar manner.

The Department's objectives with regard to disposals are to achieve maximum financial and social returns, and to ensure transfer of skills to previously disadvantaged individuals and firms active in the property industry.

The development proposal call concept, currently being used by the Department in disposing of properties, makes provision for the adjudication of proposals on the basis of points.

The criteria used cover the financial offer to purchase or lease the property, the proposed development, financing and viability of the proposal, and socio-economic matters.

Conversion and re-use of military bases

The Department, with the assistance of the Centre for Conflict Resolution, secured a grant of US$1 030 000 from the World Bank to assist with the implementation of a project on military base conversion and re-use.

The main activities for which the grant was made available were:

- capacity-building within government
- conducting an international survey of base conversion
- conducting pilot studies for re-use of bases in South Africa.

Seventeen bases were identified to conduct pilot studies with a view to converting them to private commercial use. Eleven bases are redundant while six are underutilised. The latter will be co-used between the Department of Defence and the private sector.

A formal policy on base conversion will be developed by the Department and presented to Cabinet.

Non-commercial property disposals

Land reform on State land

To obtain social returns from the disposal of properties, the Department of Public Works supports land reform initiatives of the national Department of Land Affairs. The Department of Public Works prioritises and expedites land reform on State land under its control. A dedicated subdirectorate to focus on land reform was created. The following land reform projects have been successfully concluded in 2000/01:

- Thornhill Land Redistribution Project, Queenstown, Eastern Cape: By disposing 2 055 hectare (ha) of State land to the Thornhill Farms Communal Property Trust, the Department contributed directly to the community development initiatives of the Department of Land Affairs.
- Gumbi Land Redistribution Project, Ngotshe, KwaZulu-Natal: The exchange of State land for private land to facilitate the land redistribution project for the Gumbi Tribe was finalised.
- Bakubung Land Restitution Claim, Koster, North-West: The farms Elandsfontein 21 IQ and Palmietkuil 25 IQ were released to the Department of Land Affairs, free of charge, to satisfy the restitution claim of the Bakubung Community.

At the request of the Department of Land Affairs, the Department of Public Works is involved in the resolution of the following land reform projects:

- Ellison and Steynberg Restitution Claim, Pretoria, Gauteng: Individual titleholders of the Ellison and Steynberg Agricultural Holdings were dispossessed of their rights as owners. The Department of Land Affairs has requested the Department to restore these rights of ownership.
- Makotopong Restitution Claim, Pietersburg, Northern Province: The Makotopong community was forcibly removed from the Farm Roodewal 808 LS in order to accommodate the South African Defence Force (SADF). The Department is negotiating the release of the State land (in extent 2 858 ha) to the community.
- Lohatla Restitution Claim, Northern Cape: A community of 18 Khosis families was dispossessed of their property to accommodate the then SADF in 1976. The Department is attempting to provide them with alternative State land.

Non-commercial disposals for social development

Other non-commercial disposal of State property included donations and the sale of property at prices below market value.

These are mainly to municipalities and provincial administrations aimed at specific socio-economic benefits projects.

During 2000/01, the Minister of Public Works approved the disposal of 91 properties (in extent 15 059 ha), which generated an income of R5 529 000.

Human resources and employment

The year 2000 marked the first year of the 2000–2004 Strategic Plan of the Department of Labour.

Informed by the Ministry of Labour's 15-Point Programme of Action, the Strategic Plan commits the Department to the following key strategic objectives:

- monitoring and reviewing labour market policies to ensure that the elusive balance between labour market efficiency and decent labour standards is maintained.
- effectively implementing the Skills Development Act, 1998 (Act 97 of 1998), and Skills Development Levies Act, 1999 (Act 9 of 1999), in meeting the skills essential to promote economic growth, investment, job creation and social development.
- implementing the Employment Equity Act, 1998 (Act 55 of 1998), to remove unfair discrimination and promote equity in the workplace.
- providing increased protection to the country's most vulnerable workers, including farm and domestic workers.
- providing a most needed social safety net by overhauling the antiquated Unemployment Insurance Fund legislation.
- transforming the Compensation Fund to improve its operations, including speedier and more efficient processing of claims.
- promoting health and safety at the workplace through the reduction of workplace accidents, fatalities and diseases. The focus will be on the implementation of a preventative strategy with particular emphasis on advocacy and building of partnerships.
- promoting sound labour relations in workplaces through improving the functions of dispute prevention and dispute resolution institutions.

A discernable characteristic of the 2000–2004 Strategic Plan is that it is a clear and deliberate shift from policy-making to implementation of legislation.

The provincial operations of the Department have accordingly been restructured into the following business units in order to ensure effective implementation of labour market policies:

- integrated inspection and enforcement services
- beneficiary services
- employment and skills development services
- labour market information and statistics programme
- management support services.

Resources of the Department have accordingly been decentralised. Particular focus was placed on the improvement of service delivery.

To this end, a Service Delivery Charter was introduced. The Charter commits the officials of the Department to conduct themselves professionally and courteously.

Employment and skills development services

The Chief Directorate's activities and objectives are embedded in the South African Qualifications Act, 1995 (Act 58 of 1995), the Skills Development Act, 1998, and the Skills Development Levies Act, 1999. These three Acts highlight the promotion of skills development and the ensuring of quality in education and training.

The challenge for the Chief Directorate is to establish the infrastructure, institutions, processes and systems to drive the implementation of these Acts. This will be achieved by

- establishing an institutional and financial framework comprising the
  - National Skills Authority (NSA)
  - National Skills Fund (NSF)
  - Skills Development Grant Scheme
  - Sector Education and Training Authorities (SETAs)
  - Labour Centres
  - Skills Development Planning Unit (SDPU).
- encouraging partnership between the pub-

lic and private sectors of the economy to provide education and training in and for the workplace.
- co-operating with the South African Qualifications Authority (SAQA).

Some of the major highlights during 2000 have been the
- establishment of 25 SETAs.
- submission of the first batch of sector skills plans and provincial implementation plans.
- drafting of the National Skills Development Strategy, which sets out the priorities for skills development in the next five years.
- collection of skills development levies by the SARS from employers in April 2000, and the subsequent disbursement of those funds to firms that submitted workplace skills plans in July 2000; and the establishment of Provincial Skills Development Fora as focal points for coordinating skills development in the provinces.
- incorporation of government's Human Resource Development Strategy into the Skills Development Strategy, evidenced by the support and commitment received from other government departments.
- capacity-building initiative that was involved in a number of training programmes in an effort to build the capacity of staff members to implement the Skills Development Strategy. The piloting of the implementation of a learning system in three sites took place from April to September 2000. Three learning areas, namely, generic, project and quality management, were identified, and five providers were contracted to deliver the training.

Directorate: National Skills Authority (NSA)

The Directorate: NSA is an integral part of the Chief Directorate: Employment and Skills Development Services. Its purpose is to support the NSA, to establish and support SETAs so that they are recognised as responsive, cost-effective and efficient organisations that engage stakeholders, and to enhance the skills and capacities of those who are involved in these institutions.

During 2000/01, the following highlights were recorded:
- Ministerial approval of the National Skills Development Strategy.
- effective coordination of policies, regulations and guidelines.
- compliance with all legislation.
- abolishment of Industry Training Boards.
- coordination of Skills Development Strategy initiatives within the Department, with other departments and with provincial administrations.
- the promotion of Skills Development Strategy initiatives and policies.
- development of a SETA Bulletin.
- approval of a marketing strategy, the first phase of which culminated in a National Skills Conference in February 2001.
- The National Skills Development Strategy was launched during the Conference. A set of leaflets was printed, various events were planned, and arrangements made with the SABC to produce programmes to promote skills development. A marketing forum meets monthly, which brings together colleagues from the labour market skills development projects, SETAs and the provinces.

Directorate: Skills Development Funding

The Directorate is responsible for
- managing funding mechanisms for training programmes based on a system of entering into training contracts with acceptable training-providers, delivering training against specific outcomes
- assisting and facilitating sectors to improve their level and quality of training for skills development in job creation schemes
- identifying target groups.

National Skills Fund (NSF)

The NSF was established by the Skills Development Act, 1998. The Fund is credited primarily with 20% of the skills development levies as contemplated in the Skills Development Levies Act, 1999. Other sources of funding include:

- money appropriated by Parliament
- interest earned on investment
- donations from donors
- money received from other sources.

The Fund is a revolving fund that has the Director-General of Labour as the Accounting Officer. All NSF funds are invested with the Public Investment Commissioner.

The primary objective of the NSF is to fund projects that have been identified in the National Skills Development Strategy as national priorities, or other projects related to skills development as determined by the Director-General.

Achievements in 2000/01 included, among other things:

- the collection of skills development levies by SARS from employers, which began in April 2000 and were transferred to SETAs and the NSF from July 2000
- the Skills Development Levy Information System was developed and implemented by June 2000
- interim financial assistance to SETAs, for the first four months, was approved by the National Treasury, and funds from the NSF were transferred to most of the SETAs in accordance with their cash flow statements
- these interim payments are regarded as advances against the SETAs' levy income, and will be recovered from the administration portion of their levy income during the 2001/02 financial year.
- a partnership was established with the Department of Trade and Industry on the Skills Support Programme.
- the model for the NSF Disbursement Information System has been designed.

Occupational Health and Safety (OHS)

OHS deals primarily with the promotion of the health and safety of people in the workplace. OHS jurisdiction excludes mineworkers, and workers on load line ships, fishing boats and floating cranes; as well as the protection of the health and safety of the general public from hazards arising from work-related activities, as they are catered for elsewhere.

During 2000, the Chief Directorate consolidated working relationships to ensure co-operative governance with other departments. To this end, quarterly fora were established with the Department of Minerals and Energy. One of the achievements was the development of a guideline for harmonised noise-induced hearing loss regulations.

During 2000, 5 950 incidents and 493 fatalities were investigated and finalised by inspectors. Notices served on employers included 6 970 contraventions of the regulations and 649 contraventions of the Occupational Health and Safety Act, 1993 (Act 85 of 1993). During the year, 10 060 inspections were conducted, thus exceeding the 6 408 targeted for the year. A total of 1 887 incidents and 636 complaints were registered with the Department.

Legislation

During 2000, the Department focused on amending the OHS regulations in order to

- align them with the OHS Act, 1993
- align them with changes in technology
- align them with international standards
- ensure that they meet the health and safety needs of workers and employers.

The following regulations were completed and were promulgated during the first half of 2001:

- Hazardous Biological Agents Regulations
- Amended Asbestos Regulations
- Lead Regulations
- Amended Major Hazard Installation Regulations.

Work is also being done on the following:

- Draft Explosives Regulations
- Major Hazard Installation Regulations
- Building and Construction Regulations
- Mechanical Engineering Regulations
- Electrical legislation
- Health and hygiene legislation.

Labour relations

In 2000, focus was placed on the implementation of the Employment Equity Act, 1998 (Act 55 of 1998), significant preparation and research in respect of sectoral determinations for the Basic Conditions of Employment Act, 1997 (Act 75 of 1997), and the drafting of amendments in respect of the following: Labour Relations Act, 1995 (Act 66 of 1995), the Basic Conditions of Employment Act, 1997, and, in collaboration with the Department of Justice and Constitutional Development, the Insolvency Act, 1995 (Act 32 of 1995).

Legislation

No laws were considered by Parliament. However, significant amendments were approved by Cabinet and released for public comment and for negotiations at the National Economic Development and Labour Council (NEDLAC). In addition, a Code of Good Practice on the management of Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS) in the workplace was promulgated. Sectoral determinations and further Employment Equity Regulations were also promulgated during 2000.

Information

A total of 337 persons were injured during 2000 in the civil engineering field, 68 of them fatally. This represents a decrease of 30% in incidents in the building and construction industry. The incidents records show a 35% decrease in injuries and a 9% increase in fatalities. A total of 198 serious injuries and 43 fatalities involving electricity were reported and investigated during 2000. Fatalities doubled compared to 1999, which could be ascribed to problems with clearances and illegal connections on electrical conductors. During 2000, the manufacturing sector had the highest number of incidents (2 830) with the manufacture of basic iron and steel contributing 611 and the manufacture of fabricated metal products and metalwork services contributing 411 of the total incidents. The transport, storage and communication sector reflected the second highest number of incidents, with railway transport contributing 545 and other land transport 468 of the total. The transport sector also reflected the highest fatalities (112), specifically in land transport, followed by agriculture with 106. Of the incidents investigated by inspectors during 2000 only 2,4% were attributable to occupational diseases.

The highest number of occupational diseases reported to the Compensation Commissioner for compensation was for noise-induced hearing loss, namely 1 492, followed by major depression syndrome with 848. These statistics reflect a decrease of 1 969 when compared to those of 1999.

Amendments legislation

At the beginning of 2000, the Minister announced his intention to introduce legislative amendments to the Labour Relations Act, 1995, the Basic Conditions of Employment Act, 1997, and, together with the Minister of Justice, to the Insolvency Act, 1995.

These amendments were the result of a review process conducted by the Department in 1999.

The amendments were published in the *Government Gazette* No. 21407 in July 2000.

Amendments were drafted in respect of the following areas:

- collective bargaining and bargaining councils
- dispute resolution by the Council for Conciliation, Mediation and Arbitration (CCMA) and the Labour Court
- rights and responsibilities of employers and workers in the event of retrenchments, transfers of businesses and insolvency
- basic conditions of employment and contractual relationships.

By the end of 2000, public comment had been received from 54 organisations and individuals, and negotiations on the proposed amendments had begun at NEDLAC.

Regulations

Employment Equity

On 2 October 2000, the Minister amended the regulations to the Employment Equity Act, 1998, in the following ways:

- providing for simplified employment equity reporting forms to assist employers who employ fewer than 150 workers
- providing for a simplified Income Differential Statement, also for employers employing fewer than 150 workers
- adding a new form, which allows the public to request copies of any employment equity report

- providing summaries of the Act in nine official languages: Sepedi, Sesotho, Setswana, SiSwati, Tshivenda, Afrikaans, isiNdebele, isiXhosa and isiZulu.

Code of Good Practice

Key aspects of HIV/AIDS and employment

The Minister released the draft Code of Good Practice on key aspects of HIV/AIDS and employment for public comment in the *Government Gazette* No. 21089 in April 2000.

Public hearings, chaired by members of the Commission for Employment Equity, followed in Gauteng North and South, KwaZulu-Natal, Northern Province and the Western Cape. Discussions and negotiations on the Code were also held in NEDLAC. This process was concluded in November 2000.

The Code was finally promulgated on World AIDS Day on 1 December 2000.

The Code is unique in that it is issued in terms of two Acts, namely, the Employment Equity Act,1998, and the Labour Relations Act, 1995. The Code seeks to promote a non-discriminatory work environment; sets guidelines on HIV-testing, confidentiality and disclosure; gives guidelines to manage HIV at the workplace, and assess the impact of the disease.

Collective bargaining

Trade union registration and membership

The total number of registered unions peaked at 536 in 2000. However, the Department initiated a process of cancellations of registrations of unions who have failed to comply with the 1995 Act. Consequently, at the end of the period, the total number of registered trade unions showed a decline of 35 against the previous year. Registrations of 72 trade unions were cancelled in terms of the Transitional Arrangements of the Labour Relations Act, 1995.

Almost all of them failed to amend their constitutions to comply with the Act. In most cases, these unions were, in effect, only an extension of existing unions, which functioned in the former Transkei, Bophuthatswana, Venda and Ciskei and self-governing territories, and which were registered in terms of the relevant labour legislation applicable in the area. In terms of Item 5 of Schedule 7 of the Act they were deemed to be registered at the commencement of the Labour Relations Act, 1995.

During 2000, all trade unions were reminded to update their membership figures and to comply with the other legal requirements. The response was, as in 1999, unfortunately again very poor. The total membership figure of approximately 3,5 million may therefore not reflect the actual membership of trade unions.

The trend of establishing trade unions more for the purpose of being represented during dispute hearings than for collective bargaining, and by people whose *bona fides* are in doubt, also continued. Mainly as a result of this practice, 37 applications for registration of trade unions were rejected during 2000. In three instances the decisions not to register the organisations were taken on appeal to the Labour Court.

By June 2001, these cases were still pending. At the end of December 2000, 63 new applications for registration as trade unions were on hand.

Union membership constitutes 75% of the 4 734 996 people in registered (non-agricultural) employment. The percentage would be less if the estimated employment in agriculture (approximately 1 099 000 million), domestic service (approximately 799 000) and unregistered employment were included. Registered union membership comprises approximately 26% of the estimated 13 527 000 economically active people.

Employers' organisations

The number of registered employers' organisations also decreased slightly from 260 in 1999 to 252. They represent 63 499 employers. Some 28% of these organisations represent less than 10 employers. Most of the employers' organisations in previous years, up to the end of 1999, tended to register and restrict their membership to specific economic sectors. A number of existing registered organisations and most of the new applicants opted to open up membership to employers in all of the various industrial sectors. Twelve applications were rejected, and one organisation lodged an appeal to the Labour Court against the decision of the Registrar. By June 2001, the case was still pending.

Federations

In terms of the Labour Relations Act, 1995, federations of unions and employers' organisations are not required to register. At the end of 2000, there were 17 trade union federations and 10 federations of employers' organisations.

Bargaining and Statutory Councils

The total number of bargaining councils in the private sector at the end of October 2000 stood at 73.

Section 49 review of the representativeness of bargaining councils

During 2000, the Office of the Registrar of Labour Relations continued with the determinations of the representativeness of bargaining councils. This proved to be a slow and time-consuming process, mostly owing to the fact that the records of various councils and those of the parties of the councils were not verified or in good order. Certificates of representativeness were issued to 18 councils in 2000.

Collective agreements

A total of 80 agreements were published in 2000, two of which were First Main Agreements and 49 Amending Agreements. The private sector bargaining council agreements cover some 751 872 workers and approximately 20 482 employers who are members of employers' organisations, which are parties to councils.

Features of bargaining council collective agreements

The average wage increase negotiated until December 2000 was as follows:

- Skilled categories: 7,06%
- Semi-skilled categories: 7,76%
- Unskilled categories: 8,3%.

Exemptions from bargaining council agreements

In 5 286 instances, exemptions were granted to employers from the provisions of bargaining council collective agreements, compared with 5 591 during 1999. A total of 864 applications were refused.

Dispute resolution by bargaining councils

In 2000, 16 808 disputes were referred to bargaining councils, compared with 13 212 in 1999. Of these, 3 834 were settled at bargaining council level, compared with 3 625 in 1999.

CCMA

A notice to bargaining councils of the amount, the duration and the terms of the subsidy granted for performing the dispute resolution functions for which councils are accredited was published in the *Government Gazette* in February 2000. A further notice in this regard was published in the *Government Gazette* No. 21024 in March 2000. Certificates of accreditation of 21 bargaining councils were published in the *Government Gazette* No. 20918 in February 2000, and a further 15 in May 2000.

The two-year term of office of the Essential Services Committee expired on 30 July 2000. NEDLAC has made recommendations for the appointment of a new committee.

Bargaining Council Strategy Committee

A Bargaining Council Strategy Committee, consisting of the Department, the CCMA and representatives of some employers' organisations, trade union parties and bargaining councils, was established to discuss possible weaknesses in councils and the transformation of bargaining structures.

The role of the Strategy Committee was to formulate a draft vision for bargaining councils, followed by suggested strategies and good practices that councils may adopt, learn from and/or use as a best-practice model.

Flowing from this process, a Bargaining Councils Consultative Forum was held on 10 November 2000 where the vision and suggested strategies and best-practice were presented. The process is continuing.

Employment equity

The role of the Directorate: Equal Opportunities is to administer the legislation aimed at eliminating unfair discrimination in employment and to ensure the successful implementation of employment equity to redress the effects of discrimination in the workplace. The Commission for Employment Equity (CEE) advises the Minister of Labour on policy matters, including the issuing of codes of good practice, and identifies areas for further research.

The Department maintains a register in terms of a requirement in Section 41 of the Employment Equity Act, 1998. Designated employers with 150 or more workers who reported correctly by 1 June 2000 are listed in a Public Registry. Designated employers with fewer than 150 workers reported on 1 December 2000. A list of these employers was to be published during 2001.

The data collected in the employment equity reports submitted by designated employers made it possible to measure the extent of employment equity in South Africa. On 2 October 2000, the Minister released the Employment Equity Register at a briefing in Johannesburg.

Work-force profiles were analysed in terms of race, gender and disability and per occupational level, occupational class, province and sector. SETA sectoral classifications were used to provide employers with relevant benchmarks, which can also be used for the purposes of the Skills Development Act, 1998. On 31 December 2000, 4 152 reports were registered for employees with 150 and more workers compared to 3 083 on 2 October 2000, when the Registry was launched.

While compliance was about 60% during the launch of the Registry on 2 October 2000, it had increased to about 89% by 31 December 2000.

A help-line (0860-10-10-18) was introduced for employers and workers to ask any question and seek information about the Act and reporting procedures.

Over 1 932 calls were dealt with. Over 528 responses were made to written enquiries. A website facility was also introduced, and over 1 267 hits have been recorded since its introduction.

Web-enabled reporting has been introduced. This means that employers will in future be able to complete the reporting form and e-mail it automatically to the database.

Enforcement of the Act

The Registry identified 1 738 employers who had not complied with the reporting provisions of the Act, and these employers were targeted for inspection. Inspections were conducted on site in terms of an integrated checklist. Complaints by workers regarding discrimination matters were dealt with by the CCMA, and 768 cases were registered with the Council in terms of the prohibition of unfair discrimination provision of the Employment Equity Act, 1998.

International co-operation

The United States Agency for International Development (USAID) has once again supported the Directorate in its endeavour to achieve employment equity.

Information

South Africa lost an estimated 1,4 million human days to strikes and stay-aways in 2000; down from 3,1 million in 1999. According to labour research consultants, Andrew Levy and Associates, 500 000 were lost to shopfloor strikes and 900 000 to stay-aways.
The major strike trigger was wages, accounting for 75,2% of total days lost, compared with 97,2% in 1999. Some 31,5% of the mining industry was involved in industrial action in 2000, followed by security at 26,3%; manufacturing, 12%; automobile, 7,3%; transport, 5,8%; municipality and State, 3,5%; food, 1,1%; and retail 0,8%.

In 2000, the most active unions were the National Union of Mineworkers (31,2%), the South African Transport and Allied Workers' Union (26,4%), and the National Union of Metalworkers of South Africa (19,3%).

Activities of bargaining councils, 1998–2000

Year	Agreements	Workers covered by wage agreements	Pensioners covered by wage agreements	Employers involved	Exemption from agreements	Disputes dealt with	Disputes settled
1998	51	632 992	510 440	27 329	5 494	16 553	5 042
1999	73	824 435	739 614	34 951	5 591	13 212	3 625
2000	80	751 872	581 899	20 482	5 286	16 808	3 834

Source: Department of Labour

In 2000, the Department entered into negotiations with USAID for the purpose of providing further technical assistance for the implementation of the Act with regard to the development of codes of good practice, the Employment Equity Register, and communication material.

Unemployment

Unemployment remains South Africa's most formidable economic challenge. Statistics South Africa released the *South Africa in Transition* report in July 2001. Between October 1995 and October 1999, and when using the official definition of unemployment, the number of not-economically-active people has stayed static over time, at about 12,8 million. The number of those who are economically active, i.e. both the employed and the unemployed (using the official definition), has, however, increased from 1,4 million in 1995 to 13,5 million in 1999. In other words, an increasing number of people, over time, are entering the labour market. The number of employed people (in both the formal and the informal sectors) has also increased over time, but this increase, from 9,6 million in 1995 to 10,4 million in 1999, has been rather gradual. The number of unemployed has also increased over time, from 1,8 million in 1995 to 3,2 million in 1999.

Statistics South Africa announced in September 2001 that the country's official unemployment rate stood at 26,4% for February 2001. In February 2000, it stood at 26,7%.

Government is focusing on formal sector and small-business growth, and supporting development sector initiatives to create more jobs. Growth rates for the formal sector predicted for the next two years are between 3,5% and 6,5%.

Stimulation of SMEs and the provision of government-funded or government-enabled infrastructure and local economic development initiatives are important. Public-private partnerships are an important means of leveraging private-sector investment into these programmes, as is the restructuring of State assets.

Presidential Jobs Summit

On 30 October 1998, in response to a call by former President Nelson Mandela, representatives of government, business, labour and other community and development organisations met at the Presidential Jobs Summit. The Summit emerged with a common commitment to act together to create jobs and to build a better life for the country's people. The declaration adopted at the Summit comprised an historic package of agreements to complement and enrich existing measures to accelerate job creation.

The Business Trust, which started operations in July 1999, is an initiative of South African companies working in partnership with government to undertake targeted job creation and capacity-building programmes.

During its first annual report to business and government leaders in Johannesburg in January 2001, the Trust announced that many of its programmes were already under way and that it had allocated R750 million for the implementation of special projects over the next four years.

Registered trade unions, members, employers' organisations and bargaining councils 1999/00				
Year	**Registered unions**	**Members**	**Employers' organisations**	**Private-sector bargaining councils**
1999	499	3 359 497	260	78*
2000	464	3 552 113	252	73

* Figure includes the five main public-sector councils.
Source: Statistics South Africa

The Trust managed to assess 2 000 people, create 100 entrepreneurs, and establish 1 500 schools in all nine provinces

Some R850 million had been raised of a target of R1 billion, which the Trust aims to accumulate over five years.

The Job Creation Trust, aimed at raising millions for the relief of unemployment in South Africa, was launched by South Africa's three major trade union federations on 19 February 1999.

The Fund has been established to receive donations following the call of the Congress of South African Trade Unions, the Federation of Unions of South Africa, and the National Council of Trade Unions on all working South Africans to donate one day's earnings on March 3 to fund job creation projects for the unemployed.

By September 2000, about R62 million had been raised by the Fund. The federations have also signed an agreement with the Development Bank of South Africa, which will be responsible for monitoring identified projects.

For the Jobs Summit projects, emphasis was on the potential of the projects to create jobs, impact on poverty and address broader socio-economic and policy issues. The following allocations were made:

- Agriculture: R20 million
- Environmental affairs and tourism: R70 million
- Health: R23 million
- Housing: R75 million
- Labour: R50 million
- Local and provincial government: R45 million

The Integrated Provincial Projects in Coega, Lubombo and the Wild Coast, which were among the key innovations of the Summit, have taken off, bringing government departments responsible for infrastructure development together with private-sector investors and local communities. An array of other projects and programmes aimed at creating employment opportunities has been implemented across the country, many of them targeted to benefit unemployed rural women, youth and people with disabilities.

These activities relate to affordable mass housing, small-business promotion, tourism, local economic development, the Social Plan, skills development and the training of the unemployed, interventions to improve efficiency in schools, social security, the Buy South Africa campaign, and the strengthening of customs and excise.

Government's special employment programmes – the Consolidated Municipal Infrastructure Programme, Working for Water, CBPWP and Clean and Green Living Campaign – are proceeding rapidly. These are providing short-term jobs linked to infrastructural development, building partnerships across government and with social partners and, in some cases, linked to SDIs and local development aimed at creating sustainable job opportunities.

Acknowledgements

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South African Reserve Bank
Statistics South Africa
Trade and Investment South Africa

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