SA YEARBOOK 2007/08 | ECONOMY

South Africa's economy grew by 5% in 2006, representing the highest rate of economic growth in 25 years. After years of rising unemployment, the unemployment rate has declined for three years in a row, with over a million jobs created in this period.

The present economic boom represents one of the longest sustained increases in income in about 40 years.

This growth has been relatively broad-based with the share of income going to Africans rising to above 50% in 2005, from about 40% in 1996. The number of black people entering what is called "the middle class" increased by 30% in a single year to 2,6 million in 2006.

According to a study by the Department of Trade and Industry, the number of small businesses has grown by 150% since 1995 and 87% of these businesses are black-owned.

This economic performance is due to two main factors. Firstly, over the past decade, South Africa has pursued policies that have put the economy on a sound footing, where it is able to grow faster and more sustainably. Secondly, high commodity and a favourable international economic environment have benefited the South African economy, at a time when the economy has been opened up.

Accelerated and Shared Growth Initiative for South Africa (AsgiSA)

AsgiSA is a government initiative aimed at ensuring that economic growth is accelerated to on average, at least 4,5% in the next few years, and to an average of 6% between 2010 and 2014. This acceleration of growth is what is required to achieve government's mandate of halving poverty and unemployment by 2014.

AsgiSA also includes infrastructure development to upgrade and build railway lines, harbours, ports and roads over the next five years.

With South Africa's unemployment rate at 25,6% by September 2006, the infrastructure programme is geared towards creating and sustaining employment.

Overall government expenditure for infrastructure spending will total some R410 billion between 2007 and 2010. Of this, about 40% will be spent by public enterprises, mainly Eskom (on energy generation, transmission and distribution) and Transnet (on harbours, ports, railways and petroleum pipelines).

Airports Company South Africa will spend R5,2 billion, which includes airport improvement and the Dube Trade Port. Some R19,7 billion will go towards water infrastructure.

South Africa will be hosting the 2010 FIFA World Cup™. Existing stadiums are being upgraded and new ones built, and investment is being made in the environment around stadiums and on access to these venues.

There will also be investment in information and communications technology (ICT) to grow South Africa's broadband network rapidly and reduce telephony costs, which will benefit the call-centre sector that represented some 5 000 jobs by mid-2006. This sector has the potential to create 100 000 additional jobs, directly or indirectly, by 2009.

AsgiSA responds to binding constraints, such as the:

- relative volatility and level of the currency
- cost, efficiency and capacity of national logistics systems
- shortage of suitably skilled labour, amplified by the cost effects on labour, of apartheid spatial patterns
- barriers to entry, limits to competition and limited new investment opportunities
- regulatory environment and the burden on small and medium businesses
- deficiencies in state organisation, capacity and leadership.

AsgiSA has also identified particular sectors of the economy for accelerated growth, such as:

- chemicals
- metals beneficiation, including the capital-goods sector
- creative industries (crafts, film, content and music)
- clothing and textiles
- durable consumer goods
- wood, pulp and paper.

Joint Initiative for Priority Skills Acquisition (Jipsa)

On 27 March 2006, Deputy President Phumzile Mlambo-Ngcuka launched Jipsa, the skills-empowerment arm of AsgiSA.

AsgiSA has identified the shortage of skilled labour as one of the six factors that constrain economic growth.

It is a two-tier structure comprising a joint task team and technical working group. The former has the task of unblocking the acquisition of targeted skills, overseeing the work of Jipsa, and ensuring that it delivers on its mandate of acquiring scarce and priority skills in the shortest possible time, building partnerships with different institutions and ensuring that Jipsa initiatives are sustainable.

Based on the priorities of AsgiSA, Jipsa's identified work areas are:

- high-level world-class engineering and planning skills for the network industries, and the transport, communications and energy sectors
- city, urban and regional planning and engineering skills desperately needed by South African municipalities
- artisan and technical skills, with those needed for infrastructure development enjoying priority
- management and planning skills in education, health and municipalities
- teacher training for Mathematics, Science, ICT, and language competence in public education
- specific skills needed by priority AsgiSA sectors starting with tourism and business process outsourcing (BPO) and cross-cutting skills needed by all sectors, especially finance and project managers
- skills relevant to the local economic development needs of municipalities, especially developmental economists.

Jipsa is steadily reaching its objectives of identifying critical skills needed for faster and shared growth, which is demonstrated by the benefits of partnerships between government and social partners.

Successes of this initiative include the placement of 1 500 graduates in private companies and government departments; placement offers for 20 000 graduates; international placement of more than 700 mainly female graduates; and the announcement by ICT companies to establish ICT training centres to support black-owned companies.

Jipsa's progress lays the foundation for mobilising participation of many other players locally and abroad in a national effort to ensure that the country reaches the AsgiSA targets.

Economic indicators

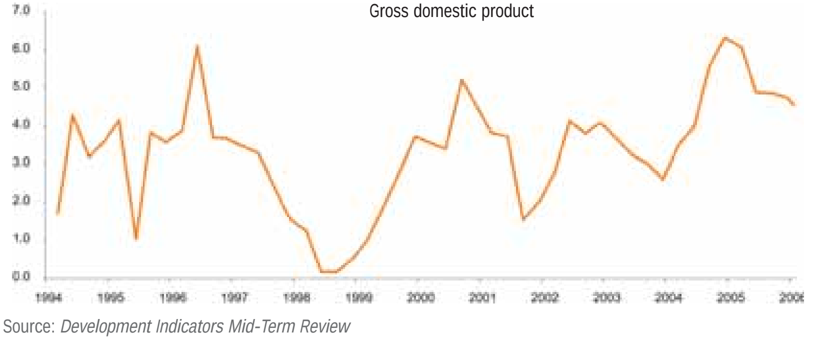
Domestic output

The South African economy registered a real growth rate of 5% in 2006. This solid performance followed the attainment of brisk rates of growth in the preceding two years of 4,8% in 2004 and 5,1% in 2005.

On a quarterly basis, real economic growth expanded further in the fourth quarter of 2006, from an annualised growth rate of 4,5% in the third quarter to 5,6% in the fourth quarter. The acceleration in aggregate economic growth in the fourth quarter of 2006 resulted from improved growth in the real value added by all the main sectors of the economy.

Real value added in the primary sector declined by 4,4% in 2006 after an increase of 2,9% was recorded in 2005. This reversal was mainly due to a sizeable contraction in the value added by the agricultural sector in 2006. On a quarterly basis, the real value added by the primary sector increased at a rate of 1,1% in the fourth quarter of 2006, after having declined at an annualised rate of 4% in the third quarter. This was the net result of an increase in the real value added by the mining sector, which offset the decline registered in the agricultural sector in the fourth quarter.

The rate of decline in the real value added by the agriculture sector slowed down from an annualised rate of 14,9% in the third quarter of 2006, to 8,4% in the fourth quarter. Consequently, the real value added by the agricultural sector, which increased by 4,1% in 2005, declined by 13,1% in 2006 as a whole, mainly on account of lower field-crop production.



Source: *Development Indicators Mid-Term Review*

The real value added by the mining sector accelerated from an annualised rate of 0,3% in the third quarter of 2006 to 4,6% in the fourth quarter. This was mainly the result of a strong increase of real value added by platinum mining and to a lesser extent, by diamond mining. Platinum mining benefited from the strong demand for both jewellery and industrial use, while diamond production rose along with a recovery of demand in international markets. For 2006 as a whole, real production of mining declined by 0,7%.

The growth in the real value added by the secondary sector increased further at a rate of 8,4% in the fourth quarter of 2006 from an annualised rate of 5,6% in the third quarter. The strong acceleration could mainly be attributed to strong growth in manufacturing output.

Growth in the real value added of the manufacturing sector accelerated from an annualised rate of 4,7% in the third quarter of 2006 to 8,3% in the fourth quarter. The majority of manufacturing subsectors registered positive growth in the fourth quarter of 2006. In particular, the output of the subsector that manufactures petroleum, chemical products, rubber and plastic rebounded strongly, following contractions in the preceding quarter.

The sustained increase in real value added by the manufacturing sector throughout 2006 reflected the high levels of business confidence and sustained high levels of domestic demand, while manufacturing exports also expanded somewhat. As a result, manufacturing experienced an increase in the use of production capacity from an average of 85,5% in 2005 to 86% in 2006 and registered a record-high of 86,6% in the final quarter of 2006. For 2006 as a whole, the real value added by the manufacturing sector increased by 4,8%, just below the 5% recorded in 2005.

Following an increase of 0,8% in the third quarter of 2006, growth in the real value added by the sector supplying electricity, gas and water accelerated to an annualised rate of 1,5% in the fourth quarter. For the year as a whole, growth in the real value added by the sector supplying electricity, gas and water accelerated to 3,1% in 2006 compared with 2,6% in 2005.

The real value added by the construction sector remained brisk, recording an annualised rate of 14,3% in the third quarter and 14,2% in the fourth quarter of 2006. The firm performance reflected the continued buoyancy of residential and non-residential building activity. As a result of the sustained buoyant conditions of the construction sector, real value added by the sector increased by 13,3% in the year 2006 as a whole, following an increase of 11,9% in 2005.

The pace of growth in the real value added of the tertiary sector increased from an annualised rate of 4,8% in the third quarter to 5,3% in the fourth quarter. The higher growth was a reflection of marginally higher or unchanged growth rates posted by all the subsectors of the tertiary sector, with the exception of the trade sector.

Real gross domestic product
Percentage change at seasonally adjusted and annualised rates

			2006			2007
	1st qr	2nd qr	3rd qr	4th qr	Year	1st qr
Final consumption expenditure by households	8 1/4	8	7 1/2	7 3/4	7 1/4	7 1/2
Final consumption expenditure by general government	-3 1/4	15 3/4	-4 1/2	4 3/4	5 1/2	14
Gross fixed capital formation	14	12 3/4	14	16 1/2	12 3/4	21 3/4
Change in inventories (R billions)*	15,9	16,3	9,0	21,8	15,8	11,8
Gross domestic expenditure	15	9	1 1/2	12 1/4	8 3/4	5 3/4

** At constant 2000 prices*

Source: South African Reserve Bank, *Quarterly Bulletin, June 2007*

Consequently, the growth in real production of the tertiary sector rose from 5,3% in 2005 to 6% in 2006. Within the tertiary sector, the finance sector registered the highest rate of increase in real value added, consistent with the increase in the real value added by banks, securities dealers and the business-services sector throughout 2006.

Growth in the real value added by the trade sector slowed from an annualised rate of 6,2% in the third quarter of 2005 to 5,6% in the fourth quarter, reflecting slower output growth in the wholesale and retail sectors. By contrast, growth in real value added of the motor-trade subsector accelerated over the period. In 2006 as a whole, the real value added by the trade sector increased by 6,7%, which was marginally higher than the rate of 6,5% attained in 2005.

The real value added by the transport, storage and communications sector increased further at an annualised rate of 5,5% in the third quarter of 2006 and 5,4% in the fourth quarter. In the communications subsector, the mainstay of activity remained cellular-phone communications, where increased competition and number portability probably supported real output. The strong quarter-to-quarter growth in the transport, storage and communications sector throughout the year culminated in an annual growth rate of 5,4% in 2006 as a whole, compared with the 5,5% increase recorded in 2005.

With quarter-to-quarter growth rates ranging between 5% and 14% in 2006, annual growth in the real value added by the finance, insurance, real-estate and business-services sector amounted to an annualised rate of 8,3% for the year 2006, a rate previously attained in 2004. The solid performance in the real value added in 2006 was underpinned by the lively activities of banks, securities dealers and the business-services sector.

Real value added by general government accelerated at an annualised rate of 3,2% for the year 2006 compared with 3,5% in 2005. The increase in the real output of general government mainly reflected an expansion of the staff complement of general government as it strived to meet its service-delivery obligations.

Real gross national income increased by 5,3% in 2005 and 6,3% in 2006. These increases could mainly be attributed to rising real output, but were augmented by an improvement in South Africa's terms of trade from 2005 to 2006, which more than offset an increase in net primary income payments to the rest of the world over the period.

Domestic expenditure

Growth in aggregate real gross domestic expenditure accelerated from an annualised rate of 1,4% in the third quarter of 2006 to 12,3% in the fourth quarter. All the expenditure components contributed to the acceleration, but it was especially due to a turnaround in real final consumption expenditure by general government and strong inventory accumulation, partly reflecting a surge in oil imports during the fourth quarter.

For the calendar year 2006, aggregate real gross domestic expenditure increased by 8,7% compared with an increase of 5,9% in 2005. Growth in real final consumption expenditure by households accelerated from 7,6% in the third quarter of 2006 to an annualised rate of 7,8% in the fourth quarter. The buoyancy in consumer spending was broadly based and proceeded at a roughly similar pace in all the spending categories. The annual growth in real final consumption expenditure by households amounted to 7,3% in 2006, compared with a growth rate of 6,6% recorded in 2005.

Growth in real household expenditure on durable goods accelerated from an annualised rate of 7% in the third quarter of 2006 to 8,4% in the fourth quarter, buoyed by spending on recreational and entertainment goods. Real outlays on furniture, household appliances and medical equipment, however, slowed in the fourth quarter.

Growth in real final consumption expenditure on semi-durable goods levelled off in the fourth quarter of 2005, decelerating from a brisk growth rate of 24% in the third quarter of 2005 to 7,9% in the fourth quarter. Slower growth was evident in all the spending categories of semi-durable goods.

Real household expenditure on non-durable goods and services picked up its growth rates, accelerating from 3,3% in the third quarter of 2006 to 6,4% in the fourth quarter. Slower growth in the subsector food, beverage and tobacco, and household consumer goods was offset by stronger

The 2010 FIFA World Cup™ is expected to contribute at least R51,1 billion to gross domestic product between 2006 and 2010. This is against the original estimate of R21,3 billion. Of this revised amount, R15,6 billion will come from foreign tourists. The revised estimates are from the World Cup's economic impact assessment study.

During the bidding phase, it was estimated that 2,7 million tickets would be sold, and total ticket revenue was expected to be R4,6 billion. According to the latest estimate, 3,2 million tickets will be sold.

spending on household fuel and power, medical and pharmaceutical products, and petroleum products.

Real disposable income of households increased in the fourth quarter of 2006, albeit at a slower rate than in the third quarter. The moderation in growth could partly be ascribed to lower farm income recorded over this period. The level of indebtedness of households also increased at a slower pace in the fourth quarter of 2006 due to a slowdown in mortgage advances during this period.

However, household debt as a percentage of household disposable income rose from 73% in the third quarter of 2006 to a new high of 73,8% in the fourth quarter. On an annual basis, the ratio increased from 63,5% in 2005 to 71,8% in 2006.

After an annualised decline of 4,3% in the third quarter of 2006, real final consumption expenditure by general government gained momentum in the fourth quarter of 2006, recording an annualised increase of 4,7%.

This was the result of an increase in real expenditure on goods and non-wage services. Consequently, real final consumption expenditure by general government as a ratio of gross domestic product (GDP) edged higher from 19,1% in the third quarter of 2006 to 19,3% in the fourth quarter.

Growth in real gross fixed capital formation rose at brisk annualised rates of 14,2% in the third quarter of 2006 and 16,6% in the fourth quarter. The acceleration reflected a solid expansion of real capital outlays across all institutional sectors – private business enterprises, public corporations and general government.

The year-on-year level of total real gross fixed capital formation rose by 12,8% in 2006, against the 9,6% increase attained in 2005. This lifted the ratio of gross fixed capital formation to GDP from 18,6% in the third quarter of 2006 to 19,2% in the fourth quarter.

Growth in real capital outlays by the private sector picked up from 13,1% in the third quarter of 2006 to 13,6% in the fourth quarter. The mining, manufacturing, construction and commerce sectors stepped up real gross fixed capital formation.

Projects to expand mining production continued, notably in the mining of iron ore. Real fixed investment by manufacturing rose as manufacturers continued to expand capacity in response to domestic and global demand. The construction sector benefited from strong demand for offices, industrial buildings and retail shopping facilities.

Real gross fixed capital formation by public corporations picked up momentum from an annualised growth of 24,6% in the third quarter of 2006 to 40,8% in the fourth quarter. Public corporations stepped up spending on electricity and transport infrastructure.

Gross fixed capital formation by general government increased in the fourth quarter of 2006 at an annualised rate of 13%, compared with an increase of 11,5% recorded in the third quarter. All tiers of government increased capital investment in the fourth quarter of 2006, gearing up to address infrastructure backlogs.

Estimates indicate that annualised real inventory accumulation increased sharply from R9 billion in the third quarter of 2006 to R21,8 billion in the fourth quarter.

Most inventory investment occurred in the manufacturing sector, where imports of oil rose substantially to replenish low levels which had arisen due to maintenance work on refineries during the third quarter of 2006.

Accordingly, real inventories contributed 4,3 percentage points to growth in real gross domestic expenditure in the fourth quarter of 2006, which compared favourably with the 2,4 percentage points that the change in inventories subtracted from growth in the third quarter of 2006.

Price inflation

During recent years, remarkable progress has been made in lowering South Africa's inflation rate to levels more consistent with those of its main trading partners. This has been done through the consistent application of prudent fiscal and monetary policies, which have contributed to a progressive deceleration in inflation expectations.

Overall consumer price inflation decelerated markedly from a high of 9,2% in 2002; to 5,8% in 2003; and 1,4% in 2004; before it increased to 3,4% in 2005; and 4,7% in 2006.

Also, the year-on-year rate of increase in the consumer price index (CPI) for metropolitan and other urban areas, less mortgage interest cost (CPIX), decelerated within the inflation target range of 3% to 6% in the 43 consecutive months to March 2007.

Year-on-year CPIX inflation rose from 3,7% in April 2006 to 5,3% in January 2007 and 5,5% in March 2007. Contributing components to the latest figure included annual increases in the price indices for transport, food, medical care and health expenses, and housing, excluding the interest rate on mortgage bonds.

The annual rate of increase in CPIX food prices stood at 8,6% in January 2007 compared with 4,4% in January 2006.

Year-on-year headline inflation or the CPI stood at 6,1% in March 2007. Statistics South Africa ascribed the higher rate partly to a rise in the year-on-year CPI for food from 4,4% in January 2006 to 8,3% in January 2007.

CPIX inflation remained comfortably within the inflation target range. Only two categories showed year-on-year rates of price increases in excess of the upper limit of the inflation target range by March 2007. However, some factors were still of concern, necessitating continued vigilance in the application of anti-inflationary policy. These included:

- high and volatile international crude oil prices
- high grain prices due to adverse weather conditions and hence food prices
- uncertainty concerning exchange-rate developments
- some salary and wage settlements being significantly in excess of the inflation target range
- possible second-round effects of the abovementioned factors
- fairly high rates of money supply and private credit-extension growth alongside continued buoyancy in domestic demand conditions
- increases in certain administered prices in excess of the inflation target range.

Exchange rates

On balance, the nominal effective exchange rate of the Rand declined by 4,4% during the first quarter of 2007, compared with a 7,7% increase in the fourth quarter of 2006.

The domestic market for foreign exchange experienced some volatility in the first quarter of 2007, following a reassessment of risk towards emerging-market economies, movements in commodity prices, periodic nervousness regarding the size of the current-account deficit, a sharp correction in the Chinese stock exchange and a report of a proposed windfall tax on the entire South African resources industry.

The exchange value of the Rand recovered somewhat during April 2007, partly as a result of further United States (US) dollar weakness following weaker-than-expected US GDP data for the first quarter of 2007, and expectations of a further domestic interest-rate increase in response to higher-than-expected South African inflation data.

Positive sentiment resulting from the shareholder approval of the proposed foreign acquisition of a large South African retail group and stronger commodity prices also supported the exchange rate of the Rand.

The average daily turnover in the domestic market for foreign exchange increased from US$14,6 billion in the fourth quarter of 2006 to US$15,3 billion in the first quarter of 2007, mainly as a result of non-resident investors' participation in the South African securities markets. The value of transactions in which non-residents participated accordingly increased from US$10,6 billion per day to US$11,9 billion over the period.

The real effective exchange rate of the Rand declined by 14,4% in the 12 months to March 2007, leading to a substantial increase in the competitiveness of South African exporters in international markets.

Foreign trade and payments

A substantial decline in crude oil imports more than compensated for a decrease in mining exports in the first quarter of 2007. South Africa's trade deficit subsequently narrowed from R65,6 billion in the fourth quarter of 2006 to R50,9 billion in the first quarter of 2007.

While the improvement in the trade deficit was partly countered by a further widening of the deficit on the country's services and income account with the rest of the world, the current-account deficit nevertheless shrank from R143 billion in the fourth quarter of 2006 to R131 billion in the first quarter of 2007. As a ratio of GDP, the deficit shrank from 7,8% to 7% over the period.

The value of merchandise exports lost some vigour in the first quarter of 2007 and contracted by 1% to R466,8 billion. The decline in export values could mainly be attributed to a reduction of 3% in the physical quantity of merchandise exports.

Mining and mineral exports in particular were negatively affected, as the South African mining industry faced various challenges in the opening months of 2007. These ranged from a loss of production due to scheduled maintenance on aluminium smelters and strikes at certain platinum mines, to logistical problems related to the transportation of coal to South African harbours.

These setbacks were, however, partly offset by an increase in the volume of manufactured exports, in turn probably encouraged by the sustained growth in the world economy and the more competitive level of the exchange rate of the Rand from around mid-2006. The volume of exported agricultural products, especially vegetable products, also increased somewhat in the first quarter of 2007.

The impact of the decline in the volume of exported goods was partly offset by an increase of about 2% in the Rand prices of such goods, as the Dollar price of international commodities rebounded in the first quarter of 2007. In US dollar terms, international commodity prices rose by 6,5% from the fourth quarter of 2006 to the first quarter of 2007.

Having remained broadly unchanged in the third and fourth quarters of 2006, the physical quantity of net gold exports shrank by 9,5% in the first quarter of 2007.

This decline in production was partly offset by a 4,5% increase in the average realised price of gold. The value of net gold exports accordingly fell by 5,5% over the period. On the London market, the fixing price of gold rose by 6% to a new all-time-high quarterly average of US$650 per fine ounce in the first quarter of 2007 before rising further to US$673 per fine ounce in April and May.

From an exceptionally high base in the fourth quarter of 2006, a decline in the volume of imported goods together with a marginal drop in import prices caused the value of merchandise imports to decrease by 4% to R555 billion in the first quarter of 2007.

The lower value of merchandise imports in the first quarter of 2007 reflected a decline in crude oil imports, which was partly countered by a further moderate increase in the value of machinery and electrical equipment, vehicles and transport equipment.

The volume of merchandise imports, which had grown unabatedly throughout 2006, receded by 3% in the first quarter of 2007. This decline could be attributed to a decrease in the quantity of imported crude oil, which more than offset an increase of 1% in the volume of non-oil merchandise imports. Non-oil imports included the acquisition of a second submarine by government during the period.

Notwithstanding the decline in overall merchandise import volumes, the country's import penetration ratio remained on a relatively high level of 27,9% over the period. The marginal strengthening of the Rand, together with the lower international price of crude oil, caused the Rand prices of imported goods to decline by almost 1% in the first quarter of 2007.

The negative imbalance on the net service, income and current transfer account widened steadily from R77,4 billion in the fourth quarter of 2006 to R80,1 billion in the first quarter of 2007. As a ratio of GDP, the deficit on the services account amounted to 4,3%. The larger shortfall stemmed mainly from increased net income payments to non-resident investors in the first quarter of 2007. Interest payments, in particular, rose by 13,5% following a strong increase in loans and trade credit extended by foreign creditors to the domestic private sector and public corporations.

Interest payments were further affected by the acquisition of debt securities by non-resident investors during 2006. These payments were partially neutralised by lower net payments for freight and insurance services owing to the reduction in merchandise imports.

Higher commodity export prices alongside receding import prices gave rise to a moderate improvement in South Africa's terms of trade in the first quarter of 2007.

Department of Trade and Industry

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

The department also aims to catalyse economic transformation and development, and to provide a predictable, competitive, equitable and socially responsible environment for investment, enterprise and trade for economic citizens. In this way, the department contributes to achieving government's vision of an adaptive and restructured economy, characterised by accelerated economic growth, employment creation and greater equity by 2014.

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

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

These strategic objectives will be achieved through the collective effort of the department's divisions and agencies that generate public value for economic citizens, and deliver products and services for clients and stakeholders.

These products and services include policy, legislation and regulation, finance and incentives, information and advice, and partnerships. The department also achieves these objectives by pursuing a more targeted investment strategy, improved competitiveness of the economy, broadening the economic participation of historically disadvantaged individuals (HDIs) in the mainstream economy, and ensuring policy coherence.

As a key component of AsgiSA, the department has developed a national industrial policy framework that has been approved by Cabinet. The objectives of the framework are to promote diversification, facilitate progression up the value chain and foster growth in labour-intensive sectors of the economy. The policy aims to promote the growth of a strong local industrial and service economy. Implementing the policy will entail a range of incentives and interventions focused on job creation, investment and growth.

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

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

An industrial upgrading programme was expected to be developed to address the issue of outdated equipment, including in sectors such as clothing and textiles. A review of selected import duties was expected to be undertaken as a means to drive down input costs and enhance the competitiveness of downstream industries that are more labour-intensive.

The Department of Trade and Industry introduced the national Industrial Policy Framework in August 2007.

Broadening economic participation

Several of the department's programmes aim at bridging the economic divide and broadening economic participation by HDIs.

These programmes include:

- the Apex Fund that provides microfinance to micro-enterprises
- the Small Enterprise Development Agency (Seda), which provides small enterprises around South Africa with a one-stop non-financial support service
- implementing new policy and legislation to promote the development of co-operative enterprises
- implementing the BBBEE Strategy, focusing on the codes of good practice, the sector charters and the establishment of the BEE Advisory Council
- introducing a specific strategy to empower women.

In line with promoting inclusivity and fulfilling its mandate as a promoter of long-term savings and investment opportunities to black people, the National Empowerment Fund (NEF) launched the NEF Asonge Share Scheme in 2007.

The share scheme allowed black individuals and black savings and investment groups such as stokvels, burial services, trusts, co-operatives, church groups and others, to invest in MTN shares at a 20% discount.

The shares retailed at a minimum subscription of R2 000, with a maximum of R50 000 for individuals and R100 000 for stokvels and other savings groups. The offering was available from 23 July to 16 August 2007.

Targeted investment strategy

The Investment Promotion and Facilitation business unit within Trade and Investment South Africa (Tisa) is mandated to develop and implement a targeted investment promotion and facilitation strategy. The strategy covers a range of issues that are important to fulfilling the Department of Trade and Industry's mandate of increasing the value of inward foreign direct investment (FDI), and is designed to target and focus interventions in this arena. The strategy is also explicitly aligned with the National Industrial Policy Framework.

It focuses on identifying and promoting specific investment opportunities in particular sectors, regions and products, rather than taking the generic approach of marketing South Africa as an attractive investment destination.

This will require a more co-ordinated approach to investment promotion by national, provincial and local government. Achieving this will be a priority in the first year of the Medium Term Expenditure Framework (MTEF) period. The draft investment strategy was developed and presented to the department's executive board in February 2007.

The unit is dedicated to promoting investment opportunities, marketing investment projects, providing guidance with plant/site locations, especially in the industrial development zones (IDZs) and inputting into policy formulation by providing investment information. In 2006/07, the unit undertook 12 investment seminars, six investment pavilions, 21 sector-specific presentations, 46 sector-specific briefs and 29 inward/outward customised targeted investment presentations.

The facilitation of investments involves arranging investment missions, including travel itineraries; improving the platform for the introduction of investors to key stakeholders in private and public sectors; introducing investors to potential joint-venture partners and black economic partnerships; providing advice and guidance on the prevailing regulatory environment; offering assistance with work-permit applications; providing logistical support for relocation; and a dedicated aftercare service. In 2006/07, six ministerial or presidential missions, two international investment councils and three international investment conferences were facilitated.

South Africa's global positioning and integration

International Trade and Economic Development (ITED)

The ITED division of the Department of Trade and Industry aims to provide trade-policy leadership to contribute to South Africa's economic development. The ITED programme aims to strengthen trade and investment links with key economies, promote a strong and equitable multilateral trading system, and foster African economic integration and development in line with Nepad.

Policy and programme developments in international trade development include:

- implementing the new Southern African Customs Union (Sacu) – European Free Trade Area (EFTA) free trade agreement (FTA)
- concluding trade negotiations with Mercosur, a trading bloc consisting of Argentina, Brazil, Paraguay and Uruguay
- initiating preferential trade negotiations with India
- administrating various binational commissions (BNCs) with other governments
- consolidating the Sacu arrangement under the new agreement, which entered into force in 2004
- advancing trade and economic development integration in the Southern African Development Community (SADC)
- ongoing participation in the Doha Round of trade multilateral negotiations in the World Trade Organisation (WTO)
- ongoing analysis of trade threats and opportunities
- offering policy oversight of the International Trade Administration.

African economic development

ITED has a strong developmental focus in its engagement with Africa. Partnerships with key countries on the continent are of strategic importance. South Africa's economy is inextricably connected to the southern African region, and the region's economic prospects are linked to the economic recovery of the continent. Nepad is the internationally agreed framework for the socio-economic development of the continent.

Africa is an important market for South African exports. In 2006, about 23% of South Africa's exports were destined for the continent.

There has also been a large increase in imports from the continent. In 2003, only 4% of total imports came from Africa. However, this increased to 40% in 2004. The share of South Africa's trade for the year 2006 shows that exports to Africa totalled 14% of total exports and imports were 6% of total imports.

This trade imbalance has largely been offset by South Africa's investment on the continent, including those investments aimed at infrastructural projects designed to facilitate the productive capacities of African economies.

Through forging strong bilateral trade and economic relations, ITED is committed to increasing South Africa's involvement in large capital projects on the continent.

The following areas have been prioritised:
- infrastructure and logistics (roads, ports, etc.)
- energy
- ICT
- water and waste management
- transport
- construction
- oil and gas infrastructure
- agribusiness
- mining
- human-resource development (HRD).

During meetings of the World Economic Forum (WEF) for southern Africa, the formation of a business forum for southern Africa was announced to take advantage of investment opportunities in the region.

New Partnership for Africa's Development

The Department of Trade and Industry is among the key departments identified in South Africa to facilitate and implement the aims and objectives of Nepad. The department therefore acts as a catalyst for trade and economic development on the continent to alleviate poverty and further promote the development of the continent. Nepad recognises the need for infrastructure, industrial and skills development, and its impact on the continent's ability to become fully integrated into the global economy.

The department contributes to the Nepad agenda by mobilising the necessary support from relevant stakeholders internally and externally, and providing leadership and strategic guidance on trade and economic issues. The South African Government assists African countries in export diversification by promoting investment in infrastructure and industrial projects.

The Department of Trade and Industry, through its engagement with continental structures such as the African Union Commission and the Nepad Secretariat, strongly advocates for finding African solutions to African problems and identifying partners to contribute to the continental development agenda.

One such programme is the African Peer Review Mechanism (APRM), which is a voluntary self-assessment tool that aims to encourage countries to adopt policies to promote good governance, democracy, and high economic growth. It also encourages countries to share experiences in terms of best practice.

The department also supports the AUC and the Nepad Secretariat in the area of regional economic integration, which is a vehicle to ensure economies of scale, effective allocation of resources and larger markets in the region and on the continent. The framework for regional economic integration is contained in the Abuja Treaty.

The Abuja Treaty calls for the establishment of an African Economic Community to take place over a period of 34 years. Member states of the AU should work towards eliminating overlapping memberships of regional economic communities; harmonising business laws, and industrial and tax policies; and establishing common standards and customs procedures.

Other important vehicles through which the continental developmental agenda is advanced are through south-south co-operation initiatives such as the China-Africa Forum and the New Asian African Strategic Partnership.

The acceleration of south-south trade and investment is one of the most significant features of recent developments in the global economy. South-south co-operation is premised on the concept that developing countries can capitalise on each other's strengths because of the alignment in their development goals.

This, however, does not preclude north-south co-operation, where developed and developing countries work in partnership to address Africa's developmental needs.

These include discussions and initiatives from the G8 and the European Union (EU)-Africa partnership.

Southern African Development Community

The SADC comprises Angola, Botswana, the Democratic Republic of Congo (DRC), Lesotho, Malawi, Madagascar, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

Since attaining democracy in 1994, South Africa has put regional integration by SADC member states at the top of its foreign economic agenda. South Africa has pursued a policy combining sectoral co-operation, policy co-ordination and trade integration to forge a dynamic regional economy capable of competing effectively in the global economy.

The SADC Protocol on Trade was signed in 1996 in Maseru, Lesotho, and came into force on 25 January 2000. Negotiations on operationalising the protocol have centred on tariff-reduction schedules, rules of origin, dispute-settlement mechanisms, a special trade agreement on sugar, eliminating non-tariff barriers and harmonising customs and trade documentation.

Agreement was generally achieved on all these issues. The protocol was implemented on 1 September 2000. The objective of the protocol is to achieve an FTA by 2008 when at least 85% of intra-SADC trade will be duty-free.

All SADC countries, with the exception of Angola, the DRC and Madagascar, are implementing the protocol.

Southern African Customs Union

The revised Sacu agreement came into force on 15 July 2004. New institutional features included:

- the Council of Ministers, which is the highest decision-making body on all matters pertaining to the Sacu agreement
- a Sacu tariff board to make recommendations on tariff and trade remedies to the council
- a small Sacu secretariat to render administrative and support services to Sacu structures
- a dispute-settlement mechanism similar to the one in place in the SADC.

Sacu members agreed to establish national bodies responsible for receiving tariff applications from each member state. Consensus was also reached on a new revenue-sharing formula. The agreement also provides for member states to develop common policies and strategies with respect to industrial development.

Members agreed to co-operate on agricultural issues to ensure the co-ordinated development of the agricultural sector and fair competition, and to address unfair trade practices.

Botswana, Lesotho, Namibia, Swaziland (the BLNS countries) and South Africa have organised themselves into Sacu, which shares a common tariff regime without any internal barriers. Customs revenues are shared according to an agreed formula.

To complement the SADC and the Sacu processes, South Africa pursues a bilateral strategy for engagement with countries in the southern African region. This strategy is underpinned by the objective of achieving economic growth and development in the region through outward investment, infrastructure development and trade liberalisation.

Two-way trade between South Africa and other SADC member states is characterised by a trade imbalance in South Africa's favour. South Africa's exports to SADC countries, excluding BLNS, were estimated at over R35,849 billion at the end of 2006, while imports from the region in the same period were valued at R10,440 billion, resulting in an overall trade ratio of 3:1. South Africa's main trading partners in the region in terms of both imports and exports are Zimbabwe and Mozambique.

Trade with Europe

Trade relations with Europe, particularly with the EU, are pivotal to South Africa's economic development. The Trade, Development and Co-operation Agreement (TDCA) with the EU forms a substantial element of South Africa's reconstruction and development.

Europe remains South Africa's largest trading region and source of investment. In 2006, Europe accounted for 38,8% (R139,574 billion) of South Africa's total exports, and 36,4% (R168,198 billion) of its total imports. During the same year, the EU accounted for the bulk of this trade, with exports to the EU reaching R126,373 billion (up from R106,465 billion in 2005), and imports reaching R161,053 billion in 2005 (up from R128,360 billion in 2005).

Six European countries, namely the United Kingdom (UK), Germany, Netherlands, Spain, Belgium and Italy are among South Africa's top-10 export destinations. Germany, the UK, Italy and France are among the top-10 countries from which South Africa's imports originate.

Since 2001, Germany has been South Africa's largest source of imports. In 2006, South Africa's imports from Germany totalled R57, 844 billion. The UK remains South Africa's largest export destination in Europe with South Africa's exports to that country amounting to R41,316 billion in 2006.

European Union

The TDCA, which was provisionally implemented on 1 January 2000 and came fully into force on 1 May 2004, provides for the establishment of an FTA between South Africa and the EU. The TDCA commits South Africa to 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.

This agreement is expected to contribute towards the restructuring of the South African economy and its long-term economic growth. It covers trade and trade-related issues, development and economic co-operation, and political dialogue.

It also provides a legal framework for ongoing EU financial assistance on grants and loans for development co-operation, amounting to R900 million per year. Statistics compiled by the South African Revenue Service (Sars) show that the tariff preferences in the agreement are being used increasingly.

The wines and spirits agreements were signed in January 2002 and are under provisional implementation. They are part of the framework of agreements under the TDCA, and established the basis for trade in wines and spirits between South Africa and the EU. Negotiations on areas related to geographical indications, intellectual property and trademark protection are ongoing.

In August 2005, South Africa and the EU signed the Enlargement Protocol, which provides for South Africa to extend the TDCA preferences to the 10 new member states and vice versa. By August 2006, the TDCA was under review and both parties had exchanged their respective levels of ambitions regarding the review of the TDCA.

The TDCA-review clauses provide for the two parties to assess whether they would like to improve the TDCA in areas in which they already have commitments, and whether to extend it to areas that the TDCA covers partially or not at all.

South Africa seeks to use the TDCA review processes to correct the anomalies in South Africa's and the SADC's trade policy towards the EU, and to ensure that the ongoing economic partnership agreements between the SADC and the EU are aligned with a revised TDCA. South Africa also negotiated that the EU's Generalised System of Preferences (GSP) be transposed to the TDCA, as products with GSP-status enjoy preference over those under the TDCA.

European Free Trade Area

In August 2005, Sacu concluded an FTA with EFTA states, including Liechtenstein, Switzerland, Norway and Iceland. The Sacu's offer to the EFTA was the same as that to the EU in terms of the South Africa-EU TDCA on both agriculture and industrial products with some marginal adjustments (taking into account BLNS countries' sensitivities).

The EFTA offered Sacu full duty- and quota-free access for industrial products with rules of origin equivalent to or better than those contained in the TDCA. The EFTA's industrial markets in most products are open to Sacu through low tariffs (Most Favoured Nation [MFN] and GSP), but the agreement provides preferential access that is "locked in" for items such as textiles and clothing. The EFTA has provided limited access to basic agricultural products.

The Americas

North America

The United States of America (USA) is one of South Africa's leading trading partners. The country ranks second after Japan as a destination of South African exports and is third – below Germany and China – as a source of imports.

Exports to the USA increased in nominal terms from R30 billion in 2004 to R41 billion in 2006, while imports recorded an increase from R26 billion to R35 billion for the same period. Since 2000, the trade balance has been in South Africa's favour with the trade surplus increasing in nominal terms from R3,5 billion to R6 billion between 2000 and 2006.

South Africa is a beneficiary of the USA's GSP, which grants duty-free treatment to over 4 650 products. At the same time, South Africa is one of 38 beneficiaries of the Africa Growth and Opportunity Act (AGOA), which was promulgated in May 2000. In terms of the AGOA, 1 783 more products were added to the existing GSP products for duty-free treatment.

Although the AGOA was initially due to lapse in 2008, the US Government consented to requests by African countries, and extended the measure to 2015 under what is called the AGOA III amendments. Along with other member states of Sacu, South Africa has begun negotiations with the USA to enter into a trade investment development co-operation agreement, intended to provide a framework for deepening Sacu's trade and investment relations with that country.

Another significant trading partner in the Americas is Canada. Since the lifting of sanctions in 1994, bilateral trade between South Africa and Canada increased from R904 million in 1993 to R6,6 billion in 2006. South Africa is a beneficiary of Canada's General Preferential Tariff (GPT). GPT rates range from duty-free to reductions in the MFN rates.

Furthermore, South Africa and Canada have a memorandum of understanding (MoU) relating to the export of clothing and textile products to that country. The MoU allows a certain amount of clothing and textile products from South Africa to enter the Canadian market at a better-than-MFN tariff rate.

Additionally, over the past three years, an annual consultation forum was established to discuss matters of mutual interest in South Africa's relations with Canada. It has also become an important basis for strengthening trade relations.

Latin America

South Africa's major trading partners in Latin America are Brazil, Argentina, Chile, Mexico, Colombia and Peru. Most trade is with Brazil and Argentina, which are members of the Mercusor trade bloc. A framework agreement committing South Africa and Mercusor to an FTA was signed in 2000.

However, as a first step towards achieving this goal, the parties – with South Africa participating as part of Sacu – signed the Preferential Trade Agreement (PTA) in December 2004. However, it was decided that the ratification process be undertaken only once negotiations on certain outstanding issues had been finalised. By mid-2007, negotiations on these issues were near conclusion and it was expected that a ratification process could begin before the end of 2007.

Trade between South Africa and Mercusor grew substantially from R2,7 billion in 1994 to R20,7 billion in 2006. South Africa recorded a trade deficit of about R12,8 billion against the bloc for 2006. Within Mercosur, Brazil is by far the leading trading partner, accounting for 56% of South Africa's trade with the group in 2006.

The second-most important trading partner is Argentina. Total trade between South Africa and Mexico increased from R1,4 billion in 2000 to R3,4 billion in 2006. The trade balance was in South Africa's favour for a number of years, but became negative for the first time in 2005. It continued to favour Mexico in 2006. Bilateral trade between South Africa and the Andean Community (Peru, Ecuador, Bolivia, Colombia and Venezuela) has been growing relatively slowly since 1994. The Andean Community, specifically Colombia and Peru, offers great potential for South African companies participating in the mining industry.

Asia

South-east Asia and Australasia

Bilateral trade with south-east Asia, particularly the Association of South-east Asian Nations (Asean) members, increased rapidly from a low base in 1990. Asean presents South Africa with a potential market in excess of 520 million people.

South Africa's total trade with Asean totalled R34,8 billion in 2006, and is set for continued growth. Within the region, key partners for South Africa include Singapore, Thailand, Indonesia, Malaysia, Vietnam and the Philippines.

In an effort to further expand engagement with the region, the Department of Trade and Industry is undertaking a number of joint trade committees with key Asean partners to expand trade and investment relations with the region.

Australia has always featured as a well known partner for South Africa in the region, but the Joint Ministerial Commission, held in 2006, set the tone for a renewed focus on the relationship. Total trade between Australia and South Africa reached R18,6 billion in 2006.

North-east Asia

The People's Republic of China (PRC) is a key partner for South Africa in north-east Asia. The

PRC's influence in the global economy has changed significantly in the last few decades as its share of international trade has increased, with China becoming a pillar of global economic growth.

Economic and trade relations between South Africa and the PRC have grown rapidly since the formal establishment of diplomatic relations in 1998, with total trade growing from R5,3 billion in 1998 to R60,7 billion in 2006.

The two countries engage regularly on economic issues through mechanisms such as the Joint Economic and Trade Committee. Research and discussions among key stakeholders domestically and within Sacu are continuing towards assessing the possibility of preferential negotiations with China.

In 2006, South Africa and China concluded an MoU on Promoting Bilateral Trade and Economic Co-operation. The MoU included an annex limiting clothing and textile imports in 31 product categories until December 2008, in an effort to allow a window of opportunity for industry to restructure.

Co-operation on the further implementation of the broader MoU continued in 2007. Beyond bilateral and regional initiatives, South Africa and the PRC also co-operate in multilateral forums, including in the WTO, in the G20 and Non-Agricultural Market Access 11 groupings (Nama-11), based on shared developmental perspectives.

Japan is South Africa's largest trading partner in Asia and is among South Africa's top overall trading partners. Total trade reached R71,6 billion in 2006. The South Africa-Japan Partnership Forum is designed to strengthen bilateral ties between the two countries. The forum meets regularly and explores new initiatives aimed at expanding relations.

South Asia

India is a key partner for South Africa in South Asia, and total trade has been increasing rapidly since 1994. Two-way trade between the two countries reached R16,5 billion in 2006.

South Africa and India enjoy strong historical ties, which have translated into a firm political commitment. In light of these shared historical links, closer economic ties are being fostered using initiatives such as the Joint Ministerial Commission and through business engagements.

Developments in building economic relations with India are also expanding to include partners in Sacu, as reflected in Sacu ministers' undertaking to pursue PTA negotiations with India.

South Africa and India work closely in the India-Brazil-South Africa (IBSA) Forum. IBSA is not solely an economic initiative, but rather an undertaking by countries with shared interests in a multilateral system to address equitably political, social and economic matters.

This trilateral economic co-operation is informed by the reality that trade between the three countries is still relatively low, while further analysis reveals that there is considerable scope to increase trade volumes and expand the range of traded products between the three markets. In essence a more fundamental aim than the development of a giant trading bloc, the trade and investment undertakings under IBSA seek to cultivate and unleash the host of missed opportunities that exist.

South Africa also co-operates with India in the multilateral arena in areas of common interest in the WTO, most notably the G20 and Nama-11, as well as in other forums.

In 2006, South Africa's economic engagement with the South Asian region started to expand as the Department of Trade and Industry participated in preparations for the South Africa-Pakistan Joint Commission that was held early in 2007.

The joint commission serves as the platform from which trade and investment initiatives with Pakistan can be launched.

It is envisaged that this new level of engagement with Pakistan will be part of a systematic expansion of economic relations with other markets in South Asia.

Multilateral economic relations

The WTO, in partnership with the Bretton-Woods Institutions, the World Bank and the International Monetary Fund, has been setting the parameters for and directing the economic-development policies of governments around the world.

This has had serious implications for the content, evolution and trajectory of economic-development strategies being pursued by developing countries, including South Africa.

It is imperative for South Africa to influence and shape the configurations of the emerging system of global governance to address the needs and concerns of the developing world.

This is best done by participating actively and effectively in all multilateral forums, to ensure that South Africa's particular economic interests and developmental goals and objectives, as well as those of the African continent, are taken into account.

United Nations Conference on Trade and Development (Unctad)

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

- Maximise the trade, investment and development opportunities of developing countries.
- Help developing countries face challenges arising from globalisation and integration into the world economy equitably. This is pursued through research and policy analyses, intergovernmental deliberations, technical co-operation and interaction with civil society and the business sector.

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

Unctad holds a conference every four years to set its priorities and guidelines, and to provide an opportunity to debate key economic and development issues.

Member states gathered in São Paulo, Brazil, in June 2004 for Unctad's 11th Ministerial Conference, which closed with the adoption of the Spirit of São Paulo Declaration and the São Paulo Consensus. These provide more detail on the role of Unctad in a globalising world.

The Spirit of São Paulo Declaration recognises that most developing countries, especially African and other least-developed countries, have remained on the margins of the globalisation process, and that there is a need to focus on the ability of international trade to contribute to poverty alleviation.

The São Paulo Consensus focuses on:

- development strategies in a globalising world
- building productive capacities and international competitiveness
- assuring development gains from the international trading system and trade negotiations
- fostering partnerships for development.

World Trade Organisation

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

The country 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 shaping global governance to ensure beneficial and full integration of its economy, as well as those of other developing nations, into the global trading system.

South Africa's efforts to build an alliance of developing countries within the WTO, based on a common approach and consensus on key issues, bore fruit late in 2001, when an agreement was reached to launch a new round of trade negotiations, this time with a developmental agenda.

The WTO Doha Development Agenda continued to set the work programme of the WTO in 2003/04. However, the work slowed down considerably after the fifth WTO Ministerial Conference held in Cancun, Mexico, in September 2003, when WTO members failed to reach agreement on key developmental issues due to irreconcilable positions between developed and developing countries.

A positive outcome of the Cancun meeting was the formation of a grouping of developing countries known as the G20, which succeeded in pushing for significant reforms in agricultural trade which the developed world strongly opposed. The failure to reach agreement in Cancun showed that developing countries are now participating more effectively in the WTO to ensure they also benefit from the rule-based trading system and globalisation. The G20 has become an important player in the Doha Development Agenda to ensure that the needs and concerns of the developing world are addressed.

After the failure of Cancun to agree on a work programme for continued Doha Development Agenda negotiations, the G20 highlighted agricultural reform as an important development tool. The group was also trying to narrow the differences between developed and developing countries to put the Doha negotiations back on track.

In July 2004, the WTO General Council adopted a work programme to accelerate progress in the negotiations. This programme, known as the July

Package, focuses on a specific set of issues, namely agriculture, non-agricultural market access, services, trade facilitation and rules.

The G20 comprises Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela and Zimbabwe.

South Africa continues to favour the speedy conclusion of a developmental outcome to the Doha Round, to advance the interests of developing countries.

World Economic Forum

The WEF is a global investment forum and is held in different parts of the world. The WEF engages global leaders in business, and leaders of various countries in partnerships to shape global, regional and industry agendas. The forum discusses pertinent and relevant international issues, which include promoting Africa's growth, the impact of China and India's growth on other emerging economies, and climate change and its impact.

South Africa is well represented at the forum, and actively participates in discussions to address economic development and globalisation. South Africa hosted the WEF on Africa in Cape Town in June 2006. The forum focused on ways of boosting growth on the African continent. The theme for the forum was *Going for Growth*.

The forum highlighted improvements on the continent, as many African countries are experiencing positive growth.The major outcome of the WEF was the establishment of the Investment Climate Facility, which is an innovative public-private partnership aimed at making Africa a better place in which to do business.

The initiative focuses on property rights and contract enforcement; reducing red tape; taxation and customs reform; developing financial markets; infrastructure facilitation; labour-market restructuring; promoting competition; and eliminating corruption and crime.

In January 2007, President Thabo Mbeki, accompanied by the Minister of Finance, Mr Trevor Manuel, and the Minister of Trade and Industry, Mr Mandisi Mpahlwa, attended the annual WEF in Davos, Switzerland.They participated in the forum within the context of South Africa's priority to promote north-south co-operation in support of the African agenda. President Mbeki adressed the opening session of the WEF: Africa Summit in Cape Town on 13 June 2007. The theme was *Raising the Bar*.

Trade and Investment South Africa

A central task of the Department of Trade and Industry is to promote value-added exports and attract investment. The vision is one of a restructured and adaptive South African economy, characterised by growth, employment and equity (regional, spatial, gender and racial).

Tisa is a division of the Department of Trade and Industry and has a national mandate to develop the South African economy, focusing on facilitating and promoting investment and exports.

Tisa's mission is to provide strategic vision and direction so as to increase the level of direct investment flow, and to develop South Africa's capacity to export into various targeted markets.

Customised Sector Programme (CSP)

Early in 2002/03, Tisa was assigned responsibility for priority-sector development, which is a crucial part of government's Micro-Economic Reform Strategy and the Integrated Manufacturing Strategy (IMS). Both strategies centre on the accelerated development of priority sectors selected by government for their potential contribution to South Africa's economy, in terms of growth, equity and employment creation.

Tisa's aim is to develop strategies for all priority sectors and to enhance their growth and competitiveness. The CSP methodology provides a strong and intellectually vigorous platform for optimal sector development.

A key characteristic of the methodology is that it supports a high level of stakeholder interaction. It also includes interventions to promote and develop investment and exports, and to provide input related to policy development.

Export development and promotion

Tisa is responsible for developing and promoting South African goods and services. It contributes directly towards the objectives of the Department of Trade and Industry by:

- identifying, researching and promoting market-access opportunities for South African exporters
- facilitating exports by matching potential exporters with foreign buyers
- developing and helping South African exporters to promote their products by providing non-financial support.

Promoting and facilitating investment

Tisa is responsible for attracting FDI, and developing and promoting investment by domestic and foreign investors. It offers:

- information on investing and the business environment in South Africa
- detailed sector information
- direct government support in the form of investment incentives
- investment facilitation and aftercare.

International Investment Council (IIC)

The council meets twice a year to advise the President on investment promotion and other economic issues.

President Mbeki met members of the IIC in the Eastern Cape from 11 to 13 May 2007. The 12th meeting of the IIC discussed, among other things, economic developments in South Africa, AsgiSA, Jipsa, the 2010 World Cup and job creation.

Export promotion and development

This area of the economy remains a challenge that is being addressed by the implementation of the Export Strategy that was approved in 2006. The aim of the strategy is to ensure that South African exports maintain their market share in traditional markets, and substantially increase their market share in prioritised, new high-growth markets through aggressive marketing and a larger exporter community.

To accomplish this, the focus has been on developing and expanding the local export community and culture, while also promoting South African products abroad through missions, pavilions and the use of the network of foreign offices.

During 2006/07, 31 national pavilions, which included six local pavilions and three international trade initiatives across 11 sectors of the economy, were organised at trade fairs, where 338 companies exhibited.

Preliminary reports indicated that these firms reported actual sales to a value of about R323 million. Estimated sales for the following 12 months as a result of their participation at these events totalled R2,049 billion.

Coupled with that, 20 inward-buying missions were facilitated from 36 countries across seven sectors, and 30 outward-bound trade missions were facilitated, which considerably increased market access for about 239 companies.

In conjunction with using national pavilions and missions as a tool, 32 export-promotion projects were managed and supported in 2006/07. Of these, nine were identified and initiated by the Directorate: Export Promotion and 23 ad-hoc projects by export councils, foreign offices and other departmental divisions. A total of 21 projects, including three international trade initiatives, were completed by the end of March 2007, while 11 projects were expected to be executed during 2007/08.

In the drive to educate companies, provincial trade and investment-promotion agencies and customers on exporting and the Export Market and Investment Assistance Scheme and its offerings, workshops and training sessions were held and attended by about 390 firms. This initiative is aimed at assisting businesses to grow exports and to build a stronger exporting culture.

Under the Export Strategy, exporter development has been given added focus and the work undertaken by the unit has expanded to include streams of work that are considered to be global best practice.

Some R6,5 million was equitably distributed through the sector-specific assistance schemes. Trade information was distributed using a network of 115 members made up of provincial and local governments, export councils and industry associations.

More than 460 trade leads were received, which were distributed to the subscriber list and media on 12 trade-lead bulletins. An additional publication in the *Trade Secrets* series, i.e. the *E-Commerce Guide for Small, Medium and Micro-Enterprises* (SMMEs) was also distributed to small and potential exporters.

A successful regional services-sector conference and networking event was arranged in co-operation with the International Trade Centre (Geneva-based Unctad/WTO), which was attended by 150 delegates representing 13 southern African countries and about 150 delegates from the South African private sector.

The Department of Trade and Industry's focus on small-exporter development was also targeted as part of the Export Strategy. Five export-readiness seminars were conducted where 410 non-export ready companies were accommodated. Seventy-eight small and medium enterprises (SMEs) received pre-exhibition assistance and 85 SMEs received export training courses.

International operations

The Foreign Services Management Unit focuses on management, business planning, procurement and reporting of foreign economic representatives based at foreign missions, while the International Operations Unit focuses on managing incoming and outgoing delegations.

The Department of Trade and Industry has 43 foreign offices comprising about 100 staff members.

Foreign economic representatives are tasked with delivering on the strategic objectives related to exports, investment and market access, by:

- marketing South African goods for export
- recruiting FDI
- establishing and maintaining intergovernmental relations.

Enterprise and industry development

The Department of Trade and Industry's Enterprise and Industry Development Division's (EIDD) purpose is to provide leadership in the development of policies and strategies that create an enabling environment for competitiveness, equity and enterprise development.

EIDD will contribute to realising the department's strategic objectives by:

- creating an enabling environment for all enterprise forms, including co-operatives, to prosper
- providing a framework to enable participation of women and black people in the economic mainstream
- identifying new geographic areas for greater economic stimulation
- providing a framework for industry norms and standards, including sustainable production methods
- influencing policy developments in skills building, technology and infrastructure
- providing policy direction in emerging sectors and also the repositioning of the economy in higher-value segments to achieve competitiveness.

The EIDD has three business units, namely:

- Competitiveness and Industrial Development
- Enterprise Development
- Equity and Empowerment.

Incentives include the:

- Small Medium Enterprise Development Programme (SMEDP)
- Skills Support Programme
- Critical Infrastructure Programme (CIP)
- IDZs
- Foreign Investment Grant (FIG)
- Strategic Investment Programme.

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

The SDI programme consists of 11 local SDIs and four IDZs that were at varying stages of delivery by September 2007. The SDIs are the Maputo Development Corridor; Lubombo SDI; Richards Bay SDI, including the Durban and Pietermaritzburg nodes; Wild Coast SDI; Fish River SDI; West Coast Investment Initiative; Platinum SDI; Phalaborwa SDI; and the Coast-2-Coast Corridor. The IDZs are in Gauteng, Coega/Ngqura, East London, Saldanha and Richards Bay.

The SDI concept focuses on:

- industry by means of the KwaZulu-Natal and Fish River SDIs
- agritourism, as in the Lubombo and Wild Coast SDIs
- a sectoral mix, for example the Maputo Development Corridor
- IDZs such as those in Coega/Ngqura, Saldanha and East London.

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

In 2006/07, some R850 million was spent on infrastructure development in the Coega IDZ, including water, sewers, electricity, facilities and services. Some 11 796 people were employed and three investors were to be involved in the textiles, chemicals and automotive sectors with a total combined investment value of R3,2 billion.

The R2-billion phased development project, which comprises 11 500 ha of land being developed for industrial purposes to complement the deep-water Port of Ngqura, will be the first fully integrated industrial zone in the southern hemisphere.

The Canadian aluminium company Alcan announced a R700-million engineering, procurement and construction management contract for the development of the R20-billion Coega aluminium smelter project.

Construction of the smelter is expected to begin in 2008, with metal production anticipated around 2010. The project is expected to create an estimated 30 000 employment opportunities.

It will be the largest single greenfield project in South Africa since 1994.

Straits Chemicals will invest R5,8 billion in a chlorine-manufacturing and water-desalination plant.

Dynamic Commodities has set up a fruit processing factory in the IDZ and by mid-2007, was supplying frozen sorbets to the USA, Europe, Middle East and Far East markets.

Eastern Cape Biomass Fuel Pellets has invested R70 million in the zone. Cerebos was expanding and relocating its operations to the IDZ in a R85-million project, which will use new technology to produce pure vacuum-dried salt, a first for sub-Saharan Africa.

Other projects planned for the IDZ include a 1 500-seat contact centre for BPO. By July 2007, construction of the call centre, which will be the biggest in the country, was under way. The project was expected to be completed in 2008. Facilities for a paving-bricks firm, a container depot and a cold-storage facility were nearing completion.

In 2006/07, some 19 infrastructure projects were undertaken with a combined value of R220 million in the East London IDZ, including internal stormwater systems, electrical power lines, underground electrical cables, fencing and walling, and water and sewerage systems. The project created 380 jobs. The East London IDZ received R188,2 million in 2006/07, which will increase to R251,1 million in 2009/10; an average annual increase of 10,1%.

In 2006/07, basic infrastructure such as water and sewerage systems, telecoms and power lines existed in the Richard's Bay IDZ. One foreign investor had signed up and the first custom-controlled area investor was to locate to the IDZ (a ferrochrome smelter). The value of the investment is R650 million. Richards Bay IDZ received R29,2 million in 2007/08, increasing over the MTEF period to R68,9 million in 2009/10.

The Enterprise Organisation (TEO)

The Department of Trade and Industry's TEO provides incentives to stimulate or catalyse investment in infrastructure, HRD, integrated manufacturing and related activities, small-business development, specific regions, and technology and innovation.

A number of incentives are provided to both large and small businesses to improve their competitiveness. These include incentives under the SMEDP, the Competitiveness Fund, the Sector Partnership Fund and the Black Business Supplier Development Programme (BBSDP).

In July 2007, President Thabo Mbeki met with the Joint Presidential Working Group on big business, black business, labour and Business Unity South Africa.

The meeting considered a detailed progress report on the implementation of the Growth and Development Summit (GDS) agreements and discussed the alignment of the GDS and the Accelerated and Shared Growth Initiative for South Africa.

The GDS progress report noted a 90% success rate in the implementation of agreed undertakings, with 4,2% outstanding and 5,8% work in progress.

Successes noted in the report included:

- about R4 billion in loans already advanced to small black business by banks
- at least 459 840 cumulative work opportunities created through the Expanded Public Works Programme since inception to December 2006
- some 167 073 new work opportunities in community-based care, of which 24 000 will be long-term employees
- at least 37 238 jobs created through the Labour Job Creation Trust
- the recruitment of about 5 130 young people nationally in 2006/07 through the National Youth Service
- 2,9 million learners attended no-fee schools in 2006
- by 30 September 2006, R2,3 billion had been spent on municipal roads, 206 318 households had benefited from water projects and 90 790 households had benefited from sanitation projects
- Gautrain will create about 58 800 direct jobs and substantial indirect income.

Since the inception of the SMEDP in October 2000, 9 126 enterprises had received assistance and by November 2006, 1 913 new applications had been approved. The value of investment in new and expansion projects was R9,4 billion, and the incentives committed to these projects amounted to R1,9 billion. The projected number of jobs to be created is 38 786.

Some 537 applications to the BBSDP were approved by November 2006, with an incentive value of R27,1 million.

Some 286 firms with a value of R12,6 million were approved by November 2006 under the export market and investment assistance individual participation project, of which 69% were SMMEs, 5% black-owned, and 13,2% women-owned.

One project valued at R5 million was approved by the South African capital goods feasibility study. Some 19 projects valued at R8 million were approved by the sector-specific assistance scheme.

Workplace Challenge Programme

This supply-side programme of the Department of Trade and Industry (administered by the National Productivity Institute [NPI]) assists enterprises and industries to improve their productivity and competitiveness.

The programme focuses on improving workplace collaboration, adopting world-class manufacturing practices and disseminating best practices.

National Industrial Participation Programme (NIPP)

There are two elements to the NIPP in South Africa, namely a national non-defence and a defence element. The Department of Trade and Industry manages the NIPP, which becomes obligatory when the foreign content of the procurement, purchase or lease contracts of government departments and parastatals exceeds US$10 million, in which case an NIPP obligation of 30% on the foreign content will be attracted.

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

By mid-2007, the total value of NIPP obligations being monitored was estimated at US$15 billion. The programme has benefited South Africans to the tune of US$3,5 billion over the last eight years as a consequence of the country's Strategic Defence Procurement and other government purchases.

This includes investment credits estimated at US$1 billion, with export and local sales, technology transfer, BEE and SMME promotion making up the balance. The benefits cover the areas of BEE, partnerships between participating entities, and skills development.

NIPP investments have allowed major new injections of technology and skills transfer into South Africa. The vision of the department regarding stimulating innovation and high growth sectors, and integrating South Africa as a vital part of high-value global supply chains is being realised. Leather is being turned into car seats. Platinum is used to produce catalytic converters. South Africans have taken raw materials and moved them up the value-chain. The NIPP has opened entirely new markets, sometimes with unique new products.

At the same time, the NIPP has become a major point of leverage for government's wider vision of growth with equity, as expressed in the AsgiSA.

Concerted efforts have been made to maximise job creation, involve SMMEs, build BEE-owned enterprises and spread the benefits wherever possible to neglected regions and towns. Partnership projects arising out of the NIPP range from the local manufacture of galleys for the Airbus A319 and A320 to the production of cockpit modules for the BMW 3 Series for export purposes.

The BEE component has seen a South African company being awarded the contract to print the owner-manuals for the Mercedes Benz C-Class right-hand drive models assembled in South Africa. These manuals will be distributed internationally as the vehicles are exported to countries that use such vehicles. By mid-2007, 8 000 new work opportunities had been directly created and 134 new projects approved across the country, as a consequence of the NIPP.

Manufacturing

South Africa has developed an established and diversified manufacturing base that has demonstrated resilience and the potential to compete in a global economy. The manufacturing sector provides a locus for stimulating the growth of other activities, such as services, and achieving specific outcomes, such as value addition, employment creation and economic empowerment. This platform of manufacturing presents an opportunity to significantly accelerate growth and development.

The Department of Trade and Industry's main functions regarding the manufacturing sector include:

- supporting increased investment in the sector

- enhancing the establishment of new manufacturing entities
- supporting new sustainable and profitable manufacturing entities.

Primary aspects of the IMS involve:

- improving market access for South African products in key markets
- promoting beneficiation and value addition
- finding ways to harness the skills and expertise in South Africa so that they can be sold to other countries.

The IMS identifies the need to capture local knowledge, encourages large corporations and companies to make greater use of small businesses, and promotes greater integration between the different sectors of the economy so that they add value to each other.

The IMS also promotes BEE, small-business development, increased use of ICT, job creation, and a more equitable geographic spread of investment and economic activities.

The automotive industry is one of the key growth sectors that has contributed to the overall economic growth of South Africa. It contributed 7,53% to the country's GDP in 2006.

Growth in this industry can largely be attributed to the Motor Industry Development Programme (MIDP).

Government has, since 2005, been reviewing the MIDP. One of the objectives of the review is to evaluate the performance objectives of the industry against the MIDP's stated objectives of, among other things, making vehicles more affordable, growing exports, rationalising production platforms, and stabilising and growing employment.

Competition policy

The Competition Act, 1998 (Act 89 of 1998), promotes competition in South Africa to:

- enhance the efficiency, adaptability and development of the economy
- provide consumers with competitive prices and product choices
- promote employment and advance the social and economic welfare of South Africans
- expand opportunities for South African participation in world markets and recognise the role of foreign competition in the country
- ensure that SMEs have an equitable opportunity to participate in the economy
- promote a greater spread of ownership, in particular by increasing the ownership stakes of HDIs.

The functions of the Competition Commission include investigating anti-competitive conduct in contravention of the Act, assessing the impact of mergers and acquisitions on competition and taking appropriate action, monitoring competition levels and market transparency in the economy, identifying impediments to competition, and playing an advocacy role in addressing them.

The Competition Commission is independent but its decisions may be appealed to the Competition Tribunal and the Competition Appeal Court.

By August 2007, the Department of Trade and Industry had completed a review of competition policy and consulted with economic cluster departments.

Proposed amendments were to be forwarded to Cabinet for consideration.

Small, medium and micro-enterprises

By August 2007, the department had developed the Small Business Strategy and roll-out plan. A total of 155 transactional linkages had been ceated, with a net value of R117 million.

The Department of Trade and Industry hosted the national Annual Small Business Summit in Bela Bela, Limpopo, from 30 to 31 August 2007. More than 500 entrepreneurs, small-business financiers, educators, consultants and experts, as well as government, attended.

Institutional support framework

National Small Business Advisory Council (NSBAC)

The NSBAC, which was appointed by Minister Mpahlwa in August 2006, will advise him on issues affecting owner-managed businesses.

The 15-member council comprises business owners, academics and international entrepreneurial experts.

Small Enterprise Development Agency (Seda)

Seda aims to:

- improve geographic outreach
- achieve the desired impact on small enterprises

- provide a single access point for small enterprises
- be inclusive of all relevant stakeholders
- leverage resources in service delivery
- optimise resource usage
- align government's strategy of service delivery in a coherent manner.

At Seda offices, entrepreneurs are able to get help with business plans, technical advice and marketing, as well as information on export support, tenders and incentives.

By July 2007, Seda had eight provincial offices, 39 branches and 102 enterprise-information centres.

South African Micro-Finance Apex Fund (Samaf)

The Department of Trade and Industry launched Samaf to provide affordable and sustainable access to financial services for the poor. The goal of the fund is to:

- develop sustainable micro-finance institutions that can reach the very poor
- facilitate training for micro-entrepreneurs and financial co-operative clients
- provide back-office services through a centralised information platform
- provide mentoring, monitoring and regulating to partner organisations.

Between May 2006 and May 2007, Samaf disbursed funds to 9 000 savers and 1 700 SMEs. During 2006/07, 39 partner organisations were approved by Samaf with funding commitments of R69 million.

Khula Enterprise Finance

Khula Enterprise Finance Limited was established in 1996 as a specialised agency in the Department of Trade and Industry to promote the development of South African SMEs.

It is also registered as an insurer under the Insurance Amendment Act, 2003 (Act 17 of 2003), and is governed by the regulations of the Financial Services Board. It is an independent, limited liability company with its own board of directors.

Khula's primary role is to facilitate access to finance by small entrepreneurs. It has developed various delivery mechanisms in the public and private sectors. It has strong relationships with commercial banks, the public and corporate sectors through which it delivers a variety of financial products. In addition to facilitating access to finance, Khula provides mentorship services through Khula Institutional Support Services, which provides counselling and practical support to entrepreneurs in establishing and managing businesses.

Over the last three years, Khula has grown its disbursements and approvals to SMMEs by 60%. Loans and advances increased from R34 million in 2002 to R137 million in 2006.

Three new funds were launched and capitalised at close to R300 million to reach the SMME target market.

Khula's budget allocations over the MTEF period increased from R34,1 million in 2006/07 to R66,4 million in 2009/10. The Khula Credit Indemnity Scheme has also been successfully revised with commercial banks, to emphasise developmental imperatives associated with small business support.

Khula has also successfully launched the first-ever South African Start-Up Fund, with an initial capital amount of R150 million, specifically for the benefit of new black entrepreneurs.

Technology for Women in Business (Twib)

Twib was established in 1998 (the Year of Science and Technology [S&T]), by the Department of Trade and Industry, to support the advancement of women in business, through the application of S&T.

Twib's mandate is to accelerate women's empowerment and women-owned enterprise development by facilitating S&T-based business applications and systems, and to unlock constraints to enterprise innovation and growth. The programme is championed by the department's Gender and Women's Empowerment Unit.

The Council for Scientific and Industrial Research administers the Twib programme and provides leadership in identifying technological innovations for various Twib initiatives.

South African Women Entrepreneurs Network (Sawen)

Sawen assists aspiring and existing business women with their business enterprises.

The network advocates policy changes, builds capacity and facilitates women's access to business resources and information.

Sawen is responsible for:

- organising networking forums at regional, national and international level
- lobbying and advocating for enabling and supportive policies
- gathering and updating a database of women-owned enterprises and the services rendered by these companies
- facilitating access to pertinent business information
- facilitating capacity-building and training

- providing business mentorship and counselling
- facilitating access to decision-makers.

Industrial Development Corporation (IDC)

The IDC is a self-financing, South African state-owned development-finance institution that provides financing to entrepreneurs engaged in competitive industries.

The IDC received the top Development Financier for BEE Award for 2003, 2005 and 2006 from the Business Map Foundation. In 2006/07, the IDC made a record profit of R4 345 billion. The IDC contributed significantly to the equitable distribution of economic growth by supporting BEE companies.

In 2006/07, BEE accounted for 160 approvals, more than half the total approvals, with more than R3,4 billion in financing for BEE start-ups or in the form of expansions of existing BEE enterprises.

Business Partners Limited

Business Partners Ltd is a specialised investment company that provides customised and integrated investment, technical assistance, mentorship and property services to SMEs in South Africa and, by May 2007, also Kenya and Madagascar.

It is an unlisted public company whose major shareholders include Khula Enterprise Finance Ltd, Remgro Ltd, Sanlam Ltd, Billiton SA Ltd, Absa Group Ltd, Nedcor Ltd, Firstrand Limited, Old Mutual Life Assurance Co of South Africa, Standard Bank Investment Corporation Ltd, Anglo Corporate Enterprises (Pty) Ltd and De Beers Holdings (Pty) Ltd.

Several specialist funds are owned and managed by Business Partners: three geographical business units, the Business Partners Empowerment Fund and the Business Partners Tourism Fund.

Two funds are managed by Business Partners in a joint venture with government – the Business Partners Umsobomvu Franchise Fund and the Business Partners-Khula Start-Up Fund.

During May 2007, Business Partners launched the Women's Fund. Business Partners is committed to investing capital, skills and knowledge in entrepreneurs.

Consumer and corporate regulation

The Consumer and Corporate Regulation Division of the Department of Trade and Industry provides coherent, predictable and transparent regulatory solutions. This is achieved by developing and reviewing regulatory systems, including policies and legislation in the areas of competition; consumer, company and intellectual property regulation; as well as public-interest regulation relating to the liquor, credit, national lotteries and gambling sectors.

Corporate and consumer regulation has become a creative endeavour that seeks to serve the interests of both business and consumers, and to create a modern and globally competitive national economy.

In an endeavour to create a regulatory environment conducive to investment and enterprise, Cabinet approved the publication of the Companies Bill for public comment in 2006/07.

The Bill aims at, among other things, promoting the development of entrepreneurship and enterprise efficiency; creating flexibility and simplicity in the formation and maintenance of companies; encouraging transparency and high standards of corporate governance; and recognising the broader social role of enterprise.

The Bill proposes the establishment of the Companies and Intellectual Property Commission to administer and enforce the legislation.

A revised Consumer Protection Bill was expected to be resubmitted to Cabinet for approval to introduce it to Parliament during 2007/08. The Bill aims to build strong consumers, competitiveness and innovation in the economy.

It also aims to ensure that consumers are able to make well-informed buying decisions, are able to access a wide range of products and services based on honest and fair marketing and selling practices, have access to efficient and effective redress, and are educated about their rights and obligations.

The enforcement of the Bill will be ensured through the proposed National Consumer Commission.

The Companies and Intellectual Property Registration Office registers businesses and intellectual property rights, maintains related registries, and develops information for disclosure to stakeholders.

Black Economic Empowerment

Broad-Based Black Economic Empowerment Strategy

BBBEE is a government policy aimed at redressing past economic imbalances. Moreover, BEE is an important policy instrument aimed at broadening the economic base of the country, further stimulating economic growth and creating jobs while eradicating poverty.

The Codes of Good Practice for BBBEE were gazetted on 9 February 2007.

These codes are the culmination of the development of the BBBEE Strategy that seeks to enhance the economic participation of black people by growing the economy and reducing income inequality.

The Codes of Good Practice on BBBEE assist and advise both public and private sectors on their implementation of the objectives of the BBBEE Act, 2003 (Act 53 of 2003). The codes provide definitions, interpretation and principles of BBBEE; different categories of BEE entities; and qualification criteria for preferential procurement purposes and other economic activities.

The Codes of Good Practice also provide the weightings, indicators, targets and guidelines for stakeholders in the relevant sectors of the economy to draw up transformation charters for their sectors.

By mid-2007, the BBBEE Strategy had entered its implementation phase, which was a major step in the transformation of the economy. This phase will include aligning different pieces of legislation with the BEE Act, 2003; marketing and communicating BEE to the entire economy; and monitoring and evaluating BEE.

BEE will enhance HR, skills development and investment in enterprises that are owned or managed by black people, contributing towards the improvement of productivity, efficiencies and competitiveness of South African enterprises.

Black Business Supplier Development Programme

The BBSDP is a 20:80 cost-sharing cash-grant incentive scheme, offering support to black-owned enterprises in South Africa.

The scheme provides such enterprises with access to business development services, assisting them to improve their core competencies, upgrade managerial capabilities and restructure to become more competitive.

It aims to foster links between growing, black-owned enterprises, and corporate and public-sector enterprises.

Any enterprise that is majority black-owned (50 plus one share), has a significant number of black managers, and a minimum trading history of one year, qualifies for the programme.

Business process outsourcing and offshoring (BPO & O)

BPO & O is a major global trend, with a significant positive impact on developing countries possessing the required skills, cost advantage and infrastructure.

Over the next few years, the global BPO & O industry is forecast to grow at approximately 50% per year, and as a result, a window of opportunity exists for South Africa to realise significant value by developing this sector.

The sector has been forecast to create 100 000 new indirect jobs in South Africa and contribute up to R7,95 billion to the national economy in 2009. In 2006/07, the BPO support programme enabled the public and private sectors to work together to implement the plan to enhance South Africa's competitiveness in this sector.

The plan focused on:

- Marketing: A broad-based marketing strategy and plan were produced together with relevant value propositions and a lead management system in conjunction with the sector-support programme. Marketing missions to the UK and the USA were conducted.
- Incentives: In December 2006, Cabinet approved the Government Assistance and Support Programme for BPO. The investment grant and training-support grant was officially launched in March 2007.
- A developmental pricing framework for telecommunications, which is an ongoing process.
- Talent development: An agreement was signed with the Department of Labour to train 1 000 unemployed youth to participate in the BPO sector.
- Second-economy linkages, with the focus on attracting BPO operations to designated areas

State-owned enterprises (SOEs)

The Department of Public Enterprises is the shareholder representative for government, with oversight responsibility for the following SOEs: Alexkor, Broadband Infraco, Denel, Eskom and the Pebble-Bed Modular Reactor (PBMR), South African Airways (SAA), South African Express Airways (SAX), South African Forestry Company (Safcol) and Transnet.

SOEs have a critical role to play in advancing economic growth, since they are responsible for developing key infrastructure and manufacturing capacity. Infrastructure investments are a core part of AsgiSA, and SOEs are implementing comprehensive investment programmes to ensure that significant and sustained opportunities for investment are created in supplier industries.

Eskom and the Pebble-Bed Modular Reactor

The State's key objective is to secure long-term, environmentally sustainable electricity for the country, and Eskom's R150-billion investment programme, which will be rolled out over the next five years.

An important component of Eskom's capacity-generation programme is the introduction of independent power producers, who will diversify the revenue sources for the build programme and protect Eskom's balance sheet.

Nuclear power is also expected to make a larger contribution to the primary source for electricity, in the interests of supply security. This will be done through conventional nuclear technology and the new fourth-generation high-temperature reactors offered by the PBMR.

South African Airways

SAA is in the process of a comprehensive and fundamental restructuring plan to bring the airline back into profitability, following significant losses in recent years.

State ownership of the airline will allow for greater control in advancing national objectives, such as promoting air links with South Africa's main trading partners, contributing to the growth of the tourism industry and strengthening air-transport capacity on the continent.

South African Express Airways

The SAX is a regional airline that was established in 1994 as a feeder to SAA. The SAX was removed from Transnet's books in 2007/08 and converted into a stand-alone SOE.

The airline operates on secondary routes and provides the necessary links on thinner routes, to smaller cities and towns such as Kimberley, Richards Bay and George.

The SAX has also been successful in opening up routes into Africa with services to regional destinations such as Walvis Bay in Namibia and Lubumbashi in DRC.

Denel

The South African Government considers Denel a strategic asset for its role as custodian of the country's technological capabilities, and a driver for skills development in the engineering and high-technology disciplines. The restructuring of the company and the disposal of non-core assets are expected to streamline the company's focus and allow it to pay more attention to core capabilities.

Denel will drive the establishment of manufacturing clusters that will be a catalyst for the transfer of advanced manufacturing know-how and technologies to the broader manufacturing sector, which is the economy's second-largest sector, accounting for just over 16% of GDP.

Alexkor

The core business of Alexkor is diamond mining. The State has decided to use the company to promote the beneficiation of diamonds in the country.

In 2003, the Constitutional Court returned the land and mineral rights owned by Alexkor to the Richtersveld community following a land claim.

In 2007, government and the Richtersveld community signed a settlement agreement, which is expected to unlock any unnecessary delays in restoring rights and the payment of compensation to the community. In October 2007, the Deed of Settlements was made effective by the Land Claims Court.

Broadband Infraco

Broadband is viewed as a key driver of economic growth and wealth generation, and it is essential for South Africa to gain access to universally available, reliable and affordable broadband.

Affordable national long-distance and international connectivity would have a favourable impact on pricing and the availability of broadband.

Infraco will provide and own the long-distance Full Service Network deployed by Eskom and Transnet. The company is expected to become a stand-alone SOE.

Transnet

Transnet is uniquely positioned to provide integrated, seamless transport solutions for its customers in the bulk and manufacturing sectors as part of its drive to improve the efficiency and competitiveness of the South African economy.

Transnet will spend billions over the next five years on an investment programme that is aimed at revitalising and extending its infrastructure and addressing the maintenance backlog. Transnet's investment programme is expected to be sustained well beyond the five years to meet the needs of a growing economy.

South African Forestry Company

The State is in the process of disposing the last remaining package of Safcol, Komatiland Forests. The disposal process is expected to be concluded by the end of March 2009.

Public works programmes

The Department of Public Works provides and manages the accommodation, housing, land and infrastructure needs of national departments; co-ordinates the national Expanded Public Works Programme (EPWP); and optimises growth, employment and transformation in the construction and property industries.

Expanded Public Works Programme

The EPWP aims to facilitate and create employment opportunities for the poor and vulnerable through integrated and co-ordinated labour-intensive approaches to government infrastructure delivery and service provision.

By December 2006, the EPWP had delivered 573 269 net job opportunities ahead of the target for the same period, exceeding its targets for women and youth. The EPWP is expected to scale up to achieve 1 500 learnerships over the next two years. A committee made up of the national departments of public works and of transport and their provincial counterparts, The Presidency and National Treasury will co-ordinate the implementation of the additional R3 billion allocated under the Provincial Infrastructure Grant for the construction and maintenance of provincial infrastructure, including rural access roads, contributing to the further expansion of the EPWP.

Construction and Property Industry Development Programme

Both industries have been identified as indispensable to economic growth and social development. Government's socio-economic objectives such as BEE, entrepreneurship and HRD can be further advanced by the transformed industries in line with the reconstruction and development agenda.

The Department of Public Works continued implementing BEE programmes in the construction sector, including the Emerging Contractor Development Programme, EPWP Vuk'uphile and venture learnership programmes, and the Incubator Programme. It was expected to establish similar programmes in the property industry to contribute to its transformation.

In March 2006, the construction and property charters were signed. The Property Charter proposes a range of targets, including transferring 25% of sector assets into black hands in five years' time, and setting aside 10% of private corporations' annual development investments for underdeveloped areas.

Through the charter, the property sector has committed to achieving 40% black representation at board level, of which 20% will be women.

Through the Construction Charter, stakeholders in the construction industry have set a black ownership target of 30% and proposed 40% black representation at board level, with 20% of members being women.

The charter proposes a procurement target of 70% to ensure that the economic benefits of current and planned infrastructure accrue to all sectors of the community. Both charters advocate the importance of developing skills through mentorship, learnerships and bursaries.

Between 2005 and 2006, government's Infrastructure Delivery Improvement Programme had improved provincial infrastructure spend by 29%.

Over 2 000 officials and built-environment professionals were trained in 2006. By mid-2007, over 30 000 contractors had been registered in all provinces. They receive cellphone and e-mail notification of all public-sector tenders.

Construction Industry Development Board (CIDB)

The CIDB was established by the Construction Industry Development Act, 2000 (Act 38 of 2000), as a statutory body (schedule 3A public entity) to provide leadership to stakeholders; stimulate sustainable growth, reform and improvements in the construction sector; and improve its role in the economy. The CIDB is responsible to the Minister of Public Works, and comprises individuals appointed from the private and public sector.

Council for the Built Environment (CBE)

The CBE promotes the uniform application of policy and improves co-ordination between the building profession and government. It drives the transformation and improved performance of the building profession.

Employment and skills development

The Employment and Skills Development Services (ESDS) and HRD Branch of the Department of Labour is responsible for achieving the strategic objectives and equity targets of the National Skills Development Strategy (NSDS) and contributing to the achievement of the objectives of the HRD Strategy.

Legislation

The Department of Labour's Legislation Branch ensures the implementation of the following laws:

- Skills Development Act, 1998 (Act 97 of 1998), as amended.
- Manpower Training Act, 1981 (Act 56 of 1981), of provisions that are still in force.
- Skills Development Levies Act, 1999 (Act 9 of 1999), as amended, and the Income Tax Act, 1994 (Act 21 of 1994). In some aspects, the ESDS works closely with National Treasury and Sars.
- South African Qualifications Authority (Saqa) Act, 1995 (Act 58 of 1995), working closely with the Department of Education.

National Skills Development Strategy

The ESDS and HRD Branch oversees and supports all institutions associated with the Skills Development Act, 1998 and implements and achieves the objectives and targets of the NSDS. The first NSDS (2001 – 2005) ended on 31 March 2005.

The Minister of Labour, Mr Membathisi Mdladlana, launched the adjusted NSDS (2005 – 2010) on 3 March 2005. The adjusted strategy has five strategic objectives and 20 success indicators.

The second phase of the NSDS (2005 – 2010) ended on 31 March 2007.

Between 2001, when the first phase of the NSDS (2001 – 2005) was launched, and the end of September 2006, a total of 325 247 learners were registered on accredited occupational-based learning programmes.

From 2001 to December 2006, some 47 618 artisans were registered.

The strategy for 2005 – 2010 seeks to support economic growth for employment creation and poverty eradication, promote productive and equitable citizenship by aligning skills development with national strategies for growth and development, and accelerate BEE.

The strategy is critical to realising government's goal of halving South Africa's unemployment by 2014, by providing the skills the economy requires.

Better alignment between the Further Education and Training sector, business and the sector education and training authorities (Setas) has resulted in a more demand-driven strategy. The NSDS' learnership apprenticeships and internship programmes target unemployed youth, because 75% of the unemployed are between 15 and 34 years old.

A special project by the Department of Education aims to meet the challenges of having 800 000 learners in Adult Basic Education and Training (Abet) by March 2010. Abet enhances the basic skills of people beyond their school-going years and tackles long-term unemployment. The NSDS is closely aligned with the EPWP, which targets people with low skills levels and the unemployed, by providing them with work experience and equipping them with skills.

Sector education and training authorities

In response to Jipsa's call to increase the number of artisans to 12 500 a year to meet the 50 000 target by 2010, the department has embarked on a number of interventions.

These include the allocation of R316 million under the National Skills Fund (NSF) to 13 Setas to support their interventions in the scarce and critical priority areas that include artisans.

By mid-2007, the department was repositioning the Institute for National Development of Learnerships, Employment and Labour Assessment (Indlela) to play a major role in the assessment standard, moderation of assessment and training of artisan trainers to maintain or surpass international standards.

Sector Education and Training Authority Co-ordination Programme

The Seta Co-ordination Programme is responsible for implementing the NSDS at sectoral level.

It aims to:

- ensure alignment with the Saqa framework and other education and training policies
- oversee and co-ordinate activities of the Department of Labour's Chief Directorate: Seta Co-ordination
- design and implement systems and processes to monitor the use of skills-development levy grants, and evaluate the impact and contribution of skills development in enhancing productivity and employment and the number of skilled workers in South Africa
- oversee Seta contributions towards the objectives and targets of the NSDS and the HRD Strategy
- facilitate the working relationship between Setas, Indlela, and provincial offices
- provide relevant analysis to enable the National Skills Authority (NSA), the director-general and the minister to make strategic policy decisions about implementing skills development
- facilitate the collection of financial skills-development levies, transfers to Setas, disbursements to employers, and accountability of all stakeholders in the use of funds
- ensure increased access to and relevance of work-based learning and qualifications
- provide support and moderation to learning and assessment initiatives, and delivery of training services by the restructured Indlela sub-programme.

National Skills Authority

The NSA is an advisory body, established in terms of the Skills Development Act, 1998, to advise the minister on the NSDS, its implementation and other relevant matters. Its membership consists of organised business, labour and community organisations, government departments, and representatives from the education- and training-provider community.

National Skills Fund

The NSF, a statutory advisory body to the Minister of Labour on the NSDS, was established in 1999 as legislated by the Skills Development Act, 1998. The Minister of Labour, on advice from the NSA, allocates subsidies from the NSF. The Director-General of Labour is the accounting officer of the fund.

The NSF is funded by 20% of the skills-development levies collected by Sars (of which 2% is paid to Sars as collection fees and 2% is allocated for administrative costs).

In 2007/08, the NSF was allocated R6,5 billion, of which 80% will be managed by the Setas.

Unemployment Insurance Fund (UIF)

The main tasks of the UIF are to:

- maintain an employer/employee database
- process claims and pay benefits
- invest excess funds
- reduce opportunities for fraud
- collect contributions.

By mid-2007, the UIF boasted a comprehensive database of more than 7,2 million workers with individual accounts.

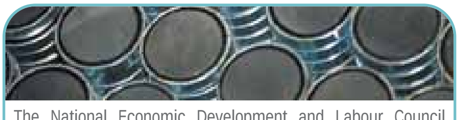
The UIF had, since April 2006, assisted more than 546 968 unemployed workers and approved 526 097 or 96% of these claims. All benefits are paid electronically into the bank accounts of unemployed workers.

By mid-2007, the UIF had an operating surplus and reserves of R19,8 billion, which was up 40% on the previous year.

The Unemployment Insurance Amendment Act, 2003 (Act 32 of 2003), is part of the successful turnaround strategy being implemented by the UIF, based on four main pillars. These are legislative reform, IT, HR and institutional restructuring.

The Act deals with the administration of the fund and the payment of benefits. It also provides for the commissioner to maintain a database to pay benefits to beneficiaries. Sars continues to administer the Unemployment Insurance Contributions Act, 2002 (Act 4 of 2002).

Sars collects contributions from all employers whose workers pay employees' tax. The collection



The National Economic Development and Labour Council (Nedlac) aims to build consensus through tripartite participation in decision-making on labour and socio-economic matters.

Nedlac comprises the labour market, trade and industry, public finance and monetary policy, and development chambers, with representatives from organised business, organised labour, community and development organisations, and government.

Nedlac considers all proposed labour legislation and significant changes to social and economic policy before these are presented to Parliament. Nedlac also monitors the progress and implementation of the Growth and Development Summit's agreements.

of contributions from all other employers is delegated to the Unemployment Insurance Commissioner.

Occupational Health and Safety (OHS)

The OHS legislative framework consists of the OHS Act, 1993 (Act 85 of 1993), and 20 sets of regulations. Compliance is achieved by conducting inspections and investigations, and providing advocacy and statutory services. Responsibility for OHS and workers' compensation in South Africa resides in three government departments.

The Department of Labour is responsible for workers' compensation in terms of the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993), and for OHS in terms of the OHS Act, 1993. The Department of Minerals and Energy is responsible for OHS in mines and mining areas, in terms of the Mine Health and Safety Act, 1996 (Act 29 of 1996). The Department of Health is responsible for the compensation of mineworkers in terms of the Occupational Diseases in Mines and Works Act, 1993 (Act 208 of 1993).

Compensation Fund

The Compensation Fund is a public entity of the Department of Labour. The fund's main objective is to compensate workers for occupational injuries sustained and diseases contracted in the course of, and as a result of, their employment, and to compensate the dependants of workers in fatal cases.

The fund generates revenue for all its operations from contributions paid by registered employers. The Compensation Fund administers the Compensation for Occupational Injuries and Diseases Act, 1993, as amended by Act 61 of 1997. The fund has, since December 2004, improved from the settlement rate of about 48% to 58% in 2007.

In 2007/08, the fund was expected to register pharmacists, medical orthotics and prosthetics practitioners to control rising medical and rehabilitation costs.

Directorate: Collective Bargaining

The Directorate: Collective Bargaining has to:
- extend the collective bargaining system to cover more vulnerable workers
- ensure that the implementation and impact of the Labour Relations Act (LRA), 1995 (Act 66 of 1995), is optimised
- effectively monitor dispute resolution.

The directorate:
- registers trade unions, employers' organisations and bargaining and statutory councils
- publishes bargaining council agreements for the extension thereof to non-parties
- promotes and monitors collective bargaining.

Collective agreements

In 2006, 38 collective agreements at bargaining councils were extended to non-parties. Forty-four labour organisations (trade unions and employers' organisations) who failed to submit audited financial statements and those who were considered not genuine were cancelled, leaving the 355 trade unions, 226 employers' organisations and 58 bargaining councils on the register.

Dispute resolution

The Commission for Conciliation, Mediation and Arbitration (CCMA) is an independent dispute-resolution body created in 1996 in terms of the LRA, 1995. It does not belong to, nor is it controlled by, any political party, trade union or business.

Between November 1996 and 31 January 2007, the CCMA processed 1 069 400 labour disputes. The number of working days lost due to industrial action decreased by 68% since the LRA, 1995 came into operation. Although the CCMA receives about 120 000 referrals a year, it manages to settle an average of 70% of those cases.

Labour-market policy

The Labour-Market Policy Programme consists of three directorates, namely, Research Policy and Planning (RPP), Labour-Market Information and Statistics (LMIS), and International Relations (IR).

The RPP Directorate is responsible for:
- analysing labour-market information and conditions
- identifying relevant labour-market interventions
- formulating labour-market policies
- researching, monitoring and evaluating policies affecting the labour market.

The LMIS Directorate is responsible for:

- creating and maintaining capacity to monitor, analyse and disseminate labour-market information and statistics pertaining to trends in the labour market and the impact of labour-market policies
- creating and maintaining linkages with other producers and users of labour-market information and statistics, with the aim of avoiding duplication and promoting clear use of concepts
- developing the departmental library as an expanded resource centre on labour issues
- assisting other departmental directorates with statistical procedures to develop and monitor departmental activities.

The IR Directorate is responsible for:

- developing strategies that will consolidate South Africa's presence in international forums
- monitoring developments in the African region and southern African subregion
- facilitating the department's participation in bilateral and multilateral organisations in the region
- discharging South Africa's obligations to international organisations of which the country is a member
- developing strategies to encourage conformity with international labour standards in the region.

Employment equity

To support and accelerate the implementation of the Employment Equity Act, 1998 (Act 55 of 1998), the Directorate: Employment Equity focused mainly on developing an employment-equity system aimed at strengthening the implementation and enforcement mechanisms of the Act. An online employment-equity reporting service was developed and implemented from 1 September 2005.

In addition, the Director-General Review System was developed to assess employers' substantive compliance with the Employment Equity Act, 1998. The programme continued to support capacity-building in trade-union organisations by means of the Strengthening of Civil Society Fund.

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