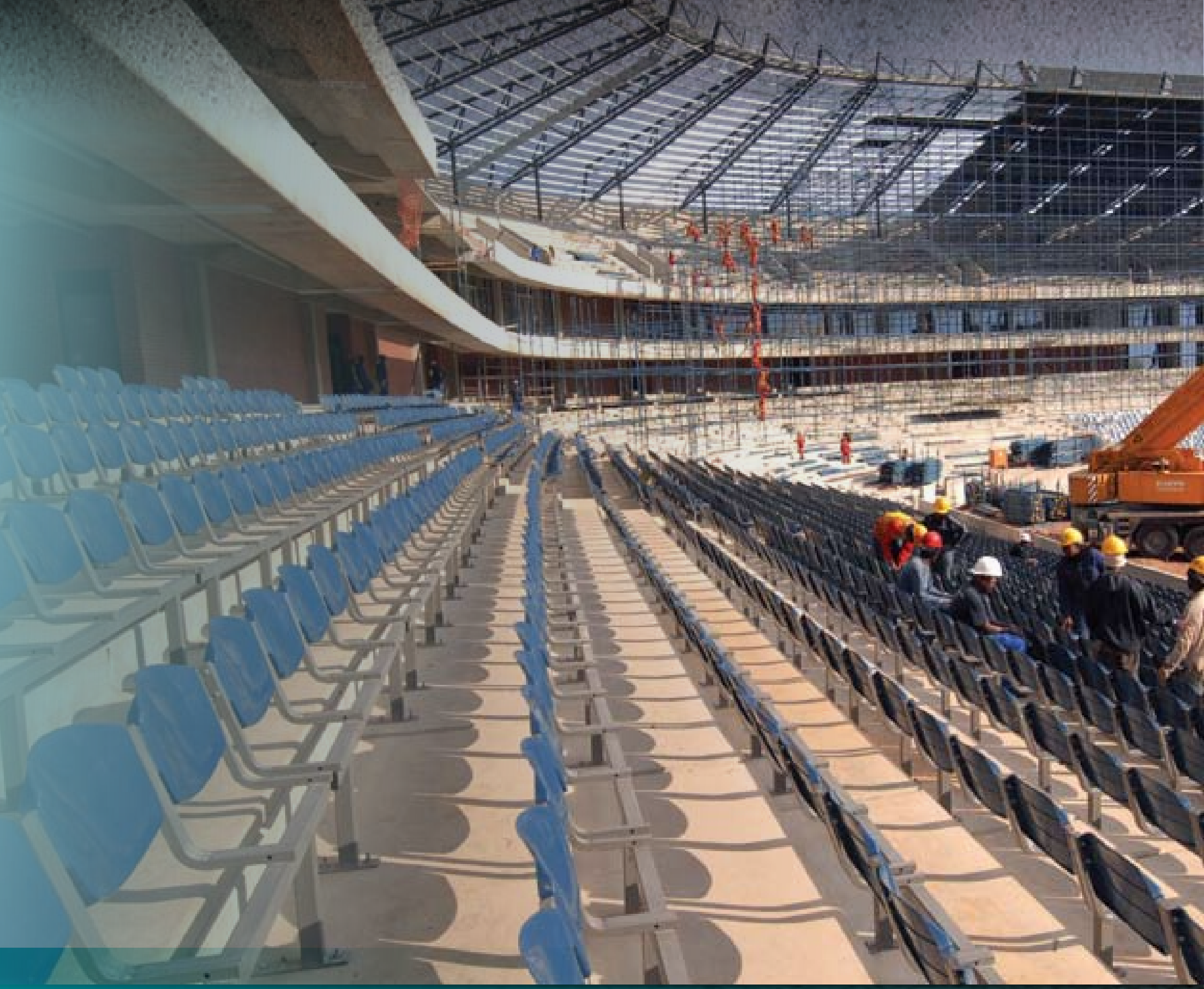
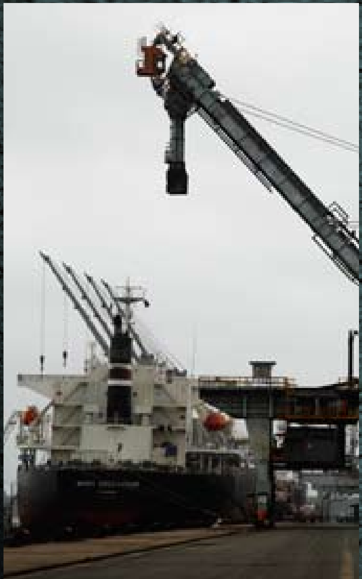
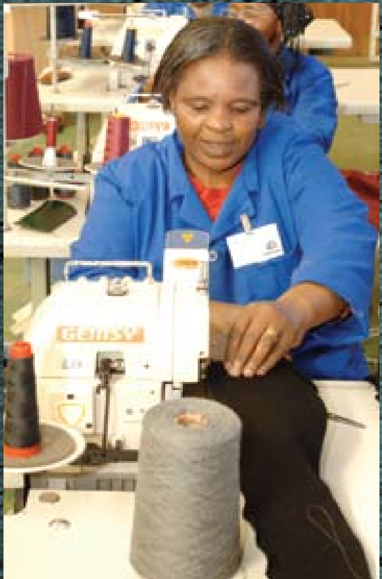


SA YEARBOOK 2009/10

ECONOMY





The growth in real gross domestic product (GDP) slowed to 3,1% in 2008, which was notably lower than the annual growth rates that varied between 4,9% and 5,3% from 2004 to 2007. This was the result of the significant deterioration in global economic conditions and a tighter domestic policy environment. Annualised quarter-to-quarter real GDP at market prices figures contracted by 6,4% and 3% during the first and second quarters of 2009 respectively.

In November 2009, South Africa emerged from its first recession in 17 years by achieving 0,9% growth in the third quarter, primarily driven by a rebound in the manufacturing sector.

The hosting of the 2010 FIFA World Cup™ in June and July 2010 will contribute to the country's economy.

In May 2009, President Jacob Zuma announced the establishment of the Ministry of Economic Development, which will promote economic policy development, coordination and coherence (alignment with national policy challenges and programmes).

The Economic Development Department will work with relevant departments and clusters to achieve this. Policy engagement to elaborate a national framework on economic development and decent work has started.

Accelerated and Shared Growth Initiative for South Africa (AsgiSA)

AsgiSA, which was launched in February 2006, responds to binding constraints, such as the:

- deficiencies in government capacity
- volatility of the currency
- low levels of investment infrastructure and infrastructure services
- shortage of suitably skilled graduates, technicians and artisans
- insufficiently competitive industrial and services sectors and weak sector strategies
- inequality and marginalisation, resulting in many economically marginalised people being unable to contribute to and/or share in the benefits of growth and development (the "Second Economy").

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.

Programmes put in place to eliminate constraints include:

- infrastructure investment
- second-economy initiatives
- skills and education
- industrial policies and sector strategies
- macroeconomic policy
- governance interventions.

Infrastructure, which is one of AsgiSA's six priorities for intervention, has produced encouraging results, with meaningful growth in gross fixed capital formation, driven particularly by the public sector. According to the *AsgiSA 2008 Annual Report*, a R787-billion infrastructure development programme is in place.

Joint Initiative for Priority Skills Acquisition (Jipsa)

AsgiSA has identified the shortage of skilled labour as one of the six factors that constrain economic growth. Jipsa, the skills-empowerment arm of AsgiSA, was launched in 2006.

Jipsa is a specific initiative within government's wider AsgiSA strategy, aimed at addressing skills shortages and achieving a 6% growth rate, which is seen as key to halving poverty and unemployment by 2014.

It is a two-tier structure comprising a joint task team and a 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.

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In August 2009, President Jacob Zuma announced that the Government would take steps to see the country through the global economic crisis. These include:

- a R2,4-billion worker layoff training scheme
- R6 billion in support for struggling firms
- measures to root out customs fraud
- debt-restructuring assistance for consumers.

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, information and communications technology (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

Real output growth in the South African economy remained weak in the second quarter of 2009.

According to Statistics South Africa's *Labour Force Survey 2009*, South Africa's official unemployment rate stood at 23,6% for the period April to June 2009. The employment rate increased to 24,9% in the third quarter of 2009.

Having declined at annualised rates of 1,8% and 6,4% in the preceding two quarters, real GDP contracted at a rate of 3% in the second quarter of 2009. Production volumes continued to decline in all three major sectors of the economy.

Real value added by the primary sector contracted at an annualised rate of 3,6% in the second quarter of 2009, following a decline of 23% in the preceding quarter. An increase in the real value added by the mining sector was more than offset by a contraction in real output by the agricultural sector in the second quarter.

Agricultural production, which increased at a rate of 18,8% in 2008, contracted at an annualised rate of 17,1% in the second quarter of 2009, following a decline of 2,9% in the first quarter. Lower output volumes of most summer crops were largely to blame for this further decline. The commercial maize crop for 2009 was estimated at 11,6 million tons (Mt), compared with 12,7 Mt harvested in the previous season. In addition, the real value added by livestock edged lower over the period.

In the mining sector, the real value added increased at an annualised rate of 5,5% in the second quarter of 2009, after having declined at a rate of 32,8% in the preceding quarter. Increased output, mainly by the platinum-group metals, which benefited from firmer international commodity prices, restored positive momentum in the sector. Growth in the real output of diamonds, manganese and iron ore also improved moderately during the second quarter of 2009.

Following a revised decline at an annualised rate of 14,7% in the first quarter of 2009, the real value added by the secondary sector receded at a more moderate rate of 5,7% in the second quarter. A smaller contraction in real production of the manufacturing sector was the main contributing factor to the slower pace of decline.

Growth in real value added by the construction sector remained firm over the period, while the rate of contraction in electricity, gas and water production slowed.

On a quarter-to-quarter basis, manufacturing production declined at an annualised rate of 10,9% in the second quarter of 2009, compared with a contraction of 22,1% recorded in the first quarter. Although the decline in manufacturing output was broad-based and consistent with subdued demand growth, pronounced declines were recorded by the subsectors responsible for the manufacturing of chemicals, wood and paper products, electrical machinery and textiles and clothing.

The weaker-than-expected demand in growth, and low business confidence culminated in excess production capacity. The use of capacity in the manufacturing sector accordingly worsened from 78,2% in the first quarter of 2009 to 77,9% in the second quarter.

The continued weakening of overall economic activity in the second quarter of 2009 caused a further decline in electricity demand. Consequently, the real value added by the sector that supplies electricity, gas and water contracted further, although its pace of decline slowed from an annualised rate of 7,9% in the first quarter of 2009 to 1,4% in the second quarter, alongside higher mining production and several cold winter spells over this period.

Real output by the construction sector increased at an annualised rate of 12,2% in the second quarter of 2009 compared with a growth rate of 14,7% registered in the first quarter. The demand for residential and non-residential buildings remained subdued, while activity in the civil construction sector increased, although at a slower pace, due to ongoing infrastructure development projects.

The real value added by the tertiary sector declined at an annualised rate of 1,2% in the second quarter of 2009, following a decline of 0,8% recorded in the first quarter. The contraction in the second quarter of 2009 was mainly due to receding activity in the financial intermediation, insurance, real-estate and business services sector, as well as a further decline in the real value added by the commerce sector over this period.

Real output of the commerce sector declined further at an annualised rate of 4,5% in the second quarter of 2009, compared with a decline of 2,5% recorded in the first quarter. Subdued activity in the commerce sector persisted due to a further decrease in the real value added by the wholesale, retail and motor trade subsectors, in line with the sustained weak household-sector demand.

The real value added by the motor trade subsector remained under pressure as the demand for new motor vehicles declined further. Activity in the market for used vehicles, and motor-vehicle parts and accessories, however, contracted at a slower pace than in the first quarter of 2009.

Real value added by the finance, insurance, real-estate and business-services sector contracted in the first and second quarters of 2009. A decline in the real value added by the banking, insurance and business-services sector was partly offset by increased trading activity in the domestic securities markets.

The real value added by the transport, storage and communications sector contracted by 1,8% in the first quarter and 1,1% in the second quarter of 2009. This was the net result of stagnant growth in the communications subsector and slower growth in the land-transport subsector. Activity in the latter subsector was harmed by receding freight volumes, consistent with further declining import and export volumes over the period.

Real production by general government increased at a rate of 2,4% in the second quarter of 2009, slightly lower than the growth rate of 2,7% recorded in the first quarter, partly due to a slower increase in employment by general government.

Domestic expenditure

Aggregate real gross domestic expenditure declined at an annualised rate of 14,5% in the second quarter of 2009, following positive annualised growth of 2,2% recorded in the first quarter. The decline in real gross domestic expenditure was a consequence of a contraction in real final consumption expenditure by households, alongside a deceleration in both final consumption expenditure by general government and real gross fixed capital formation.

Accordingly, real final domestic demand, which increased at an annualised rate of 0,5% in the first quarter of 2009, contracted at a rate of 3,5% in the second quarter. The level of real inventories contracted at a markedly faster pace in the second quarter of 2009 than in the preceding quarter.

Regardless of the three consecutive contractions in the GDP since the fourth quarter of 2008, the ratio of gross domestic expenditure to GDP trended below 100 in the second quarter of 2009; the first time since the beginning of 2004. The stickiness of gross domestic expenditure to the second quarter in 2009 reflected the efficiency of the tight monetary policy stance of 2008. The deterioration of expenditure behaviour, on the other hand, could be a reflection of the lagged effect of the monetary policy relaxation, accompanied by low confidence levels of consumers and business enterprises, the lower wealth effect and discomfort towards future income-generating possibilities.

The rate of decline in real final consumption expenditure by households accelerated from 4,8% in the first quarter of 2009 to 5,8% in the second quarter.

Although declines were registered by all spending components, it was much more pronounced in household expenditure on durable goods.

Real expenditure on durable goods declined further at an annualised rate of 18,8% in the second quarter of 2009, compared with the rate of decline of 15,2% recorded in the first quarter. Lower spending on durable goods was particularly evident in the categories for personal transport equipment, medical equipment and furniture and household appliances. Vehicle sales continued to be constrained by low consumer confidence, and the fact that households were more averse to debt and lenders more averse to risk.

Alongside a decline in outlays on residential buildings, expenditure on furniture and household appliances contracted further.

Households' real spending on semi-durable goods contracted at an annualised rate of 9,7% in the second quarter of 2009, faster than the rate of 7,9% recorded in the first quarter, with the most pronounced decline in the real outlays on motorcar tyres, parts and accessories.

Following a decline of 12,2% in the first quarter of 2009, real household spending on non-durable goods declined at a more sedate pace of 3,4% in the second quarter of 2009. Decreased expenditure on non-durable goods was noticeable in all the subcategories of non-durable goods, with the exception of petroleum products. On a year-on-year basis, the price of fuel declined by more than 20% in the second quarter of 2009, giving impetus to households' increased expenditure on fuel. Growth in real final consumption expenditure by households on services moved from an annualised growth rate of 6,5% in the first quarter of 2009 to a contraction of 2,7% in the second quarter.

According to the World Economic Forum's *2008 – 2009 Global Competitiveness Report*, South Africa officially has one of the best auditing systems in the world. In 2009, the forum ranked South Africa's auditing systems fourth in the world for auditing and reporting standards. The main goal of the report is to evaluate countries' economic environment and their ability to achieve sustained levels of prosperity and growth. South Africa came in at 48th place out of 137 countries in the report's overall ranking, the second-highest after Tunisia among African countries and ahead of large economies such as the United Kingdom, the United States of America, India and Russia.

South Africa also performed well in other categories such as business sophistication, quality of air-transport infrastructure, soundness of banks, availability of latest technologies and capacity of innovation.

Similar to the decline in household expenditure, real household disposable income contracted for the fourth consecutive quarter. Following negative growth of 4,5% in the first quarter of 2009, real household disposable income declined at an annualised rate of 5,7% in the second quarter. Fewer hours worked and layoffs in specific industries could have contributed to the decline in real household disposable income.

The ratio of household debt to disposable income inched marginally lower from 76,8% registered in the first quarter to 76,3% in the second quarter of 2009.

Likewise, on account of the general decline in interest rates, the ratio of debt-service cost to disposable income receded from 10,9% in the first quarter of 2009 to 9,5% in the second quarter of 2009.

Having increased at an annualised rate of 5,8% in the first quarter of 2009, growth in real final consumption expenditure by general government decelerated to a rate of 0,2% in the second quarter. The slower growth in real government expenditure reflected lower spending on the defence procurement programme and lower real spending on compensation of employees. Relative to GDP, consumption expenditure by general government remained broadly unchanged from the first quarter of 2009 to the second quarter.

Real gross fixed capital formation increased at a significantly slower pace in the second quarter of 2009. Following an upwardly revised annualised rate of increase of 12,7% in the first quarter of 2009, growth in real gross fixed capital formation slowed to a mere 0,1% in the second quarter. The deceleration in capital spending primarily reflected substantially slower growth in real capital outlays by public corporations.

Capital outlays by private business enterprises – the largest subcomponent of gross fixed capital formation – declined at a pace broadly similar to that recorded in the first quarter of 2009, whereas investment activity by general government continued to increase. However, the ratio of gross fixed capital formation to GDP was maintained at about 24,8% in both the first and second quarters of 2009.

Price inflation

The steps taken by the South African Reserve Bank to bring down inflation showed a deterioration in the inflation outlook. However, inflation was expected to follow a downward trend and to average 5,4% at the end of the forecast period in the final quarter of 2010 and to average 4,9% in 2009.

Overall consumer price inflation (CPI) increased to 6,5% in 2007 and 11,3% in 2008. Year-on-year inflation consumer price index less mortgage interest rate (CPIX) rose from 10,1% in March 2008 to a peak of 13,6% in August 2008 and moderated to 10,3% in December.

In February 2009, Statistics South Africa (Stats SA) introduced a revamped headline CPI and inflation target measure, known as the CPI for all urban areas.

This inflation-target measure increased from 8,1% in January 2009 to 8,5% in March 2009.

The annual rate of increase in headline food prices stood at 14,9% in March 2009 compared to a peak of 19,2% in August 2008. During the course of 2008, food prices increased on average by 16,8%. Processed food prices remained at high levels, reflecting higher cost of transport, wages and general production.

Year-on-year CPI stood at 10,6% in March 2008. Stats SA ascribed the higher rate partly to a rise in the year-on-year CPI for food from 7,7% in March 2007 to 15,3% in March 2008. CPIX inflation breached the upper band of the inflation target range between April 2007 and March 2009, for 24 consecutive months.

Exchange rates

After strengthening marginally by 0,8% during the first quarter of 2009, the nominal effective exchange rate of the Rand increased by 17,5% from the end of March 2009 to the end of June 2009.

Although the weighted average exchange rate of the Rand strengthened throughout the second quarter of 2009, a particularly sharp increase of 12,8% was recorded during April. The domestic currency benefited mainly from substantial capital inflows into the country, following the improvement in investors' sentiment towards emerging-market assets, an increase in commodity prices, and expectations of an improvement in the country's deficit on current account after the release of better-than-expected foreign trade data.

The weighted average exchange rate of the Rand declined by 0,6% from the end of June 2009 to the end of July, partly in response to the downgrading of the International Monetary Fund's (IMF) forecast for global economic growth and a concomitant decline in international commodity prices.

The real effective exchange rate of the Rand increased by 17,6% during the first half of 2009, following a decline of 16,5% during 2008. As in the past, the volatility in the real effective exchange rate of the Rand adversely affected the competitiveness of South African exporters.

The average net daily turnover in the domestic market for foreign exchange amounted to US$12,5 billion in the first quarter of 2009 and increased to US$15 billion in the second quarter. The increase in the average net daily turnover in the domestic market for foreign exchange was partly due to the increased participation of non-resident parties in the markets for debt and equity securities. The share of transactions in which non-residents participated consequently increased from 72,1% in the first quarter of 2009 to 75,1% in the second quarter.

Foreign trade and payments

The contraction in real gross domestic production and the almost simultaneous steep decline in the volume of merchandise imports in the first half of 2009 led to a turnaround in the deficit on the trade account in the second quarter of 2009, despite the relatively subdued external demand for domestically produced goods.

Exchange rates of the Rand – Percentage change

	30/09/08 – 31/12/08	31/12/08 – 31/03/09	31/03/09 – 30/06/09	30/06/09 – 25/08/09
Weighted average*	-7,8	0,8	17,5	-1,3
Euro	-8,9	2,5	16,7	-1,8
US dollar	-10,6	-3,4	23,8	-0,5
Chinese yuan	-10,9	-3,2	23,7	-0,5
British pound	11,6	-2,1	6,2	1,1
Japanese yen	-23,1	5,2	20,3	-1,7

Source: South African Reserve Bank *Quaterly Bulletin, September 2009*

Balance of payments on current account							
	2008					2009	
	1st qr	2nd qr	3rd qr	4th qr	Year	1st qr	2nd qr
Merchandise exports	568,4	680,1	706,3	668,2	655,8	538,4	484,2
Net gold exports	46,1	47,5	49,4	51,2	48,5	51,0	47,5
Merchandise imports	-668,1	-759,9	-792,4	-739,0	-739,9	-642,8	-505,1
Trade balance	-53,6	-32,3	-36,7	-19,6	-35,6	-53,4	26,6
Net service, income and current transfer payments	-138,8	-133,9	-143,9	-117,7	133,6	-110,3	-99,7
Balance on current account	-192,4	-166,2	-180,6	-137,3	169,2	-163,7	-73,1
As a percentage of gross domestic product	-8,8	-7,3	-7,8	-5,8	-7,4	-7,0	-3,2

Source: South African Reserve Bank *Quarterly Bulletin, September 2009*

South Africa's trade balance, which had registered deficits since the third quarter of 2005, consequently switched from a deficit of R53,4 billion in the first quarter of 2009 to a surplus of R26,6 billion in the second quarter.

The contraction in domestic economic activity since the middle of 2008 has also had a profound positive impact on the shortfall on the country's services, income and current transfer account with the rest of the world. Owing to a combination of continued lower net income and other service-related payments to non-residents, the deficit on this account narrowed considerably. As a result, the negative imbalance on the current account of the balance of payments improved from 7% of GDP in the first quarter of 2009 to 3,2% in the second quarter.

Subdued domestic demand conditions alongside weak business and consumer confidence levels gave rise to the third consecutive quarterly decline in the volume of merchandise imports in the second quarter of 2009. The contraction in the physical quantity of merchandise imports gained further momentum as various private-sector capital-expenditure projects were postponed in view of the fall in global demand.

Consistent with the slowdown in gross fixed capital formation, the imports of especially machinery and electrical equipment, and of vehicles and transport equipment receded strongly in the second quarter. In addition, the imports of intermediate and consumer goods also tapered off.

Overall, the volume of imported goods shrank for the third consecutive quarter, declining by 15,5% in the second quarter of 2009. Relative to gross domestic expenditure, the volume of merchandise imports decreased from 24,4% in the first quarter of 2009 to 21,4% in the second quarter – significantly lower than the peak of 28,1% recorded in the third quarter of 2008. Over the same period, the strengthening of the exchange value of the Rand more than offset the moderate increase in the international price of crude oil and other import commodities, leading to a decline of 7% in the Rand price of merchandise imports. The value of imported goods accordingly dropped by 21,4% from R643 billion in the first quarter of 2009 to R505 billion in the second quarter.

The combined effect of a decline in the volume and rand price of merchandise exports hampered export proceeds in the second quarter of 2009. The value of merchandise exports fell by 19,4% in the first quarter of 2009 and by a further 10,1% in the subsequent quarter. Although all main export categories registered declines, the value of manufactured exports declined markedly.

Following a decline of no less than 21% in the first quarter of 2009, the volume of merchandise exports contracted further by a marginal 2,8% in the second quarter. An increase in the demand for domestically produced mining products from especially Asia, partly negating lower export orders for domestically manufactured products from Europe and the United States of America (USA), boosted the performance of merchandise exports in an environment of contracting international trade volumes.

The partial resurgence in the demand for mining products underpinned international commodity prices, which continued to trend higher in the second quarter of 2009. However, the increase in the Dollar price of commodities was more than neutralised by the appreciation in the external value of the Rand during the quarter. Consequently, the unit price of merchandise exports fell by 7,5% in rand terms over the period.

On the London market, the fixing price of gold rose slightly from US$908 per fine ounce in the first quarter of 2009 to US$915 per fine ounce in the second quarter. The precious metal maintained its status as a hedge against inflation by international investors wishing to preserve wealth.

Mainly suppressed by the strengthening of the exchange value of the Rand, the realised Rand price of net gold exports declined by 12,7% in the second quarter of 2009, after having increased noticeably in the preceding two quarters. The decline in the Rand price of gold occurred alongside an increase of 6,7% in the physical quantity of gold exports. As a result, the value of net gold exports receded by 6,9% from R51 billion in the first quarter of 2009 to R47,5 billion in the second quarter.

The deficit on the services, income and current transfer account, which had narrowed consistently from the fourth quarter of 2008, amounted to R99,7 billion or 4,3% of GDP in the second quarter of 2009 – comparable with the average long-term ratio of 4,4%. A decrease in net income payments, and a further contraction in transport and freight-related service payments to non-residents predominantly supported the continued moderation in the deficit.

Net income payments to the rest of the world, which had been contracting because of lower gross dividend payments to foreign shareholders since the fourth quarter of 2008, decreased further in the second quarter of 2009. Gross dividend payments in the first half of 2009 were, in fact, 26,5% lower when compared with the corresponding period in 2008, effectively returning to dividend levels last recorded in early 2007.

The harsh domestic economic conditions and the impact on the distribution of income continued to affect income accruing to foreign investors. Lower dividend payments were augmented by a decline in gross interest payments on outstanding external interest-bearing liabilities in an environment of relatively low international interest rates.

Payments related to transport and freight services rendered by non-residents also declined substantially in the second quarter of 2009 as merchandise trade volumes continued to trend downwards. In addition, payments for "other services" contracted over the period as these services form an integral part of the cost structures of local producers. However, payments for technical services remained elevated as the demand for this type of service remained brisk due to ongoing infrastructural initiatives in the domestic economy.

In the second quarter of 2009, South Africa's terms of trade improved for the third consecutive quarter. The strengthening in the country's terms of trade mainly resulted from import prices, which declined at a faster rate than export prices.

Department of Trade and Industry

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

The department also aims to catalyse economic transformation and development, and to provide a predictable, competitive, equitable and socially responsible environment for investment, enterprise and trade for economic citizens. In this way, the department contributes to achieving government's vision of an adaptive and restructured economy, 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 are 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 in the mainstream economy and ensuring policy coherence.

South Africa's global positioning and integration

International Trade and Economic Development (ITED)

ITED's purpose is to develop trade and investment links with key economies globally; and promote economic development, through negotiating preferential trade agreements, supporting a strong, equitable multitrading system and fostering economic integration with the continent within the Nepad framework.

ITED contributes to the realisation of the department's strategic objectives by:

- expanding market access for South Africa's exports and facilitating investment through free trade agreements (FTAs), bilateral trade and investment agreements, and the harmonisation of standards and customs
- supporting economic development and capacity-building in Africa
- safeguarding and promoting South Africa's interests in the rules-based multilateral trade system
- ensuring compliance with international non-proliferation treaties
- conducting world-class global trade and economic analysis
- managing South Africa's tariff regime
- building a competent and effective institution to execute ITED's mandate, in cooperation with government, the private sector and civil-society stakeholders.

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Nine South Africans were included in the 2009 Class of Young Global Leaders, which is presented annually by the World Economic Forum. This is aimed at recognising young leaders from around the world for their professional accomplishments, commitment to society and potential to contribute to shaping the future of the world.

The young leaders convene at biannual summits, as well as forum events and meetings throughout the year, and collaborate on initiatives to tackle some of the key issues facing modern generations.

Drawn from a list of 5 000 candidates, the Class of 2009 was made up of 230 leaders from 71 countries. The 2009 honourees became part of the broader Forum of Young Global Leaders that consists of 480 individuals.

The 2009 South African young global leaders were:

- Brent Stirton – award-winning photographer
- Adria Greene – founder and CEO of Lawpoint
- Alan Knott-Craig – CEO of iBurst
- Vinny Lingham – CEO of Synthasite
- Anthony Miller – founder of Lightstone
- Euvin Naidoo – President and CEO of the South African Chamber of Commerce in America
- Vuyo Jack – co-founder and CEO of Empowerdex
- James Wanjohi – head of Branson School of Entrepreneurship
- Marianne Knuth – founder of Kufunda Learning Village.

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.

At a continental level, South African investment and trade with African countries has increased dramatically since 1994. Africa is now South Africa's fourth-largest export destination. South African investments in southern Africa alone totalled R14,8 billion in 2001. Trade with the rest of Africa increased to R108 billion in 2007 with exports amounting to R68 billion and imports to about R40 billion. In the same year, South Africa's trade in the Southern African Development Community (SADC) region totalled some R68 billion with exports reaching R44 billion and imports R24 billion.

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 this region 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 acts as a catalyst for trade and economic development on the continent to alleviate poverty. 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 provides technical support to the Nepad Secretariat in implementing spatial development initiatives across Africa, and continues to participate in African Union (AU) efforts to rationalise integration processes and develop a continental model for business law. The department also provides institutional and technical support to key counties in Africa, including Nigeria, Ghana, Zimbabwe, Egypt, Mali, Senegal, Uganda, Ethiopia and Zambia, and technical economic support for South Africa's post-conflict reconstruction and development programmes in the Democratic Republic of Congo (DRC), Sudan, Angola and Rwanda.

In 2007, the department published *South Africa in Africa – A Business Guide* to provide potential investors and traders with information about the South African market and business environment.

The Department of Trade and Industry, through its engagement with continental structures such as the AU Commission (AUC) 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, 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 the 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 cooperation 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 cooperation is premised on the concept that developing countries can capitalise on each other's strengths because of the alignment of their development goals.

This, however, does not preclude North-South cooperation, 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 DRC, Lesotho, Malawi, Madagascar, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

The SADC FTA was launched in South Africa in August 2008.

It provides preferential space towards regional business and its citizens by opening up opportunities for investment by reducing market risk

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

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

and transaction costs, and creating a network of regional businesses interconnection.

The FTA is a vital stepping stone towards a SADC Common Market, where the movement of people would be unrestricted and free. It will also involve the setting of a common external tariff among countries with mostly differing profiles.

Freeing trade in the region will create a larger market, releasing the potential for trade, economic growth and employment creation.

South Africa supports the establishment of a dedicated focal point within the Trade, Industry, Finance and Investment Directorate at the SADC Secretariat to coordinate the customs-union programme and ensure coherence between the activities of the Technical Working Group and other SADC structures.

Southern African Customs Union (Sacu)

Sacu consists of Botswana, Lesotho, Namibia, South Africa and Swaziland. The Sacu Secretariat is located in Windhoek, Namibia.

Sacu was established in 1910, making it the world's oldest customs union. It was administered by South Africa through the 1910 and 1969 agreements. The customs union collected duties on local production and customs duties on members' imports from outside Sacu. The resulting revenue was allocated to member countries in quarterly instalments using a revenue-sharing formula.

Negotiations to reform the 1969 agreement started in 1994, and a new agreement was signed in 2002 and ratified by Sacu heads of state.

The economic structure of the union links the member states by a single tariff and no customs duties between them. The member states form a single customs territory in which tariffs and other barriers are reduced substantially on all trade between the member states for products originating in these countries. There is a common external tariff that applies to non-members of Sacu.

The landmark FTA between Sacu and the European Free Trade Association (EFTA), comprising Iceland, Liechtenstein, Norway and Switzerland, became operational in 2008.

Sacu signed the Trade, Investment and Development Cooperation Agreement with the USA in April 2008 and the Preferential Trade Agreement with Mercosur (Common Market of the South) was concluded in June 2008.

The agreement manages and facilitates trade in industrial products, fish and other marine products, and processed agricultural products. Trade in basic agricultural products is governed by bilateral agreements with each of the EFTA states, the latter of which are party to the FTA. Most industrial goods, including fish and other marine products, now benefit from duty-free access to the EFTA states. The importation of products into Sacu will benefit greatly from the steady elimination of customs duties over a transitional period of time.

Trade with Europe

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

The United Kingdom (UK), Germany, the Netherlands, Spain and Belgium 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, showing annual growth of 18,5% between 2007 and 2008. In 2008, South Africa's biggest trade partner was the Netherlands.

European Union

President Jacob Zuma was co-chair of the second South Africa-EU Summit with his Swedish counterpart, Prime Minister Fredrik Reinfeldt, in September 2009 in Kleinmond, in the Western Cape.

Through the second SA-EU Summit, South Africa aimed to build on the positive progress that has been made since the partnership was launched in May 2007.

A key outcome during the summit was the signing of the amending agreement to the SA-EU TDCA. The amending agreement includes 35 new and revised non-trade chapter articles, which were negotiated following the mid-term review of the TDCA.

During the first SA-EU Summit in Bordeaux, France, in July 2008, South Africa and the EU recognised that since the establishment of the strategic partnership between South Africa and the EU in May 2007, bilateral relations had developed into an enhanced mutually beneficial partnership, based on strengthened political dialogue and cooperation in a wide range of economic and other areas.

The EU is the world's largest trading bloc and generates about 30% of global GDP and 20% of global trade flows. It is the world's biggest aid donor to poor countries, contributing about half of global aid.

Implementation of the SA-EU TDCA's trade provisions have been underway since 2000 with the aim of establishing an FTA between South Africa and the EU by 2012. Total trade increased from R56,5 billion in 1994 to R313 billion in 2007.

In 2007, South Africa's exports to the EU-27 totalled R152,6 billion. The EU also ranked as South Africa's number one export region in 2007.

Europe remains the principal source of foreign direct investment (FDI) in South Africa, accounting for around 80% of total FDI in 2005. Additionally, the EU accounted for about 66% of net foreign investment in South Africa in 2003 and 2004, and in 2005, the EU's share of the total assets held by foreigners in South Africa amounted to about 60%.

The EU is South Africa's largest development partner, representing about 70% of all overseas development assistance, with South Africa earmarked to receive €980 million from 2007 to 2013. The European Investment Bank has also approved a loan mandate of €900 million to South Africa.

The Americas

North America

The trade and investment relationship between the two countries has significantly increased, resulting in total trade approaching almost R100 billion, with South Africa enjoying a trade surplus of about R20 billion in 2008. In addition, South Africa is one of the major beneficiaries under the African Growth and Opportunity Act, ranking third after Nigeria and Angola, respectively, with South African exports to the USA being the most diversified when compared to other sub-Saharan African countries' exports.

Canada

Another significant trading partner in the Americas is Canada. South Africa is a beneficiary of Canada's General Preferential Tariff (GPT). GPT rates range from duty-free to reductions in the most favoured nation (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 number of clothing and textile products from South Africa to enter the Canadian market at a better-than-MFN tariff rate.

An annual consultation forum was established to discuss matters of mutual interest in South Africa's relations with Canada. The forum 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.

Asia

The trade deficit with Asia increased from R8,3 billion to R9 billion in 2008/09. Exports to Asia increased by R1,3 billion to R17,9 billion and imports increased by R1,9 billion to R26,9 billion.

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.

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.

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> In September 2009, the European Commission and the United Kingdom's Department for International Development allocated about R1,3 billion for South Africa's economic-support and employment-creation programme. It was announced at the South Africa-European Union Summit held in Kleinmond, Western Cape.
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> The purpose of the programme is to assist the economic-sector departments of the South African Government to accelerate South Africa's economic growth rate and provide more and better jobs for poor people.
>
> Government departments in the economic sectors had access to additional funds to promote skills development and initiate programmes to expand the capacity of the productive economy. National government departments were also able to access funds to partner provincial and local government, research institutions, the private sector, labour and civil society; to promote dialogue; and to find innovative ways of stimulating higher economic growth and employment.

North-east Asia

South Africa and the People's Republic of China (PRC) celebrated 10 years of diplomatic relations in 2008.

In the first half of 2009, China was South Africa's number one export destination, with an annual growth of 53,9%.

South Africa's trade balance with China in the first half of 2009 was minus R8,8 billion, down from minus R19,2 billion in 2008.

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 the last three years, Africa's trade with China has doubled, reaching US$106,7 billion in 2008. China is Africa's second-largest single trading partner and reconfirmed commitments made at the 2006 China-Africa Summit in Beijing to double aid to Africa and reduce barriers to its imports.

Beyond bilateral and regional initiatives, South Africa and the PRC also cooperate in multilateral forums, including in the World Trade Organisation (WTO), the G20 and Non-Agricultural Market Access 11 groupings (Nama-11), based on shared developmental perspectives.

Japan is among South Africa's top overall trading partners. 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.

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 through initiatives such as the Joint Ministerial Commission and business engagements.

Developments in building economic relations with India are also expanding to include partners in Sacu, as reflected in the Sacu ministers' undertaking to pursue preferential trade-area 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 cooperation 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.

In 2008, during the IBSA Summit in South Africa, the three countries committed to increase trade among themselves to R142 billion by 2010. They also agreed that there was a need for more cooperation to reform the international financial architecture to better serve the developing countries' interests.

South Africa also cooperates 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.

The South Africa-Pakistan Joint Commission serves as the platform from which trade and investment initiatives with Pakistan can be introduced.

Multilateral economic relations

The WTO, in partnership with the Bretton-Woods Institutions, the World Bank and the IMF, 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 promotes the development-friendly integration of developing countries into the world economy. Unctad has progressively evolved into an authoritative knowledge-based institution whose work aims to help shape policy debates and thinking on development, with a particular focus on ensuring that domestic policies and international action are mutually supportive in bringing about sustainable development. 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. Such assistance is pursued through research and policy analyses, intergovernmental deliberations, technical cooperation and interaction with civil society and the business sector.

Unctad focuses 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 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 in 2001, when an agreement was reached to launch a new round of trade negotiations, this time with a developmental agenda.

South Africa is to participate in the next Doha Round of WTO negotiations, set to take place in July 2010 on the sidelines of the G8 Summit in Italy, to ensure developing nations have a voice.

The Department of Trade and Industry is expected to coordinate all departments' input to ensure a common South African position during these talks. Leaders of the G8 industrialised countries and five major developing countries agreed to conclude the Doha Round trade talks in 2010.

The Doha Development Round talks were launched in 2001 with the aim of helping poor countries through trade. It should have been finalised years ago, but were delayed several times because of rifts between developed and developing countries, mainly India and the USA over tariffs and agriculture subsidies. In his State of the Nation Address, President Zuma made the conclusion of the WTO Doha Development Round of negotiations a priority for government.

World Economic Forum (WEF)

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 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.

The 19th annual WEF on Africa was held in June 2009 in Cape Town. Participants discussed the development of a new strategy for Africa's prosperous future. The *Africa Competitiveness Report 2009* was released at the meeting. The report provided a platform for discussion around the impact of the financial crisis on Africa's traditional growth drivers, such as infrastructure development, demand for oil and other valuable commodities, and inbound foreign capital.

Africa's fast-growing mobile sector also came under the spotlight. Nigeria is the continent's biggest mobile market, followed by South Africa, Algeria, Egypt and Morocco. The continent as a whole is the world's fastest-growing mobile market.

Participants took into consideration other important social and environmental issues that affect Africa, including healthcare, education, food security and climate change. They deliberated on the current investment climate, as well as practical ways to boost better governance and business practices, to expand trade and to increase domestic and foreign investment across the continent.

Trade and Investment South Africa (Tisa)

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.

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 Customised Sector Programme (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.

The Department of Trade and Industry has been working intensively with all stakeholders to give effect to the CSP process.

For companies in the clothing and textiles sectors to be in a position to compete with international competitors in the domestic and international markets, it is essential that they advance their operational competitiveness to world-class performance levels. The department has therefore developed the Clothing and Textiles Competitiveness Programme, which is being administered by the Industrial Development Corporation (IDC) and consists of the following elements:

- a capital upgrading programme available to clothing, textiles and footwear manufacturers via the Enterprise Investment Programme administered by the department, together with preferential loans via the IDC at prime less 5%
- the Clothing Textiles Competitiveness Improvement Programme, which will be provided on an attractive cost-sharing basis.

One of the most critical challenges is the combating of pervasive illegal imports within the industry, including under-invoicing. In December 2008, the South African Revenue Service (Sars) dedicated specific capacity to deal with illegal activity in the clothing, textiles and footwear sectors. It undertook an ongoing series of enforcement campaigns.

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In the first half of 2009, China was South Africa's number one export destination, with annual growth of 53,9%, while the United States of America (USA) saw an annual decrease of 42,6% in exports. China took 11,9% of the total market, the USA 8,3% and Japan 7,5%.

In 2008, according to customs data, Japan, the USA and Germany were the country's top export markets, while Germany, China and the USA were the top import markets.

During the recession, exports decreased by 19,2%. However, data in 2009 showed that South Africa recorded a surplus of R446,758 million for its trade with non-Southern African Customs Union trading partners following a R3,221-billion surplus for June.

In the first half of 2009, the largest growth (relative to 2008) for significant export sectors, apart from unclassified goods, was for fruit and nuts (11%), but the number one sector was precious or semi-precious stones at 24% of the cumulative total.

The largest import growth among major goods took place for pharmaceutical products (6,3%), with the biggest sector being mineral fuels and oil at 20,3% of the total.

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.

Export promotion

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.

Tisa's purpose is to increase South Africa's capacity to export by developing and implementing strategies for targeted markets, increase the level of direct investment flow and manage the department's network of foreign offices.

Objectives and measures are to:

- promote awareness of investment opportunities in South Africa by conducting three international investment conferences, 95 investment presentations, six South African exhibitions (pavilions) and five ministerial or presidential missions by March 2010
- improve the capacity of new exporters by training 200 new small exporters, reaching 2 000 customers and distributing 3 000 publications by March 2010
- promote South African products in targeted high-growth markets by conducting six international trade initiatives and 25 pavilions, and fund 50 trade missions through export councils and provincial investment-promotion agencies by March 2010
- facilitate markets for southern African products and services by promoting and implementing eight export projects in targeted countries by March 2010.

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.

The EIDD contributes to realising the department's strategic objectives by:

- creating an enabling environment for all enterprise forms, including cooperatives, 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.

Incentives include the:

- Small Medium Enterprise Development Programme (SMEDP)
- Skills Support Programme
- Critical Infrastructure Programme (CIP)
- industrial development zones
- Foreign Investment Grant
- Strategic Investment Programme.

The Enterprise Organisation (TEO)

The Department of Trade and Industry's TEO provides incentives to stimulate or catalyse investment in infrastructure, human-resource development (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).

The CIP comprises two distinct subprogrammes: the Tourism Support Programme and the Manufacturing Investment Programme. It will replace the SMEDP.

In August 2009, Cape Town Film Studios received R16 million from the Department of Trade and Industry through the CIP. The company will offer locations for local and foreign filmmakers and use local talent and equipment. It will be a one-stop media-production facility, providing the local and international film industry with comprehensive and competitively priced service offerings.

Workplace Challenge Programme

This supply-side programme of the Department of Trade and Industry (administered by the National Productivity Institute) 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.

Industrial development

To improve the performance of the real economy's investment and employment, the department is committed to implementing policy initiatives and strategies that will enable the economy to adapt and adjust to emerging challenges.

The National Industrial Policy Framework (NIPF) and the 2007/08 Industrial Policy Action Plan (IPAP) have resulted in a more rigorous and comprehensive industrial policy.

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

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

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.

The NIPP has opened entirely new markets, sometimes with unique new products, such as turning leather into car seats and using platinum to produce catalytic converters. South Africans have taken raw material and moved it up the value chain. 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 AsgiSA.

Concerted efforts have been made to maximise job creation; involve small, medium and micro-enterprises (SMMEs); build Black Economic Empowerment (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.

In 2009, the BEE component saw 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.

Industrial Policy Action Plan

The completion and publication of a comprehensive NIPF and the first IPAP in 2007/08 marked a significant achievement in the department's evolving efforts to advance industrial development in South Africa.

The IPAP identifies four key priority lead sectors where interventions will be prioritised to unlock growth and realise employment potential. These are: capital/transport equipment and metals;

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In October 2009, the *MSC Catania* made history when it became the first commercial vessel to discharge its cargo at South Africa's new deep-water port of Ngqura, which forms part of the Coega Industrial Development Zone outside Port Elizabeth in the Eastern Cape. The *MSC Catania* loaded and off-loaded a total of 275 containers, at an average of 19 containers per hour.

The second commercial vessel to call at Ngqura – the 275-m long *MSC Shanghai* with a draught of 14,5 m – entered the port in the same month to discharge cargo at Ngqura's container terminal. The *MSC Shanghai* off-loaded 50 containers and loaded 101 containers, with an average of 17 containers being handled per hour.

The port of Ngqura and its 60-hectare container terminal represents Transnet's solution to South Africa's long-time shortage of container capacity, resulting from the growth in container traffic worldwide.

Transnet has invested in excess of R10 billion to develop the state-of-the-art port and associated infrastructure. This includes a world-class two-berth container terminal – with a further two berths under construction – a two-berth multipurpose terminal and a one-berth liquid bulk terminal.

automotive assembly and components; chemicals, plastic fabrication and pharmaceuticals; and forestry, pulp, paper and furniture. These sectors and others to be identified in the future have been targeted on the basis of the following criteria: employment and growth potential, investments, exports and government's ability to intervene.

The NIPF emphasises the strategic objective of altering the trajectory of industrialisation and economic growth to ensure more sustained employment creation; to defend, diversify and upgrade the industrial base; and, among other things, to shift to high value-added and knowledge-based activities.

The NIPF also calls attention to the need for synergies and linkages between the various policies and programmes of government's different arms and agencies.

In September 2008, key achievements of the first IPAP included the completion of work on a new programme for the automotive sector – the leading manufacturing sector with critical supply linkages to about a dozen other subsectors.

The Automotive Production and Development Programme, which seeks to promote domestic manufacturing and the development of a competitive components sector, will replace the previous Motor Industry Development Programme.

The department has also developed a new programme for the leading labour-intensive sector in the form of the Clothing and Textile Competitiveness Programme.

Although the new programme will be fully rolled out in 2012, some elements were expected to be introduced in the 2009/10 financial year, including investment allowance.

Preparing for the next IPAP has required that a number of critical capacity issues are addressed, such as cadre development, coordination, consultation and appropriate resourcing. In 2009, the department initiated a new model for industrial finance and continued to work on all identified lead sectors as well as developed, in conjunction with the Department of Agriculture, Forestry and Fisheries, a comprehensive strategy for agro-industries.

The two-year tender for the supply of antiretrovirals (ARVs) was awarded in mid-2008, with 84% of the R3,6-billion contract allocated to domestic ARV-manufacturers. In 2009, feasibility studies on the domestic manufacture of active ingredients and anti-tuberculosis medicine were underway.

Initiatives in the pharmaceutical sector are crucial to ensure that government procurement is leveraged to develop certain industrial capabilities and facilitate industrial development.

The jewellery incubator has been established at the Gold-Zone in Germiston, Gauteng, to cover training and SMME-development. A preliminary report on the study of the limitation and rationale for the exportation of scrap metal was completed in December 2008.

By March 2009, the forestry sector skills plan had been submitted to the Department of Labour, a task team had been established to work on the skills development strategy for the sector, a draft funding policy for small growers had been completed and a call for proposals for the development of a saw timber strategy had been issued.

With regard to the metals sector, the National Foundry Technology Network is fully operational, 17 companies have been benchmarked and technology upgrading has commenced.

In tourism, key initiatives underway include the Tourism Enterprise Development Strategy, Airlift Strategy, Framework for Integrated Service Excellence, a review of the current grading system, the Tourism HRD Strategy, and 2010 plan.

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Government investment in infrastructure development in the industrial development zones (IDZs) has captured the interest of major investors, especially in the Eastern Cape, where the Coega and East London zones are located. These two zones are expected to raise over R22 billion in investments over the medium term, in line with the objectives of the Accelerated and Shared Growth Initiative for South Africa.

The Coega IDZ covers 11 500 hectares of industrial land located adjacent to the new deep-water port of Ngqura. By September 2009, more than 50 infrastructure projects had been completed, and over R2,7 billion had been invested by both the Eastern Cape Provincial Government (R1,3 billion) and the Department of Trade and Industry (R1,4 billion). These investments are for facilities and infrastructure development such as roads, bulk electricity power lines, water and sewers, new factory buildings, a residential village, a multitenant office building and bulk earthworks.

Since its inception, the East London IDZ has managed to facilitate investment commitments from 17 manufacturers. By September 2009, the total infrastructure investment value was R920 million and 1 313 direct manufacturing jobs had been created.

The Richards Bay IDZ was designated in 2002, and operates on a provisional operator permit. Compared with the other IDZs, the Richards Bay zone requires minimal infrastructure as bulk infrastructure already exists. Two key investors have been secured. The estimated combined investment value was R2,3 billion in September 2009.

On biofuels, licensing criteria were finalised in May 2008 and approved for publication. These criteria are available on the Department of Energy's website (under petroleum licensing documents).

The Department of Trade and Industry, together with other government departments, will be exploring how stronger mechanisms to support local industrial development could be built in, while also promoting BBBEE. The department will also seek to strengthen domestic procurement by state-owned enterprises (SOEs). The Government wants to maximise the massive opportunities presented by procurement arising from the R787-billion infrastructure programme, and ensure that the target of reducing the imported content of the programme from 40% to 30% is met. This will also help to reduce the high current account deficit and ensure the sustainability of the infrastructure-build programme.

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 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 Department of Trade and Industry's Small and Medium Manufacturing Development Programme provides incentives to qualifying companies.

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 small and medium enterprises (SMEs) have an equitable opportunity to participate in the economy
- promote a greater spread of ownership, in particular by increasing the ownership stakes of historically disadvantaged individuals.

The Competition Amendment Act, 2009 (Act 1 of 2009), gives competition authorities additional tools to deal with uncompetitive behaviour and complex monopolies in the economy, which hamper the development of more labour-intensive downstream industries. The Act seeks to address structural constraints in highly concentrated markets characterised by complex monopolies that inhibit the growth and competitiveness of industries. This will facilitate market entry by SMMEs while promoting competitive, fair and efficient markets.

The functions of the Competition Commission include investigating anti-competitive conduct in contravention of the Competition Act, 1998, 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.

The Competition Tribunal adjudicates competition matters in accordance with the Competition Act, 1998. The tribunal is subject to the Constitution and the law, and acts independently. The tribunal may hear matters relating to mergers and acquisitions, complaints regarding cartels and other anti-competitive business practices and may impose remedies, including the ordering of fines to be paid by transgressors.

Small, medium and micro-enterprises

There are an estimated two million SMMEs and 17 000 registered cooperatives in South Africa. As part of the strategy to improve access to finance for SMMEs, the Khula direct lending business case has been completed and was presented to Cabinet in November 2008. The Direct Lending Strategy is focused on providing finance to the lower end of the market, which is not serviced by mainstream financial institutions.

The process of aligning the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000), regulations with the BBBEE Codes of Good Practice, has taken longer than expected but in 2008, the task team was working towards finalising the proposals for aligning the two pieces of legislation. The framework that integrated support for small enterprises across the three spheres of government was finalised in March 2009. This framework focuses on the following elements:

- coordination of SMME programmes, including provincial networks
- SMME support infrastructure
- annual joint reporting by all spheres of government.

The Government's key focus has been on enhancing integrated state financial and business development support for small enterprises through strengthened institutional mechanisms and more effective coordination. The work on establishing an implementation and measurement framework for policy and legislation was completed by June 2009.

In 2008/09, the department continued to roll out this support network for small enterprises with a focus on improving synergies between various departmental and intergovernmental programmes that exist to support SMEs. In terms of strengthening linkages between small enterprises and the rest of the economy, the 10 products for government procurement from small enterprises were approved by Cabinet. The department also finalised the mechanism to monitor the payment of small enterprises within 30 days. On ensuring the timeous payment of SMMEs by government, a call centre targeted at assisting SMMEs in this regard was operational by April 2009.

The constraint of lack of access to finance remains a key impediment to the growth and development of SMMEs and the Department of Trade and Industry has made it one of its leading priorities.

The department established the necessary institutional framework for the promotion of a more inclusive economy, in the form of the Integrated Small Business Strategy and the agencies designed to deliver support and services to SMMEs, namely:

- Khula Enterprise Finance Limited (Ltd) to provide financial support to the underserviced market of between R10 000 and R250 000
- the Small Enterprise Development Agency (Seda) for non-financial support
- the South African Micro-Finance Apex Fund (Samaf) for micro-finance of R10 000
- the National Empowerment Fund for financing BBBEE transactions.

Institutional support framework

National Small Business Advisory Council (NSBAC)

The NSBAC advises on issues affecting owner-managed businesses.

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

Small Enterprise Development Agency

Seda's mandate is to design and implement a standard national delivery network that must uniformly apply throughout the country. Its role includes the support and promotion of co-operative enterprises, particularly those located in rural areas.

The work of Seda is carried out in line with the Department of Trade and Industry's Integrated Small Enterprise Development Strategy, which aims to:

- strengthen support for SMMEs' access to finance
- create an enabling regulatory environment
- expand market opportunities for specific categories of small enterprises
- localise small business support through a grid of Seda-coordinated information and advice access points
- initiate a national entrepreneurship drive and expand education and training for small business
- co-fund minimum business infrastructure facilities in local authority areas across the country

Through Seda offices, entrepreneurs receive services such as the development of business plans, technical advice and marketing, information on export support, tenders and incentives.

Seda offices are operational in all nine provinces.

South African Micro-Finance Apex Fund

Samaf is a wholesale funding institution formally established in April 2006. It is a trading entity and is governed by the Public Finance Management Act, 1999 (Act 1 of 1999). Samaf is tasked to facilitate the provision of affordable access to finance by micro, small and survivalist businesses for the purpose of growing their income and asset base. Samaf aims to reduce poverty and unemployment and extend financial services to reach deeper and broader into the rural and peri-urban areas. It also aims to build a network of self-sufficient and sustainable micro-finance institutions.

Khula Enterprise Finance Limited

Established in 1996, Khula Enterprise Finance Ltd is dedicated to the development and sustainability of small business enterprises in South Africa.

The company is a wholesale finance institution, which operates across the public and private sectors, through a network of channels, to supply much-needed funding to small business. Khula's channels include South Africa's leading commercial banks, retail financial institutions, specialist funds and joint ventures in which Khula itself is a participant. Its primary aim is to bridge the "funding gap" in the SME market not addressed by commercial financial institutions.

Business Partners Limited

Business Partners Ltd is a specialised risk financier that provides customised and integrated investment, technical assistance, mentorship and property services to SMEs in South Africa, Kenya and Madagascar.

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> South Africa hosted the 19th World Economic Forum on Africa in June 2009. The theme of the summit was *Implications of the Global Economic Crisis for Africa*. Over 700 prominent figures from Africa and the world gathered to discuss ways in which the continent could address the challenges posed by the financial meltdown. Analysts said that Africa was in a better position to weather the storm, as the continent had not integrated as deeply with the global economy as had other more developed regions. Wealthier African countries, which had greater exposure to world markets, felt the pinch more severely.

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 Ltd, Old Mutual Life Assurance Company of South Africa, Standard Bank Investment Corporation Ltd, Anglo Corporate Enterprises (Pty) Ltd and De Beers Holdings (Pty) Ltd.

In addition to its own investment funds, Business Partners Ltd also manages a joint venture fund, the Business Partners-Khula Start-Up Fund – a R150-million fund established together with Khula Enterprise Finance Ltd.

Business Partners Ltd is committed to investing capital, skills and knowledge into viable entrepreneurial enterprises.

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.

Isivande Women's Fund (IWF)

The IWF aims to accelerate women's economic empowerment by providing affordable, usable and responsive finance.

It renders financial support for deals requiring start-up funding, involving business expansions, rehabilitations, turnaround and franchising. It provides loans that range from R30 000 to R2 million per business, with a maximum loan-repayment period of five years.

Industrial Development Corporation

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

According to the IDC's annual results, announced in March 2009, the IDC had a 42% increase in profit to R5,6 billion and revenue more than doubled to R14,9 billion. During 2008/09, the IDC provided R500 million to 14 companies in distress. By July 2009, another five companies had benefitted by R300 million.

Some R6,1 billion had been set aside for more rescues over the next two years. The IDC's funding approvals rose by 27% and is expected to create 24 200 new direct jobs.

By July 2009, IDC funding included:

- R82 million to a 100% black-owned and operated diamond-cutting, polishing and jewellery design company

- R260 million for a project to mine manganese in Hotazel, Northern Cape
- R157 million for the construction of a black-owned five-star hotel in Port Elizabeth.

Technology support

To coordinate and streamline the Department of Trade and Industry's technology support to SMMEs, the following were achieved in 2008/09:

- The department successfully integrated the South African Quality Institute and the technology-transfer activities of the Technology of Women in Business Programme into the Seda Technology Programme (STP), thereby adding quality services to SMMEs and support for technology transfer to women-owned businesses.
- The department, through the STP, is supporting 26 incubators in different industrial sectors countrywide to support SMMEs. This has led to the creation of 154 SMMEs and support to 283 SMMEs since 2004.
- Through the Technology Transfer Programme of the STP, the department supported 56 technology-transfer interventions to the value of R29,8 million. All these transfers were to second-economy participants of which 39% were women.
- Through the Support Programme for Industrial Innovation, the department supported 74 projects at a grant value of R78,3 million and a total project value of R306 million. About 34% of these projects were with BEE enterprises.
- Through the South African Intellectual Property Fund, the Department of Trade and Industry supported five SMMEs by providing venture capital. The department also trained five fund managers as interns for the industry.
- The Department of Trade and Industry contributed to the establishment of the Sisal Resuscitation Project in Limpopo, creating industrial development opportunities for a cooperative in a rural area.
- The department introduced the Trade and Industry Technology Awards.

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 lottery 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.

The Companies Act, 2008 (Act 71 of 2008), aims to, among other things, promote the development of entrepreneurship and enterprise efficiency; create flexibility and simplicity in the formation and maintenance of companies; encourage transparency and high standards of corporate governance; and recognise the broader social role of enterprises.

The Act provides for the establishment of the Companies and Intellectual Property Commission to administer and enforce the legislation.

In April 2009, then President Kgalema Motlanthe signed into law the Consumer Protection Act, 2008 (Act 68 of 2008). The primary purpose of the Act is to prevent exploitation of consumers and to promote their social well-being. The Act seeks to create and promote an economic environment that supports and strengthens a culture of consumer rights and responsibilities. It seeks to promote a fair, efficient and transparent marketplace for consumers and business.

It achieves this by introducing, among other things, a system of product liability and improved redress.

The Act promotes consumer activism by providing for accreditation of consumer groups for lodging complaints on behalf of consumers.

It provides for possible financial support for activities such as consumer advice, education, publications, research and alternative dispute resolution through mediation or conciliation.

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The Public-Sector Small, Medium and Micro-Enterprise (SMME) Payment Assistance Hotline provides a single point of contact between SMMEs and government. This is to facilitate the payment of services rendered by SMMEs by public-sector institutions within 30 days of delivery.

The Public-Sector SMME Payment Assistance Hotline can be reached via a dedicated share call number 0860 766 3729 (0860 SMME PAY). It operates from 06:00 to 18:00 on weekdays. After-hour enquiries may be submitted via e-mail or fax. The e-mail and fax templates can be downloaded via the Small Enterprise Development Agency website (*www.seda.org.za*), by following the Public-Sector SMME Payment Assistance Hotline link.

Black Economic Empowerment

Broad-Based Black Economic Empowerment Strategy

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

These 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.

Black Business Supplier Development Programme

In August 2009, the Department of Trade and Industry effected revisions to the BBSDP. The department approved the revised guidelines in June 2009, prompting the need to step up measures to enhance the competitiveness of local, black-owned SMEs.

Accordingly, the department announced that applications under the previous programme were accepted until 31 August 2009, after which these would be replaced with the new guidelines and published on the department's website on 30 September 2009. The revised BBSDP was expected to come into effect on 1 April 2010.

From its inception in 2002 to the end of July 2009, the BBSDP showed an estimated growth of 800%. A total of 6 409 enterprises benefited from the programme and over R270 million was disbursed.

Amendments to the existing BBSDP were primarily aimed at assisting black-owned SMEs to acquire productivity-enhancing technology. The revised guidelines further sought to enhance assistance to targeted enterprises, to enable them to access opportunities created by government's BBBEE policies and supply goods and services to the corporate sector, parastatals and government.

To enable access to the revised programme, the department introduced a structured training programme for network facilitators, which would enable them to identify interventions that would contribute towards the competitiveness of local enterprises.

Network facilitators will be eligible to apply for training and subsequently be accredited after successful completion of the training programme. The selection criteria of applicants will take into account, among other factors, experience in the BBSDP. Training for network facilitators will cover the following modules:

- use of company assessment tools
- business-writing skills
- ethics in consulting
- basic understanding of company accounts
- client and assignment management
- training on the revised BBSDP guidelines.

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 about 50% per year and, as a result, a window of opportunity exists for South Africa to realise significant value by developing this sector.

The roll-out of government's assistance and support programme for BPO is underway. Since its launch in 2007, 19 applications were received by March 2009 of which 17 were approved. The approved projects are expected to result in 15 000 jobs and R1,1 billion in investment.

Government has committed R439 million to be disbursed between 2009 and 2012.

This includes targeting designated areas in underdeveloped regions. Call centres were launched in Mangaung and Sisonke municipalities. By mid-2009, Phase One of the Monyetla Work Readiness Programme had been completed and over 1 000 previously unemployed youth had been trained.

State-owned enterprises

As the shareholder representative for government, the Department of Public Enterprises has the responsibility of overseeing nine SOEs, namely Alexkor, Broadband Infraco, Denel, Eskom, the Pebble-Bed Modular Reactor (PBMR), South African Airways (SAA), South African Express Airways (SAX), South African Forestry Company (Safcol) and Transnet.

The role of the department is to ensure that SOEs provide economic growth and give South Africa a cutting edge in the development of key infrastructure and manufacturing capacity.

Alexkor

The core business of Alexkor is the mining of diamonds across land, riverbeds and in the sea. The company is used by the State to increase diamond-mining capacity. Alexkor also plays a role in various community and investment projects, such as the Alexkor Development Foundation, which contributes to the socio-economic development of Namaqualand.

Alexkor experienced a number of business constraints, including a land claim instituted by the Richtersveld community. These constraints resulted in decreasing diamond recoveries and declining revenue and profitability over the years.

In April 2007, the Deed of Settlement of the Richtersveld community's land claim was signed. In terms of the Deed of Settlement, Alexkor's land-mining rights will be transferred to the community, while marine rights are retained by Alexkor.

The agreement provides for the formation of a pooling and sharing joint venture (PSJV) between Alexkor and the Richtersveld community, with 51% of shares in the PSJV vesting in Alexkor and the remainder with the Richtersveld community.

The PSJV will put in place a mine-development plan and programme to upgrade land- and sea-diamond resources and it will develop a business plan to constitute a viable mining venture.

The department has mandated Alexkor to explore options to reposition the company as a state-owned mining company that would intervene in the mining and minerals environment when opportunities of strategic, social, economic or developmental importance exist.

Broadband Infraco

In January 2008, Broadband Infraco became a stand-alone SOE. It has done well in operationalising and strengthening the national long-distance network, and has provided additional capacity.

The high cost of broadband in South Africa is directly attributable to the lack of investment in infrastructure and monopolistic control of certain key elements required to deliver broadband, namely:

- national long-distance fibre-optic infrastructure
- international marine-cable connectivity.

Infraco acquired 5 800 km of fibre-optic backbone infrastructure from Eskom and Transnet in 2005, and has since expanded the network to a carrier grade national coverage network extending over 11 500 km, increasing the available capacity six-fold to about 40 gigabit per second.

Infraco has also embarked on the West African Cable System (WACS) Project. Broadband Infraco and major private-sector telecommunications operators (Telkom SA, Neotel, MTN and Vodacom) signed a construction and maintenance agreement and the supply contract for the implementation of the WACS Project. The high-capacity 14 000-km cable, to be supplied by Alcatel-Lucent Submarine Networks, will link Africa to Europe. The cable is expected to be ready for service by early 2011.

Denel

Denel is the largest manufacturer of South African defence equipment and operates in the military aerospace and landward defence environment. Due to a decrease in local defence spending, Denel has experienced suboptimal performance in recent years.

A turnaround strategy has been developed and implemented, which has resulted in a decline in losses. This is expected to continue in the near future.

In March 2009, Denel Aviation was accredited as the ninth Lockheed Martin Service Centre in the world for the maintenance, repair and overhaul of C-130 transport aircraft. This formal accreditation opens the way to a much bigger market, particu-

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The Independent Development Trust's (IDT) primary task is to support and add value to the national development agenda by using its resources to deliver sustainable development programmes.

This translates into the IDT working with government in largely rural communities to build schools and clinics, upgrade infrastructure, create jobs and provide sustainable solutions to local projects. An assessment over the past financial year showed that 90% of the contractors used were Black Economic Empowerment (BEE) companies. About R500 million that was paid to contractors was committed to BEE companies. In addition, the organisation used over 55% of its programmatic budget for local economic development and job creation, benefiting the historically disadvantaged.

In 2008, the IDT built 731 classrooms and worked to improve 51 health facilities. Through such projects, the organisation created 19 705 jobs and provided over 15 000 training opportunities in governance, life and technical skills.

larly in Africa, where there is currently no other official Lockheed Martin C-130 accredited service centre.

Eskom and the Pebble-Bed Modular Reactor (PBMR)

The long-term key objective of government is to secure environmentally sustainable electricity for the country. Eskom has established an investment programme in excess of R300 billion, which will span over the next five years.

An important component of Eskom's capacity-generation programme is, among other things, the introduction of independent power producers, which will diversify the revenue sources for the Build Programme and help ensure security of supply.

Nuclear power, the most viable alternative to coal as a base-load source of electricity, is also expected to make a larger contribution to the energy mix. This will be done through conventional nuclear technology and the new fourth-generation high-temperature reactors offered by the PBMR.

The PBMR, a major development project, requires considerable initial investment by project partners as it is still in project-delivery stage. This project is important for the retention of skilled professionals within the South African industry. The success of the project will have a positive impact on the country's manufacturing sector and provide leading technology in the reduction of greenhouse-gas emissions.

South African Airways

SAA continues to play a strategic role in the local and regional economies. As a state-owned airline, it fulfils its mandate of being an African airline with a global reach through strategic links to key domestic, regional and international markets.

The airline has the most dominant frequent flier programme on the continent and as such is well positioned to expand its route network as the first African member of the largest alliance, Star Alliance.

The airline has offered access to a myriad of international destinations on partner airlines and continues to be awarded top trade awards for service- and aviation-related matters. SAA has a world-renowned aircraft maintenance division, namely SAA Technical, which has the potential to position South Africa as a key maintenance and overhaul destination for international and regional carriers.

South African Express

SAX is a domestic and regional passenger and cargo carrier established in April 1994. The airline's main objective was to provide a feeder network to the mainline carrier, SAA.

SAX has since become one of the fastest-growing regional airlines in Africa. It has managed to become a leading airline with a substantial market share due to the gauge and frequency of services rendered.

The airline's success is primarily hinged on the FAT principle – Frequency of flights, Availability of seats and Timing of flights. The strong link to SAA in terms of delivery, reservations and various support functions are competitive advantages. By adhering to the SAX Act, 2007 (Act 34 of 2007), which specifically states that SAX would enable the State to provide frequency of services on lower density routes and contribute to the expansion of regional air-services capability within South Africa and on the African continent, the airline has been able to continuously realise impressive financial growth.

South African Forestry Company

Safcol has been restructured to achieve privatisation objectives. The financial performance of Safcol has been good over the years due to a strong demand and an increased selling price in timber products. Due to land claim submissions on Komatiland Forests, the disposal process, which was expected to be concluded by the end of March 2009, has been delayed.

Transnet

In its drive to improve the efficiency and competitiveness of the South African economy, Transnet has to provide integrated, seamless transport solutions in the bulk and manufacturing sectors of its operations.

The rapid pace of globalisation and the high level of economic growth in South Africa have ensured a high demand for freight traffic, which has resulted in increasing pressure on an already strained and fragile freight network. Transnet has already made some progress towards addressing this challenge. It has achieved financial stability and has focused on the reorientation of the group around its core functions of freight transport in rail, ports and pipelines.

Transnet is implementing an investment programme that will revitalise and extend its infrastructure and address the maintenance backlog.

Public works programmes

The Department of Public Works provides and manages the accommodation, housing, land and infrastructure needs of national departments; coordinates 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 coordinated labour-intensive approaches to government infrastructure delivery and service provision.

The EPWP is a government-wide intervention to create both short and ongoing work opportunities. The target for Phase One was to create one million work opportunities. A total of 1,4 million work opportunities were created by the end of the first five years.

The second phase of the programme was launched in April 2009 and its distinguishing feature was the introduction of a fiscal incentive to support infrastructure projects funded by provinces and municipalities to create additional work opportunities.

The EPWP Two is committed to increase its target to create four million work opportunities for the unemployed by 2014.

A monitoring and evaluation element was added to the system to ensure responsiveness of the Department of Public Works.

To facilitate implementation of the programme, protocol agreements with clear targets for each province and municipality, clarifying their contributions towards the creation of the four million work opportunities, were signed with all premiers and mayors.

In 2009, the EPWP incentive bonus scheme targeting the provinces, local government and the non-state sector totalled R465 million, and the figure is expected to increase exponentially every year until 2011/12 to cover the R4,1 billion allocated in the Medium Term Expenditure Framework.

Between 1 April and 31 August 2009, 223 568 job opportunities were created.

Construction and Property Industry Development Programme

Construction industry growth cannot be seen in isolation from the pressing need to transform the industry into one that performs better in terms of quality, employment, skills safety, health and the environment.

The Department of Public Works seeks to support and empower women-owned construction enterprises through its existing contractor-development programmes. Since the inception of the procurement reform process in 1995, the department has been actively involved in conceptualising and implementing programmes to promote emerging contractors in the built environment. These programmes included Targeted Procurement and the Emerging Contractor Development Programme (ECDP).

Since the mid-1990s, the Department of Public Works has been leading the campaign to regulate the built environment for growth, development and transformation. Most of the work in the industry over the last decade was based on the White Paper entitled *Creation of an Enabling Environment for the Reconstruction, Growth and Development in the Construction Industry.*

The department re-established partnerships with all its agencies in the built environment.

In May 2009, the Construction Charter was gazetted, which commits both the construction industry and government to fulfilling transformation targets.

The National Contractor Development Programme is jointly managed by the Department of Public Works and its entity, the Construction Industry Development Board (CIDB). It entails registering and empowering contractors through various developmental interventions. The programme has set a target of empowering 10 000 emerging contractors by 2010.

As part of the department's contribution towards the national skills development and national HRD strategies, an intensive capacity-building programme had been implemented throughout all departmental programmes. The programme focuses on leadership, internships and developing young professionals. A key objective of the programme was to address skills shortages within the built environment profession.

Construction Industry Development Board

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.

The CIDB and Standard Bank signed an MoU in June 2009. The MoU sets the stage for formal cooperation between the two parties on small-enterprise development support. In terms of the MoU, Standard Bank will bring financial assistance to emerging contractors through construction contact centres. Under the leadership of the CIDB, seven construction contact centres had been established by June 2009. Construction contact centres are central to building contractor-capacity for effective public infrastructure delivery and job creation.

The SME Business Conditions Survey was launched in March 2009. The survey will be published on a quarterly basis and measures contracting business conditions among CIDB-registered contractors. The survey also reports on business confidence, construction activity, tendering competition, employment and labour constraints among CIDB-registered contractors at provincial level.

The *SME Business Conditions Survey* is undertaken by the Bureau for Economic Research for the CIDB.

Council for the Built Environment (CBE)

The CBE is a statutory body established under the CBE Act, 2000 (Act 43 of 2000). It is an overarching body that coordinates the six built-environment professional councils (architecture, engineering, landscape architecture, project and construction management, property valuation and quantity surveying) for promoting good conduct within the professions, transforming professions and advising government on built environment-related issues. The council meets at least four times a year.

> In October 2009, BMW South Africa announced a R2,2-billion investment plan for its plant in Rosslyn, Pretoria. The investment is expected to result in the plant capacity increasing from 60 000 to 87 000 units a year.
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> The Rosslyn plant, which is responsible for the production of about 25% of global BMW 3 series production, primarily exports to customers in the United States of America, Japan, Taiwan, New Zealand, sub-Saharan Africa and Australia.
>
> BMW also announced a training programme for 1 100 associates at the Rosslyn plant. The training programme commenced in early September 2009 and would run for 18 months.

Labour programmes

The Department of Labour plays a significant role in reducing unemployment, poverty and inequality through policies and programmes, developed in consultation with social partners, which are aimed at:

- improved economic efficiency and productivity
- skills development and employment creation
- sound labour relations
- eliminating inequality and discrimination in the workplace
- alleviating poverty in employment
- enhancing occupational health and safety (OHS) awareness and compliance in the workplace
- nurturing the culture that worker rights are human rights.

The department has prioritised the following areas:

- The Decent Work Country Programme was developed and rolled out in April 2009 in collaboration with the International Labour Organisation (ILO) and in consultation with social partners. The programme focuses on strengthening support for existing skills development and employment services programmes in specific areas and on formulating new initiatives to deal with labour-market challenges, especially in relation to creating employment and alleviating poverty.
- The draft framework document, which gives effect to the integration of OHS and compensation competencies across government, was finalised in 2008. Both the draft National Occupational Health and Safety Bill and the policy were developed, and the Act is expected to be legislated and implemented by March 2011. The main objective of the policy is to reduce the number of work-related accidents and diseases by promoting a culture of prevention.
- The Employment Services System, developed in line with international best-practice standards and ILO conventions, includes an information technology system to assist the department to provide a public-employment service by registering work seekers and placement opportunities and providing job-matching services for potential employers and work seekers. The system will help government to deal with unemployment, generate useful statistics and support social-security functions by integrating social-insurance services.
- In 2008/09, career-guidance counsellors were appointed to provide counselling services to assist unemployed people to access sustainable livelihoods in the labour market

Employment and skills development

The Employment and Skills Development Services (ESDS) and HRD Branch of the Department of Labour contribute to employment creation and skills development by promoting and monitoring the achievements of the objectives of the National Skills Development Strategy (NSDS) and the National Human-Resource Development Strategy (NHRDS).

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 Act, 1995 (Act 58 of 1995), working closely with the departments of basic education and of higher education and training.

The 2008 Skills Development Amendment Bill will bring about a number of developments, including:

- formally establishing the Quality Council for Trades and Occupations (which will have the same status as the Council for Higher Education and the Umalusi Council for General and Further Education) under the Ministry of Labour
- establishing Productivity SA
- listing the National Skills Fund (NSF) as a public entity
- introducing additional functions to the Institute for the National Development of Learnerships, Employment Skills and Labour Assessments to moderate artisan assessments
- expanding the provision of employment services to work seekers
- introducing a register of artisans.

National Human-Resource Development Strategy

One of the Government's priorities is skills development.

The HRD Strategic Framework: Vision 2015 was launched on 30 May 2008. The strategic framework is grounded and aligned to government priorities as encapsulated in Jipsa, AsgiSA, the NSDS II and the evolving NHRDS.

The strategic framework stands on four pillars of strategic intervention:

- capacity-development initiatives: developing human capital for high performance and enhanced service delivery
- organisational support initiatives: enhancing organisational capacity and support to maximise the productivity of human capital
- governance and institutional support initiatives: ensuring that HRD in the Public Service is effective
- economic growth and development initiatives: ensuring that HRD plans, strategies and activities seek to integrate, promote and respond to the economic growth and development initiatives of government.

The strategy puts the individual public servant at the centre of skills transfer through capacity-development initiatives in the workplace.

The revised NHRDS for the period 2009 to 2014 was approved in July 2008. One of the critical challenges that government has been addressing is to ensure that there is proper alignment between the skills that the education and training system produces and the needs of a developing society and economy.

The strategy includes the following commitments:

- accelerating training output in priority areas to achieve accelerated and shared economic growth
- ensuring universal access to high-quality and relevant education
- improving technological and innovation capability in the public and private sectors
- establishing efficient planning capabilities in the relevant departments and entities for the successful implementation of the NHRDS for South Africa.

A monitoring and evaluation system was put in place with clear indicators to monitor the implementation of the strategy. A major review based on systematic evaluation studies and impact assessments will be conducted every five years.

The NHRDS for South Africa 2010 – 2030 was discussed at a Cabinet meeting in August 2009. It was decided that further work needed to be done to achieve greater alignment between the strategy and the electoral mandate; to take the current economic conditions into account; to include a stronger vision for the sector education and training authorities (Setas) as well as the location of the further education and training colleges; and the need to reflect on the unintended consequences of the merger of some of the universities and other institutions of higher learning.

Sector education and training authorities

The Seta Coordination Programme aims to:

- implement sector skills plans to develop appropriate skills
- develop and register learning programmes
- provide quality assurance of qualifications and standards of programmes in sectors
- disburse skills-development levy funds.

The Seta sectors skills plans have been formed on the basis of the first-ever formally published occupationally based national scarce skills list that has been integrated into the Department of Home Affairs' processes for scarce skills immigration work permits.

Seta sector skills plans have been automatically uploaded through an integrated data-collection process into the employment-services system to allow for more efficient and accurate development of the annual national scarce skills list.

In 2008/09, Setas registered 17 228 artisans in training and 109 351 workers completed training in scarce and critical skills through learnerships, apprenticeships and other learning programmes.

National Skills Authority (NSA)

The NSA is an advisory body, established in terms of the Skills Development Act, 1998, to advise the Minister of Labour 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).

Key priorities for 2009/10 included addressing the governance and accountability framework of the fund; accelerating the delivery of critical skills in support of key growth strategies such as the AsgiSA, provincial growth and development strategies, and the Jipsa; and improving the rate of disbursement across funded projects.

With funding from the NSF, the department assisted 41 336 unemployed people to enter learning programmes. This was in excess of the set target of 16 000.

The NSF also makes funds available for undergraduate and postgraduate bursaries in critical skills shortage areas, administered by the National Student Financial Aid Scheme and the National Research Foundation.

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.

The Unemployment Insurance Amendment Act, 2003 (Act 32 of 2003), 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 of contributions from all other employers is delegated to the Unemployment Insurance Commissioner.

For the year ending March 2009, there were 300 000 more contributors (7,6 million) on the database of the UIF compared to the end of March 2008 (7,3 million). The UIF paid benefits to 627 244 beneficiaries to a total amount of R3,8 billion – a 31,7% increase in unemployment-benefit payments compared to the previous year.

Occupational Health and Safety

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 Mineral Resources 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 compensating mineworkers in terms of the Occupational Diseases in Mines and Works Act, 1993 (Act 208 of 1993).

Compensation Fund

The Compensation Fund administers the Compensation for Occupational Injuries and Diseases Act, 1993 as amended. The main objective of the Act is to provide compensation for disablement, illness and death resulting from occupational injuries and diseases.

Upgrading of the Compensation Fund's financial system began in January 2008.

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), are 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.

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 January and March 2009, CCMA commissioners were involved in 124 consultation processes that saved over 4 000 jobs because workers and employers were able to agree to alternatives to retrenchments.

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 Directorate: RPP 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 Directorate: LMIS 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 Directorate: IR 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.

Acknowledgements

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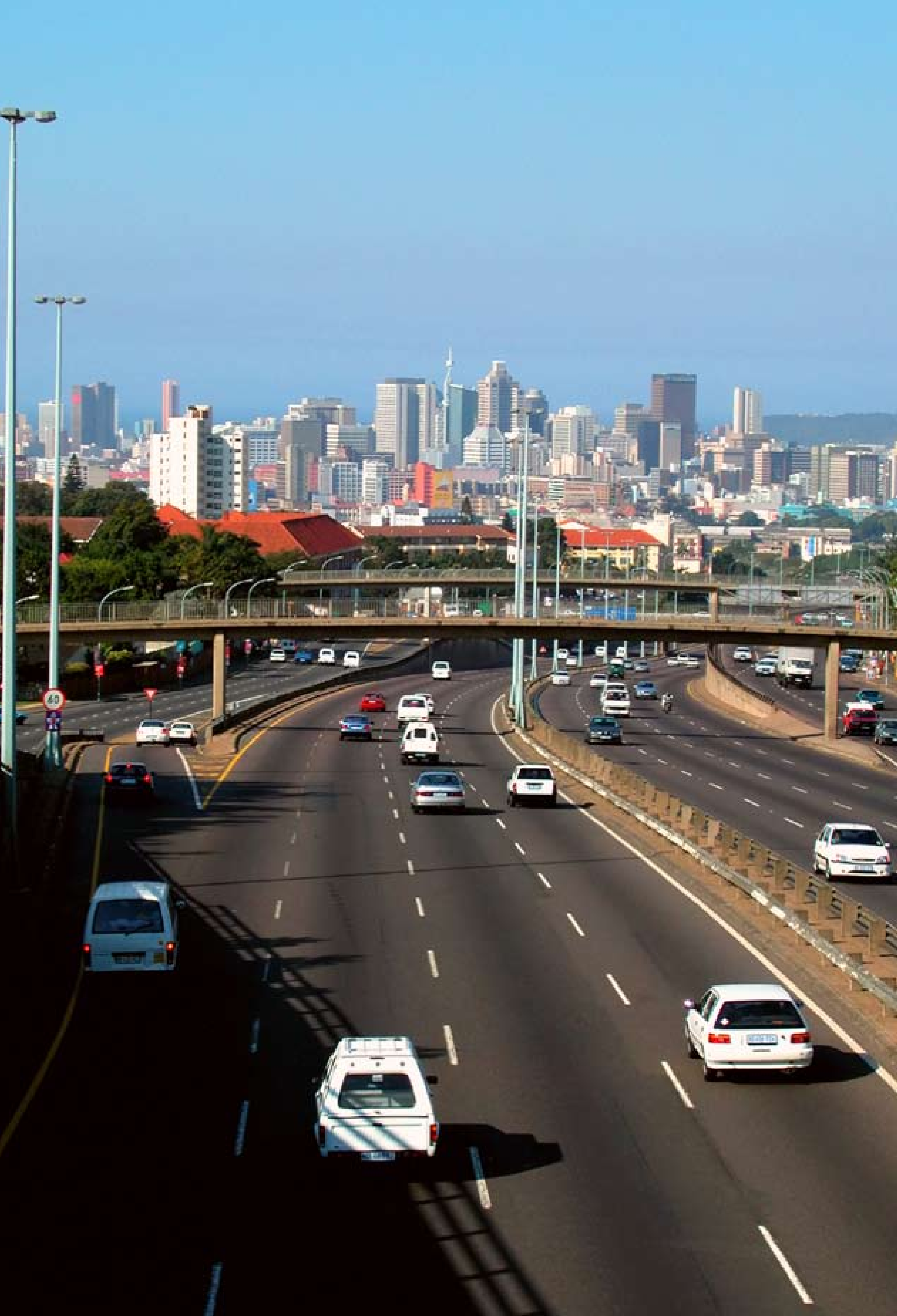
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