SOUTH AFRICA YEARBOOK 2012/13

Economy

Ranked by the World Bank as an "upper middle-income country", South Africa is the largest economy in Africa. While much of the world staggered in the wake of the global financial meltdown, South Africa has managed to stay on its feet – largely due to its prudent fiscal and monetary policies.

The country has a well-capitalised banking system, abundant natural resources and well-developed regulatory systems, as well as research and development capabilities, and also an established manufacturing base.

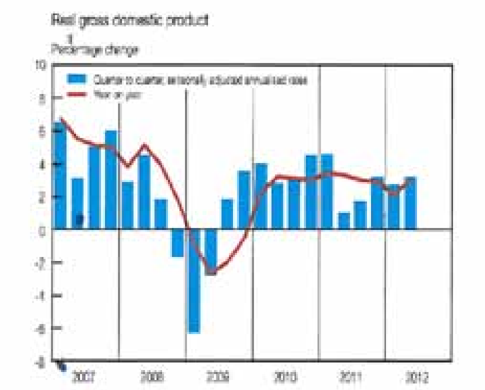
With a world-class and progressive legal framework, legislation governing commerce, labour and maritime issues is particularly strong, and laws on competition policy, copyright, patents, trademarks and disputes conform to international norms and standards. Its modern infrastructure supports the efficient distribution of goods throughout the southern African region.

South Africa's economy has a marked duality, with a sophisticated financial and industrial base, known as the "First Economy", having grown alongside an underdeveloped informal economy, known as the "Second Economy."

In its *2012/13 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.

The 2012/13 Budget announced by Minister Pravin Gordhan indicated planned spending of R1,1 trillion, exceeding R1 trillion for the first time ever. Gross domestic product (GDP) at 2012 prices is estimated at R2,964 trillion. The economy was projected to create 780 000 jobs between 2012 and 2014.

In 2012, government adopted an infrastructure development plan to transform South Africa's economic landscape, create employment opportunities and improve basic service delivery. Under the guidance of the Presidential Infrastructure Coordinating Committee, 18 strategic integrated projects (SIPs) have been developed. By January 2013, work had started on all 18 SIPs.



Economic indicators

Domestic output

Global economic growth decelerated in the second quarter of 2012, with activity slowing across a wide range of advanced and emerging-market countries after having surprised on the upside in the first quarter of the year.

Economic activity in South Africa expanded at a firmer pace in the second quarter of 2012, with real GDP rising at an annualised rate of 3,2%, a half-percentage point higher than in the first quarter of the year.

Real value added increased at a significantly slower pace in the second quarter of 2012, while real gross domestic expenditure maintained strong momentum and accelerated further, led by capital expenditure.

As had been the case since the beginning of 2012, fixed-capital formation recorded the strongest real growth rate among the components of domestic final demand.

Public corporations, led by Eskom and Transnet, raised their real capital expenditure notably further during the period.

The real value added by the agricultural sector increased at an annualised rate of 5,8% in the second quarter of 2012, compared with an increase of 3,4% in the first quarter.

Growth in the real value added by the mining sector rebounded in the second quarter of 2012, when it accelerated to an annualised rate of 31,2%, following a sharp contraction of 16,8% in the first quarter. The National Association of Automobile Manufacturers of South Africa did expect vehicle export to gain momentum in the second half of the year, despite the slow recovery in global activity levels.

Growth in coal production continued in the second quarter of 2012, underpinned by a steady increase in domestic and foreign demand. Furthermore, a new coal shaft was opened by one of the national petrochemicals groups during the second quarter of 2012.

Having advanced at an annualised rate of 6,4% in the first quarter of 2012, the real value added by the secondary sector contracted by 0,5% in the second quarter. The real value added by the manufacturing sector contracted at an annualised rate of 1% in the second quarter of 2012, following a brisk increase of 7,7% in the first quarter.

The contraction in manufacturing production, which occurred notwithstanding the depreciation in the exchange rate of the rand, caused the contribution of manufacturing to overall growth in real GDP to switch from adding 1,2 percentage points in the first quarter of 2012 to subtracting 0,2 of a percentage point in the second quarter.

Growth in the real value added by the tertiary sector slowed to an annualised rate of 2,3% in the second quarter of 2012 – following an increase of 3% in the first quarter. Real output growth of the trade sector moderated from an annualised rate of 3% in the first quarter of 2012 to 2,8% in the second quarter, mainly reflecting slower output growth in the wholesale trade and catering and accommodation subsectors.

Following an increase of 2,5% in the first quarter of 2012, growth in real value added by the transport, storage and communication sector slowed to 2,3% in the second quarter.

Growth in real value added by the finance,

> The proportion of adults in South Africa with the lowest living standards has decreased by 77% over the last 10 years, according to the *South African Institute of Race Relations South Africa Survey*, published in January 2012.

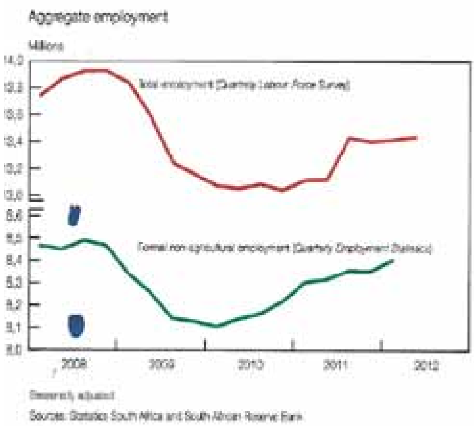
insurance, real-estate and business services sector decelerated from 4,1% in the first quarter of 2012 to 2,3% in the second quarter.

The real value added by the general government increased at annualised rates of 2,3% and 1,9% in the first and second quarter of 2012 respectively. The slower growth in the second quarter reflected a moderation in employment gains over the period.

Domestic expenditure

Growth in aggregate real gross domestic expenditure accelerated from an annualised rate of 4,3% in the first quarter of 2012 to 4,7% in the second quarter. A steady increase of R5,9 billion in inventory levels was recorded in the first quarter of 2012.

Real final consumption expenditure by households moderated further from an annualised rate of 3,1% in the first quarter of 2012 to 2,9% in the second quarter. This was the lowest rate of increase to be registered since the second quarter of 2010. Growth in real spending on durable goods decelerated slightly from 8,2% in the first quarter of 2012 to 8,1% in the second quarter.



Subsequent to a somewhat slower pace of increase in the first quarter of 2012, real spending on semi-durable goods advanced at an annualised rate of 7,8% in the second quarter.

Real spending on non-durable goods showed steady increases at rates of 3,5% and 3,8% in the first and second quarters of 2012, respectively.

Spending on services declined at an annualised rate of 0,3% in the second quarter of 2012, switching from the 1,6% growth rate recorded in the preceding quarter. More affordable travel and accommodation packages made South Africa an attractive destination for international holidaymakers over the period.

Real spending on non-wage goods and services contracted in the second quarter of 2012. This decline caused the growth in government consumption expenditure, excluding the acquisition of armaments, to slow from 4,3% in the first quarter of 2012 to 4,1% in the second quarter.

Real gross fixed capital formation increased at an annualised rate of 5,7% in the second quarter of 2012, following growth of 5,3% in the first quarter. Improved capital outlays could be attributed to a faster pace of increase in capital spending by private business enterprises and by general government.

Growth in real gross fixed capital formation by private business enterprises accelerated from an annualised rate of 1,8% in the first quarter of 2012 to 2,4% in the second quarter. Spending on machinery and equipment by the manufacturing sector nevertheless picked up slightly in the second quarter of 2012.

The communications subsector continued to expand the optic-fibre network, particularly to augment quality and to support the growth in data traffic through ongoing capital spending on more sophisticated data networks. Real fixed capital expenditure by public corporations increased at an annualised rate of 9,1% in the second quarter of 2012, following an increase of 13,1% in the first quarter.

Real gross fixed capital expenditure by general government accelerated in the second quarter of 2012, driven by ongoing spending at all three levels of government. The upgrading of public roads by provincial governments continued over this period. In addition, expenditure on water and sanitation projects, all of which are largely financed by local governments, rose further over this period. Capital spending on the health and education services infrastructure also continued. The level of real inventory investment increased from R5,9 billion in the first quarter of 2012 to R7 billion in the second quarter, as the pace of increase in domestic consumption and exports continued to slow in most of the sectors.

Employment

Releasing the *Quarterly Labour Force Survey* for the fourth quarter in February 2012, Statistics South Africa indicated that the unemployment rate dropped by 1,1% to 23,9% down from the third quarter's 25%.

There were 13,5 million people employed in the fourth quarter. Compared to the fourth quarter in 2010, employment increased by 365 000 in the fourth quarter of 2011. Year-on-year, 453 000 more people were employed in the formal sector in the fourth quarter, making it the highest year-on-year growth seen in the formal sector since the end of the recession in 2009.

The formal sector job gains were driven by finance and other business services, trade, and community and social services. Although there was a decline in unemployment in the fourth quarter, 4,2 million people remain unemployed, with 2,9 million having been looking for work for over a year or longer.

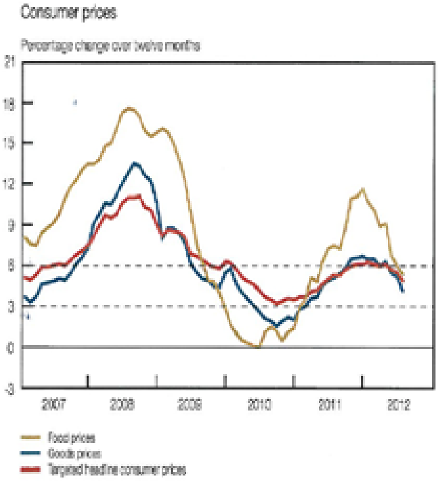
Since most employment creation occurs outside of the government, accelerating it requires the consistent use of core state functions to create an environment that encourages private enterprise and other non-state organisations to expand jobs.

To this end, the New Growth Path (NGP) and the Industrial Policy Action Plan 2 (IPAP 2) 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.

In August 2012, a work compact on youth unemployment was agreed on by members of Business Leadership South Africa, Business Unity South Africa, the Black Business Council, representatives of women and disabled peoples' organisations, and youth representatives drawn from unions and the South African Youth Council.

Corporate supporters and principles were identified – including current and potential private-sector programmes such as work readiness schemes, the setting up of health, education and rural brigades, as well as internships and apprenticeships.

A youth employment creation committee under the National Economic Development and Labour Council (Nedlac) examined measures to tackle unemployment among young people, while government explored work-



seeker and work-creation subsidies with key partners and setting up specific programmes to help young people to start their own business or co-operative – including a role in installing solar-water heaters.

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

Price inflation

In an environment of declining commodity prices and subdued global inflation, headline consumer price inflation moderated from a high of 6,3% in the year to January 2012 to 4,9% in the year to July. This outcome, which resulted from a notable moderation in consumer goods price inflation, was more favourable than initially expected. Similarly, year-on-year producer price inflation for domestic output decelerated from a high of 10,6% in October 2011 to 6,6% in April 2012, and remained at this rate up to June, before moderating further to 5,4% in July 2012.

The deceleration in domestic producer price inflation from its peak of 10,6% occurred alongside declining international commodity prices, as global economic growth prospects deteriorated throughout the first half of 2012.

In conformity with overall producer price inflation, the pace of increase in the prices of imported commodities moderated significantly in the first half of 2012, partly underpinned by an appreciation in the exchange rate of the rand in the opening months of the year. Year-on-year producer price inflation for imported agricultural products moderated to such an extent that it turned to deflation from December 2011 onwards, amounting to 3% in May 2012, before prices increased again by 1,9% in the year to July.

Inflation expectations for 2012, as measured by the *Survey of Inflation Expectations* conducted by the Bureau for Economic Research at Stellenbosch University, in the second quarter of 2012 remained unchanged at 6,1% from the previous quarter.

Annual average consumer price inflation was expected to moderate slightly to 6% in 2013, before accelerating somewhat to 6,1% in 2014.

Exchange rates

After having increased by 4,4% in the first quarter of 2012, the nominal effective exchange rate of the rand lost some momentum and decreased by 4,8% in the second quarter.

During April and May 2012, the nominal effective exchange rate of the rand decreased by 0,8% and 5,8%, respectively. Pronounced declines were registered against the US dollar and the Japanese yen. The rand, however, gained some ground in June, mainly due to progress made in addressing the euro area debt crisis and confirmation by Citigroup that it would include South African government bonds in its World Government Bond Index from October 2012.

The average net daily turnover in the domestic market for foreign exchange remained broadly unchanged at US$19,5 billion from the first quarter of 2012 to the second quarter.

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 was formed after the 2009 elections to strengthen government capacity to implement the electoral mandate, in particular in relation to the transformation of the economy.

This transformation requires a pro-employment growth path that addresses the structural constraints to absorbing large numbers of people into the economy and the creation of decent work.

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

The department contributes directly to the creation of decent work through inclusive economic growth, and the ministerial service-delivery agreement that was signed in October 2010.

In 2011, government, business and labour stakeholders signed a local procurement accord. The accord was to turn around South Africa's heavy reliance on imports, which has led to de-industrilisation and the weakening of the manufacturing sector over the previous decade. Under the local procurement accord, the main economic groupings in the country committed to working together to increase the levels of goods and services bought from local producers, setting a target of 75% local procurement.

In January 2012, South Africa sent a high-powered delegation to the World Economic Forum's annual meeting in Davos, Switzerland. Economically, South Africa is increasingly recognised as the springboard into the world's last great investment frontier, Africa. It is ideally placed to navigate the shifting poles of power, not only as an emerging market, but also as a leading economy in a continent that is home to approximately 15% of the world's population.

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

- developing of 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 with 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.

Budget and funding

The Economic Development Department's work on sector policy aims to support the IPAP 2, as well as rural economic development initiatives.

The department guides the work of three economic regulatory bodies, namely the Competition Commission, the Competition Tribunal and the International Trade Administration Commission (Itac); and three development finance institutions, namely Khula, South African Micro-Finance Apex Fund (Samaf) and the Industrial Development Corporation (IDC).

The budget allocation for 2012/13 amounts to R672,7 million, of which R523 million goes as transfers to agencies and institutions associated with the department. The department's budget for operations and capital spending is R149 million, which will be distributed as follows:

- R169 million in small business funding to the Small Enterprise Finance Agency (Sefa)
- R172,8 million for the competition authorities
- R73,7 million for trade administration to Itac
- R108 million to the IDC for the Agro-processing Fund

- R60,1 million for administration, the Ministry and capital expenditure
- R29,1 million for economic policy development
- R42 million for economic planning and coordination
- R18,1 million for economic development and dialogue.

Role players

The Competition Commission, Competition Tribunal and Competition Appeals Court

Three independent bodies, which replaced the Competition Board, were created by the Competition Act, 1998. These are the Competition Commission, the Competition tribunal and the Competition Appeals Court.

The Act also made 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 Appeals Court considers appeals against decisions of the tribunal.

In August 2012, Cabinet approved that a notice, in terms of the Consumer Protection Act, 2008, be issued requiring the labelling of goods or products from Israeli-occupied territories to prevent consumers being led to believe that such goods come from Israel. Earlier in 2012, the department issued Notice 379 that was published for public comment regarding the labelling of products alleged to be originating in the occupied Palestine Territory by Israeli forces, as the department wanted to ensure that consumers were provided with accurate information on the origins of the goods they bought. This is in line with South Africa's stance that recognises the 1948 borders delineated by the United Nations and does not recognise occupied territories beyond these borders as being part of the state of Israel.

International Trade Administration Commission of South Africa (Itac)

Itac was established through the International Trade Administration Act, 2002 (Act 71 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.

The Act makes provision for a Chief Commissioner who serves as the Chief Executive Officer directly accountable to the Minister of Trade and Industry.

Programmes and projects

New Growth Path

Cabinet endorsed the NGP in October 2010, and set a target for the generation of five million new jobs by 2020 to significantly reduce unemployment. The NGP drivers, resource drivers and institutional drivers will help realise inclusive growth and decent employment over the next 10 years.

To this end, the NGP actively promotes integration and coordination across government.

The most successful example in the past year was the formation of the Presidential Infrastructure Coordinating Commission (PICC), which brought together half of Cabinet, the nine premiers, metropolitan council mayors and the South African Local Government Association, providing a structure where all economic decision-makers in the public sector sit together to drive implementation.

Other examples of coordination that include the department are inter-ministerial committees nationally, which bring ministers, MECs and local government representatives together, and social dialogue.

The department met with social partners to draft various accords to implement the NGP.

The ratification process establishing the Collaborative Africa Budget Reform Initiative (Cabri) as an international organisation was complete in June 2012, with South Africa hosting the Cabri Secretariat. Cabinet approved the signing of the hosting agreement by the ministers of finance and international relations and cooperation on behalf of South Africa. Cabri is a professional network of senior budget officials from ministries of finance throughout Africa that seeks to promote efficient and effective management of public finances through the exchange of good practices and experiences among peers.

In April 2012, the Economic Development Department convened an Infrastructure and Development Conference to provide a platform for ideas and proposals to strengthen the Infrastructure Plan.

The IDC and Development Bank of Southern Africa (DBSA) continue to invest in other African countries. By April 2012, the IDC portfolio extended to 20 other countries on the continent, with a market value of R19 billion. In 2011, the South African Government worked for the first time with the Namibian competition authorities on the Walmart matter, deepening policy coordination within the region.

Green economy

The green economy is shaping the next wave of industrialisation and is a key sector in the NGP. National Treasury allocated R800 million over the 2012 to 2014 timeframe for South Africa's Green Fund to provide finance for high-quality, high-impact, job-creating green economy projects throughout the country that would not have been implemented without fiscal support.

The green economy offers substantial opportunities for job creation and development in the environmental goods and services sector, particularly in biodiversity, waste and natural resource management services.

Following the release of the Green Jobs Report, the department concluded the Accord on the Green Economy in November 2011, which signalled a partnership between social partners. It contained clear commitments by each partner, with measurable targets.

About 250 000 solar water heaters had been installed in South Africa by 2012, a solid step towards the million target. This has been a partnership between a number of departments and public entities. The department worked with industry to manufacture more of the units in South Africa. In January 2012, the South African Bureau of Standards (SABS) approved a new factory in Alrode with a capacity to produce 8 000 units a month.

The IDC committed about R5 billion in industrial funding for projects in the Department of Environmental Affairs' Green Energy Programme, including to support entry of community empowerment groups.

The department unblocked projects in green energy stuck in bureaucratic delays, for example a wind farm in Coega in the Eastern Cape.

International cooperation

To advance economic integration and development in Africa, the Tripartite Free Trade Agreement made up of the Southern African Development Community, the East African Community and the Common Market of Eastern and Southern Africa was launched in South Africa during 2011.

This agreement combines market integration and infrastructure development, and initiates a work programme to promote industrial development in Africa. The announcement by the President about the African Union (AU)/New Partnership for Africa's Development North-South Road and Rail Corridor championed by South Africa on behalf of the AU, as well as other spatial development initiatives supported by South Africa will benefit this initiative.

Department of Trade and Industry

The Department of Trade and Industry's vision is of a South Africa that has a vibrant economy, characterised by growth, employment and equity, built on the full potential of all citizens. To achieve this, the it has become an outwardly focused, customer-centric organisation.

The department's strategic objectives are:
- facilitating transformation of the economy to promote industrial development, investment, competitiveness and employment creation
- building mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives
- facilitating broad-based economic participation through targeted interventions to achieve more inclusive growth
- creating a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner
- promoting a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery.

These objectives will be achieved through the collective efforts of the department's internal divisions and its Council of Trade and Industry Institutions, which are linked through a value chain to generate public value for the country's economic citizens and deliver high-quality products and services to the department's varied clients and stakeholders.

These products and services include policies, legislation and regulations, financial support and investment incentives, information and advisory support, as well as value-added partnerships.

The department also aims to achieve its objectives through the pursuit of a more targeted investment strategy, improved competitiveness of the economy, broadened economic participation of previously disadvantaged individuals into the mainstream economy, and policy coherence.

The department developed a detailed implementation plan, the IPAP 2, released in February 2010, which lays out specific projects housed within the department's programmes and entities.

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
- 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 and policies

The Department of Trade and Industry develops and reviews regulatory systems in the areas of competition, consumer protection, company and intellectual property, as well

Bilateral trade between South Africa and its BRICS partners grew substantially in 2011. Powered by significant increases in trade and exports between South Africa and China in 2011 grew by 32%, totalling R188 billion; with India by 25%, totalling R55 billion; and with Brazil 20%, totalling R18 billion. Bilateral trade between South Africa and Russia in 2011 totalled R3,8 billion.

Among BRICS members, South African exports to China grew the most, at 46%, while exports to India grew by 20%, to Brazil by 14% and by 7% to Russia.

In terms of the balance of trade, South Africa has run a trade surplus with Russia in the last two years of R1,3 billion and R1 billion respectively, after running trade deficits in 2008 and 2009.

While South Africa continued to run a trade deficit with China over the last four years, that deficit narrowed by over 50% from R48 billion in 2008 to less than R18 billion in 2011.

South Africa's trade deficit with Brazil also narrowed in 2011, to R6,1 billion – almost R2,5 billion less than the deficit recorded in 2008. However, after running trade surpluses with India of R2,5 billion in 2009 and R1,5 billion in 2010, South Africa last year recorded a trade deficit of R4,9 billion.

In December 2011, the Department of Trade and Industry made an appeal for contributions to provide solar water geysers to a nominated township or rural area. Some R802 000 was raised from corporates, unions and visitors to the Economic Development Department's stand at COP17. The department selected Ilhembe District in KwaZulu-Natal to install 500 solar water geysers. Groutville, home of Chief Albert Luthuli, is in Ilhembe. Installation started in late January 2012, using locally produced water-tanks.

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:

- Broad-Based Black Economic Empowerment (BBBEE) Act, 2003 (Act 53 of 2003)
- Consumer Protection Act, 2008 (Act 68 of 2008)
- 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).

The amended Regulations to the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000), became effective in December 2011.

The Department of Trade and Industry may designate sectors and products for local procurement of specified products by all state entities, including clothing, buses, rolling stock and canned foods.

The first designations mark an important milestone in government efforts to arrest and reverse industrial decline with and in support of the private sector.

The designation instrument serves to strengthen public procurement in support of the multipliers derived from reducing the trade deficit, strengthening and diversifying South Africa's industrial base and to build up competitive value-adding exports to the rest of the continent, high-growth developing economies and traditional export markets.

Budget and funding

The Department of Trade and Industry was allocated a budget of R9,1 billion for 2012/13, R10,4 billion for 2013/14 and R11,1 billion for 2014/15.

The 2012/13 budget represented a nominal increase of R2,2 billion or 32,2% compared to 2011/12. In real terms, this increase reflected a R1,7 billion or 24,9% increase. Furthermore, the department's budget would increase by 13,9% and 7,4% in nominal terms in 2013/14 and 2014/15, respectively. The total share of the department's budget allocation was 0,9% of the total government's budget of R969,4 billion for 2012/13, compared to 0,8% in 2011/12.

The 2012/13 allocation increase of R2,2 billion was primarily due to additional allocations in terms of incentives linked to industrial development. These included the manufacturing development incentives (an additional R1,4 billion is allocated), the capital investment incentives for special economic zones (SEZs), where an additional R500 million was allocated, and the clothing and textile production incentive (an additional R150 million was allocated).

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.

Presidential Infrastructure Coordinating Commission (PICC)

In 2012, the PICC made noticeable progress on drawing up the Infrastructure Plan. The commission has identified a bouquet of projects that will promote growth and development; ensure appropriate investments, taking into account both the cost and quality of infrastructure required by different sectors of the economy, as well as by households; and ensure adequate capacity to drive priority projects, especially at municipal and provincial level.

The Infrastructure Plan 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 Western 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)

Seda provides non-financial business-development and support services for small enterprises in partnership with other role players. By developing, supporting and promoting small enterprises, it ensures their growth and sustainability and subsequently enhances the competitiveness and capabilities of small enterprises through coordinated services, programmes and projects and to ensure equitable access to business support services.

In terms of IPAP 2 the agency is expected to contribute to four action programmes prioritised by the department over the medium term, namely:

- providing accessibility to financing for the national tooling initiative
- mentoring small- to medium-component manufacturers
- participating in the skills transfer and technology upgrading programme for small-scale saw millers
- developing and establishing business-management structures
- providing training to charcoal manufacturing enterprises and co-operatives in commu nities showing interest in charcoal production.

South African Micro-Finance Apex Fund (Samaf)

Samaf's work is guided by the Economic Development Department.

The fund has been operational since 2006 and provides wholesale funding and capacity-building support to on-lending financial intermediaries for the provision of affordable financial services to the enterprising poor in South Africa.

The fund focuses on establishing a network of sustainable micro-finance institutions providing loans to on-lending financial intermediaries.

Disbursements are projected to go to R101 million in 2013/14, which represents a substantial increase in the entity's operations.

In November 2012, the Minister of Trade and Industry, Dr Rob Davies, handed over six fishing boats to Houtbay fishing co-operatives at the Imizamo Yethu Settlement in Cape Town. The project is intended to broaden the participation of small-scale fishing communities in the fisheries value chain, thereby creating employment opportunities for local people.

Samaf focuses on rural and semi-urban areas and contributes to the national priorities of creating decent work and rural development.

Samaf has implemented a major review and evaluation to assess the efficiencies and effectiveness of its operating model in achieving its mandate and will continue implementing the recommendations of the review over the medium term.

Khula Enterprise Finance Limited

Khula's work is guided by the Economic Development Department. Established in 1996, Khula is dedicated to the development and sustainability of small, medium and micro-enterprises (SMMEs) in South Africa.

The company is a wholesale finance institution that 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.

In 2011, Khula approved R63,5 million to land reform beneficiaries for planting vineyards and citrus orchards in the Citrusdal community in the Western Cape. These two projects will create employment and ownership opportunities to about 565 workers.

In 2012, Khula Finance, South African Micro-Finance Apex Fund and the IDC's small business lending book were amalgamated into a single agency – the Sefa. Through operational efficiencies and leveraging a R2 billion funding envelope over the next three years, Sefa will enhance funding support to SMMEs at a provincial level through initiatives such as the roll-out of a direct lending facility piloted in Cape Town, Western Cape last year.

Business Partners Limited

Business Partners Ltd is a specialist risk-finance company for formal SMMEs in South Africa and selected African countries. The company actively supports entrepreneurial growth by providing specialist risk finance for SMMEs, as well as specialist sectoral knowledge and added-value services to these small and medium businesses.

It 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.

Over the past few years, Business Partners' reach was extended into Africa, with country-specific SMME investment funds providing scalable risk-finance solutions in Rwanda, Kenya and Madagascar. The establishment of SMME risk-finance funds in Mozambique was finalised in 2010. Groundwork was also undertaken in 2010/11 to establish a southern African SMME risk-finance fund covering Namibia, Malawi, Zambia and Zimbabwe.

National Empowerment Fund (NEF)

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 Black Economic Empowerment (BEE) codes of good practice.

In May 2012, the Small Enterprise Development Agency (Seda) announced the winners in the 2012 Seda Small Business Stars National Business Plan Competition.

The winners were selected after 180 finalists – drawn from more than 5 500 entries – presented their business concepts to 18 provincial judging panels, who selected a total of 11 national finalists. The overall national winner was Adesh Maidoo from KwaZulu-Natal. Another four special awards were allocated in the categories for:

- most promising woman entrepreneur
- most promising youth entrepreneur
- most promising job-creating entrepreneur
- most promising entrepreneur with a disability.

The fund's objectives over are to:

- encourage and promote savings, investments and meaningful economic participation by black people
- promote and support business ventures pioneered and run by black enterprises
- promote the universal understanding of equity ownership among black people
- contribute to creating employment opportunities
- encourage the development of a competitive, effective and inclusive equities market.

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.

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

At the end of October 2012, Anna Lelimo, a Free State businesswoman, came out tops in the Sawen awards.

Isivande Women's Fund (IWF)

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 Fund is managed by the IDC on behalf of the Department of Trade and Industry through a development fund manager. The IWF assists with support services to enhance the success of businesses. It pursues deals involving start-up funding, business expansion, business rehabilitation, franchising and bridging finance.

South Africa hosted the International Small Business Congress (ISBC) in September 2012 under the theme *Fostering small business in new and high-potential industries worldwide*. The ISBC, which provides a platform to benchmark and draw lessons from both the developed and developing countries, was held for the first time in Africa.

Industrial Development Corporation (IDC)

The IDC is the country's largest industrial funding agency. In 2011, the IDC made R102 billion available over the following five years to drive investment in the economic priorities identified in the NGP.

The IDC has achieved an unprecedented level of approvals during 2012. In releasing its annual results, the value of funding approved increased to R13,5 billion from R8,7 billion. There were 293 funding approvals in 2012 compared to 221 in 2011.

Until April 2012, the IDC approvals of funding grew strongly, from R8,7 billion to R13,5 billion, an increase of 55%. This level of investment created about 45 000 jobs, including some that were "saved" rather than new jobs created, as companies were in distress.

The IDC issued a Jobs Bond to the value of R4 billion, taken up by the Unemployment Insurance Fund (UIF), R2 billion in 2010, and based on its exceptional success, a further R2 billion in 2012, to promote lending with a strong jobs impact.

The IDC will now issue a R5-billion Green Bond to be taken up by the Public Investment Commission, with a 14-year tenure.

In 2012, the IDC implemented the decision to double its envelope of industrial financing. In this context, it dedicated funds for priority jobs drivers in the NGP, including the green economy and agro-processing.

Trade and Investment South Africa (Tisa)

Tisa, is a division of the Department of Trade and Industry mandated to increase export capacity and support direct investment flows. This is achieved via the implementation of strategies directed at targeted markets, and

The draft Special Economic Zones (SEZ) Bill is expected to boost job creation in outlying areas through the licensing of SEZs. SEZs are developed to promote integration and links between the First and the Second Economy. They are aimed at expanding the work done by industrial development zones and attract more foreign investment. This, in turn, is expected to promote a regionally diverse industrial economy through the development of new industrial hubs in underdeveloped regions.

effectively managing the Department of Trade and Industry's network of foreign trade offices.

In October 2012, Tisa and Investe São Paulo in Brazil entered into a cooperation agreement. The agreement focuses on future investment promotion and facilitation into South Africa and the state of São Paulo. It is anticipated that the cooperation agreement will encourage South African and Brazilian businesses to collaborate and form joint ventures to reach new markets and also to enhance and share skills and best practices in the area of investment promotion and facilitation.

The Investment Trade Initiative, hosted in São Paulo, identified various issues affecting trade and investment in South Africa and Brazil.

Resources

Technology support

The Department of Trade and Industry 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 the following transfer payments and subsidies:

- 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.

Black Economic Empowerment (BEE)

Cabinet approved the introduction of the BBBEE Amendment Bill, 2012, to Parliament in August 2012.

The amendments seek to establish a BBBEE Commission to deal with compliance in BBBEE; the promotion of compliance by organs of state and public entities, and to strengthen the evaluation and monitoring of compliance as well as the provision for offences and penalties, among other things.

Points would be deducted from companies that do not invest in skills and supplier development in terms of the BBBEE Act, 2003.

The BBBEE Amendment Bill aims to align the BBBEE Act, 2003 with other legislation impacting on black economic empowerment. It was gazetted in December 2011.

The Presidential BBBEE Advisory Council is an advisory body whose resolutions are tabled in Cabinet for noting or for decisions where resolutions taken materially affect policy, the budget, or address the implementation of existing policy.

In August 2012, Cabinet approved the revised BBBEE Codes of Good Practice, 2012 for public comment. The BBBEE Codes are more closely aligned with the NGP, with stronger incentives for employment creation, enterprise development, collective ownership and broad-based employment equity and skills development. In addition, the BBBEE Act, 2003 is being amended to address fronting and generally strengthen implementation practices.

The fifth meeting of the BBBEE Advisory Council was held in September 2012.

The Department of Trade and Industry hosted a series of workshops with stakeholders on the revised BBBEE Codes of Good Practice during October 2012.

The sessions were aimed at engaging all stakeholders on issues that they may need clarity on to enable them to give concrete feedback on the codes. The sessions were followed by workshops for verification agencies, SOEs, sector charter councils, provincial and local government officials, private sector chambers and foreign embassies over a period of two months.

Programmes and projects

Black Business Supplier Development Programme

The Black Business Supplier Development Programme is a cost-sharing grant offered to black-owned small enterprise to assist them to 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.

In July 2012, the South African Chamber of Commerce and Industry (Sacci) met with Trade and Industry Minister Rob Davies to foster a stronger partnership between business and government. Sacci supports the minister's position that it is crucial to the process of job creation that South Africa must raise productivity in the economy, specifically in the manufacturing sector. Programmes to achieve this goal include higher levels of beneficiation, more focused incentive programmes and prioritisation of key sectors. Discussions between the parties included the green economy, Black Economic Empowerment, trade promotion and the proposed Tripartite Free Trade Agreement.

The objectives of the incentive scheme are:

- fast-tracking existing SMMEs that exhibit good potential for growth into the mainstream economy
- growing black-owned enterprises by fostering linkages between black SMMEs and corporate and public-sector enterprises
- complementing current affirmative procurement and outsourcing initiatives of corporate and public-sector enterprises
- enhancing 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. A host of sectoral and cross-cutting initiatives are being implemented.

IPAP 2 2011/12 – 2013/14 is being systematically implemented. To support IPAP, the new Manufacturing Competitiveness Enhancement Programme was launched in May 2012. The programme will provide R25 billion over the coming six years for a variety of programmes.

In addition, 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 directly and more indirectly.

Localisation is vital to reverse de-industrialisation pressures and strengthen the country's capacity to design and make things.

The steps that have been 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

In November 2012, the Department of Trade and Industry and the United Nations Development Programme (UNDP) signed a Memorandum of Understanding to cooperate in the promotion and establishment of business incubators. The parties also agreed to cooperate in female economic empowerment; a supplier development programme focusing on the promotion of co-operatives; special economic zones; and economic infrastructure. The experience and knowledge that the UNDP brings to these areas will significantly assist South Africa in strengthening its small, medium and micro-enterprise sector.

manufacturers. The first designated products are bus bodies, power pylons, rolling stock, canned vegetables, clothing, textiles, footwear and leather, set-top boxes and oral solid pharmaceuticals.

- The Infrastructure Plan has a strong localisation component in the purchase of trains, boilers, earth-moving equipment, turbines and other key inputs.
- In 2012, 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 R8 million in funding available.
- In April 2012, the department reached an agreement with a local manufacturer to buy conference files at a lower price than the imported product, leading to a saving of about R35 000 a year.

Industrial Policy Action Plan 2 (IPAP 2)

The IPAP 2 2011/12 – 2013/14 was launched in 2011 as a three-year rolling industrial development road map. In terms of the breadth of the interventions outlined and the requirement of intergovernmental coordination and multi-stakeholder involvement, IPAP was a first of its kind in South Africa. It stabilised the clothing sector, turned around the automotive sector, added jobs in the business process services sector and introduced procurement designation to boost local production.

It was anticipated that IPAP 2 2011/12 – 2012/13 interventions would lead to 43 000 direct jobs and 86 000 indirect jobs, totalling 129 000 jobs.

The Manufacturing Competitiveness Enhancement Programme is a key component of the IPAP 2. The programme provides enhanced manufacturing support aimed at encouraging manufacturers to upgrade their production facilities in a manner that sustains employment and maximises value-addition in the short to medium term. The R5,75-billion programme will run over a period of six years and expands on the distressed facility to SMMEs offered by the IDC. Companies could apply for incentives from June 2012.

The Clothing and Textile Competitiveness Improvement Programme not only stalled employment losses in 2010, but also led to a modest increase in employment in 2011. Some R14,4 million disbursed to 106 companies, combined with the R310 million disbursed under the production incentive scheme, supported 48 384 direct and indirect jobs.

The Motor Industry Development Programme supported investment commitments of over R15 billion from both assemblers and component suppliers. Over 500 jobs were added in the sector in 2012, and a further set of approved projects would create about 11 000 jobs over the following three years.

The transition from the Motor Industry Development Programme to the Automotive Production and Development Programme by 2013 had largely been completed, and this had helped give policy certainty even amid global economic stagnation.

The Manufacturing Competitiveness Enhancement Programme was launched in May 2012. Through the programme, the Department of Trade and Industry offered incentives worth R5,75 billion over the next six years to help South Africa's manufacturing sector become more competitive in an increasingly difficult global environment, of which R1,25 billion were allocated for 2012/13. The programme would be complemented by a loan facility from the IDC.

The coverage offered by each incentive is:

- The Capital Investment Grant to upgrade capital equipment and expand productive capacity will cover between 30% and 50% of the investment.
- The Green Technology Upgrading Grant for investment in technology and processes that will make the production process greener, will cover between 30% and 50% of the investment.
- The Enterprise-Level Competitiveness Improvement Grant for investment in the adoption of improved manufacturing practices, will cover between 50% and 70% of project costs.
- The Feasibility Studies Grant, a cost-sharing grant towards developing a bankable feasibility study for new manufacturing projects, will cover between 50% and 70% of project costs.
- The Cluster Initiatives Grant to help fund shared infrastructure such as a sector technology development centre, market research, international advertising and publicity costs, will cover 80% of qualifying project costs; the grant aims to encourage smaller firms to band together in joint marketing or buying.
- The Working Capital facility will include a revolving 180-day, 6% fixed interest rate facility, while the Distressed Fund consists of a concessionary 6% fixed interest rate loan for applicants that are accessing the IDC's Distress Fund.

In October 2012, the third African Accreditation Cooperation (Afrac) general assembly and meeting was held in Johannesburg. The event was hosted by the South African National Accreditation System, an agency of the Department of Trade and Industry. Afrac is a cooperation of accreditation bodies, sub-regional accreditation cooperation and stakeholders whose objective is to facilitate trade and contribute to the protection of health, safety and the environment in Africa and thereby improve Africa's competitiveness.

Trade

Itac has processed numerous applications for increases, rebates and reductions of 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.

Automotives

In 2012, the South African automotive industry had a promising year with upward growth momentum. The automotive industry remained the largest and leading manufacturing sector in the domestic economy.

Government interaction with the industry had 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 – 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, benefitting 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 manda-

In July 2012, the Deputy Minister of Trade and Industry, Ms Elizabeth Thabethe, led a delegation representing South African businesses to the Feira Internacional de Angola (FILDA) exhibition. FILDA is attended by exhibitors from sectors including oil, banking, services, trade, communications, automobile, machines and equipment, and agricultural and farming products, among others. The Deputy Minister also held bilateral meetings with her Angolan counterparts from the ministries of trade and commerce, mines and industry, and geology.

tory 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.

Industrial development zones (IDZs)

In 2000, the Department of Trade and Industry initiated the IDZ Programme to support industrial development, with a special focus on export-oriented value-added products. A key requirement for designating an IDZ was proximity to either an ocean or airport. Four IDZs were designated at Port Elizabeth (Coega), East London, Richards Bay and OR Tambo International Airport. All are operational except the IDZ at OR Tambo International Airport.

The achievements of the IDZ Programme include a total of 40 investors attracted into the IDZs with more than R11,8 billion investments generated and more than 33 000 jobs (both construction and direct) created.

However, a review of the IDZ Programme was initiated, which identified some challenges that needed to be addressed to improve the performance of the IDZ Programme.

The proposed SEZs Bill will help to address these challenges, including socio-economic issues such as youth unemployment.

Trade ports

In March 2012, South Africa officially launched a state-of-the-art, multibillion-rand cargo terminal, trade zone and agrizone – located between the two largest sea ports in the Southern Hemisphere – at the Dube Trade Port in La Mercy, KwaZulu-Natal.

The port, in which the King Shaka International Airport is located, has been operational for 22 months and the first phase was completed. This included a cargo terminal, trade zone, agrizone, information and communication technology (ICT) and a telecommunications platform. The construction phase alone generated close to 20 000 jobs.

The Dube Trade Port forms an important part of the government's new pipeline of major infrastructure development projects, one of which is the improvement of the movement of goods and economic integration through the Durban-Free State-Gauteng Logistics and Industrial Corridor.

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 co-operatives
- 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 assessment will be addressed to create a conducive environment for enterprise growth.

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

It will undertake a review of the BBBEE legislation and regulations to enhance efficiency, and expand opportunities for broader participation in the economy. Special attention will be given to preferential procurement and black supplier development initiatives.

Small, medium and micro-enterprises (SMMEs)

The department launched Sefa in April 2012. The new agency consolidates Khula Finance, Samaf and the IDC Small Business Lending Book. Sefa will initially offer loans of up to R3 million.

By reducing the number of agencies, an estimated annual saving in excess of R20 million through cutting duplication of costs and services is expected.

The amalgamation was motivated to deliver a better service to small businesses; a one-stop shop for funding.

> In March 2012, China's leading auto manufacturer, First Automobile Works (FAW), signed a contract with the Coega Industrial Development Zone (IDZ) to mark the beginning of construction on the company's US$100-million truck and passenger car plant, to be built at the IDZ.
>
> The plant will be one of the biggest manufacturing investments by China in the country to date. The plant's initial construction is set to cost R200 million and will be built on 400 000 m² of land. It is is expected to create an initial 500 permanent jobs. Once completed, the truck assembly facility is expected to create a further 500 to 800 jobs, with more jobs being created when the company starts producing an additional 30 000 passenger vehicles annually.

The China Development Bank and the IDC signed an agreement in April 2012 to access US$100 million for small business lending at favourable terms based on a 10-year tenure. This is about R800 million and will boost the IDC's capacity to support Sefa.

Sefa will have R2 billion available over the next three years for lending, through fiscal transfers, reserves and a R921 million shareholder loan from the IDC.

Incubators for SMMEs form an important component of measures to support new enterprises. The Department of Trade and Industry is in the process of establishing a total of 450 incub-ators through partnerships with the private sector. In addition, the Economic Development Department is working with the University of Johannesburg to establish a virtual incubator for social enterprises.

In March 2012, the Department of Trade and Industry was in the process of bolstering support to co-operatives by establishing a Co-Operative Development Agency and Co-Operatives Tribunal.

The Co-Operative Development Agency will ensure that financial and non-financial support is more readily available to co-operatives. The department was also establishing the Co-Operatives Tribunal that will assist co-operatives in addressing and resolving the conflicts within their organisations and will provide judicious management support.

Development challenges faced by co-operatives will also be addressed, with several support interventions designed by the department. The department will increase funds for the Co-Operative Incentive Scheme to ensure that larger numbers of co-operatives are able to gain access to necessary financial support to operate their businesses.

International cooperation: trade, investment and exports

Increasing the level of international trade is critical to domestic economic growth and development, and it is also an output linked to the outcome to create decent employment through inclusive economic growth.

The Department of Trade and Industry provides leadership on trade policy, and released the Trade Policy and Strategy Framework in July 2010.

The framework aims to promote the development of higher value-added, labour-absorbing production. To complement this framework, the department has also developed strategies for export development and promotion, as well as investment promotion and facilitation.

Building on this framework, significant engagements took place within Sacu, resulting in a consensus being reached on a focused work programme in Sacu on industrialisation, infrastructure development, trade facilitation, revenue sharing and unified engagement in trade negotiations.

Complementary to the work undertaken within Sacu, the department continued to prioritise development and regional integration in Africa. Moreover, work was started to develop a common position on a tripartite free-trade area consisting of the SADC, the East African Community and the Common Market for Eastern and Southern Africa.

A single integrated facilitation centre has been created to deal with investors and exporters. The department has a network of 45 foreign economic offices abroad, which is spread over 38 countries to facilitate business on behalf of South African companies. The network provides a substantial footprint for South African business to access markets globally.

The department assists exporters by providing information, financial support and practical assistance to sustain growth in traditional markets and penetrate new high-growth markets, such as China, India, Russia and the Democratic Republic of Congo.

The focus is on investments that have a greater multiplier effect in the South African economy.

At multilateral level, South Africa continues to play a prominent and active role in the World Trade Organization, and supports the consolidation of the G20 group of developing countries, which seeks to ensure a developmental outcome in industrial tariff negotiations.

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 whom 70% have been guaranteed employment by the business process outsourcing consortium. Monyetla, which translated means "opportunities", was launched in 2008 by the Business Trust, the Department of Trade and Industry and BPeSA – the national association for companies operating in the business process service and outsourcing market – as a pilot project to provide the unemployed youth of South Africa with employment through the business process outsourcing industry.

In June 2012, the Deputy Minister of Trade and Industry, Ms Elizabeth Thabethe, led a delegation of 75 South African businesspeople on an investment and trade initiative to Kinshasa and Lubumbashi in the Democratic Republic of Congo (DRC). The initiative was part of the Department of Trade and Industry's Export and Investment Promotion Strategy, which focuses on targeted high growth markets with the objective of creating investment and export opportunities for South African companies and of promoting South Africa as a trade and investment destination.

The business delegation comprised companies in the following sectors: automotive components, infrastructure, engineering, construction, energy, high-end furniture, agriculture and agro-processing, mining and capital equipment, as well as ICT seeking to export South African value-added products and services or to enter into joint venture partnerships with companies in the DRC.

Department of Public Enterprises

The Department of Public Enterprises provides effective shareholder management of SOCs that report to the department, and support and promote economic efficiency and competitiveness.

Budget and funding

The department's budget increased from R353,3 million in 2011/12 to R1 249,1 billion in 2012/13 as a result of transfers to Denel and Alexkor. Of the total amount, R700 million was earmarked for the recapitalisation of Denel's Aerostructures Division, while R350 million was earmarked for Alexkor's outstanding settlement under the Richtersveld Community Deed of Settlement.

First quarter expenditure of the Department showed that the department spent R36,2 million and about 2,91% in terms of percentage. The bulk of the expenditure came from the administration programme, specifically on compensation of employees. Out of the R104,3 million allocated for the administration programme, the department spent R22,6 million, and about 21,69% in terms of percentage. This was followed by the legal and governance programme, which only spent R3,9 million, and 14,57% in terms of percentage. The last programme, portfolio management and strategic partnerships, only spent R9,7 million and about 0,87% in terms of percentage.

Transfers earmarked for both Denel and Alexkor were not made at the end of the first quarter. At the end of the first quarter, the department was left with R1,2 billion, having spent only 2,91% of its total budget. However, when taking into account transfer payments due to Denel and Alexkor, whose total was R1,050 billion, the remaining amount for the department was approximately R199 million. This amount gave roughly about 23% of the department's first quarter expenditure.

In July 2012, the Minister of Trade and Industry, Dr Rob Davies, attended the fifth Ministerial Conference of the Forum on China-Africa Cooperation in Beijing, China. The conference, which takes place every three years, reviewed the implementation of follow-up activities from the fourth Ministerial Conference of the Forum on China-Africa Cooperation, which was held in Egypt in 2009.

The focus of South Africa's participation in the forum was on promoting South African exports and investment in key sectors including capital equipment, chemicals, metals and mining, financial services, agro-processing, energy, information and communication technology, health and pharmaceuticals.

Role players

State-owned enterprises (SOEs)

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 Airways (SAX).

Alexkor

Alexkor was established in 1989, when State Alluvial Diggings was taken over from government and transformed into the Alexander Bay Development Corporation. Since November 1992, Alexkor Limited has been run as a public company, with the state as sole shareholder.

Its 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 station and an airport. The management of considerable investment funds, together with the traditional supporting services, such as information systems and human resources, constitute additional non-core business activities.

In September 2012, the South African Maritime Safety Authority (Samsa), the Department of Labour and the KwaZulu-Natal Department of Economic Development and Tourism hosted the South Africa Maritime Industry Careers Expo and Jobs Summit in Durban, KwaZulu-Natal. The summit was in support of government's New Growth Path goal to create five million jobs over the next 10 years and reduce unemployment by 10%. The expo formed part of Samsa's drive to revive the maritime industry and create 160 000 jobs within the next 20 years.

In 2012, Alexkor funded social and community programmes worth R3,4 million, including the transportation of employees, meals, cleaning services, community welfare contributions, HIV and AIDS, and educational assistance to schools in the Richtersveld and Namaqualand areas in the Northern Cape.

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.

The key focus area for the Safcol Group in 2012 was on restoring the group's profitability. Despite difficult trading conditions and operating environment, its performance in 2012 improved from a loss-making to a profit position. The improved performance was mainly owing to the new initiatives introduced during the year to enhance sales performance, cost-saving initiatives, increases in dividend income and the introduction of revenue-generating initiatives.

In 2012, Safcol funded social and community programmes worth over R8,1 million. This went to various projects in its socio-economic development division, which focuses on the socio-economic development of communities adjacent to its operations.

Contributions are channelled through community forums, which help to identify needs based on the availability of resources.

Safcol projects implemented in 2011/12 included the construction of educational facilities and provision of support, skills development and training, setting up a computer information centre, assistance with healthcare facilities, establishment of gardening for a food production facility and providing boreholes.

Broadband Infraco

Broadband Infraco is a state-owned company 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 to previously underserviced areas.

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

The network 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 were also 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, thus further unlocking economic value by reducing the cost of connectivity.

In May 2012, the West Africa Cable System (WACS) international connectivity became operational. This increased bandwith capacity, providing for improved integration of the 10 African countries that are customers of

WACS, and enabling the further reduction of the cost to communicate.

In August 2012, the company reported a 32% rise in revenue for 2011/12, up from R297,6 million in the previous year to R393,6 million.

Denel

Denel was incorporated as a private company in 1992, with its sole shareholder the South African Government.

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

Denel is an important defence contractor in its domestic market and a key supplier to the South African National Defence Force (SANDF), both as original equipment manufacturer and 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.

During 2011/12, Denel secured over R5 billion's worth of orders, which will be delivered over the next five years.

In 2012, Denel funded social and community programmes worth over R3 million to various projects including mathematics and science support, payment of studies and accommodation, educational tours and community home maintenance.

Eskom

Eskom was established in 1923 as the Electricity Supply Commission. In July 2002, it was converted to a public, limited liability company, wholly owned by government.

Eskom is one of the top 20 utilities in the world by generation capacity (nett maximum self-generated capacity: 41 194 MW). It generates approximately 95% of the electricity used in South Africa and approximately 45% of the electricity used in Africa. Eskom directly provides electricity to about 45% of all end users in South Africa. The other 55% is resold by redistributors, including municipalities.

Additional power stations and major power lines are being built to meet rising electricity demand in South Africa.

By December 2011, the Eskom Kusile Project had already employed 6 718 people and by 2019 the number would have increased to 22 150. Eskom has committed to training 2 017 employees and already 798 have completed their training, for 341 training is still in progress and it has planned for 1 465 as the new intake for training in various fields such as artisans, engineers and technicians.

In 2012, Eskom topped the list for contributions to social initiatives, contributing R87,9 million to various projects such as business incubators, an energy and environmental programme, enterprise development initiatives and projects in infrastructure development and education support.

The electricity utility's social investment initiatives are executed by way of grants and donations, through the Eskom Development Foundation.

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. Five new routes were launched in 2012: from Johannesburg to Pointe Noire in the Republic of Congo, Bujumbura in Burundi, Kigali in Rwanda, Ndola in Zambia and Cotonou in Benin. A new route was also launched to Beijing in China.

Owing to continued pressure on international routes, SAA halted its direct services between Cape Town and London on 15 August 2012.

In January 2013, President Jacob Zuma travelled to Davos in Switzerland. He used the World Economic Forum as a platform to call for the world's top economies and business to invest in South Africa's and Africa's infrastructural projects for the long-term economic growth of the continent. The President also used the forum to promote the country's National Development Plan – a vision of the nation South Africa strives to be by 2030.

As part of its fleet modernisation plan, SAA took delivery of eight new Airbus aircraft – six A330s and two A320s – in 2012 all under operating lease agreements. The airline also signed an agreement with Airbus for the delivery of 20 A320 aircraft, with deliveries scheduled to start during the course of 2013 through to 2017.

In support of the country's NGP, SAA set a target of creating 529 direct jobs. The group achieved 82% of its target and met, if not exceeded, targets related to the development of appropriate industry-specific skills that will support its job creation goals in the longer term.

In 2012, SAA funded social and community programmes worth R149 802 to a number of projects, including the Joint Aviation Awareness Programme with flights for young mathematics and science learners to visit the airline's technical facilities.

South African Express (SAX)

SAX is a domestic and regional passenger and cargo carrier established in April 1994. It has since become one of the fastest-growing regional airlines in Africa. With route networks covering major local and regional cities, SAX plays a significant role in the country's hospitality, travel and tourism industry and is a vital contributor to the country's socio-economic development.

SAX has a route network covering four African countries and acts as a strategic feeder, connecting secondary airports with each other and also with large hub airports.

In 2012, the airline launched three new domestic routes and established a base at King Shaka International Airport in KwaZulu-Natal, from which the airline will play a crucial role in continental trade and economic integration, while also supporting the Dube Trade Port IDZ.

SAX also funded social and community programmes worth R707 000 to various projects including Rhino Kids Experience, the Popcorn Kidz Foundation, XL Aloe Travel, Mandela Day and Masimanye Women's Support Centre.

Transnet

Transnet is a public company wholly owned by government. It is the largest and most crucial part of the freight logistics chain that delivers goods to each South African. Transnet delivers thousands of tons of goods daily around South Africa, through its pipelines and to and from its ports. It moves that cargo on to ships for export while it unloads goods from overseas.

Transnet's total contribution to employment is expected to be increased by 54,8% – from 368 450 in 2011/12 to over 570 000 by 2018/19.

The additional jobs would be created as Transnet embarks on a R300 million market demand strategy over the next seven years, to roll out new infrastructure across the country.

As part of its seven-year investment plan, a locomotive fleet procurement worth about R35 billion for 1 064 locomotives will be rolled out in the next quarter to meet and maintain its volume targets.

It will be made up of 599 new dual-voltage electric locomotives and 465 new diesel locomotives; and lay a platform for a seven-year strategic partnership between Transnet and its suppliers in the locomotive cluster. In 2012, Transnet committed social and community programmes worth over R28,4 million.

In all, Transnet made 29 contributions – ranging between 37 000 to R10 million – to schools, communities groups and other organisations to help fund various sport, educational and container assistance projects.

Department of Public Works

The department's mandate is to be the custodian and manager of all governments' fixed assets for which other legislation does not make another department or institution responsible.

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 to prepare health and safety specifications for any intended construction project and provide contractors who are making a bid or appointed to perform construction work with the specifications.

The OHS legislative framework consists of the OHS Act, 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 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, transforming 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.

Launched in April 2004, the programme aims to create 4,5 million work opportunities for poor and unemployed people by 2014. By the end of 2011/12, more than two million work opportunities had already been created.

The programme created 540 423 work opportunities and 137 525 permanent jobs in 2011/12. Of these, 66 355 were under the Community Works Programme. The agricultural sector, including the Comprehensive Agriculture Support Programme, contributed 7 092 jobs, of which 1 105 were permanent. The use of local labour in housing and infrastructure development contributed significantly to job creation and skills development.

The programme easily reached its target for women and youth participating in the programme, with 60% of the participants being women and 50% being youth, compared to the targets of 55% women and 40% youth. The target for people with disabilities was not met.

Facts and figures: Economic development in 2011/12:
- 365 000 new jobs
- five major new state infrastructure projects
- R300 billion for the country's ports and railways
- eight million learners at no-fee schools
- 11 000 new artisans qualified
- unemployment rate of 23,9% in the fourth quarter
- 2 500 applications received since the launch of the government's Jobs Fund in June 2011; project allocations of over R1 billion have already been committed
- seven projects together worth R8,4 billion approved under the R20-billion tax incentive scheme announced in 2011 aimed at supporting new industrial projects and manufacturing
- R1,5 billion approved for 60 companies to promote job creation under a R10-billion cheap loan scheme introduced in 2011 by the Industrial Development Corporation
- R1 billion was to be cut from the port charges paid by exporters of manufactured goods in 2011/12, following an agreement between the Port Regulator and Transnet
- R300 million allocated for preparatory work towards building new universities in Mpumalanga and the Northern Cape
- R1-billion state guarantee fund to promote access to housing loans for South Africans with lower incomes, to start operations in April, managed by the National Housing Finance Corporation
- from April 2012, people earning between R3 500 and R15 000 was able to receive subsidies of up to R83 000 from their provincial governments, to enable them to obtain housing finance from accredited banks.

Furthermore, to date 277 out of 278 municipalities have signed protocol agreements, committing them to achieve their EPWP targets.

The incentive grant model was revised to give rural municipalities easier access to grants to increase labour-intensive work opportunities through the EPWP projects. The revised model has been implemented since 2012/13.

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 mitigation strategies on 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.

Capital projects

Some 250 projects are scheduled for completion during the course of 2012/13. Eleven buildings were rehabilitated during 2011 and a further were 10 earmarked for completion in 2012.

As part of the Accessibility Programme, 51 state buildings were made more accessible for people with disabilities during 2011, with a further 100 buildings prioritised for 2012.

Over the last five years, the department has created 200 000 direct and indirect jobs. The department is also resuscitating departmental workshops to develop in-house maintenance capacity and provide training opportunities. This will include the training of professionals, technicians and artisans.

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
- 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.

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 Occupational Health and Safety 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. 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 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.

Role players

Unemployment Insurance Fund

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. 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.

In support of the efforts to stimulate economic growth, fund industrial development and create job opportunities, the Department of Labour, through the UIF, invested an additional R2 billion with the IDC in 2012, bringing the total investment to R4 billion. This investment has created 24 590 new jobs and contributed to saving 18 552 jobs.

The UIF/IDC bond provides capital for funding start-up industries and growing existing industries. The conditions for accessing the funds stipulate that a qualifying company must contribute to creating employment opportunities. The total number of jobs saved and created through the UIF/IDC bond stands at 43 142.

UIF reserves have grown to R70 billion at the end of September 2012 of which 5% have been set aside for investment in social responsible investments where the focus is on job creation. The UIF collaborated with the IDC through bond placements resulting in the creation and saving of 36 078 jobs.

Compensation Fund (CF)

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

In 2012, the CF undertook a major decentralisation drive in an effort to improve the fund's operational efficiency. Under the initiative, the services of the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993), will be extended and rendered at provincial level, rather than be solely provided at the CF's head office – a move intended to improve the turnaround time in processing claims.

Before the decentralisation, the turnover time for registering and adjudication was about 90 days. This has now been reduced to 60 days.

Another element in the decentralisation process has been the move away from manual processing to the introduction of an electronic system since October 2011.

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

By 31 October 2012, 33 000 employers had registered, raising R1,3 billion in assessment revenue, of which R850 million has already been collected. The CF allocated 5% of its total investment, amounting to R1,6 billion, to alleviate unemployment through socially responsible investments in the healthcare industry. This will contribute to job creation and infrastructure development.

National Economic Development and Labour Council (Nedlac)

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

The Department of Labour is the main government department from which Nedlac is funded, 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 (Cosatu), the Federation of Unions of South Africa (Fedusa) and the National Council of Trade Unions (Nactu).

In August 2012, Cabinet ministers attended Nedlac sessions to expedite the debate around the implementation of a youth-wage subsidy.

In October 2012, Cabinet approved the key elements of the youth-wage subsidy package agreed upon with the Nedlac constituencies to respond to the economic challenges facing the country.

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, 153 visiting points, and also services provided at Thusong service centres.

Labour Market Intelligence System

In September 2012, a research project to develop a Labour Market Intelligence System was launched. The system, which is aimed at enabling government and the private sector to make better decisions in matching skills demand to supply in the country, is led by the Human Sciences Research Council.

The project is complementary to the establishment of the Higher Education and Training Management Information System, and the department's Career Advice Information System; both funded by the National Skills Fund.

The research on the Labour Market Intelligence Partnership includes six themes:

- labour market analysis, framework, data and information systems
- skills forecasting: the supply and demand model
- selected sectoral analyses
- reconfiguring the post-school sector
- pathways through education and training and into the labour market
- understanding changing artisan and occupational identities and milieus.

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, workers who are under-employed and retrenched workers.

The inaugural event, held in June 2012 in the Eastern Cape, as well as subsequent fairs held other in provinces during the course of 2012, attracted thousands of job seekers

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 like the International Monetary Fund, the World Bank and the International Labour Organisation.

The target of registering at least 600 000 job-seekers by March 2013 on its electronic database, called the Employment System South Africa, was exceeded when more than a million job-seekers had registered by the end of 2012.

Conclusion

As the global economy recovers, South Africa expects to see growth improve over the next several years. Real GDP growth of 3% is forecast for 2013, rising to 4,1% in 2015. Factors that will contribute to an improved medium-term performance include expanded public-sector infrastructure investment, new electricity-generation capacity and strong regional growth.

Funds are available in the corporate sector to finance stronger investment, once confidence and growth prospects recover.

The macro-economic and fiscal stability achieved since 1994 is a strong foundation on which to build, but there will have to be a clear focus on intensified implementation of the plans and programmes signalled in the NGP and associated sector development strategies.

According to figures from National Treasury, total government spending will reach R1,1 trillion in 2013. This represents a doubling in expenditure since 2002/03 in real terms.

To ensure that there is a similar improvement in service-delivery outcomes, government is putting in place measures to strengthen the efficiency of public spending and to root out corruption.

The outlook for the South African economy in 2013 includes the following:

- expected growth of about 2,5% down from just over 3% in 2011
- gross fixed-capital formation is expected to increase by about 5%, mainly driven by public sector capital spending
- consumer price inflation for September 2012 was 5,5% and headline inflation is expected to stay within the 3% to 6% inflation target band over the forecast period
- export volumes contracted at an annual rate of 6% in the second quarter of 2012, after falling by 1,5% in the first quarter
- import volumes are almost 4% above pre-crisis highs, while exports are still well below their peak, contributing to the widening current account deficit.

The departments of trade and industry, economic development, public enterprises, public works and labour strive to facilitate economic development through promoting outward investment, intra-Africa trade, regional industrialisation and infrastructure development within the SADC region and the rest of Africa.

African development is a key means to achieve the National Growth Path goal of widening and deepening South Africa's markets.

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