South Africa

Yearbook 2020/21

Finance and Economy

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The South African economy contracted by an estimated 7.2% in 2020, compared with the 7.8% contraction projected in the 2020 Medium Term Budget Policy Statement (MTBPS). The revised estimate is a result of the easing of lockdown restrictions in the third quarter and a faster-than-expected resumption of global growth, especially in China.

Although economic recovery is expected to continue, output and employment will remain well below pre-pandemic levels until 2023, with considerable uncertainty surrounding the outlook. The global economic effects of the COVID-19 pandemic are far-reaching and will likely be long-lasting. In South Africa, the large increase in unemployment and income losses has entrenched existing inequalities.

Although government is conducting a mass vaccination campaign, the threat of resurgent waves of infection lingers, and the roll-out was only expected to gather pace in the second half of 2021.

In the context of elevated uncertainty, the 2021 Budget Review supports economic recovery through immediate fiscal support and medium-term fiscal reforms. Government continues to provide relief to households and businesses. The composition of spending shifts from consumption towards capital investment.

And over time, the stabilisation of debt will reduce borrowing costs and the cost of capital, providing greater incentive for investment that can support the economy. Apart from the direct health benefits, a successful vaccination programme will allow for the economy to fully reopen. Yet a faster recovery, characterised by growing investment and job creation, requires broader structural reforms to reverse the pattern of the last decade.

Government's economic reforms are designed to remove barriers to growth, lower the cost of doing business, bolster confidence and boost investment. A central reform is to restructure the electricity sector and ensure that sufficient electricity is generated to supply businesses and households. Unreliable electricity supply continues to throttle economic activity.

Economic Reconstruction and Recovery Plan

The Economic Reconstruction and Recovery Plan, announced in October 2020, includes a comprehensive health response to save lives and curb the spread of the pandemic; interventions to restore economic activity while controlling the health risks; and reforms to support a sustainable, resilient and inclusive economy.

It was developed through extensive consultations between government, business, labour and civil society. In the short term, the plan focuses on high-impact reforms – speeding up the expansion of electricity generation; creating jobs to sustain livelihoods; rolling out infrastructure aligned with the National Development Plan (NDP); and supporting manufacturing, localisation and beneficiation. The measures will be taken to rebuild confidence, kick-start the economy and continue to mitigate the effects of the pandemic. Structural reforms will also promote faster, more inclusive growth and employment over the medium to long term. Many of these reforms are drawn from government's long-term structural reform agenda as outlined in the *Economic Transformation, Inclusive Growth, and Competitiveness: Towards an Economic Strategy for South Africa* – a paper that was released by National Treasury in 2019.

National Treasury estimates that reforms in these areas can raise growth to over 3% over the next 10 years and create more than one million jobs.

The plan is accompanied by a detailed implementation schedule that will be overseen by a council chaired by the President. It will be supported by a leadership team that coordinates reporting and identifies areas where more effective partnerships are required.

Operation Vulindlela

Operation Vulindlela, a joint initiative of The Presidency and National Treasury, is accelerating implementation of the Economic Reconstruction and Recovery Plan by accelerating priority structural reforms. It is based on similar delivery unit initiatives in countries such as the United Kingdom and Malaysia, as well as lessons learnt in South Africa.

The initiative is staffed by a full-time technical team that draws on additional expertise and capacity in the public and private sectors. The team is expected to assist the economic cluster, Cabinet and the President to coordinate and accelerate the implementation of a limited number of priority reforms.
While some progress has been made, decisive action on structural reforms is critical to strengthen economic recovery, inspire investor and public confidence and improve South Africa's growth trajectory. In addition to electricity reforms,

Operation Vulindlela is focusing on the following reforms:

- ensuring that households using analogue televisions switch to digital signals by March 2022 so that there is sufficient spectrum to meet demand. Additional spectrum will reduce the cost and improve the quality of digital communications;
- finalising policy to enable the rapid roll-out of 5G infrastructure;
- expanding the electronic visa system and waivers to support tourism;
- reviewing the regulatory framework and processes that make it difficult to import scarce skills, including finalising the critical skills list;
- finalising the draft *White Paper on National Rail Policy* to improve freight and commuter rail services;
- corporatising the National Ports Authority and taking other measures to increase the efficiency and competitiveness of the ports; and
- reviving the Green Drop and Blue Drop programmes to strengthen water quality monitoring.

Economic indicators

Domestic outlook

Owing to the combined effect of the sharp contraction in 2020 and lingering structural constraints to growth, South Africa's real gross domestic product (GDP) is not expected to return to pre-pandemic levels before the latter part of 2023. National Treasury projects real economic growth of 3.3% in 2021, from a low base of -7.2% in 2020. Household consumption is expected to return to moderate growth. Gross fixed-capital formation continues to decline, albeit to a lesser degree. After a steep drop in the second quarter of 2020 due to lockdown restrictions, economic activity resumed in the third quarter.

While GDP growth was higher than expected, output has yet to return to pre-pandemic levels. Industrial sectors (which include mining, manufacturing, construction and utilities) lagged substantially, undermined by structural constraints, including unreliable electricity supply and weak public investment, that preceded the pandemic.

Lingering economic constraints, such as the weak labour market, financially distressed public corporations, and fragile business and consumer confidence will contribute to domestic growth moderating to 2.2% in 2022 and 1.6% in 2023.

Household consumption

Household consumption grew by 69.5% in the third quarter of 2020 compared with the previous quarter, but remained below pre-pandemic levels. Consumer confidence has partially recovered, but consumers remain apprehensive about making large, discretionary purchases.

Despite the lowest nominal interest rates in decades, households appear reluctant to take up credit amid threats of job losses, dwindling future incomes and a reduced ability to service debts. Household credit growth in 2020 slowed to less than half of its 2019 rate.

In addition, increases in nominal incomes were not fully spent, with household savings as a share of disposable income reaching a 15-year high. A durable recovery in household consumption depends on a sustained improvement in employment and incomes.

Global outlook

The International Monetary Fund (IMF) expects global economic growth to rebound to 5.5% in 2021 and 4.2% in 2022, buoyed by additional policy stimulus and the expected roll- out of COVID-19 vaccines. While these growth rates appear robust, they are largely a recovery following a 3.5% contraction in 2020, and the recovery is expected to remain fragile and uneven across countries and regions. Resurgent spikes in infection rates have either halted or threaten the momentum from stronger-than-expected growth in the second half of 2020.

Some countries have had to reimpose COVID-19 containment measures and several large economies – including the United States of America (USA), the European Union (EU), Japan and India – have recently announced additional stimulus measures. Economic growth was expected to gain momentum during the second half of 2021, but much depended on the efficacy of the vaccine roll-out and the impact of stimulus measures. Economic disruption from the pandemic is evident in the near 10% decline in global trade volumes estimated for 2020 – the largest drop since the 2008 global financial crisis. Trade volumes are forecast to grow by 8.1% in 2021 before growth settles around 6% in 2022.

Subdued cross-border tourism and business travel means that a recovery in services trade will lag behind that of goods trade until virus transmission rates sustainably decline. Oil prices will be supported by rising demand as growth recovers, but remain below 2019 levels, while gold prices will moderate as safe-haven demand eases. Among major economies:

- The US was expected to approach 2019 levels of activity in 2021, due to expansive fiscal stimulus and accommodative monetary policy.
- The Euro area and Japan are only expected to reach 2019 levels of economic activity by 2023 – despite large stimulus – owing to differing responses to COVID-19 infections, low adaptability to a low-mobility economy and other structural rigidities.
- China is expected to spearhead a recovery among developing economies, with 8.1% GDP growth forecast in 2021, premised on its significant state-led investment drive, central bank liquidity support and effective COVID-19 containment measures.
- India's economy has recovered quicker than anticipated, and is expected to post growth of 11.5% in 2021.

Public debt, which was already at elevated levels before the pandemic, rose sharply in 2020 as a result of large fiscal stimulus measures and falling tax revenues. Global public debt grew from 83.5% of GDP in 2019 to 97.6% of GDP in 2020. Many developing countries are vulnerable to debt distress and capital flight, particularly if risk aversion grows in global markets. Governments confront the challenge of balancing the risks from large and growing debt burdens with those from prematurely withdrawing fiscal support.

Developing-country currencies have broadly recovered from the depreciation at the onset of the pandemic, supported by elevated global liquidity, but the rand is a notable exception. Country-specific risks, including weak pre-pandemic growth and fiscal sustainability concerns, have contributed to the rand's comparative underperformance.

Investment

After contracting by 59.8% in the second quarter of 2020, gross fixed-capital formation rebounded by 26.5 % in the third quarter, spurred by the resumption of residential, non-residential and construction works. Nonetheless, investment spending remains below the levels that preceded the pandemic, and 2020 marked the third consecutive year of decline.

Persistent electricity interruptions, low confidence and low capital spending from public corporations contributed to the expected decline in 2021. While state-owned companies (SOCs) have attributed recent contractions in investment to COVID-19-related restrictions in the construction sector, longstanding project delays and credit rating downgrades are expected to significantly slow their capital expenditure programmes.

The implementation of outstanding policy initiatives, energy investments and a gradual improvement in confidence will boost investment in 2022 and 2023.

In 2021, government welcomed car maker Ford's investment into the South African economy. The new Ford investment at the manufacturer's Silverton plant, when completed, will pump R1.3 billion in wages and salaries annually into the economy. The R16 billion in investment is expected to cover expansion of the Ford assembly plant in phases to reach a capacity to assemble 200 000 vehicles locally, principally centred on the new Ford Ranger bakkie.

An anticipated 1 200 jobs will be created in the Ford plant with thousands of additional jobs at suppliers to the company.

The company has been in negotiation with the Department of Trade, Industry and Competition (dtic) on the expansion of the plant, making it one of the largest Ford Ranger plants outside of the USA.

Credit rating

In May 2021, S&P Global Ratings (S&P) affirmed South Africa's long-term foreign and local currency debt ratings at BB- and BB, respectively. The agency maintained a stable outlook. S&P stated that South Africa's near-term economic performance and current account are experiencing a cyclical uplift as a result of a combination of base effects, following a large economic contraction in 2020 and improving terms of trade from higher commodity prices. It noted that structural constraints, a weak pace of economic reforms and slow vaccination rates would continue to constrain medium-term economic growth and limit government's ability to contain the debt-to-GDP ratio.

Fitch Ratings (Fitch) affirmed South Africa's long-term sovereign credit rating at BB-, which is three notches below investment grade. The agency maintained a negative outlook. According to Fitch, the country's rating is constrained by high and rising government debt, low-trend growth and exceptionally high inequality that will complicate consolidation efforts.

The rating agencies have indicated that South Africa's rating strengths include a credible central bank, a flexible exchange rate, an actively traded currency, deep capital markets as well as a favourable debt structure (low share of foreign currency debt) with long maturities, which should help counterbalance low economic growth and fiscal pressures.

Price inflation

Lower fuel and services inflation have helped to contain inflation and inflation expectations well below the midpoint of the South African Reserve Bank's (SARB) 3% to 6% inflation target range, preserving household purchasing power. Headline inflation averaged 3.3% in 2020, its lowest annual rate since 2005. Risks to the inflation outlook are relatively balanced.

While food, electricity and administrative prices are forecast to rise, inflationary pressure will be contained by low levels of domestic demand.

Annual consumer price inflation was 4.4% in April 2021, up from 3.2% in March 2021. The consumer price index (CPI) increased by 0.7% month-on-month in April 2021. The main contributors to the 4.4% annual inflation rate were food and non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services. Food and non-alcoholic beverages increased by 6.3% year-on-year, and contributed 1.1 percentage points to the total CPI annual rate of 4.4%. Housing and utilities increased by 2.3% year-on-year, and contributed 0.6 of a percentage point.

Transport increased by 10.6% year-on-year, and contributed 1.5 percentage points. Miscellaneous goods and services increased by 4.0% year-on-year, and contributed 0.7 of a percentage point. The annual inflation rates for goods and for services were 6.4% and 2.7% respectively.

Government expenditure

Total consolidated government spending is expected to grow at an average annual growth rate of 0.7%, from R2.05 trillion in 2020/21 to R2.1 trillion in 2023/24. Current payments, driven by compensation of employees, account for R3.74 trillion or 60.8% of consolidated spending over the MTEF period. Compensation spending amounts to R1.97 trillion over the medium term, growing at an annual average rate of 1.2%.

Debt-service costs, estimated at R916 billion over the MTEF period, exceed all individual consolidated spending items by function, except social development, and learning and culture. They are also the fastest-growing item of spending by function.

Spending across functions supports the implementation of the NDP and government priorities. New and urgent priorities are funded by reprioritising spending. Efficient and effective spending is central to achieving these priorities.

Over the past decade, government borrowing costs have accelerated to unsustainable levels. To prevent a debt crisis, government took active steps to stabilise debt and improve South Africa's economic growth path. However, the effects of the COVID-19 pandemic have weakened the already fragile budget and fiscal framework. Since tabling government's immediate response to the COVID-19 crisis in the Supplementary Budget in June 2020, allocations over the MTEF period also directly respond to the effects of the pandemic and look towards economic recovery.

Government remains committed to fiscal 2021 Estimates of National Expenditure consolidation with the aim of stabilising debt, and changing the composition of spending to support economic stimulation. In keeping with these principles, the provisional reductions to compensation of employees announced in the 2020 Budget were effected on institutions' baselines over the 2021 MTEF period. Government also announced in the MTBPS that spending reductions would be realised over the MTEF period.

These reductions were subsequently effected on the baselines of government institutions, which were informed that there were no additional resources available for allocation over the MTEF period, and that the expenditure ceiling set in the 2020 budget would not be raised. This meant that priority allocations, including the response to the COVID-19 pandemic, were to be funded through reductions in other areas. To do this, institutions were tasked with:

- scaling down non-priority programmes and projects,
- rescheduling projects to future years,
- changing service delivery models through measures such as cost containment, and
- improving efficiency by undertaking appropriate operational changes and using technology effectively.

Baseline reallocations are effected across departments from various economic classification items, including compensation of employees, goods and services, conditional grants to provinces and municipalities, and other transfers to institutions. Spending reductions announced in the MTBPS were implemented on departmental baselines.

Aggregate baseline reductions led to generally lowered expenditure ceilings being tabled in the 2021 budget. Spending will continue to support the implementation of the NDP. Government's policy priorities for the 2021 budget are economic recovery and fiscal consolidation through significant reductions in expenditure. To this end, government will focus on implementing measures aimed at reducing the public sector wage bill and stabilising debt to ensure that public finances return to a sustainable trajectory.

Emerging cost pressures, such as spending on government's response to the COVID-19 pandemic, which has had an unparalleled impact on the South African health system, are accommodated through additional funding, baseline reallocations and reprioritisations over the medium term. These critical fiscal measures, along with National Treasury's expenditure reviews, are expected to improve the effectiveness of spending. The consolidated budget continues to prioritise social objectives, with allocations to the health, education, social development and culture sectors accounting for the bulk of expenditure over the medium term.

Spending on economic and community development, and peace and security remains important for socio-economic transformation. However, debt-service costs are the fastest-growing expenditure item, which underscores government's commitment to fiscal consolidation.

Special adjustments budget

In June 2020, government announced a special adjustments budget with the aim of reporting on the COVID-19 fiscal measures and the resulting adjustments to the division of revenue and departmental allocations; and setting out government's commitment to strengthen public finances and position the economy for faster and inclusive growth.

The budget highlighted that in 2020, fiscal deterioration accelerated and that for 2020/21, significant tax revenue underperformance was expected, and expenditure would increase as government reprioritised and allocated funds to contain COVID-19. The main budget deficit and gross borrowing requirement would increase sharply.

Gross national debt was expected to reach 81.8% of the GDP in 2020/21 compared to the 2020 budget estimate of 65.6%. National Treasury expected the economy to contract by 7.2% in 2020. Households and firms were grappling with the combined effects of economic restrictions and the continued spread of the virus. The public finances, which had reached an unsustainable position before the pandemic, were dangerously overstretched. Without urgent action in the 2021 budget process, a debt crisis would follow. Failure to arrest the debt trajectory could see debt-service costs consume around 31% of main budget revenue by 2024/25. The stock of debt could cross the 100% mark in 2023/24, reaching 140% in 2028/29.

A fiscal crisis could deduct more than R2 trillion from the GDP over the next decade. The special adjustments budget was a bridge to the October 2020 MTBPS. This would be followed by preparation of a set of far-reaching reforms which are expected to stabilise public debt, contain the budget deficit, and fully restore economic activity to build confidence, increase investment and promote job creation.

Spending was adjusted by removing funds underspent due to delays caused by the lockdown from the baselines of affected departments; suspending allocations for capital and other departmental projects that could be delayed or rescheduled to 2021/22 or later; suspending allocations to programmes with a history of poor performance or slow spending and redirecting funds towards the COVID-19 response within functions or towards government's fiscal relief package. In addition, the following measures were taken:

- A total of R40 billion would be drawn down from social security funds' cash surpluses to provide wage support to vulnerable employees due to the pandemic.
- Consolidated spending for 2020/21 was revised from R1.95 trillion in the 2020 budget to R2.04 trillion, mainly due to additional funding of R145 billion allocated for government's COVID-19 response.

The allocations would increase spending on transfers to almost 35% of total expenditure, while the share of all other components declines. Debt-service costs became the fourth-largest spending item, similar in size to what government spends on health services.

The special adjustments budget for 2020 showed a tax revenue shortfall of R304.1 billion in 2020/21. The consequences of COVID-19 would lead to a drop in year revenue estimates compared to the prior budget. According to the budget, South Africans were to expect a temporary shrinkage in tax base as businesses closed and jobs were lost. Revenue shortfalls include tax relief measures amounting to R26 billion in foregone revenue. Improved tax collection and administration were identified as key factors to achieving fiscal stabilisation.

Trade, Industry and Competition

The dtic was established in June 2019 by merging the Department of Economic Development and the Department of Trade and Industry.

The mandate of the department is to:

- lead economic development policy formulation and planning;
- facilitate access to sustainable economic activity and employment for all South Africans through an understanding of the economy, knowledge of economic opportunities and potential, and anticipation of future economic trends;
- catalyse economic transformation and development, and provide a predictable, competitive, equitable and socially responsible environment for investment, enterprise and trade for economic citizens; and
- contribute to achieving government's vision of an adaptive and restructured economy, characterised by accelerated economic growth, employment creation and greater equity.

The NDP presents a broad vision for sustainable industrialisation and economic development and transformation in South Africa and, by extension, Africa. This vision is expressed specifically in terms of Priority 1 (economic transformation and job creation) and Priority 7 (a better Africa and world) of government's 2019 – 2024 Medium Term Strategic Framework (MTSF).

The dtic will continue with the development and implementation of various sectoral master plans as part of the Reimagined Industrial Strategy. In addition, as part of its role in implementing key interventions of the Economic Reconstruction and Recovery Plan (ERRP), in the wake of the COVID-19 pandemic, over the medium term, the department will focus on providing industrial finance, developing industrial infrastructure and enhancing competition oversight.

Providing industrial finance

In support of the ERRP, initiatives in the Industrial Financing programme are aimed at growing sustainable and competitive enterprises through providing direct or indirect access to industrial finance. Initiatives include the economic distress programme and economic recovery support in the Manufacturing Incentives subprogramme. The Economic Distress Programme consists of loans administered by the Industrial Development Corporation (IDC), the National Empowerment Fund (NEF) and manufacturing development incentive grants.

The dtic will continue to implement the Automotive Incentive Scheme, the Black Industrialist Programme, the Agro-processing Support Scheme, the Strategic Partnership Programme and the Aquaculture Development Enhancement Programme. Allocations to the Manufacturing Incentives subprogramme account for 49.5% (R7 billion) of the Industrial Financing programme's budget over the medium term.

Developing industrial infrastructure

A critical part of the ERRP includes interventions to build catalysts for investment through infrastructure development. Support for infrastructure investment is provided mainly through the Industrial Financing programme, and includes the development of special economic zones (SEZs), the provision of critical infrastructure activities, and the roll-out of infrastructure within industrial parks in support of the District Development Model.

Spending in the programme's Infrastructure Investment Support subprogramme is expected to increase at an average annual rate of 13.9%, from R1.3 billion in 2020/21 to R1.9 billion in 2023/24. Of this, R4.7 billion over the medium term is allocated for SEZs, R349 million for critical infrastructure and R407.8 million for industrial parks.

Enhancing competition regulation

The Competition Amendment Act, 2018 (Act 18 of 2018) expanded the mandates of competition authorities to include the initiation of market inquiries, a number of which have already commenced in key economic sectors. Over the medium term, the dtic plans to oversee the implementation of these expanded mandates.

An additional R369.4 million is allocated to the Competition Commission over the medium term, to improve capacity to investigate cartels and conduct market inquiries, and for litigation. As a result, allocations to the Competition Policy and Economic Planning programmes are set to increase at an average annual rate of 11%, from R686.1 million in 2020/21 to R939.5 million in 2023/24.

Legislation

The mandate of the dtic is derived from a broad legislative framework, which includes:

- the Broad-Based Black Economic Empowerment (BBBEE) Act, 2003 (Act 53 of 2003);
- the Companies Act, 2008 (Act 71 of 2008);
- the Competition Act, 1998 (Act 89 of 1998), as amended;
- the Consumer Protection Act, 2008 (Act 68 of 2008);
- the Industrial Development Act, 1940 (Act 22 of 1940);
- the International Trade Administration Act, 2002 (Act 71 of 2002);
- the Manufacturing Development Act, 1993 (Act 187 of 1993); and
- the SEZs Act, 2014 (Act 16 of 2014).

Budget

For the 2020/21 financial year, the dtic was allocated R9.3 billion.

Expenditure is expected to increase at an average annual rate of 2.9%, from R9.3 billion in 2020/21 to R10.1 billion in 2023/24. Allocations to the Industrial Financing programme account for 51.1% (R15 billion) of the department's expenditure, mainly to fund incentive programmes. Spending in the programme is expected to increase at an average annual rate of 1.6%, from R4.9 billion in 2020/21 to 5.2 billion in 2023/24.

Entities

Companies and Intellectual Property Commission (CIPC)

The CIPC was established in terms of Section 185 of the Companies Act of 2008, to register companies, close corporations, cooperatives, trademarks, patents, designs and copyright; and enforce rules and regulations.

Over the medium term, the commission will focus on finalising the upgrading of its information and communications technology (ICT) systems to simplify the process of registering new companies and submitting annual returns; and creating a reputable business environment by effectively regulating the behaviour of companies and the intellectual property system.

Companies Tribunal

In its contribution to the creation of a just, fair and ethical regulatory business environment, in line with the Companies Act of 2008, the Companies Tribunal facilitates the resolution of company disputes through mediation, conciliation and arbitration. Through this work, the tribunal aims to support sustainable enterprise development and a business environment that attracts investment.

Over the MTEF period, the tribunal will focus on enhancing its case management system, which is expected to enable cases to be managed more efficiently, with an estimated 70% of cases set to be submitted online by 2022/23. This is expected to lead to better interaction with clients and advance South Africa's business environment, and enable the tribunal to accommodate Cabinet-approved baseline reductions effected on the dtic's transfers to public entities.

The tribunal's total budget for 2020/21 was R18.3 million.

Competition Commission

The Competition Commission is a statutory body constituted in terms of the Competition Act of 1998, as amended. It is empowered to investigate, control and evaluate restrictive business practices, including the abuse of dominant positions and mergers; and to promote the advocacy of competition issues to achieve equity and efficiency in the South African economy.

Over the medium term, the commission will focus on strengthening its internal capacity to enable it to execute its expanded mandate, which includes the prosecution and criminalisation of certain offences in terms of the Competition Amendment Act of 2018, such as the abuse of dominance.

The commission has a large caseload. Many of its cases are complex, often resulting in respondents contesting proceedings. To ease the demands of the growing caseload on the commission's personnel, the commission is allocated an additional R369.4 million over the medium term to fulfil its expanded mandate; conduct market inquiries, as mandated by the Competition Act of 1998; increase its investigative and litigation capacity; and upgrade its case management systems, particularly in an environment dominated by virtual working. The commission's total budget for 2020/21 was R417.2 million.

Competition Tribunal

The Competition Tribunal was established in terms of the Competition Act of 1998, as amended. It adjudicates all large corporate mergers and allegations of restrictive practices brought before the tribunal by the Competition Commission and other interested parties. Its quasi-judicial nature prevents it from setting proactive objectives or embarking on focused interventions that target any sector or emphasise any specific criteria in its decision-making.

As such, the tribunal's caseload is determined by complaint referrals and notified mergers, and each case is adjudicated on its merits.

Over the medium term, the tribunal will continue to focus on holding hearings and adjudicating matters, educating and creating awareness among stakeholders on matters relating to competition, and strengthening organisational capability and performance to deliver on its legislative mandate. The tribunal's total budget allocation for 2020/21 was R64.2 million.

Export Credit Insurance Corporation

The Export Credit Insurance Corporation was established in terms of the Export Credit and Foreign Investments Insurance Act, 1957 (Act 78 of 1957), to facilitate and encourage South Africa's export trade by underwriting export credit loans and investments outside South Africa.

The corporation provides comprehensive export credit and investment insurance solutions in support of South African exporters doing business in risky sectors or countries, and thereby contributes to the expansion of exports, economic growth and the creation of local jobs.

Over the medium term, the corporation will focus on proactively attracting business from new and existing customers to facilitate trade beyond its current reach in Southern and West Africa. To achieve this, the corporation plans to approve projects worth US$1.65 billion over the period ahead.

The corporation also intends to disburse R163 million through its interest make-up liability scheme. The scheme subsidises an interest rate arrangement that enables participating financial institutions to provide loans to South African exporters at subsidised rates, allowing them to access new markets and diversify exports.

Industrial Development Corporation

The IDC is a national development finance institution established in terms of the Industrial Development Act of 1940. It is mandated to lead industrial capacity development through investments in individual business enterprises, and by acting as a catalyst for the creation or revitalisation of industries.

Over the medium term, the corporation will continue to contribute to job creation and an inclusive economy through, among other things, funding black-owned companies, black industrialists and enterprises owned by women and young people.

The COVID-19 pandemic has made it necessary for the corporation to review its investment philosophy. Accordingly, over the period ahead, the corporation will adopt a "twin pillar" approach to financial sustainability and development effectiveness. This entails introducing specific initiatives to leverage investment from other sources, including the mobilising of funds managed on behalf of other government entities and increasing syndicate funding from other development financial institutions and, potentially, commercial funders.

As a result, investment facilitated by the corporation is expected to exceed R20 billion per year over the MTEF period, despite subdued disbursements from its balance sheet. Funding will focus on priority sectors identified in industry master plans and the ERRP.

Small Enterprise Finance Agency

The Small Enterprise Finance Agency was established in April 2012. It combines the small business operations of Khula Enterprise Finance, the South African Micro-Finance Apex Fund and the small business component of the IDC. The agency is a wholly owned subsidiary of the IDC and derives its mandate from the Industrial Development Act of 1940, particularly the objectives related to the development of small, medium and micro enterprises (SMMEs).

Over the medium term, the agency will focus on implementing economic recovery programmes, and will continue to manage COVID-19 relief programmes such as the SMME Debt Relief Fund and the business growth/resilience facility. The SMME Debt Relief Fund seeks to assist small businesses that have been negatively affected by the COVID-19 pandemic.

The business growth/resilience facility funds the production or supply of healthcare and related products that are used to combat the spread of COVID-19.

As a result, the agency expects to approve R6.6 billion in finance over the medium term for SMMEs and cooperatives, and disburse R5.8 billion.

The agency's total budget for 2020/21 was R1.7 billion.

In August 2021, Cabinet approved the incorporation of the Small Enterprise Finance and Cooperative Banks Development Agency into the Small Enterprise Development Agency (SEDA). The merger of these entities will enable integrated government support to small, medium and micro enterprises as well as cooperatives with effect from April 2022.

A proposed single agency will provide both financial and non-financial support to these businesses. By pooling all the resources together, the agency will be more impactful and accessible in all districts and metros.

The approved incorporation will result in the reclassification of the SEDA (which will be renamed later) in terms of the Public Finance Management Act, 1999 (Act 1 of 1999), from a Schedule 3A to a Schedule 2 entity.

International Trade Administration Commission (ITAC)

The ITAC was established through the International Trade Administration Act of 2002. The aim of the commission is to foster economic growth and development, raise income levels, and promote investment and employment in South Africa and the Southern African Customs Union (SACU) area, by establishing an administration system for international trade.

The commission's core functions are to conduct customs tariff investigations, institute trade remedies, and provide import and export controls. Its ongoing key strategic objectives are to ensure appropriate contribution to growth and development, and provide continued support to the dtic and government.

In an effort to improve access to affordable scrap metal for the domestic steel and other metal producing industry, the ITAC introduced changes to the Price Preference System (PPS) in October 2020. This came after the commission finalised an initial investigation into the supply of scrap metal as an input to the domestic steel producing industry.

The PPS was first introduced in 2013 to promote the affordable supply of scrap metal to domestic steel and other metal makers. Scrap dealers were required to offer scrap to the domestic consuming industry first, at a prescribed discount to international prices, before it could be exported to other markets.

Some of the key changes made by ITAC to the PPS include:

- imposition of an additional discount of 10% where domestic consumers are located in inland provinces and scrap metal is located at the coast to account for transport costs;
- the right for domestic consumers to weigh and inspect the materials to ascertain that material delivered is the same quality, type and weight as agreed to when the offer was made and concluded, and the right to claim reasonable compensation for costs incurred where quality, type and weight differ from what was agreed;
- increased surveillance by ITAC to ensure that materials (quality, grades and quantities) comply with the approved permit, including the right to take legal action for any misrepresentation from sellers; and

- ensuring that scrap dealers have adequate facilities for the access, loading and weighing of scrap. Failure to provide these will be seen as an impediment and constitute grounds for refusal of a permit application.

The commission's total budget for 2020/21 was R113.9 million.

National Consumer Commission

The National Consumer Commission was established in terms of Section 85 of the Consumer Protection Act of 2008, with jurisdiction across South Africa. The commission aims to conduct investigations against suppliers allegedly engaging in prohibited conduct; promote the resolution of disputes between consumers and suppliers; and promote compliance with the Act through advocacy, education and awareness.

Over the medium term, the commission will focus on conducting education and awareness campaigns; investigating the conduct of suppliers; and conducting inspections of businesses to facilitate the resolution of disputes between consumers and suppliers in a speedy, cost-effective, fair and transparent manner.

The commission's total budget for 2020/21 was R63.3 million.

National Consumer Tribunal

The National Consumer Tribunal was established as an independent adjudicative entity in terms of the National Credit Act (NCA), 2005 (Act 34 of 2005). It is mandated to review decisions made by the National Credit Regulator (NCR) and the National Consumer Commission, and adjudicate on applications and referrals in terms of NCA of 2005 and the Consumer Protection Act of 2008.

Over the medium term, the tribunal will continue to focus on the adjudication of cases, and manage the expected increase in its caseload. The tribunal's total budget for 2020/21 was R66.4 million.

National Credit Regulator

The NCR was established in terms of Section 12 of the National Credit Amendment Act, 2019 (Act 7 2019), and is responsible for regulating the South African credit industry. The regulator is tasked with carrying out education, research, policy development, the registration of industry participants and the investigation of complaints; and ensuring enforcement of the Act.

Over the medium term, the regulator will implement provisions in the act pertaining to debt intervention in an effort to rehabilitate and promote the financial inclusion of low-income consumers by developing a debt-intervention system and a financial literacy training programme, and assisting consumers who qualify for debt intervention.

This will be achieved through conducting – a targeted 500 investigations into the cost of credit, with the target of 85% enforcement action to be taken for noncompliance; and 450 investigations into reckless lending and/or the collection of prescribed debt, with the target of 80% enforcement action to be taken for non-compliance. The regulator's total budget for 2020/21 was R170.4 million.

National Empowerment Fund

The fund was established in terms of the NEF Act, 1998 (Act 105 of 1998), to promote and facilitate black economic empowerment (BEE) and economic transformation. In providing financial and non-financial support to black businesses and structuring accessible retail savings products for black people, the fund is mandated to implement the codes of good practice for BEE. The fund has five core divisions, namely SMMEs, rural development, venture capital, corporate finance and women-empowerment funds.

Planned funding approvals are expected to increase from R500 million in 2020/21 to R1.2 billion in 2023/24 through the uMnotho Fund, iMbewu Fund, Rural and Community Development Fund, Strategic Projects Fund and Women Empowerment Fund.

These funding programmes are expected to support an estimated 11 210 job opportunities over the period ahead by prioritising businesses in labour-absorbing industries, such as manufacturing, agro-processing, minerals beneficiation, infrastructure and tourism. The fund's total budget for 2020/21 was R340.9 million.

National Gambling Board (NGB)

Over the medium term, the NGB will focus on strengthening its regulatory compliance oversight function in line with the National Gambling Policy and the National Gambling Act, 2004 (Act 7 of 2004). This is expected to be achieved through monitoring of socio-economic patterns of gambling activities, conducting research on the impact of addictive and compulsive gambling, maintaining a national central electronic monitoring system, national registry of gambling machines and devices, and other prescribed national registers; and conducting broad-based public education and awareness campaigns about the dangers of gambling.

The board expects to generate 82.7% (R625.5 million) of its revenue over the period ahead from the national central electronic monitoring system, and derive 15.4% (R109.2 million) through transfers from the dtic. Revenue is set to increase at an average annual rate of 12.6%, from R177.1 million in 2020/21 to R253.1 million in 2023/24. The board's total budget for 2020/21 was R264.1 million.

Responsible gambling

The NGB has a legislated responsibility to educate the public about gambling and the negative socio-economic impact of the gambling industry on society.

The National Responsible Gambling Programme (NRGP) integrates research and monitoring, public education and awareness, training, treatment and counselling.

The NRGP is managed by the South African Responsible Gambling Foundation. The main thrust of the NRGP's prevention programme is to educate gamblers, potential gamblers and society as a whole about responsible gambling.

The NRGP has various operational components, such as public awareness and prevention, the toll-free counselling line, a countrywide treatment network for outpatient counselling and therapy, research and monitoring initiatives, training for regulators and industry employees, a crisis line service available to gambling industry employees and management, as well as the Taking Risks Wisely Life Skills Programme – a teaching resource for grades 7 to 12.

National Lotteries Commission (NLC)

The NLC has a dual mandate to regulate and prohibit lotteries and sports pools, provide for matters connected therewith, and to ensure that funds are distributed equitably and expeditiously to advance the socio-economic well-being of communities in need. Over the MTEF period, the commission will continue to ensure that the integrity of the national lottery is carried out with all due proprietary, protection of player participation and ensuring that the distribution for good causes are impacting the communities. The commission's total budget for 2020/21 was R588.3 million.

National Metrology Institute of South Africa

The National Metrology Institute of South Africa is mandated by the Measurement Units and Measurement Standards Act, 2006 (Act 18 of 2006), to ensure that South Africa has a scientifically valid and internationally comparable and accepted measurement system, and that the international system of units is correctly applied.

Without this measurement infrastructure, it is difficult to manufacture to international specifications and ensure the integrity of export and import commodities. The institute's total budget for 2020/21 was R310 million.

National Regulator for Compulsory Specifications

The National Regulator for Compulsory Specifications was established in terms of the Measurement Units and Measurement Standards Act of 2006, to administer compulsory specifications, otherwise known as technical regulations. The regulator aims to protect the health and safety of the public and the environment by administering and maintaining compulsory specifications, implementing a regulatory and compliance system, and engaging in market surveillance to ensure compliance.

Over the medium term, the regulator will focus on implementing its new strategy, which was developed to regulate the processed meat industry to curb future outbreaks of listeria monocytogenes food poisoning caused by contaminated processed meats. The regulator's total budget for 2020/21 was R551.6 million.

South African Bureau of Standards

The South African Bureau of Standards was established as a statutory body in terms of the Standards Act, 2008 (Act 8 of 2008), and is part of South Africa's standardisation, quality assurance, accreditation and metrology technical infrastructure institutions.

The bureau is mandated to develop, promote and maintain South African national standards; render conformity assessment services; and promote the quality of commodities, products and services. The bureau's overarching objective is to protect the integrity of the South African market, protect consumers, create a competitive advantage and facilitate access by South Africans to local and international markets.

Over the medium term, the bureau will focus on revitalising testing operations and facilities in key targeted sectors. The bureau also plans to roll out a local content verification programme for key sectors designated for local procurement. A total of R30 million over the medium term is allocated in the conformity assessment programme for this purpose. Its total budget for 2020/21 was R124.6 million

South African National Accreditation System

The South African National Accreditation System was established in terms of the Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act, 2006 (Act 19 of 2006). It is mandated to accredit or monitor for good laboratory practice and compliance; promote accreditation as a means of facilitating international trade to enhance South Africa's economic performance and transformation; promote the competence and equivalence of accredited bodies; and promote the competence and equivalence of good laboratory practice facilities compliant with the Act.

Over the medium term, the entity will focus on strengthening accreditation effectiveness to support local manufacturing and improve access to export markets by helping South African firms to meet increasingly demanding conformity assessment requirements.

The 2021 Annual Front Office Business Process Outsourcing (BPO) Omnibus Survey ranked South Africa first in the world as a destination for BPO. The survey was extended to over 600 executives from eight key sourcing markets, including Australia, Canada, France, Germany, Italy, Spain, the United Kingdom and the USA.

It affirms the proactive work of government and the sector in building the country's BPO capacity, with a strong growth in call centres, technical support, and back and front office services for major multinational and South African firms.

The country's sophisticated digital infrastructure, skilled workforce, knowledge in technology and financial services, and proficiency in English, continue to make it an attractive destination for BPO.

Industrial parks/SEZs

SEZs are geographically designated areas of a country set aside for specifically targeted economic activities, supported through special arrangements (that may include laws) and systems that are often different from those that apply in the rest of the country.

The purpose of the SEZ Programme is to:

- expand the strategic industrialisation focus to cover diverse regional development needs and context;
- provide a clear, predictable and systemic planning framework for the development of a wider array of SEZs to support industrial policy objectives, the Industrial Policy Action Plan (IPAP) and the New Growth Plan;
- clarify and strengthen governance arrangements, expand the range and quality of support measures beyond provision of infrastructure; and
- provide a framework for a predictable financing framework to enable long-term planning.

There are currently five operating Industrial Development Zones (IDZs) in South Africa:

- The Coega is the largest IDZ in southern Africa. It was designated in 2001 and became South Africa's first IDZ. It lies in the Nelson Mandela Bay Metropolitan Municipality in the Eastern Cape, which is strategically located on the east-west trade route to service both world and African markets. The Coega IDZ leverages public sector investment to attract foreign and domestic direct investment in the manufacturing sector with an export orientation. It has attracted investment in the agro-processing, automotive, aquaculture, energy, metals logistics and Business Process Services (BPS) sectors. This has advanced socio-economic development in the Eastern Cape region through skills development, technology transfer and job creation.
- The Richards Bay IDZ is a purpose-built and secure industrial estate on the north-eastern South African coast. The N2 business corridor links the province's two major ports, Durban and Richards Bay, and connects with Maputo in Mozambique and, ultimately, areas in East Africa. It is linked to an international sea port of Richards Bay, tailored for manufacturing and storage of minerals and products to boost beneficiation, investment, economic growth and, most importantly, the development of skills and employment. First-world infrastructure allows for the full exploitation of the area's natural and strategic advantages. Through the superb industrial infrastructure, well-established network of shipments, tax and duty-free incentives, the IDZ aims to encourage international competitiveness and the attraction of export-orientated manufacturing investment.
- The East London IDZ has become a prime industrial park in South Africa, renowned for its customised solutions for various industries, including automotive, agro-processing and aqua-culture. The IDZ offers growth-oriented companies a specialised manufacturing platform, innovative industrial and business solutions access to new markets and strategic industry networks. The IDZ, one of the country's leading specialised industrial parks, is located in Buffalo City, the municipal area which also incorporates Bhisho, the province's capital and King William's Town. It was one of the first IDZs in South Africa to become operational and represents an ideal choice for the location of exported manufacturing and processing. Its location provides investors with connections to major markets both locally and across the globe.
- The Saldanha Bay IDZ in the Western Cape is expected to serve as the primary oil, gas and marine repair engineering and logistics services complex in Africa, servicing the needs of the upstream oil exploration industry and production service companies operating in the oil and gas fields off sub-Saharan Africa. Situated approximately two hours north of Cape Town, the IDZ will include logistics, repairs and maintenance, as well as fabrication activities.
- The Dube TradePort is a catalyst for global trade and a portal between KwaZulu-Natal and the world. It is the only facility in Africa that brings together an international airport, a cargo terminal, warehousing, offices, a retail sector, hotels and an agricultural area. Located 30 km north of Durban, the Dube TradePort is positioned between the two biggest sea ports in southern Africa and linked to the rest of Africa by road and rail. The following two areas have been designated as comprising the IDZ: the Dube TradeZone and the Dube AgriZone. The Dube TradeZone aims to focus on manufacturing and value-addition primarily for automotive, electronics and fashion garments. The facility involves warehousing, manufacturing, assembling real estate resources, complete with a single facility in which all freight forwarders and shippers are located (Dube TradeHouse), which enjoys a direct link to the adjacent Dube Cargo Terminal via an elevated cargo conveyor system.
  The Dube AgriZone – a high-tech, future farming facility and host to the continent's largest climate-controlled growing area under glass – will focus on high-value, niche agricultural and horticultural products. The AgriLab will look into specialised tissue culture, greenhouses, flowers and plants, all of which require swift air transportation.

According to the 2018/19 – 2020/21 IPAP, SEZs have proven to be an effective policy instrument for propelling industrialisation in some of the world's leading developing economies.

A number of incentives are available to ensure SEZs growth, revenue generation, creation of jobs, attraction of foreign direct investment and international competitiveness.

These SEZ incentives include:

- **Preferential 15% Corporate Tax:** Businesses (prescribed in Section 24 (4) of the SEZ Act of 2014, that are located in a SEZ may be eligible for tax relief, including the reduced rate of corporate income taxation. In addition to satisfying the requirements of the Act, further criteria for some of the available tax incentives are stipulated in the Income Tax Act, 1962 (Act 58 of 1962).
- **Building Allowance:** Businesses and operators (prescribed in Section 1 of the SEZ Act of 2014) operating within a SEZ may be eligible for tax relief, including the building allowance, subject to requirements contained in the Income Tax Act of 1962.
- **Employment Incentive:** Businesses and operators operating within a SEZ may be eligible for tax relief, including the employment tax incentive, subject to requirements contained in the Employment Tax Incentive Act, 2013 (Act 26 of 2013).
- **Customs Controlled Area:** Businesses and operators located within a customs-controlled area of a SEZ will be eligible for tax relief as per the Value-Added Tax (VAT) Act, 1991 (Act 89 of 1991), the Customs and Excise Act, 1964 (Act 91 of 1964), the Customs Duty Act, 2014 (Act 30 of 2014), and the Customs Control Act, 2014 (Act 31 of 2014).
- **12i Tax Allowance:** The 12i Tax Incentive is designed to support Greenfield investments (new industrial projects that utilise only new and unused manufacturing assets), as well as Brownfield investments (expansions or upgrades of existing industrial projects). The new incentive offers support for both capital investment and training.

Black industrialists

The Black Industrialists Policy aims to leverage government's capacity to unlock the industrial potential that exists within black-owned and managed businesses that operate within the South African economy through deliberate, targeted and well-defined financial and non-financial interventions as described in the IPAP and other government policies.

This policy targets entities that should have extensive experience, operations and track record in their respective or envisaged industrial sectors and value chains. It is expected that the entities supported will:

- expand their current operations or businesses to become major players in the domestic and/or global markets within 10 years of being in the programme;
- start a new operation or business that can enable them to become major players in the domestic and/or global markets within 10 years of being in the programme; and
- acquire an existing or new business that can enable them to become major players in the domestic and/or global markets within a specified period.

Such entities should be operating in the manufacturing sectors of the economy in line with the industrialisation path as articulated in the IPAP.

Black Business Supplier Development Programme

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

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

The objectives of the incentive scheme are to:

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

Role players

Presidential Infrastructure Coordinating Commission (PICC)

The PICC has the following 18 strategic integrated projects:

- Durban-Free State-Gauteng Logistics and Industrial Corridor;
- South Eastern node and corridor development;
- Unlocking economic opportunities in North West;
- Saldanha-Northern Cape Development Corridor;
- Integrated Municipal Infrastructure Project;
- Integrated Urban Space and Public Transport Programme;
- Green Energy in Support of the South African Economy;
- Electricity Generation to Support Socio-economic Development;
- Electricity Transmission and Distribution for All;
- Agri-Logistics and Rural Infrastructure;
- Revitalisation of Public Hospitals and Other Health Facilities;
- Rational School-build Programme;
- Higher Education Infrastructure;
- Expanding Access to Communication Technology;
- Square Kilometre Array and MeerKat;
- Regional Integration for African Cooperation and Development; and
- Water and Sanitation Infrastructure Master Plan.

The main objective of the PICC Awareness Campaign is to promote infrastructure development initiatives across the country, whilst showcasing the tangible benefits in terms of job creation and mainstreaming access to social services.

Business Partners Limited

Business Partners Limited is a specialist risk-finance company that provides customised financial solutions, technical assistance, mentorship, business premises and other added-value services for formal small and medium enterprises in South Africa and selected African countries.

The company considers financing applications up to R50 million in all sectors of the economy — with the exception of on-lending activities, direct farming operations, underground mining and non-profit organisations — to those formal small and medium businesses whose gross assets are under R100 million, where annual turnover does not exceed R200 million and/or employees are less than 500.

Applications for financing below R500 000 are usually not considered; and the company does not operate in the informal or micro enterprise sectors.

South African Women Entrepreneurs' Network (SAWEN)

The SAWEN is a South African national network that facilitates and monitors the socio-economic advancement of women entrepreneurs and their positive impact on the country's economy.

The objectives of SAWEN are to:

- provide a national vehicle that brings women and women's groups together to address the challenges they face;
- lobby government, public and private institutions on such issues, but not limited to policy, legislation and/or proposed legislation affecting either directly and indirectly the trade and commerce activities of women entrepreneurs;
- align itself with other bodies or organisations with similar business interests at both national and international level, and to leverage the relationships arising out of these alignments for the benefit of its members;
- facilitate access to business resources, information and opportunities for South African women entrepreneurs in a way that promotes their effective participation in the global economy; and
- profile and affirm women in business leadership positions in both public and private sectors.

Isivande Women's Fund (IWF)

The IWF is an exclusive fund that aims to accelerate women's economic empowerment by providing more affordable, usable and responsive finance than is currently available. 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.

The fund is managed by the IDC on behalf of the dtic through a development fund manager.

In December 2020, the dtic and the National Cleaner Production Centre South Africa (NCPC-SA), in partnership with the United Nations Industrial Development Organisation (UNIDO), launched the Global Eco-Industrial Parks Programme in South Africa.

The programme aims to demonstrate the viability and benefits of eco-industrial park approaches in scaling up resource productivity and improving economic, environmental and social performances of businesses and thereby contribute to inclusive and sustainable industrial development in the participating developing and transition economies.

The project is funded by the Swiss State Secretariat for Economic Affairs and implemented internationally by UNIDO. South Africa was chosen to host the Eco-Industrial Parks Programme to support the Industrial Park Revitalisation Programme, matching the core focus areas of economic, social and environmental benefit in support of the national priorities to address poverty, employment, inequality and growth.

The NCPC-SA will be the national implementer of the three-year programme, following a successful pilot project in 2018/19. The approach is flexible and can be applied to parks of all sizes, both private and public.

The Identity Development Fund (IDF) Managers

This is a small to medium enterprise financier aimed at supporting the creation of self-sustaining black-owned and women-owned businesses in South Africa by providing primarily financial and non-financial support to its investee companies.

The IDF Managers are responsible for reviewing eligible business plans requiring funding of R30 000 to R2 million. The enterprises have to meet the following criteria:

- at least six months in operation;
- requires early stage, expansions and growth capital;
- 50% plus one share owned and managed by women;
- have potential for growth and commercial sustainability; and
- improved social impact in the form of job creation.

Programmes and projects

Industrial Policy Action Plan

The adoption of the National Industrial Policy Framework in 2007 introduced a very significant reorientation of South Africa's industrial policy landscape. Its main thrusts have been captured, developed and refined in successive annual iterations of the IPAP. This has become the 'laboratory' for government's broad approach to industrialisation.

The focus areas of the IPAP 2018/19 – 2020/2 were:

- public procurement and local content;
- industrial financing and incentives;
- developmental trade policy;
- african integration and industrial development;
- SEZs; and
- innovation and technology.

Furniture Industry Master Plan (FIMP)

The FIMP sets clear guidelines and targets for the furniture manufacturing industry and guides public sector procurement as part of government's efforts to support and stimulate the industry. It has the potential to reposition the country in the sector.

The industry in South Africa sits firmly within the manufacturing sector of the national economy. While its contribution was at less than 1% to the GDP when compared to other manufacturing industries, it is a relatively low capital investment requiring job. It is one of the most labour intensive industries, with a potential to contribute to the reduction of unemployment, and increase the export and development of SMMEs. It contributes to the geographical spread of economic activity, since the products can be developed in rural areas with minimal investment.

The established resources and manufacturing base make it an attractive sector to capitalise on the available opportunities. It has the potential to grow its contribution to both employment and economic growth, as prescribed by the National Industry Policy Framework and the Industrial Policy Action Tool.

Designs can also play a significant role in industry development and beneficiation of raw material. It is possible to position the local industry as a producer of high value products that are based on quality and on differentiated designs.

Sectoral focus areas

Automotives

The automotive industry remains an important pillar of South Africa's industrial landscape. Government has established a team of technical experts to develop a post-2020 Automotives Master Plan. The mandate of the team is to examine the entire automotive sector and not just the existing Automotive Policy Development Plan.

The purpose is to ensure that in the context of long-term policy certainty, a post-2020 master plan will create a framework to secure even higher levels of investment and production, higher exports, deepening localisation and expanding employment.

The dtic initiated the Medium and Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS), a subcomponent of the Automotive Investment Scheme (AIS), an incentive designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.

The MHCV-AIS provides for a non-taxable cash grant of 20% of the value of qualifying investment in productive assets by medium and heavy commercial vehicle manufactures and 25% of the value of qualifying investment in productive assets by component manufactures and tooling companies for MHCVs as approved by the dtic.

Some of the conditions are that the applicant must:

- be a registered legal entity in South Africa and must undertake manufacturing in South Africa;

- be a taxpayer in good standing and must, in this regard, provide a valid tax clearance certificate before the MHCV-AIS Grant is disbursed; the grant will only be applicable to investment in assets that will be used in the entity's South African operations; and
- submit a business plan with a detailed marketing and sales plan, a production plan, budget and projected financial income statement, cash-flow statement and balance sheet; for a period of at least three years for the project, submit a BBBEE certificate, ITAC registration certificate, projected financial income statement, cash-flow statement and balance sheet; for a period of at least three years of the relevant division, cost centre or branch where the project is located, if applicable, submit a cost benefit analysis for the project in cases where it cannot provide information in respect of a cost centre.

Clothing and textiles

After government set a 100% local content requirement, the clothing, textiles, leather and footwear sector saw the reintroduction of products where local production had been discontinued. These include technical fabrics, protective footwear, protective fabrics and chambray fabrics.

This intervention, supported also by the Clothing and Textile Competitiveness Improvement Programme, has contributed to turning the sector around. In response to the flood of cheap clothing imports, government has increased the Import Duty on clothing to 45% in line with World Trade Organisation regulations.

Business Process Services

South Africa's BPS sector continued to maintain its status as a leading global outsourcing destination, while steadily moving up the value chain in terms of service offerings.

BPS already accounts for 200 000 jobs nationally and is one of the country's fastest-growing sectors, with double digit growth over the past five years.

South African Emerging Black Filmmakers Incentive Scheme

The South African Emerging Black Filmmakers Incentive Scheme is available to South African black-owned qualifying productions. It aims to nurture and capacitate emerging black filmmakers to take up big productions and contribute towards employment opportunities.

World Economic Forum (WEF)

The WEF held virtual rounds of dialogues from 25 to 29 January 2021, to help leaders choose innovative and bold solutions to stem the COVID-19 pandemic and drive a robust recovery over the next year. The leaders participated in almost 100 sessions spanning five themes.

Addressing the WEF Davos Dialogues, President Cyril Ramaphosa pointed out that poor countries needed COVID-19 vaccines as much as other nations that had already started vaccinating their citizens. He noted that rich countries had acquired large doses of vaccines from developers and manufacturers, and some countries had even acquired four times what their population needs – to the exclusion of other countries that also needed the vaccine.

South African Premier Business Awards

The South African Premier Business Awards is an annual event hosted by the dtic in partnership with Proudly South African and Brand South Africa. The awards recognise business excellence and honour enterprises that promote the spirit of success and innovation as well as job creation, good business ethics and quality. These awards bring together all single sectored awards, among others technology, manufacturing and women in business.

International cooperation

The Investment and Trade Initiative (ITI) is part of the dtic's objective to create market penetration for South African value-added products and services, and to promote South Africa as a trade and investment destination.

The ITI focuses on showcasing South Africa's diverse range of capabilities to produce world-class products and services in the targeted sectors, which include agro-processing (rooibos tea, dried fruits, spices, sauces, frozen fish and sparkling 100% fruit juice), industrial chemicals and automotive components. South African companies have developed highly specialised skills and products and there are various opportunities for them to market their expertise and collaborate on projects with their Brazilian counterparts.

The programme of the ITI includes trade and investment seminars, business-to-business meetings and sector-specific business site visits to companies in São Paulo and Porto Alegre.

Department of Public Enterprises (DPE)

The DPE is the shareholder representative for government with oversight responsibility for seven SOCs in its portfolio, namely the South African Airways (SAA), the South African Express Airways, Transnet, Eskom, Denel, the South African Forestry Company (SAFCOL) and Alexkor. The mandate of the DPE is to fulfil oversight responsibilities over these SOCs to ensure that they contribute to the realisation of government's strategic objectives, as articulated in the NDP, MTSF and the Reimagined Industrial Strategy.

Well-governed and financially sustainable public entities play a vital role in national development. In recent years, however, the combined results of financial mismanagement and corruption have led to a severe deterioration in the financial position of many public entities, leaving them unable to deliver on their mandates. A growing number have required state guarantees or bailouts to remain afloat – straining national budgets, draining resources that could be spent on social and economic needs, and setting back economic recovery.

Over the past year, the COVID-19 pandemic and associated lockdowns upended the plans of SOCs, curtailing revenue growth and collection of arrears, even as many operational costs remained inflexible. Higher borrowing costs – the result of the March 2020 downgrade of government debt, high levels of leverage and deteriorating financial performance – further limited access to capital. As a result, many SOCs are at risk of defaulting on their debts. The Agricultural Development Bank of South Africa (Land Bank) defaulted on its debt obligations on 1 April 2020 and is renegotiating its repayment terms.

The PFMA of 1999 requires SOCs to generate sufficient financial resources from their operations to meet obligations to employees, tax authorities, the public and debt holders. Several entities cannot meet these obligations. In 2020/21, financial performance appeared to have deteriorated, with many entities operating below capacity, and facing subdued demand for goods and services.

SOCs in financial distress are expected to expedite the implementation of reforms, which include facilitating private-sector participation, costing developmental mandates and streamlining operations to focus on core mandates. Several reviews are under way that will inform the shape of legislative reforms.

Chapter 13 of the NDP identifies the potential of SOCs to build a capable and developmental state. This is given expression by Priority 1 (economic transformation and job creation) of government's 2019 – 2024 MTSF, with which the mandates of SOCs are closely aligned. Over the medium term, the DPE will continue to focus on enhancing reforms to stabilise these entities and strengthening its oversight capacity to ensure that the companies in its portfolio are sustainable and contribute to investment in key infrastructure.

By ensuring that these companies contribute to lowering the cost of doing business in South Africa, the department aims to reduce the burden of administered prices on the economy by reducing the cost of electricity and freight transport.

To coordinate reforms in SOCs, over the MTEF period, the DPE has reprioritised R40.9 million within its budget to establish a secretariat for the Presidential State-owned Enterprises Council and develop the Government Shareholder Management Bill. The council is an advisory body responsible for supporting government in repositioning SOEs, strengthening the framework governing SOCs, determining an appropriate shareholder ownership model, and assisting in monitoring the implementation of reforms.

The Bill is intended as overarching legislation that aims to strengthen the governance of SOEs. The department also expects to develop the SOCs Board Evaluation Framework by 2021/22, which will form the basis of annual performance reviews for the boards of SOEs. These activities will be carried out in the SOCs Governance Assurance and Performance programme. Expenditure in the programme increases at an average annual rate of 14.9%, from R45.5 million in 2020/21 to R68.9 million in 2023/24.

Budget

The DPE's budget for the 2020/21 financial year was R8.3 billion.

Expenditure is expected to decrease at an average annual rate of 84.4% between 2020/21 and 2023/24. This is due to substantial allocations made to Eskom and the SAA in 2020/21 for the settlement of government-guaranteed debt and the latter's implementation of its business rescue plan. Payments for financial assets constitute the department's main cost driver over the period ahead. These payments include an additional R31.7 billion for Eskom in 2021/22, and R6.1 billion (R4.3 billion in 2021/22 and R1.8 billion in 2022/23) for the SAA to settle government-guaranteed debt and interest.

By the end of 2020/21, the SAA was expected to have exited business rescue and the South African Express Airways expected to be fully liquidated. Cabinet-approved reductions on the DPE's baseline amount to R123.5 million over the medium term, to be effected on compensation of employees (R102.3 million), and goods and services (R21.2 million). This will be done by freezing salary increases and not filling vacant posts, while implementing cost-containment measures on goods and services.

State-owned companies

Alexkor

Alexkor mines diamonds in the Alexander Bay area, including marine mining and land mining. Alexkor was established in terms of the Alexkor Limited Act, 1992 (Act 116 of 1992), to mine marine and land diamonds in Alexander Bay. Over the medium term, the company will focus on normalising operations in the wake of the COVID-19 pandemic.

The Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture, in which Alexkor holds a 51% share, continues to face operational and financial challenges. These include a lack of adequate funds to undertake exploration activities and deteriorating weather conditions. As such, the company is dependent on financing to settle operating expenses, which is not sustainable and exposes it to the risk of liquidation.

The DPE's immediate focus is to restore the joint venture's sustainability in diamond operations while undertaking an exercise to determine Alexkor's future role. For this purpose and to determine the final outcome of the restructuring exercise, a technical task team was established. The team will report back in the second quarter of 2021/22.

Denel

Denel was incorporated as a private company in 1992 , with the South African Government as its sole shareholder. It operates in the military aerospace and landward defence environment, and provides strategic defence equipment. The company's broad focus over the medium term will be on restructuring, which entails optimising its cost structure and reviewing its business model to improve its global competitiveness. Emphasis will also be placed on the company's internal cost structure, efficiency, effectiveness, disposal of non-core businesses, improved supply chain policies and alignment of information technology (IT) infrastructure with its new organisational structure.

The company commenced with its restructuring process in 2019/20 and is in the process of identifying strategic equity partners. In 2020/21, the company was given approval to dispose of shares it held in Hensoldt Optronics and LMT Products. Part of the restructuring process over the MTEF period will involve reducing the company's number of personnel.

Denel recorded a loss of R2 billion in 2019/20. Despite state funding, the military and aerospace equipment company has made little progress in its turnaround and continues to deteriorate financially. In 2019/20, the company used a recapitalisation of R1.8 billion to restart operations, repay some legacy creditors and settle interest and bridging loans.

Additional funds of R576 million defrayed in 2020/21 were largely used to settle interest and repay government-guaranteed debt. Declining revenues, and high expenses and debt-service costs, mean little cash is available for operations. Unless funding challenges are resolved, the company will continue to find it difficult to meet financial obligations as they fall due.

Government is working with Denel on how to implement the turnaround plan. Restructuring and cost-saving initiatives that are already in place, as well as recapitalised allocations from government, are expected to stimulate revenue generation.

Eskom

Eskom is governed by the Eskom Conversion Act, 2001 (Act 13 of 2001), and is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Eskom remains dependent on government support and continues to use debt to pay operational costs. It does not generate sufficient cash to meet its commitments, which include high levels of debt and debt-service costs. In addition, the utility faces serious operational challenges and is unable to meet the country's electricity demand. Delayed and inadequate maintenance, alongside faults detected in major new units, have contributed to deteriorating fleet performance.

The company is exploring short-term energy purchases to reduce load shedding and offset planned maintenance outages. Eskom aims to address supply constraints through interventions set out in the nine-point plan to improve generation, which are short term, medium term and long term in nature. These interventions primarily involve repairing new plant defects, reducing trips and full load losses, accelerating the return of serviced units on long-term forced outages, repairing partial load losses and boiler tube leaks, rebuilding coal stockpiles, increasing diesel stocks, and recruiting critical staff for the Generation Division.

Government's immediate focus is to stabilise Eskom's operations and improve energy availability, while implementing the 2019 Roadmap for Eskom. In addition, government has provided R56 billion to Eskom for 2020/21 and allocated R31.7 billion for 2021/22, subject to compliance with the conditions of the Special Appropriation Act, 2019 (Act 25 of 2019). This allocation is meant to stabilise the utility while government restructures it into three separate entities (Generation, Transmission and Distribution) under Eskom Holdings.

Government and Eskom have agreed on an implementation plan and timelines for this separation – by December 2021, the Transmission Division was expected to be legally separated, and separation of the Generation and Distribution divisions were expected to be completed by December 2022. Divisional boards have been appointed and are accountable for strategy, business performance and functional compliance.

The directors-general of National Treasury, the Department of Mineral Resources and Energy and the DPE, and Eskom's Chief Executive Officer, are overseeing the implementation plan.

South African Airways

The SAA was placed under business rescue in 2019 to create a value proposition within the restructured SAA which would make it an attractive proposition for a potential partner. In August 2020, the business rescue practitioners published an approved business rescue plan. To implement the plan, R10.5 billion was allocated in the 2020 second adjustments budget.

In the 2020 Budget Review, R16.4 billion was set aside for the SAA over the MTEF period to settle legacy state-guaranteed debt and associated interest costs. Of this amount, R10.3 billion was allocated in 2020/21, with R4.3 billion and R1.8 billion to be allocated in 2021/22 and 2022/23 respectively. The 2020 MTBPS included an allocation of R10.5 billion for the SAA in 2020/21.

In September 2020, the business rescue plan was amended, and the identified funding requirement was increased to 19.3 billion. Of this amount, R14 billion was envisaged to come from government (including the R10.5 billion allocated in 2020/21), with the remainder sourced from strategic equity partnerships. A demand of R267 million for the SAA's government-guaranteed letters of credit was made and settled in 2020/21.

Over the medium term, the focus will be on operationalising the restructured airline to enable interconnectivity within South Africa and the SADC, including the expansion of regional air services capability.

South African Express

The South African Express Airways has experienced severe operational and financial challenges over a number of years and, despite financial support from government, the airline was unable to resolve these challenges. The airline was placed under business rescue in February 2020, but was unable to restructure, leading to it being placed under provisional liquidation in April 2020. By October 2020, an interested buyer had been identified and the process of concluding the sale agreement had begun. This process was expected to be concluded by the end of 2020/21.

South African Forestry Company

The SAFCOL was established in 1992 in terms of the Management of State Forests Act, 1992 (Act 128 of 1992). It is mandated to ensure the sustainable management of plantation forests, increase downstream timber processing and play a catalytic role in rural economic development and transformation.

Over the medium term, the company plans to continue fulfilling its commitments to communities near its operations, and diversify its product offering by increasing its production of timber for public facilities, poles for the electricity distribution sector and furniture.

Operating costs are higher than revenue, which requires the implementation of stringent cost-containment initiatives. In 2019/20, the company recorded an unaudited loss of R47 million. To recuperate some losses and stimulate revenue generation, over the MTEF period, the company will continue with the Timbadola Reinvestment Project, progress on which is monitored by the DPE on a monthly basis.

Transnet

Transnet provides and operates freight transportation services and infrastructure. The company's current operating model is geared towards lowering the cost of doing business in South Africa. To sustain and expand its capacity, over the five-year period ending 2024/25, Transnet plans to invest R127.7 billion, of which 75.7% (R96.7 billion) will be spent on sustaining capital, particularly in rail, port and pipeline infrastructure, across its operating divisions as per its 2020 corporate plan.

The DPE continues to investigate viable options to corporatise the National Ports Authority. Initial studies have indicated adverse ramifications for the South African economy and the company's operating divisions. As a result, the department will continue to investigate possible options without compromising the economic competitiveness of South Africa's transport sector.

As a result of trade restrictions associated with COVID-19, the company recorded reduced rail, port and pipeline sales for the period 1 April 2020 to 31 December 2020, leading to low revenue collections. The pandemic also affected capital investment, with spending of R9.6 billion at 31 December 2020, against a budgeted R15.6 billion, amounting to underspending of 38%.

Department of Small Business Development (DSBD)

The DSBD is tasked with the responsibility of leading and coordinating an integrated approach to the promotion and development of entrepreneurship, small businesses and cooperatives; and ensuring an enabling legislative and policy environment to support their growth and sustainability. The realisation of this mandate will lead to a transformed economy, increased employment, and the reduction of poverty and inequality.

Over the medium term, the DSBD will focus on providing support to SMMEs; providing greater access to finance for startups; finalising amendments to the National Small Enterprise Act, 1996 (Act 102 of 1996); developing master plans for the meaningful integration of small businesses into the mainstream economy; and intensifying the establishment of infrastructure to expose SMMEs and cooperatives to new markets.

Expenditure is expected to increase at an average annual rate of 4.1%, from R2.3 billion in 2020/21 to R2.6 billion in 2023/24. Transfers and subsidies account for 91% (R6.9 billion) of the department's budget over the period ahead, while 5.8% (R99.8 million) is allocated for compensation of employees and 3.2% (R16.3 million) for goods and services.

Providing support to SMMEs and startups

Over the MTEF period, support to SMMEs is provided through an allocation of R2.6 billion to the SEDA to coordinate support nationally; and an allocation of R510.3 million for internally administered incentives such as the Craft Customised Sector Programme and the Cooperatives Development Support Programme.

Access to finance, particularly for the first three stages of a business's life cycle (ideation, proof of concept and market entry), is crucial for sustainability. To this end, the DSBD will continue rolling out the Township and Rural Entrepreneurship Fund, which is implemented through the Small Enterprise Finance Agency at an estimated cost of R2.9 billion over the period ahead.

In addition, the department has introduced a blended finance model that entails de-risking enterprises traditionally not supported by commercial banks and existing development finance institutions. This is done through matching a loan facility to a grant, which is allocated R882.1 million over the period ahead.

Finalising legislative amendments and developing master plans

The DSBD has allocated R27 million over the medium term in the Enterprise Development programme to finalise amendments to the National Small Enterprise Act of 1996. These amendments are aimed at dealing with the establishment of a small enterprise ombud service, regulating/licensing businesses owned by foreign nationals, unfair business practices, and reviewing the definition of SMMEs to ensure the use of a single and inclusive definition.

The Sector and Market Development programme is allocated R92.2 million over the MTEF period for developing a creative industries master plan and a national small enterprise master plan. These plans will be aimed at mainstreaming small businesses to ensure their participation in accessing opportunities and dedicated support measures.

Intensifying the establishment of infrastructure

At an estimated cost of R248.1 million over the medium term in the Sector and Market Development programme, the department plans to intensify its establishment of infrastructure to expose SMMEs and cooperatives to new markets. This infrastructure is aimed specifically at providing affordable, safe and modernised spaces where small enterprises meet potential buyers.

Legislation and policies

The DSBD's mandate is guided by a legislative framework that includes:

- the National Small Business Act, 1996 (Act 102 of 1996);
- the National Small Business Amendment Act, 2004 (Act 29 of 2004);
- the Small Business Development Act, 1981 (Act 112 of 1981);
- the Cooperatives Act, 2005 (Act 14 of 2005); and
- the Cooperatives Amendment Act, 2013 (Act 6 of 2013).

Budget

For the 2020/21 financial year, the DSBD was initially allocated R2.4 billion, which was reduced during the Special Adjustment Budget by R67 million, to R2.3 billion.

Expenditure is expected to increase at an average annual rate of 4.1%, from R2.3 billion in 2020/21 to R2.6 billion in 2023/24. Transfers and subsidies account for 91% (R6.9 billion) of the DSBD's budget over the period ahead, while 5.8% (R99.8 million) is allocated for compensation of employees and 3.2% (R16.3 million) for goods and services.

Entity

Small Enterprise Development Agency

The SEDA was established in 2004 in terms of the National Small Business Amendment Act (2004). It is mandated to implement government's small business strategy, design and implement a standard and common national delivery network for the development of small enterprises and integrate government-funded small enterprise support agencies across all spheres of government. Over the medium term, the agency will focus on township, rural and informal business development, and promoting business competitiveness, viability and localisation.

The agency's technology programme is allocated an estimated R476.4 million over the MTEF period. Through the programme, the agency will facilitate the establishment of 27 new incubators, mainly in townships and rural areas; establish approximately 1 290 new enterprises through incubation; and create 25 000 new jobs and 86 000 sustained jobs with SMME ecosystem partners. As part of this offering, the agency plans to continue providing financial support, technical assistance and governance management for the incubation centres.

The agency's total budget for 2020/21 was R906.1 million.

Department of Public Works and Infrastructure (DPWI)

The DPWI is mandated to be the custodian and portfolio manager of national government's immovable assets. Following the operationalisation of the Property Management Trading Entity, the DPWI's role consists of policy formulation, coordination, regulation and oversight relating to the provision of accommodation and expert-built environment services to client departments at national level; and, through the entity, the planning, acquisition, management and disposal of immovable assets in the department's custody.

The department is further mandated to coordinate and provide strategic leadership in initiatives for the creation of jobs through the implementation of the Expanded Public Works Programme (EPWP). Public works is constitutionally designated as a concurrent function exercised by the national and provincial spheres of government.

Over the medium term, the DPWI will continue to focus on creating work opportunities; providing better oversight, cooperation and service delivery; and facilitating skills development in construction and property sectors. These areas of focus contribute towards the realisation of the NDP's vision of facilitating job creation and improving public infrastructure, and Priority 1 (economic transformation and job creation) and Priority 6 (a capable, ethical and developmental State) of government's 2019 – 2024 MTSF.

Creating work opportunities

The DPWI continues to lead and coordinate the EPWP. To date, through the programme, an estimated 4.4 million employment opportunities have been created that use labour-intensive methods in the infrastructure, social, non-state, environmental and cultural sectors. The department will seek to generate a further three million employment opportunities over the MTEF period by allocating R8 billion for transfers and subsidies, mainly to provinces, municipalities and non-profit organisations.

To provide support for and enhance the management and technical capacity of the 290 public bodies that implement the programme, the DPWI has allocated R1.1 billion over the medium term in the EPWP. Of this, an estimated 50.9% (R545 million) is earmarked for spending on compensation of employees, and 49.1% (R526 million) for spending on goods and services, particularly data capturing and verification, and monitoring and evaluation. The programme has a total budget of R9.1 billion, increasing at an average annual rate of 7.4%, from R2.5 billion in 2020/21 to R3.1 billion in 2023/24.

Better oversight, cooperation and service delivery

The DPWI leads and coordinates policies and legislative frameworks that guide the implementation of the public works function at provincial and municipal levels, and oversees and manages provinces' performance. In its continued effort to monitor and support planning and performance management in provinces and municipalities, the department plans to increase the number of cooperation and protocol agreements for joint service delivery signed with provinces and municipalities from 12 in 2019/20 to 15 per year over the medium term.

For the department to carry out this oversight role, R76.5 million is allocated over the period ahead to the Intergovernmental Relations and Coordination subprogramme in the Intergovernmental Coordination programme, with spending on compensation of employees accounting for an estimated 78.6% (R60.1 million) of this amount.

Facilitating skills development

To improve the delivery of infrastructure in the public works sector, the DPWI plans to increase the throughput of built environment graduates. This imperative is facilitated by the department's skills pipeline strategy, which makes provision for technical bursary schemes, internships, learnerships, property management training and artisan development, with structured workplace training to expedite professional development and registration. The department's investment in young built environment professionals extends to ensuring the participation of an estimated 3 356 beneficiaries per year over the medium term in the department and Property Management Trading Entity's skills development programme.

The DPE aims to build state capacity in the built environment and property management sectors, and meet the country's longer-term infrastructure delivery objectives by ensuring that the skills pipeline provides the wide range of skills required in the built environment sector. For activities related to skills development, R92.6 million is allocated over the medium term in the Professional Services subprogramme in the Intergovernmental Coordination programme.

Legislation and policies

The DPWI's mandate is guided by a legislative framework that includes:

- the Government Immovable Asset Management Act, 2007 (Act 19 of 2007);
- the Infrastructure Development Act, 2014 (Act 23 of 2014);
- the Land Affairs Board Act, 1987 (Act 101 of 1987;
- the Construction Industry Development Board Act (CIDB), 2000 (Act 38 of 2000);
- the Council for the Built Environment (CBE) Act, 2000 (Act 43 of 2000);
- the State Land Disposal Act, 1961 (Act 48 of 1961);
- the Municipal Property Rates Act, 2004 (Act 6 of 2004);
- the Spatial Planning and Land Use Management, 2013 (Act 16 of 2013);
- the National Environmental Management Act, 1998 (Act 107 of 1998);
- the Integrated Coastal Management Act, 2008 (Act 24 of 2008);
- the Occupational Health and Safety Act, 1993 (Act 181 of 1993);
- the National Building Regulations and Building Standards Amended Act, 1984 (Act 36 of 1984);
- the Water Services Act, 1997 (Act 108 of 1997);
- the Critical Infrastructure Protection Act, 2019 (Act 8 of 2019);
- the PFMA of 1999;
- the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000);
- the Public Service Act,1994 (Act 30 of 2007) as amended;
- the Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act 4 of 2000);
- the Employment Equity Act, 1998 (Act 55 of 1998);
- the Public Administration Management Act, 2014 (Act 11 of 2014);
- the Basic Conditions of Employment Act, 1997 (Act 75 of 1997);
- the BBBEE Act of 2003;
- the Labour Relations Act, 1995 (Act 66 of 1995) as amended;
- the Protected Disclosure Act, 2000 (Act 26 of 2000);
- the Promotion of Access to Information Act, 2000 (Act 2 of 2000); and
- the Promotion of Administrative Justice Act, 2000 (Act 3 of 2000).

Budget

For the 2020/21 financial year, the DPWI's budget allocation was R8.07 billion. An estimated 87.4% (R22.2 billion) of the DPWI's budget over the period ahead is allocated to transfers and subsidies for the operations of its entities, and for conditional grants to provinces and municipalities for the implementation of the EPWP. An estimated 12.4% (R3.2 billion) of the budget over the same period is earmarked for spending on compensation of employees, and goods and services.

Entities

Agrément South Africa

Agrément South Africa was established to, among other things, evaluate the fitness for purpose of non-standardised products or systems used in the construction industry and for which a national standard does not exist. The implementation of the entity's mandate is dependent on the synchronisation of its work plan with government's national priorities and other national plans, and, in this regard, the entity has indirect links with strategic national planning documents. The functioning and operations of the entity are guided by the DPWI, and legislation and mandates governing the built environment.

Over the period ahead, the entity plans to approve 12 eco-labelling scheme specifications; develop technical criteria and identify suitable experts for assessing unconventional construction products and verifying whether they are fit for purpose; evaluate, assess and approve infrastructure development technologies to better direct investments, particularly in the basic education sector; ensure the affordability and diversity of construction products that are available in the market; and conduct annual inspections of certificate holders and licensees for unconventional construction products. The entity's total budget for 2020/21 was R35.5 million.

Construction Industry Development Board

The CIDB is mandated to provide strategic leadership to construction industry stakeholders to stimulate sustainable growth; oversee transformation in the industry by encouraging and facilitating the participation of historically disadvantaged groups; establish and promote best practice among role players in the construction delivery process in both the public and private sectors; ensure the uniform application of policy across all spheres of government; set and uphold ethical standards across the industry; ensure improved procurement and delivery management, and equitable procurement practices; and develop systematic methods for monitoring and regulating the industry's performance and its stakeholders, including the registration of projects and contractors.

Over the MTEF period, the board aims to achieve sound corporate governance and promote an ethical environment in its aim to achieve a clean audit; enforce compliance with its prescripts and provide enabling tools in the form of a register of contractors that facilitates the procurement of targeted enterprises and enables client departments, including the DPWI, to provide expanded work opportunities to black-owned and black-managed contractors; offer development support to contractors and clients as part of its efforts to attain the desired outcomes of transformation and inclusive growth; and monitor and evaluate the industry's performance to ensure that it contributes to development. The board's total budget for 2020/21 was R194.3 million.

Council for the Built Environment

The council is a statutory entity established by the Council for the Built Environment Act of 2000. The Act mandates the council to promote and protect the interests of the public on built environment issues; promote and maintain a sustainable built and natural environment; promote the ongoing development of human resources in the built environment; promote the sound governance of built environment professions; facilitate participation by built environment professionals in integrated development in the context of national goals; ensure the uniform application of norms and guidelines set by councils for professions in the built environment; promote appropriate standards of health, safety and environmental protection within the built environment; promote cooperation between councils and government on training standards and other issues that affect training in the sector; and serve as a forum for built environment professionals to engage with one another on relevant issues.

The council is an overarching body that coordinates the six councils for built environment professions: architecture, engineering, landscape architecture, project and construction management, property valuation and quantity surveying.

Over the medium term, the council will focus on coordinating and enabling the built environment skills pipeline, implementing the structured candidacy programme in the workplace and transforming the built environment sector. Accordingly, the council plans to develop an advisory report on skills pipeline trends in the built environment relative to South Africa's infrastructure needs, and has set aside an estimated R5.1 million over the MTEF period for the required expert advisory services. The council's total budget for 2020/21 was R58.7 million.

Independent Development Trust (IDT)

The IDT was established in 1990 as a grant-making institution for the development of disadvantaged communities in South Africa, particularly in rural areas. It is listed as a Schedule 2 public entity in terms of the PFMA of 1999.

Over the medium term, the trust will continue to focus on implementing infrastructure projects aimed at empowering poor communities. To achieve this, the trust expects to spend R19.6 billion over the period ahead on its infrastructure portfolio, which is funded by client departments. These projects are expected to create 14 718 work opportunities through the EPWP.

The trust expects to generate 83.9% (R777.8 million) of its revenue over the period ahead through management fees for projects it implements on behalf of government departments, and will intensify its collection of outstanding revenue owed by client departments. The trust's total budget for 2020/21 was R271.4 million.

Property Management Trading Entity

The Property Management Trading Entity was established following a decision that costs related to accommodation be devolved from the DPWI to client departments. The entity performs the immovable asset management function on behalf of the department, including the provision of residential and office accommodation for user departments at the national government level; and acquires, manages, operates, maintains and disposes of immovable assets in the department's custody. The entity was established to apply professional business approaches in managing and optimising the State's immovable asset portfolio for maximum return. On a cost recovery basis, the entity finances the purchase, construction, refurbishment and maintenance of nationally owned government properties; and manages the leases of privately owned properties accommodating national departments.

Over the medium term, the entity will focus on developing precincts to support efficient and integrated government planning by grouping departments that provide similar services to make service delivery more efficient; refurbishing and maintaining government buildings in its portfolio; and developing 12 small fishing harbours. This will include the construction of new office buildings for 24 departments; and 77 refurbishment projects, including at correctional centres, police stations, courts, office buildings and prisons.

The execution of these projects is expected to cost R7.5 billion over the MTEF period, with an additional R4.5 billion allocated over the same period for ad hoc building maintenance. As the entity undertakes this work, it will channel funds towards improving access for people with disabilities, and plans to complete 58 accessibility infrastructure projects over the medium term.

Department of Employment and Labour

The Department of Employment and Labour was created in recognition of the need to respond to increasing levels of unemployment, inequality and poverty in South Africa.

It plays a significant role in reducing unemployment, poverty and inequality by pursuing the objectives of decent work through employment creation and enterprise development; setting of standards and the protection of rights at work, including the facilitation of equal opportunities and social dialogue; and the provision of social protection.

The mandate of the department is to regulate the labour market through policies and programmes developed in consultation with social partners. These aim to:
- improve economic efficiency and productivity;
- facilitate the creation of decent employment;
- promote labour standards and fundamental rights at work;
- provide adequate social safety nets to protect vulnerable workers;
- promote and enforce sound labour relations;
- promote equity in the workplace;
- eliminate inequality and unfair discrimination in the workplace;
- enhance occupational health and safety awareness and compliance in the workplace; and
- give value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for the competitiveness of enterprises, balanced with the promotion of decent employment.

By facilitating the resolution of workplace disputes, improving labour relations, enhancing occupational health and safety, and facilitating job creation, the Department of Employment and Labour supports the realisation of the NDP's vision of eliminating poverty and reducing inequality. In giving effect to this vision, Priority 1 (economic transformation and job creation) of government's 2019 – 2024 MTSF provides the overall strategic direction for the department's work.

Over the medium term, the department will focus on providing support to work seekers, increasing safety and fairness in the workplace, and regulating the workplace to establish minimum working conditions and fair labour practices.

Supporting work seekers

Activities in the Public Employment Services programme, over the MTEF period, include collaborating with relevant stakeholders to develop legislation to regulate the employment of foreign nationals in South Africa; and improving the placement of work seekers in registered employment opportunities by targeting the placement of 165 000 work seekers and registering 2.6 million work seekers. Under the donor-funded Employment for Education Project, 24 mobile centres (two per province and six for head office) will be procured for use in underserved areas.

This represents a significant shift in terms of service delivery by taking services to citizens in local districts. The programme receives 17.5% (R1.9 billion) of the Department of Employment and Labour's budget. Its allocation is expected to increase at an average annual rate of 1.8%, from R588.7 million in 2020/21 to R621.6 million in 2023/24.

Increasing safety and fairness in the workplace

Activities in the Inspection and Enforcement Services programme over the period ahead include introducing updates to the case management system in 2021/22 to ensure that business processing is modernised in line with developments in IT; conducting 860 912 employment law inspections; and, within the Occupational Health and Safety subprogramme, improving compliance rates for various sectors while formulating the most appropriate service offering for the informal and SMMEs sectors.

The programme receives 18.1% (R1.9 billion) of the Department of Employment and Labour's budget. Its allocations increase at an average annual rate of 1.3%, from R613.4 million in 2020/21 to R638.4 million in 2023/24.

Regulating the workplace practices

Over the medium term, activities in the Labour Policy and Industrial Relations programme will be geared towards the annual review of the national minimum wage (NMW) and its outcomes. As these reviews are conducted, monitoring mechanisms will be developed to measure the impact of the NMW on the economy, collective bargaining and the reduction of income differentials; and to gauge the proposed adjustment to the NMW.

Sectors that are currently pegged below the NMW, such as domestic work, will need to be adjusted to match the NMW by 2022/23. To carry out these activities, the programme receives 35.8% (R3.8 billion) of the Department of Employment and Labour's total allocation, increasing at an average annual rate of 3.1%, from R1.2 billion in 2020/21 to R1.3 billion in 2023/24.

The NMW increased to R21.69 per hour from 1 March 2021. In terms of the NMW Act, 2018 (Act 9 of 2018), it is illegal and an unfair labour practice for an employer to unilaterally alter hours of work or other conditions of employment in implementing the NMW. The NMW is the amount payable for the ordinary hours of work and does not include payment of allowances (such as transport, tools, food or accommodation), payments in kind (board or lodging), tips, bonuses and gifts.

The Act requires that the NMW Commission reviews the rates annually and make recommendations to the Minister of Employment and Labour on any adjustment of the NMW, while also reflecting on alternative views, including those of the public.

Following a transitional phase, the farm worker sector has been aligned with the NMW rate. The domestic workers sector will be entitled to R19.09 per hour. Workers in the EPWP are entitled to R11.93 per hour and workers who have concluded learnership agreements are entitled to allowances, as determined by the National Qualifications Framework level.

Legislation and policy

The Department of Employment and Labour derives its legislative mandate from the Constitution of the Republic of South Africa, 1996, particularly the Bill of Rights, which is given effect through a number of Acts that regulate labour matters in South Africa. The most important of these are:

- the Labour Relations Act of 1995;
- the Basic Conditions of Employment Act of 1997;
- the Employment Equity Act of 1998;
- the Occupational Health and Safety Act of 1993; and
- the Employment Services Act, 2014 (Act 4 of 2014).

Budget

For the 2020/21 financial year, the Department of Employment and Labour was allocated R3.3 billion.

Following Cabinet-approved baseline reductions amounting to R1.2 billion over the medium term, the department has a total budget of R10.6 billion over the same period. Of the total reduction, R666.5 million is effected on compensation of employees by means of freezing salary increases and not filling vacant posts, while R301.7 million is on the transfer to the Commission for Conciliation, Mediation and Arbitration (CCMA).

Nevertheless, the department's overall budget increases at an average annual rate of 2.7%, from R3.3 billion in 2020/21 to R3.6 billion in 2023/24.

Role players

Commission for Conciliation, Mediation and Arbitration

The legislative mandate of the CCMA is primarily derived from the Labour Relations Act of 1995, as amended. As per provisions of the Act, the commission is mandated to advance economic development, social justice, labour peace and the democratisation of the workplace, among other things. This mandate is extended by other statutes dealing with employment law.

Over the medium term, the commission will focus on implementing its new five-year strategy, which prioritises a dispute resolution and enforcement service delivery model, a dispute management and prevention strategy and service delivery model, a human resources strategy and an integrated governance strategy.

The commission derives 98.9% (R3 billion) of its revenue through transfers from the Department of Employment and Labour, increasing at an average annual rate of 2.6%, from R935.8 million in 2020/21 to R1 billion in 2023/24.

Cabinet approved reductions to the transfers to the commission, over the medium term, amount to R301.7 million (R90.8 million in 2021/22, R115.4 million in 2022/23 and R95.5 million in 2023/24).

The bulk of these reductions are effected on goods and services, and compensation of employees by means of freezing salary increases and not filling vacant posts. The commission's total budget for 2020/21 was R1 billion.

Compensation Fund

The Compensation Fund is mandated to administer the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993), as amended, which provides for compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees, or for death resulting from injuries or diseases contracted, and provides for matters connected therewith.

The fund's main focus over the medium term will be on improving access to social insurance for workers; providing an efficient and effective safety net that strengthens social protection, particularly for vulnerable workers, by rehabilitating, reintegrating and returning to work employees who have been injured or have contracted work-related diseases; and enhancing its capacity to deliver services by improving performance, administration and operational efficiency. The current amendment to the Act requires employers of domestic workers and domestic workers themselves to register with the fund.

In line with the fund's focus on improving operational efficiency, expenditure on claims and pension benefits is expected to increase at an average annual rate of 5.6%, from R4.2 billion in 2020/21 to R4.9 billion in 2023/24. Included in this amount are allocations for a total of 1 400 university and technical and vocational education and training college bursaries to upskill unemployed workers who have suffered occupational injuries. The fund's surplus is expected to average R2.8 billion, so its net asset position will improve from R31.3 billion in 2019/20 to R36 billion in 2023/24.

The cost of administering the fund, paying compensation benefits and medical expenses, and rehabilitating and reintegrating injured and diseased workers is funded through levies paid by registered employers and income from investments.

National Economic Development and Labour Council (Nedlac)

The Nedlac is a statutory body governed by the NEDLAC Act, 1994 (Act 35 of 1994). In terms of the Act, the council is mandated to promote economic growth, social equity and participation. This is facilitated through social dialogue by ensuring that there is effective public participation in labour-market and socio-economic policy and legislation, and facilitating consensus and cooperation between social partners in dealing with South Africa's socio-economic challenges. Government's legislative and policy programme, as well as issues tabled by its constituent chambers, determine the council's work.

Over the medium term, the council will continue to focus on accelerating development, and addressing unemployment, inequality and poverty by advancing social dialogue between organised business, organised labour, government and communities. In the short term, the council will also focus on responding to the twin challenges of fighting the COVID-19 pandemic and facilitating economic recovery in its wake. The council's total budget for 2020/21 was R62.9 million.

Productivity South Africa

Productivity South Africa is mandated to promote employment growth and productivity, and thereby contribute to South Africa's socio-economic development and competitiveness.

Over the medium term, the entity will focus on supporting the improvement of South Africa's competitiveness and the sustainability of its enterprises, specifically SMMEs, through its competitiveness improvement services, and business turnaround and recovery programmes. The entity's total budget for 2020/21 was R152.7 million.

Unemployment Insurance Fund

The mandate of the UIF is to alleviate poverty by providing effective short-term unemployment insurance to all workers who qualify for unemployment and related benefits, as legislated in the Unemployment Insurance Act, 2001 (Act 63 of 2001). Over the medium term, the fund will focus on providing social insurance benefits, improving coverage to vulnerable groups and contributors, job creation and job preservation initiatives.

In 2020/21, the fund established the COVID-19 Temporary Employer/Employee Relief Scheme (TERS) to assist with wage subsidisation during the COVID-19 lockdown period, with an initial budget of R40 billion over a three-month period. However, as the National State of Disaster was extended, the scheme extended its benefits for the period and increased the COVID-19 TERS budget to R73.6 billion.

As at end January 2021, payments from the scheme to more than 13.9 million workers amounted to R57.3 billion. Total benefits paid by the fund in 2020/21 are expected to amount to R101.9 billion, a 533% increase compared with R16.1 billion paid out in 2019/20. In the three years to 2019/20, the UIF paid out R36.3 billion in benefits; over the next three years, it expects to pay out R92.9 billion. As a consequence, the fund will run an average deficit of R19.7 billion. Despite this, the fund expects its net asset position to improve as the labour market strengthens, reducing unemployment claims.

The fund's investment portfolio comprises bonds, property, listed equity, money market instruments and unlisted equity. Up to 24% of its portfolio is allocated to socially responsible investments. Since the project's inception in July 2014 up to the end of 2019/20, 51 797 jobs were sustained.

The fund is financed through contributions from employees and employers, and from interest earned on investments. Over the medium term, the fund expects to receive an estimated 83.2% (R59.8 billion) of its revenue from contributions. Income earned through return on investments is expected to decrease at an average annual rate of 17.3%, from R5 billion in 2021/22 to R2.8 billion in 2023/24, due to the withdrawal of investments amounting to R58 billion in 2020/21, mainly for TERS payments.

Employment figures

The results of the Quarterly Labour Force Survey (QLFS) for the second quarter of 2021 show that the number of employed persons decreased by 54 000 in the second quarter of 2021 to 14.9 million. The number of unemployed persons increased by 584 000 to 7.8 million, compared to the first quarter of 2021. The number of discouraged work-seekers increased by 186 000 (5.9%) and the number of people who were not economically active, for reasons other than discouragement, decreased by 571 000 (4.5%) between the two quarters, resulting in a net decrease of 386 000 in the not economically active population.

These changes resulted in the official unemployment rate increasing by 1.8 percentage points from 32.6% in the first quarter of 2021 to 34.4% in the second quarter of 2021 – the highest since the start of the QLFS in 2008. The unemployment rate (according to the expanded definition of unemployment) increased by 1.2 percentage points to 44.4% in the second quarter of 2021 compared to the first quarter.

The results of the survey indicate that the South African labour market is more favourable to men than it is to women. Men are more likely to be in paid employment than women regardless of race. The proportion of men in employment is higher than that of women; more men than women are participating in the labour market as the labour force participation rate of men is higher than that of women; and the unemployment rate among men is lower than amongst women. The rate of unemployment among women was 36.8% in the second quarter of 2021, compared to 32.4% amongst men. The unemployment rate among black African women was 41% during this period, compared to 8.2% among white women, 22.4% among Indian/Asian women and 29.9% among coloured women.

Formal sector employment decreased by 375 000 while the other sectors experienced increases in employment in the second quarter. Informal sector employment increased by 184 000 (7.4%); private households by 67 000 (6.0%); and employment in agriculture by 69 000 (8.7%). Employment mainly increased in construction (up by 143 000), trade (108 000), agriculture (69 000), private households (67 000) and transport (66 000). Job losses were observed in finance (278 000), community and social services (166 000) and manufacturing (83 000).

Sustainable solutions for job creation

The Jobs Fund was launched in 2011 and capitalised with R9 billion to test innovative approaches to employment creation and share the successful models in such a way that organisations and government are encouraged to adopt these approaches as part of their core business strategies.

The fund operates on challenge fund principles. It awards once-off grants to partner organisations through a competitive project application and appraisal process. Partner organisations are required to match the grant allocation. A particular emphasis is placed on creating employment and skills for young people and women, and testing the viability of different job creation and funding models.

The R9 billion budget has now been allocated to a portfolio of job creation projects. The Jobs Fund has already exceeded its permanent job creation target of 150 000 as at 31 March 2021, and has facilitated the creation of 178 427 permanent jobs and placements. In addition, the fund has created 15 486 permanent seasonal jobs, 63 531 short-term jobs, 22 780 internships and has trained 266 358 people. The Jobs Fund's grant cost per job created is competitive at R20 013.

The fund has crowded-in on significant private, public and non-state sector investment and support. As at 31 March 2021, the fund had disbursed R5.61 billion in grant funding and against this had crowded-in on another R11.15 billion from project partners towards job creation, taking the total project funding disbursed to job creation projects to R16.75 billion.

In addition to financial leverage, the fund has also built a network of project partners with advanced technical skills, project management experience and broad support networks that promote the effective and efficient roll-out of projects. Partnering with diverse intermediaries allows the fund to work across sectors and deliver several beneficiary support models that assist smallholder and emerging farmers, micro-entrepreneurs in the informal sector, SMMEs and youth work-seekers, amongst others.

The fund has proactively responded to challenges caused by COVID-19 lockdowns by providing additional support to its project partners. As at 31 March 2021, an additional R217 million in grant funding was disbursed, and this resulted in 9 524 jobs being saved, and more than 600 000 young persons being supported via digital platforms to access job-related information and support.

In addition, micro businesses and small to medium enterprises were assisted to absorb the economic shocks resulting from the lockdown – enabling them to continue with their business operations.

Finance

National Treasury's legislative mandate is based on the Constitution, which calls for the establishment of a national treasury to ensure transparency, accountability and sound financial controls in the management of the country's public finances.

This role is further elaborated in the PFMA of 1999. The department is mandated to:

- promote national government's fiscal policy and the coordination of its macroeconomic policy;
- ensure the stability and soundness of the financial system and financial services;
- coordinate intergovernmental financial and fiscal relations;
- manage the budget preparation process; and
- enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities public entities, and constitutional institutions.

The NDP details a vision of building an inclusive economy that advances social equality. This vision is supported by Priority 1 (economic transformation and job creation), Priority 2 (education, skills and health), Priority 4 (spatial integration, human settlements and local government), Priority 6 (a capable, ethical and developmental state) and Priority 7 (a better Africa and world) of government's 2019 – 2024 MTSF. The work of National Treasury is closely aligned with these priorities, particularly in its aim to address the challenges of inequality and poverty. Over the medium term, National Treasury will focus on reviewing tax policies, supporting economically integrated cities and communities, and infrastructure development; making government procurement more efficient and inclusive; and facilitating international and regional cooperation.

Reviewing tax policies

To improve fairness in the tax system, over the medium term, National Treasury plans to propose amendments to tax policy that seek to meet government's revenue requirements and eliminate tax loopholes. In working towards this, the department will conduct research on appropriate tax designs for all proposed amendments, prepare discussion documents, hold workshops and meetings with affected parties, and prepare draft tax legislation prior to their introduction to Parliament. These activities will be carried out in the Tax Policy subprogramme. Allocations to the subprogramme account for 21% (R97.7 million) of the programme's budget over the MTEF period.

Supporting economically integrated cities and communities, and infrastructure development

The Integrated City Development Grant has been repurposed to support metropolitan municipalities in developing a pipeline of investment-ready capital programmes and projects. This will be done by establishing and institutionalising an effective and efficient system of programme and project preparation, and the allocation of increased municipal resources for preparation activities.

Accordingly, in 2021/22, the grant will be renamed to the Programme and Project Preparation Support Grant. It is expected to support eight metropolitan municipalities in developing eight capital programmes and projects over the medium term, with an allocation of R1.1 billion in the Public Finance and Budget Management programme.

In the latter years of the MTEF period, National Treasury will work on consolidating the Programme and Project Preparation Support Grant with the Neighbourhood Development Partnership Grant. Once consolidated, the Programme and Project Preparation Support Grant will aim to streamline support provided to programme and project preparation in municipalities, improve the efficiency and effectiveness of grant administration within the department, and reduce the reporting requirements of municipalities.

By end of February 2021, the Presidential Employment Stimulus, that was launched in October 2020 to respond to the economic impact of COVID-19, had created or retained 360 010 jobs, mostly for unemployed youth. In addition, the employment stimulus had supported the livelihoods of 60 539 beneficiaries through the transfer of support, including production vouchers for subsistence farmers.

Over 300 000 of these opportunities came from placing young people as assistants in schools across the country, through the Basic Education Employment Initiative. These school assistants have played an important role in strengthening the learning environment at schools during a difficult time.

In respect of the government-wide Infrastructure Delivery Improvement Programme, a key focus area for the period ahead is the sustainable implementation of the Infrastructure Delivery Management System and its expansion beyond provincial health and education to include municipalities. The system's body of knowledge will be implemented to enable infrastructure practitioners to have access to updated information and best practice methodologies that will assist in the management of infrastructure.

Over the medium term, 300 provincial officials are expected to be trained on the system, which has a projected allocation of R102.6 million in the Public Finance and Budget Management programme over the same period.

Making government procurement more efficient and inclusive

National Treasury is committed to finalising the Public Procurement Bill in 2021/22. Accordingly, over the medium term, the department expects to support significant procurement reforms through an increased use of automation and technology. This entails providing real-time information on prospective service providers regarding tax compliance, as well as their profiles and historical performance.

Concurrent reviews of regulations governing public-private partnerships are expected to promote greater efficiency and encourage participation from the private sector. Over the period ahead, National Treasury will continue to provide training interventions planned by the Presidential Task Team on gender-based violence that are directed at giving female-owned businesses opportunities through public procurement. Spending on activities related to government procurement processes amounts to a projected R533 million over the medium term in the Programme Management for Financial Accounting and Supply Chain Management Systems and Office of the Chief Procurement Officer subprogrammes.

Facilitating international and regional cooperation

South Africa's membership to the New Development Bank (NDB) continues to support the country's infrastructure investment programme while complementing other multilateral and regional financial institutions' efforts towards economic growth and development. As at December 2020, the NDB had approved nine projects and an emergency COVID-19 loan worth a total of US$3.34 billion. These funds will be used for South Africa's development initiatives in the green energy, transport and logistics sectors. In addition, an estimated US$2 billion per year is available for funding South Africa's infrastructure build programme over the medium term.

As at December 2020, South Africa's capital contributions to the bank amounted to US$1.65 billion, with the final capital contribution amounting to US$350 million in 2021/22. This expenditure is allocated in the International Development Funding Institutions subprogramme. National Treasury will continue to support deeper regional monetary union within the Common Monetary Area.

Over the medium term, the estimate for Common Monetary Area compensatory payments to Eswatini, Lesotho and Namibia are projected at R4.1 billion. This expenditure is allocated in the African Integration and Support subprogramme.

As part of National Treasury's commitment to the regional development agenda, transfers for the recapitalisation of the International Bank for Reconstruction and Development and the International Development Agenda, both member institutions of the World Bank Group, are projected to amount to R633.3 million over the MTEF period.

Transfers for the recapitalisation of the African Development Bank and the African Development Fund are projected to amount to R1.6 billion over the same period.

Public procurement reforms

Initiatives led by the Office of the Chief Procurement Officer aim to deliver lower-cost goods and services more efficiently and transparently through streamlined processes, strategic sourcing, transversal tenders and improved use of technology. The goal is to reduce bureaucratic inertia and red tape and stamp out corrupt procurement practices.

Central Supplier Database (CSD)

The CSD maintains a database of organisations, institutions and individuals who can provide goods and services to government. It serves as the single source of key supplier information for organs of state, providing consolidated, accurate, up-to-date, complete and verified supplier information to procuring organs of state.

This is expected to reduce the administrative and cost burden of procurement, as the requisite documents will only need to be submitted once for a predetermined period.

eTender Publication Portal

The portal provides a single point of entry to identify business opportunities with government. Utilisation of the eTenders Publication Portal has improved. The portal contributes to reducing duplication, fragmentation and inefficiency in government tender publications. Making the information readily available and ensuring that bids are advertised in a competitive process supports government institutions to secure the best suppliers to provide goods or services.

Vulekamali Portal

In an effort to ensure that its services are accessible to the broader South African society, National Treasury launched an online portal that makes information on the country's budget more accessible to ordinary South Africans. The Vulekamali Portal presents information in a simplified format and shows citizens how public resources are generated and used.

The portal enables the public to make their inputs, not only in influencing government policy directive as articulated through the budget, but also having access to the budget process and the information contained in the budget.

The portal is a private-public partnership between Imaliyethu and National Treasury. It is a good platform for young South Africans, especially the academia, to access budgeting information to help them gain critical insights.

Legislation and policies

National Treasury's mandate is guided by a legislative framework that includes:

- the PFMA of 1999, which ensures that public funds are managed by a less rigid environment for financial management, with a stronger emphasis on the prudent use of state resources, improved reporting requirements and the use of management information to enhance accountability;
- the Municipal Finance Management Act, 2003 (Act 56 of 2003), which applies to all municipalities and municipal entities, and national and provincial organs of state, to the extent of their financial dealings with municipalities;
- the Cooperative Banks Act, 2007 (Act 40 of 2007), provides for the establishment of the Cooperative Banks Development Agency (CBDA) as a public entity under the executive authority of the Minister of Finance;
- the SARB Act, 1989 (Act 90 of 1989);
- the Division of Revenue Act, 2012 (Act 5 of 2012);
- the Appropriation Act, 2012 (Act 7 of 2012);
- the Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2012 (Act 13 of 2012);
- the Adjustments Appropriation Act, 2012 (Act 17 of 2012);
- the Division of Revenue Amendment Act, 2012 (Act 18 of 2012);
- the Financial Markets Act, 2012 (Act 19 of 2012);
- the Tax Administration Laws Amendment Act, 2012 (Act 21 of 2012);
- the Taxation Laws Amendment Act, 2012 (Act 22 of 2012);
- the Credit Rating Services Act, 2012 (Act 24 of 2012);
- the Development Bank of Southern Africa (DBSA) Act, 1997 (Act 13 of 1997);
- the Land and Agricultural Development Bank Act, 2002 (Act 15 of 2002);
- the Financial Advisory and Intermediaries (FAIS) Act, 2002 (Act 37 of 2002);
- the Financial Intelligence Centre (FIC) Act, 2001 (Act 38 of 2001);
- the PIC Act, 2004 (Act 23 of 2004);
- the South African Revenue Service (SARS) Act, 1997 (Act 34 of 1997);
- the Tax Administration Act, 2011 (Act 28 of 2011);
- the Lotteries Act, 1997 (Act 57 of 1997);
- the National Gambling Act of 2004;
- the Lotteries Amendment Act, 2013 (Act 32 of 2013); and
- the NCA of 2005.

Budget

The department's budget over the medium term is R2.6 trillion, of which transfers to provincial governments for the provincial equitable share, the department's largest cost driver, account for 60.8% (R1.6 trillion). An amount of R8 billion over the MTEF period is provided through the provincial equitable share to support provinces' COVID-19 response programmes. Costs for servicing government's debt amount to 33.4% (R916.3 billion) of the department's budget over the medium term.

Distributing the General Fuel Levy to metropolitan municipalities represents 1.7% (R45.4 billion) of the department's spending over the same period. Cabinet has approved a baseline reduction of R208.5 billion on provincial equitable shares and the General Fuel Levy over the medium term.

National Treasury has the following increases to its baseline: R7 billion over the MTEF period to stabilise the Land and Land Bank's financial position; R1 billion in 2021/22 for the improvement of ICT systems and capacity building in the SARS; and R191.1 million over the MTEF period to partially support the operations of the Development Bank of Southern Africa's Infrastructure Fund.

Entities

Accounting Standards Board (ASB)

The ASB develops uniform standards of generally recognised accounting practice for all spheres of government in terms of Section 216 (1) (a) of the Constitution and the PFMA of 1999. A further function of the board is to promote transparency in and the effective management of revenue, expenditure, assets and liabilities of the entities to which the standards apply.

The board's new three-year work programme will focus on catching up with international developments. The International Public Sector Accounting Standards Board and International Accounting Standards Board have issued several standards of significant importance to public sector financial reporting. These include standards on social benefits and related obligations and leases.

The board plans to issue three documents and complete five research projects relating to the setting of international best practice standards and the current suite of standards for all spheres of government in 2021/22. The board's total budget for 2020/21 was R15.3 million.

Cooperative Banks Development Agency

The CBDA was established in terms of the Cooperative Banks Act of 2007, as amended, with the SARB as the sole supervisor of cooperative banks. The agency is mandated to provide for the registration and supervision of deposit-taking financial services cooperatives, and savings and credit cooperatives, collectively referred to as cooperative financial institutions. The agency also facilitates, promotes and funds the education and training of these institutions.

Over the medium term, the agency will focus on collaboration and partnerships with stakeholders as a new approach in addressing challenges to assist in the seamless implementation of institutional development, organisational strengthening, the enhancing of operational efficiency through innovative technology interventions and solutions, and expanding the footprint of sustainable cooperative banking Institutions through a holistic support programme. The agency's total budget for 2020/21 R25.2 million.

Development Bank of Southern Africa

The DBSA was reconstituted in terms of the DBSA Act of 1997, as a development finance institution with the primary purpose of promoting economic development and growth. The bank also promotes the development of human resources and institutional capacity building by mobilising financial and other resources from national and international private and public sector partners for sustainable development projects and programmes in South Africa and other Southern African countries.

Over the medium term, the bank aims to actively seek investments within the SADC, to be channelled to the health, education, energy, water, ICT, and transport and logistics sectors. The bank will continue to support infrastructure development in municipalities – to address backlogs and expedite the delivery of essential social services in support of sustainable living conditions and improved quality of life within communities.

Financial and Fiscal Commission (FFC)

The FFC derives its mandate from the FFC Act, 1997 (Act 99 of 1997). The commission's mandate is to advise relevant legislative authorities on the financial and fiscal requirements for the national, provincial and local spheres of government in terms of Section 220 of the Constitution.

Over the medium term, the commission aims to conduct briefings and publish research papers on a wider range of topics, including a continuation of work on the themes of restoring local government public finances and the effects of the COVID-19 pandemic and related recovery strategies.

The organisation's total budget for 2020/21 was R66.5 million.

Financial Intelligence Centre

The FIC was established by the FIC Act of 2001. The Act mandates the centre to identify proceeds of unlawful activities, combat activities related to money laundering, combat the financing of terrorist and related activities, exchange information with law enforcement and other local and international agencies, supervise and enforce compliance with the Act, and facilitate effective supervision and enforcement by supervisory bodies.

Over the medium term, the centre will focus on stabilising and maintaining its ICT network and systems by enhancing the existing capability of its analytical software. Improving these capabilities will mean a steady increase in maintenance costs for ICT systems, and additional funds for expanding the centre's analytical ability, secured from the criminal asset recovery account.

The organisation's total budget for 2020/21 was R353.5 million.

Financial Sector Conduct Authority

The authority was established in terms of the Financial Sector Regulation Act, 2017 (Act 9 of 2017), as one of the two pillars of the twin peaks model for regulating the financial sector. As such, the authority assumes the role of the market conduct regulator of financial institutions that provide financial products and services, and financial institutions that are licensed in terms of a financial sector law.

The authority also assumed the business operations of the Financial Services Board, which ceased to exist on March 2018. The authority's ongoing objective is to play a meaningful role in promoting growth, employment and poverty reduction through regulating the financial services sector and protecting consumers, and promoting an integrated approach to financial inclusion and employment.

Over the medium term, the Financial Sector Conduct Authority will focus on ensuring the integrity and efficiency of formal markets and allied institutions; protecting consumers of financial services; and improving access, which includes providing financial literacy programmes. The outcomes-based regulatory and supervisory approach, named Treat Customers Fairly, will underpin the regulation and supervision of the conduct of financial services providers. The authority's total budget for 2020/21 was R827 million.

Government Pensions Administration Agency (GPAA)

The GPAA provides pension administration services to the Government Employees Pension Fund in terms of the Government Employees Pension Law (1996). Post-retirement medical subsidies are administered, as provided for, and regulated by resolutions of the Public Service Coordinating Bargaining Council.

Military pensions are administered in terms of the Military Pensions Act, 1976 (Act 84 of 1976); injury-on-duty payments are administered in terms of the Compensation for Occupational Injuries and Diseases Act of 1993; and special pensions are administered in terms of the Special Pensions Act, 1996 (Act 69 of 1996).

The agency will continue to focus on its modernisation project, which is aimed at improving service delivery by enhancing IT infrastructure, optimising office space and employing new personnel as client service agents. Outdated and obsolete systems and applications will be replaced to enhance staff productivity, speed up the processing of claims and effectively manage pension queries.

Core pension administration functions, including benefit payments and membership maintenance processes, are also expected to be improved.

Government Technical Advisory Centre

The Government Technical Advisory Centre is mandated to assist organs of state in building their capacity for efficient, effective and transparent financial management. Its overarching objectives are to render consulting services to government departments and other organs of state; provide specialised procurement support for high-impact government initiatives; render advice on the feasibility of infrastructure projects; and provide knowledge management for projects undertaken and any ancillary support.

Over the medium term, the centre will focus on assisting organs of state in building their capacity for efficient and effective public financial management. The support to these broader frameworks will help shape and inform the work that the centre does with organs of state. The centre's primary contribution lies in helping to build a capable state so that it can, in turn, implement key government institutional policies and plans guided by the NDP and the centre's associated implementation plan. Its total budget for 2020/21 was R393.5 million.

Independent Regulatory Board of Auditors (IRBA)

The IRBA was established in terms of the Auditing Profession Act, 2005 (Act 26 of 2005), and became operational in April 2006. The board is mandated to protect the public by regulating audits performed by registered auditors; improve the development and maintenance of internationally comparable ethical and auditing standards for auditors that promote investment and, as a consequence, employment in South Africa; set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and provide for procedures for disciplinary action in instances of improper conduct.

Over the medium term, the board will focus on finalising investigations of high-profile cases and investing in strategic projects to digitise its processes. The uncertainty caused by the COVID-19 pandemic has made it necessary for the board to assume inflationary increases to expenditure and identify other sources of revenue within its new funding model. The board's total budget for 2020/21 was R169.3 million.

Land and Agricultural Development Bank of South Africa

As a development finance institution, the mandate of the Land Bank is to address agricultural and rural development in South Africa. The bank operates in the primary agriculture and agribusiness sectors and is regulated by the Land and Agricultural Development Bank Act of 2002 and the PFMA of 1999. The bank plays an important role in social and economic development by advancing loans in the agricultural sector.

Due to liquidity constraints, over the medium term, the bank will focus on maintaining a healthy loan book, securing funding for liabilities and reducing the number of non-performing loans against the gross loan book. Over the same period, the bank will ensure financial sustainability by increasing the development loan book to become a predominant portfolio in its total loan book.

The 2020 Special Adjustments Budget included an allocation of R3 billion for the Land Bank in 2020/21, while the 2020 MTBPS noted that an additional R7 billion would be required to support the restructuring of the entity. Proposed allocations are R5 billion in 2021/22, and R1 billion in each of the two subsequent years. The Minister of Finance will impose appropriate conditions on the equity support to put the bank on a stable and sustainable development path.

Office of the Ombud for Financial Services Providers (FSPs)

The legislative mandate of the Office of the Ombud for FSPs is stated in the FAIS Act of 2002, in terms of which the organisation is established. The Act gives the Ombud statutory powers to consider and dispose of complaints against financial services providers, primarily intermediaries selling investment products.

Over the medium term, the ombud will focus on ensuring that cases are properly assessed and appropriately handled until finalisation; informing stakeholders on the role and functions of the ombud; acquiring appropriate skills to properly discharge the mandate and ensuring that such skills are retained; ensuring that risk is adequately managed; and ensuring that appeals/reviews of decisions are appropriately dealt with. The organisation's total budget for 2020/21 was R62.1 million.

Office of the Pension Funds Adjudicator

The Office of the Pension Funds Adjudicator investigates and determines complaints lodged in terms of the Pension Funds Act, 1956 (Act 24 of 1956). In terms of the Act, the adjudicator is required to ensure a procedurally fair, economical and expeditious resolution of complaints by ensuring that its services are accessible to all, investigating complaints in a procedurally fair manner, reaching a just and expeditious resolution of complaints in accordance with the law, incorporating innovation and proactive thought and action in its activities, and providing opportunities for individual growth. The office has jurisdiction only over funds that are registered under the act.

Over the medium term, the office aims to reduce turnaround times by resolving 85% of pension fund complaints received within six months by developing staff capability, restructuring its internal processes and continuing to modernise its current ICT systems for improved efficiencies. The entity will also intensify its engagement with relevant stakeholders, such as regulators and pension funds, and will continue its community outreach programmes to create awareness about its existence and mandate. The organisation's total budget for 2020/21 was R74.4 million.

Public Investment Corporation

The PIC, established by the PIC Act of 2004, is a registered financial services provider wholly owned by government, with the Minister of Finance as its shareholder representative. The corporation is mandated to invest funds on behalf of its clients, as agreed upon with each client and approved by the Financial Sector Conduct Authority. The corporation's clients are public sector entities, most of which are pension, provident, social security, development and guardian funds.

The corporation makes investments through the Isibaya Fund under the guidance of the Developmental Investment Framework of the GEPF. This requires the corporation to find a balance between financial returns and support for long-term economic, social and environmental outcomes. The corporation's developmental investments are focused on economic and social infrastructure; sustainability projects; enterprise development; and SMMEs in the manufacturing, tourism, mining and agro-processing sectors. At the end March 2020, the fund was managing R1.9 trillion in assets.

Over the medium term, the corporation will focus on financial sustainability and fulfilling its legal and investment mandates. At the same time, the corporation will seek to entrench the culture of accountability expected of an asset management company. As an important component of the corporation's business, the ICT subcommittee of the board will continue to exercise oversight on IT governance in line with best practice. As the corporation intensifies its investment activities, it intends to appoint additional asset managers.

South African Revenue Service

The SARS is mandated to collect all revenue due to the State and administer trade to support government in meeting its key developmental objectives for growth. This involves facilitating legitimate trade, protecting South Africa's ports of entry and eliminating illegal trade and tax evasion.

As its principal contribution to South Africa's economic and social development, the SARS's focus over the medium term will continue to be on providing government with more than 90% of the revenue it requires to meet its policy and delivery priorities. It aims to do this by modernising its ICT systems to encourage eFiling, improve the experience of taxpayers, monitor compliance and make tax collection more efficient.

The revenue service's focus over the MTEF period is to achieve voluntary compliance through making taxpayers and traders aware of their tax obligations, making it reasonably easy and less costly to meet these obligations, and instituting a credible threat of detection and consequences for those who do not comply with their obligations. To deliver this, the entity will build administrative and institutional capability. An additional R1 billion is allocated to the revenue service in 2021/22 to improve its ICT systems, and build capacity in key business areas such as customs, audit and cybersecurity. A further R2 billion (R1 billion in 2022/23 and R1 billion in 2023/24) is provisionally allocated. The entity has been advised to improve its efficiency of spending through repositioning its personnel strategy, as well as implementing cost containment measures.

South African Special Risks Insurance Association (SASRIA)

The SASRIA was established in 1979. It is mandated to support the insurance industry by providing cover for special risks, such as riots, strikes, political unrest, terrorist attacks, civil commotion, public disorder and labour disturbances.

Over the medium term, the association will focus on remaining relevant in a complex and rapidly changing market, continuing to emphasise customer-centricity, ensuring sustainability and having a positive socio-economic influence in South Africa.

Tax administration

National Treasury is responsible for advising the Minister of Finance on tax policy issues that arise in local, provincial and national government. As part of this role, National Treasury must design tax instruments that can optimally fulfil their revenue-raising function and policy objectives. These tax instruments must be aligned to the goals of government's economic and social policies.

A single, modern framework for the common administrative provisions of various tax Acts administered by the SARS, generally excluding customs and excise, was established by the Tax Administration Act of 2011. The Act simplifies and provides greater coherence in South African tax administration law. It eliminates duplication, removes redundant requirements and aligns disparate requirements that previously existed in different tax acts administered by the SARS.

The Act provides for common procedures across the various tax Acts and strives for an appropriate balance between the rights and obligations of the SARS and the rights and obligations of taxpayers in a transparent relationship.

Office of the Tax Ombud

The Office of the Tax Ombud is intended to provide taxpayers with an impartial and low-cost mechanism to address service, procedural or administrative difficulties that taxpayers have not been able to resolve through the SARS's complaints management channels.

South African tax system

South Africa has a residence-based income tax system. Residents are, subject to certain exclusions, taxed on their worldwide income, irrespective of where their income was earned. Non-residents are taxed on their income from a South African source, subject to relief under double taxation agreements. Foreign taxes are credited against South African tax payable on foreign income.

The Personal Income Tax, Company Income Tax and VAT in aggregate, remain the largest sources of tax revenue.

Taxes on income and profits

This category comprises taxes on persons and individuals; taxes on companies – both inclusive of Capital Gains Tax and withholding tax on royalties; interest on overdue Income Tax; Dividends Tax and withholding tax on interest.

Personal Income Tax

This tax is levied on the taxable income of individuals and trusts. It is determined for a specific year of assessment. Taxable capital gains form part of taxable income. The main contributors to Personal Income Tax are employment income from salary and wage earners, pensioners, income generated from sole-proprietor activities and partnerships, and other income such as rental and interest above a certain threshold. The tax rates applicable to Personal Income Tax-related taxable income are progressive, marginal rates ranging from 18% to 45%.

As a means of collecting Personal Income Tax from salary, wage and pension income, a mechanism known as Pay-As-You-Earn (PAYE) is in operation. It enables employers to withhold tax due to the SARS from employees and pay this over to the authority monthly and reconciled biannually.

Company Income Tax

The tax is levied on the taxable income of companies and close corporations and cooperatives. After Personal Income Tax and VAT, Company Income Tax has been the largest contributor to total tax revenue for the past decade.

Although the current headline Company Income Tax rate is 28%, some sectors of the economy have different effective tax rates due to sector-specific tax dispensations and deductions.

Exceptions to the 28% flat rate are the lower, progressive tax rates that apply to qualifying small and micro enterprises, as well as a reduced tax rate that applies to companies operating in designated SEZs.

Dividends Tax

Dividends Tax is a final tax at a rate of 20% on dividends paid by resident and by non-resident companies in respect of shares listed on the Johannesburg Stock Exchange (JSE). Dividends are tax exempt if the beneficial owner is a South African company, retirement fund or other exempt person.

Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances. The tax is to be withheld by companies paying the taxable dividends or by regulated intermediaries in the case of dividends on listed shares.

The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend.

Taxes on payroll and workforce

Taxes on payroll and workforce include the Skills Development Levy and the UIF contributions. The Skills Development Levy is a compulsory levy intended to fund training costs incurred by employers.

Skills Development Levy

Affected employers contribute to a skills development fund that is used for employee training and skills development. This levy is payable by employers at a rate of 1% of the total remuneration paid to employees. Employers paying annual remuneration of less than R500 000 are exempt from the payment of this levy.

Taxes on property

Taxes on property comprise Donations Tax, Estate Duty, Securities Transfer Tax and Transfer Duty.

Donations Tax

Donations Tax is levied at a rate of either 20% or 25% on the value of the donation, depending on the aggregate value of the property being disposed of in a specific tax year. An annual exemption of R100 000 is available to natural persons.

Estate Duty

Estate Duty is levied at a rate of 20% and at 25% on the dutiable amount of the deceased estate that exceeds R30 million. Specific deductions and abatements are allowed from the total value of the estate.

Securities Transfer Tax
The tax is levied at a rate of 0.25% on the transfer of listed or unlisted securities. Securities consist of shares in companies or members' interests in close corporations.

Transfer Duty
The Transfer Duty is levied on the acquisition of property at progressive rates from 0% to 13% for all persons including companies, close corporations and trusts.

The marginal rate of 13% applies to the portion of the value of property exceeding R11 million from 1 March 2020.

Domestic taxes on goods and services
Domestic taxes on goods and services comprise VAT, specific excise duties, ad valorem excise duties, the Fuel Levy, the Road Accident Fund (RAF) Levy, environmental levies and the Health Promotion Levy. VAT is the largest source of revenue in this category.

Value-Added Tax
VAT is levied at a rate of 15% on goods and services with some exemptions and zero-ratings. It is also levied on the importation of goods and services into South Africa. The quoted or displayed price of goods and services must be VAT-inclusive. A person who supplies goods or services is liable to register for VAT, if the income (taxable supply) earned is more than R1 million in a 12-month period, or when there is a reasonable expectation that the income will exceed this amount.

A person can also register voluntarily for VAT, if the income earned from supplying goods or services for 12 months exceeded R50 000.

Fuel taxes
The General Fuel Levy is imposed on petrol and diesel (including biodiesel) manufactured in or imported into South Africa. The Fuel Levy is not earmarked, but it implicitly increases the cost of road transport to encourage more efficient and sustainable road use.

The RAF Levy is imposed on petrol and diesel manufactured in or imported into South Africa. The RAF Levy funds the RAF's motor vehicle accident insurance scheme.

Environmental levies
Government has responded to the serious global challenge of environmental pollution and climate change by introducing several environmental taxes that are intended to modify behaviour of the country's citizens for sustainable development of the economy.

International Air Passenger Departure Tax
Passengers departing on flights to Botswana, Lesotho, Namibia and Eswatini (known as the BLNS countries) pay a departure tax of R100 per passenger, while passengers on other international flights pay R190.

Plastic Bag Levy
The Plastic Bag Levy was introduced to reduce litter and encourage plastic bag reuse. It is charged at 25 cents per bag as from 1 April 2020.

Electricity Generation Levy
The levy was introduced to encourage sustainable electricity generation and use. The levy is applied to electricity generated from non-renewable sources and costs 3.5 cents per kilowatt hour.

Incandescent Bulb Levy
The levy was introduced to promote energy efficiency by discouraging the use of incandescent light bulbs. It is charged at R10 a bulb from 1 April 2020.

Carbon dioxide (CO_2) Motor Vehicle Emissions Levy
The CO_2 Motor Vehicle Emissions Levy on passenger and double-cab vehicles was introduced to encourage the manufacture and purchase of more energy efficient motor vehicles. It is charged at R120 for every gram (g) above 95gCO_2/ kilometre (km) for passenger vehicles and R160 for every gram above 175gCO_2/km for double cab vehicles.

Tyre Levy
The levy on new pneumatic tyres was introduced to encourage efficient tyre use. Although the Tyre Levy is not earmarked, it indirectly supports the responsible recycling of obsolete tyres. The current rate is R2.30/kilogram.

Health Promotion Levy
The levy applies to specific sugary drinks and concentrates used in the manufacture of sugary drinks to combat obesity and promote healthier consumer beverage choices. The current rate is 2.21cent/g of the sugar content that exceeds 4g/100 millilitres.

Diamond Levy
A diamond export levy on unpolished diamonds exported from South Africa was introduced, effective from November 2008 at a rate of 5% of the value of such diamonds.

Trade agreements
The SARS administers a number of trade agreements or protocols or other parts or provisions thereof, and other international instruments, in terms of the Customs and Excise Act of 1964, which are enacted into law when published by notice in the Government Gazette. The full texts of these types of agreements contain the following:

- Treaty of the SADC and protocols concluded under the provisions of Article 22 of the Treaty.
- Agreement between South Africa and the USA regarding mutual assistance between their customs administrations.
- Southern African Customs Agreement between the governments of the Botswana, Lesotho, Namibia, South Africa and Eswatini.
- Memorandum of Understanding between South Africa and China on promoting Bilateral Trade and Economic Cooperation.
- Free Trade Agreement between the European Free Trade Association states and the SACU states.
- Common Market of the South comprising of Argentina, Brazil, Paraguay and Uruguay and the SACU comprising of Botswana, Lesotho, Namibia, South Africa and Eswatini which was implemented on 1 April 2016.
- Economic Partnership Agreement between the SADC Economic Partnership Agreement states, of the one part, and the EU and its member states of the other part, which was implemented on 10 October 2016.

Southern African Customs Union
The SACU Secretariat is located in Windhoek, Namibia. The union was established in 1910, making it the world's oldest customs union. Negotiations to reform the 1969 agreement started in 1994, and a new agreement was signed in 2002. The

member states form a single customs territory in which tariffs and other barriers are eliminated on substantially all the trade between the member states for products originating in these countries; and there is a common external tariff that applies to non-members of the SACU.

Excise duties

Excise duties are levied on certain locally manufactured goods and their imported equivalents. Specific excise duties are levied on tobacco and liquor products. Ad valorem excise duties are levied on products such as motor vehicles, cellular telephones, electronics and cosmetics.

Customs duties

Customs duties are imposed by the Customs and Excise Act of 1964. Ordinary Customs Duty is a tax levied on imported goods and is usually calculated on the value of goods imported and collected by the customs unit within the SARS. Customs Duty rates in Part 1 of Schedule 1 and trade remedies relating to the importation of goods – anti-dumping, countervailing and safeguard duty are set out in Schedule 2 of the schedules to the Act and are determined through trade policy in terms of the International Trade Administration Act of 2002 administered by the International Trade Administration Commission.

The Customs Control Act of 2014 and the Customs Duty Act of 2014 were promulgated in July 2014 to provide a platform for the modernisation of customs administration that achieves a balance between effective customs control, the secure movement of goods and people into and from South Africa and the facilitation of trade and tourism.

In addition, VAT is also collected on goods imported and cleared for home consumption.

Rates on property

Property-related taxes include municipal rates and charges for refuse and sewerage which are collected by municipalities.

Compliance levels

Tax Register

The SARS continues to broaden the tax base and expand its taxpayer and trader register. Contributing positively to the ease of registration are bulk registrations at places of employment and an online facility to register staff when submitting their monthly PAYE returns. The SARS registration policy stipulates that everyone formally employed, regardless of their tax liability, must be registered for Personal Income Tax. If employees are not registered, it is the duty of the employer to register them with the SARS.

Tax compliance

Tax compliance is mirrored in the tax collected from the various types of tax. It is the duty of every taxpayer to ensure that they are registered for the necessary taxes, that all tax returns are submitted by the relevant due dates and that all taxes are paid as and when is required.

Payment channels

The majority of taxpayers are now using electronic payment platforms which significantly improve turnaround times. Cash collections at branches have been reduced because of the risks associated with them. From 1 May 2020, cheque payments in South Africa may not be in excess of R50 000. Payment methods other than branch payments are:

- eFiling: this requires a taxpayer to register as an eFiling client in order to make electronic payments using this channel; and
- payments at banks: taxpayers can make either an internet banking transfer or an over-the-counter deposit.

Voluntary Disclosure Programme

A permanent Voluntary Disclosure Programme was introduced in terms of the Tax Administration Act of 2011, in October 2012. The programme is part of a package of compliance measures aimed at encouraging non-compliant taxpayers to regularise their tax affairs.

International tax treaties

South Africa has a number of double taxation agreements and tax information exchange agreements. In 2014, the Organisation for Economic Cooperation and Development, working with the Group of Twenty countries and other stakeholders, developed the Standard for Automatic Exchange of Financial Account Information – the Common Reporting Standard (CRS).

The CRS requires the reporting to tax authorities by certain financial institutions of information in relation to financial accounts they hold for non-resident taxpayers. This information is then automatically exchanged between tax authorities each year in order to tackle cross-border tax evasion. South Africa is an early adopter of the CRS. The USA Foreign Account Tax Compliance Act Intergovernmental Agreement is also in force between the governments of the USA and South Africa to exchange information automatically under the provisions of the double taxation agreements between the two countries.

Role players

Auditor-General of South Africa (AGSA)

The AGSA strengthens South Africa's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

The AGSA is one of the Chapter 9 institutions mandated by the Constitution to fulfil certain functions. These institutions are not part of government and do not have a duty to be part of the mechanisms of cooperative government. The independence of the AGSA is, therefore, respected and strengthened.

As mandated by the Constitution and the Public Audit Act, 2004 (Act 25 of 2004), the AGSA is responsible for auditing national and provincial departments and administrations, all municipalities and any other institution or accounting entity required by national and provincial legislation to be audited by the AGSA.

Various business units provide auditing services, corporate services and specialised audit work, such as performance audits, information system audits and audit research and development. The AGSA also has an international auditing complement.

Financial sector

South African Reserve Bank

The primary purpose of the SARB is to achieve and maintain price stability in the interest of balanced and sustainable economic growth in South Africa. Together with other institutions, it also plays a pivotal role in ensuring financial stability.

The SARB is the central bank of South Africa. It was established in 1921, in terms of a special Act of Parliament and the Currency and Banking Act, 1920 (Act 10 of 1920), which was the direct result of abnormal monetary and financial conditions that had arisen during and immediately after World War I.

The SARB is governed by the SARB Act of 1989, as amended. In terms of the Constitution, it has been given an important degree of autonomy in the execution of its duties.

Since its establishment, the SARB has always had private shareholders who have limited rights. It has more than 700 shareholders. Its shares are traded on the over-the-counter share-trading facility managed by the SARB. Its operations are not motivated by a drive to return profits, but to serve the best interests of all South Africans.

The SARB's head office is in Pretoria and it has cash centres in Cape Town, Durban and Johannesburg. The SARB must submit a monthly statement of its assets and liabilities to National Treasury and an annual report to Parliament. The Governor of the SARB holds regular discussions with the Minister of Finance and appears before the Parliamentary Portfolio and other select committees on finance, from time to time.

The SARB has a unique position in the economy, as it performs various functions and duties not normally carried out by commercial banks. Although the functions of the SARB have changed and expanded over time, the formulation and implementation of monetary policy has remained one of the cornerstones of its activities.

The SARB publishes monetary policy reviews, and regular regional monetary-policy forums are held to provide a platform for discussions on monetary policy with broader stakeholders from the community.

SARB celebrates centenary

The year 2021 marked 100 years of the SARB's existence. The bank celebrated 100 years of existence on 30 June 2021. When the bank was established, the world had just emerged from World War I, leading to unusual financial and monetary conditions. Its primary objective was to restore and maintain order in the issue and circulation of domestic currency, and restore the gold standard to the pre-World War I rate of exchange. The first batch of banknotes ordered from England was issued to the public on 19 April 1922.

The monetary policy framework adopted at the SARB's founding was the gold standard, linking banknotes to gold. However, the Great Depression and its link to weaknesses in the gold standard ushered in a period of monetary policy reform. A new policy direction linked the value of the South African pound to the British pound sterling, and the further decision to join the Bretton Woods agreement in 1946 as a leading member of the International Monetary System.

In the 1950s, the Decimal Coinage Commission recommended that South Africa formally introduce a decimal system, which eventually led to the introduction of the rand in 1961. The early 1960s, amid the introduction of a new currency, also saw signs of inflation, resulting in anti-inflationary measures that, by 1967, slowed the rate of price increases. These troubles ushered in a period of economic policy reform that eventually led to the current modern approaches to monetary and fiscal policy.

Leading up to the 1980s, South Africa was in deep political and economic turmoil. At the height of the anti-apartheid struggle, inflation hit a high of 18.4% in 1986, and annual growth slowed to 1.6% for the decade. Significant capital outflows resulting from the debt default and economic sanctions saw another policy reform: exchange controls. The SARB adopted a broadly defined money supply growth target framework. Inflation gradually slowed towards the end of the decade, averaging 12.9% in 1989. The SARB Act, 1994 (Act 29 of 1944) was replaced by the SARB Act of 1989, which contained the revised primary objective wording of "monetary stability and balanced growth".

The 1990s ushered in a renewed spirit among South Africans with the advent of democracy. Continuity amidst the change was crucial for the smooth transition to democracy and gaining international investor confidence. This led to then President Nelson Mandela asking Dr Chris Stals to continue serving as Governor. A critical pillar to this was ensuring that the SARB as an institution was stable, by retaining institutional memory and the requisite skills, while at the same time preparing to transform the organisation.

The SARB debuted its 'Big Five' banknote series, and introduced a R5 coin, commemorating the inauguration of the country's first democratically elected President Mandela. As part of its tradition of reflecting the country's history, the bank released a newly designed R5 coin commemorating its centenary.

The adoption of the Constitution in 1996 saw the SARB bestowed greater responsibility in the rebuilding of the economy. Central bank independence emerged as an effective way of ensuring that monetary policy focused on the key objective of keeping prices stable. To ensure that the SARB could pursue that objective independently and effectively, the late 1990s was marked by further enquiry into monetary policy frameworks.

The early 2000s saw the country's biggest policy shift, the adoption of the Inflation-Targeting Framework. At the time, South Africa was the 13th country to introduce this policy framework. Then Reserve Bank Governor Tito Mboweni, was tasked with guiding the bank through this uncharted territory. The inflation target, set by the Minister of Finance in consultation with the SARB, is between 3% and 6%. The adoption of inflation targeting saw a radical change in the way in which the SARB communicated with the public, focusing on transparency through communication, and ensuring that independence and accountability worked hand-in-hand.

The flexibility of the Inflation-Targeting Framework and its anchoring of public expectations about inflation assisted the country to weather the global financial crisis in 2008 and 2009. With the critical role of financial institutions in that crisis underscored, then Governor Gill Marcus helped to expand the SARB's mandate to explicitly include financial stability. In doing so, a financial stability committee was formed and resources expanded for its work. Around 2010, Cabinet approved the move towards the Twin Peaks Model. The Financial Sector Regulation Act of 2017 paved the way for the formation of the Prudential Authority. In April 2018, the Prudential Authority was officially launched, amalgamating the SARB's Bank Supervision Department, the Insurance Division of the Financial Services Board and the Supervisory Team of the Co-operative Banks Development Agency.

The SARB was born at a time when the world was exiting the devastating impact of the 1918 Spanish flu pandemic. As the bank approached its centenary, the world began grappling with the COVID-19 pandemic. The rise of the COVID-19 pandemic in South Africa mandated forceful containment measures to abate the human cost associated with the virus. While these measures minimised the impact on human lives, they came at a great cost to the economy.

In anticipation of the economic shock that would ensue, the SARB responded with a broad array of actions to limit the economic damage. The SARB's policy responses encompassed monetary policy instruments, interventions in financial market operations, regulatory tools as well as collaborations with other entities to provide relief to the economy and enable the financial sector to help customers in need.

In addition, through its participation in global forums, the SARB contributed to the strengthening of the global financial safety net. South Africa entered the COVID-19 crisis with stable and low inflation rates and moderate inflation expectations, giving the SARB significant policy space to provide support to households and firms, primarily through the reduction in the repurchase (repo) rate.

The repo rate was cut by a cumulative 275 basis points between March and July 2020. At the current rate of 3.5% (from 6.5% on 1 January 2020), the repo rate is at an all-time low, while the prime rate, at 7.0%, is at a 54-year low.

Functions

The primary function of the SARB is to protect the value of South Africa's currency. In discharging this role, it takes responsibility for, amongst others:

- ensuring that the South African money, banking and financial system as a whole is sound, meets the requirements of the community and keeps abreast of international developments;
- assisting the South African Government, as well as other members of the economic community of southern Africa, with data relevant to the formulation and implementation of macroeconomic policy; and
- informing the South African community and all stakeholders abroad about monetary policy and the South African economic situation.

System of accommodation

The SARB's refinancing system is the main mechanism used to implement its monetary policy. Through its refinancing system, the SARB provides liquidity to banks, enabling them to meet their daily liquidity requirements. Specifically, banks are required to hold balances at the SARB worth 2.5% of their liabilities, which ensures they have adequate liquidity to settle interbank transactions.

The main instrument for providing liquidity is repo transactions, whereby the SARB lends against high-quality collateral at an interest rate – the repo rate – which is set by the Monetary Policy Committee. The repo rate is the key operational variable in the monetary-policy implementation process, affecting short-term rates throughout the financial system and transmitting from there to the economy at large.

The refinancing system also provides for supplementary and automated standing facilities to meet the banking sector's overnight liquidity needs. During the COVID-19 pandemic, the SARB implemented additional liquidity providing measures, both overnight and term repurchase operations, to ensure that there was sufficient flow of liquidity through the system. In addition, the SARB implemented a bond purchase programme, to manage the dysfunction in the domestic government bond market and to increase the value of its Monetary Policy Portfolio, which is used in long-term reverse repos.

To keep the refinancing system effective, the SARB stays abreast of market and other structural developments. The refinancing system, or Monetary Policy Implementation Framework, together with the toolkits used to manage money market liquidity, is currently under review, with the objective of enhancing its effectiveness and efficiency.

Creating a liquidity requirement

The SARB creates a liquidity requirement – also known as a money market shortage – to ensure that banks seek financing at the SARB, and thereby pay the repo rate. To effect this shortage, the SARB uses a variety of tools to drain surplus liquidity. It can remove liquidity from the market by issuing debentures, or by engaging in reverse repos or FX swaps. It can also shift government's deposits from the market to the SARB.

Since the onset of the COVID-19 pandemic, the shortage has been kept at somewhat smaller levels than normal (R56 billion), given market needs for additional liquidity. The shortage will be restored gradually, over time, with the intention of avoiding disruptions to the banking system.

Promoting the efficient functioning of domestic financial markets

To promote price discovery in the domestic money market, the SARB calculates the South African Benchmark Overnight Rate, which includes the overnight foreign exchange rate. The SARB also conducts surveillance on the calculation of the Johannesburg Interbank Average Rate (Jibar).

Following the review of the rate setting of the Jibar and the subsequent code of conduct, additional initiatives involve the improvement and broadening of existing money-market benchmark and reference rates according to global guidelines. The SARB is expected to implement a revised Jibar Code of Conduct and Operating Rules during the course of 2021, to reflect an increase in the pricing commitment of banks, as well as enhancements to the post-trade disclosures.

These efforts are to enhance the credibility of the Jibar reference rate until a credible alternative is found. The SARB also engages with other stakeholders to promote the efficient functioning of markets.

Special liquidity assistance and stability in the financial sector

In terms of its 'lender-of-last-resort', the SARB may, in certain circumstances, provide liquidity assistance to banks experiencing liquidity problems, for example to provide liquidity against a broader range of collateral as was the case in 2007. The type and conditions of emergency assistance will vary according to specific conditions.

Also, as part of the broader mandate of the SARB and the upcoming Financial Sector Regulations Bill, resolution planning, crisis preparedness and monitoring systemic risks in the financial sector are priority, all aimed at protecting and enhancing financial stability, as well as to deepen South Africa's resilience to external shocks.

In view of the interrelationship between price and financial system stability, the bank monitors the macro-prudential aspects of the domestic financial system. The objective of financial stability is to prevent costly disruptions in the country's financial system.

Service to government

The SARB manages the country's official gold and foreign exchange reserves. In addition, the SARB provides portfolio management, debt issuance, and custody and settlement services to government and other clients/counterparties, while also managing the inherent market and operational risks associated with these services.

Gold and foreign-exchange reserves

The bank is the custodian of the country's official gold and foreign-exchange reserves. Subsequent to the conversion of the negative net open foreign currency position in May 2003 into a positive position, gross foreign exchange reserves grew to approximately US$55 billion in 2020.

The accumulation and management of reserves is guided by the risk tolerance of the bank through the Strategic Asset Allocation, which seeks to ensure capital preservation, liquidity and return.

Banker and adviser to government as well as funding agent

As the funding agent for government, the main services provided are administering the auctions of government bonds and Treasury bills, participating in the joint standing committees between the SARB and National Treasury, and managing the flow of funds between the exchequer account and tax and loan accounts. The SARB also acts as banker to government and as such, manages the Exchequer and Paymaster General Accounts in the books of the SARB.

Administration of exchange control
The SARB is responsible, on behalf of the Minister of Finance, for the day-to-day administration of exchange controls in South Africa.

Provision of economic and statistical services
The bank collects data and compiles economic statistics, which are then interpreted and published in its Quarterly Bulletin and other statistical releases on the SARB's website to inform the public and policy formulation.

Prudential Authority (PA)
The passing of the Financial Sector Regulation (FSR) Act, 2017 (Act 9 of 2017) marked an important milestone on the journey towards a safer and fairer financial system that is able to serve all citizens.

The Act gave effect to three important changes to the regulation of the financial sector:
- It gave the SARB an explicit mandate to maintain and enhance financial stability.
- It created a prudential regulator, the PA. The authority is responsible for regulating banks, insurers, cooperative financial institutions, financial conglomerates and certain market infrastructures.
- It established a market conduct regulator, which is located outside of the SARB.

The PA is a juristic person operating within the administration of the SARB and consists of four sections: Financial Conglomerate Supervision; Banking, Insurance and Financial Market Infrastructure Supervision; Risk Support; and Policy, Statistics and Industry Support.

The national payment system
The bank is responsible for overseeing the safety and soundness of the national payment system. The main aim is to reduce interbank settlement risk, with the objective of reducing the potential of a systemic risk crisis emanating from settlement default by one or more of the settlement banks.

Of utmost importance to payments, is the safety, efficiency, integrity and stability of the system. Following the initial vision for the national payment system, a high-value real-time gross settlement system was implemented in 998. This system lies at the heart of the payments ecosystem and ensures that all economic transactions in the economy reach finality through settlement in central bank money. Further the system is important in managing the liquidity positions of banks, and in practically enabling monetary policy transmission. Each day, more than R350 billion is settled safely in the core system. In value terms, the significance of the system is gauged through its turning of value equivalent to the country's GDP, every 12 to 15 days.

The bank is in the process of modernising the system, to align it with the emerging needs and technologies, including, over time, the likely use of other forms of settlement assets, including tokenization of the rand. Other efforts that are in place in relation to tokenization include Project Khokha 2, which will look at understanding the regulatory and policy implications of tokenized debentures within a decentralised financial market architecture.

The financial services landscape continues to be shaped by emerging exponential technologies, such as artificial intelligence, big data analytics, cloud computing, distributed ledgers, mobile technologies, and new form factors, such as QR codes. These enable new technology-intensive firms to enter the financial services domain. Propelled by COVID-19 lockdown conditions, there are gradual shifts to more online digital financial services.

Through a Fintech landscaping survey, more than 220 such firms were identified in South Africa, spanning across eight categories of financial services, including digital savings and deposits, insurtech, alternative lending, capital raising and, most significantly, digital payments. This has seen new innovations such as crypto assets, crowdfunding, robo-advice for investments, and open banking efforts by the market leveraging granular financial data enter the system.

Banker to other banks
The bank acts as the custodian of the cash reserves that banks are legally required to hold or prefer to hold voluntarily, with the bank.

Banknotes and coins
The SARB has the sole authority to produce, issue and destroy South African currency, and is entrusted to ensure the availability and integrity of the South African rand. The Currency Management Department (CMD) within the SARB, is responsible for managing and overseeing the cash supply chain, from planning, distribution and issuance to destruction of cash. The CMD operates in conjunction with two subsidiaries of the SARB – the South African Mint Company mints coins on behalf of the SARB while the South African Bank Note Company prints banknotes on behalf of the central bank.

The SARB also ensures the availability and adequacy of banknotes and coins throughout the country. It is responsible for the bulk issuance and distribution of banknotes and coins, and for meeting public demand for cash. Banknotes are distributed from the SARB's three cash centres into the cash supply chain, while coin distribution has been outsourced to SBV Services. The CMD is responsible for ensuring an adequate supply of banknotes to meet seasonal demand and for the quality of banknotes in circulation.

Monetary policy
The SARB is responsible for monetary policy in South Africa. Its constitutional mandate in this regard is to protect the value of the currency in the interest of balanced and sustainable economic growth.

To give effect to this mandate, the SARB uses a flexible inflation targeting framework, which aims to maintain consumer price inflation between 3% and 6%. The SARB has expressed its preference for inflation expectations to converge towards the mid-point of the target range, so as to minimise the risk of prolonged deviations from target in the event of unexpected price shocks.

According to the Monetary Policy Review (April 2021), headline inflation averaged 3.3% in 2020, which marked a record annual low for CPI. Despite this generally low average, inflation was relatively volatile, driven by lockdown-related imputations, municipal adjustments (for electricity), declining rental prices, and petrol and food prices. Inflation breached the lower limit of the target band for two consecutive months in 2020 – May and June – partly on account of methodological innovations by Statistics South Africa to impute for goods that were banned during the lockdown. However, prices of the more volatile components, such as petrol and food, started to increase at the end of the year.

Inflation is expected to remain close to the mid-point of the inflation target range across the forecast horizon. Recent Monetary Policy Committee forecasts show inflation remaining well contained in 2021, averaging 4.3%, before rising to around the midpoint of the inflation target range to 4.5% in 2022 and 4.6% in 2023. The main drivers of the relatively subdued inflation environment are lower wage pressures, a less undervalued exchange rate and a faster deceleration in inflation expectations than previously forecast. The distribution of risks to this forecast, as captured in the inflation fan charts, indicates a high probability that inflation will be within the target range throughout this period, with 89% of the probability distribution between 3% and 6%. The chance of inflation being outside the target is quite small, with 4% of the distribution above the upper bound and 7% below it, over the forecast period (2021 – 2023). The chance of a target undershoot is marginally higher in 2022, however, with 9% of the distribution below the lower bound of the target range.

Inflation expectations have continued to ease further, after declining steadily in recent years. The average two-year ahead expectation measure was down to 4.2%, from around 6% in 2016, while current-year expectations have fallen to 3.9% – a 14-year low. Inflation expectations of households have continued to moderate from fairly elevated levels. Market-based expectations for short-term inflation are lower, but have increased over the medium- and longer-term horizons.

The banking industry

As at the end of December 2019, 35 banking institutions were registered and supervised by the PA of the SARB:

- 18 banks, and
- 13 local branches of international banks.

South Africa's banking sector is dominated by the five largest banks, which collectively held 90.0% of total banking sector assets as at 31 December 2020. Local branches of international banks contributed 6.1% as at 31 December 2020. The remaining banks operating in South Africa represented 3.9%.

In addition, as at the end of December 2020, four mutual banks and five cooperative banks were registered and supervised by the PA. At that date, there were also 29 authorised representative offices of international banks in South Africa.

Furthermore, the PA has taken over the regulatory oversight of cooperative financial institutions (CFIs) from the CBDA and is currently supervising 24 CFIs.

Banking entities registered in South Africa

2020	
Banks[1]	18
Local branches of foreign banks	13
Mutual banks	4
Cooperative banks	5
Representative offices	29

[1] Includes active banks and banks exempted by the Registrar of Banks (with effect from 1 July 1996) in terms of the Supervision of Financial Institutions Rationalisation Act, 1996 (Act 32 of 1996) and Section 1(cc) of the Banks Act, 1990 (Act 94 of 1990).

The insurance industry

As at the end of December 2020, the PA was responsible for the supervision of 154 institutions:

- 67 life insurers,
- 76 non-life insurers, and
- nine professional reinsurers.

South Africa's life insurance sector is dominated by the five largest insurers, which collectively held 72.9% of the total assets while non-life insurance sector is dominated by eight large insurers, which held 55.8% of gross premiums as at December 2020.

All nine professional reinsurers are foreign owned and constitute less than 2% of the total insurance industry assets. In addition, the PA was also regulating the RAF and the South African branch of Lloyd's.

Financial market infrastructures

The PA is also responsible for the prudential supervision of market infrastructures which includes exchanges, central securities depositories, clearings houses, central counterparties and trade repositories. In 2020, licensed PA-regulated market infrastructures included three exchanges, two central security depositories and two clearing houses.

Insurance entities registered in South Africa

2020	
Life primary insurers	60
Life cell captives	5
Life micro insurer	2
Non-life primary insurers	59
Non-life cell captives	7
Non-life captives	8
Non-Life micro insurer	2
Professional reinsurers	9
Composite reinsurers	5
Life reinsurers	2
Non-life reinsurers	2

Exchange rates

The South African rand appreciated, on balance, by 2.9% against the US dollar in 2019, but depreciated by 4.0% in 2020. The exchange rate of the rand was initially weighed down in 2020 by an increase in risk aversion among international investors, following the outbreak of the COVID-19 pandemic as well as the credit rating downgrade by Moody's. However, from May 2020 onwards, the exchange rate of the rand recovered most of the losses incurred during the first four months of the year.

On a trade-weighted basis, the rand increased, on balance, by 4.2% in 2019, but decreased by 7.9% in 2020. Despite lower-than-expected domestic inflation outcomes, weak domestic economic growth in 2020 as a result of lockdowns, a deteriorating fiscal position and continuing electricity disruptions continued to weigh on sentiment in 2020.

The nominal effective exchange rate of the rand increased, on balance, by 4.2% in 2019, but decreased by 7.9% in 2020. While the nominal effective exchange rate of the rand declined by 19.6% from the end of 2019 to the end of April 2020 as a result of risk aversion among international investors, due to the COVID-19 pandemic as well as the credit rating downgrade by Moody's, it recovered by 14.6% from April 2020 to December.

The recovery in the nominal effective exchange rate of the rand can mainly be attributed to reduced volatility, following interventions by most governments and central banks, improved global sentiment towards emerging market currencies in general and news of notable advances in the development of COVID-19 vaccines. Domestically, record trade surpluses supported the exchange rate of the rand during the second half of 2020.

Foreign debt

South Africa's total external debt increased substantially from US$156.9 billion at the end of September 2020 to US$170.8 billion at the end of December. Foreign currency-denominated external debt decreased from US$89.2 billion at the end of September 2020 to US$87.4 billion at the end of December, while rand-denominated external debt, in US dollars, increased significantly from US$67.7 billion to US$83.4 billion over the same period.

The decrease in foreign currency denominated external debt was due to the decrease in long-term loans of the private non-banking sector as well as two international bond redemptions by the banking and private non-banking sectors. The increase in rand-denominated external debt was mainly due to the net purchases of domestic rand-denominated bonds by non-residents, an increase in the market value of non-resident bond holdings as well as the increase in the US dollar value of rand-denominated external debt due to the appreciation in the exchange value of the rand over the period.

South Africa's total external debt, in rand terms, decreased from R2 655 billion at the end of September 2020 to R2 489 billion at the end of December as the exchange value of the rand appreciated against the US dollar.

Exchange controls

Exchange control regulations are administered by the SARB, on behalf of the Minister of Finance. The Minister has delegated to the Financial Surveillance Department of the SARB the responsibility of appointing certain banks to act as authorised dealers in foreign exchange, as well as certain entities to act as authorised dealers in foreign exchange with limited authority, which gives them the right to buy and sell foreign exchange, subject to conditions and within limits prescribed by the department. Authorised dealers are not agents for the Financial Surveillance Department, but act on behalf of their customers.

As at the end of February 2020, a total of 25 banks were authorised to act, for the purposes of the regulations, as authorised dealers; two banks as restricted authorised dealers in respect of permissible credit card transactions and 19 entities as authorised dealers in foreign exchange with limited authority. In terms of exchange control policy, there are no limitations as to how much money may be brought into South Africa, but there are certain limitations on the amount of money that may be transferred out of South Africa.

For all non-South Africans, there is no limitation on transferring money out of South Africa that has been previously introduced into the country. Up to R25 000 in cash, per resident (natural person), may be taken when proceeding on visits outside the Common Monetary Area, to meet travellers' immediate needs on return to South Africa. Foreign visitors to South Africa may introduce foreign currency in any amount and in any form (for example, foreign bank notes or travellers' cheques) and may export any funds originating from instruments of foreign currency (including foreign bank notes) imported into South Africa on their arrival.

No more than R25 000 may be exported in SARB notes. South Africans (including emigrants and South African residents who are temporarily abroad) are currently able to transfer up to R10 million, per calendar year, out of the country for investment purposes, subject to a Tax Compliance Status (TCS) Personal Identification Number (PIN) letter being provided.

The authorised dealer must verify the individual's tax compliance status via the TCS system on the SARS eFiling through the use of the TCS PIN. In addition, South Africans can transfer up to R1 million abroad for any legal purpose, including investments, without the requirement to obtain a TCS PIN letter. Requests by individuals to transfer additional funds are considered by the Financial Surveillance Department. South Africans can individually or collectively acquire up to 40% equity and/or voting rights, whichever is the higher, in a foreign target entity, which may in turn hold investments and/or make loans into the Common Monetary Area (loop structure). Loop structures created prior to the date and loop structures in excess of 40% still have to be regularised with the Financial Surveillance Department.

Non-residents living and working in South Africa may now be granted lending facilities (i.e. mortgage bonds) for residential property, subject to normal lending criteria. Companies may transfer up to R1 billion per calendar year for outward foreign direct investments. South African entities listed on any South African authorised exchange may register with the Financial Surveillance Department and transfer funds from the parent company to a domestic treasury management company (DTMC) – a South African holding company for African and offshore operations, incorporated in South Africa and with its effective management place in South Africa – up to R3 billion a calendar year. Up to this amount, there is no restriction on transfers in and out of the holding company, provided such transfers are not undertaken to avoid tax.

Additional amounts of up to 25% of the listed company's market capitalisation are considered, on application to the Financial Surveillance Department, provided there are demonstrated benefits to South Africa. Unlisted entities may establish one DTMC for African and foreign operations, subject to certain administrative requirements. Annual transfers up to R2 billion a calendar year into a DTMC may be effected. In addition, companies operating in the financial sector, such as banks and insurance companies may also apply to the Financial Surveillance Department for the DTMC dispensation, provided they meet certain set criteria. Transfers from the parent company to the DTMC, up to R3 billion, a calendar year may be effected. Additional amounts may be considered, on application, to the Financial Surveillance Department and the PA.

South African companies investing in countries outside of the Common Monetary Area are required to obtain a minimum of 10% of equity and/or voting rights in a foreign target entity. South African companies wishing to make bona fide new outward foreign portfolio investments may acquire less than 10% of the equity and/or voting rights in a foreign target entity. Such companies may also acquire up to 40% equity and/or voting rights in a foreign target entity, which may hold investments and/or make loans into the loop structure.

Institutional investors are all retirement funds, long-term insurers and collective investment scheme management companies. Investment managers may elect to register with the Financial Surveillance Department as institutional investors. The limit on foreign portfolio investments by institutional investors is applied to an institutional investor's total retail assets under management.

The foreign exposure of retail assets may not exceed 30% in the case of retirement funds and the underwritten (non-linked) policy business of long-term insurers. Investment managers registered as institutional investors, collective investment scheme management companies and the investment-linked business of long-term insurers are restricted to 40% of total retail assets. It should be noted that compliance with the foreign portfolio investment limit does not preclude an institutional investor from also having to comply with any relevant prudential regulations as administered by the Financial Sector Conduct Authority. In addition to the foreign portfolio investment allowance, institutional investors also qualify for an additional 10% African allowance.

Since 2014, South African listed companies have been permitted to secondary list on foreign exchanges and/or list depository receipt programmes in the offshore market to facilitate local and offshore foreign direct investment expansions, subject to certain administrative requirements. Non-resident entities, local authorised dealers and the JSE are allowed to issue inward listed instruments referencing foreign assets on the JSE. Local collective investment scheme management companies registered with the Financial Sector Conduct Authority and regulated under the Collective Investment Scheme Control Act, 2002 (Act 45 of 2002), are allowed, with the prior approval of the Financial Surveillance Department, to inward list exchange traded funds referencing foreign assets on the JSE.

As stated in the Budget Review 2020, a new capital flow management system was expected to be put in place over a period of 12 months. All foreign-currency transactions will be allowed, except for a risk-based list of capital flow measures and/or transactions that pose a high risk in respect of illegitimate cross border financial flows. This change will increase transparency, reduce burdensome and unnecessary administrative approvals and promote certainty.

Some of the main features of the new capital flow management system are:

- a shift from exchange controls to capital flow management measures to regulate cross-border capital flows;
- stronger measures to fight illegitimate financial cross-border flows and tax evasion;
- strengthening cooperation between the FIC, SARB, SARS and other law enforcement agencies; and
- enhanced cross-border reporting requirements.

Foreign exchange

The Foreign Exchange Operations section within the Financial Markets Department is entrusted with the responsibility of conducting foreign exchange operations of the SARB and monitoring foreign exchange activities of authorised dealers and the broader market participants. This function also involves engaging with various market participants locally and offshore, including official institutions to gather market information and intelligence to support internal decision-making in the implementation of monetary policy, exchange rate policy and management of the SARB's foreign exchange reserves.

To this end, the Foreign Exchange Section performs the following functions:

- conducting spot and forward foreign exchange transactions for the purpose of accumulating foreign exchange reserves;
- conducting foreign exchange swap transactions in the domestic forward market for domestic liquidity management;
- management of the foreign exchange reserves working capital portfolio by investing funds in term deposit accounts with foreign banks and official institutions;
- servicing the foreign exchange needs of the SARB and its clients, including government;
- conducting research and analysis into movements and trends across financial markets;
- analysing the impact of the SARB's foreign exchange operations;
- promoting the effective function of the domestic financial markets by monitoring and gathering of market information and market intelligence in developments in the local and international markets;
- providing management information on the foreign exchange markets to the senior management of the department as well as the executive management of the SARB; and
- performing administrative functions of the South African Foreign Exchange Committee, which has been established under the sponsorship and leadership of the SARB.

The microlending industry

The NCA of 2005 allows the credit market to function in a robust and effective manner. The Act replaced the Usury Act, 1968 (Act 73 of 1968), and the Credit Agreements Act, 1980 (Act 75 of 1980). It regulates the granting of consumer credit by all credit providers, including micro lenders, banks and retailers.

The NCR and the National Consumer Tribunal play a vital role in ensuring enforcement, promoting access to redress and adjudicating contraventions of the Act. Out of a population of over 54 million, South Africa has over 18 million credit-active consumers.

The NCR is responsible for regulating the South African credit industry. Its mandate includes:

- carrying out education, research and policy development;
- registering industry participants;
- investigating complaints; and
- ensuring that the Act is enforced.

In terms of the Act, the NCR has to promote the development of an accessible credit market to meet the needs of people who were previously disadvantaged, earn a low income or live in remote, isolated or low-density communities.

The National Consumer Tribunal adjudicates various applications and hears cases against those who contravene the Act. The Act provides for the registration of debt counsellors to assist over-indebted consumers. Debt counsellors are required to undergo training approved by the NCR through approved training service providers appointed by the regulator.

Other financial institutions

Collective investment schemes

These are investment structures where individual investor funds are pooled with those of other investors. Qualified asset managers regulated by the FAIS Act of 2002 invest these funds on behalf of the investor. Each investor owns units (participatory interest) in the total fund.

Recognised representative bodies

Section 6(3) (iii) of the FAIS Act of 2002 provides for the Registrar of FSPs to delegate any of its powers, in terms of the Act, to anybody recognised by the Act.

Two such functions, the consideration of applications for licences under Section 8 and the consideration of applications for approval of compliance officers under Section 17 (2) of the Act, were delegated to two recognised representative bodies. As recognised examination bodies, another four bodies are responsible for developing and delivering the regulatory examination.

Advisory Committee on FSPs

The Minister of Finance appointed the Advisory Committee on FSPs, whose function is to investigate and report, or advise on any matter covered by the FAIS Act of 2002.

The advisory committee comprises a chairperson, a representative of the Council for Medical Schemes, established by Section 3 of the Medical Schemes Act, 1998 (Act 131 of

1998), persons representative of product suppliers, FSPs and clients involved in the application of this Act.

The members of the advisory committee, except for the registrar and deputy registrar, who are ex officio members, hold office for a period determined by the Minister.

Licensing of FSPs

The Registrar of FSPs authorises and renders ongoing supervision of the following FSPs:

- financial advisers and intermediaries who provide financial services without discretion;
- those who offer discretionary intermediary services, in terms of financial product choice, but without implementing bulking;
- hedge-fund managers;
- investment administrators specialising mainly in the bulking of collective investments on behalf of clients (linked investment services providers); and
- those who represent assistance business administrators who render intermediary services, in terms of the administration of assistance business (funeral policies), on behalf of an insurer to the extent agreed to in a written mandate between the two parties.

Insurance companies

Insurance is an agreement between a policyholder and an insurance company. It is divided into long- and short-term insurance.

In terms of the Long-Term Insurance Act, 1998 (Act 52 of 1998), and the Short-Term Insurance Act, 1998 (Act 53 of 1998), all insurance companies must be registered by the Financial Sector Conduct Authority and must comply with the provisions of these Acts.

The insurance industry has appointed a short-term and long-term insurance Ombudsman to mediate dispute resolution between insurers and policy holders.

Retirement funds

The purpose is to encourage South Africans to save more. Employer contributions to retirement funds have become an employee fringe benefit for tax purposes. Individuals will be able to receive a tax deduction on employer and employee contributions to a pension fund, provident fund or retirement annuity fund up to 27.5% of the greater of remuneration and taxable income. An annual cap on deductible contributions of R350 000 apply.

In addition, government is exploring ways to increase retirement fund coverage to all workers.

Government bonds

Government borrows most of the financing it needs by issuing bonds. Purchasers of these bonds include foreign investors, banks, insurers and pension funds.

National Treasury has worked with the JSE, the SARB, Strate, primary dealer banks and the World Bank to implement an electronic trading platform for government bonds.

Non-resident holdings of government bonds has increased significantly, partly a result of extremely low interest rates in advanced economies, which has prompted global investors to look for higher yields in developing countries. South Africa's sophisticated capital markets and strong institutions also support continued investment flows. However, non-resident holdings came off their highs in 2020, as South Africa was excluded from the World Government Bond Index, following downgrades to the country's sovereign rating to below investment grade by Moody's.

As a category, international investors remain the largest holders of domestic government bonds, with 36% of the portfolio as at the end of February 2021. Moreover, foreign holdings decreased by over R85 billion in 2020, after increasing by R95 billion in 2019, relative to an increase of R8 billion in 2018.

Domestic banks in turn have increased their share of government bond holdings from 16.8% in January 2020 to 22% in December 2020. The 2020/21 fiscal year was characterised by volatility, uncertainty and growth concerns as a result of the COVID-19 pandemic and Moody's downgrade to sub-investment grade. These events led to the domestic fixed rate yield curve rising by 127 basis point between February and April 2020.

This rise in yields reflected the aggressive sell-off by foreign investors who retreated to safe haven assets away from emerging markets. The rand tumbled 25% between the beginning of February and the end of March, with only the Mexican peso and Brazilian real fairing worse.

Global optimism about vaccines, expectations of a new US President and an expected pick-up in economic growth from historic lows, saw improved demand for risk assets in the latter half of 2020 going into 2021, which resulted in a flattening of the yield curve relative to April 2020 levels. Monetary stimulus by global central banks added to the optimistic outlook.

The real curve also strengthened in the same period of time, with real yields falling by 90 basis points to April 2021. Foreign holders of domestic bonds increased to 30.3% by February 2021. By 31 March 2021, foreign holdings had again declined to 29.3%. This decline reflects heightened market volatility specific to March 2021, as result of the US yields rising aggressively as inflation expectations rose. The uncertainty during this period caused demand from foreigner investors for long-term securities to decline, resulting in domestic long-term bonds yields rising.

Despite the yield curve having flattened in the latter part of 2020 and for much of 2021, barring the events of March 2021, and despite the improved fiscal metrics, the fixed rate yield curve is still 50 basis points above pre-pandemic levels as investors are still skittish about South Africa's long-term prospects. There remains doubt about the implementation of reforms and the continued rise in the stock of debt, which prevents further flattening of the curve. A lack of demand for inflation-linked bonds also keeps the real curve steep, reflecting low inflation expectations.

Domestic long-term borrowing

Domestic long-term borrowing consists of fixed-rate, inflation-linked and retail savings bonds. Between April 2020 and January 2021, government raised R452.6 billion by issuing domestic long-term debt. Fixed-rate bonds accounted for 84.4% of bond issuances, with inflation-linked instruments making up the remainder.

Fixed-rate bonds were issued across a range of maturities. About half were issued for between four and 15 years, as the bond exchange programme created space to issue more bonds in the short to medium term. In 2019/20, interest rates on long-term bonds increased compared with the previous year

Government was able to issue more bonds in the short to-medium term, lowering its average borrowing costs. Over the medium term, domestic long-term borrowing will increase from R462.5 billion in 2020/21 to R500.8 billion in 2022/23 (R472.2 billion in 2021/22).

International borrowing

Government issues debt in global capital markets to meet part of its foreign-currency commitments, set benchmarks and diversify funding sources.

The rand equivalent of these loans and interest payments changes with the exchange rate. To manage this risk, portfolio benchmarks limit foreign-currency debt to 15% of the portfolio.

Over the medium term, borrowing in global markets will average US$3.3 billion per year (US$3 billion in 2021/22, US$3 billion in 2022/23 and US$4 billion in 2023/24).

Government started to fully finance its foreign currency commitments in 2017 – by borrowing in global capital markets. This marked a shift from previous practice. The rand value of this international debt fluctuates with exchange rates, which is why the strategic risk portfolio benchmark limits foreign currency debt to 15% of the total portfolio.

Government's foreign-currency bonds, mainly denominated in dollars and euros, are issued to meet foreign currency commitments. In 2020/21, given unfavourable conditions, government did not issue any bonds in global capital markets. Instead, it raised US$5.6 billion from the IMF, the NDB, and the African Development Bank.

In the supplementary budget tabled in 24 June 2020, government announced that it would source funding from multilateral development banks and the IMF to finance a portion of the budget deficit resulting from the COVID-19 impact. As at 31 March, a total of $5.6 billion was made available to support the social and economic impact of the COVID-19 pandemic.

The following amounts were received:

- **IMF:** US$4.28 billion loan under the Rapid Response Facility was approved and disbursed on in July 2020.
- **NDB:** US$1 billion loan under the COVID-19 Emergency Programme to fund government's health and social response was approved and disbursed in July 2020.
- **African Development Bank**: R5.08 billion (US$288 million equivalent) loan under the COVID-19 Response Support Programme. The board approved the loan in July 2020 and disbursed in October 2020.

Of this amount, $4.6 billion (R77.4 billion) has been converted to rands, to partially fund domestic currency commitments.

Government debt

Large and persistent increases in budget deficits – resulting in higher debt and debt-service costs – compromise fiscal sustainability. Debt-service cost was expected to increase from R233 billion in fiscal 2020/21 to R270 billion (13.4% of total expenditure) in fiscal 2021/22, and further to R339 billion in fiscal 2023/24. In 2020/21, government's gross borrowing requirement increased from R433 billion to R670 billion, or from 8% to 13.6% of the GDP.

The steep increase is the result of weak economic growth along with the concomitant shortfalls in tax revenue and higher government spending as a result of the COVID-19 pandemic. The significantly larger borrowing requirement was mainly financed through the net issuances of government bonds and, to a lesser extent, Treasury bills. The gross loan debt of national government is now expected to stabilise at 88.9% in 2025/26, as opposed to 95.3% projected in the MTBPS. As a share of total gross loan debt, domestic debt continued to account for about 90%.

Over the past year, government adjusted its financing strategy to ensure that commitments were met in a way that minimised the impact on the stock of debt and the cost of borrowing. Contingent liabilities are projected to reach R1.11 trillion by 2020/21.

Johannesburg Stock Exchange

The JSE is a licensed exchange for all securities that was established in 1887. It offers secure and efficient primary and secondary capital markets across a diverse range of securities, spanning equities, derivatives and debt markets. In keeping with international practice, the JSE regulates its members and ensures that the markets operate in a transparent way, ensuring investor protection. Similarly, issuers of securities must comply with the JSE listings requirements, which ensure sufficient disclosure of all information relevant to investors.

The role of the JSE includes regulating applications for listing and ensuring that listed companies continue to meet their obligations. It also provides the stock exchange news service through which company news, including price-sensitive information, is distributed to the market.

The JSE has reclassified its equity instruments in line with the Financial Times Stock Exchange (FTSE) Russel Industry Classification Benchmark. This has led to the introduction of the FTSE/JSE Africa Index Series that makes the South African indices comparable to similar indices worldwide.

The Financial Sector Conduct Authority has granted four new stock exchange licenses in recent years. ZAR X started trading in February 2017, followed by 4 Africa Exchange in September 2017 and A2X Markets (primarily a secondary listings market) in October 2017. The fourth new exchange, the black economic empowerment-focused Equity Express Securities Exchange, started trading in December 2017.

Together with the JSE, South Africa now has five licensed stock exchanges. The new exchanges were established to increase diversity and economic inclusion for the advancement of economic growth and development. On most of the new stock exchanges only equity type products can be traded.