Economy

In its 2013/14 *Global Competitiveness Report*, the World Economic Forum ranked South Africa second in the world for the accountability of its private institutions, and third for its financial market development.

Its securities exchange is ranked among the top 20 in the world in terms of size.

In its February 2013 report, *Emerging Markets Opportunity Index: High Growth Economies*, independent consulting and accounting firm Grant Thornton said South Africa is the leading emerging economy on the African continent in terms of potential investment destination.

According to the results for 2012, South Africa was also the only African country to be ranked in the top 15 emerging economies worldwide.

In March 2013, the third *Organisation for Economic Cooperation and Development* (OECD) *Economic Survey on South Africa* was released.

The economic survey is published every two years for each of the 34 OECD countries as well as for major non-member economies.

It identifies the main economic challenges faced by the country and analyses possible policy options to meet them.

It found that while South Africa was advancing, it was failing to fully achieve its considerable potential.

The report found that per capita incomes were growing and public services expanding, while crime rates were falling.

Government's National Development Plan (NDP) and the New Growth Path (NGP) were lauded for their focus on creating jobs.

However, the OECD said the country had a long way to go in eradicating unemployment. Among the recommendations made to help reduce unemployment among the youth was support for the training of young entrepreneurs.

The objectives of the NDP are to eradicate poverty and sharply reduce inequality by 2030 while the NGP is an economic framework for 2010-2020 with the overriding objective of creating employment.

The report credited South Africa's public finances as being in better shape than that of many OECD countries.

In October 2013, the then Minister of Finance, Pravin Gordhan, was named the Finance Minister of the Year (2013) in the sub-Saharan Africa category by Emerging Markets.

Emerging Markets is a website that provides news, analysis and commentary on economic policy, international economics and global financial markets, with a special focus on emerging markets.

While the financial system was healthy, the report made reference to the country's high unemployment rate, as well as income inequality.

Economic indicators

Domestic output

According to the South African Reserve Bank's (SARB) *Quarterly Bulletin*, released in September 2013, real economic activity in South Africa picked up notably in the second quarter of 2013.

Following an annualised growth rate of 0,9% in the first quarter of 2013, the pace of expansion in real gross domestic product (GDP) accelerated to 3% in the second quarter, boosted primarily by the improved performance of the secondary sector.

This enhanced performance could in part be attributed to base effects and to a lesser extent a turn for the better in the manufacturing sector.

Real output in the primary sector contracted, while growth in the tertiary sector slowed marginally.

Despite this firm uptick in economic activity, aggregate real GDP in the second quarter of 2013 was only 2% higher than in the corresponding period of 2012.

The real value added by the primary sector contracted at an annualised rate of 5% in the second quarter of 2013 as output declined in both the mining and agricultural sectors.

In the agricultural sector real output contracted at a lower rate of 3,7% in the second quarter of 2013, following a decline of 4,9% in the preceding quarter.

A decrease in field crop production due to dry weather conditions in most maize-producing areas in South Africa in the opening months of the year was only partly offset by a sustained increase in livestock and horticultural production over the period.

Mining production continued to be fairly erratic on a quarter-to-quarter basis.

Having increased at an annualised rate of 14,6% in the first quarter of 2013, the real value added by the mining sector declined by 5,6% in the second quarter.

Pronounced declines were registered in the production of platinum and diamonds. By contrast, the production of coal and other mining products held up well during the period under review.

Platinum production was hampered by escalating cost pressures, increased safety stoppages and sporadic labour disruptions that emerged during the second quarter of 2013.

Diamond production levels at one of South Africa's largest opencast diamond mines had not normalised by September 2013, after severe flooding at the beginning of 2013.

Coal production, however, benefited from continual improvements in operational efficiency at mines.

Subsequent to a decline of 6,2% in the first quarter of 2013, the real value added by the secondary sector expanded at an annualised rate of 9,3% in the second quarter of 2013, on account of increased production in the manufacturing, and electricity, gas and water sectors.

Growth in the real value added by the construction sector inched marginally higher over the period.

The real output of the manufacturing sector rose firmly at an annualised rate of 11,5% in the second quarter of 2013.

In part, this reflected the normalisation of output, following setbacks in the first quarter of 2013, when a fire at a steel mill, refinery maintenance and industrial action temporarily weighed on production.

The expansion in manufacturing output in the second quarter was also in keeping with an increase in real gross domestic final demand and more stable global economic conditions.

Moreover, domestic producers also benefited from the greater competitiveness provided by the lower exchange value of the rand.

Pronounced increases were recorded in the production of basic iron and steel, non-ferrous metal products and machinery; motor vehicles, parts and accessories and other transport equipment; and textiles, clothing, leather and footwear.

At the other extreme, the production of petroleum, chemical products, and rubber and plastic products continued to decline over the period.

Consistent with the higher level of manufacturing production, the usage of production

In February and March 2013, the Department of Trade and Industry embarked on a nationwide consultative process to review the national export strategy.

The review would focus on the whole of South Africa, comprising both the private and public sectors, including state-owned entities. It would include all the work done by the various national and provincial government departments and their agencies.

The need to review and develop a streamlined approach to export development and promotion is in line with global best practice.

The country's latest economic policy developments such as the Industrial Policy Action Plan, New Growth Path, National Development Plan and national export strategy, developed in 2005, also need to be reviewed and updated, in line with these recent policy developments.

capacity in the manufacturing sector increased from 80,9 index points in the first quarter of 2013 to 81,3 index points in the second quarter.

After declining for two consecutive quarters, the real value added by the sector supplying electricity, gas and water rose at an annualised rate of 5,3% in the second quarter of 2013.

Smelters consumed substantially more electricity in June 2013, following the termination of buy-back agreements between Eskom and large industrial users of electricity, in May 2013.

The domestic supply of electricity was further augmented by higher electricity imports as the flood-damaged transmission line at Cahora Bassa in Mozambique returned to service during the second quarter.

The real value added by the construction sector increased at an annualised rate of 1,2% in the second quarter of 2013.

The annualised pace of increase in real value added by the tertiary sector moderated somewhat from 2,4% in the first quarter of 2013 to 2,3% in the second quarter.

Consistent with the uptick in consumer demand and improved consumer confidence levels in the second quarter of 2013, annualised growth in the real value added by the trade sector accelerated from 1,9% in the first quarter of 2013 to 3,2% in the second quarter.

Activity in the retail, wholesale and motor-trade subsectors remained buoyant and increased further in the second quarter of 2013.

Growth in the real value added by the transport, storage and communication sector lost some momentum in the second quarter of 2013, moderating from an annualised rate of 2,2% in the first quarter of 2013 to 1,6% in the second quarter.

Activity in the finance, insurance, real-estate and business services sector increased at an annualised rate of 3,5% in the second quarter of 2013, following an increase of 3,3% in the preceding quarter.

A marginal decrease in employment levels in the second quarter of 2013 mainly accounted for the moderation in the pace of growth in real value added by general government, from 1,9% in the first quarter of 2013 to 0,3% in the second quarter.

The best South African businesses in various sectors of the economy were showcased at the inaugural SA Premier Business Awards, hosted by the Department of Trade and Industry in March 2013.

The awards recognise South African companies that invest in both human and technical resources in various projects, and stimulate local job creation and broader participation in the economy.

The awards comprise 13 categories, namely: Exporter; Media; Quality; Technology; Green; Most Empowered Enterprise; Rural Development; Women-owned Enterprise; Manufacturer; Proudly South African Enterprise; Small, Medium and Micro Enterprises; Young Entrepreneur; and Investor Award.

The Lifetime Achievement Award was presented to business mogul Richard Maponya, known for building a business empire, despite the restrictions of apartheid.

Real gross domestic expenditure

In contrast to the acceleration observed in the growth rate of domestic production in the second quarter of 2013, growth in real gross domestic expenditure tapered off from an annualised rate of 3,5% in the first quarter of 2013 to 2,7% in the second quarter.

Compared to the corresponding quarter in the preceding year, total expenditure also lost some momentum in the second quarter of 2013, consistent with a moderation in the final consumption expenditure by households and capital investment over the period.

Consistent with the improvement in consumer confidence levels, growth in real final consumption expenditure by households accelerated from an annualised rate of 2,3% in the first quarter of 2013 to 2,5% in the second quarter.

The ratio of final consumption expenditure by households to GDP consequently increased to 61% in the second quarter of 2013.

Even though expenditure by households edged higher in the second quarter of 2013, the pace of increase was still lower than the average rate of growth recorded during the past three years.

Subsequent to an annualised increase of 5,4% in the first quarter of 2013, growth in real outlays on durable goods accelerated to 11,8% in the second quarter.

Growth in spending on semi-durable goods accelerated in the first and second quarters of 2013, recording firm rates of 6,2% and 8,2%, respectively.

Real spending on non-durable goods increased at a rate of 3% in the second quarter of 2013, higher than the rate of 1,4% recorded in the previous quarter.

Real spending on services declined at an annualised rate of 1,9% in the second quarter of 2013, following an increase of 1,1% in the preceding quarter.

Having amounted to 2,2% in the first quarter of 2013, annualised growth in households' real disposable income edged higher to 2,4% in the second quarter.

Concurrently, the nominal level of household debt rose further over the period; the ratio of unsecured lending to total household debt, however, remained around 13% in both the first and the second quarters of 2013.

Relative to annualised disposable income, household debt increased from 75,4% in the first quarter of 2013 to 75,8% in the second quarter.

Consistent with the relatively low interest rate environment, the debt-service cost ratio remained at 7,7% in the second quarter of 2013.

Growth in the net wealth of households tapered off in the second quarter of 2013, mainly reflecting the subdued performance of household financial assets over the period.

The ratio of net household wealth to annualised disposable income, however, still increased from 320% in the first quarter of 2013 to 326% in the second quarter.

Growth in real final consumption expenditure by general government slowed to 2,1% in the second quarter of 2013 from 3% in the first quarter.

This reflected government's ongoing efforts to curb current expenditure and contain the growing public-sector wage bill.

Nominal compensation of public employees increased somewhat in the second quarter of 2013, mainly due to annual wage increases of around 5% during the period.

The ratio of final consumption expenditure by general government to GDP increased from 22,1% in the first quarter to 22,5% in the second quarter of 2013.

Having increased at an annualised rate of 2,5% in the first quarter of 2013, growth in real gross fixed capital formation accelerated to 2,7% in the second quarter.

Comprising more than two thirds of total gross fixed capital formation, real fixed capital outlays by private business enterprises gathered momentum, from an annualised growth rate of 2,8% in the first quarter of 2013 to 4,4% in the second quarter.

Capital investment in the agricultural sector was supported by strong increases in sales of agricultural machinery, as a result of pre-emptive buying ahead of possible price increases, in response to the recent depreciation in the exchange value of the rand.

The mining sector continued investing in ongoing projects, with the bulk of capital spending shifting from construction works to machinery and equipment.

Spending on capital assets was particularly noticeable in the coal, gold and iron ore mining industries.

Expenditure, particularly by the food, paper products, fuel and motor vehicle subsectors, contributed towards the faster pace of increase in capital spending by the manufacturing sector.

The uptick in market sentiment in the construction sector was underpinned by the sustained increase in capital spending by the private sector in both residential and non-residential buildings.

Capital investment in the trade sector was largely evidenced by the development and upgrading of non-residential buildings.

Real fixed capital expenditure by public corporations contracted at an annualised rate of 2% in the second quarter of 2013.

The level of spending was mainly curtailed by restrained growth in the transport sector, as most of the leading public entities, including Transnet, Sanral and the Trans-Caledon Tunnel Authority, lowered their capital spending.

Although Eskom's expenditure picked up from the first quarter of 2013, it was not enough to increase the overall capital spending by this institutional sector.

The pace of capital spending by general government was roughly maintained in the second quarter of 2013.

Improved capital spending by local government departments and sustained spending by provincial government departments supported the sideways movement in capital outlays by the sector.

Capital spending was particularly focused on roads and transport, utilities, human settlements, education and health.

The investment in both economic and social services contributed to fulfilling service delivery mandates.

Real inventory investment decelerated from R4 billion in the first quarter of 2013 to R2,7 billion in the second quarter, mainly on account of developments in the mining sector.

The slower pace of inventory accumulation in the mining sector mainly reflected lower inventory holdings in the platinum-mining sector in the second quarter of 2013.

Stock levels in the commerce sector rose, owing to an increase in agricultural stocks-in-trade, as the bulk of the latest maize crop was harvested and stored in silos during the quarter under review.

Consequently, the level of industrial and commercial inventories as a percentage of non-agricultural GDP increased from 12,5% in the first quarter of 2013 to 12,7% in the second quarter.

This ratio is significantly lower than in the period preceding the financial crisis.

Possible reasons for the declining trend in the inventory ratio include the deterioration in economic growth and an increasingly competitive business environment, which necessitated the implementation of steps to curtail the cost of holding inventories. Advanced technology also made provision for more effective inventory management techniques.

Employment

Releasing the *Quarterly Labour Force Survey* (QLFS) for the second quarter in July 2013, Statistics South Africa (Stats SA) indicated that the unemployment rate increased to 25,6%.

There were 13,7 million people employed in the second quarter of 2013.

In the formal sector, 123 000 more people were employed in the second quarter of 2013 than in the corresponding period on 2012.

Formal-sector job gains were driven by finance and other business services, construction, transport and utilities.

There was an increase in the number of unemployed persons in the second quarter of 2013, with 4,7 million people being unemployed, of which 3,1 million have been looking for work for over a year or longer.

Since most employment creation occurs outside of the government, accelerating it requires the consistent use of core state functions to create an environment that encourages private enterprise and other non-State organisations to expand jobs.

To this end, the NGP and the Industrial Policy Action Plan 2 (IPAP2) provide a framework for undertaking these tasks.

They require coordination across all departments, many of which are not primarily concerned with the economy, as well as state-owned enterprises (SOEs), municipalities and provinces.

A youth employment creation committee under the National Economic Development and Labour Council (Nedlac) examined measures to address unemployment among young people.

Government explored work-seeker and work-creation subsidies with key partners and looked into establishing specific programmes to help young people start their own businesses or cooperatives.

In the area of education, government accelerated work on its second-chance matric initiative and on expanding the intake of Further Education and Training colleges tenfold to four million by 2030.

> In September 2013, German company Oiltanking GmbH entered into a joint venture with a number of local companies to build a commercial crude oil storage and blending terminal at the port of Saldanha on South Africa's west coast.
>
> The terminal will cost R2 billion to build, and will comprise 12 giant concrete tanks, each capable of holding 1,1 million barrels of crude, which translates to a total capacity of 13,2 million barrels. The new terminal will be built as a state-of-the-art facility, in accordance with the highest technical, operational and environmental standards, with a jetty designed to handle vessels up to very large crude-carrier size. The port of Saldanha is an excellent location for a crude oil hub, as it is close to strategic tanker routes between key oil-producing regions to major oil-consuming markets.

Price inflation

Against the backdrop of a relatively benign international inflation environment and subdued global and domestic output growth, domestic headline consumer price inflation remained within the inflation target range for 14 consecutive months up to June 2013, before breaching the upper limit of the target range in July, when it amounted to 6,3%.

From February 2013, Stats SA applied a new methodology to calculate the producer price index (PPI). Producer price inflation for final manufactured goods: the new headline PPI decelerated from a high of 8,8% in February 2012 to 4,9% in May 2013, whereafter it accelerated to 6,7% in August.

Inflation expectations for 2013, as measured by the *Survey of Inflation Expectations* conducted by the Bureau for Economic Research at Stellenbosch University, in the third quarter of 2013 remained unchanged at 6% from the previous quarter.

Annual average consumer price inflation was expected to accelerate to 6,2% in 2014, before moderating somewhat to 6,1% in 2015.

Exchange rates

The South African rand was among the emerging-market currencies that were negatively affected by the "tapering" remarks of the United States of America's (USA) Federal Reserve in May 2013.

This weighed down the performance of the domestic currency during the second quarter of 2013, in conjunction with the decline in international prices of key South African export commodities, sizeable fiscal and current-account deficits, weak economic growth, high unemployment levels and ongoing labour union rivalry.

The nominal effective exchange rate of the rand consequently declined by 6,8% from the end of March 2013 to the end of June.

The exchange rate of the rand stabilised in July 2013.

However, during August 2013 emerging-market currencies depreciated sharply as concerns about capital outflows from these countries intensified.

The real effective exchange rate of the rand declined by 11,9% from June 2012 to June 2013, further improving the external price competitiveness of South African exporters in international markets.

In the first half of 2013, the real effective exchange rate was 8,8% lower than in the corresponding period of 2012.

The average net daily turnover in the domestic market for foreign exchange increased by 12,2% from US$19,5 billion in the first quarter of 2013 to US$21,9 billion in the second quarter.

While both spot and forward transactions increased over this period, the increase can largely be explained by non-residents' participation in the swap market, which increased from an average of US$6,8 billion per day to US$7,6 billion per day over the period.

Economic Development Department

The Economic Development Department is responsible for coordinating the development of the country's NGP and overseeing the work of key State entities engaged in economic development.

The department promotes economic development through participatory, coherent and coordinated economic policy and planning for the benefit of all South Africans.

The department has assumed responsibility for key outputs relating to inclusive economic growth, including:

- developing the NGP
- analysing data on income distribution
- concluding social pacts to create decent work
- strengthening the implementation of the framework for South Africa's response to the international economic crisis
- developing spatial programmes
- developing the green economy
- implementing a multipronged strategy to reduce unemployment among the youth
- improving cost structures in the economy
- better integrating Second-Economy activities and the mainstream economy.

The Economic Development Department is working with the Department of Rural Development and Land Reform and the Council for Scientific and Industrial Research to develop spatial frameworks for the poorest 23 districts in the country.

The spatial plans identify how impoverished rural areas can take advantage of economic opportunities in the core economy.

That, in turn, requires a spatial framework to identify major viable opportunities and the key actions required for people in relevant regions to take advantage of them.

Legislation and policies

The Competition Amendment Act, 2009 (Act 1 of 2009), actively mandates the competition authorities to consider public interest criteria, including impact on employment and linked industries, when evaluating proposed mergers and acquisitions.

The Act provides for:

- concurrent jurisdiction between the Competition Commission and other regulatory authorities
- provisions to address other practices that tend to prevent or distort competition in the market for any particular goods or services
- more guidance, in relation to conducting market enquiries as a tool to identify and make recommendations, with respect to conditions that tend to prevent, distort or restrict competition in the market for any particular goods or services
- provisions to hold personally accountable those individuals who cause firms to engage in cartel conduct
- authority to the Competition Commission to excuse a respondent to a complaint, if the respondent has assisted the competition authorities in the detection and investigation of cartel conduct.

The Act also makes it compulsory for firms to notify the commission and/or the tribunal about mergers and acquisitions above a certain monetary threshold.

The commission is the investigation and enforcement agency. The tribunal is the adjudicative body.

The Competitions Appeals Court considers appeals against decisions of the tribunal.

The competition policy focuses on addressing the scandal of price fixing and collusion between construction companies in past infrastructure projects.

Budget and funding

The Economic Development Department's budget is a window across programmes in many different departments.

The budget allocation for 2013/14 amounted to R772 million, of which R231 million was for small business funding, R193,8 million for the competition authorities, R79,8 million for trade administration and R108 million to the Industrial Development Corporation (IDC) for the agro-processing fund.

The department's budget for operations and capital spending is R159 million.

Programmes and projects

In 2012/13, the Economic Development Department focused on creating conditions for greater job creation, stronger long-term growth and countercyclical economic interventions to address the less favourable global environment.

Cabinet adopted the NDP as the overall vision for the country.

The NDP integrates the various elements of policy with improving the capacity of the State; and the NGP as government's economic strategy, with the IPAP as the manufacturing driver and the Infrastructure Plan as the infrastructure driver.

The department made significant progress with the roll-out of the National Infrastructure Plan, with construction activities taking place in all nine provinces.

The department improved the level of industrial funding by the IDC to support local factories, farms and mines.

The Small Business Finance Agency (Sefa) was launched and has implemented its systems, with a large increase in the level of funding it approved in 2012/13.

In May 2013, StatsSA released its QLFS, which showed on aggregate that 44 000 new jobs were created in South Africa in the first three months of 2013, and 199 000 over the 12 months ending in March 2013.

In May 2013, the Economic Development Ministry issued a trade policy directive, in terms of section 5 of the International Trade Administration Act, 2002 (Act 71 of 2002) to limit the export of scrap metal, so that this resource maybe used in South African foundries and steel factories, saving energy, creating local jobs and promoting infrastructure development.

Manufactured exports to the rest of Africa rose by about R20 billion or 21% in 2012/13, accounting for more than 90 000 jobs in South Africa, thereby strengthening regional integration.

New Growth Path

The IDC set up a localisation unit and increased its five-year plan for available industrial funding to R102 billion.

The first locally assembled bus for Johannesburg came off the production line at a factory in Germiston, in June 2013.

A sophisticated industrial strategy, as outlined in the IPAP, requires the injection of foreign and local capital, know-how and innovation.

A few examples of success:

- Asia's largest commodities trading company, Noble Resources, is the main investor in one of two advanced soya-crushing plants under construction. In the past 12 months, the company invested about R2,2 billion in the local economy.
- By August 2013, South Africa had attracted Turkish investment in the manufacturing of stoves in East London, and in restarting the Cape Town-based CISCO steel mill, with a R250 million investment, which points to a growing interest among investors to manufacture goods in South Africa.

The NGP calls for greater economic inclusion, through small business development and youth employment.

In April 2013, the Economic Development Ministry signed a Youth Employment Accord.

It provides for a comprehensive approach, which includes incentives, commitments and action to address youth unemployment.

It provides for work experience through internships and, most importantly, new jobs for young people.

To support the accord, the IDC announced a R1-billion Youth Fund to provide concessional lending to youth-owned enterprises that create jobs.

Over the next five years, Sefa plans to provide R2,3 billion for women-owned enterprises, with R295 million in 2013/14, so that women are more actively represented in the economy and may give it the benefit of their energy and enterprise.

The department financed a training programme for 100 young people, in partnership with the South African Institute of Chartered Accountants (Saica).

A further 170 young people were enrolled in the programme in 2013, to which the department committed R9 million.

During 2013, the department took the small business programmes to the public through 18 large community roadshows, with a special focus on youth and women.

Green economy

The South African Green Economy Modelling Study, published in August 2013, showed that investing in a low-carbon, resource-efficient green economy was fundamental for South Africa's sustained economic growth and well-being.

The study assessed the impact of green investments in four of the country's key economic sectors: agriculture, energy, transport and natural resource management.

The report found that a green economy approach – such as investing in low-carbon technologies, green buildings, and renewable energy – could create more jobs while supporting the same level of economic growth, yet with lower emissions of greenhouse gases and less environmental damage.

However, based on a green economy, and target-specific scenario, it also confirmed that additional investment might be needed to meet the country's growth target of a 4% to 7% rise in GDP per year, between 2013 and 2020, as stipulated in the NDP.

South Africa is committed to pursuing and exploring opportunities in its transition to an inclusive, low-carbon, resource-efficient green economy.

The report's findings will guide the country's future policies and investments as it works towards achieving its sustainable development and poverty eradication goals.

Some key findings in the report included:

- Investment in a green economy could contribute to 46% more restored land by 2030, and greater water availability, without reducing land required for the agriculture sector. In addition, it could create jobs for 737 000 people, compared to 568 000 under a business-as-usual scenario.
- In the agriculture sector, investment in ecological practices could increase crop yields by as much as 23,9% by 2030, while avoiding further CO^2 emissions. However, the report says additional land for agriculture would still be required to meet the needs of a population that is projected to grow.
- Green investment in the transport sector was insufficient to meet the country's 2005 energy efficiency goal of 9% by 2015. However, in a green economy scenario, improvements in efficiency could reach 5,5% by 2030, partially offsetting the projected growth of the population and GDP.
- Applying the green economy model in the energy sector could result in a reduced energy demand, while increasing the country's electricity diversification mix, but it still falls short of the NDP's goal to have 33% of the country's electricity demand by 2030. Therefore, a more aggressive investment strategy is needed to meet this target.

International cooperation

In September 2013, the 17th annual China International Fair for Investment and Trade got underway at the Xiamen International Exhibition Centre, with 62 South African exhibitors showcasing products that could enter the Chinese market.

In March 2013, Chinese President Xi Jinping paid a State visit to South Africa, further deepening China's cooperation with South Africa.

China is South Africa's biggest trading partner and a significant investor in the South African economy, with exports from South Africa to China in 2012 totalling R89 billion. Imports from China to South Africa totalled R112 billion. Total trade stood at R201 billion.

Department of Trade and Industry (the dti)

The department continues to contribute towards the Government's priorities and outcomes through the implementation of the IPAP 2.

Its successful implementation in various sectors in South Africa over the past few years has started to bear fruit, with a number of key foreign investors in various sectors starting to choose South Africa as their preferred investment destination.

This is a demonstration of massive confidence in South Africa's policies and an indication that the country is on the right track; all that needs to be done is to intensify and sustain industrialisation efforts.

Central to South Africa's industrial policy is the localisation programme leveraging the huge purchasing power the Government has in the form of public procurement.

Large public procurements are used to promote industrial development, through the designation of products/sectors.

Products/sectors that have already been designated for local procurement include: set-top boxes; the bus sector; steel power pylons; the canned vegetables sector; textiles, clothing, leather and footwear; rail rolling stock.

Due to thinner export markets and other adverse conditions arising from the economic slowdown, the Manufacturing Competitiveness Enhancement Programme (MCEP) may take the form of:

- production support mechanisms
- loans
- equity injection
- working capital support
- restructuring assistance

Over 200 high-level representatives of government, business, labour, civil society and academia gathered in Midrand on 5 November 2013, for the inaugural Competitiveness Forum, hosted by Brand South Africa. A part of the discussion was how the nation's competitiveness could contribute to the implementation of the National Development Plan (NDP). A policy blueprint for eliminating poverty and reducing inequality in South Africa by 2030, the NDP – also referred to as Vision 2030 – identifies the key constraints to faster growth and presents a roadmap to a more inclusive economy that will address the country's socio-economic imbalances.

- support for the acquisition of fixed assets
- investment initiatives to enable firms to accomplish improved sales, job preservation and expansion
- provide income support to employees and lay-offs support.

To strengthen industrialisation, as well as the geographic spread of economic opportunities, the department will implement the special economic zones (SEZs) programme.

The department has undertaken a comprehensive review of the zones, to improve infrastructure, attract foreign and domestic investors, and develop structured financing products and incentive measures to achieve the outcomes of the IPAP 2 and NGP.

South Africa's membership of the Brazil, Russia, India, China and South Africa (BRICS) grouping presents many opportunities for trade and investment.

The department will promote the export of value-added products and encourage complementary trade rather than compete with other BRICS countries.

Already China and South Africa have agreed on the Top 10 exports and investment projects to be promoted in the Chinese market.

Strategic negotiations are unfolding in several areas, including the BRICS Telecom Submarine Cable project and the BRICS trade and risk development pool.

The department's specialised, regulatory and financial development agencies and institutions include the:

- Small Enterprise Development Agency (Seda)
- Companies and Intellectual Property Commission
- National Empowerment Fund (NEF)
- Estate Agency Affairs Board
- Export Credit Insurance Corporation
- South African Bureau of Standards (SABS)
- National Credit Regulator
- National Lotteries Board
- National Gambling Board
- South African National Accreditation System
- National Consumer Tribunal
- National Consumer Commission
- National Metrology Institute of South Africa
- National Regulator for Compulsory Specifications.

Legislation, policies and strategies

The dti develops and reviews regulatory systems in the areas of competition, consumer protection, company and intellectual property, as well as public interest regulation.

It also oversees the work of national and provincial regulatory agencies mandated to assist the department in providing competitive and socially responsible business and consumer regulations, for easy access to redress and efficient markets.

The department's work is governed by a broad legislative framework. These include the:

- BBBEE Act, 2003 (Act 53 of 2003)
- Consumer Protection Act, 2008 (Act 68 of 2008)
- Co-operatives Amendment Act, 2013 (Act 6 of 2013) which amended the Co-operatives Act, 2005 (Act 14 of 2005)
- Copyright Act, 1978 (Act 98 of 1978)
- Intellectual Property Laws Rationalisation Act, 1996 (Act 107 of 1996)
- Liquor Act, 2003 (Act 59 of 2003)
- Patents Act, 1978 (Act 57 of 1978)
- Small Business Development Act, 1981 (Act 112 of 1981)
- Trade Marks Act, 1993 (Act 194 of 1993).
- Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) as amended.

In February 2013, the dti embarked on a nationwide consultative process concerning the review of the national export strategy.

The review of the national export strategy focused on the whole of South Africa, taking both the private and public sectors including SOEs into consideration.

It included all the work done by the various national and provincial government departments and their agencies.

The country's latest economic policy developments such as IPAP, NGP, the NDP and the national export strategy, developed in 2005, also needed to be reviewed and updated, in line with these recent policy developments.

Role players

National Small Business Advisory Council

The National Small Business Advisory Council advises on issues affecting owner-managed businesses.

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

There are three primary working groups in each of the following primary areas:

- access to finance
- demand and markets
- regulatory review.

International Trade Administration Commission of South Africa (Itac)

Itac was established through the International Trade Administration Act of 2002.

The commission is mandated to foster economic growth and development to raise incomes and promote investment and employment, in South Africa and within the Common Customs Union Area.

This is done by establishing an efficient and effective system for the administration of international trade, subject to this Act and the Southern African Customs Union (Sacu) Agreement.

The core functions are customs tariff investigations, trade remedies, and import and export control.

Itac has processed numerous applications for increases, rebates and reduced duties, in line with IPAP priorities.

The SABS has developed an early warning system to identify technical barriers to trade for exporters.

Outcomes are distributed to exporters monthly.

Presidential Infrastructure Coordinating Commission (PICC)

The PICC has five geographically defined, strategic integrated projects (SIPs) to:

- develop and integrate rail, road and water infrastructure
- improve the movement of goods and economic integration through a Durban-Free State-Gauteng Logistics and Industrial Corridor
- develop a major new south-eastern node that will improve the industrial and agricultural development and export capacity of the Eastern Cape region and expand the province's economic and logistics linkages with the Northern Cape and KwaZulu-Natal
- expand the roll-out of water, roads, rail and electricity infrastructure in North West, where 10 priority roads will be upgraded
- expand the iron-ore rail line between Sishen in the Northern Cape and Saldanha Bay in the Western Cape, which will create large numbers of jobs in both provinces.

All the SIPs had been launched by the end of January 2013.

Construction was well underway on many of the projects included in the Infrastructure Plan.

Small Enterprise Development Agency

Seda provides non-financial business-development and support services for small enterprises.

This is in partnership with other role players ensuring their growth, sustainability and enhancing their competitiveness and capabilities through coordinated services, programmes and projects.

In May 2013, South Africa hosted the World Economic Forum on Africa.

Business Partners Limited

Business Partners Ltd is a specialist risk-finance company for formal small, medium and micro enterprises (SMMEs), in South Africa and selected African countries.

Business Partners Ltd is an unlisted public company whose major shareholders include Remgro Ltd, Khula Enterprise Finance Ltd, major South African banks, insurance companies, mining houses and others.

Business Partners Ltd has 22 offices throughout South Africa.

National Empowerment Fund

The NEF was established by the NEF Act, 1998 (Act 105 of 1998), to promote and facilitate black economic equality and transformation.

It provides finance and financial solutions to black businesses across a range of sectors.

It also structures accessible retail savings products for previously disadvantaged people based on state-owned equity investments.

Its mandate and mission is to be government's funding agency in facilitating the implementation of BBBEE, in terms of the BEE codes of good practice.

South African Women Entrepreneurs' Network (Sawen)

Sawen is a women's networking forum, which focuses on the advancement of women-owned and managed businesses.

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

To buttress government's intent of strategic intervention in women's economic empowerment, the dti has been using vehicles such as Sawen, the Isivande Women's Fund (IWF), Bavumile and Technology for Women in Business (TWIB).

In October 2013, Amina Bardien, the owner of construction and training business Funda Mentals in Cape Town received R50 000, as the winner in the Small Business category at the Ligugu Lami Awards, after joining the Sawen.

The Ligugu Lami Awards acknowledge women entrepreneurs and encourages them to take pride in their achievements.

Isivande Women's Fund

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

It renders financial support for deals requiring start-up funding, involving business expansion, rehabilitation, turnaround and franchising.

The IWF targets formally registered, 60% women-owned and/or managed enterprises that have been in existence and operating for two or more years, with a loan range of R30 000 to R2 million.

The Bavumile Programme provides training to women in the clothing sector, while TWIB with its awards programme, recognises women enterprises which use technology to grow and develop their businesses.

Industrial Development Corporation

The IDC is an important national asset, and has a unique mandate to industrialise South Africa.

In 2013, the IDC created about 19 000 new jobs and saved about 4 000.

Under difficult market conditions, the corporation remained profitable and maintained an approval rate of R13 billion.

Since 2010, the IDC has invested R45 billion in projects in the form of equity or loans. In doing so the corporation injected funds into the economy and job creation.

The IDC invested in manufacturing the services sector, infrastructure development and the green economy.

To focus on youth entrepreneurs, the IDC has R2,7 billion available for the next five years for special youth funding.

Resources

Technology support

The dti implements skills development, economic infrastructure, and innovation and technology programmes to support priority sectoral and regional industrial development plans.

Some of the key programmes include the Technology and Human Resource for Industry Programme (Thrip), the Support Programme for Industrial Innovation (SPII) and the Centre for Entrepreneurship and Technology Programme.

Provision is also made for transfer payments and subsidies to:

- Seda's Technology Programme, which is managed by Seda, to finance and support early, seed and start-up technology-based ventures
- Thrip, which is managed by the National Research Foundation, to support research and technology development
- the SPII, which is managed by the IDC, to support a wide group of enterprises that promote technological development through financial assistance
- the Workplace Challenge Programme, which finances and supports world-class manufacturing and value-chain efficiency improvements in South African companies.

In his Medium-term Budget Policy Statement in October 2013, the Minister of Finance projected the country's economy to grow by 1,4% to 3,5% over the next three years. The Gross Domestic Product had been revised down by the Reserve Bank to 2,1% in 2013.

Black Economic Empowerment (BEE)

The BBBEE Amendment Bill was debated in Parliament in June 2013.

BEE is not only a political and social necessity for redressing the wrongs of the past, but will also help broaden economic participation, which will contribute to economic growth.

The intention with the Bill is to ensure that black people become not only owners but also active participants in the companies.

The new BEE codes of good practice are expected to boost support for black-owned small firms.

The Bill, which amends the BBBEE Act of 2003, provides a clear statutory definition of fronting and also provides for the establishment of a commission that will address issues of fronting and have the power to levy penalties specified under the Bill.

The Bill also provides for a regulatory framework for BEE-rating agencies, and gives all government departments and businesses one year to bring any other empowerment legislation they may be using in line with that of the Bill.

The mining charter is one of the tools that will have to be realigned with the BEE Bill.

The penalties under the Bill allow for those convicted of fronting to be given a fine, or a prison sentence of no more than 10 years.

The department is also amending the BEE codes of good practice and inviting comment on them.

The amended codes will provide for greater emphasis on the development of black suppliers.

The first BBBEE Summit was held in October 2013, with government taking stock of the positives and challenges since the implementation of BEE 10 years previously.

Programmes and projects

Black Business Supplier Development Programme

The Black Business Supplier Development Programme is a cost-sharing grant offered to black-owned small enterprises to help them improve their competitiveness and sustainability, to become part of the mainstream economy and create employment.

The programme provides grants to a maximum of R1 million: R800 000 for tools, machinery and equipment on a 50:50 cost-sharing basis; and R200 000 for business development and training interventions per eligible enterprise to improve their corporate governance, management, marketing, productivity and use of modern technology.

The objectives of the incentive scheme are to:

- draw existing SMMEs exhibiting potential for growth into the mainstream economy
- grow black-owned enterprises by fostering linkages between black SMMEs and corporate and public-sector enterprises
- complement current affirmative procurement and outsourcing initiatives of corporate and public-sector enterprises
- enhance the capacity of grant-recipient enterprises to successfully compete for corporate and public-sector tenders and outsourcing opportunities.

Industrial development

Industrialisation is central to long-term growth and development.

The Automotive Investment Scheme saw the approval of 92 projects (seven final car producers and 85 component manufacturers).

The projected investment resulting from these approvals was close to R9 billion based on incentives of R2,5 billion, creating over 7 000 jobs as a direct result.

Localisation is fundamental to reversing de-industrialisation pressures and strengthening the country's capacity to design and make things.

Steps taken to implement this included the following initiatives:

- The department signed a Local Procurement Accord with the business sector, including the 85 largest companies, labour and community partners. The accord set a target of 75% local content with concrete commitments and is the first agreement of its kind in South Africa.
- Cabinet approved procurement regulations that require all public entities to procure designated goods only from South African manufacturers.
- The Infrastructure Plan has a strong localisation component in the purchase of trains, boilers, earth-moving equipment, turbines and other key inputs.
- In 2013, the updated version of the IPAP – the manufacturing driver of the NGP, to increase competitiveness of local companies – was released.
- The department commissioned Proudly South African to drive more focused marketing and buy-local campaigns and compile a database of local suppliers. To this end, the department made available R8 million in funding.

Industrial Policy Action Plan II (IPAP 2)

The dti has responded to a directive made by President Jacob Zuma during his 2013 State of the Nation Address to leverage the massive public investment in infrastructure to industrialise the country, generate skills and boost much-needed job creation.

In this regard, the department will continue working with other relevant government departments in the implementation of IPAP II.

The IPAP II has prioritised the designation of sectors to enhance manufacturing as one of the key driving levers of economic growth and job creation.

IPAP 2013/14–2015/16 is the fifth iteration.

In January 2013, the dti announced that local producers of electrical and telecommunication cables, as well as components of solar water heaters, were set for a major boost.

The department announced the further designation of electric valves, manual and pneumatic actuators, electric and telecommunication cables as well as components of solar water heaters, for local production and content in the public sector procurement system.

Public procurement forms part of the department's industrial levers in the IPAP.

Automotives

The automotive industry remained the largest and leading manufacturing sector in the domestic economy.

Government interaction with the industry contributed to the opening of the Toyota Ses'fikile Taxi Assembly Line.

The plant enables the semi-knockdown production of a 16-seater Quantum Ses'fikile – which has one seat more than the previously imported 15-seater minibus – to be manufactured in South Africa.

The assembly line created 90 new jobs in the start-up phase and a further 210 new positions in upstream and downstream suppliers and service providers.

Locally manufactured Toyota models are exported to 57 countries' and the Ses'fikile and Hino ranges are exported to Botswana' Lesotho' Namibia and Swaziland.

Clothing and textiles

The Clothing Textile Competitive Programme and Production Incentive were implemented, benefiting 106 and 94 companies, respectively.

Business process services

Investments of up to R40 million resulted in the creation of 950 jobs within nine months.

Approval of R42 million for new investment commitments was linked to 806 jobs.

A total of 3 400 recruits were trained under the Monyetla 2 Programme – 70% constitute guaranteed employment by a business process outsourcing consortium.

Green industries

The revision of building standards that require higher levels of energy efficiency and mandatory installation of solar water heaters in new buildings was completed.

The SABS finalised enabling standards for solar water heaters; energy-efficient lighting; wind-energy turbines; appliances and products; electric batteries and alternative fuel vehicles; and co-generation of electricity and biofuels.

Significant progress in developing the renewable energy feed-in tariff rules was achieved.

The intra-departmental South African Renewables Initiative will leverage international climate finance to supplement domestic funding sources for renewable energy production linked to domestic manufacturing.

Special Economic Zones

In September 2013, the Mahikeng Airport City Project was launched.

The project is expected to pave the way for job creation and economic growth.

The Mahikeng International Airport will be repositioned as an Airport City, while the erstwhile Mahikeng Industrial Development Zone (MIDZ) will be designated as a special economic zone.

Projects to be implemented to boost the local economy and job creation include concrete tile and roof sheet manufacturing, a fuel farm, solar manufacturing, maize processing and business process outsourcing services.

Additionally, work on the development of the freight hub at the airport started with the development of an Air, Road and Rail Transport Strategy and upgrading of the airport.

In April 2013, the dti identified 10 potential SEZs across the country, which, if viable, will promote the creation of decent work.

Industrial Development Zones (IDZs) will continue to be elements of the SEZs.

In September 2013, the Minister of Trade and Industry launched *Small Business Connect* newspaper, which will help close the information gap and provide small businesses with the information necessary to make their ventures successful. The newspaper can also be accessed on *www.SmallBusinessConnect.co.za* and has a Facebook page on *www.facebook.com/SASBconnect*. People can also contact the publication on 087 150 4710 and connect with it on *www.twitter.com/SASBconnect*.

The purposes of the SEZs include facilitating the creation of an industrial complex with strategic economic advantage for targeted investment and industries in the manufacturing sector and tradable services.

This will also focus on establishing infrastructure to support the development of targeted industrial activities and to attract foreign and domestic direct investment.

The main objectives of the SEZ Bill include providing for the designation, development, promotion, operation and management of SEZs, as well as the establishment of the SEZ Board.

The country could make use of different categories of SEZ, namely a free port, a free trade zone and an industrial development zone as well as a sector development zone.

The East London IDZ held private sector investment of R4 billion in 2012/13.

Broadening participation

One of the key industrial policy goals is the promotion of a broader-based industrial path, where there is more participation by historically disadvantaged economic citizens and marginalised regions in the mainstream of the industrial economy.

To this end, the Economic Development Department promotes enterprise development, economic empowerment, the development of skills, the facilitation of economic infrastructure, and enhanced technology and innovation.

This is done by:

- improving productivity
- reducing the regulatory burden and cost of doing business
- improving access to finance for SMMEs and cooperatives
- improving innovation in the domestic economy
- promoting the development and sustainability of SMMEs and co-operatives
- encouraging entrepreneurship and self-employment.

Business-development support programmes will be strengthened and regulatory impact assessments will be addressed to create an environment that is conducive to enterprise growth.

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

Small, medium and micro-enterprises

Sefa planned to disburse over R737 million to more than 15 000 small firms by the end of the 2013/14 financial year.

The targeted funding was expected to help create over 18 000 jobs.

In five years, the agency aims to have more than doubled lending and the number of business owners financed – with disbursements amounting to almost R1,6 billion to over 34 000 small firms.

Sefa lends between R500 and R5 million to SMMEs in three ways: directly to business owners; via retail finance intermediaries; and via banks through its credit guarantee scheme.

Sefa completed the development of its direct lending product by the end of November 2013.

Among other things, the agency aims to:

- investigate the possibility of partnering with retail chain stores, as well as government feeding schemes, as a way to expand its reach into rural areas
- improve a pre-loan support programme, in partnership with the Seda
- partner with more provincial development finance agencies
- expand the pilot project it has with the Saica to train young graduates to assist small businesses, from Gauteng to KwaZulu-Natal and Mpumalanga
- annually roll out a further nine branches or satellite offices co-located within Seda or IDC branch offices, to add to the 11 regional offices the agency already has.

The cost of Sefa lending finance to business owners was also expected to fall – from 44c for every rand disbursed in 2013/14 to 25c in 2017/18.

Sefa ran awareness road shows with financial intermediaries from April 2013 to February 2014.

The IDC committed over R987 million as a shareholder's loan to the agency until the end of the 2014/15 year, with the option of a further R400 million capital injection in two years' time.

Over the next five years, youth entrepreneurs will have R2,7 billion in funding made available to them by Sefa.

International cooperation: trade, investment and exports

In February 2013, the Deputy Minister of Trade and Industry concluded an outward trade and investment mission to Equatorial Guinea, with a business delegation, comprising representatives from 13 South African companies.

The aim of the mission was to forge relations which would lead to an increase in trade and investment between the two countries.

In February 2013, the dti led a 14-member business delegation on an outward selling mission to Riyadh, Saudi Arabia.

The purpose of the mission was to strengthen trade relations between the two countries and position South Africa as a supplier of choice in Saudi Arabia.

The mission followed the Joint Economic Commission (JEC) held in Saudi Arabia in 2012, which provided a platform to expose South African companies to the Saudi Arabian market, and deepen bilateral trade and investment relations.

The importance of the trade mission was underscored by the fact that Saudi Arabia is South Africa's largest trading partner and second largest export destination in the Gulf region.

Efforts to increase trade are showing results, with South Africa's exports growing by 5% over the last four years.

In October 2013, the Deputy Minister led a business delegation to Brazil.

The two countries share a strategic relationship, reflected in the cooperation within the BRICS and India, Brazil and South Africa (IBSA) blocs.

The sectors affected by the countries' trade and investment relations include agro-processing, as well as mining equipment and services.

The investment sectors covered will be automotive components, transport equipment and alternative energy sources.

Business process outsourcing and offshoring

Business process outsourcing and offshoring is a major global trend, with a significant positive impact on developing countries with the required skills, cost advantages and infrastructure.

Under the Monyetla 2 Programme, 3 400 recruits were trained, of which 70% have been guaranteed employment by the business process outsourcing consortium.

Africa Growth and Opportunity Act (Agoa)

In September 2013, a high-level government and business delegation visited the USA to present South Africa's case for the extension of the Agoa beyond its 30 September 2015 expiry date, as well as the continued inclusion of Africa's largest economy as a beneficiary of the scheme.

Department of Public Enterprises

The Department of Public Enterprises provides effective shareholder management of SOEs/ state-owned companies (SOCs) that report to the department, and support and promote economic efficiency and competitiveness.

Budget and funding

In May 2013, the Department of Public Enterprises was considering putting in place set-asides from the growing procurement spend of SOEs for small businesses and black industrialists, to help transform the economy.

The department wanted to look at pension funds, such as that run by the Public Investment Corporation (PIC), and put pressure on companies investing with these funds to invest in the productive economy.

SOEs were expected to invest about R113 billion in the next financial year, more than double the R53 billion it spent three years ago.

The department invested over R2,8 billion in training during 2013/14.

Role players

State-owned enterprises

SOEs have a crucial role to play in advancing economic growth, since they are responsible for the development of key infrastructure and manufacturing capacity for South Africa.

The SOEs that fall under the jurisdiction of the Department of Public Enterprises are active in the following sectors:

- energy and mining: Alexkor and Eskom
- manufacturing: Denel, Safcol and Broadband Infraco
- transport: South African Airways (SAA), Transnet and South African Express (SAX).

In May 2013, the report by the Presidential Review Committee (PRC) on SOEs recommended that all commercial SOCs be consolidated under a central executive authority, or department, over the coming five years.

Likewise, those enterprises deemed to be development finance institutions (DFIs) should fall under a similar, but separate, executive authority.

The report did not prescribe which department should eventually oversee the commercial entities or the DFIs, recommending only that central authorities should be established, in line with an overarching, long-term strategy, as well as a new law governing all SOEs.

The Department of Public Enterprises has shareholder responsibilities for several large SOEs, including Eskom, Transnet and South African Airways.

However, a number of other commercial entities still fall under line departments, such as Sentech, the South African Post Office and the Central Energy Fund.

Commercial SOEs and DFIs were defined in the 219-page report as those organisations that command market-related revenues, and have bankable balance sheets, the ability to post profits and the capability to maintain and replenish market capitalisation autonomously from the State.

In August 2013, the Minister of Finance introduced new-look customs systems aimed at reducing the cost of doing business and promoting the country's competitiveness and exports, and inter-regional trade. It will also help Sars to automatically detect false declarations and increase revenue – a move that will boost the economy.

The existing commercial portfolio included the large SOEs falling under the department, as well as statutory corporations, such as the water boards, and companies in which the State had a shareholding, such as Telkom.

The DFIs, such as the Development Bank of Southern Africa and the IDC, were the finance-related commercial SOEs.

Also recommended was the development of a consolidated funding model for the commercial SOEs and DFIs, embracing a greater mix of debt and equity finance, and private sector participation.

According to the report, the mining sector, which is a significant user of economic infrastructure, should contribute fairly to the development of that infrastructure.

In addition to tariffs based on the user-pay principle, consideration should be given to the use of various policy tools, including mandatory local beneficiation and/or ring-fencing a portion of the proposed resources tax to develop infrastructure.

Attention was also paid to the issues of corporate governance and executive remuneration, with the PRC recommending the creation of a Central Remuneration Authority (CRA).

The CRA, the PRC argues, should be given a strong degree of independence, as well as the necessary authority to develop an overarching framework for remuneration, including the parameters within which a board might apply its discretion to remuneration.

Alexkor

Alexkor Limited's core business is the mining of diamonds on land, along rivers, on beaches and in the sea along the north-west coast of South Africa.

These activities are complemented by geology, exploration, ore-reserve planning, rehabilitation and environmental management.

The non-core business activities comprise residential services, community services, outside engineering services, external transport services, guest houses, fuel stations and an airport.

The management of considerable investment funds, as well as traditional supporting services, such as information systems and human resources, constitute additional non-core business activities.

South African Forestry Company (Safcol)

Safcol is government's forestry company conducting timber harvesting, timber processing and related activities, both domestically and internationally.

It provides almost 2 200 permanent jobs and 2 000 contractual jobs in rural areas in Mpumalanga, Limpopo and KwaZulu-Natal.

As almost 61% of land under Safcol's operation is subject to land claims, the department plays a proactive role in facilitating the resolution of these claims through effective interdepartmental cooperation.

Broadband Infraco

Broadband Infraco is an SOC that operates within specific focus areas of the country's telecommunications sector.

It is intended to improve market efficiency in the long-distance connectivity segment by increasing available long-distance network infrastructure.

Broadband Infraco provides long-distance national and international connectivity to licensed private sector partners, licence-exempt projects of national importance and previously underserviced areas.

Broadband Infraco also provides strategic international connectivity to operators in the SADC region and on the west coast of Africa.

The Broadband Infraco network has established 13 600 km of long-distance fibre, as well as five open-access points of presence in key metropolitan areas.

A further seven open-access points to roll out broadband access in remote rural areas and to facilities such as hospitals, clinics and schools have also been established.

Wholesale long-distance connectivity prices have come down by more than 75% over the past two years, partly as a consequence of the establishment of Broadband Infraco, thereby further unlocking economic value by reducing the cost of connectivity.

The Department of Science and Technology took up 70% of the capacity associated with Broadband Infraco's investment in the West Africa Cable System, in support of the Square Kilometre Array (SKA) project.

Denel

Denel is the largest manufacturer of defence equipment in South Africa and operates in the military aerospace and landward defence environment.

It is an important defence contractor and a key supplier to the South African National Defence Force (SANDF), both as a manufacturer of original equipment and service provider for the overhaul, maintenance, repair, refurbishment and upgrade of equipment in the SANDF's arsenal.

Denel supplies systems and consumables to end-users, as well as sub-systems and components to its industrial client base.

It also has a number of equity partnerships, joint ventures and cooperation agreements with international players in the defence industry.

In 2013, Denel, which signed R3,7 billion in new, predominantly export, orders, returned an unaudited profit of R60 million for the 2012/13 financial year, breaking a long stretch of losses.

In future, Denel will be focusing on ensuring the success of the Hoefyster infantry combat vehicle production programme and further positioning the business for collaborative product development opportunities, especially in Latin America, Africa, Asia and the Middle East.

Eskom

Over five years, Eskom is projected to spend over R200 billion for the supply of coal.

The aim is for the utility to procure more than 50% of its coal from emerging black coal miners by 2018.

In May 2013, the Minister of Public Enterprises launched the Black Emerging Miners Strategy to increase black participation and ownership in the coal-mining sector.

A key element of the strategy is to establish a mine development fund to provide finance for the development of mines, mainly at the early exploration stage. The fund started operating at the end of 2013/14.

The utility finalised its build programme and that about 82% of funding had been secured.

In 2013, Eskom spent about R65 billion and will spend another R337 billion over the next five years, to complete the Medupi, Ingula and Kusile power stations. Eskom aimed to have the first unit of Medupi start operation by the end of 2013.

Evidence from a survey commissioned by Eskom suggests that the public campaign to save energy is bearing fruit. Eskom also facilitated the training of 5 248 young learners through their key suppliers.

South African Airways (SAA)

SAA is South Africa's national airline and operates from OR Tambo International Airport in Johannesburg, Gauteng. Its principal activities include providing scheduled air services for the transportation of passengers, freight and mail to international, regional and domestic destinations. In fulfilling its mission to be an African airline with global reach, it operates to 25 destinations across the continent and provides a competitive, quality air transport service within South Africa and to major cities worldwide.

In May 2013, SAA started implementing its turnaround strategy and achieved its cost compression target of R1,3 billion for the year ending March 2013.

The department, in collaboration with the SAA Board, designed a special governance arrangement to ensure rigorous monitoring of progress on the implementation of the strategy.

In 2013, SAA started taking delivery of a fleet of 20 Airbus A320 aircraft, valued at about R10 billion which form part of a broader fleet replacement plan that aims to address the fuel inefficiency of SAA's current long-haul fleet.

South African Express (SAX)

SAX is a domestic and regional passenger and cargo carrier. It has a route network covering six African countries and acts as a strategic feeder, connecting secondary airports with each other , as well as with large hub airports.

In 2013, the Department of Public Enterprises worked with the SAX board to address internal control challenges in the airline.

The department and the SAX board developed a comprehensive turnaround strategy for the company and cut R129 million in costs in 2012/13.

Transnet

In August 2013, Transnet launched its new enterprise development hub that will expand business opportunities for smaller enterprises and new business entrants. The hub will be a "one-stop shop" for entrepreneurs and new players – with assistance ranging from registering their businesses to financial support.

State-owned firm Transnet will invest over R2 billion in the hub, with the aim of developing enterprises and assisting them in participating in the economy. The plan is to rollout the concept across the country. Some R60 million has been set aside for this purpose.

The launch of the hub comes more than a year after Transnet announced its intention to spend R300 billion on capital projects, over a seven-year period, which would create 588 000 jobs.

As at February 2013, BBBEE spending at Transnet stood at R58 billion or 87% of total procurement spending. Through Transnet's Market Demand Strategy, rail volumes increased by 5% and capital invested in the build programme increased by 30% to just below R30 billion, in 2013.

Small businesses are the lifeblood of the economy, with 12 million South Africans relying on such businesses to survive.

In 2013, Transnet secured R175 million from the Department of Higher Education and Training to train an additional 1 000 learners, who were recruited countrywide. This will increase artisan learners at Transnet training facilities to 3 000.

Government Employees Pension Fund (GEPF)

The GEPF is Africa's largest pension fund, with 1,2 million active members, in excess of 300 000 pensioners and beneficiaries, and assets worth more than R1 trillion.

State workers and retirees, including departmental bureaucrats, teachers, nurses and members of the police force are among its members.

Department of Public Works

The department's mandate is to be the custodian and manager of all government's fixed assets for which other departments or institutions are not responsible, according to legislation.

This includes the determination of accommodation requirements, rendering expert built environment services to client departments, and the acquisition, maintenance and disposal of such assets.

Legislation and policies

In terms of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), the President allocated a functional mandate to the Department of Public Works.

The mandate of the department is also confirmed through the annual Appropriation Act.

The State Land Disposal Act, 1961 (Act 48 of 1961), furthermore mandates the Minister of Public Works to carry out certain functions.

In terms of the Occupational Health and Safety (OHS) Act, 1993 (Act 85 of 1993), the Department of Public Works is responsible for preparing health and safety specifications for any intended construction project and contractors making a bid, or appointed to perform construction work with the specifications.

The OHS legislative framework consists of the OHS Act of 1993, and 20 sets of regulations. Compliance is achieved by conducting inspections and investigations, and providing advocacy and statutory services.

In April 2013, South Africa scooped the Best Stand Award for the second year running at the Zimbabwe International Trade Fair. The 2013 fair was held under the theme, "Building Value, Enhancing Growth".

The fair is widely recognised as the largest intra-regional trade fair south of the Sahara. The Deputy Minister of Trade and Industry led a group of 47 companies – an increase from the 34 companies that participated in the multisectoral, multinational fair in 2012.

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 of 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 mine workers, in terms of the Occupational Diseases in Mines and Works Act, 1993 (Act 208 of 1993).

Role players

Construction Industry Development Board (CIDB)

The CIDB reports to the Minister of Public Works and comprises individuals appointed from the private and public sector. The CIDB:

- provides leadership to stakeholders
- stimulates sustainable growth
- reforms and encourages improvements in the construction sector
- improves its role in the economy.

Council for the Built Environment (CBE)

The CBE 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 – to promote good conduct within the professions, transform them and advise government on built environment-related issues.

The CBE is also an appeal body to ensure protection of the public interest. As such, the CBE and the six councils for the professions maintain, and apply, standards for built-environment professionals' conduct and practice to effectively protect the interests of the public.

Programmes and projects

Expanded Public Works Programme (EPWP)

The EPWP is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed.

The EPWP is a nationwide programme covering all spheres of government and SOEs.

The programme provides an important avenue for labour absorption and income transfers to poor households, in the short to medium-term.

It is also a deliberate attempt by the public sector bodies to use expenditure on goods and services to create work opportunities for the unemployed. EPWP projects employ workers on a temporary or ongoing basis with government, contractors, or other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions.

The EPWP creates work opportunities in four sectors, namely infrastructure, non-State, environment and culture and social, through:

- increasing the labour intensity of government-funded infrastructure projects
- creating work opportunities through the Non-Profit Organisation programme (NPO) and Community Work Programme (CWP)
- creating work opportunities in public environment and culture programmes
- creating work opportunities in public social programmes.

The EPWP also provides training and enterprise development support, at a sub-programme level.

Green Buildings Framework

The deliberations of the Conference of Parties (better known as COP17) in December 2011 added emphasis to the department's Green Buildings Framework and responsiveness to South Africa's newly unveiled *White Paper on Climate Change.*

Efforts to step up the greening of government buildings are underway as part of South Africa's strategies to mitigate the effects of global warming.

In these efforts, the department will realise the green jobs outlined in government's NGP through concerted collaboration with a range of stakeholders such as organised business, the public entities of the department and local communities, using the principles of the EPWP.

Department of Labour

The mandate of the Department of Labour is to regulate the labour market through policies and programmes developed in consultation with social partners, which are aimed at:

- improving economic efficiency and productivity
- creating decent employment
- promoting labour standards and fundamental rights at work
- providing adequate social safety nets to protect vulnerable workers
- sound labour relations
- eliminating inequality and discrimination in the workplace

In July 2013, Public Enterprises Minister said at the Infrastructure Africa Conference that African countries should work towards cutting the regulatory red tape that makes it difficult for the continent's states to trade with each other. Business leaders from several African countries attended the conference.

- enhancing occupational health and safety awareness and compliance in the workplace
- giving value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for competitiveness of enterprises that is balanced with the promotion of decent employment.

In August 2013, the Minister of Labour and the Chinese Minister of Human Resources and Social Security, Yin Weimin, pledged to strengthen cooperation between the two countries in labour market and social security development.

The pledge also extends to addressing youth unemployment measures to help re - integrate the unemployed into the labour market, public employment services; and the improvement of social security benefits.

Legislation and policy

The department administers the following legislation:

- The Labour Relations Act, 1995 (Act 66 of 1995), applies to all workers and employers, and aims to advance economic development, social justice, labour peace and the democracy of the workplace.
- The Employment Equity Act, 1998 (Act 55 of 1998), applies to all employers and workers and protects workers and job seekers from unfair discrimination, and also provides a framework for implementing affirmative action.
- The Unemployment Insurance Act, 1996 (Act 30 of 1996), provides security to workers, when they become unemployed.
- The OHS Act, 1993 (Act 85 of 1993), provides and regulates health and safety at the workplace for all workers.
- Nedlac Act, 1994 (Act 35 of 1994).
- Skills Development Act, 1998 (Act 97 of 1998 as amended), develops and improves the skills of the South African workforce.

Labour Policy and Industrial Relations

The Labour Policy and Industrial Relations Branch supervises policy research, labour market information and statistical services.

> In November 2013, the Department of Labour and its social partners signed the Chemical Sector Health and Safety Accord to improve the status of occupational health and safety in the chemical sector in South Africa.
>
> The aim is to prioritise matters of occupational health and safety, eliminate fatalities, injuries and diseases in the chemical sector, and, identify and implement best practices.
>
> The accord also aims to raise awareness and promote industry initiatives focused on continual improvement of occupational health and safety in the chemical sector. It will be implemented through development of a joint action plan.

This includes regulation of labour and employer organisations and bargaining councils, dealing with all the department's responsibilities and obligations in relation to the International Labour Organisation and other international and regional bodies with which the South African Government has formal relations, as well as the effective functioning of the Commission for Conciliation, Mediation and Arbitration (CCMA) and Nedlac.

The CCMA is an independent dispute-resolution body created in 1996, in terms of the Labour Relations Act, 1995.

It does not belong to, nor is it controlled by, any political party, trade union or business.

The CCMA was established to provide South Africans with an accessible, user-friendly and affordable labour dispute resolution system.

Workers who have allegedly been unfairly dismissed, or are the victims of various unfair labour practices, are able to approach the CCMA alone or with certain categories of recognised representatives to seek redress for workplace wrongs.

Child labour

The global march towards the elimination of child labour by 2016 took another step as the world descended on Brazil for the third Global Conference on Child Labour, which was part of the International Labour Organisation (ILO) conference, in October 2013.

The conference promoted consistent policies and integrated strategies to address child labour across the world. It evaluated the actions taken in the fight against child labour and encouraged the exchange of experiences.

The conference was used to measure progress in implementing The Hague Roadmap towards the 2016 goal.

The Hague Roadmap has four pillars: education and training, national legislation and enforcement, labour market policies and social protection. Education is viewed as one of the crucial components in any efficient effort to eliminate child labour.

The ILO Global Estimates and Trends 2000–2012 revealed that the number of child labourers has declined by one third since 2000, from 246 million to 168 million.

However, even the latest improved figure is not enough to achieve the goal of eliminating the worst forms of child labour by 2016.

Government and its partners have strengthened legislation, raised awareness, trained professionals and developed educational materials.

Some of the legislation includes the proposed amendments to the Basic Conditions of Employment Bill, which will strengthen the prohibition of child labour in the informal trading sector.

The global action Plan points out that special effort needs to be made in sub-Saharan Africa, considering that it is the only region in the world where child labour has grown in both absolute and relative terms in the last decade.

Role players

Unemployment Insurance Fund (UIF)

The UIF is a public entity of the Department of Labour that contributes to alleviating poverty in South Africa by providing effective short-term unemployment insurance to all workers who qualify for unemployment and related benefits.

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.

The South African Revenue Service (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.

The UIF announced in October 2013 that it was expanding the period of benefit payment from eight to 12 months.

The move was aimed at easing the burden on the unemployed.

In 2013, the fund paid out R6 billion and in the same period, 731 131 beneficiaries were paid.

In 2013, the UIF had 1 465 218 employers (commercial, domestic and taxi) registered on the system. The fund had 8 330 760 employees (commercial and domestic) registered on the system, in March 2013.

In 2013, the UIF's total assets were valued at R81 billion, while net surplus in the same period was R16 billion.

The UIF had grown the number of active U-Filing employers to 42 487, in 2013.

By October 2013, 21 234 new jobs had been created and 20 161 jobs saved by companies that accessed funding from the UIF/IDC initiative.

In another initiative, the UIF partners with Productivity South Africa, funding the organisation's turnaround solutions to help companies that are in distress, so as to save jobs.

In terms of the funding agreement, the UIF allocated R55 million for the 2013/14 financial year. In 2013/14, 130 companies were targeted for intervention, with the potential to save 10 200 jobs through the turnaround solution intervention.

Through the funding for the Training Lay-Off scheme, the UIF has budgeted R105 million for 2013/14 and a further R400 million over the next three years.

In July 2013, the Department of Labour released the Unemployment Insurance Amendment Bill, which aims to address the issue of workers who are presently excluded by the Unemployment Insurance Act, for public comment.

In August 2013, the UIF put in place a new toll-free number to assist and save its beneficiaries costs when calling the UIF call centre.

The numbers to call are 0800 843 843 or 0800 UIF.

Compensation Fund (CF)

The department administers the CF, which compensates workers who are victims of occupational disability, occupational disease and fatal work incidents.

The services of the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) were extended and are rendered at provincial level.

Another element in the decentralisation process has been the move away from manual processing to the introduction of an electronic system.

The construction sector contributes 16% to South Africa's GDP, employing just under 1,8 million workers.

By 2013, R850 million had been collected from 33 000 registered employers.

The CF allocated 5% of its total investment, amounting to R1,6 billion, to alleviate unemployment through socially responsible investments in the healthcare industry.

National Economic Development and Labour Council

Nedlac's mandate is to make economic decision-making more inclusive, thereby promoting the goals of economic growth and social equity.

Nedlac's purpose is to facilitate more inclusive economic decision-making, and to promote the goals of economic growth and social equity through discussions with organised business, organised labour and organised community groupings at national level.

The Department of Labour is the main government department from which Nedlac is funded,

> In June 2013, Eskom was the overall winner of the 2013 Nkonki State-owned companies (SOC) Integrated Reporting Awards for the second year running. The awards recognise SOCs that excelled in integrated reporting in the country.

but the departments of trade and industry, finance and public works are also centrally involved in the council. Other departments attend when there are issues relating to their portfolios.

Organised business is represented by Business Unity South Africa, which brings together the Black Business Council and Business South Africa.

Organised labour is represented by the three main labour federations in South Africa: the Congress of South African Trade Unions, the Federation of Unions of South Africa and the National Council of Trade Unions.

Programmes and projects

The Department of Labour has an infrastructure network of 421 service points across the country.

These include 126 labour centres, 31 satellite offices, 19 mobile offices and 153 visiting points, as well as services provided at Thusong service centres.

Job fairs

The job fairs initiative is part of the department's Public Employment Services' contribution to government service-delivery outcomes.

It is a first step towards building a working relationship with social partners and providing a link between work seekers and potential job opportunities.

Job fairs provide free services to create an opportunity for work seekers to meet with prospective employers and other organisations or departments that can assist with their placement in different forms of employment or learning opportunities.

Various organisations present career and other placement opportunities to work seekers, as well as employment counselling, job search tools and assessments.

The fairs are targeted at unemployed youth who dropped out of school, unemployed youth with school exit certificates, unemployed graduates, and under-employed and retrenched workers.

The fairs are held in conjunction with national and provincial sister departments, including the departments of economic development, transport and rural development; as well as a number of state-owned and private companies, including Transnet, Eskom, the South African Safety and Maritime Authority of South Africa, the DBSA and multilateral organisations such as the International Monetary Fund, the World Bank and the International Labour Organisation.