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THE PRESIDENCY

NO. 2118 **27 May 2022**

COUNTRY INVESTMENT STRATEGY FOR COMMENTS

The Department in the Presidency invitespublic comments on the draft Country Investment Strategy (CIS).

Written submission should reach the Presidency 30 days (thirty days) after the date of publication. Submission should be addressed to the Chief Director: Infrastructure in any of the following ways:

a) Delivered by hand to the Presidency, Union Building, Government Ave, Pretoria, 0002
b) E-mailed to masopha@presidency.gov.za

Any enquiries should be directed to Mr Masopha Moshoeshoe at 082 940 9095

MARCH 14, 2022

South Africa

Country Investment Strategy

EXECUTIVE SUMMARY

Since the dawn of democracy, South Africa's nation has been at work to rebuild and reconstruct the country towards shaping its future. Whilst significant strides have been made since 1994, the triple challenges of unemployment, poverty and inequality remain. The ongoing impact of the Covid-19 pandemic on countries across the globe has had significant and unprecedented effects in terms of its wide-reaching repercussions from a policy perspective. Governments around the world are facing increasing risks and uncertainties as a result of the heightened uncertainty pertaining to emerging debt crises and thus, growing uncertainty in the capacity to implement reforms required for balanced and sustainable economic growth and development.

The developmental agenda for a country like South Africa requires a more rigorous model that integrates cross-cutting principles and fiscal instruments, which in turn lays the basis for a more effective and innovative configuration of fiscal options within alternative investment scenarios that will enhance the country's development prospects. With this milieu, and now more than ever, one of the most important considerations is that of establishing meaningful and effective partnerships for development, between the public and private sectors working in conjunction with the academic community; donor and multilateral organisations; organised labour and local communities.

South Africa's inaugural Country Investment Strategy (CIS) aims to position South Africa as a key preferred African investment destination by attracting and facilitating quality Foreign and Domestic Direct Investment into the country, in a well co-ordinated manner, anchored by quality institutions and robust economic infrastructure networks. This is in the country's important endeavour of advancing its National Development Plan (NDP) target of 30 percent of Gross Fixed Capital Formation (GFCF) to Gross Domestic Product (GDP) by 2030.

The CIS aims to achieve this through: (i) catalysing a new investment model to address current under-investment; (ii) attracting quality greenfield investments into South Africa; (iii) identifying high-impact and high-growth industries which will accelerate contributions to GDP; (iv) supporting existing industries and developing new industries; (v) consolidating and strengthening existing capacity in identified priority sectors through enhancing policy certainty; and (vi) targeting areas of intervention, accompanied by the mobilisation of resources and improved institutional co-ordination. The CIS is importantly underpinned by and aligned to the aspirations and objectives articulated in the NDP, the country's Economic Recovery and Reconstruction Plan (ERRP), the Re-imagined Industrial Strategy (RIS), Sector Masterplans and the National Infrastructure Plan (NIP) 2050.

Section 2 articulates South Africa's vision and mission statement as it pertains to the country's envisioned investment trajectory. Section 3 addresses how the strategy engenders growth and outlines how the strategic objectives of the CIS translate into actionable initiatives from an investment attraction perspective, whilst Section 4 describes South Africa from a political governance perspective in addition to providing a brief overview of the country's economic and socioeconomic characteristics. The CIS also zooms into the critical role of urban regions with a focus on the country's eight metropolitan cities. Section 5 clearly establishes the country's strategic objectives and goals, which are fundamentally based on consolidating and strengthening existing capacity in identified priority areas through enhancing regulatory consistency and policy certainty.

A country's ability to attract, facilitate and retain investment will play a critical role in advancing its developmental goals. In this regard, Section 6 provides a detailed overview of the determinants of investment and the factors that constitute quality investment; some of which include technology transfer, technology spillovers, employment and employment quality and boosting local firm competition. This section concludes that transparency between government and investors is of critical importance in addition to developing techniques to better measure the various impacts of investment. The categorisation of

quality investment is aptly followed by a recommendation to develop a socio-economic maximisation methodology, in Section 7, which considers local conditions, including existing business; local assets; access to resources; local skills and competencies with efforts made to preserve and protect cultural practices, social and political heritage and environmental endowments. This must also include a measurement criterion to better quantify the socio-economic impact of investment over longer time horizons. The country's priorities and industrialisation ambitions to develop local small, medium and micro enterprises are also articulated.

FDI, in addition to the presence of and investment by globally competitive local firms, plays an important role in strengthening the integration of South Africa into the global economy, improving the country's international competitiveness and facilitating improved access to foreign markets. In this regard, South Africa has several international agreements that provide an export platform, geared towards driving investment access into local and global markets; further discussed in Section 8. A notable development in this regard is the ratification of the African Continental Free Trade Area (AfCFTA), in 2020; making it the largest free trade agreement since the establishment of the WTO, creating a market of over 1 billion people with a combined GDP greater than USD 2 trillion (UNECA, 2020). A number of important elements of the agreement are underway and South Africa is considering various policy amendments to create an enabling regulatory environment.

Section 9 discusses South Africa's approach to investment promotion and facilitation within the context of national plans and strategies as well as available services to investors. Critical in this regard are the country's efforts to create a more competitive business environment, including efforts underway to improve South Africa's investment climate including the optimal provision of network infrastructure in addition to anti-corruption efforts, as investment enablers. In relation to the country's investment competitiveness, consideration is also given to research pertaining to incentives in addition to measures recommended to improve the transparency, efficiency and effectiveness of existing incentives schemes. It is important to note that the CIS is not an investment retention and aftercare strategy and an action is recommended to devote further attention to this critical endeavour, particularly in the unprecedented times posed by Covid-19.

A data-driven sector prioritisation model was developed to determine the sectors that should be prioritised from an investment-growth perspective within the context of limited fiscal resources. It is important to note that the aforementioned data-driven sector prioritisation approach is combined with identified strategic investment opportunities by government, known as South Africa's *5 Big Frontiers*; in addition to an alignment with government's articulated policy priorities. This section also provides an overview of the comparative advantages and relative strengths of South Africa's nine provincial and eight metropolitan economies. Synergising the results of these three areas have culminated the country's prioritised sectors to drive investment and economic development, which include (i) finance, insurance, real estate and business services; (ii) transport and logistics; (iii) manufacturing; (iv) mining and quarrying; (v) electricity, gas and water; and (vi) agriculture and agro-processing. This is aptly complemented by South Africa's *5 Big Frontiers*; elevated as Country strategic investment programmes and range from placing South Africa at the global forefront of green hydrogen production to commercialisation opportunities for cannabis production.

Due to the critical importance of quality institutions, Section 10 concludes with an overview and rigorous analysis of South Africa's regulatory landscape and considers mechanisms to improve investment co-ordination in and amongst the country's Investment Promotion Agencies (IPAs). Sections 11 and 12 reflect on implementation and risk identification and mitigation mechanisms. The implementation framework outlines the actions required to realise the CIS goals and objectives in a coherent, diligent and systematic manner. The CIS seeks to close the gap in South Africa's investment efforts by addressing the absence of structured co-ordination across various mandates and processes relevant to mobilising and enabling investment. Marketing and communicating the CIS is of critical consequence and will be tailored to various audiences, across sectors and geographies. The CIS gives effect to the NDP, which recognises investment as a prerequisite for inclusive growth.

ACRONYMS AND ABBREVIATIONS

Acronym	Definition
4IR	Fourth Industrial Revolution
5G	Fifth Generation
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AI	Artificial Intelligence
AU	African Union
BFI	Budget Facility for Infrastructure
BRICS	Brazil, Russia, India, China, and South Africa
CIS	Country Investment Strategy
CoCT	City of Cape Town
CSIPs	Country Strategic Investment Programmes
DBSA	Development Bank of Southern Africa
DDI	Domestic Direct Investment
DDM	District Development Model
DFI	Development Finance Institution
DPME	Department of Planning, Monitoring and Evaluation
DTIC	Department of Trade, Industry and Competition
EMM	Ekurhuleni Metropolitan Municipality
ERRP	Economic Reconstruction and Recovery Plan
ESG	Environmental, Social and Governance
EU	European Union
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
FIDPM	Framework for Infrastructure Delivery and Procurement Management
GDP	Gross Domestic Product
GDS	Growth and Development Strategy
GFCF	Gross Fixed Capital Formation
GI	Greenfield Investment
GPI	Growth Performance Index
GVA	Gross Value Add
GW	Gigawatt
HDI	Human Development Index
HySA	Hydrogen South Africa
ICT	Information and Communications Technology

IDA	Infrastructure Development Act
IDC	Industrial Development Corporation
IDMS	Infrastructure Delivery Management System
IDP	Integrated Development Plan
IFTC	Investment Fast-Tracking Committee
IGC	International Growth Centre
IGR	Inter-Governmental Relations
IIO	Investment and Infrastructure Office
IMF	International Monetary Fund
IoT	Internet of Things
IPA	Investment Promotion Agency
IPAP	Industrial Policy Action Plan
IPP	Independent Power Producer
ISA	Infrastructure South Africa
ITO	Information Technology Outsourcing
JSE	Johannesburg Stock Exchange
JV	Joint Venture
KPI	Key Performance Indicator
kW	Kilowatt
LED	Local Economic Development
LQ	Location Quotient
M&A	Merger and Acquisition
Mbps	Megabit per second
MDGS	Metro Development and Growth Strategy
MHz	MegaHertz
MIGA	Multilateral Investment Guarantee Agency
MNE	Multinational Enterprise
MTBPS	Medium-Term Budget Policy Statement
MTSF	Medium-Term Strategic Framework
NACS	National Anti-Corruption Strategy
NDP	National Development Plan
NIP	National Infrastructure Plan
NIPF	National Industrial Policy Framework
NPC	National Planning Commission
NSDF	National Spatial Development Framework
OEM	Original Equipment Manufacturer
PC4IR	Presidential Commission on the Fourth Industrial Revolution
PGM	Platinum Group Metals

PI	Performance Index
PIA	Protection of Investment Act
PICC	Presidential Infrastructure Co-ordinating Commission
PPP	Public-Private Partnership
REIPPPP	Renewable Energy Independent Power Production Procurement Programme
RIS	Re-imagined Industrial Strategy
SACU	Southern African Customs Union
SADC	Southern African Development Community
SANRAL	South African National Roads Agency Limited
SAREM	South African Renewable Energy Masterplan
SARS	South African Revenue Services
SDI	Spatial Development Initiative
SETA	Sector Education and Training Authority
SEZ	Special Economic Zone
SIPs	Strategic Integrated Projects
SMME	Small, Medium, and Micro Enterprises
SOE	State-Owned Enterprise
SWOT	Strengths, Weaknesses, Opportunities and Threats
TASEZ	Tshwane Automotive Special Economic Zone
TFR	Transnet Freight Rail
THC	Tetrahydrocannabinol
TI	Tress Index
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
US	United States
USD	United States Dollar
WEF	World Economic Forum
WTO	World Trade Organisation
ZAR	South African Rand

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1. INTRODUCTION

1.1. Setting the Scene

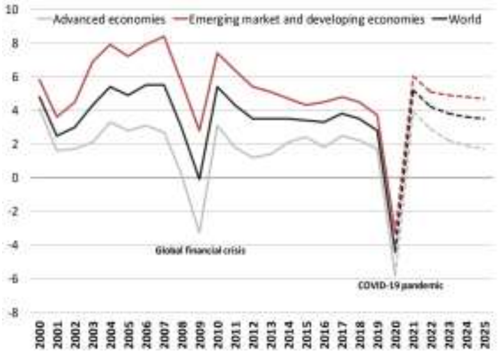
South Africa's economic transformation goals are articulated in the NDP Vision 2030, which clearly formulates 2030 targets for the country to achieve required economic growth for South Africa's transformation (NPC, 2012). The vision encompasses a growth rate of 5.4 percent of GDP, an unemployment rate of 6 percent and inequality, represented by the Gini co-efficient, of 0.60. The NDP recognises that in order "to grow faster and in a more inclusive manner" (NPC, 2012), the country requires a higher level of capital spending, that is achieving a GFCF level of 30 percent to GDP, with public sector investment required to reach 10 percent of GDP.

Achieving the NDP targets have proven challenging due to a prolonged period of economic decline following the 2008/9 global financial crisis with the Covid-19 pandemic further exacerbating economic uncertainty and inequality. Similarly, the repercussions of the Covid-19 pandemic have resulted in significant constraints on FDI and DDI flows and it is forecasted that this will continue to decline without intervention. Thus, it is important for South Africa to be deliberate in its investment initiatives by explicitly identifying, developing and promoting new investment projects as well as gearing programmes and plans towards investment attraction and facilitation. In addition, the country has enunciated goals to break the cycle of low growth and low investment, through leveraging private sector partnerships to fill capacity constraints and mobilise investment funding.

1.2. Global Economic Outlook

The IMF, in October 2021, projected that global growth will increase by 5.9 percent in 2021, 0.1 percentage point lower than the IMF's July forecast, and 4.9 percent in 2022 (IMF, 2021). The Fund's revision reflects supply disruptions for advanced economies and worsening pandemic effects for low income developing countries, albeit with stronger prospects for commodity exporting emerging market and developing economies. Worldwide investment growth has slowed considerably since the 2008/9 global financial crisis and is further impacted by the growing uncertainty pertaining to the Covid-19 pandemic (IMF, 2021). In response to this impact, the expectation is that countries will embark upon economic revival initiatives; for example, through boosting industrial capacity; rebuilding export markets and establishing new markets within the context of increasingly difficult policy choices and constrained fiscal and monetary room.

Figure 1: Global growth scenarios



Source: National Treasury (2021)

The ongoing current crisis has severely impacted developing countries, through major job losses and business closures. UNCTAD has predicted that the economic fallout from the Covid-19 crisis will worsen before improving, particularly for developing economies (UNCTAD, 2020). Whilst the table below indicates a different picture, this is a plausible argument based on the huge economic stimulus programmes that advanced economies have had the fiscal capacity to implement.

Table 1: Global growth forecasts, 2021 – 2023

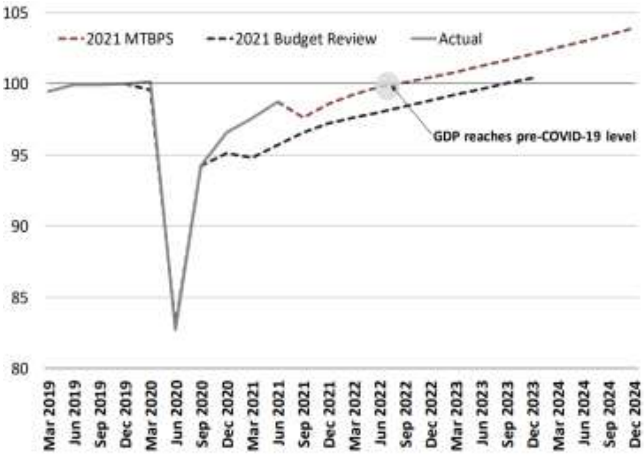
Region/country	2019	2020	2021	2022	2023
Percentage	Actual			Forecast	
World	**2.8**	**-3.1**	**5.9**	**4.9**	**3.6**
Advanced economies	**1.7**	**-4.5**	**5.2**	**4.5**	**2.2**
United States	2.3	-3.4	6.0	5.2	2.2
Euro area	1.5	-6.3	5.0	4.3	2.0
United Kingdom	1.4	-9.8	6.8	5.0	1.9
Japan	0.0	-4.6	2.4	3.2	1.4
Emerging and developing countries	**3.7**	**-2.1**	**6.4**	**5.1**	**4.6**
China	6.0	2.3	8.0	5.6	5.3
India	4.0	-7.3	9.5	8.5	6.6
Brazil	1.4	-4.1	5.2	1.5	2.0
Russia	2.0	-3.0	4.7	2.9	2.0
Sub-Saharan Africa	**3.1**	**-1.7**	**3.7**	**3.8**	**4.1**
Nigeria	2.2	-1.8	2.6	2.7	2.7
South Africa[1]	0.1	-6.4	5.1	1.8	1.6
World trade volumes	**0.9**	**-8.2**	**9.7**	**6.7**	**4.5**

Source: National Treasury (2021)

1.3. South Africa Economic Outlook

In South Africa, the Covid-19 pandemic has adversely affected an already strained local economic situation. International trade and investment slowed, together with a number of businesses shutting down, in particular small and medium enterprises; thus, accounting for millions of job losses. Disruptions in global supply chains caused sharp declines in global demand with firms cutting back on investment due to uncertainties pertaining to future growth. The country's November 2021 Medium-Term Budget Policy Statement (MTBPS) predicts that the economy will grow by 5.1 percent in 2021, following a contraction of 6.4 percent in 2020, reflecting a supportive global growth environment and the expected trajectory of commodity prices (National Treasury, 2021). As is the case with many economies across the globe; the decline in government revenue has also led to a substantial increase in public borrowing. Continued debt accumulation and high service costs is unsustainable in the medium- to long-term within the context of a limited fiscal space necessitating an urgent reshaping of the country's economic landscape, through initiatives such as South Africa's Country Investment Strategy, the National Infrastructure Plan 2050 and the Economic Reconstruction and Recovery Plan. National Treasury expects real GDP growth of 1.6 and 1.7 percent in 2023 and 2024, respectively.

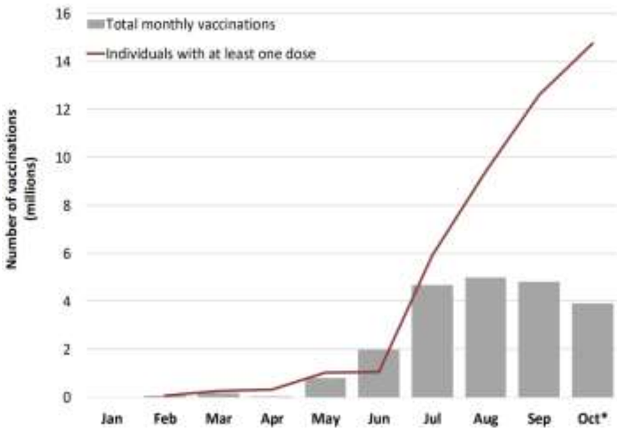
Figure 2: South Africa's growth scenarios



Source: National Treasury (2021)

South Africa's public vaccination rollout has resulted in 14.7 million South Africans receiving at least one dose and has contributed to the gradual reopening of the economy. Following the 2021 budget provision of ZAR 19.3 billion towards vaccines, a further 73 million doses have been ordered in addition to a donation of 5 million vaccines (National Treasury, 2021). It is envisaged that the country's continued vaccination programme will improve the country's investment potential and most importantly, the economic wellbeing of the country's residents and businesses.

Figure 3: South Africa's vaccination rollout as at 23 October 2021



Source: National Treasury (2021)

The stability and future development of the African continent compels South Africa to review and assess its economic prowess and its importance as Africa's gateway. South Africa must consider the economic priorities and interests of key economies, and its trading partners, in the international arena, and forge new partnerships in a post-Covid world, whilst ensuring that the country's interests are advanced through effectively promoting new investment and efficiently retaining existing investment.

1.4. Purpose of South Africa's Country Investment Strategy

Whilst significant socioeconomic gains have been made in recent decades, progress with respect to job creation has been minimal, particularly since 2008, with an indication of gains made reversed (NPC, 2020). A lack of employment creation and weak employment quality contributes to the country being plagued by persistently high levels of inequality, further threatening the underlying social fabric of South Africa as a nation. Perpetually low levels of investment, at 17.9%, in 2020, vs a 30% GFCF target, continue to undermine the country's capacity to address this challenge, exacerbated by the continued and uncertain effects posed by the Covid-19 crisis, for example resulting in a loss of 1.28 million jobs in the economy in 2020 alone.

The absence of structured coordination of the various mandates and processes relevant to mobilising, promoting, designing, implementing and enabling investment undermine the country's ability to realise the NDP targets. Investment co-ordination structures of government are spread across more than 30 distinct Investment Promotion Agencies (IPAs) at the national, provincial, and local levels. The current investment environment in South Africa is fragmented and lacks coordination hindering the implementation of investment programs and further, resulting in duplicative efforts within the context of limited resources. IPAs, both national and provincial, are incongruent and fragmented with conflicting mandates. The structural incentives embedded within legal, taxation and programmatic frameworks similarly lack co-ordination. The status quo lacks efficiency and co-ordination and thus, is not geared towards attracting and facilitating much needed quality FDI into the country.

The CIS seeks to provide a clear and strategic direction for the country's investment drive towards shaping a post-Covid-19 economy and facilitating improved alignment between investment and economic growth in South Africa. The CIS seeks to align the efforts of various investment mandate holders in the country to co-ordinate investment coherently in addition to ensuring alignment between various sectorial masterplans; building on the comparative advantage of each locality.

The CIS considers prevailing systems and policies in addition to South Africa's regulatory environment towards a better understanding of how these hinder or facilitate the country's economic interests. It carefully considers the impact of South Africa's policy landscape in determining inward and outward investment decisions. The strategy outlines key priority areas; prioritises critical sectors to advance South Africa's economic interest and articulates mechanisms to strengthen South Africa's position in the international community. Together, the CIS and other government initiatives underway, such as South Africa's NIP2050, will work towards advancing South Africa's GFCF NDP target of 30 percent to GDP; underpinned by robust partnerships for development between the public, private, academic and civil society spheres.

2. South Africa's Investment Vision & Mission

2.1. Vision Statement

South Africa: Africa's leading investment destination

Dynamic changes across the globe are playing a powerful force in shaping the social, economic and political trajectories of nations across the globe. There is growing consensus that private rather than public investment is required to generate long-term prosperity on the African continent, particularly through the creation of long-term sustainable employment (Gorg, Krieger-Boden, Moran, & Seric, 2020). FDI and DDI are thus critical in stimulating much-needed economic growth and development. As such, attracting FDI and DDI constitutes an increasingly important component of national development objectives.

Over the next few decades, the real challenge with the country's transition is for South Africa's government, social and private sectors to shape an environment that will enable the country's residents to be its greatest beneficiaries. South Africa has taken the decision to drastically alter the way in which it does business towards advancing the country's future growth and prosperity; thus, requiring a wholly non-myopic approach with respect to the country's programmatic initiatives. With this milieu, it is of exceptional importance that meaningful and effective partnerships for development are established.

In this regard, the CIS is aimed at creating a fully integrated and coordinated approach to investment through aligning government priorities and channelling investment towards areas with the greatest growth potential supported by aptly co-ordinated incentive schemes and anchored by quality institutions. The development of South Africa's CIS seeks to align policy priorities and plans supported by an enabling regulatory environment. It is envisaged that these clearly defined policy priorities will work towards promoting South Africa as a leading African investment destination.

2.2. Mission Statement

Leverage quality FDI and DDI to achieve South Africa's National Development Plan economic transformation goals of driving economic growth, increasing employment, reducing inequality and decreasing poverty; anchored by quality institutions and robust economic networks

Two of the globe's foremost development economists, Daron Acemoglu and James Robison, have for years examined the comparative origins of development on a global scale. The authors have long asserted that institutional effectiveness exerts a dominant role in shaping long-term economic outcomes (Acemoglu & Robinson, 2012). Whilst great strides have been made in South Africa, it can be argued that policy certainty and regulatory consistency are required to enhance institutional effectiveness.

In addition, whilst most FDI and DDI project assessments focus on quantifiable economic aspects; environmental, social and governance effects merit careful evaluation. A host country must have a clear agenda and strategy in determining and formulating its policy options leveraging legislation and maximising resource mobilisation to advance a well-articulated and clearly defined developmental trajectory. South Africa's investment strategy aligns various investment mandate holders in the country to co-ordinate investment coherently; in addition to ensuring alignment with industrial policy, various sectorial master plans and local economic strategies.

3. CIS Strategic Pillars & Engendering Growth

The World Bank (2021) describes the investment policy and promotion lifecycle as comprising of the vision and strategy, mechanisms for investment attraction, investment entry, investment protection and linkages with local economy. The following are some of the best practices for investment policy (World Bank, 2021):

- Formulation of investment reform map and/or FDI Strategy;
- Improving the effectiveness of policies aimed at attracting and facilitating entry of FDI;
- Promoting good practices in the effectiveness of investment incentives'
- Strengthening investor confidence to help investors retain and expand FDI;
- Preventing investor/state disputes by establishing investor grievance mechanisms; and
- Maximizing linkages and positive spillover effects from FDI to the host economy

The CIS is an umbrella for investment targeted from all investment sources. It is intended to be a thorough strategy for the national investment ecosystem which requires participation from relevant entities and contains enhancements to the governance of the investment ecosystem. The Figure below shows the CIS goals and objectives presented in Section 1 as well as the key pillars for each objective. It emphasises the manner in which the strategic objectives are translate into actionable initiatives which result in investment attraction, all of which are discussed in this document. These pillars are summarised as: coordination, investment inwarding, investment prioritisation, supporting existing and new industries, capacity and policy as well as mobilisation of institutions. The CIS will have a two-tiered impact: Tier 1 will be the catalysis of investment, while Tier 2 relates to the spillover effects to economic and socio-economic priorities for growth.

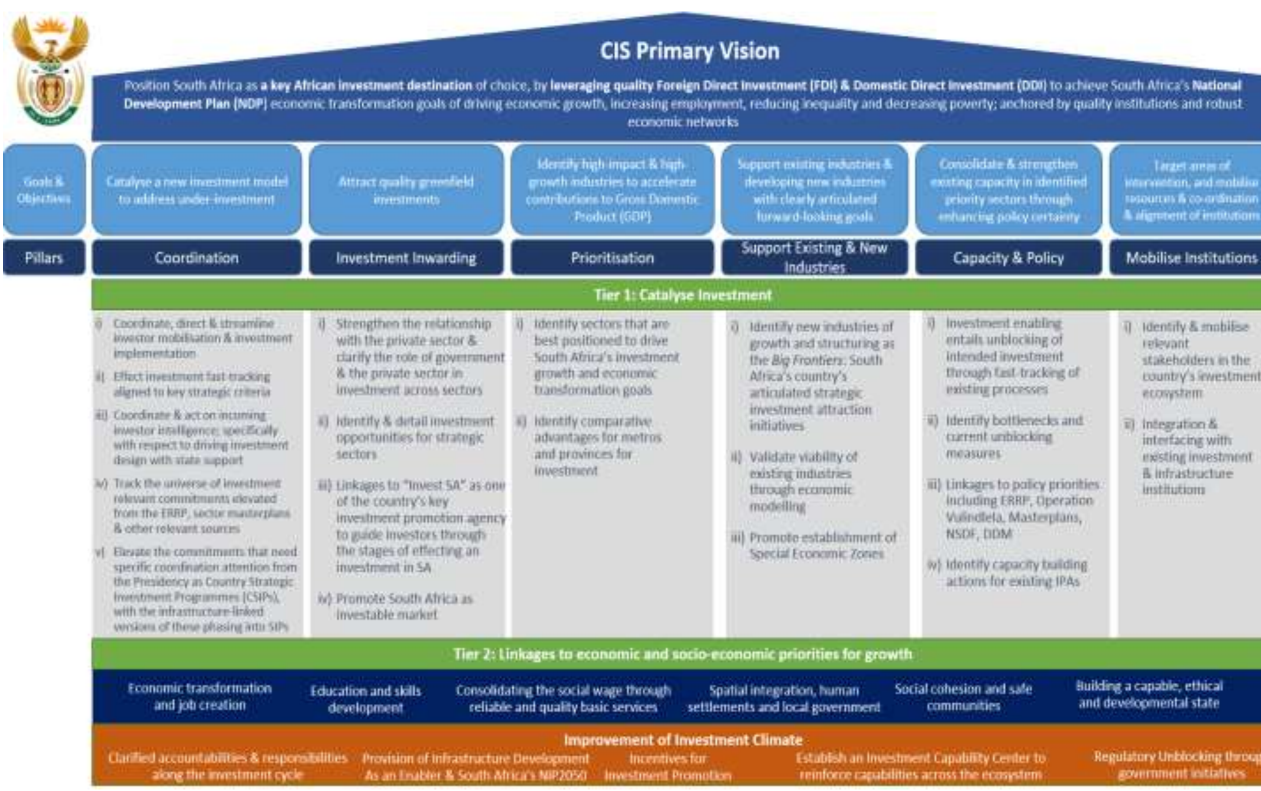
A country's ability to attract and retain investment plays a critical role in supporting its economic, socio-economic and other developmental goals and is the locus of the proposed Country Investment Strategy. FDI and DDI influence an economy in a number of ways, including technology transfer, technology spillovers, employment and employment quality and boosting competition amongst local firms. Over the next few decades, the real challenge with the country's transition is for the government, social and private sectors to shape an environment that will enable South Africa's residents to be its greatest beneficiaries. The CIS will contribute to the following national economic and socio-economic priorities.

- Economic transformation and job creation: Higher levels of FDI stimulate an increase in GFCF which lead to increased GDP/capita, increased purchasing power and improvements in productivity. Increased inward investment also exerts direct and indirect effects of job creation.
- Education and skills: attracting quality FDI contributes to improving the skills base of the host economy and facilitates technology transfers and knowledge. Positive developmental impacts can arise from FDI projects that include corporate programs designed to provide upskilling to employees, suppliers and/or other local residents.
- Consolidating the social wage through reliable and quality basic services: the CIS makes recommendations for blended finance initiatives in public infrastructure, raising the standard of publicly available services by opening up channels outside of the fiscus.
- Spatial integration, human settlements and local government: the sector prioritisation model developed has a component that seeks to address spatial

priorities and specifically, in relation to the dilemma posed by the rural/urban divide. The intention is to attract investment in those identified areas to redress existing spatial imbalances of economic development. The strategy also highlights the potential of blended finance for catalytic and transformative infrastructure in underserviced areas.

- Social cohesion and safe communities: through enhancing the economic development of local communities where the FDI is located, social cohesion will be promoted. This is effected through enhancing social inclusion within communities leading to more cohesive societies.
- Building a capable, ethical and developmental state: the CIS contains recommendations to promote the technical capacity of IPA officials (e.g. training and exchange programmes between the country and UNCTAD, World Bank and others) and further articulates measures to enhance transparency in the investment attraction and facilitation landscape.

Figure 60: CIS Strategic Pillars and How It Engenders Growth



4. ENVIRONMENTAL SCAN

This section provides an overview of the country's political governance system, articulates its socioeconomic landscape in brief and considers the impact of the unprecedented rise of cities across the globe with a focus on the importance of the role of South Africa's eight metropolitan cities.

4.1. Political Governance

4.1.1. Separation of Powers

There are three branches of the state in South Africa supported by the doctrine of separation of powers and includes the legislature, executive and judiciary. The functions of the three arms of state are differentiated to the extent that the legislature is charged with the duty to legislate while the executive arm bears the responsibility to implement such legislations. The judiciary performs the critical role of interpreting the law and does not draft laws or influence those that have been drafted for implementation.

4.1.2. Spheres of Government

There are three distinct spheres of government in South Africa. Each sphere is governed by a duly elected legislature and is assigned certain powers and functions. The Constitution guides the three spheres in co-operating on the delivery of concurrent functions and further assigns revenue sources by sphere. Democratic elections are held every five years to renew the mandate of government provided by South African citizens. National government is responsible for overarching policy development and oversight and establishes priorities through legislation; norms and standards and/or political pronouncements. Provincial government is the second tier of government and is responsible for social service delivery functions, in conjunction with the national and local spheres, including functions pertaining to education, health, social development, agriculture, roads and human settlements. The final, and arguably the most important sphere, is that of local government; comprising 278 municipalities; constituted by 8 metropolitan cities, 44 districts and 226 local municipalities. Local authorities are predominantly responsible for the delivery of basic services including water and sanitation; electricity; municipal transport and roads; and the provision of basic community services.

Figure 4: The Three Distinct and Interrelated Spheres of Government in South Africa

4.2. South Africa's economic & socioeconomic landscape at a glance

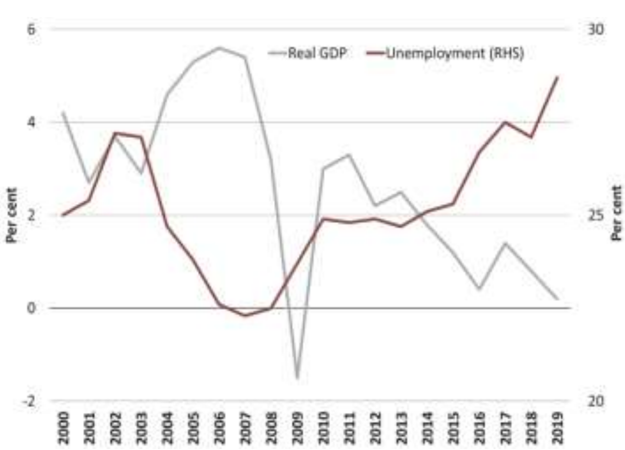
Home to a youthful population of more than 60 million, and the third largest on the African continent; providing market access to almost 400 million middle class consumers on the continent, South Africa is the investment destination of choice for a sizeable number of global corporates; many of whom have reaped the benefits of doing business in the country. This is represented by the fact that more than 180 Fortune 500 companies are present in South Africa, with the country aptly positioned as Africa's most industrialised economy. In this regard, South Africa is continent's principal manufacturing hub and a leading services destination, representing a highly diversified economic structure from a sectoral composition perspective. The country is also one of the most open economies in the world boasting a ratio of exports and imports to GDP of more than 58 percent with preferential access to numerous global markets and is endowed with an abundance of natural resources, complemented by its extensive and modern infrastructure network.

As the continent's financial hub, South Africa boasts an independent and autonomous Reserve Bank and the continent's most sophisticated financial sector with a significant African footprint offering a supportive and growing ecosystem as a regional nucleus for innovation, technology and fintech, comparable to many developed economies globally. From a financial markets perspective, the Johannesburg Stock exchange (JSE) boasts the largest stock exchange by market capitalisation amongst the continent's 22 exchanges and is also, the sixteenth largest globally (World Federation of Exchanges, 2020). South Africa's well capitalised banking sector is home to a plethora of foreign banks and is aptly supported by a robust and resilient regulatory architecture. Testament to this is the WEF's global competitiveness ranking of South Africa as nineteenth globally for its "well-developed equity, insurance and credit markets" (WEF, 2020).

Based on President Ramaphosa's drive to grow the economy; in 2019, South Africa climbed seven places in the WEF Global Competitiveness Survey, and the country is now ranked 60th from 141 economies; with the WEF ranking South Africa as the second most competitive African economy. In addition, the Global Innovation Index ranks South Africa as the highest for innovation in Africa, supported by robust intellectual property rights legislation; aptly regarded as the second best on the continent (WIPO, 2020).

However, despite these significantly positive features, the rapid spread of the Covid-19 pandemic in 2020 exerted a negative impact on many countries across the globe resulting in numerous socioeconomic repercussions contributing to and exacerbating existing fiscal room. The country's November 2021 Medium-Term Budget Policy Statement (MTBPS) predicts that the economy will grow by 5.1 percent in 2021, following a contraction of 6.4 percent in 2020 (National Treasury, 2021). Within the context of the current economic situation, the country requires an environment that is able to respond to inclusive and dynamic job creation.

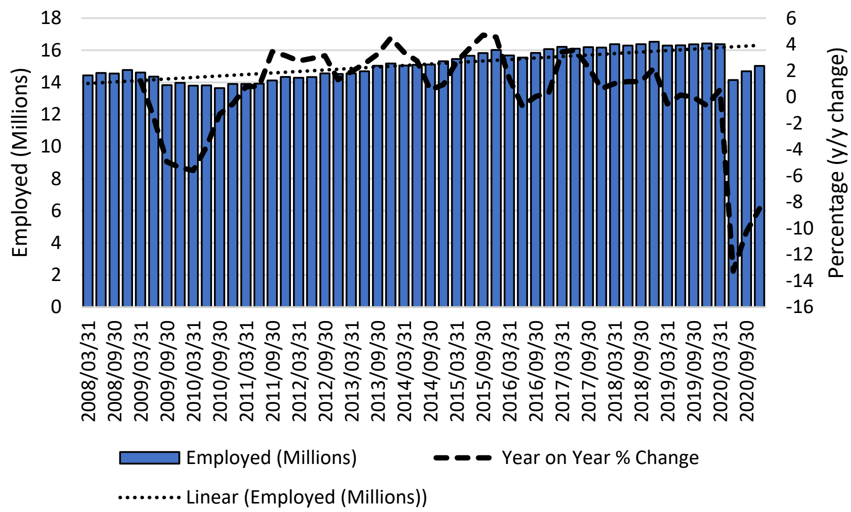
Figure 5: Real GDP growth and unemployment, 2000 – 2019



Source: National Treasury (2020)

Total employment in South Africa experienced an upward trend from the first quarter of 2008 to the last quarter of 2020, as indicated in Figure 6 below. Employment is concentrated in the provinces of Gauteng and Western Cape, with the former accounting for 31 percent and the latter accounting for 15.5 percent in 2020. Higher employment numbers in Gauteng can be explained by the agglomeration of economic activity in the metropolitan cities of Johannesburg, Ekurhuleni and Tshwane.

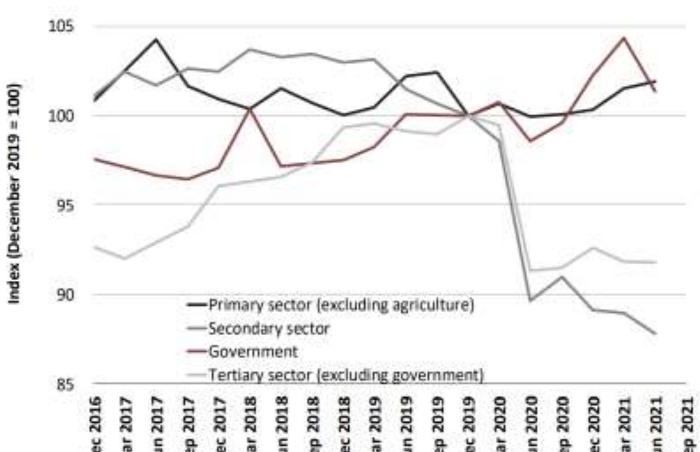
Figure 6: Total Employment in South Africa



Source: Quantec (2021)

In 2020, South Africa recorded 1.28 million job losses with the economy contracting by 7.2 percent (National Treasury, 2020). South Africa's formal labour market has not yet recovered and in June 2021, South Africa recorded 14.9 million jobs, which was 1.5 million below pre-pandemic levels (National Treasury 2021). There is also evidence to suggest that black women have been affected the worst in this regard (National Treasury 2021) signalling significant social and socioeconomic ramifications.

Figure 7: Employment by sector

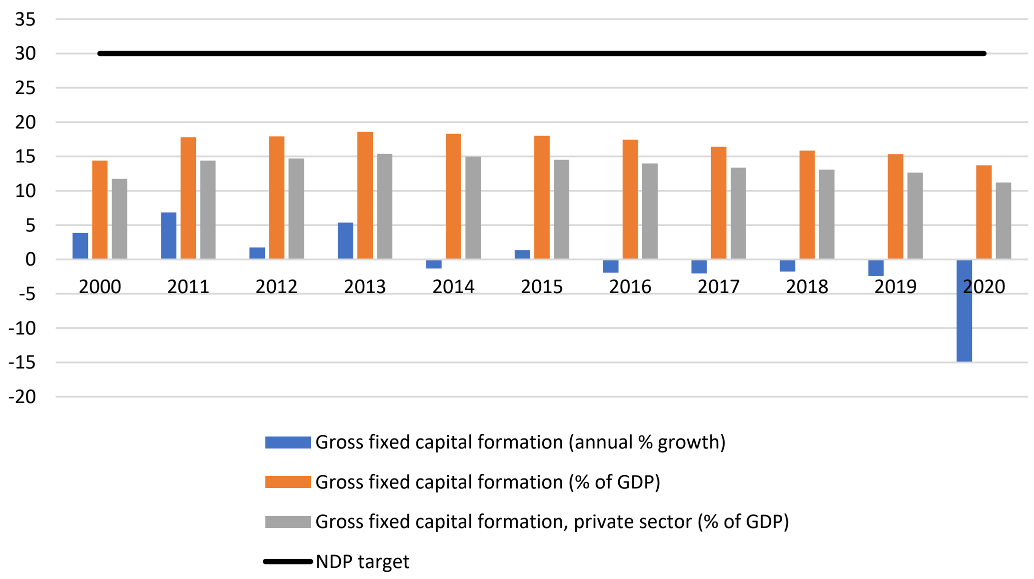


Source: National Treasury (2021)

To this end, President Cyril Ramaphosa announced the ERRP, which focuses on infrastructure development to catalyse economic growth. The ERRP concentrates on six key sectors, namely transport; water and sanitation; energy; digital infrastructure; agriculture and agro-processing and human settlements. Significant challenges in the water and energy sectors pose a substantial threat to both human development and economic growth. As such, it is critically envisaged that the deployment of infrastructure in these identified sectors will create efficiencies in the economy and promote new engines of growth. Whilst government's fiscal relief package and the Presidential employment initiative have assisted in offsetting job losses, sustainable job creation must be driven by increased private sector investment and continued implementation of government initiatives, such as the ERRP and the NIP2050. It is envisaged that together these will contribute towards crowding in private investment and increasing private sector job creation (National Treasury, 2021).

From an equity perspective, the country requires an economy where the ownership of production is less concentrated and subsequently, more diverse to address the country's unenviable and high rate of inequality, which when viewed from a racial dimension is exceptionally alarming. The South African government has made significant strides in mobilising the private sector as a key player in the investment value chain towards ensuring that GFCF as a percentage of GDP, which has been under continued pressure as demonstrated by Figure 8, reaches 30 percent by 2030 as outlined in the NDP.

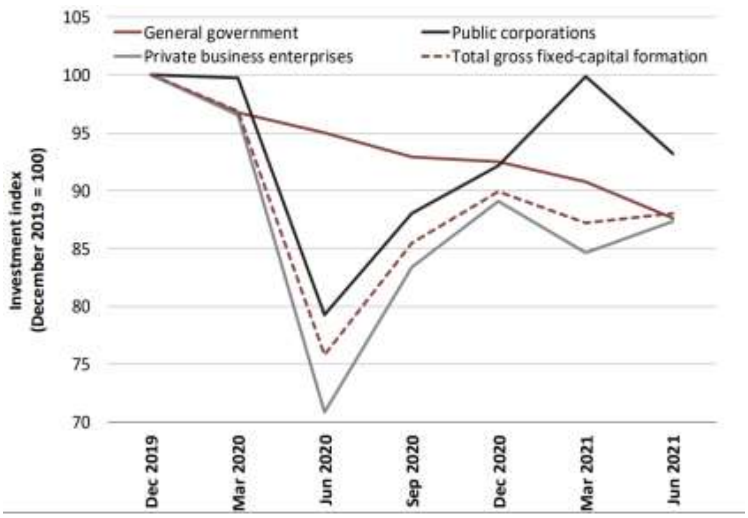
Figure 8: GFCF trends between 2000 and 2020



Source: World Development Indicators (2021)

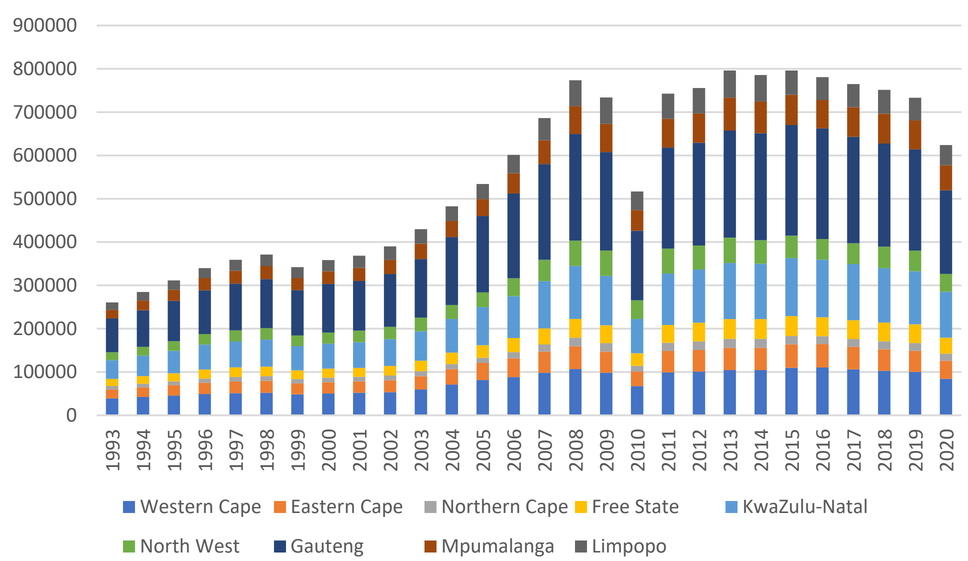
Figure 9 below demonstrates that while GFCF across all categories has slightly improved, it is still below levels seen prior to the Covid-19 pandemic. GFCF as at the second quarter of 2021 stood at 14 percent while private investment has been affected by the general global slowdown in addition to persistent structural constraints within the South African economic landscape (National Treasury, 2021). Figure 10 highlights GFCF levels across South Africa's nine provinces with the largest GFCF levels, on average, found in the provincial economies of Gauteng, KwaZulu Natal and the Western Cape.

Figure 9: GFCF in the post-pandemic period



Source: National Treasury (2021)

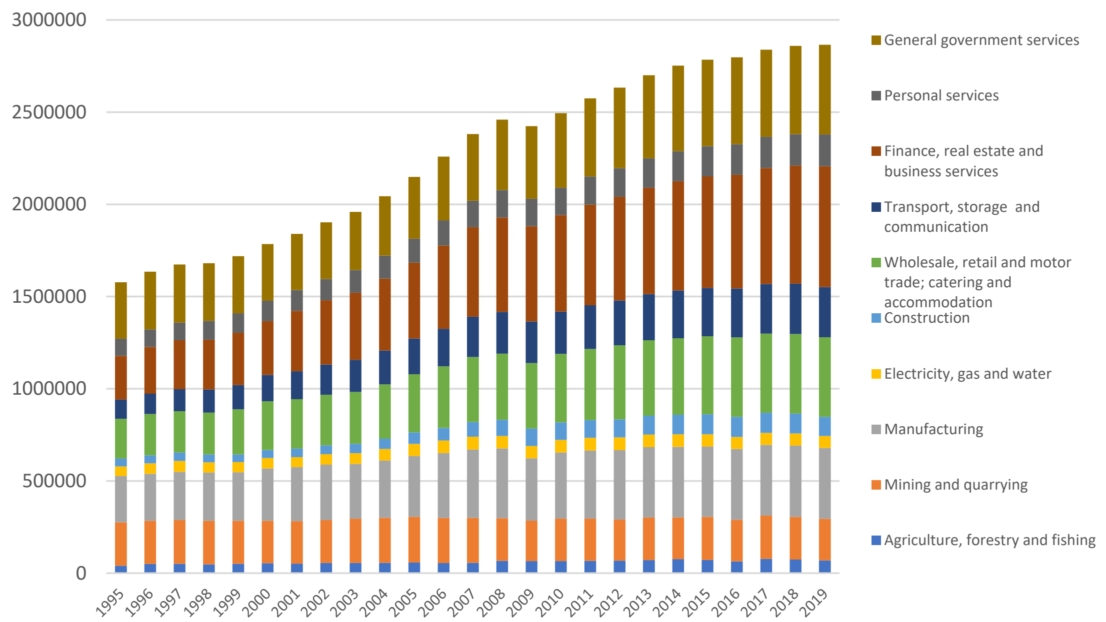
Figure 10: GFCF, 1993 – 2020: South African Provinces



Source: Quantec

Acutely aware of the extensive threat posed by climate change, South Africa has begun its transition from the unsustainable use of natural resources to a low carbon economy. The country has set targets pertaining to a number of initiatives, including the introduction of an independent power producing programme and promoting the nascent hydrogen energy economy; elements which are addressed in further sections of the CIS.

Figure 11: Sectorial composition of South Africa, 1995 – 2019



Source: Quantec (2021)

Figure 12: Sector performance, Quarter 4 2020, year-on-year

Source: StatsSA (2021)

In the fourth quarter of 2020, the primary, secondary and tertiary sectors experienced positive growth rates in comparison to the same quarter in 2019. Growth in the primary sector was driven by increases in agricultural production while growth in the secondary sector was driven by manufacturing, construction and energy. Within manufacturing, growth can be accounted for by increases in food and beverages, motor vehicles and metal and steel products. South Africa's tertiary sector growth was largely driven by increases in trade, transport and personal services.

Figure 13: Sector percentage contribution to nominal value add, Quarter 4 2020

Source: StatsSA (2021)

From a socioeconomic perspective, the World Bank (2021) identifies South Africa as an upper-middle-income country with a GDP per capita of approximately USD 6000 in 2020. Despite the tremendous economic achievement in the last three decades, South Africa remains plagued by the triple challenges of unemployment, poverty and inequality. As indicated in Table 2, South Africa's HDI value in 2019 is approximately 0.71, which places the country in the medium human development category; positioning it at 114 of 189 countries. Importantly, the percentage of people with tertiary education in the work force has increased from 18 percent in 2008 to 22 percent in 2020.

Table 2: HDI of BRICS economies

		Human Development Index (HDI)							
Rank in 2019	Country	1990	2000	2010	2014	2015	2017	2018	2019
84	Brazil	0.613	0.685	0.727	0.756	0.756	0.761	0.762	0.765
85	China	0.499	0.588	0.699	0.731	0.739	0.750	0.755	0.761
131	India	0.429	0.495	0.579	0.624	0.624	0.640	0.642	0.645
52	Russia	0.735	0.722	0.781	0.807	0.809	0.820	0.823	0.824
114	RSA	0.627	0.631	0.664	0.693	0.701	0.705	0.707	0.709

Source: Country Investment Strategy computation using UNDP dataset

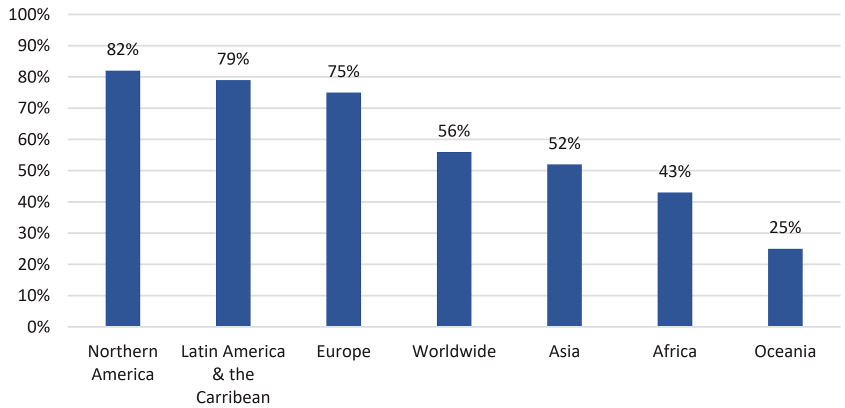
Technological advancement has been a critical component of the socio-economic evolution of societies since time immemorial. The world is moving towards the Fourth Industrial Revolution (4IR); the new epoch in social and economic life. In this regard, President Ramaphosa established the Presidential Commission on the 4IR (PC4IR) to provide leadership to enable all in society to understand and navigate what will be a fundamentally altered future. The WEF ranks South Africa as 46th of a 141 countries in terms of innovation capacity (PC4IR, 2019) and the current administration's willingness and ability to participate in the 4IR will work towards further advancing the country's competitiveness and innovation rankings. The report produced by the PC4IR indicates the centrality of the state in this new epoch, for instance, through : (i) utilising technology to address service delivery challenges; (ii) leveraging public-private partnerships for scientific experimentation with government departments playing an important role in aligning industrial development goals in this regard (PC4IR, 2019).

Critical recommendations made include: (i) investing in human capital through advancing youth into more productive work and upskilling existing workers accordingly; (ii) establishing an Artificial Intelligence (AI) institute generating new knowledge and developing creative technologies; (iii) establishing a platform for advanced manufacturing and new materials; (iv) securing and availing data to enable innovation; (v) incentivising future industries, platforms and applications of 4IR technologies; (vi) building 4IR infrastructure by integrating such infrastructure into existing social and economic infrastructure; (vii) reviewing and amending or creating policy and regulation to facilitate progress. The shift towards the 4IR and digital transformation in the public and private sectors is creating a higher demand for data, which requires the deployment of 5G networks to meet growing demand. Government is in the process of releasing an additional spectrum in the 80-100 MHz and 5G mid-bands to support this important transition. In addition, the South African government will leverage private sector capabilities in finding scalable and profitable solutions.

4.3. The unprecedented and continued rise of metropolitan cities

Urbanisation and economic development are inextricably intertwined. Numerous studies demonstrate that whilst urbanization does not necessarily cause development, urbanization is a prerequisite for sustained development (Henderson, 2014). The UN (2018) predicts that 90 percent of all global population growth will occur in Southern urban regions by 2030. The real challenge within the urban transition is for governments to enable an environment that will enable residents to make the most out of living in cities. Presently, more than half of the world's population is urban with 56.2 percent of the globe's population living in cities (WEF, 2020). In 2025, 600 key cities will account for 60 per cent of global GDP; approximately USD64 trillion (MGI, 2011). Megacities, such as Tokyo, Mexico City, and São Paulo, are already home to more than 30 million people.

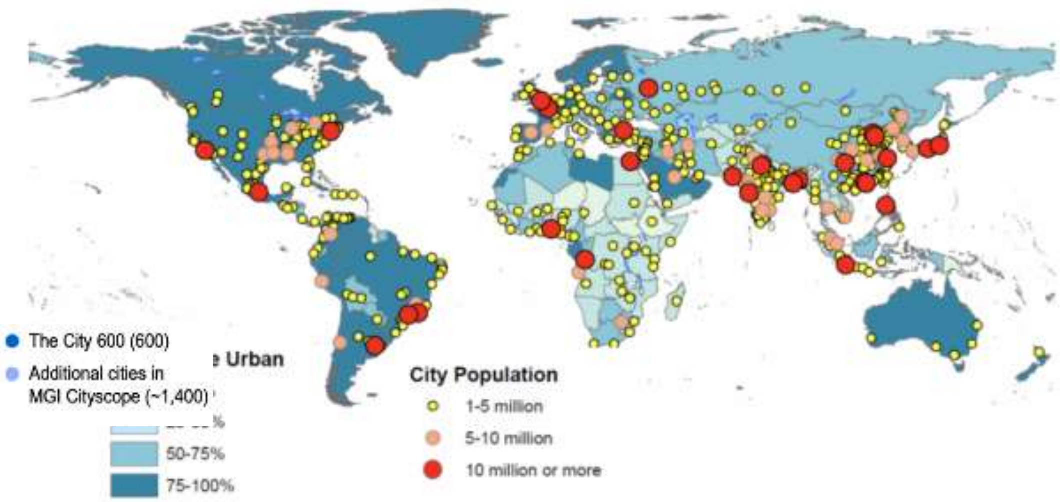
Figure 14: Percentage of urban population by region, 2021



Source: Statista

In the year 1800, a mere 2 percent of the world's population resided in metropolitan regions (UN, 1976), whereas today, more than half of the world's population is urban. A crucial consideration is that urbanisation in today's Western developed countries was gradual, taking a hundred years or more, allowing for greater room with respect to managing this transition. Today's cities are growing at an unprecedented speed, facing sudden migration from rural areas. More than 70 per cent of generated energy is now consumed in cities, and as much as 80 per cent of global greenhouse gas emissions are attributed to urban residents whilst 50 per cent of world GDP is produced on only 1.5 per cent of the world's land (UN, 2018). Managing today's rapid transition is key to ensuring resilient and sustainable growth. Thus, it is not surprising that over 80 percent of global GDP is generated within cities (UN, 2018). The social and economic importance of emerging market cities leveraging this global mega-trend cannot be understated with almost half of global growth by 2025 estimated to emanate from approximately 400 emerging market cities; some of which are not yet in existence (MGI, 2011). In this regard, one potential example in the South African context is the creation of Africa's first smart city: the Lanseria Smart City.

Figure 15: Global urbanisation map



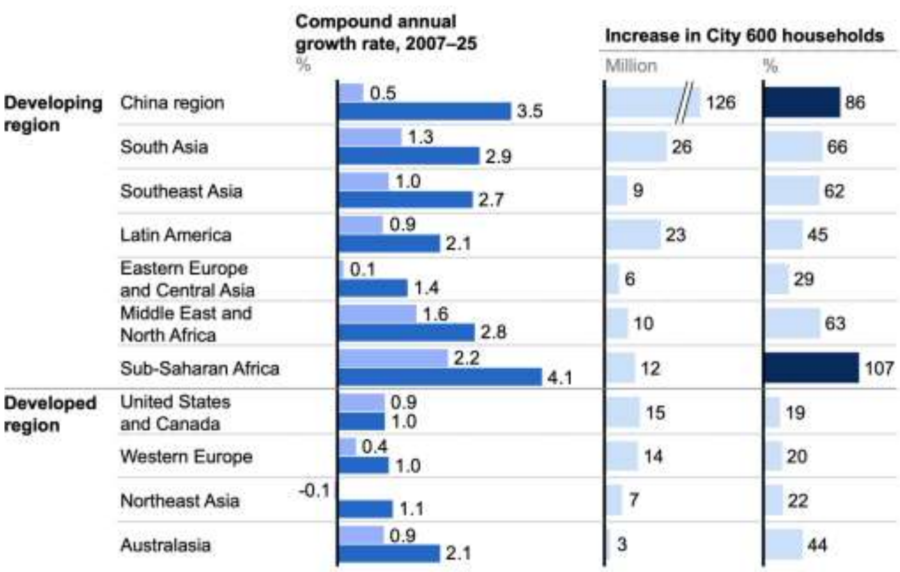
Source: UN (2021)

The role of cities has significantly increased during the twentieth century, both politically and economically, as is evidenced by the increase in bilateral relationships between regions and the growing number of networks between cities. Cities also play a leading role in policy debates as well as a prominent role in the development of new governance models and systems to overcome existing urban governance challenges. It is thus not surprising that cities are increasingly expected to take the initiative on resource management, environmental standards, migration and even security because of their critical importance to the welfare of urban dwellers. The growing calls for distributed governance networks and for legitimacy around different geographic and social contexts reinforce the importance of cities as actors within governance networks.

The growth of cities is driven largely by the economic prosperity they help create. Through the enablement of densification, cities have helped transform economies for many centuries. High densities enable social and economic interactions at a much higher frequency than in non-urban settings. These interactions create a vibrant market for ideas that translate into innovations by entrepreneurs and investors. Ultimately, city leaders must be focussed on sustainable job creation whilst ensuring globally competitive cities.

Less urbanised, however quickly growing, regions in the global South are Asia and Africa; with Africa expected to reach its tipping point by 2030 when its population will be more urban than rural. By 2050, Southern Africa will be 77 per cent urban. Urbanization can be a positive force for economic development leading to necessary social change and positive political outcomes for a number of reasons: larger cities attract more talent; larger cities have the ability to attract increasing investment levels; larger cities have the requisite network to stimulate economic growth and advance development through upward and downward linkages. Sub-Saharan Africa is the exception and is more urbanised than Southern Asia, where GDP per capita incomes are higher. However, across the world there is generally less urban than rural poverty; a predominantly natural occurrence. Due to the shifts that are occurring on a global scale, cities located within these areas are of increasing importance. The figure below, whilst constructed in a pre-Covid environment, illustrates that Sub-Saharan Africa will experience the greatest increase in growth and households. Within the South African context, our city-construct needs to be redefined to better understand this role of cities.

Figure 16: Growth of households in the MGI City600



Source: MGI CityScope (2011)

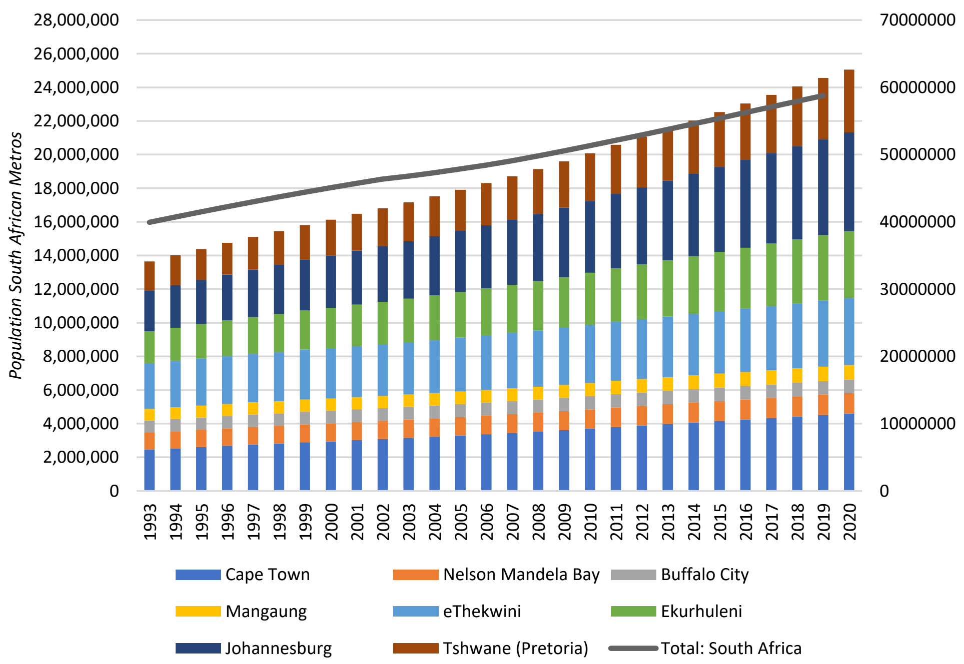
Since 1950, only 12 countries have managed to grow at rates in excess of seven per cent for 25 years or more (UN, 2018). Many more countries—in places as diverse as Latin America, Africa, and the Middle East—have managed high growth rates for shorter periods, only to see that growth falter. As a result of this situation, cities need to better understand their role within this process in terms of the lessons that have been learnt during this period. A developmental path for cities requires a city that is able to direct resources efficiently, an institutional environment that is able to drive its developmental trajectory and an active civil society. Institutions need to provide the foundations for liberalising the movement of people and goods and easing the exchange and redevelopment of land thereby enabling vast economic gains, as alluded to earlier. Investment should respond to the needs of residents and businesses, especially for basic and connective infrastructure, whilst targeted interventions should respond to the needs of the poor and people in marginal locations. In short, the next twenty years of urban growth will look strikingly different from the urban growth patterns of the late 20th century, which gave rise to today's 28 megacities; with a population in excess of 10 million people (UN, 2021).

From a spatial planning perspective in South Africa, the urban/rural socio-economic divide caused by apartheid and colonial spatial planning patterns remains a challenge. The characteristics of this divide in rural communities are high levels of poverty and unemployment as a result of the lack of participation in the mainstream economy. Of the six sectors identified, the ERRP indicates that (i) agriculture and agro-processing; and (ii) transport will be catalytic in the inclusive economic reconstruction of the country. The deployment of transport infrastructure will be an important enabler in the agriculture and agro-processing industry for rural development.

In 1998, after the adoption of the 1996 Constitution, the South African White Paper on Local Government commenced the process of constructing policy and a legal framework for its third tier of government. Between 1998 and 2004 this framework elaborated, transformed and deepened the focus and mandates of the local government system through inter alia the creation of metropolitan cities with the differentiated classification of municipalities (for instance metropolitan municipalities); the establishment of an operational and accountable legislative framework and the operationalisation of an intergovernmental fiscal transfer system.

Figure 17 below presents the population of South Africa's metros between 1994 and 2020 in relation to South Africa's total population. In 2020, almost half, or approximately 43 percent, of South Africans resided in metropolitan areas.

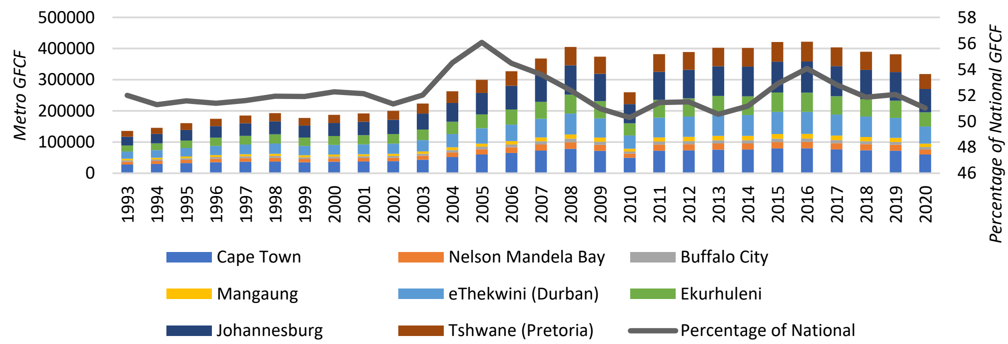
Figure 17: Population in South Africa's metropolitan cities & South Africa's population



Source: Quantec (2021)

Figure 18 reflects GFCF levels for South Africa's eight metros between 1993 and 2020. It is evident that these eight cities account for the bulk of national GFCF; with a value greater than 50 percent over the period under consideration. The majority of the population resides within these eight cities. Whilst GFCF has grown significantly since the advent of South Africa's democracy in 1994, it has declined since 2017. At the government level, this also reflects some of the failures of local government and state-owned entities from an infrastructure development perspective, giving rise to the ERRP. These challenges are also addressed later within this document and in detail in the NIP2050.

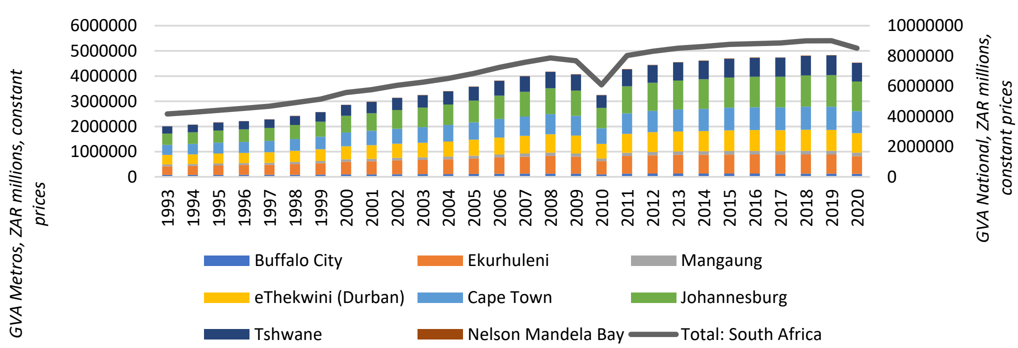
Figure 18: GFCF formation in South African metro's



Source: Quantec (2021)

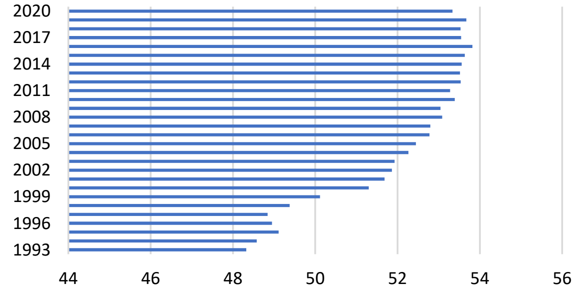
The figure below indicates the GVA for South Africa's metro areas with Johannesburg, Cape Town and eThekwini (Durban) accounting for the top three largest GVAs. In addition, as metro areas account for more than 50 percent of South Africa's GVA over the period under consideration, it is not surprising that their growth rates mirror that of the sovereign. However, in order to achieve the country's NDP aspirations, metro areas have to grow faster than the national target of 5.4 percent articulated in the NDP Vision 2030. The same applies to the country's desired level of GFCF from a government capital investment perspective.

Figure 19: GVA in South Africa's metros



Source: Quantec (2021)

Figure 20: Metro share of national GVA, constant prices



Source: Quantec (2021)

5. Strategic Objectives

South Africa is an exceptionally open economy with FDI and DDI exerting a crucial role in the country's development. Since 1994, South Africa has made great strides and undertaken substantial economic reform that have in part aimed to attract greater flows of investment. The overall growth of FDI since 1994 is a reflection of the country's openness to investment as well as significant international interest based on the strength of the country's institutions. FDI plays an important role in strengthening the integration of South Africa into the global economy; improving the country's international competitiveness and facilitating improved access to foreign markets.

Today's global economy demands innovation and investment into productive sectors supported by the continued flow of trade and capital. The emergence of global supply chains and importance of value chains in economic development poses important considerations for South Africa. However, these opportunities can only be seized through investment reforms that encourage value chain linkages to obtain a greater share of the benefits of inward investment, whilst driving competition. The CIS focusses on consolidating and strengthening existing capacity in identified priority sectors through regulatory consistency and policy certainty. The proposed approach to investment in South Africa requires a phased approach; through short-, medium- and long-term strategic initiatives.

Figure 21: Country Investment Strategy Strategic Objectives

Aligned to the goals outlined in the CIS, South Africa has developed specific objectives to be achieved:

- Strategic Objective #1: Catalyse a new investment model to address current under-investment
- Strategic Objective #2: Attract quality greenfield investments into South Africa
- Strategic Objective #3: Identify high-impact and high-growth industries that will accelerate contributions to GDP
- Strategic Objective #4: Support existing industries and develop new industries with clearly articulated forward-looking goals
- Strategic Objective #5: Consolidate and strengthen existing capacity in identified priority sectors through regulatory consistency and policy certainty
- Strategic Objective #6: Target critical areas of intervention, accompanied by the mobilisation of resources, and the co-ordination and alignment of state institutions.

6. Determining and Measuring Quality FDI

6.1. Quality FDI

A country's ability to attract and retain investment interest will play a critical role in supporting its economic, socio-economic and industrial developmental goals. Despite the global nature of trade and investment flows and activities, it remains critical for each country to create policies and programmes in support of its articulated developmental path

(Tujan Jr., 2013). The determinants of FDI merit further discussion and distinguishing between two types of FDI-seeking behaviour is relevant in this instance. Market-seeking FDI involves seeking large populations with growing incomes whilst resource-seeking FDI seeks a labour force at competitive relative costs and/or access to natural resource endowments, such as minerals and energy (Meyer & Estrin, n.d.) with institutional quality and other key FDI determinants remaining relevant. As a result of these activities, particularly resource-seeking FDI, FDI has often being thought of as a postcolonial exploitation mechanism to drive access to resources and cheap labour (IGC, 2017). However, FDI is able to influence an economy in a number of ways, namely technology transfer; technology spillovers; employment and employment quality and boosting competition amongst local firms within the international arena. Recent data indicates positive benefits to host developing economies, particularly through increased levels of knowledge transfer (Meyer & Estrin, n.d.) and technology diffusion, leading to positive demonstration effects and further evidence points to rising income levels thereby generating important economic transformation effects (Gonzalez, Qiang, & Kusek, 2018; UNCTAD, 2018). The potential of such demonstration effects will be higher, the more divergent the gap between the host and source country (Meyer & Estrin, n.d.). Attracting quality or sustainable FDI is thus of critical importance (IGC, 2017).

The International Growth Centre (IGC) characterises quality FDI as: "contributing to the creation of decent and value-adding jobs; enhancing the skills base of the host economy; facilitating the transfer of technology, knowledge and know-how; boosting competition of domestic firms and enabling their access to other local and global markets; and operating in a socially and environmentally responsible manner" (IGC, 2017). Unfortunately, many such impacts are difficult to quantify and lack an established quantitative methodology. The result is often a "more-is-better" mind-set towards FDI that overlooks or undervalues unquantifiable impacts on the host nation. It is thus vital that all projects are selected based on their expected sustainability. Quality and sustainable FDI can be defined as FDI projects that yield sufficient profits to maintain effective corporate engagement without harming vital host country interests whilst simultaneously producing positive net benefits for the country's long-term development goals as evaluated on prioritised economic, environmental, social and governance indicators.

Foreign investors generally enter host markets in three distinct categories: (i) greenfield investment (GI); (ii) mergers and acquisitions (M&A) and (iii) joint ventures (JV) and it is found that the institutional context of the host country is particularly significant in influencing the mode of entry. GI involves building a subsidiary from scratch whilst M&As concern the purchase of stock with requisite and sufficient managerial control. It is generally asserted that GI exerts the greatest relative positive effect on gross fixed capital formation (GFCF) and its actual effect is often greater than that reported in the Balance of Payments due to multiple spillover effects; however, the crowding out of local firms is still possible. One of the reasons attributed is the fact that GI utilises the resources of the foreign investor in its totality whilst M&As leverage local firm assets and combine it with that of the foreign investor (Meyer & Estrin, n.d.). Indicative examples in this regard are the Absa/Barclays merger and the Industrial and Commercial Bank of China purchasing twenty percent of Standard Bank. A JV can be useful in reducing transaction costs where market failures exist or in instances where a state entity is involved. In most emerging markets, JVs are a direct result of prevailing legal and regulatory frameworks (Meyer & Estrin, n.d.).

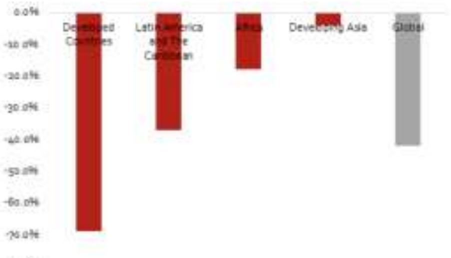
FDI is influenced by a number of factors and not limited to domestic market size; macroeconomic stability; a favourable exchange rate; labour force quality; skills available; infrastructure provision and the prevailing political and regulatory environment. These effects, real or perceived, have a direct impact on investor risk-return calculations (Gonzalez, Qiang, & Kusek, 2018) and a perpetual and concerted effort must be made to enhance the country's institutional environment and investment landscape.

Governments should seek to attract investors that will develop investment projects in ways that maximize net benefits to the host country. From the outset, it is essential that transparent communication with potential investors is established; anchored by sharing information that will foster a mutual understanding of the host nation's objectives. In evaluating an investment project's potential to promote economic empowerment, it is imperative to consider the projects overall economic impact on the sector and country, as a whole, including its effects on the regional development. Regional and/or metropolitan benefits will grow, the longer FDI capital remains in the host country; increasing incrementally by reinvested local profits, amongst other potential factors. On a macro level, the capital indicator can be assessed by the FDI project's net financial resource transfer over time, calculating FDI inflows less capital and profit repatriation. All things equal, the longer initial capital and new profits remain in the host country, the better. This type of integrated, multidimensional evaluation should inform governmental decisions and direct public support towards sustainable FDI projects that readily promote national, regional and local priorities.

The measurement of FDI is critical due to its association with productive investment. However, it is increasingly apparent that there a number of ways to measure investment and different claims can be made on the level of inward investment. Thus, government should aim to create its own datasets, leveraging StatsSA expertise, including tracking companies that have halted local operations. Efficient and effective government FDI policies require reliable data albeit with the inherent limitations of data itself. Measuring this over time will enable enhanced evidenced-based policymaking. Greater disclosures may be required by companies and also, the compelling of data sharing amongst government departments and regulatory authorities. Consideration should also be placed on publishing a comparison and synthesis of the various statistical data-sources on South Africa's FDI climate towards informed decision making.

FDI has contracted dramatically across the globe with developed economies contracting the most (GGDA, 2021). The dual shocks of the pandemic and the global slowdown is commodity prices is projected to exacerbate Africa's declining FDI trend (UNCTAD, 2020). FDI contracted by 42 percent in 2019 and currently stands at its lowest level in this century with the current contraction being 30 percent higher than that experienced during the 2008/9 global financial crisis. It is also evident that the effect of this contraction was most uneven, whilst not unexpected, with developed markets incurring the brunt of this contraction, that is a 69 percent reduction. However, the contraction on the continent was the least on a global scale with FDI contracting by just below 20 percent.

Figure 22: FDI contraction across the globe on a regional basis (2020)

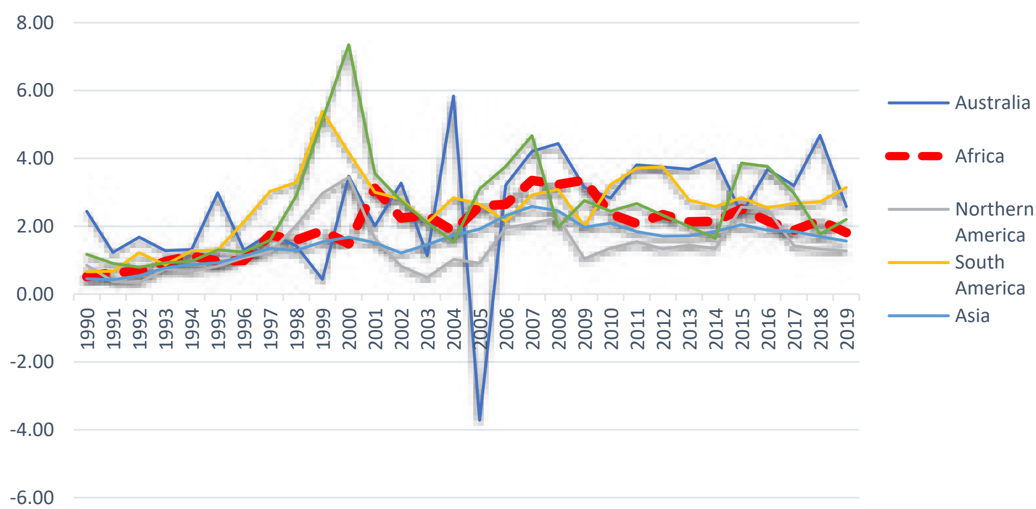


Source: GGDA (2021)

UNCTAD has projected that the worst affected industries will remain to be aviation, hospitality, tourism and leisure in addition to adverse effects on the global value chains of manufacturing signalling important considerations for Africa's desired industrialisation efforts (UNCTAD, 2021). The value of greenfield investment projects into the continent has dropped by 58 percent whilst M&A activity has declined by 72 percent from a monthly average perspective in 2019 (UNCTAD, 2021).

With the majority of African countries exhibiting lower savings rates due to high absolute poverty, many economies have become reliant on FDI to finance growth and development. Given the population growth rate in Africa and poverty levels, Loots and Kabundi (2012) suggest that to eradicate poverty and achieve much-needed economic growth, the continent requires an economic growth rate of between 7 and 8 percent. Ndulu *et al* (2007) further indicate that the achievement of such growth rates will be realised at annual investment rates of about 25 percent of GDP. With the current investment rate at 9 percent, this indicates an investment deficit of 16 percent of GDP.

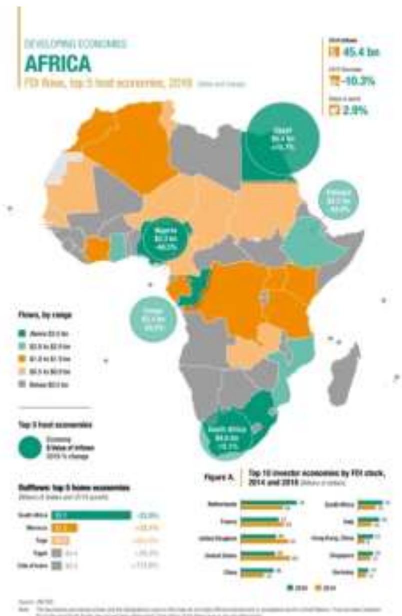
Figure 23: A graphical representation of Africa's FDI, Net Inflows (percentage of GDP), 1990 – 2020



Source: South Africa Country Investment Strategy computation using UNCTAD data (2021)

The continent has on average received a relatively small proportion of FDI inflows as compared other regions across the globe. For example, the region received USD 2.4 billion in 1990 (1.4 percent of the world total) increasing to USD 45.4 billion in 2019 (~3 percent of the world total) in 2019, as depicted in Figure 24 below (UNCTAD, 2020). In 2019, the continent with the highest share was North America, followed by Europe with Africa reflecting the least. Despite a relatively small proportion of FDI inflows in Africa, FDI inflows as a percentage of GDP depicts an increasing trend in Africa until the global financial crisis of 2008/9. The top five FDI recipients on the continent are Egypt, South Africa, Congo, Nigeria and Ethiopia with South Africa represented also as the largest outward investor. Africa's largest source markets continue to be Western markets, with the Netherlands investing significantly more than it once did and of course, and China despite recent reductions due to the impact of Covid-19. South Africa was the second highest FDI recipient in 2019 and has generally faired in the continent's top three economies over time.

Figure 24: Overview of FDI trends into Africa

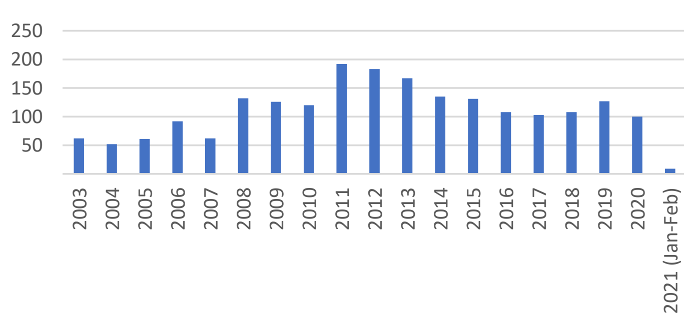


Source: UNCTAD (2020)

Despite these trends, the Brookings Institute (2021) cites two distinct factors that are positive in terms of international investment flows returning to the continent with the first related to the continent's drive to focus on infrastructure investment and industrial development and the second represented by that of the significant opportunities created through deepened regional integration manifested by the African Continental Free Trade Area (AfCFTA).

In terms of South Africa's performance, between 2007 and 2011, the number of FDI projects into South Africa increased quite significantly with a notable downward trend through to 2017. Upon picking up in 2019, it is of course evident that the current economic crisis represented by Covid-19 has begun to take its toll.

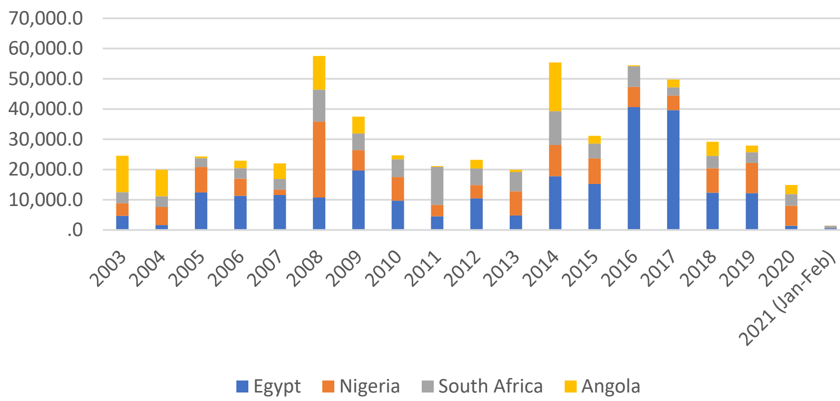
Figure 25: FDI into South Africa by number of projects, 2003-2021



Source: GGDA (2021)

South Africa's relative competitiveness position on the continent is high with government's drive to attract productive investment being most indicative, particularly in relation to its 2019 level, following the commencement of the country's investment drive in 2018. Data published in UNCTAD's 2020 World Investment Report indicates that FDI stocks increased to USD 151 billion; well above 2018 levels. South Africa's SEZ initiatives have also placed it as a continental leader with respect to FDI receipts. The bulk of FDI into South Africa is concentrated in the finance, mining, transport, manufacturing and retail sectors with the greatest investors emanating from Western European markets, such as the UK, the Netherlands, Luxembourg, Germany and Belgium in addition to the US, Japan and China (Santander, 2021). From a capital expenditure perspective, South Africa's major FDI competitors are represented by Egypt, Nigeria and Angola. A noticeable major decline in FDI is evident from 2014 with an uptake in 2018, due to renewed confidence in the country's investment drive.

Figure 26: FDI into South Africa capital expenditure, 2003-2021



Source: GGDA (2021)

From a Covid-19 perspective, FDI in South Africa contracted by approximately 22 percent, however, with that being said, it is important to note that 63 companies have been identified as investing in the country during this period, the location of which is displayed below.

Figure 27: FDI in South Africa on a provincial basis, by number of projects, 2020

Source: GGDA (2021)

Figure 28 below provides disaggregated source data for FDI into South Africa, by number of projects, with the most notable being that of automotive investment into the country's new Special Economic Zone located in Tshwane (Pretoria) and emanates from the United States.

Whilst efforts have been made to understand FDI trends into South Africa, it is critical that a market demand approach is embarked upon to better understand the demand-side characteristics of FDI into South Africa. This will be a key action in informing the appropriate development of South Africa's approach to lead generation and targeting. In the same vein, a better understanding of the trends and factors impacting DDI, and South Africa's approach to better enable enhanced DDI, is a critical action.

Figure 28: FDI in South Africa by source market, by number of projects, 2020

Source: GGDA (2021)

There are four type of FDIs – Resource seeking, market seeking, efficiency seeking and strategic asset seeking. The CIS needs to locate best SAs capability and opportunity for growth and type of FDI it seeks to attract.

7. Socio-Economic Maximisation Model through Enterprise Development

Strengthening backward and forward linkages from investment into the local economy is critical (IGC, 2017) from an enterprise development perspective. This allows for direct technology transfer and spillover from foreign to domestic firms and also, raises the local and global competitiveness of local suppliers. Important actions include the establishment of a vendor development programme to efficiently support the matchmaking of foreign investors and local firms and include financial concessions, such as support to local suppliers on the basis of purchase orders from the foreign firm. However, supply chain creation should not be confused with small business development, due to the fact that, initially, larger domestic firms may be better geared to support foreign entrants.

Gonzalez, Qiang, & Kusek (2018) find that FDI significantly benefits local firms through linkages and demonstration effects in a study of emerging market economies further detailing that technologies and managerial practices are a key transmission channel. For instance, in Ghana, the increased presence of MNE manufacturing has been found to have exerted a positive impact on the productivity of local firms, with high-growth firms benefitting the most due to their labour absorptive capacities. High-growth firms account for a very small percentage of the private sector but disproportionately account for higher levels of job creation. As such, programmes should be developed to identify and target these firms in the value chain process (Gonzalez, Qiang, & Kusek, 2018).

FDI projects should illustrate the recognition and reinforcement of local employee personnel initiatives, including an openness to facilitate small start-up enterprises by former employees as suppliers to the foreign firm. This can be facilitated by investor efforts to support the integration of local companies and SMMEs into their business processes and value chains. FDI projects can establish a variety of local business linkages with the most valuable of development objectives generally arising from the amount of value-additivity derived from local content purchases, including the integration of local companies into FDI business procurement and processes. Additional benefits can emerge when the MNE affiliate requires (and sometimes assists with) improvements in local product quality, thereby facilitating technology transmission. As previously alluded to, a potential negative repercussion is related to the possible displacement of existing local producers. Deeper relationships may also develop between foreign investor and the local business community, particularly where an investor progressively spins-off certain operations to local firms and further, stimulates new local firm creation. However, these potential benefits take time to develop and will often fall outside the three to five year post-start-up evaluation period generally used to assess an initial project proposal.

South Africa faces a severe challenge in terms of its legacy spatial divide. Compounding this spatial challenge is an institutional challenge that relates to the neglect of infrastructure life-cycle-maintenance and operations that are aligned to a cost-revenue plan. Albeit anecdotal, there is clear evidence that the lack of post construction management of many areas has resulted in a weakened ability to optimally embark on investment attraction initiatives and further, that the investment is not fully leveraged to stimulate economic growth. The absence of basic management structures, funding for maintenance, security and operations has resulted in infrastructure being vandalised and misused over time.

Effective infrastructure supply should support economic growth and enhance the quality of life for residents (Baldwin & Dixon, 2008). Infrastructure delivery and foreign investment will fall short of its intended outcome and impact if it does not fully leverage its embedded potential and act as catalyst for the substantive and sustained improvement of the quality of lives and livelihoods of communities. As such, it is imperative that, a socio-economic maximisation methodology be developed, that considers local conditions, including existing business (including informal businesses), local assets, access to resources, local skills and competencies with efforts made to preserve and protect cultural practices, social and political heritage and environmental endowments. The socio-economic maximisation model also needs to consider and align other country priorities, such as initiatives to promote women, youth and other relevant socio-economic criteria. This must include a measurement criterion designed to quantify the socio-economic impact, accordingly.

7.1. Country Priorities for Small, Medium, and Micro Enterprises (SMMEs)

The country's Re-imagined Industrial Strategy articulates the expansion of SMMEs as a key growth pillar, which also forms part of broader economic recovery policy goals. SMMEs are the largest category of businesses in South Africa and are estimated to number between 2.4 million and 3.5 million. The largest number is in the informal and macro segments. The country has adopted an industrialisation approach through localisation to rebuild the production economy, create jobs, and transform the ownership patterns of the South African economy. This approach includes improving the competitiveness of SMMEs and their ability to meet the procurement requirements of large multinational/local corporations and state-owned enterprises; offering support with access to finance for SMMEs who have limited, or no, access to finance; improving the prevailing regulatory and administrative environment and providing industrial incentives to catalyse investment and development, some of which are detailed in Annexure 5 of the CIS.

The manufacturing sector is one of the key industries where initiatives to improve and support the participation of SMMEs in the value chain are undergoing implementation. These initiatives include integrating township and rural enterprises in the manufacturing value chain; intensifying SMME participation in light and fast consumer goods manufacturing; facilitating the participation of SMMEs in minerals beneficiation and revitalising dormant industrial production infrastructure. The prioritised focus areas for manufacturing are:

- The food and beverages industry including agro-processing (for purposes of food security);
- Furniture and general use products;
- Pharmaceuticals and nutraceuticals;
- Clothing, leather and textile sector;
- Beauty and personal care products;
- Pulp and paper products;
- Petroleum and chemical products; and
- Plastic and plastic products

In the context of the CIS, FDI and DDI projects should consider linkages to local SMMEs in support of the country's broader industrialisation ambitions. The inclusion of SMMEs, especially local SMMEs is an important element of government's economic interventions aimed at economic growth and job creation.

8. International Agreements and Economic Diplomacy

South Africa has several trade and investment agreements that provide an export platform and are geared towards driving access into local and global markets. In addition, the country has signed a number of preferential trade agreements with key partners over time. Of great importance will be the accelerated conclusion of enabling agreements under negotiation and the conclusion of the implementation measures of those that have been ratified. These agreements include multilateral, regional and bilateral agreements, some of which are discussed below and contained in Annexure 4.

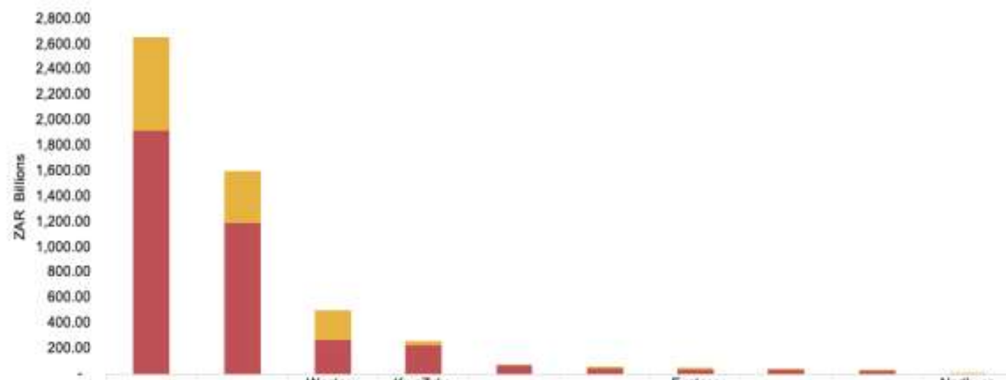
8.1. African Regional Integration

South Africa utilises strong government-to-government relations and mechanisms to advance a developmental agenda in Africa that focuses on:

- identifying and establishing joint investment projects in partner countries;
- promoting two-way trade;
- coordinating South African technical co-operation and assistance to support policy and institutional development in partner countries;
- promoting cross-border infrastructure development, notably on the basis of the spatial development initiative (SDI) methodology
- promoting regional integration through the strengthening and consolidation of the Southern African Customs Union (SACU) and the Southern African Development Community (SADC) free trade agreement; and
- negotiating agreements on investment protection and economic co-operation

Figure 29 indicates that total trade between South Africa and Africa amounted to ZAR 2.7 trillion for goods and services, between 2015 and 2020. In the period under consideration, South Africa exported ZAR 1.9 trillion worth of goods and services to the continent. The geographic area of the Gauteng City Region accounted for 62.1 percent of total exports (GGDA, 2021). In terms of imports, between 2015 and 2020, the total value of imported goods and services from the continent amounted to ZAR 739.1 billion, representing a trade surplus of approximately ZAR 1.18 trillion.

Figure 29: Trade between South Africa and the African continent, 2015 – 2020



	Total RSA	Gauteng	Western Cape	KwaZulu-Natal	Free State	Mpumalanga	Eastern Cape	Limpopo	North West	Northern Cape
Imports	739.13	406.49	241.00	33.92	9.55	19.69	18.55	2.88	4.59	2.46
Exports	1,922.54	1,194.29	269.37	233.10	69.43	44.36	37.59	38.02	30.45	5.93

Source: GGDA (2021)

A notable development in this regard is the ratification of the AfCFTA, making it the largest free trade agreement since the establishment of the WTO, creating a market of over 1 billion people with a combined GDP greater than USD 2 trillion. The AfCFTA is anchored on the development of an integrated approach, emphasising market integration, infrastructure development and industrial development to boost intra-Africa trade and support the continent's development imperatives of sustainable economic growth. It is further estimated that this will result in consumer and business spending of USD 6.7 trillion by 2030 with sizeable impacts on manufacturing; industrial development; tourism; economic transformation and increased intra-regional trade leveraging economies of scale and enhanced efficiency of the allocations of resources (Brookings Institute, 2020). By April 2019, the threshold number of countries for the AfCFTA to come into effect was met and entered into force in May 2019.

The IMF (2020) has also projected that this will have a significant impact on the continent's ranking on the WEF Global Competitiveness Index with UNECA (2020) further estimating that intra-regional trade will grow by 15 to 25 percent by 2040. There are a number of important elements of the agreement that are underway, including tariff concession schedules, intellectual property and competition, investment considerations and rules pertaining to origin and the digital economy. The agreement covers both trade in goods and services under Phase I, together with dispute resolution and settlement, while Phase II constitutes investment protection, competition policy and intellectual property considerations; the latter of which will be negotiated soon. An enabling regulatory environment and identifying policies that require amendment have also been taken into consideration. In this regard, legislative processes are underway to effect identified amendments. The South African Presidency will work closely with the Department of Trade, Industry and Competition's chief negotiator on South Africa's strategic trajectory for the African continent.

Figure 30: Status of AfCFTA as at October 2019

Source: IBRD (2020)

8.2. The Rest of the World

South Africa pursues regional negotiations and has concluded agreements with a number of economies. Over the last decade, the importance of building trade and investment relations with the new poles of economic growth in the world has become increasingly compelling. This inexorable change in the economic geography of the world economy requires more purposeful effort to diversify South Africa's trade and investment relations to benefit from rapid and dynamic economic growth in the global south.

South Africa's Trade Policy and Strategic Framework has been finalised through consultations with relevant stakeholders within and outside of government. The Framework establishes clear links between trade and industrial policy in South Africa to complement the country's National Industrial Policy Framework. South Africa's trade performance and tariff regime has been perpetually reviewed since 1994.

9. Investment Promotion and Facilitation

This section outlines the country's national plans and strategies; services provided to inward investors and initiatives underway to enhance and better enable South Africa's investment landscape.

9.1. National Plans and Strategies

9.1.1. South Africa's Economic Reconstruction and Recovery Plan (ERRP)

South Africa's ERRP aims to rekindle economic activity in a manner that ensures sustainability, resilience and inclusiveness. Its employment focus seeks to ensure that the objectives of inclusive economic growth and socio-economic transformation are achieved. Economic stabilisation will be supported by increasing policy certainty, structural reforms and infrastructure development, which will yield competitiveness improvements, stimulate investment activity and create employment opportunities. The ERRP is anchored by a solid socio-economic compact between government, business, labour and community partners, through collectively agreeing to a long-term strategy that will position the economy for sustainable economic growth and inclusive development. The plan is phased, with the first phase focusing on the preservation of economic activity and livelihoods; the second phase aimed at recovering economic activity and implementing required reforms; and the third phase entailing action targeted at growing and transforming the South African economy.

9.1.2. South Africa's Re-Imagined Industrial Strategy and the National Development Plan

The sixth administration has stressed the importance of policy implementation as a central feature over the current term, with focal areas including that of economic transformation, job creation and spatial integration. These priority areas stem from the NDP, which was adopted by Cabinet in 2012.

The six pillars of the NDP are:

- Mobilisation of all South Africans;
- Active engagement of citizens in their own development;
- Expansion of the economy & making growth inclusive;
- Building of key capabilities (human, physical & institutional);
- Building a capable and developmental state; and
- Fostering of strong leadership throughout society

The NDP articulates important economic targets for the country, some of which are listed below:

- GDP growth: 5.4 percent
- Unemployment rate: 6 percent
- Investment as a percentage of GDP: 30 percent
- Inequality (Gini-coefficient): 0.60

Thus far, the economy has struggled to meet the targets as envisaged by the NDP due to a variety of constraints; some of which are structural in nature. In order to meet these articulated growth targets, the foundation of the economy requires rebuilding by revitalising and expanding productive sectors. This requires a re-imagining of the country's industrial strategy to unlock private investment while the state will focus on improving economic inclusion.

The Re-imagined Industrial Strategy (RIS) is an extension of the National Industrial Policy Framework (NIPF), adopted by Cabinet in 2007. It provides an integrated and coherent framework for the reindustrialisation of the South African economy to be implemented across government departments and in collaboration with business and labour.

The NIPF argues that a core structural weakness in South Africa's economy is that the losses in employment in traditional commodity sectors (such as agriculture and mining) have not been adequately offset by sufficiently rapid growth in non–traditional tradeable sectors (such as in manufacturing and other tradeable activities). The development of manufacturing outside of heavy industry is critical for employment creation because of its skill intensity. Although rising, it is lower than a range of skill–intensive non–tradeable service sectors. The NIPF has emphasised that manufacturing is the most important, but not exclusive, platform for structural transformation. It establishes a framework aimed at unlocking constraints to growing a range of non–traditional tradeable goods and services including manufactured products outside of mineral processing; services than can compete in export markets and against imports, including certain non–traditional agricultural and mining activities. This rationale is adopted in the country's sector prioritisation strategy, which is discussed in a later section of this document.

9.2. Services to Inward Investors

South Africa's overarching National Investment Promotion Agency, InvestSA, is the focal point, guides investors through various stages of investment. InvestSA provides practical information, specialised assistance and access to platforms required to facilitate business establishment and/or expansion plans. InvestSA's business services are aimed at improving the time-to-market of an investment. The agency works in partnership with South Africa's 9 provinces and municipalities to match investment needs with the diverse business opportunities that South Africa has to offer.

InvestSA assists investors by:

- Creating awareness of South Africa´s diverse industry and advising on sector specific investment opportunities;
- Generating and sharing relevant, credible and up to date general and industry-specific information and content;
- Providing specialised and tailored assistance to both potential and established investors during all the stages of the investment journey;
- Connecting potential investors with local stakeholders, business organisations and service providers; and
- Improving South Africa's business climate by initiating or supporting advocacy initiatives.

InvestSA is also leading reforms within South Africa to improve government business regulatory processes by optimising processes and using technology and digitisation to drive business process efficiencies, complemented by associated legislative reform, where required.

9.3. Creating a Competitive Business Environment

South Africa remains one of the best investment destinations in Africa, with established and advanced business systems. The efforts being made by InvestSA, Infrastructure South Africa and other stakeholders have the potential to significantly alter the country's business environment in the near future.

9.3.1. The Provision of Infrastructure as an Enabler & South Africa's National Infrastructure Plan 2050 (NIP2050)

South Africa recognises infrastructure as a critical enabler for inclusive and sustainable economic growth as articulated in the NDP. Infrastructure development is identified as integral in not only resuscitating the economy but also in enabling private sector investment. The country has over the past several years embarked on capital investment programmes aimed at addressing backlogs and capacity constraints in the country's infrastructure. The country's ongoing investment in infrastructure will ensure both stability and consistency in the planning, investment, implementation and maintenance of infrastructure in the short-, medium- and long-term and will also restore the confidence of the private sector.

Whilst the South African government has over the past decade invested in infrastructure, there is a need to significantly scale up the delivery of infrastructure to support the country's ambitious growth targets. The public sector currently spends about 5.8 percent of its GDP on infrastructure, while the NDP targets a 10 percent GDP spend (National Treasury, 2020). South Africa has developed its National Infrastructure Plan 2050 (NIP2050) through an extensive public participation process, during the course of 2021. The goal of the NIP2050 is to create a foundation for achieving the country's NDP vision of inclusive growth. Its purpose is to promote dynamism in infrastructure delivery, address institutional backlogs and weaknesses that hinder success over the longer term, as well as guide the way towards building stronger institutions that can deliver on NDP aspirations. The provision of infrastructure as an enabler for investment is linked to the provision of physical and digital infrastructure including energy, water, commercial transport and telecommunications.

Infrastructure investment is a priority in creating an enabling environment for investment. The South African government is further committed to implementing a long-term, government-led infrastructure investment programme and, in the process, leveraging the participation of the private sector, labour and civil society. Strengthening institutions responsible for infrastructure planning and delivery is the top priority of the NIP2050. Planning, procurement and execution systems and capabilities will be operating at the highest global standard commensurate with the country's significant infrastructure and growth transformation agenda. There is significant potential for greater private sector involvement in the design, financing, construction, operation and maintenance of public infrastructure. Robust and ever-developing partnerships and alliances between the private and public sectors will be a significant feature is planning and implementation.

9.3.1.1. The State of South Africa's Infrastructure

Transport

Transport and logistics infrastructure is identified as a key contributor to competitiveness in global markets and is regarded as a crucial engine for economic growth and social development. South Africa's infrastructure is considered advanced in many aspects, when compared with other countries in the region. The World Bank Logistics Performance Index ranks South Africa as first in Africa in transport and logistics (World Bank, 2018). The country has one of the largest road and rail transport networks in Africa and its ports provide a convenient stopover for shipping to international markets and also boasts the largest air and seaports. The country's interconnected transport network is considered as an opportunity for further investment, with South Africa committed to continuously improving its roads, railways, airports and ports through the NIP2050.

South Africa's total road network is the longest network of roads across any country on the continent. The road network is ranked 47th for quality of roads infrastructure (WEF, 2019) and ranked seventh for road connectivity (WEF, 2019). South Africa's rail infrastructure connects its ports with the rest of the country and constitutes approximately 80 percent of Africa's total. The extensive rail network is ranked the fourteenth longest in the world and is ranked 47th globally for railroad density (WEF 2019). The Gautrain is Africa's only high-speed train service which connects Johannesburg, Pretoria and OR Tambo International Airport. Improving the country's 21,000 km rail network is a government priority, with projects aiming to increase freight rail volumes and increase the country's market share of container traffic (PWC, 2018). In addition, South Africa possesses excellent airport infrastructure, with airports located in all major cities. The country's airports are ranked 27th out of 141 countries for efficiency of air transport services and 39th for Airport Connectivity (WEF, 2019).

Whilst South Africa's infrastructure performs well in comparison to others in the region, there are several challenges. The transport mix is not efficient, mainly due to diminishing efficiencies, quality and pricing in rail, ports and rural and district roads. Freight traffic in South Africa is dominated by road use, which offers the potential to shift from road based to intermodal solutions, particularly on the corridors linking the major cities in South Africa. Major road corridors are overly congested, often suffering from overloading, and are a major contributor to South Africa's carbon emissions. The combination of excessive freight demand, caused by long transport distances, and inefficient supply, due to modal imbalance and infrastructure deterioration, causes transport costs to be higher than in competing economies. In addition, South Africa's port efficiency generally lags global averages, which is adding to the high cost of logistics and is eroding the competitiveness of South Africa's economy through the elevated total cost of transport. Some of the reforms currently underway include introducing third-party operators into South Africa's branch network through concessions and investigation on partnerships designed to improve the competitiveness of the key supply chains.

The NDP envisages a freight transport sector that facilitates domestic and cross-border movement across supply chains to enable industrialisation, diversification and trade and development. To do so, it will be efficient, reliable, resilient, financially sustainable and consistent with a low-carbon future. The NDP envisages industrial supply chains that are globally competitive and which make the best use of available infrastructure platforms. Significant efforts will go into upgrading and modernising infrastructure networks, particularly for rail and ports, to improve predictability and reliability, reducing costs and enhancing intermodal linkages. Further, shifting to intermodal solutions will lift pressure off the road network, reduce carbon emissions and reduce transport costs. A reformed transport system must also enable Africa regional trade and investment. A number of strategic challenges confronting the freight system will be addressed by improving cross-border trade corridors, shifting long distance freight from road to rail and improving maritime connectivity. This will reduce the cost and carbon intensity of supply chains, while also increasing supply chain speed and reliability.

Digital Infrastructure

South Africa recognises that digital transformation across sectors and government services can deliver great benefit and has demonstrated its commitment through establishing the country's first digital industrial revolution commission, which includes the private sector and civil society. Digital infrastructure includes high-speed, multichannel ubiquitous connectivity, robust information technology and cyber security, edge computing networks, infrastructure and devices as well as competitive connectivity networks which includes satellite, data and cloud infrastructure. In terms of digital infrastructure, the country's internet infrastructure is among the best on the continent with upload and download speeds much higher than those of most other regional economies. This helps to make South Africa an ideal location for investment in software and information technology, data centres, creative industries and other activities involving high internet usage. South Africa performs well in some global digital infrastructure indices. The country has the highest number of secure internet servers in the region and was ranked 3rd in Africa on the Information and Communications Technology Development Index (International Telecommunications Union, 2017). By 2019, 93% of the population were covered with 4G/LTE, a dramatic improvement from 53% in 2015. Urban areas were fully covered with 4G/LTE and most provinces had rural coverage of 4G/LTE exceeding 80%. South Africa ranks 96th and 60th globally in its fixed-broadband and mobile download speeds, respectively. Although fixed-broadband speeds in South Africa are a challenge, mobile upload and download speeds compare favourably with those of BRICS and many other peer countries.

Whilst there has been positive progress on South Africa's infrastructure roll-out in the past decade, there are several challenges which persist including poor digital access to marginalised communities, lack of progress on digital enablement of government services as well as delays in digital migration and spectrum reassignment, amongst others. South Africa, however, remains committed to investing in the integration of digital technology to enable digital business and digital government and believes in partnering with the private sector to unlock digital value.

The NDP envisages that, by 2030, there will be seamless information infrastructure that is universally available and accessible, at a cost and quality at least equal to South Africa's peers and competitors. More specifically, by 2030, 100% of the population should have easy access to affordable broadband of at least 10 Mbps. All government buildings should have high-speed broadband of at least 100 Mbps, and where relevant participate in leveraging this to underserved areas and communities. While South Africa is yet to achieve its NDP's goals for 2021, there is evidence of sufficient capacity to deliver on these objectives if they are implemented through private-public cooperation.

Energy

South Africa has installed energy-generating capacity of 51.7-million kW. The primary source of energy is through coal-fired power stations. The South African government is making a deliberate effort to utilise renewable energy sources as South Africa has one of the highest potentials for solar and wind energy. The current administration seeks to leverage the country's renewable energy potential to reduce a current overreliance on fossil fuels for electricity generation and to set the country on a carbon-light growth path. Importantly, government in partnership with the private sector has embarked on the Renewable Energy Independent Power Production Procurement Programme (REIPPPP), which has attracted investments of close to ZAR 200 billion since its inception (Project 90 by 2030, 2018). Load shedding since 2008 has been caused by a combination of factors such as delayed commissioning of new generation capacity, underperformance of existing and new-build coal generation capacity and degradation of the existing Eskom coal fleet, with the result that energy availability factor declined from 94% in 2002 to 67% in 2019.

Until recently, Eskom's form had not substantially altered. Policy indecision over the past two decades has significantly contributed to Eskom's financial demise, with its pricing not historically in line with depreciation, constraining its ability to retain earnings for future investment. Eskom has declined from a world-leading utility to one that is financially unsustainable, operating at very low levels of energy availability and struggling under the load of poorly designed and project-managed new mega coal projects. Sector reform that introduces competition and alternative funding models will be essential going forward: this is for energy security, as well as financial sustainability in energy, for the fiscal stability and for the economy as a whole.

Significant strides have been made in addressing challenges at Eskom, as evidenced by the unbundling of the entity into separate generation, transmission and distribution divisions with ring-fenced balance sheets and governance structures. The transmission division is on track for separation by the end of 2021, giving life to an independent transmission entity. The lifting of the licence limit for embedded generation from 1 MW to 100 MW is another recent show of government's commitment to market reform and to ensuring electricity supply is available for customers.

In line with the National Development Plan (NDP), the energy sector will promote:

• "Economic growth and development through adequate investment in energy infrastructure" (generation, transmission and distribution) and "reliable and efficient energy service at competitive rates, while supporting economic growth through job creation" by stimulating supply chains;

• "Social equity through expanded access to energy at affordable tariffs and through targeted, sustainable subsidies for needy households."; and

• "Environmental sustainability through efforts to reduce pollution, reduce water usage and mitigate the effects of climate change."

The NDP set a target that more than 90 percent of the population should enjoy access to grid-connected or off-grid electricity by 2030. To realise this vision, South Africa's energy system will be supported by effective policies, institutions, governance systems, regulation and, where appropriate, competitive markets. Coal will contribute significantly less to primary-energy needs in the future, while other thermal fuels (distillate and gas) will have an important role in supporting system adequacy. Energy supply will be increasingly dominated by renewable energy resources – especially wind and solar, which are least cost and where South Africa has an advantage. Off-grid innovations such as micro-grid solutions will increasingly contribute to electrification while providing opportunities for industrialisation and empowerment where appropriate. In addition, investment in associated new industries will be promoted, such as the production of green hydrogen, green chemicals and sustainable aviation fuels.

Water

South Africa can be characterised as a water-scarce country, with low rainfall and high variability, with increasing uncertainty as a result of climate change, including increased drought risks in some regions. The country is ranked as the 30th driest country in the world. A concerted and focussed effort is required from both the public and private sector to achieve a water secure South Africa. Relative to other middle-income countries, access levels to water and sanitation in South Africa are high. The UN estimates that 86 percent of the population has access to safely managed drinking water services and 83 percent have access to safely managed sanitation services. However, reliability is only 64 percent whilst current access to sanitation services is approximately 80 percent on average.

According to the National Water and Sanitation Master plan, in the absence of timely interventions, the demand for water in South Africa will exceed the available supply at the planned level of assurance by between 1,6 billion and 2,7 billion cubic metres by 2030, a deficit of around 10% to 15% of required water. This deficit will continue to grow without significant changes in water management, thereby increasingly constraining investment, job creation and economic growth. Additionally, significant investment is needed in the rehabilitation of existing infrastructure as well for providing additional capacity for both water resources infrastructure and water services infrastructure.

Significant strides have been made in addressing some of the country's challenges relating to use and management of water resources over the past several years. This includes initiatives to improve water use efficiencies and reduction in consumption. More recently, in April 2021, the Presidential Infrastructure Coordinating Commission (PICC) Council approved actions that would address institutional challenges, through the Department of Water and Sanitation. Furthermore, an Inter-ministerial Committee is being established to improve coordination on water and sanitation.

South Africa's vision for the water sector, as set out in the NDP and the NIP2050, is for universal and reliable access to water of an acceptable quality and quantity in support of a strong inclusive economy and a healthy environment. The draft National Water and Sanitation Master Plan identifies key elements necessary to achieve this vision including resilient and fit-for-use water supply; universal water and sanitation provision; equitable sharing and allocation of water resources; effective infrastructure management, operation and maintenance; and a reduction in future water demand, protecting and restoring ecological infrastructure and addressing declining water quality. The vision and objectives of South Africa's water sector will be supported by an efficient, resilient, well-managed, and sustainable integrated national bulk water supply system that responds to the economic needs of the country as well as through mobilisation of institutions involved in managing water resources.

9.3.1.2. State Institutions for Infrastructure Delivery

The NIP2050 envisages a step change in the institutional capability that drives material progress in South Africa's infrastructure ambition. Planning, procurement and execution systems and capabilities will be operating at the highest global standard, commensurate with South Africa's significant infrastructure transformation agenda. Robust and ever-developing partnerships and alliances between public and private sectors will be a significant feature in planning and implementation, whether think tanks, financial institutions, businesses or communities. There will be confidence to drive an increasingly dynamic, high-performance delivery machinery. This will align delivery with the constitutional imperative to promote the "efficient, economic and effective use of resources" and to ensure that public administration is "development-oriented".

The NIP2050 is premised on an approach that recognises that large-scale public network infrastructure projects have some characteristics that make them unique and require differentiated approaches to charting their delivery. More than anything else, they continuously experience various risks over the course of protracted delivery periods. Their scale and complexity mean that these risks can require high-impact evidence-based decision-making with very material implications for costs and outcomes. The buyer-supplier relationship therefore differs from most other government projects in that the buyer or "client" function requires significant professional capability throughout the process of conceptualisation to implementation and maintenance, that is, through the full life-cycle of the project. The vision also recognises that efficient and timeous delivery of public infrastructure requires an environment that is safe, secure and ethical.

Government has established the Presidential Infrastructure Co-ordinating Commission (PICC), the Investment and Infrastructure Office (IIO) in the Presidency and Infrastructure South Africa (ISA) to drive the country's infrastructure delivery programme.

9.3.2. Incentives to promote investment

Defining an investment incentive as compared to incentives more generally is complex and there is no standard definition. Investment incentives are often defined according to their typology or the nature of the outcome they are trying to achieve. Broadly, the following types of investment incentives are recognised:

- Direct financial incentives: including grants; loans at low interest rates
- Indirect fiscal incentives: including tax rebates and tax holidays
- Other non-fiscal incentives: including regulatory and technical or business support; and subsidised or reduced service costs

Governments across the world have employed incentives for many years, and investment incentives have been around for more than a century. In the nineteenth century, American cities offered money to railroad contractors to have railways pass through them. However, it was only in the late twentieth century that governments earnestly began offering direct grants, tax breaks, training funds, free infrastructure and other inducements to attract investors.

Governments use incentives to achieve a strategic outcome that the market may not achieve on its own. Market failure is regarded as the primary justification for the use of investment incentives by government. Examples of such considerations, which may be addressed by incentives include externalities; supporting infant industries; accounting for information asymmetries and uncertainty; addressing equity considerations; responding to international competition; highlighting signalling intent; and tackling regulatory barriers to entry.

The basic aim of a policy of investment incentives (or any other strategy for attracting investors) is to maximise the long-term socioeconomic and local industry benefits of foreign corporate presence. In doing so, it must ensure that the benefits exceed the costs and that the costs of achieving given goals are kept to their lowest feasible level.

In order to ensure the most efficient appropriation of incentives, it is vital that governments do not extend such incentives to investments that would have proceeded in the absence of the granting of incentives. In fact, a number of studies have indicated that the role of incentives in influencing investment decisions is often minimal for some industries due to favourable market conditions and other external factors that may affect an investor's decision to invest. For example, investor motivation surveys conducted by Investment Climate Advisory (FIAS) of a number of African countries including Burundi, Guinea, Jordan, Kenya and Rwanda found that in all the countries surveyed no less than 58 percent of investors who invested in those countries between 2009 and 2017 would have invested even if incentives were not provided. This highlights the importance of introducing the right incentives only for those industries/sectors that have significant growth potential with existing market failures that can be addressed through incentives. It is only then that the long-term economic and socioeconomic gains associated with incentive programmes are somewhat guaranteed to outweigh the short-term social and expenditure costs and sacrifices. Indeed, the formal justification of many FDI incentives implicitly assume that the transfer of technology and know-how will occur as a natural consequence of foreign investment.

The presence and magnitude of such spillovers is of crucial importance if investment incentives are to be economically justified. If spillovers were thought to be negligible, host country governments would, in the absence of financing constraints, be better advised to pursue generic investment promotion policies. Furthermore, since externalities are generally thought to vary between economic sectors, FDI incentive policies will have to discriminate between sectors; the absence of which may result in an inefficient and ineffective use of fiscal resources.

The offer of incentives should be a part of wider reforms to raise a sound business climate or an improved local business environment for investors. The introduction of incentives cannot be a substitute for dealing with other fundamental aspects of the investment landscape, which critically impact upon investment decision-making. This requires a thorough understanding of the type of FDI and the motivation thereof, in addition to measurable policy objectives in order to avoid considerable tax losses. In this regard, improvements in institutional design, transparency and the administration of incentives can assist in reducing indirect costs and unintended consequences, including economic distortions, red tape and corruption, which can improve the cost-benefit ratio of incentives. Governments play an important role in de-risking private investment. Investment climate risks must be addressed prior to the offering of incentives, which cannot compensate for absent or weak institutional fundamentals. De-risking involves removing or reducing political and regulatory risks supported by enabling policy and an institutional framework that supports the business climate and promotes good governance.

Similarly, competition between destinations using investment incentives can produce either positive outcomes or can result in negative scenarios of investment poaching, 'beggar thy neighbour', or 'over-bidding' for investors. The international experience points to an important paradox in debates over incentive competition, namely whether engaging in it results in benefits for bid-winning states and localities. From existing literature, the evidence is mixed. Many researchers looking at the underlying dimensions of business location decisions point to the limited importance of incentives in attracting new investment. This produces the 'conventional wisdom' that economic development incentives have at best an ambiguous impact on local economic growth and sometimes little to no impact at all. Since the 1980s, however, this conventional wisdom has been challenged as a number of studies suggest that investment incentives 'do make a difference' in location decision making. Incentives may in this case be a necessary but insufficient prerequisite in sectors with robust levels of efficiency-seeking FDI combined with high levels of locational competition.

The challenge in designing investment incentive policies is to ensure that net benefits exceed costs. International experience points to a number of ways by which incentives can be more cost-effective. One tactic is for government to offer incentives upfront rather than over a long-time period. This strategy is most likely to impact upon the balance of a location decision as most decision-makers have high discount rates and are concerned with a plant's profitability in the short- to medium-term. In order to provide more incentives up-front, experience suggests the provision of incentives is linked to performance contracts, agreements or clawback arrangements.

The South African Government uses a wide range of incentives to encourage firms to act or invest in specific activities or contribute to certain social or economic outcomes. Investment incentives to attract especially foreign investment, have become ubiquitous globally and have come to represent the minimum required from especially emerging and developing countries – such as SA – to compete for limited FDI. Furthermore, because South Africa's financial services sector is large, sophisticated and relatively liberalised, domestic investors are constantly assessing investment opportunities outside of SA. To raise and then sustain SA's investment levels at 30% of GDP, it is essential that investment incentives target foreign and domestic investors, and are on a par with the inducements offered by competing investment destinations.

SA's investment incentives therefore play two important roles. First, they ensure that SA meets investors' minimum requirements in terms of a competitive *suite* of financial and non-financial inducements. Secondly, Government calibrates these incentives in order to secure investments which contribute positively to national priorities such as catalysing growth in SMMEs and under-developed regions of SA, improving value-chain competitiveness through the introduction of more efficient production technologies and opportunities for export market development, and creates jobs across value-chains.

An Incentive Framework is required which gives certainty to investors, is closely-aligned to SA's industrial and transformation priorities, and is appropriately resourced given fiscal constraints and the need to provide an internationally competitive package of inducements to investors.

Financial Incentives

At present, investment incentives are primarily offered by National Treasury, the dtic, DSBD, DSI and the various agencies of these departments such as SARS, IDC, NEF, and SEFA. These incentives comprise tax incentives, matching funding and concessional loan facilities and may be used to construct a 'package' of appropriate support.

These incentives are offered to both foreign and domestic investors and include:

- Moderate Corporate Tax Rate,
- Accelerated Depreciation Allowances,
- Special Economic Zone incentives,
- Black Industrialists Scheme,
- Automotive Production and Development Programme,
- Critical Infrastructure Programme,
- Clothing, Textile, Footwear and Leather Growth Programme,
- Agro-processing Support Scheme,
- Aquaculture Development and Enhancement Programme, and
- Global Business Services incentive.

Non-financial Assistance

All three spheres of Government provide support to investors. These include:

- Assistance in obtaining regulatory permits and licences,
- Access to export market development support,
- Registration of Trademarks and Patents,
- Market and trade information,
- Access to localisation opportunities in both public and private-sector procurement, and
- International Trade regime which responds to unfair trade practices aligned to SA's multilateral obligations and industrial policy requirements.

In addition, it is vital that expression be provided to a critical recommendation made by the PC4IR, wherein the need to incentivise industries of the future is highlighted, including platforms and applications of 4IR technologies. As indicated by the PC4IR, new incentives will be required to drive this revolution towards enabling the "acquisition and application of advanced technologies in the manufacturing of goods and services" (PC4IR, 2019).

9.3.3. Building a capable state

Building state capacity and capability is in no respect a linear process as it involves the perpetual identification and correction of identified institutional weaknesses (Levy & Kpundeh, 2020). A recent survey by the World Bank (2017) found that very few investment agencies are efficiently and effectively providing the most basic of services, that is the provision of online information and the handling of investment inquiries. A multitude of critical services are covered in the investment promotion and facilitation arena, ranging from the provision of market data to, in some cases, the conducting of feasibility studies and environmental impact assessments. Investment promotion and facilitation activities have become increasingly elaborate and intricate involving far more than marketing a country to potential investors (UNCTAD, 2018), with IPAs rapidly adopting very targeted approaches through a specific focus on prioritised industries, particular target countries and in some instances, certain companies. It is critical for South Africa to have a thorough understanding of the costs and benefits associated with its investment promotion and facilitation activities and to appropriately design and implement policies that will maximise articulated economic development objectives. This requires the right people and appropriate systems to do so.

The NDP *Vision 2030* clearly articulates the need for "a state that is capable of playing a developmental and transformative role" with staff possessing the requisite authority, expertise and support in the execution of their roles; in turn, requiring a "long-term approach to skills development" (NPC, 2012). Whilst building administrative capabilities does not constitute a means to an end, it is an important contributor to enhancing a nation's economic development prospects. It is thus vital for government to gear its efforts towards creating an environment that is conducive to the development of human capital. Investor relations are becoming increasingly long-term in nature, particularly those that are productive; thus requiring state investment in the continued development of a clear understanding of investor needs, towards developing mutually beneficial relationships, across the investor lifecycle (World Bank, 2017). Consequently, this requires the development of technical and specialist skills, anchored by robust accountability and oversight mechanisms, particularly at the local government level. It is important to note that building the capacity of accountability systems can exert much needed pressure on the performance of public actors (Levy & Kpundeh, 2020), which is an important requirement in the South African investment environment. In this regard, the development of new training and incentives systems cannot be overemphasised, particularly in relation to training and retraining suitably well-qualified staff, not limited to public sector reforms; establishing capacity in economic policy and implementation analysis and financial management and professionalisation initiatives; all of which must be underpinned by improved governance and co-ordination mechanisms.

Critical actions include:

The CIS would need an overarching Institutional Framework that strengthens, coordinates and aligns the work on investment promotion and facilitation between the National Government (line departments), Provincial Government (IPAs), Local Government (Municipalities and Economic Development Agencies), SOEs and Agencies. Roles, responsibilities and mandate need to be clearly defined and our investment marketing, messaging and communication must clear and consistent.

1. Defining all role players involved and activities undertaken in the investment attraction and facilitation process, across national, regional and local levels and establishing clear recommendations for enhancing co-ordination (specifically, at a greater level of technical detail to those articulated by the CIS).
2. Clarifying responsibilities and strengthening investment promotion and facilitation activities towards reducing overlaps at the national, provincial and local level.
3. Conducting a clear capacity assessment of existing IPA, and departmental, staff at national, regional and local levels with the aim of examining whether current resources

allocated across activities are sufficient and further, whether they meet the demand of investors.

4. Developing staff by expanding capacity building initiatives and promoting peer-to-peer learning, for instance through exchange programmes with multilateral and developmental organisations and private sector companies.
5. Establishing investment promotion and facilitation training capacity for public sector officials, for example through programmes and initiatives provided by UNCTAD, the World Bank, the AU, DFIs, donors and local private sector institutions.
6. Creating improved internal investor intelligence capacity within IPAs for investment project preparation purposes (whilst some state capacity does exist, it is critical that internal capacity is developed to leverage existing expertise as a suitably informed interaction process will be critical).
7. Increasing receptivity to outside information and assistance, including the improved productivity of participation in regional and international IPA networks, for instance through training and advisory services provided by institutions such as UNCTAD, the World Bank, FIAS, the World Association of IPAs, MIGA and the multitude of information exchange networks for promoting investment. This in turn requires adequate staff and funding to leverage the support and benefits provided by these networks.
8. Maximising the utilisation of the South African diplomatic service, specifically in identified target markets, utilising tailored capacitation initiatives to do so.
9. Avoiding rapidly executed organisational reconfigurations without a clear understanding of the gaps and challenges of existing configurations.
10. Reviewing and clearly defining investment agency mandates, activities and targets, whilst ensuring alignment to national development goals and simultaneously assessing whether these are adequately balanced and funded.
11. Reviewing the composition of investment agency boards to ensure a balanced representation of actors, across various sectors.

9.3.4. District Development Model (DDM) as a mechanism to prioritise and direct investment

Towards improving the coherence and impact of government service delivery and development, the South African Cabinet, led by President Cyril Ramaphosa, adopted the District Development Model (DDM) in 2019. The DDM is a *One Plan, One Budget* integrated district-based approach intended to break the pattern of government operating in silos. The district level model seeks to utilise the country's existing legal framework and implementation mechanism, including the Intergovernmental Relations (IGR) Act to co-ordinate and align developmental priorities and objectives amongst the three spheres of government. The model provides the framework for South African municipalities to tackle service-delivery problems, through joint and collaborative planning undertaken at local, district and metropolitan level by all three spheres of governance. This results in a single strategically focussed One Plan, One Budget for each of the 44 districts and 8 metropolitan geographic spaces in the country. The model enables all three spheres of government to work together collaboratively, to plan, budget and implement, alongside communities and stakeholders. In so doing, the model enables the attainment of local level development opportunities, through localised procurement and job creation and in support of local businesses, whilst engaging communities. The DDM necessitates for the national and provincial departments to provide implementation plans and budgets which address local challenges and developmental opportunities whilst aligning with national, regional, continental and global goals and objectives.

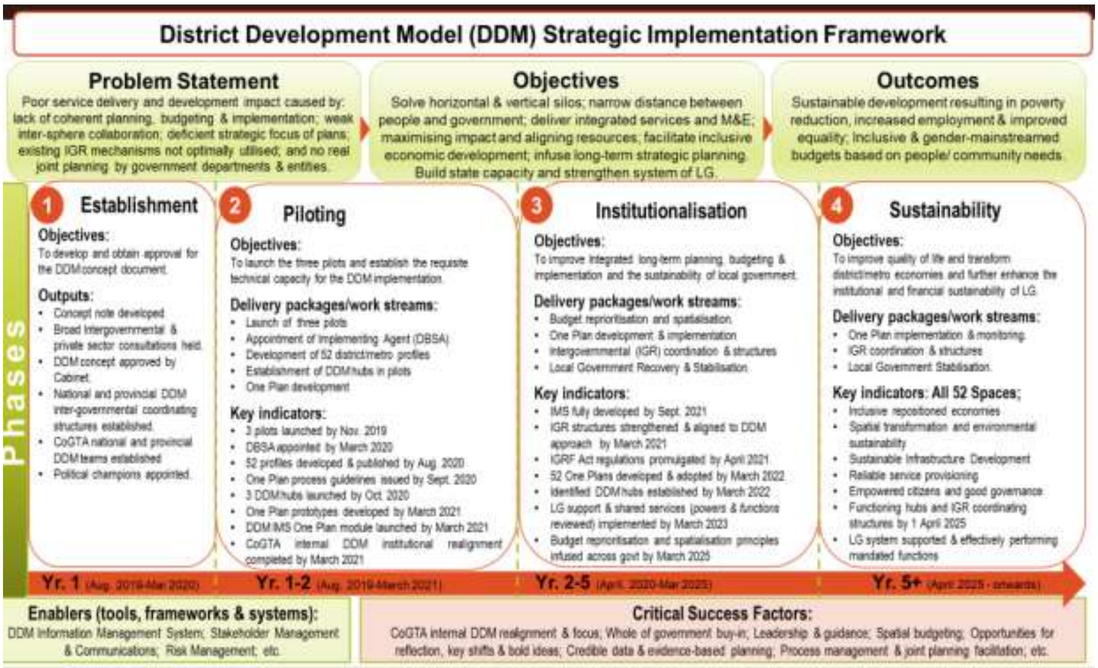
Some of the overarching objectives of the DDM include the following:

- Coordinate government's response to better address poverty, unemployment and inequality;
- Strengthen the coordination role and capacities at the district and city level;

- Foster a practical intergovernmental relations mechanism to plan, budget and implement jointly to provide a coherent government (solve silo's, duplication and fragmentation); maximise impact and align plans and resources;
- Build government capacity to support municipalities;
- Strengthen monitoring and evaluation at district and local levels;
- Implement a balanced approach towards development between urban and rural areas;
- Exercise oversight on budgets and projects in an accountable and transparent manner

An overview of the DDM strategic implementation framework and timeframe is elucidated by the figure below.

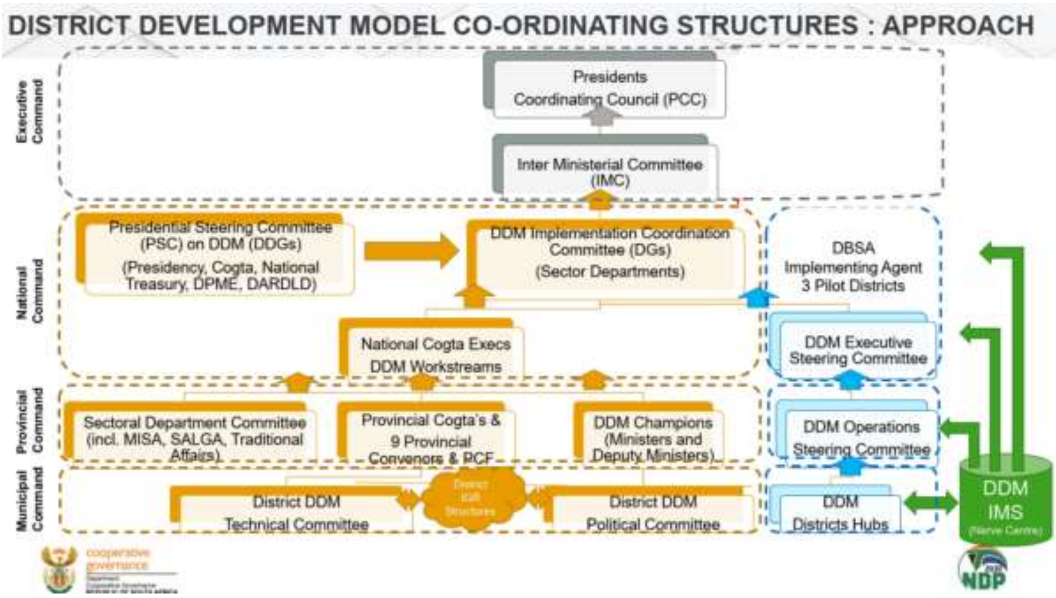
Figure 31: District Development Model Strategic Implementation Framework



Source: DBSA (2020a)

In terms of alignment to the country's investment strategy, the DDM will contribute to the country's investment landscape as it provides a mechanism to co-ordinate and direct investment across the three spheres of government considering district level priorities. This includes directing investment to areas with historically low levels of FDI and DDI. The DDMs coordinating approach includes multi-tiered command structures, at municipal, provincial, national and executive level as demonstrated by Figure 32. The country's investment priorities will be synchronised through these structures. It is therefore important that continuous engagement and alignment between the DDM and CIS priorities occurs throughout various stages of implementation.

Figure 32: District Development Model Co-ordinating Structures



Source: Department of Co-operative Governance (2021)

9.3.5. National Anti-Corruption Strategy

Complementing the recommendations made towards building state capacity, the country's Medium Term Strategic Frameworks (MTSFs) and NDP Vision 2030 articulate South Africa's commitment to reducing corruption (NACS, 2016). A need for an overarching National Anti-Corruption Strategy (NACS) and a supporting implementation plan was identified, which "serves as a guide for developing a set of shared commitments across sectors, to support collaboration within and between sectors, and to direct renewed energy towards the goal of reducing corruption and building an ethical society" (NACS, 2016). The NACS provides a robust conceptual framework and strategic pillars to guide anti-corruption approaches across the country. It also provides support and co-ordination between government, business and civil society efforts to reduce corruption and improve accountability and ethical practice. The NACS will also provide a tool for monitoring progress towards creating a less corrupt society and will be implemented in the context of the South African Criminal Justice System. The strategy will contribute towards improving, compliance, structures of oversight and accountability as well as domestic and international partnerships.

9.3.6 Localisation

In a society with extraordinary levels of unemployment and poverty, all efforts need to be made to find commercially sustainable ways to create new jobs in the private sector, to complement what can be done through public employment opportunities.

New job growth will be stimulated by demand for the products and services so produced – these can come from a combination of expanded domestic demand and increased levels of exports.

This strategy – called localisation - is about building local industrial capacity for the domestic market and for export markets. It is not a turn away from engaging in global markets, but it is about changing the terms of the engagement to one where SA is no longer primarily an exporter of raw materials.

Consequently, a broad swathe of South African society, including Government, Business, Consumers, and organised Labour have agreed to work together to encourage greater local value-addition in the goods produced in South Africa.

This has led to the development of a comprehensive set of policy tools which are currently being deployed:

a) Masterplans: a cross-cutting tool to increase industrial dynamism;
b) Tariff measures;
c) Combating illegal imports;
d) Competition policy;
e) Incentives;
f) Industrial funding;
g) Investment / Industrial Facilitation;
h) Infrastructure spending;
i) State procurement; and
j) Export promotion.

Using these policy tools, Government is working towards localising approximately R200bn worth of imports over a 5-year period.

State procurement – especially within the R791bn that Government has allocated for infrastructure spending over the next 3 fiscal years – will create major new investment opportunities for both local and foreign investors. Within the infrastructure investment pipeline, projects valued at R240 billion in network industries such as energy, telecoms, transport, water & sanitation, and digital have already been identified.

In addition, SA's substantial mineral wealth provides attractive investment opportunities for investors wishing to add value locally and export high value-added products to a global market wherein SA has negotiated preferential access with for example, the European Union, the African continent as a whole, and through the AGOA facility with the United States.

9.4. Identifying and Promoting High-Growth Opportunities

9.4.1. Sector prioritisation approach

In determining the sectors that are best positioned to drive South Africa's investment growth and economic transformation goals, the CIS developed a data-driven sector prioritisation model. The approach followed is based on the following aspects:

1. *Economic development objectives:* The main objective is to ensure investment results in meaningful economic development. This impact is measured in terms of value add to GDP (GVA) and job creation, the latter of which is a critical consideration within the context of South Africa's socioeconomic characteristics. A secondary focus is placed on analysing the potential tax income implications as this will assist in the future rollout of infrastructure projects and other socio-economic objectives. The aim of the CIS is to attract sufficient investment such that GFCF reaches 30 percent of GDP by 2030. The approach is thus to identify sectors that exert the largest economic impact on GFCF.
2. *Market trend and demand:* This aspect relates to GFCF and other economic trends and provides an indication of the actual market. The trend analyses provide a perspective of those sectors that have performed well in terms of GFCF and those that offer investment opportunity.
3. *Competitive position (location benchmarking):* The purpose of the location benchmarking is to provide a location indication for investors in terms of areas that have attractive investment opportunities based on comparative advantages. In this regard, the intention is to attract investment in underserved rural locations to redress the existing spatial imbalances of economic development.

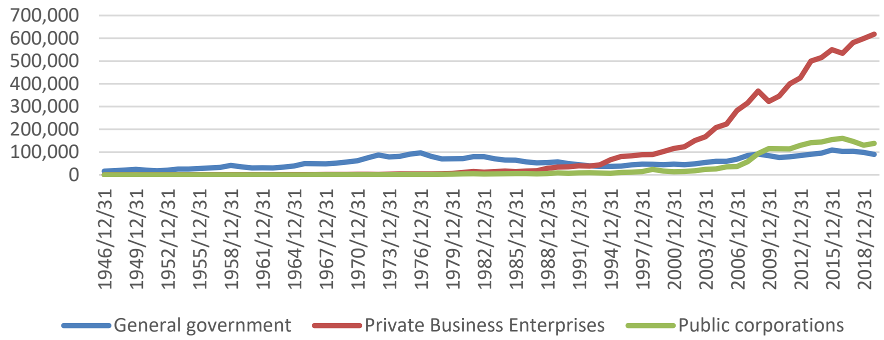
It is important to note that the aforementioned data-driven sector prioritisation approach will be combined with: (i) identified strategic investment opportunities by government also known as South Africa's *Big Frontiers*, as per the next section of this document; in addition to (iii) government policy priorities. Synergising the results of these three areas will culminate in the country's prioritised sectors to drive investment and economic development, as per figure 33 below.

Figure 33: South Africa's CIS Sector Prioritisation Approach

Source: South Africa Country Investment Strategy (2021)

GFCF trends are focused on analysing trends from private and public sector investment. According to Figure 34, it is evident that private sector investment is significantly higher than that of government and state-owned entities combined when analysing GFCF trends.

Figure 34: Gross Fixed Capital Formation, 1946 – 2018 (ZAR millions, constant prices)

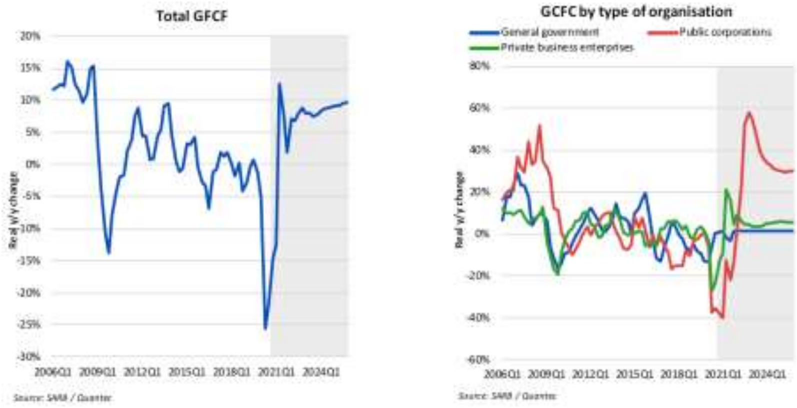


Source: Quantec

From the above graph, it is evident that GFCF by the private sector and public corporations has been increasing since 1994. The highest recorded figure was approximately 23 percent during the period leading up to the 2010 Soccer World Cup. Whilst the current trajectory is unfavourable, the CIS and NIP2050 collectively focus on targeting investment that will contribute towards the reversal of this trend.

According to research by the South African Reserve Bank and Quantec, GFCF by public corporations may increase by up to 60 percent year on year for the period from 2021 to 2024, as indicated in Figure 35 below. It is assumed that this is based on, inter alia, the ERRP that focuses on significant infrastructure investment by SOEs or public corporations. It is thus concluded that one of the potential areas that should be targeted towards increasing domestic investment is expenditure by SOEs in the short-term; accompanied by strong governance mechanisms.

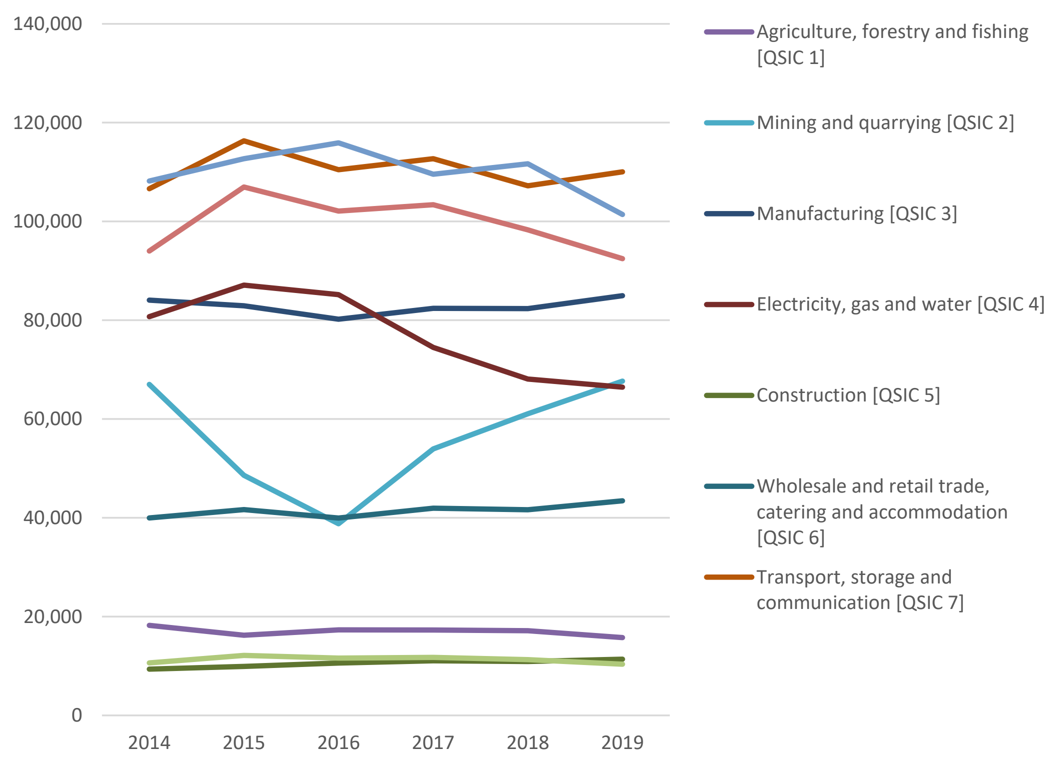
Figure 35: Gross Fixed Capital Formation Forecasts



Source: SARB / Quantec (2021)

As demonstrated in Figure 36 below, the transport, storage and telecommunications sector is the best performing sector by value in terms of GFCF in the country and is closely followed by the finance, insurance, real estate and business services sector. Other strong performing sectors include general government and manufacturing; the former of which is not sustainable. Government has articulated a required shift from government consumption to crowd-in investment. The construction and community/social services sectors had the lowest investment levels and the agricultural sector also experienced relatively low levels of GFCF during this period.

Figure 36: Sectorial performance by GFCF, ZAR millions, 2010 constant prices



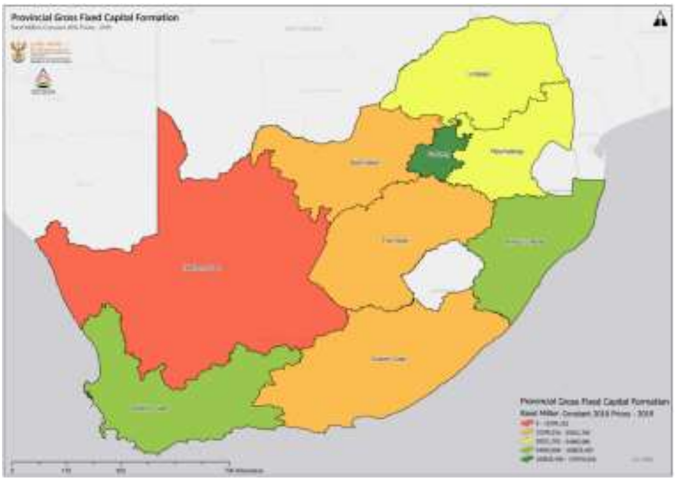
Source: Quantec

9.4.2. Location Benchmarking

Location benchmarking focuses on four elements, namely: (i) Gross Fixed Capital Formation per provincial and municipal locations; (ii) location quotients for each province; (iii) the Growth Performance Index for economics sectors of respective provinces; and (iv) the Tress Index of each province. The GFCF analysis of the provinces focuses on an analysis of the provincial distribution of GFCF; an analysis of the provincial distribution of GFCF; and an analysis of the distribution of GFCF within the nine provinces on municipal level.

Figure 37 depicts the provincial distribution of GFCF in South Africa during 2019. The red depiction reflects the lowest level of GFCF whilst the darkest green depicts the highest. The figure indicates that Gauteng receives the highest levels of GFCF with Northern Cape the lowest, the former of which has the highest concentration of the country's population and the latter of which has the smallest. The second lowest GFCF is recorded in the North-West, Free State and Eastern Cape provinces. A more detailed provincial and metropolitan perspective is contained in Section 8.4.5.

Figure 37: Provincial distribution of investment



Source: South Africa Country Investment Strategy (2021)

The manner in which investment and spending is planned and implemented needs to be aligned to the country's spatial transformation agenda, as articulated in the National Spatial Development Framework (NSDF, 2018). The NSDF seeks to support improved investment impact through spatially targeted investment priorities and in this regard, the CIS considers efforts that need to be made to attract investment in areas with historically low levels of FDI and DDI. The location benchmarking exercise conducted identifies sectors in which provinces and municipalities have relative comparative advantages and can be used as one of many tools to guide decisions on the spatial diversification of investment (further detailed in Annexure 1). It is important that continuous engagement and alignment between the NSDF and CIS occurs throughout various stages of implementation.

9.4.3. Sector SWOT analysis

South Africa boasts a multitude of investment opportunities with potential sector projects that are internationally competitive. In particular, private sector partnerships and investment will help South Africa meet its articulated investment targets. Whilst challenges have been experienced in relation to electricity supply, the renewable energy space presents lucrative prospects for the country's future growth potential; an example thereof is the success of the REIPP programme, previously mentioned. In addition, the potential represented by growing transport infrastructure will further unlock and enable other economic sectors. Covid-19 and lockdown restrictions affected all sectors but importantly demonstrated that the agriculture sector requires greater government support and investment due to its large employment multiplier. A SWOT analysis of key sectors is contained in Annexure 2.

9.4.4. Sector prioritisation model

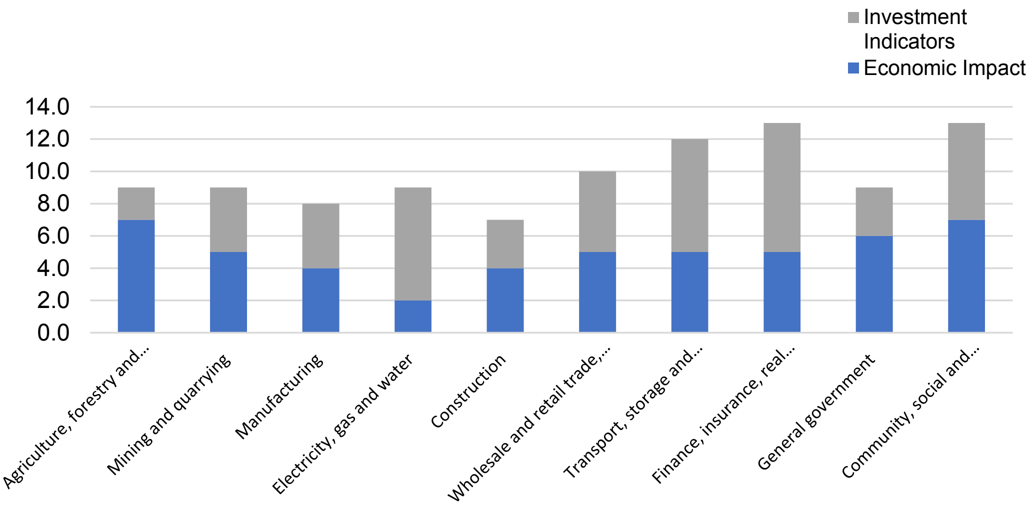
A sector prioritisation model was developed with the aim of identifying high priority investment sectors that offer opportunities to investors, details of which are contained in an annexure to the CIS. The options considered determined the expected economic impact of GFCF on each economic sector. In 2019, GFCF was recorded at ZAR600 billion (2010 constant prices) or ZAR900 billion (at 2019 current prices), equating to 18 percent of GDP.

In order to reach the country's 30 percent target, an additional ZAR600 billion (at current prices) must be invested. The economic impact of the additional GFCF investment is thus of importance. This was modelled for each sector and the results provide an indication of the potential economic impact of each sector from an investment perspective. This also enables a comparison to be made in relation to current GFCF trends.

9.4.4.1. Performance Matrix

The Performance matrix or Performance Index (PI) summarises the results. The graph below provides an indication on the prioritisation results.

Figure 38: Performance index for investment prioritisation



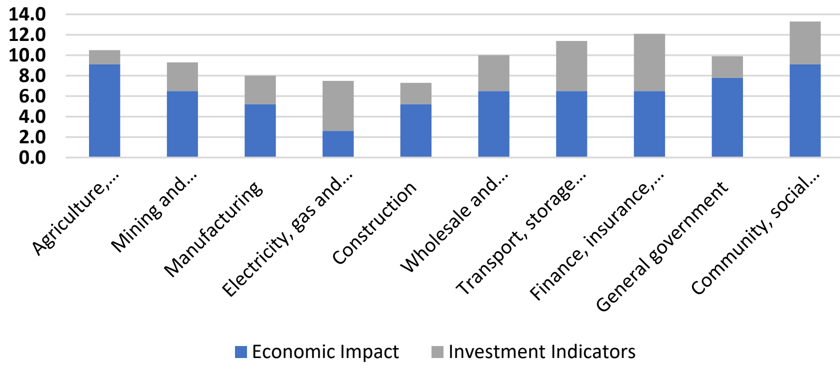
Source: South Africa's Country Investment Strategy (2021)

Figure 38 indicates that the following sectors should receive the *greatest priority in terms of economic and investment indicators*: (i) transport, storage and communication; (ii) finance, insurance, real estate and business services; and (iii) community, social and personal services.

9.4.4.2. Determining South Africa's Priorities

As discussed earlier, it was deemed important to conduct a sensitivity analysis by incorporating varying weightings to the criteria, particularly in relation to considering the impact of job creation in South Africa. The weighted performance index reflects the results of changes to the two main criteria, that is the (i) economic impact; and (ii) investment indicators. In addition, this is based on the argument that the economic impact criteria considers the potential of increased GFCF investment, and is thus forward looking, whilst investment indicators reflect historic data.

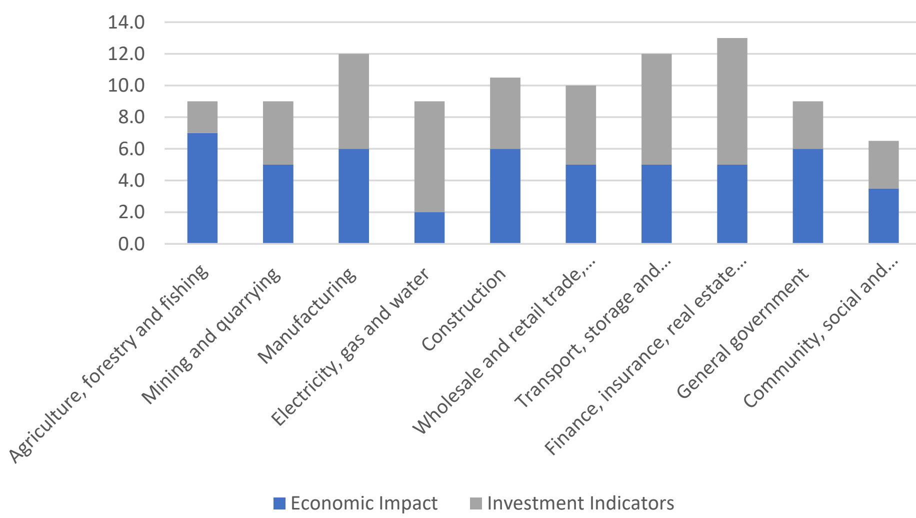
Figure 39: Weighted sectorial performance index



Source: South Africa's Country Investment Strategy (2021)

As indicated, the following sectors achieved the *highest weighted priority scores*: (i) community, social and personal services; (ii) finance, insurance, real estate and business services; (iii) transport, storage and communication; and (iv) agriculture, forestry and fishing.

Figure 40: Sector prioritisation policy performance index



Source: South Africa's Country Investment Strategy (2021)

As alluded to in the beginning on this section, aligning government priorities to the economic modelling process is critical. Consequently, a policy priority scoring methodology was developed. The following sectors achieved the *highest policy priority scores*: (i) finance, insurance, real estate and business services; (ii) manufacturing; (iii) transport, storage and communication; and (iv) construction, as per Figure 40 above. These sectors, in conjunction with the *Big Frontiers* articulated in Section 7.5, form the basis of South Africa's prioritised economic sectors to drive the country's investment growth target and economic transformation goals.

Table 3: Sector prioritisation results, based on policy priorities

Sector	**Priority**
Finance, insurance, real estate and business services	High
Transport, storage and communication	High
Manufacturing	High
Construction	High
Agriculture, forestry and fishing (including agro-processing)	Medium
Mining and quarrying	Medium
Electricity, gas and water	Medium
Wholesale and retail trade, catering and accommodation	Medium
General government (investment not consumption driven)	Medium
Community, social and personal services (includes education, waste economy & health)	Medium

Source: South Africa's Country Investment Strategy (2021)

Disaggregating the sectoral prioritisation as highlighted in Table 3 and aligning this to the priorities identified in the Re-imagined Industrial Strategy provides a detailed set of national priorities.

Manufacturing:

- Transport equipment including Autos;
- Clothing, Textile, Leather and Footwear;
- Furniture;
- Chemicals,
- Pharmaceuticals including Active Pharmaceutical Ingredients (APIs);
- Plastics;
- Value-chains that feed into Green Economy sectors (Hydrogen, Lithium Batteries, Fuel Cells, Solar Photovoltaic panels, inverters, and turbines for wind and water use); and
- Steel and Metal Fabrication.

Agriculture and Agro-processing value-chains:

- Animal Feed;
- Fertiliser;
- Edible Oil processing; and
- Food-processing.

Mining and Minerals Beneficiation value-chains:

- Exploration across all minerals but especially for the Green Economy;
- Oil and Gas;
- Mining Capital Equipment; and
- Offshore oil rig maintenance.

- **Tourism**

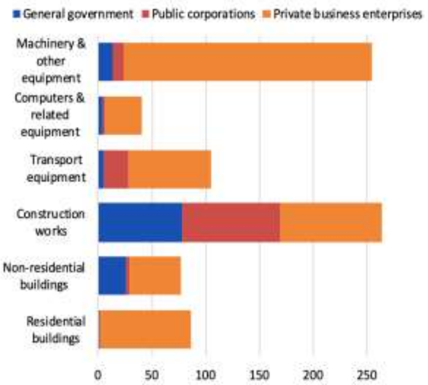
- **Knowledge based Sectors:**

  - Digital Economy;
  - Global Business Services;
  - ICT and Software Development;
  - Medical Devices and Supplies; and
  - Aerospace and Defence.

- **Creative Sector:**
  - Film and Animation.

South Africa's policy sector prioritisation approach is aligned to current trends of GFCF expenditure as indicated by Quantec utilising South African Reserve Bank data in Figure 41 below; wherein categories representing elements of three of the four "high" priority sectors are demonstrated through machinery and other equipment; computers and related equipment; transport equipment; and construction works including elements related to the real estate sector.

Figure 41: GFCF Expenditure Categories, 2019, ZAR billions



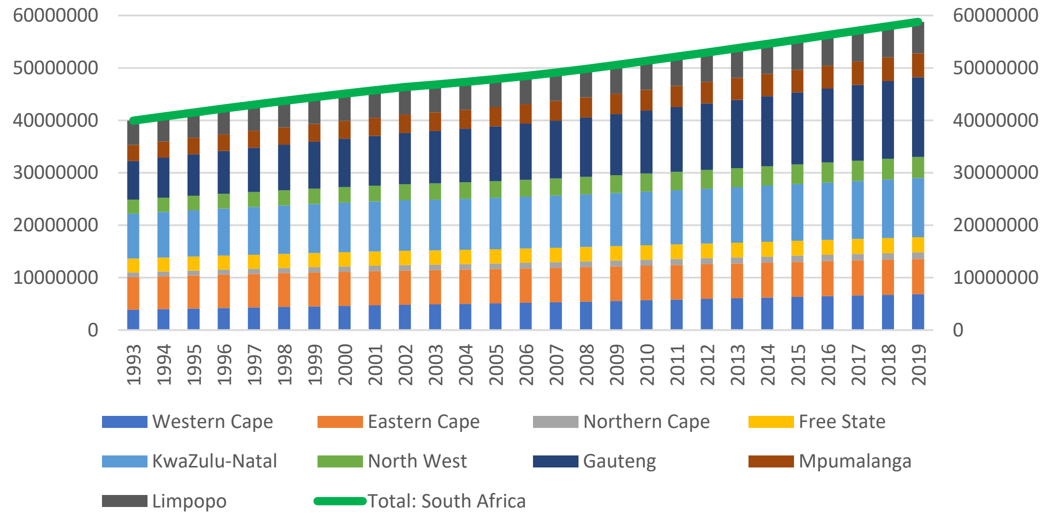
Source: Quantec (2020)

SECTORAL PRIORITIES
The Re-Imagined Industrial Strategy (RIS) identifies national priority sectors that include:
• Manufacturing:
☐

9.4.5. A Provincial & Metropolitan City Approach

South Africa consists of 9 jurisdictional areas at the provincial level. This section provides an overview on the performance and key sectors of each provincial economies. Figure 42 below provides an indication of the population per province. South Africa's top three most populous provinces are Gauteng, Kwa-Zulu Natal and the Western Cape, home to 26 percent, 19 percent and 12 percent of South Africa's total population, respectively. These three provinces also host five of the eight metropolitan cities in the country, which are jurisdictionally independent but interrelated to other spheres of government.

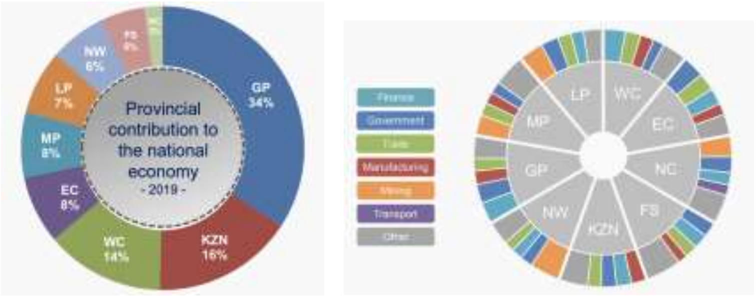
Figure 42: Population of South Africa's Nine Provinces: 1993 – 2019



Source: Quantec (2021)

Figure 43 demonstrates the provincial contribution to the national economy in 2019, with Gauteng, KwaZulu Natal and the Western Cape being the country's top three contributors. It is also interesting to note that Gauteng accounts for 10 percent of the African continent's GDP and is thus, often considered to be the continent's economic powerhouse. Mining remains to be the dominant industry in the North West, Limpopo, Mpumalanga and the Northern Cape whilst finance is dominant in Gauteng and the Western Cape (StatsSA, 2021).

Figure 43: South Africa's Provinces in the National economy



Source: StatsSA (2021)

9.4.5.1. Methodological approach for provincial sectors of priority

Time series data is used to calculate economic indices that reflect the relative strengths and weaknesses of South Africa's provincial economies. Three indices are used in the analysis, namely:

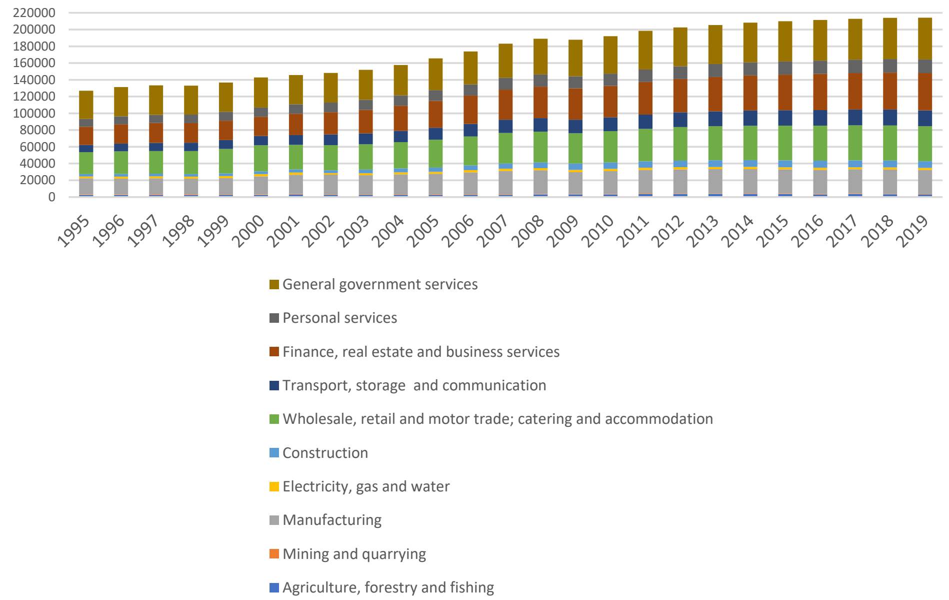
- The Tress Index (TI): The TI indicates the level of diversification or concentration in a region's economy. A TI close to zero represents a diversified economy, whilst an index closer to 100 represents a highly concentrated economy. The higher the index, the more concentrated the economy or more vulnerable it is to exogenous shocks.

- Location Quotient (LQ): The LQ is an indication of the comparative advantage of a specific sector when compared to the aggregate economy. An LQ greater than one implies an economy produces that product more efficiently when compared to the same sector in the aggregate economy. An LQ smaller than 1 reflects a comparative disadvantage of that sector.
- The Growth Performance Index (GPI): The GPI provides an indication of the growth in a certain sector in a regional economy relative to the growth attained in the same sector in the national economy. An index larger than 100 indicates a leading sector, whilst an index of less than 100 reflects a lagging sector.

9.4.5.2. The Eastern Cape Province

The Eastern Cape's three largest sectors, as demonstrated by GVA, on average, over time are: (i) general government services, (ii) finance, real estate and business services, and (iii) wholesale, retail trade and motor trade, catering and accommodation. The Eastern Cape is home to two metropolitan cities, that is Nelson Mandela Bay and Buffalo City. The metropolitan city of Nelson Mandela Bay boasts a number of automotive OEMs, thus contributing to the province's prominence of sector iii listed above.

Figure 44: Eastern Cape Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

Table 4 reflects the Tress Index of the Eastern Cape. In the table below, it is clear that the Eastern Cape province has become more concentrated in its economic structure between 2010 and 2020.

Table 4: Tress Index for Gross Value Added at Basic Prices (Eastern Cape - 2010 and 2020)

Tress Index	2010	2020
Eastern Cape	50,7	53,1

Source: ISA Calculations derived from Quantec Data

Location Quotient

The table below indicates the comparative advantages of the Eastern Cape. The following sector sectors demonstrate comparative advantages:

- Wholesale and retail trade, catering and accommodation;
- Construction; and
- General government

The high location quotient of government services is not a self-sustaining industry and is a potential risk to the regional economy.

Table 5: Location Quotient of Economic of Eastern Cape (2010 and 2020)

Industry	2010	2020
Agriculture, forestry and fishing	0,62	0,55
Mining and quarrying	0,03	0,03
Manufacturing	0,99	0,99
Electricity, gas and water	0,50	0,52
Construction	1,02	1,00
Wholesale and retail trade, catering and accommodation	1,31	1,31
Transport, storage and communication	0,94	0,95
Finance, insurance, real estate and business services	0,93	0,91
General government	1,44	1,35
Community, social and personal services	1,26	1,25

Source: ISA Calculations derived from Quantec Data

Growth Performance Index

The GPI for the province reflects positive performance from the mining and quarrying sector, which essentially outperforms the national aggregate.

Table 6: Gross Performance Index for Eastern Cape (2009 to 2019) based on Gross Value added (GVA) at basic prices

Agriculture, forestry and fishing	89,98
Mining and quarrying	109,51
Manufacturing	97,18
Electricity, gas and water	97,04
Construction	95,83
Wholesale, retail and motor trade; catering and accommodation	95,00
Transport, storage and communication	96,29
Finance, real estate and business services	94,05
Personal services	97,04
General government services	92,67

Source: ISA Calculations derived from Quantec Data

Conclusion

The TI reflects that the Eastern Cape economy is becoming more concentrated, and like many other national and global regional economies reflects a growing need for diversification. Although the GPI reflects positive performance of the mining and quarrying sector, investment in this sector should be carefully considered due to the very poor LQ score. The following sectors are considered good investment opportunities due to the LQ scores and are aligned to the sectors that should be prioritised for the province:

- Construction;
- Manufacturing; and
- Wholesale and retail trade, catering, and accommodation.

Box 1: The Eastern Cape Province's Economic Recovery Plan and Strategic Areas of Focus for the Metropolitan Cities of Nelson Mandela Bay and Buffalo City

The Eastern Cape Province will achieve "economic recovery through catalytic infrastructure initiatives and enabled by social infrastructure" (ECCSEC, 2020)

Figure B1.1: The Province's Economic Recovery Plan

Source: Eastern Cape Province (2020)

The metropolitan city of Nelson Mandela Bay has adopted a *Long term City Growth and Development Plan 2017 – 2032*. The city's vision is to be "an iconic, friendly, ocean City driven by innovation, service excellence and economic development - a destination of choice" (NMB, 2017). As per the city's long-term strategy, some of the city's proposed `game-changers' based on widespread consultation with key economic stakeholders include:

- Moving its tank farm and manganese exports to an alternative site: a priority that requires several years of planning and negotiations before any of the following projects can be initiated: Waterfront; Marina; Harbour Development.
- Lobbying to have the runway capacity at the Port Elizabeth International Airport extended to accommodate larger aircraft to support increased tourism opportunities and domestic and international connectivity.
- Development of the city's township economy through delivering economic infrastructure to township communities and the city's industrial parks; envisaged to be catalytic for those local economies.

Buffalo City has adopted its Metro Development and Growth Strategy (MDGS) 2030, with its vision "Buffalo City: well-governed, connected, green and innovative"; premised on the strategic pillars reflected in Figure B1.2.

By 2030 the people of Buffalo City wish to have achieved five strategic outcomes for the city:

1. An innovative and productive city: with rapid and inclusive economic growth and falling unemployment.
2. A green city: environmentally sustainable with optimal benefits from our natural assets. A clean and healthy city for subtropical gardens.
3. A connected city: high quality (and competitively priced) connections to ICT, electricity and transport networks (inside the city and to the outside world).
4. A spatially transformed city: the spatial divisions and fragmentation of the apartheid past are progressively overcome and township economies have become more productive and inclusive.
5. A well-governed city: a s mart and responsive municipality (working with other levels of government) that plans and efficiently delivers high quality services and cost-effective infrastructure, without maladministration and political disruptions.

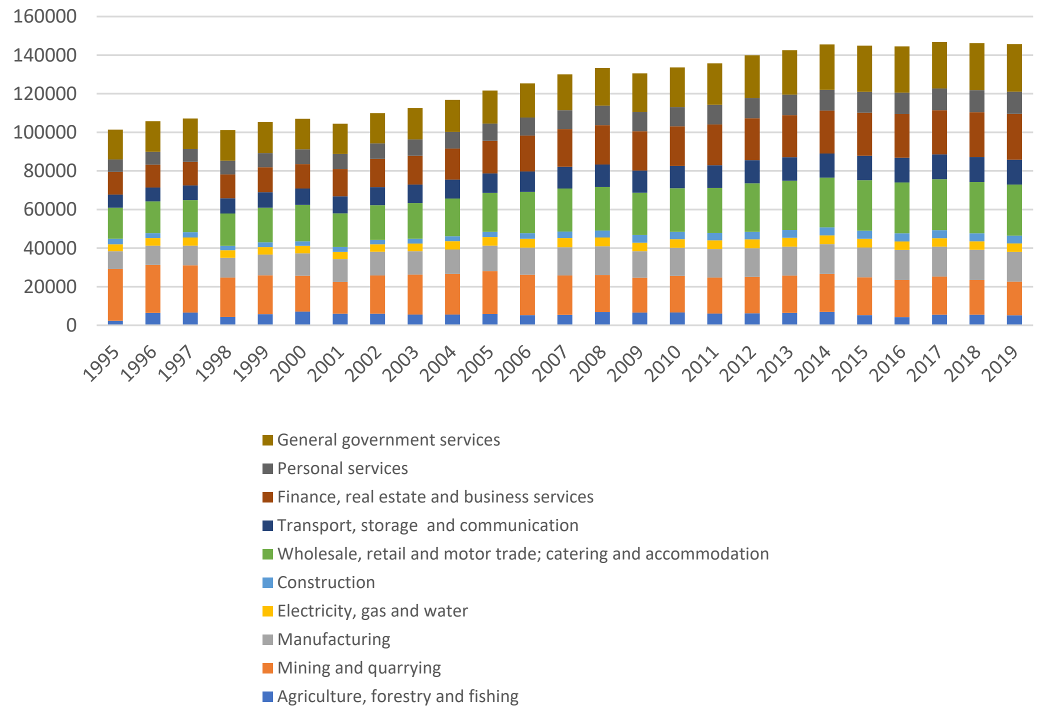
Figure B1.2: Strategic Pillars of the MDGS 2030

Source: Buffalo City (2020)

9.4.5.3. The Free State Province

The Free State's three largest sectors, as demonstrated by GVA, on average over time are: (i) wholesale and retail trade, catering and accommodation, (ii) general government services, and (iii) finance, real estate and business services. The Free State Province is also home to the metropolitan city of Mangaung.

Figure 45: The Free State Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

Tress Index

Table 7 below reflects the Tress Index of the Free State, which indicates that the economy is still diversified in structure.

Table 7: Tress Index for Gross Value Added at Basic Prices (Free State - 2010 and 2020)

Tress Index	**2010**	**2020**
Free State	31,7	35,2

Source: ISA Calculations derived from Quantec Data

Location Quotient

The table below indicates the relative comparative advantages of the Free State. A comparative advantage is demonstrated in the following sectors:

- Agriculture, forestry and fishing;
- Electricity, gas and water;
- Mining and quarrying;
- Community, social and personal services; and
- Wholesale and retail trade, catering and accommodation

Table 8: Location Quotient of Economic of Free State (2010 and 2020)

Industry	2010	2020
Agriculture, forestry and fishing	1,90	1,42
Mining and quarrying	1,53	1,33
Manufacturing	0,76	0,79
Electricity, gas and water	1,23	1,35
Construction	0,74	0,84
Wholesale and retail trade, catering and accommodation	1,14	1,24
Transport, storage and communication	0,94	0,98
Finance, insurance, real estate and business services	0,73	0,72
General government	0,95	0,99
Community, social and personal services	1,26	1,31

Source: ISA Calculations derived from Quantec Data

Growth Performance Index

The electricity, gas and water sector for the Free State outperforms the national economy, from a GPI perspective.

Table 9: Gross Performance Index for Free State (2009 to 2019) based on Gross Value added (GVA) at basic prices

Agriculture, forestry and fishing	74,75
Mining and quarrying	93,18
Manufacturing	99,08
Electricity, gas and water	102,70
Construction	91,80
Wholesale, retail and motor trade; catering and accommodation	99,46
Transport, storage and communication	93,27
Finance, real estate and business services	92,05
Personal services	98,55
General government services	99,51

Source: ISA Calculations derived from Quantec Data

Conclusion

The TI reflects that the Free State economy province is still diversified in its structure. The electricity, gas, and water sector is the only sector in the Free State that has both a high LQ and GPI and represents an investment sector with high growth potential. In addition to this sector, the following sectors are considered as good investment opportunities due to their respective LQ scores:

- Agriculture, forestry and fishing;
- Mining and quarrying;
- Wholesale and retail trade, catering and accommodation; and
- Community, social and personal services.

Box 2: The Free State Province's Growth & Development Strategy, Vision 2030 and the Metropolitan City of Mangaung's Focal Areas

Aligned to the goals articulated in the country's National Development Plan for 2030, the Province envisions that "by 2030, the Free State shall have a resilient, thriving and competitive economy that is inclusive with immense prospects for human development anchored on the principles of unity, dignity, diversity, equality and prosperity for all."

Free State Province Vision 2030

The figure illustrates the six priority areas of intervention by the province.

Figure B2.1: Strategic Pillars of the Province's Vision 2030

Source: Free State Province (2018)

The economy of the City of Mangaung is mainly driven by trade, finance, transport, agriculture, mining and government services. The province's agricultural sector is characterised by large-scale and small-scale commercial agriculture as well as subsistence agriculture while the overall growth in the manufacturing industry is dominated by the fuel, petroleum and chemicals sub-sector in Sasolburg. Although this sector is largely linked to Gauteng, effective support for this sector remains a priority as significant linkages would exist within the province (Mangaung, 2020). The figure below provides an overview of the city's catalytic projects.

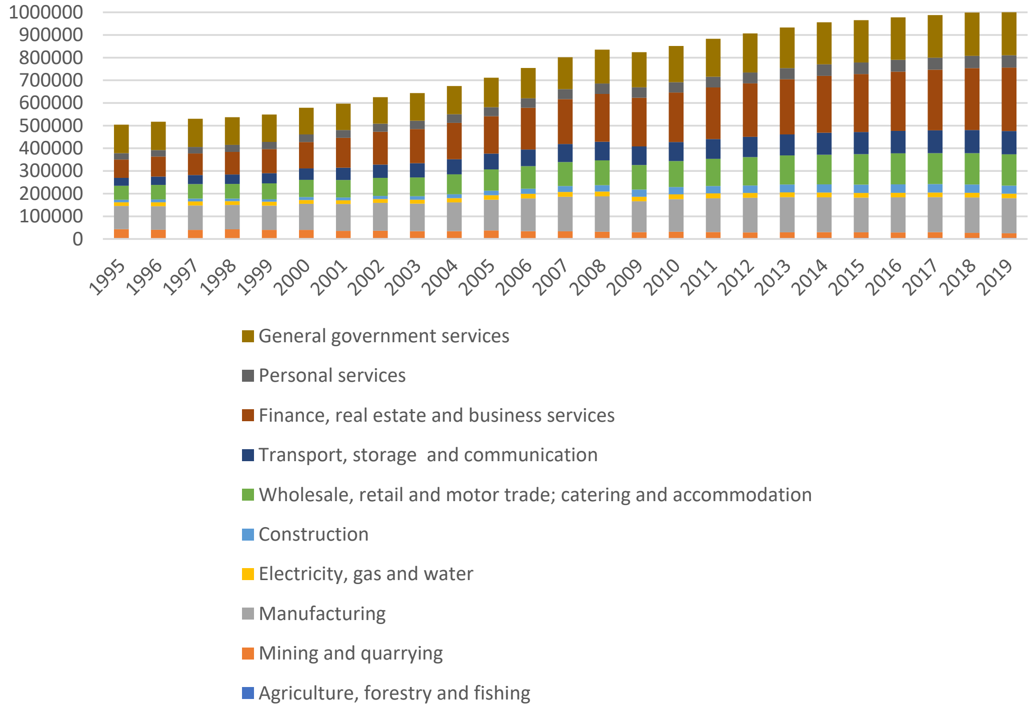
Figure B2.2: Map of the City of Mangaung's Catalytic Projects

Source: City of Mangaung (2020)

9.4.5.4. The Gauteng Province

The Gauteng Province's three largest sectors, as demonstrated by GVA, on average over time are: (i) finance, real estate and business services; (ii) general government services and (iii) manufacturing. The province is the largest contributor to South Africa's economy and is the country's economic hub and indeed, an economic powerhouse of the African continent. Gauteng is home to three metropolitan cities, namely, Johannesburg, Tshwane (Pretoria) and Ekurhuleni. While Gauteng reflects a large government sector, it must be noted that the metropolitan city of Tshwane is home to South Africa's government sector at a national level.

Figure 46: Gauteng Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

Tress Index
As can be expected, the level of concentration in the Gauteng Province's economy has increased over time. The same is generally true for many regional economic hubs, at a global level.

Table 10: Tress Index for Gross Value Added at Basic Prices (Gauteng - 2010 and 2020)

Tress Index	2010	2020
Gauteng	49,1	54,6

Source: ISA Calculations derived from Quantec Data

Location Quotient
The table below indicates the comparative advantages of the Gauteng Province and the following sectors demonstrate the region's comparative advantages:

- Finance, insurance, real estate and business;
- Manufacturing;
- Transport, storage and communication; and
- General government

Table 11: Location Quotient of Economic of Gauteng (2010 and 2020)

Industry	2010	2020
Agriculture, forestry and fishing	0,17	0,17
Mining and quarrying	0,35	0,18
Manufacturing	1,18	1,17
Electricity, gas and water	0,91	0,89
Construction	0,98	0,94
Wholesale and retail trade, catering and accommodation	0,91	0,91
Transport, storage and communication	1,07	1,07
Finance, insurance, real estate and business services	1,22	1,23
General government	1,15	1,15
Community, social and personal services	0,91	0,91

Source: ISA Calculations derived from Quantec Data

Growth Performance Index

Many of Gauteng's economic sectors performed quite well, relative to the national aggregate, with the exception of the mining sector:

- Wholesale, retail and trade, catering and accommodation;
- Transport, storage and communication;
- Finance, real estate and business service;
- Agriculture, forestry and fishing;
- Construction;
- Personal services;
- Electricity, gas and water;
- Manufacturing; and
- General government.

Table 12: Gross Performance Index for Gauteng (2009 to 2019)) based on Gross Value added (GVA) at basic prices

Agriculture, forestry and fishing	103,04
Mining and quarrying	75,66
Manufacturing	100,84
Electricity, gas and water	100,97
Construction	102,56
Wholesale, retail and motor trade; catering and accommodation	104,59
Transport, storage and communication	103,31
Finance, real estate and business services	103,10
Personal services	102,44
General government services	101,58

Source: ISA Calculations derived from Quantec Data

Conclusion

The TI reflects that the Gauteng economy is becoming more concentrated. Gauteng has a number of comparative advantages and strong GPI performance in most economic sectors. The following sectors are considered to be good investment opportunities due to their respective GPI and LQ scores:

- Manufacturing;
- Transport, storage and communication;
- Finance, real estate and business service; and
- Personal services.

Box 3: The Gauteng Province and the three metropolitan cities of Ekurhuleni, Johannesburg and Tshwane (Pretoria)

Gauteng is recognised as a hub for economic activity within the SADC region. As a result, many global firms have established their regional headquarters in the province (29 of the global 500 firms use Gauteng as their base). Of the top 14 South African companies included in the Forbes Global 2000, 11 are headquartered in Johannesburg (GGT, 2030).

"The Gauteng Provincial Government has a vision to build Gauteng into an integrated city region, characterised by social cohesion and economic inclusion; and the leading economy on the continent, underpinned by sustainable socio-economic development. Infrastructure is a critical enabler for the Province to achieve this vision. The National Development Plan, Vision 2030 (NDP) continues to be the foundation upon which we as a Province underpin our development endeavours… Gauteng is a leading destination for Foreign Direct Investment into Africa. Moreover, it is seen as the economic hub of South Africa. Growing Gauteng Together requires investment in economic infrastructure and we will continue to sustain the momentum in support of this programme and growing the Gauteng economy."

Premier David Makhura (2020)

The Province's five primary priorities over the period 2019 – 2024 are:

- Economy, Jobs and Infrastructure
- Education, Skills Revolution and Health
- Integrated Human Settlements and Land Release
- Safety, Social Cohesion and Food Security
- Building a Capable, Ethical and Development State

The Province is focused on ten high-growth sectors:

- Energy, with a focus on new technologies and a diverse energy mix
- Transportation and logistics
- ICT and digital services with a focus on the gig economy
- Tourism and Hospitality
- Food, Beverages, Agro-processing and agribusiness
- Construction and Infrastructure
- Automotive, Aerospace and Defense
- Financial services
- Cultural and creative services
- Cannabis industry

Figure B3.1: The Province's Vision and Targets for 2030

Element	Vision and target for 2030
Economic Growth	Double the size of the economy to above R 2 trillion
Employment	Add over R3 million jobs by 2030, decreasing unemployment from currently over 30% to close to 15%
Per Capital GDP	Increase GDP per capital by 70%
Poverty Rate	Decrease poverty rate from approximately 25% to less than 16%
Income Inequality	Decrease income inequality by 8% from 70% to 62%

Source: Gauteng Provincial Government (2020)

Figure B3.2: Classification of the Province's Investment Opportunities

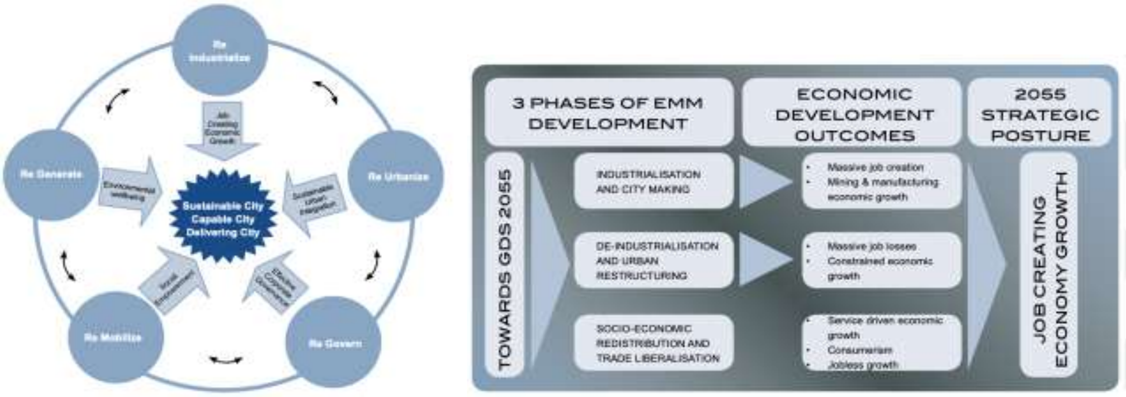
Source: Gauteng Provincial Government (2020)

From an investment perspective, there are various funding models that the Province is making available to prospective investors. Investment partnerships can take on a number of forms, with varying degrees of private sector involvement.

The City of Ekurhuleni

The Ekurhuleni Metropolitan Municipality (EMM) has adopted its Growth and Development Strategy for 2055 (GDS 2055). The diagrams below outline the city's strategic framework of the strategy and its posture in terms of economic growth and development outcomes.

Figure B3.3: Strategic themes of the GDS 2055 & strategic posture towards economic development



Source: EMM (2020)

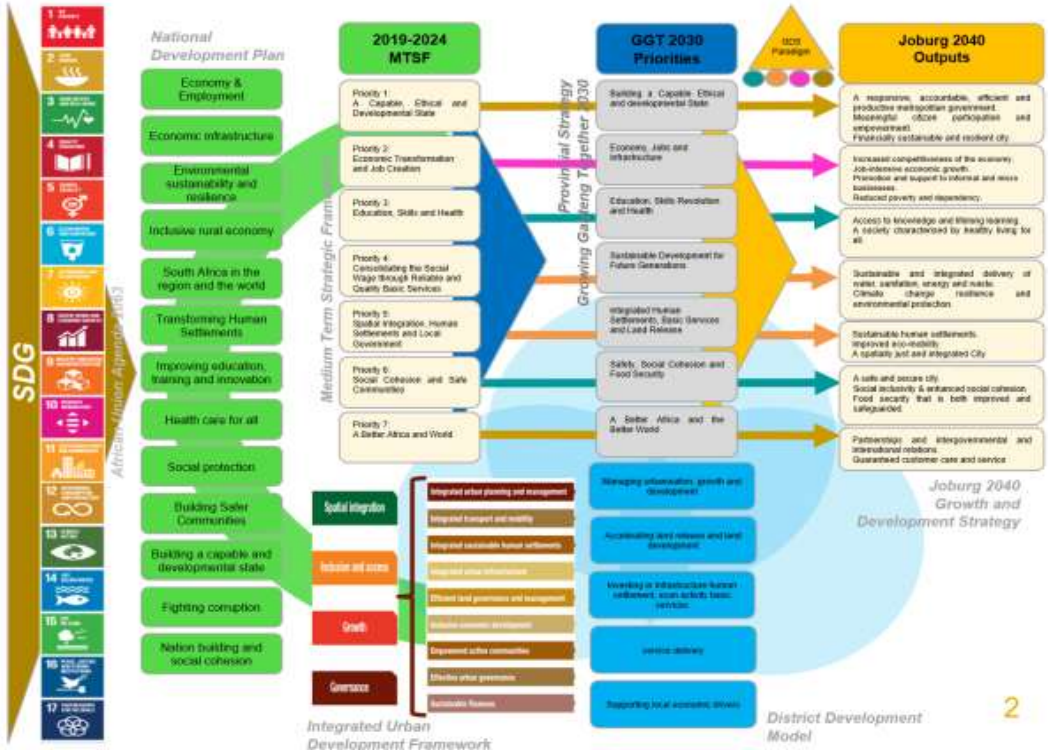
The City of Johannesburg

"Johannesburg – a World Class African City of the Future – a vibrant, equitable African city, strengthened through its diversity; a Smart city that provides real quality of life; a city that provides sustainability for all its citizens; a resilient and adaptive society.

Joburg. My City – Our Future!"

Growth and Development Strategy 2040 (GDS 2040)

Figure B3.4: Context of Joburg 2040



The City of Tshwane (Pretoria)

The City of Tshwane adopted its Local Economic Development (LED) Strategy in 2019 and its Tshwane Vision 2030 envisions a City which is "a vibrant, innovative, sustainable, equitable and globally competitive metropolitan economy characterised by growth, employment and economic opportunities for all".

This city's vision is built on five strategic pillars:
1. A City that facilitates economic growth and job creation
2. A City that cares for residents and promotes inclusivity
3. A City that delivers excellent services and promotes the environment
4. A City that keeps residents safe
5. A City that is open, honest and responsive

Aligned to Tshwane Vision 2030, the main objectives of the City's LED Strategy are:
- To support the local economy by facilitating a conducive environment for business and economic
- growth
- To create an inclusive economy that allows all members of society to make a positive contribution To the City
- To ensure youth-development and job creation for women
- To strengthen rural-urban linkages
- To eradicate unemployment, poverty and inequality throughout the City
- To promote foreign and domestic investment in the City
- To improve the ease of doing business and ensuring business sustainability

Figure B3.5: Principles of the City's LED Strategy

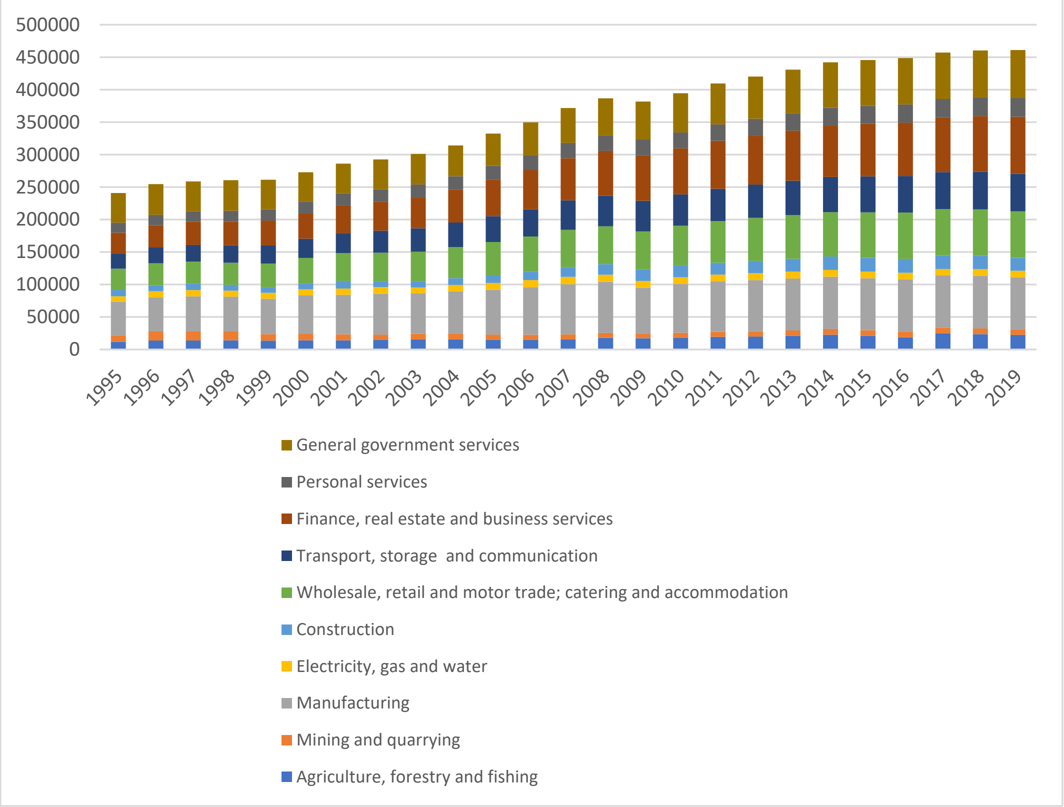
Figure B3.6: Key Economic Pillars and Underlying Enablers for Local Economic Development in the City of Tshwane

Source: City of Tshwane (2019)

9.4.5.5. KwaZulu Natal Province

Figure 47 below provides an overview of the sectorial composition of the Province of Kwa-Zulu Natal. The Province's three largest sectors, on average over time, by GVA are (i) finance, real estate and business services, (ii) manufacturing, and (iii) general government services. The growing government services sector within the province is not sustainable and efforts must be made to diversify the economy, accordingly. The metropolitan city of eThekwini (Durban) is situated within Kwa-Zulu Natal.

Figure 47: KwaZulu Natal Province Sectorial GVA Composition: GVA, constant prices, R millions



Tress Index

The table below reflects the Tress Index of the KwaZulu Natal. In the table below it is evident that the KwaZulu-Natal province is still diversified in its economy.

Table 13: Tress Index for Gross Value Added at Basic Prices (KwaZulu-Natal - 2010 and 2020)

Tress Index	2010	2020
KwaZulu-Natal	39,2	40,1

Location Quotient

As indicated in Table 14, the province holds a comparative advantage in the following sectors:

- Agriculture, forestry and fishing;
- Transport, storage and communication;
- Manufacturing;
- Construction; and
- Community, social and personal services.

Table 14: Location Quotient of Economic of KwaZulu-Natal (2010 and 2020)

KwaZulu Natal	Location Quotient	
Industry	2010	2020
Agriculture, forestry and fishing	1,71	2,03
Mining and quarrying	0,22	0,23
Manufacturing	1,32	1,30
Electricity, gas and water	0,98	0,97
Construction	1,21	1,22
Wholesale and retail trade, catering and accommodation	1,04	1,02
Transport, storage and communication	1,33	1,33
Finance, insurance, real estate and business services	0,85	0,83
General government	0,94	0,94
Community, social and personal services	1,05	1,04

Growth Performance Index

Growth in the following sectors outperformed the national economy:

- Agriculture, forestry and fishing;
- Mining and quarrying;
- Transport, storage and communication;
- Construction;
- Wholesale and retail and motor trade, catering and accommodation;
- Manufacturing;
- Personal services; and
- General government service had the best growth performance.

Table 15: Gross Performance Index for Kwa Zulu Natal (2009 to 2019) based on Gross Value added (GVA) at basic prices

Agriculture, forestry and fishing	123,37
Mining and quarrying	113,51
Manufacturing	100,40
Electricity, gas and water	98,96
Construction	100,97
Wholesale, retail and motor trade; catering and accommodation	100,85
Transport, storage and communication	101,48
Finance, real estate and business services	99,10
Personal services	101,86
General government services	102,39

Conclusion

The TI reflects that the KwaZulu Natal economy is still diversified. The following sectors are considered good investment opportunities due to their respective LQ and GPI scores:

- Agriculture, forestry and fishing;
- Transport, storage and communication;
- Manufacturing;
- Construction; and
- Personal services

In addition, the wholesale, retail and motor trade; catering and accommodation sector is of potential.

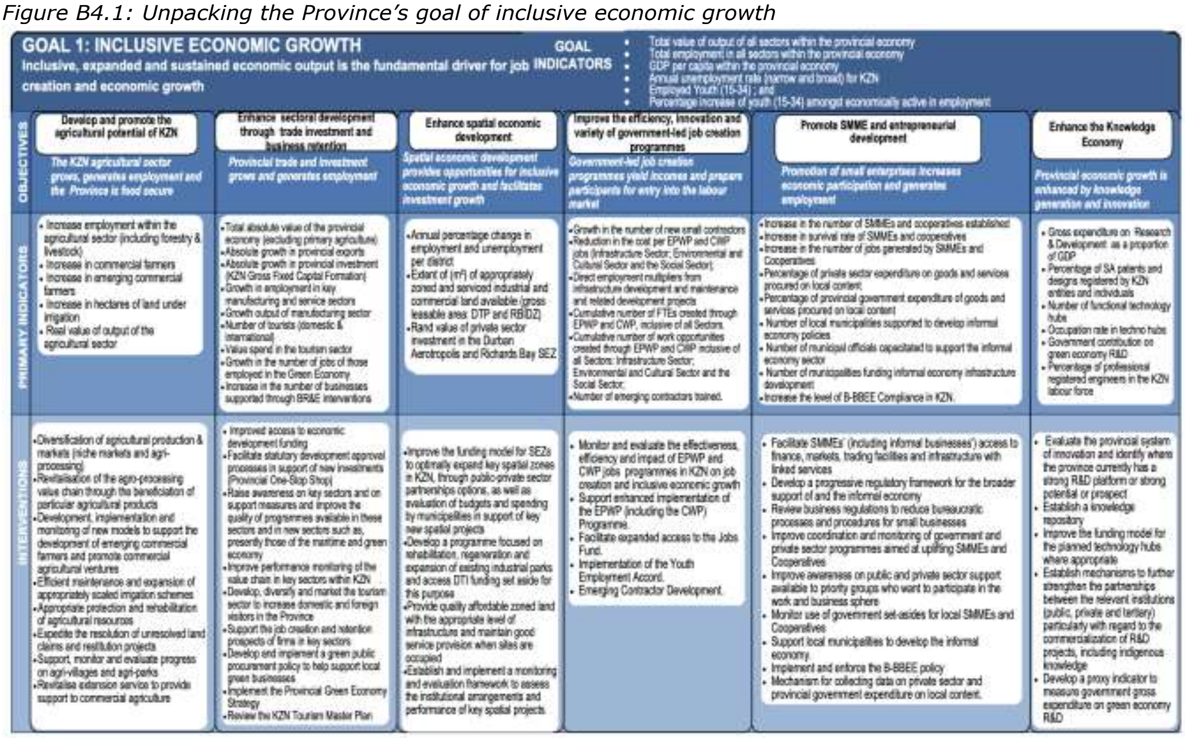
Box 4: The Kwa-Zulu Natal Province & the Metropolitan City of eThekwini

Towards “Building a better future together”, the Province has adopted its 2035 Growth and Development Plan.

Kwa Zulu Natal’s vision
“By 2035 KwaZulu-Natal will be a prosperous Province with a healthy, secure and skilled population, living in dignity and harmony, acting as a gateway to Africa and the World”

The Province’s strategic goals are anchored on:
1. Inclusive economic growth
2. Human resource development
3. Human and community development
4. Strategic infrastructure
5. Environmental sustainability
6. Governance and policy
7. Spatial equity

Figure B4.1: Unpacking the Province’s goal of inclusive economic growth



Source: Kwa Zulu Natal Provincial Government (2019)

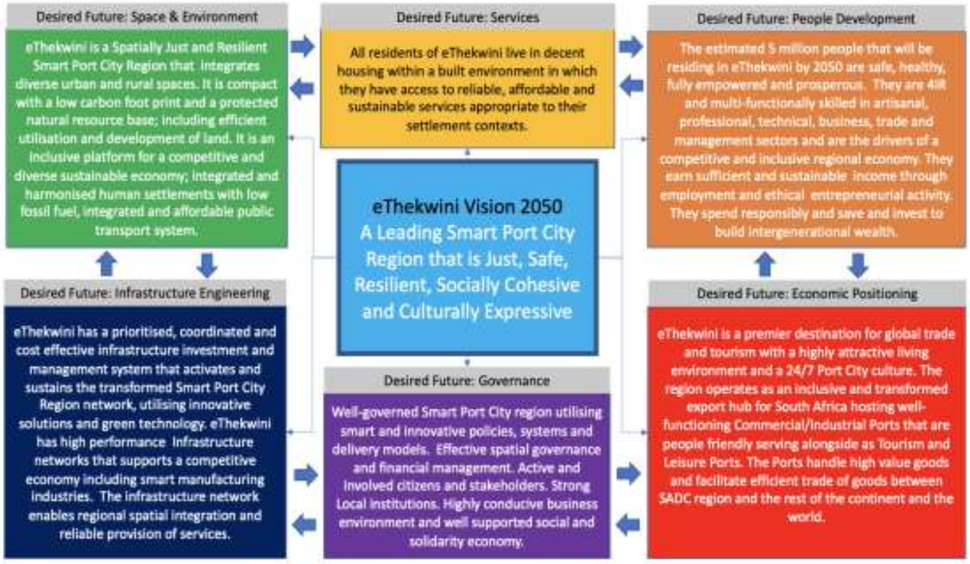
Key sectors for job creation (and including the production value chain) articulated by the Province are:
- Manufacturing;
- Agriculture;
- Tourism;
- Transport and logistics; and
- Maritime activities;

In 2021, the metropolitan **City of eThekwini (Durban)** developed its *eThekwini One Plan: Pathway to an Envisaged Future* which was a result of government working together with stakeholders and communities with the aim to make eThekwini a leading Smart Port City Region that is just, safe, socially cohesive and culturally expressive.

Figure B4.2: One Plan Theory of Change

Figure B4.3: One Plan areas of transformation

Figure B4.4: The City's Vision for 2050

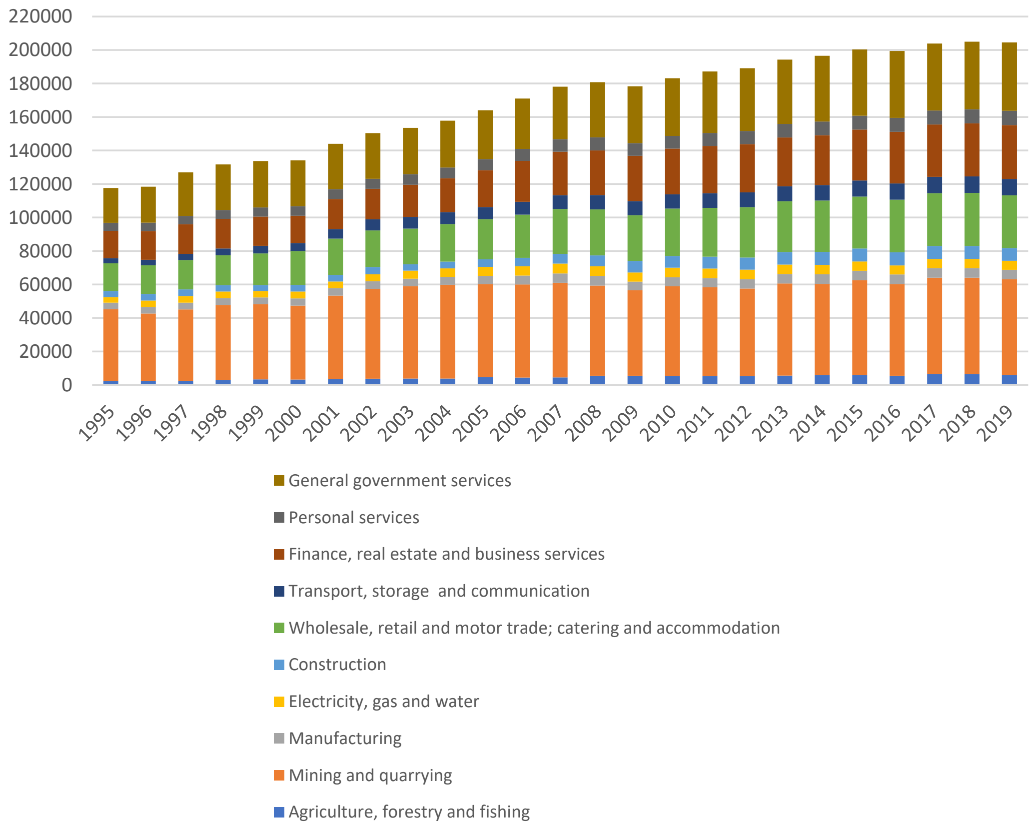


Source: eThekwini (2021)

9.4.5.6. Limpopo Province

Figure 48 below provides an overview of the sectorial composition of the Limpopo Province. The Province's three largest sectors, on average over time, by GVA are (i) mining and quarrying, (ii) (ii) general government services and (iii) finance, real estate and business services. The growing government services sector within the province is not sustainable and efforts must be made to diversify the economy, accordingly.

Figure 48: The Limpopo Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

Tress Index

The table below reflects the Tress Index of the Limpopo. In the table below it is evident that Limpopo Province is becoming concentrated in its economic structure.

Table 16: Tress Index for Gross Value Added at Basic Prices (Limpopo - 2010 and 2020)

Tress Index	2010	2020
Limpopo	49,2	50,6

Source: ISA Calculations derived from Quantec Data

The table below indicates the comparative advantages of Limpopo with the following sectors demonstrating comparative advantages:

- Mining and quarrying
- Agriculture, forestry and fishing;
- Electricity, gas and water;
- Construction; and
- General government

Table 17: Location Quotient of Economic of Limpopo (2010 and 2020)

Industry	2010	2020
Agriculture, forestry and fishing	1,12	1,29
Mining and quarrying	3,17	3,73
Manufacturing	0,21	0,20
Electricity, gas and water	1,14	1,08
Construction	1,00	1,04
Wholesale and retail trade, catering and accommodation	1,04	1,00
Transport, storage and communication	0,51	0,47
Finance, insurance, real estate and business services	0,71	0,68
General government	1,16	1,14
Community, social and personal services	0,70	0,67

Source: ISA Calculations derived from Quantec Data

Growth Performance Index

Three economic sectors in the Limpopo Province outperformed the national economy and are listed below:

- Mining and quarrying;
- Agriculture, forestry and fishing; and
- Electricity, gas and water.

Table 18: Gross Performance Index for Limpopo (2009 to 2019) based on Gross Value added (GVA) at basic prices

Agriculture, forestry and fishing	105,15
Mining and quarrying	108,14
Manufacturing	98,12
Electricity, gas and water	100,54
Construction	99,29
Wholesale, retail and motor trade; catering and accommodation	95,03
Transport, storage and communication	95,85
Finance, real estate and business services	93,93
Personal services	96,10
General government services	97,60

Source: ISA Calculations derived from Quantec Data

Conclusion

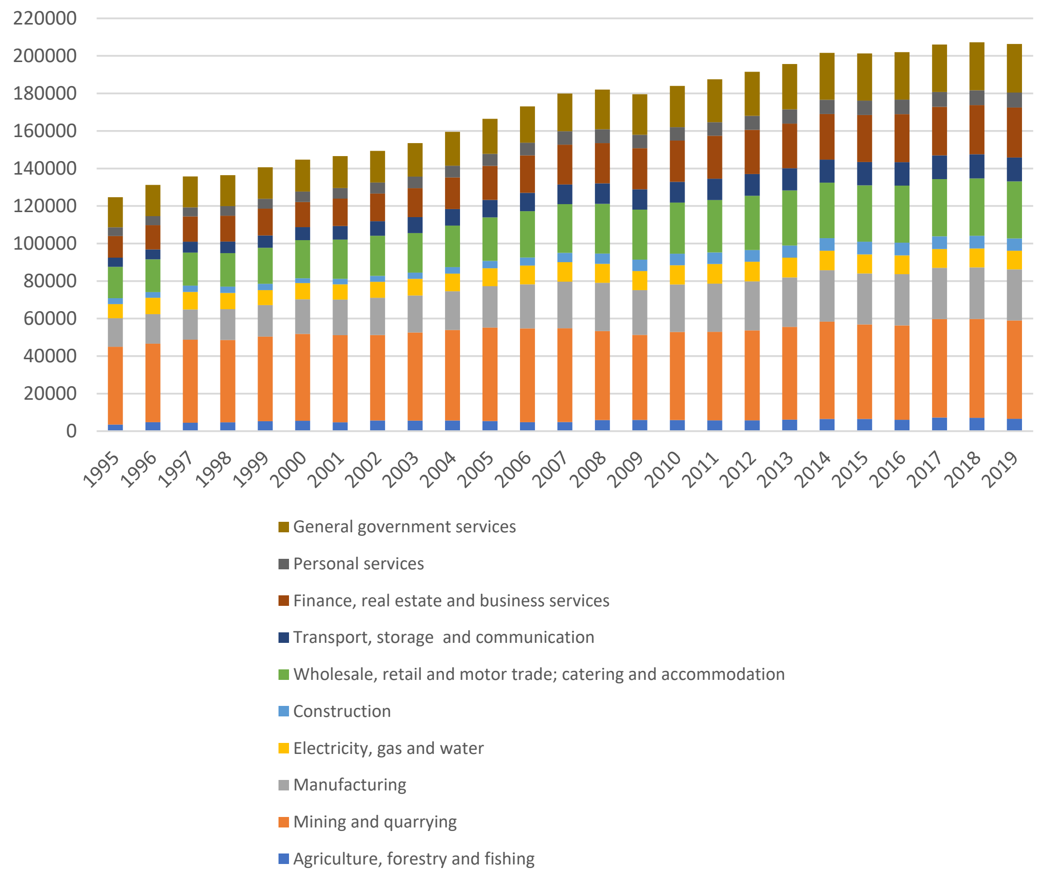
The TI reflects that the Limpopo economy is becoming more concentrated, signalling a potential need to diversify its economic structure. The following sectors are considered to demonstrate investment potential, due to their respective LQ and GPI scores, and should be prioritised towards the province's future growth and potential:

- Mining and quarrying;
- Agriculture, forestry and fishing;
- Electricity, gas and water

9.4.5.7. Mpumalanga Province

The Mpumalanga Province's three largest sectors, as demonstrated by GVA, on average over time are: (i) mining and quarrying; (ii) whole, retail and motor trade, catering and accommodation and (iii) finance, real estate and business services. The manufacturing sector also indicates significant growth over the period in the figure below.

Figure 49: Mpumalanga Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

Tress Index

The Tress Index for the Mpumalanga economy reflects that its structure is still diversified, albeit demonstrating marginal concentration increase between 2010 and 2020.

Table 19: Tress Index for Gross Value Added at Basic Prices (Mpumalanga - 2010 and 2020)

Tress Index	2010	2020
Mpumalanga	39,5	40,7

Source: ISA Calculations derived from Quantec Data

Location Quotient

Table 20 indicates the LQs for the Province, signalling a comparative advantage in the following economic sectors:

- Mining and quarrying;
- Electricity, gas and water; and
- Agriculture, forestry and fishing;

Table 20: Location Quotient of Economic of Mpumalanga (2010 and 2020)

Industry	2010	2020
Agriculture, forestry and fishing	1,22	1,27
Mining and quarrying	2,77	3,52
Manufacturing	0,96	0,94
Electricity, gas and water	2,05	2,09
Construction	0,87	0,89
Wholesale and retail trade, catering and accommodation	1,00	0,98
Transport, storage and communication	0,65	0,64
Finance, insurance, real estate and business services	0,57	0,56
General government	0,74	0,73
Community, social and personal services	0,65	0,63

Source: ISA Calculations derived from Quantec Data

Growth Performance Index

The following sectors outperformed the national economy

- Mining and quarrying;
- Agriculture, forestry and fishing; and
- Manufacturing

Table 21: Gross Performance Index for Mpumalanga (2009 to 2019) based on Gross Value added (GVA) at basic prices

Agriculture, forestry and fishing	104,77
Mining and quarrying	111,84
Manufacturing	101,13
Electricity, gas and water	99,50
Construction	98,66
Wholesale, retail and motor trade; catering and accommodation	93,83
Transport, storage and communication	96,50
Finance, real estate and business services	96,28
Personal services	95,53
General government services	97,08

Source: ISA Calculations derived from Quantec Data

Conclusion

The TI reflects that the Mpumalanga economy is still diversified. Three sectors have comparative advantages based on the LQ scores and the following sectors are considered good investment opportunities due to their respective LQ and GPI scores:

- Mining and quarrying;
- Agriculture, forestry and fishing;
- Electricity, gas and water; and
- Manufacturing

Box 6: The Province of Mpumalanga

Mpumalanga is one of the smallest Provinces in South Africa, second to the Gauteng Province. It can be understood by dividing it into the Lowveld and the Highveld, which have distinctive characteristics and therefore, economic activities. The Lowveld is characterised by tropical weather patterns making it favourable for agriculture and grazing. It is the key citrus hub in the Province. It is also known for its natural beauty, home to the Kruger National Park; a global tourist destination. Anecdotally, the town of Hazyview was voted by TripAdvisor as the 25th most visited town in Africa.

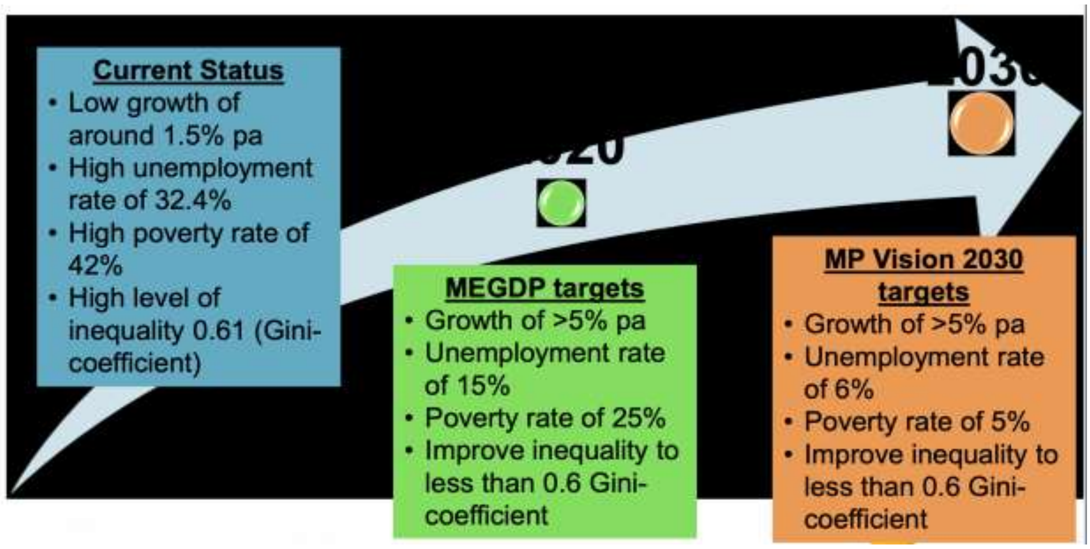
The Highveld on the other hand is characterised by mining activity and agriculture. The co-existence of agriculture and extent of mining due to the vast coal reserves has created a contested economic space. In addition, the province has key historic and notable links to some of the earliest discoveries of gold in South Africa.

Some of the best performing sectors include mining, manufacturing and services followed by tourism and agriculture. On the mining front, the province boasts rich coal reserves and is home to majority of South Africa's coal-fired power stations. The majority of the province's mining activities are located in the region of eMalahleni. Mpumalanga presently contributes 7.5 percent to national GDP.

The Mpumalanga Province has embraced the country's Integrated District Development Model as a strategic vehicle. The province has developed its Economic Reconstruction and Recovery Plan aligned to the sovereign's ERRP and key initiatives include:

- Implementation of the Mpumalanga Industrial Development Plan
- Development of the Nkomazi Special Economic Zone (SEZ) (The Province is working with the DTIC on the realisation of the SEZ)
- Development of the Mpumalanga International Fresh Produce Market

Figure B6.1: Mpumalanga Vision 2030

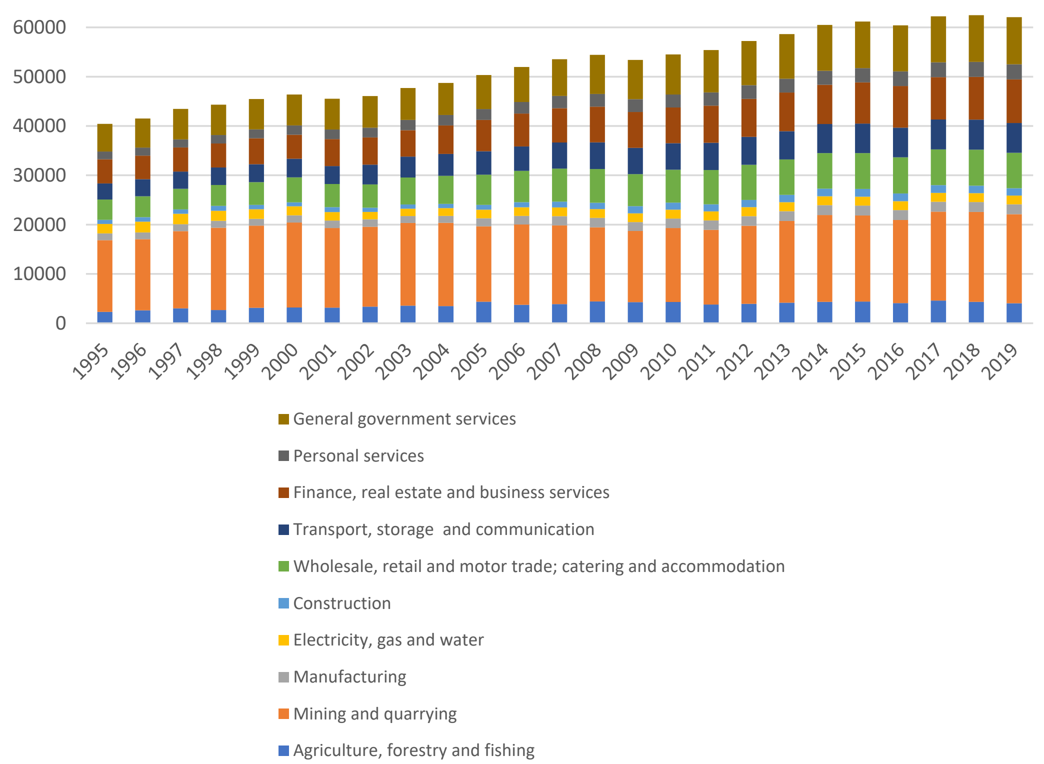


Source: Mpumalanga Provincial Government (2018)

9.4.5.8. The Northern Cape Province

Figure 50 below provides an overview of the sectorial composition of the Northern Cape Province, which is also home to the metropolitan city of Cape Town. The Province's three largest sectors, on average over time, by GVA are (i) mining and quarrying, (ii) finance, real estate and business services, and in recent years reflect a close tie between the (iii) wholesale, retail and motor trade; catering and accommodation and general government services sectors; the latter of which is not sustainable.

Figure 50: Northern Cape Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

Tress Index

The table below reflects the Tress Index of the Northern Cape. The TI for the Northern Cape reflects diversification in terms of its economic structure.

Table 22: Tress Index for Gross Value Added at Basic Prices (Northern Cape - 2010 and 2020)

Tress Index	2010	2020
Northern Cape	42,1	45,8

Source: ISA Calculations derived from Quantec Data

Location Quotient

The table below indicates the relative comparative advantages of the Northern Cape. The following sectors reflect comparative advantages:

- Mining and quarrying;
- Agriculture, forestry and fishing;

- Electricity, gas and water; and
- Transport, storage and communication

Table 23: Location Quotient of Economic of Northern Cape (2010 and 2020)

Industry	2010	2020
Agriculture, forestry and fishing	3,00	2,59
Mining and quarrying	2,99	3,90
Manufacturing	0,24	0,23
Electricity, gas and water	1,21	1,30
Construction	0,68	0,69
Wholesale and retail trade, catering and accommodation	0,83	0,74
Transport, storage and communication	1,07	1,03
Finance, insurance, real estate and business services	0,63	0,61
General government	0,92	0,87
Community, social and personal services	0,81	0,78

Source: ISA Calculations derived from Quantec Data

Growth Performance Index

The leading sectors in the Northern Cape include, based on the province's relative performance to the national economy are:

- Mining and quarrying;
- Electricity, gas and water; and
- Personal services.

Table 24: Gross Performance Index for Northern Cape (2009 to 2019) based on Gross Value added (GVA) at basic prices

Agriculture, forestry and fishing	89,93
Mining and quarrying	121,21
Manufacturing	98,02
Electricity, gas and water	102,57
Construction	93,98
Wholesale, retail and motor trade; catering and accommodation	90,80
Transport, storage and communication	93,84
Finance, real estate and business services	96,06
Personal services	100,92
General government services	97,43

Source: ISA Calculations derived from Quantec Data

Conclusion

The TI reflects that the Northern Cape economy is diversified, hence there is little concern if too much investment takes place in one specific industry. Although the LQ reflects a good performance of the Agriculture, forestry and fishing sector, it is important to note that this sector underperformed when compared to the growth of this sector in the aggregate economy over this period. The following sectors are considered good investment opportunities due to the LQ and GPI scores and should thus, be prioritised by the province:

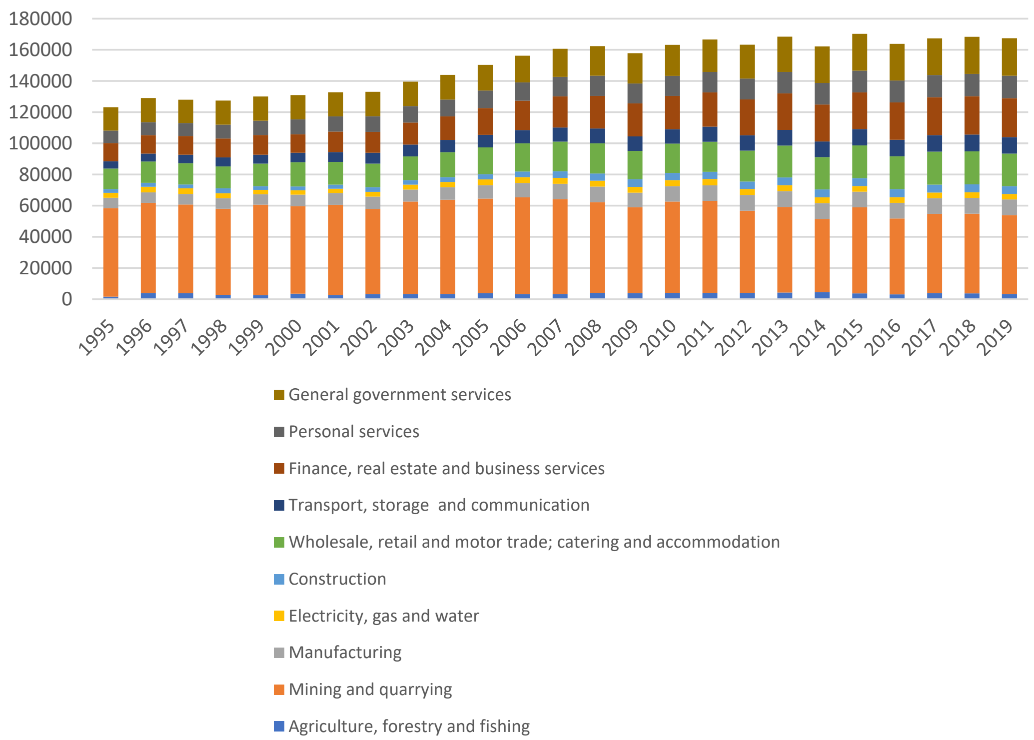
- Mining and quarrying; and
- Electricity, gas and water

In addition, if significant plans are made and implemented to revive the agriculture, forestry and fishing sector, this could also be a third sector of opportunity for the province.

9.4.5.9. The North-West Province

Figure 51 below provides an overview of the sectorial composition of the North-West Province. The Province's three largest sectors, on average over time, by GVA are (i) mining and quarrying, (ii) finance, real estate and business services, and (iii) general government services sectors; the latter of which is not sustainable.

Figure 51: The North-West Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

Tress Index
The Tress Index for the North-West Province reflects that it is a more diversified than concentrated in structure.

Table 25: Tress Index for Gross Value Added at Basic Prices (North West - 2010 and 2020)

Tress Index	2010	2020
North West	49,1	45,3

Source: ISA Calculations derived from Quantec Data

Location Quotient
The table below indicates the relative comparative advantages of the North-West. It is found that the following sectors boast comparative advantages:

- Mining and quarrying; and
- Community, social and personal services.

In addition, the LQ for the electricity, gas and water sector has also grown significantly and is now close to 1.

Table 26: Location Quotient of Economic of North West (2010 and 2020)

Industry	2010	2020
Agriculture, forestry and fishing	0,95	0,86
Mining and quarrying	3,89	3,60
Manufacturing	0,42	0,45
Electricity, gas and water	0,87	0,96
Construction	0,74	0,86
Wholesale and retail trade, catering and accommodation	0,77	0,88
Transport, storage and communication	0,62	0,69
Finance, insurance, real estate and business services	0,62	0,67
General government	0,75	0,87
Community, social and personal services	1,33	1,46

Source: ISA Calculations derived from Quantec Data

Growth Performance Index

General government services illustrates the best growth performance, which is not sustainable.

Table 27: Gross Performance Index for North-West (2009 to 2019) based on Gross Value added (GVA) at basic prices

Agriculture, forestry and fishing	81,00
Mining and quarrying	88,96
Manufacturing	95,46
Electricity, gas and water	96,05
Construction	92,57
Wholesale, retail and motor trade; catering and accommodation	94,25
Transport, storage and communication	94,48
Finance, real estate and business services	93,28
Personal services	96,49
General government services	100,32

Source: ISA Calculations derived from Quantec Data

Conclusion

The TI reflects that the North-West economy province is still diversified in its structure. The GPI reflects that only the government sector experienced buoyant growth between 2010 and 2020. This implies that significant investment takes place in government services and hence indicates a more pressing requirement to attract private sector investment into other sectors of the economy. The following sectors are considered good investment opportunities due to their respective LQ scores:

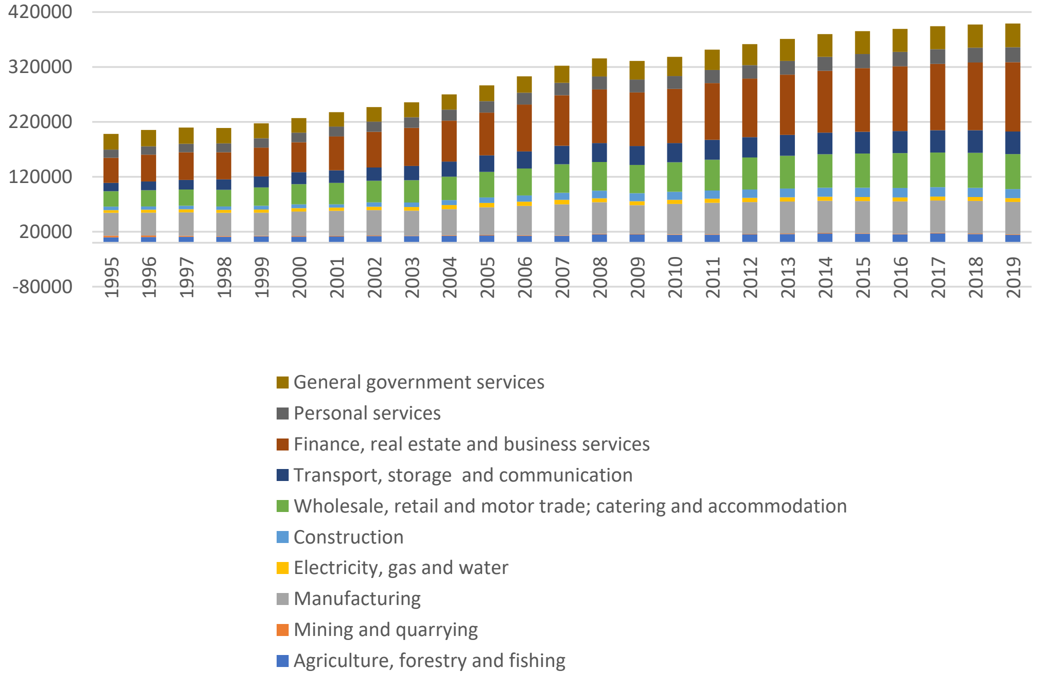
- Mining and quarrying; and
- Community, social and personal services

In addition, based on significant growth in the LQ score of the electricity, gas and water sector, this is considered to be a sector of potential for the province.

9.4.5.10. The Western Cape Province

Figure 52 below provides an overview of the sectorial composition of the Western Cape Province, which is also home to the metropolitan city of Cape Town, a global tourism destination. The Province's three largest sectors, on average over time, by GVA are (i) finance, real estate and business services, (ii) wholesale, retail and motor trade; catering and accommodation, and (iii) manufacturing.

Figure 52: Western Cape Province Sectorial GVA Composition: GVA, constant prices, R millions



Tress Index

Table 27 below indicates the Tress Index of the Western Cape. The province has become a slightly more concentrated economy between 2010 and 2020, implying that the economy is slightly more vulnerable to exogenous shocks, such as commodity price fluctuations.

Table 28: Tress Index for Gross Value Added at Basic Prices (Western Cape - 2010 and 2020)

Tress Index	**2010**	**2020**
Western Cape	48,7	51,5

Source: ISA Calculations derived from Quantec Data

Location Quotient

Table 29 below indicates the relative comparative advantages of the Western Cape albeit decreasing in 2020. The following sectors demonstrate comparative advantages:

- Agriculture, forestry and fishing;
- Finance, insurance, real estate, and business service; and
- Manufacturing;
- Construction;
- Community, Social and Personal Services; and
- Wholesale and retail trade, catering and accommodation.

This picture also demonstrates a certain level of alignment to the province's sectorial composition of GVA, i.e. Figure 52.

Table 29: Location Quotient of Economic of Western Cape (2010 and 2020)

Industry	*2010*	*2020*
Agriculture, forestry, and fishing	1,63	1,48
Mining and quarrying	0,03	0,03
Manufacturing	1,14	1,12
Electricity, gas, and water	0,81	0,78
Construction	1,13	1,11
Wholesale and retail trade, catering, and accommodation	1,07	1,05
Transport, storage, and communication	1,12	1,08
Finance, insurance, real estate, and business services	1,39	1,38
General government	0,64	0,64
Community, social and personal services	1,16	1,13

Source: ISA Calculations derived from Quantec Data

Growth Performance Index

In terms of the GPI, a large number of sectors in the Western Cape performed quite well. Leading sectors include:

- Mining and quarrying;
- Wholesale, retail and trade, catering and accommodation;
- Finance, real estate and business services;
- Construction;
- Personal services; and
- General government

Table 30: Gross Performance Index for Western Cape (2009 to 2019) based on Gross Value added (GVA) at basic prices

Agriculture, forestry and fishing	89,57
Mining and quarrying	109,66
Manufacturing	99,49
Electricity, gas and water	99,90
Construction	101,67
Wholesale, retail and motor trade; catering and accommodation	102,12
Transport, storage and communication	98,63
Finance, real estate and business services	102,04
Personal services	100,19
General government services	103,04

Source: ISA Calculations derived from Quantec Data

Conclusion

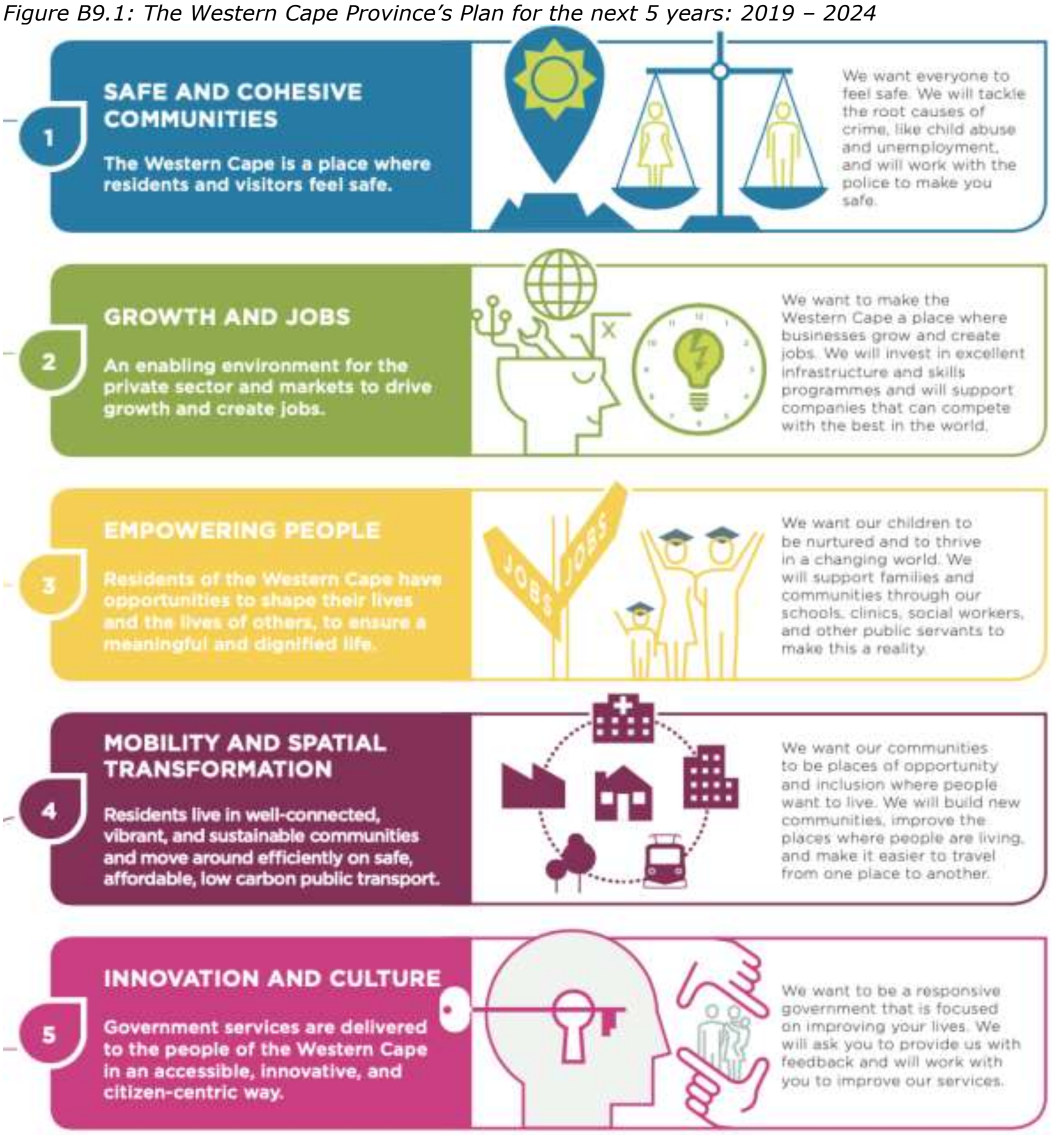
The TI reflects that the Western Cape economy is becoming more concentrated and although the GPI reflects a good performance of the mining and quarrying sector, investment in this sector should be carefully considered due to the very poor LQ score. The following sectors are considered good investment opportunities due to the LQ and GPI scores:

- Wholesale and retail trade, catering, and accommodation;
- Finance, real estate and business services;
- Construction; and
- Personal services

In addition, manufacturing could also be a sector of potential for the Province based on the fact that it is already in the top 3 largest sectors for the province by GVA; the LQ of the sector is greater than 1, indicating a comparative advantage, and the GPI for the sector is very close to 100.

Box 9: The Western Cape's Plan for the next five years and the City of Cape Town's 2021 Economic Growth Strategy

Figure B9.1: The Western Cape Province's Plan for the next 5 years: 2019 – 2024

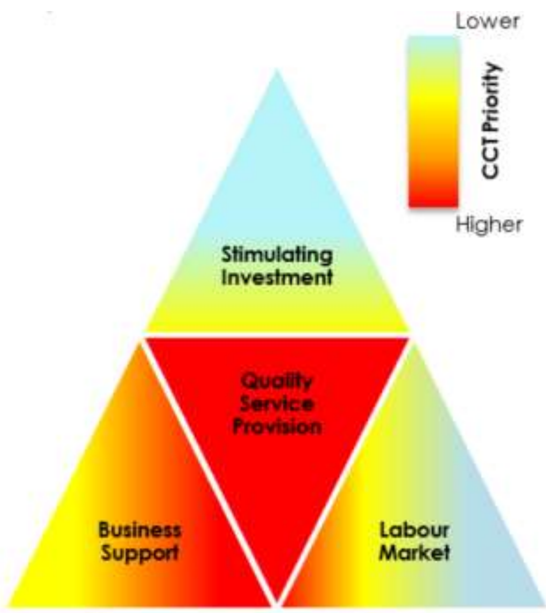


Source: Western Cape Government (2019)

The City of Cape Town's economic vision as articulated in its 2021 growth strategy:

"By coordinated action between all sectors of society and spheres of government a business-friendly environment will be forged that will enable businesses to grow and create jobs, whilst adapting to market changes and empowering individuals to be economically active and socially mobile. The City will ensure it plays its role in creating more shared and greater prosperity."

Figure B9.2: Intervention areas for the City of Cape Town

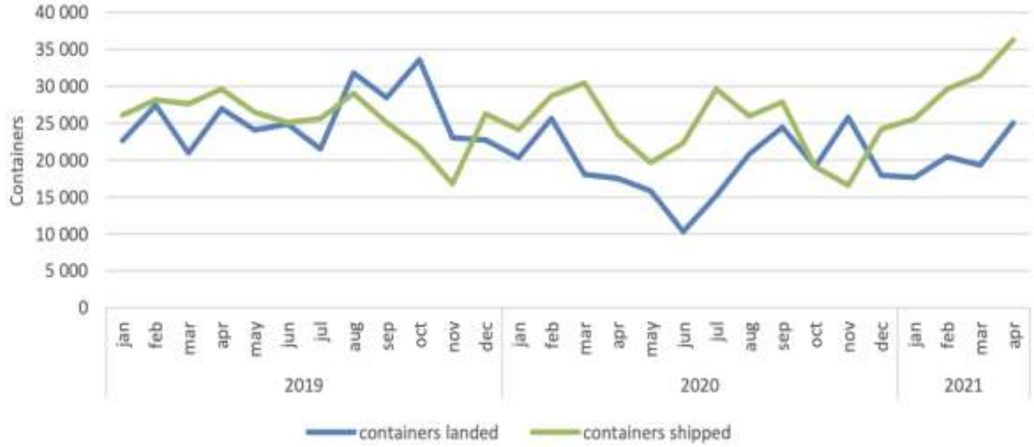


Source: City of Cape Town (2021)

Figure B9.2 above indicates "the City's prioritisation of intervention in the face of the current economic crisis, with emphasis placed on quality service provision first and foremost, and business and labour market support thereafter. It is important to note that the lifespan of this Strategy will see adjustment of its application in line with changing circumstances, however the impact of Covid-19 is such that the existing prioritisation is likely to persist for some time."

CoCT Economic Growth Strategy 2021

Snapshot: Figure B9.3: Container activity in the City of Cape Town



Source: City of Cape Town (2021)

9.5. South Africa's Five Big Frontiers

9.5.1. The big frontiers to accelerate FDI and DDI for job-rich growth

The *Big Frontiers* listed in this section are the country's articulated strategic investment attraction initiatives that are elevated as Country Strategic Investment Programmes (CSIPs) to drive the requisite levels of FDI and DDI that match the ambitions of the NDP. South Africa's *Big Frontiers* have been derived through the empirical analysis presented above and also, through a 'matrixing' process which identified, across a range of existing strategic commitments, initiatives under the following categories of state action to promote, facilitate and enable investment:

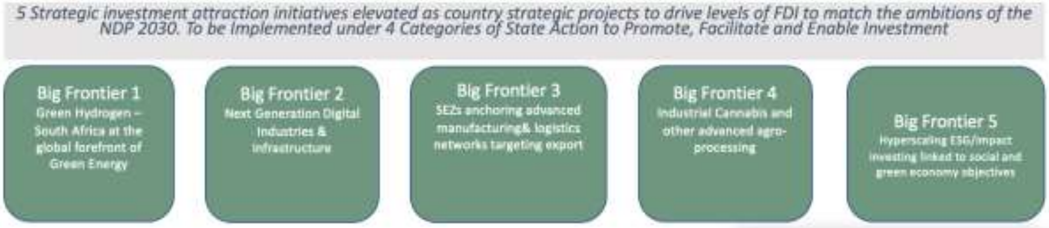
a) **Convene:** the state can convene and cluster relevant players to ensure that investments support each other and further, that co-ordinated investor intelligence is enhanced
b) **Co-invest:** the state can build something that is a platform for or a significant component of a larger private sector investment (e.g., Special Economic Zones; industrial capability through the state's Critical Infrastructure Fund)
c) **Catalyse:** the state can finance infrastructure that is a precondition for scaling investment (e.g., bulk infrastructure, rail and port infrastructure, road networks) and crowd-in private finance and funding through credit enhancement, tax increment financing and other mechanisms that liberate the state to build enabling infrastructure without compromising fiscal headroom
d) **Enable:** the state can unblock elements that are obstacles to investment or amend legislation to enable and drive investment. This includes streamlining and fast-tracking licensing regimes, operating permits of all kinds, spatial development frameworks and other compliance instruments, including, permission to build and visa rules for scarce skills that have been cites as bottlenecks in targeted sectors.

The matrixing process has identified initiatives under each of these action areas that are aligned to the following:

- The Economic Reconstruction & Recovery Plan published October 2020
- Sector Masterplans (both DTIC-led and otherwise)
- National Planning Commission input/discussion papers
- NEDLAC inputs to date including the Business for South Africa (B4SA)
- NSDF
- Inputs from organized labour and civil society
- Inputs made through the three country investment conferences held to date

The combination of the empirical work presented thus far and the matrixing exercise just described has yielded the 5 big frontiers, which are summarised below. Brief matrixing tables summarising key strategic initiatives to be organised under each of the four action areas for each frontier are contained in an annexure to the CIS.

Figure 53: South Africa's 5 Big Frontiers



Source: South Africa's Country Investment Strategy (2021)

It is important to highlight that the morphing of the *Big Frontiers* into strategic investment programmes must carefully consider the country's spatial transformation agenda, as articulated in the National Spatial Development Framework (NSDF, 2018).

9.5.1.1.1. Big Frontier 1: Green Hydrogen – South Africa at the Forefront of Green Energy

South Africa has the potential to play a dominant role in the green energy marketplace of the 21st Century by becoming a leading global production site for Green Hydrogen and Green Ammonia as export commodities. This is driven by the demand of countries seeking to convert to zero-emission electricity grids as well as industries seeking to fulfil commitments to transition to green fuel. This is based on extensive engineering experience which is now being phased into economic modelling based on a range of scenarios that has identified the opportunity for South Africa to become a leading global production site for green hydrogen driven by export market demand, specifically from Japan and the European Union. This is principally based on electrolysis as the most promising, zero-emission mode of production at scale and the associated requirement that the electricity used in such a process itself be generated using zero-emission sources in order for the hydrogen and/or green ammonia produced to be classified as green.

In this regard, it is important to note that the EU has active commitments to provide offtakes for over 40 GW of hydrogen production capacity, 90% of which has to come from outside of the EU. South Africa's globally leading advantage in renewable energy, particularly with respect to solar and wind across the Northern Cape solar belt, position us well to meet this export demand.

Whilst the production capabilities will be Northern Cape-led, this represents a national opportunity with dedicated storage and export facilities to be set up across the national port system and the strategic localisation of renewables technology manufacturing, including the establishment of tier-1 renewables components suppliers in the major advanced manufacturing hubs such as Gauteng, to meet the gigawatt level demand for renewable energy to power hydrogen production.

Although electrolyser technology will spur additional demand for platinum group metals to produce catalysers, the main advantage from growth in hydrogen as a fuel source over the mid-horizon is likely to be used in hydrogen fuel cells, both locally and internationally. There are a range of opportunities to use the hydrogen export economy to revitalise, recapitalise and transition mines across the country, including an opportunity to mandate that a portion of profits derived from exports be used to fund just transition programmes for workforces currently producing and processing coal and other high-emission fuels.

Table 31: State enablement of Big Frontier 1: Green Hydrogen

Convene	• Approve national Hydrogen Strategy and Hydrogen Investor Roadmap, working with SAREM, HySA and other relevant umbrella bodies • Convene regular roundtables with hydrogen sector investors, including the Platinum Group Metals (PGM) mining sector
Co-invest	• Deploy Green Hydrogen and Green Ammonia export production as part of relevant Special Economic Zones, starting with Namaqua District (Northern Cape), including dedicated export facilities at the new planned Port of Boegoebaai. • Deploy SEZ and other industrial incentives to establish Tier-1 producers of renewable energy and electrolyser technology in advanced manufacturing hubs.
Catalyse	• Integrate dedicated Green Hydrogen and Green Ammonia storage into existing port operations • Expand and/or establish dedicated Green Hydrogen and Green Ammonia overland transport capacity including specialist rolling stock and pipeline infrastructure where necessary

Enable	• Allow unlimited own generation using renewable energy at Hydrogen Production sites for export, on condition that an agreed portion of profit-share is ceded to an independently managed just transition fund. • Fast-track mining exploration linked to PGM

Source: South Africa Country Investment Strategy (2021)

9.5.1.2. Big Frontier 2: Driving wide and deep digital coverage to position South Africa as Africa's Hub for Next Generation Digital Industries and Infrastructure

Modelling contained within the country's ICT and Digital Economy Masterplan indicates that the digital economy could boost total GDP by 3 percent overall and contribute as much as 19 percent to GDP. The masterplan foresees this through enabling the hyper-scaling of global business services and digital services businesses[i], advanced manufacturing of new digitally enabled products[ii], enabling the deployment of transformative technologies and digital platforms[iii] and enabling next generation creative industries such as gaming production[iv]. This in turn depends on a demand-led, integrated national programme to build the relevant digital workforce and building high-capacity connectivity[v] to serve both individual users and industrial clients. An industrial broadband strategy at the level required will need to be built through an interlocking network of private sector investments.

The strategic approach to commercialising public sector investment into backhaul and last mile connectivity as a platform for interlocking private sector investment is to pool a purchase guarantee of broadband and value added services usage over a five to fifteen year timeframe from all spheres of government. This can be packaged with a multi-year partial funding guarantee and the right to commercial returns for use of publicly procured infrastructure under defined parameters.

Table 32: State enablement of Big Frontier 2: Next Generation Digital Industries and Infrastructure

Convene	• Fast-track international marketing and investor engagement • in key source markets for global business services • Mobilise digital, ITO and ICT companies to participate in export market opportunities • Map the innovation funding process for digital innovations from R&D to final launch • Bolster R&D financing schemes with a centralised co- ordinating body • Nurture alternative and innovative start-up financing schemes • Cultivate grass roots innovation schemes • Promote work from anywhere digital platforms which provide outcomes based gig and contract work for South Africans in townships and villages
Co-invest	• Optimise existing special economic zones, innovation hubs, industrial and technology parks and youth technology facilities • Create public-private deal making teams • Provide standardisation ranking and pre-testing initiatives for digital products and services that are exported
Catalyse	• Activate bidding process to position public sector backhaul investments as platforms for interlocking private investment into universal broadband (see strategy outlined above) • Reform the SETA funding model for digital skills from being output-based to being outcome-based and establish digital apprenticeship centres • Modernise South Africa's qualifications and credentialing system in line with digital industrial workforce demand and set aside discretionary SETA funding for micro-credentials

	• Ensure all SETAs incorporate digital skills planning into their sector skills plans and that curriculums across all disciplines in TVET institutions are designed to provide students with relevant skills that enhance digital literacy
Enable	• Enact standard by-laws governing wayleave application and processing which favour broadband installation in under-serviced areas, as well as fair, rapid turnaround bidding systems for those seeking to use street furniture (streetlamps and similar infrastructure) • Refine South Africa's IP policies and patent grant system to incentivise digital platforms • Create incentives and an enabling environment for the establishment and expansion for data centres and cloud adoption in South Africa • Scale-up and drive uptake of the DTIC's incentive scheme for global business services. • Provide financial and non-financial reshoring and right-skilling incentives • Development of a policy that addresses data access and • sharing that supplements the current Protection of Personal 3 years Information ("POPI") Act with a view to balancing data protection and international competitiveness of SA as a digital market

Source: South Africa Country Investment Strategy (2021)

9.5.1.3. Big Frontier 3: Special Economic Zones (SEZs) anchoring Advanced Manufacturing and Logistics Networks

The new African single market [vi] is deliberately designed to liberalise trade in goods and services, facilitated by the reduction and elimination of tariff barriers for goods and enabling cross-continental trade in services; the latter creating the wider pool of export potential represented by Big Frontier 2 above.

South Africa's preferential export market access to AfCFTA, the UK, European and US markets represents global demand that can and should be harnessed to drive massive new investment into productive capabilities, particularly where South Africa has structural advantages continentally[vii]. These include automotive and associated advanced manufacturing[viii], agro-processing and the manufacturing of finished goods that will now compete on a tariff-advantaged basis with imports from large-scale manufacturing regions such as China and India. There is an explicit opportunity to link the waste and recycling economy in South Africa, as a conduit for recovered plastic and packaging feedstock, to the export of finished goods into the new single market.

With respect to advanced manufacturing, the incentives provided through the SEZ Programme[ix], particularly if scaled and enhanced, provide the enabling policy for advanced manufacturing clusters that can crowd-in both foreign and domestic investment to access these markets. A clear case in point is the Tshwane Automotive Special Economic Zone (TASEZ) which will, by 2022, be producing over 200,000 vehicles a year for export, representing a ZAR15.8 Billion (USD 1 Billion) investment, or a 20 percent increase in national production capacity[x]. This has in turn provoked the need for dedicated rail capacity to move vehicles to port, resulting in the inception of the Gauteng-Eastern Cape High Capacity Rail Corridor; financed in part through a long-term offtake agreement linked to SEZ production, designed to form the basis of a blended financing model.

This approach of anchoring export-led production capability with SEZs leading wider industrial clusters integrated with blended financing linked to critical logistics upgrades is key to positioning foreign and domestic investors into the South African manufacturing sector to benefit from the African single market for finished and intermediate goods, as well as the wider markets available under our various trade regimes with other regions.

The cost of doing business in South Africa is a critical factor in implementing and scaling the interventions promulgated under the ERRP and is significantly impacted by the cost of freight, particularly with respect to investment attraction and retention in addition to maximising multiplier effects that justify investments made and revenue foregone on key incentives, such as that of the special economic zones. Not only has rail freight failed to act as a spur to growth in the South African economy but under-investment and poor interoperability with freight infrastructure across the legacy Spoornet network (now operated under Transnet Freight Rail or TFR) has resulted in an estimated 100 million tonnes per annum of freight demand moving from rail to road over the last 2 decades[xi]. A focus on rail freight as a key logistical enabler is key.

Similarly, it is also important to emphasise that rail freight networks are directly integrated with Port Networks. These initiatives imply expanding not only the Port of Durban, but capabilities across the full port system; which is a clear target for co-investment with the various private sector constituencies targeting export markets. For the purposes of accessing the African single market, expanded, modernised port capabilities are critical and further emphasise the importance of the development of a coherent and well-co-ordinated national port strategy and implementation plan.

Table 33: State enablement of Big Frontier 3: SEZs anchoring advanced manufacturing and logistics networks targeting export, including the new single African market

Convene	• Utilise the masterplan forum as an investor mobilisation forum for the relevant demand-facing sectors • Regularly convene funders and proposers of export-focused manufacturing clusters in order to drive investor mobilization into SEZ clusters.
Co-invest	• Scale the SEZ model by deliberately targeting commodities and services in demand from the new African single market (AFCFTA) and other markets with tariff-enabled access.
Catalyse	• Use the Gauteng-Eastern Cape High-Capacity Rail corridor as a template for blended finance approaches linking demand-facing industrial clusters with enabling port and rail infrastructure.
Enable	• Fast-track/streamline SEZ and associated incentives • Align national trade facilitation agenda with the SEZ incentives

Source: South Africa Country Investment Strategy (2021)

9.5.1.4. Big Frontier 4: Industrial Cannabis and other Advanced Agro-processing Opportunities linked to AfCFTA

Currently, there is a global shift towards the industrialisation of cannabis as a legally and globally traded commodity; feeding what is now projected to grow into a USD 278 billion global marketplace by 2028. In the South African context, Cabinet resolved in July 2019 to aggressively pursue the commercialisation of cannabis as a part of the re-imagined industrial policy. The sector was subsequently identified as a candidate for its own masterplan, which is at an advanced stage.

There are broadly four sales channels for cannabis plants[xii] processed at different stages of growth:

a) Plants with high THC content grown and processed for medicinal use
b) Plants produced with broadly the same defining features as (a) but intended for recreational use
c) Plants with low or no THC content produced as hemp, which has a wide range of commercial and industrial uses, including as a durable and cost-competitive substitute for cotton
d) Plants with low or no THC content produced as biofuel feedstock

Of these, given South Africa's agricultural competitiveness profile, the most viable competitive sales channel to pursue at an industrial scale is channel a). Channel b) is still a highly uncertain value proposition both locally and internationally, requiring extensive legal and institutional evolution. However, capabilities developed for medicinal production can be very rapidly deployed to service recreational demand from either local or international markets.

Channels c) and d), while promising, will need to be closely tied to offtake agreements to ensure competitiveness and sustainability. This could be enhanced if access to large scale land parcels not supportive of other cash crops can be released or fast-tracked as cannabis plantations, thereby exploiting the fact that the plant prospers in much poorer water and soil conditions than is the case with most other crops.

This provides for novel land assembly arrangements that can support the redevelopment of rural land assets, aligned to the provisions and aspirations of the country's poultry and sugar masterplans in particular. The most significant barrier to industrialisation of channel a) is the legal framework within which exporters must operate[xiii], which places very high compliance burdens on licensees, who are currently producing exclusively for export markets.

A supportive legal framework which both streamlines scale production for export (including through inclusion in the SEZ network) and opens up domestic market access through clear, sensible regulation of medicinal cannabis is where the CIS prioritises investment mobilisation and enabling activity. When combined with the opportunity to position agro-processed commodities serving the new African single market, as per Big Frontier 3, the industrial cannabis approach constitutes a core investor mobilisation strategy for frontier areas with significant land assets and linkage to supportive infrastructure via the SEZ and logistics networks serving the AFCFTA.

Table 34: State enablement of Big Frontier 4: Industrial Cannabis and other advanced agro-processing

Convene	• Process the recommendations of the Cannabis Industrialisation Masterplan through Cabinet via the Inter-ministerial Committee on cannabis commercialisation • Process the recommendations of the Poultry and Sugar masterplans through relevant structures
Co-invest	• Mobilise cannabis production for export as part of the SEZ network
Catalyse	• Gear relevant land-release, land-reform and mining land reclamation programmes to identify land-parcels that would not be suitable for most cash-crops (due to water table and/ or soil quality issues) but which could be viable for cannabis plantations
Enable	• Finalise a common cannabis regulatory framework geared towards industrialisation for export, with a focus on medicinal value chain • This will most likely require the deployment of regulatory sandboxes to test these approaches in specific provinces and regions

Source: South Africa Country Investment Strategy (2021)

9.5.1.5. Big Frontier 5: Hyper-scaling ESG/Impact Investing linked to Social and Green Economy Objectives

An under-appreciated potential channel to mobilise foreign direct investment is the expanding global universe of Environmental, Social and Governance (ESG) impact investment funds. The global marketplace for such impact investing now exceeds USD 30 trillion, though this covers a wide range of investments that carry some level of positive social economic or environmental impact.

In the South African context, there is a massive opportunity to scale impact FDI flows into blended financing portfolios of small, medium and micro enterprises in both the public and private sector value chains. This will serve the dual strategic purpose of enabling compliance with the transformation of objectives that all large enterprises in South Africa must achieve under law; and creating investment vehicles for novel flows of FDI that are not tied to specific investments in physical infrastructure.

The focus is on platforms that can channel wholesale capital to a multitude of enterprises not adequately serviced by the banking system via product lines including purchase order financing, working capital loans, stock credit financing and cash flow support with wholesale capital deployed by expert nonbank intermediaries.

This envisaged lending can be de-risked in four ways:

a. The provision of public sector funding as a first loss reserve to enable lower interest rates and concessional lending terms blended with private sector capital in boutique funds targeting specific sectors and areas
b. Fintech enabling data-rich, real time cash flow analysis using information from value chain owners and sourced via platform management tools
c. Embedding business development support practices as a requirement for any intermediaries accessing the concessional pools of wholesale capital in order to ensure average loan recovery of 95 percent or greater
d. Deployment of loans at a portfolio level in order to manage default risk through diversification

The convergence of concessional financing with value chain intelligence and impact-focused business development support via structured financing platforms can align transformation imperatives and commercial incentives in ways that are investment enabling.

The environmental component of the ESG funding spectrum provides particular opportunities that relate to the green economy. This will apply in particular to local platforms/portfolio funds which focus on opportunities that include:

1) Green energy supply, in the local context, with a focus on under-serviced areas, including micro-grid solutions with linked power storage deployed as independent power producers; particularly where these provide affordable energy to areas with very high levels of unbilled losses due to illegal connections and/or unsustainable debt balances for historic use. This will also extend to power storage/IPP offerings that stabilise historic industrial grids where supply reliability has become a barrier to retention and expansion
2) Opportunities which provide energy systems which decarbonise hard-to-abate sectors; particularly the reconfiguration of historic coal mining assets with limited export profitability lifespans to provide green outputs of various kinds
3) Waste economy opportunities with particular emphasis on the 25 percent of recyclables and 20 percent of green waste that constitutes waste flow to landfills nationally
4) Deployment of water re-use and recycling for residential, commercial and industrial use with a focus on reducing demand from watersheds and financing innovations which directly reduce unbillable technical losses (which account for over 30 percent of bulk water).

Table 35: State enablement of Big Frontier 5: Hyperscaling ESG/impact investing linked to social and green economy objectives

Convene	• Convene and mobilise ESG/impact investors through a dedicated platform which profiles blended finance and concessional capital pools that are well positioned to attract impact FDI
Co-invest	• Integrate blended finance portfolio lending for enterprise and supplier development programs into the SEZ network • Integrate blended finance portfolio lending channels for energy, waste economy and water re-use/watershed and distribution management technologies into build and maintenance contracts for utilities

Catalyse	• Mobilise first movers in the public sector, including the IDC, DBSA and provincial/local economic development agencies, to establish prototype blended capital pools targeting township and rural SMMEs to prove the use case • Include a specific variant for green economy opportunities
Enable	• Work through the South African Reserve Bank and the Banking Association of South Africa to consolidate public sector funds which can serve as first loss reserves for impact capital pools and streamline the process of establishing such partnerships • Explicitly link blended financing pools via appropriate public institutions – including DBSA and the IDC – with IPP support from the Departments of Mineral Resources & Energy and Co-operative Governance and Traditional Affairs • Mandate blended financing for service improvement and expansion via off-grid/micro-grid networks in areas with the highest levels of technical losses of bulk water and bulk electricity • Adopt a national standard for landfill pricing which is cost reflective of managing landfills at full regulatory compliance with a linked blended financing programme for waste economy industrialisation.

Source: South Africa Country Investment Strategy (2021)

10. South Africa's Investment Regulatory Landscape

10.1. Laws and Regulations pertaining to Investment

In 2010, South Africa adopted an investment policy framework that seeks to modernise and strengthen the country's investment regime ensuring that the country remains open to foreign investment and continues to provide strong protection to investors whilst preserving the right of government to regulate aligned to its national interest and ensuring consistency with the South African Constitution located within a human rights framework. This followed a three-year multi-stakeholder review of Bilateral Investment Treaties (BITs) that concluded in 2010. The Review drew three essential conclusions. The first was that the relationship between BITs and increased inflows of FDI in South Africa has been ambiguous. Second, BITs are not generally considered essential by investors in their decisions to invest, with return on investment metrics, expectation of economic growth, and robust domestic legal regimes protecting investment, having significantly more decisive impact on the decision to invest. Third, the Review highlighted the range ambiguities that are evident in many standard provisions of the BITs. These ambiguities give rise to varying interpretations of meaning, usually expansive, that create great uncertainty for both investors and governments. Deficiencies in BITs are compounded by severe problems in the international investment arbitration system. The system is not unified system and has no common standards. Awards granted by different arbitration panels on similar matter diverge and these inconsistencies lead to uncertainty and unpredictability about the meaning of treaty.

On the basis of the Review, Cabinet decided in July 2010 that South Africa would terminate existing BITs and that while South Africa already provides strong protection for foreign investors in national legislation, it will clarify that protection in a new Investment Act.

South Africa's investment policy framework follows a sustainable development approach, which recognises that regulations are required to balance economic and sustainable development goals.

The country's approach has been informed by its Constitution as well as the legislative and policy frameworks created, notably, the Protection of Investment Act 2015 (PIA) promulgated in 2018, the National Development Plan, the National Industrial Policy Framework and the Economic Recovery and Reconstruction Plan (ERRP). South Africa has also carefully considered its regional obligations as contained in various investment treaties and protocols.

South Africa's investment reform is prompted by shifts in international policy thinking that seeks to ensure that investment protection regimes support inclusive growth and sustainable development objectives.

In this respect, the country's investment policy framework has helped to foster an environment that clearly specifies the strong protection investors can expect in South Africa with the country's legal framework offering robust non-discriminatory protection to all investors. Foreign investors, once established in South Africa, benefit from open, transparent and predictable conditions for investment, which enable investors to conduct business on terms no less favourable than those available to domestic investors.

10.1.1. Protection of Investment Act 2015

The Protection of Investment Act 2015 (PIA), amongst other things, codifies typical bilateral investment treaty provisions into domestic law, while ensuring consistency with the South African Constitution. Sustainable development requires that investment is subject to effective and efficient regulation at both the domestic and the international level to avoid, for example, environmental and social harm. Underpinning this framework is a strong and credible judicial system. In addition, property rights are fully protected under the Constitution and property may only be expropriated pursuant to specific constitutional provisions that are in line with international practice.

The PIA also seeks to achieve several balances. Balance is sought between the rights and obligations of investors; the need to provide adequate security and protection to all investors and their investments; the need to preserve the sovereign right of Government to regulate in the public interest; the need to pursue developmental public policy objectives; and the need to ensure South Africa's constitutional obligations are upheld. The country's legal framework also provides protection through the Promotion of Administrative Justice Act, the Promotion of Access to Information Act, Intellectual Property Rights Act, the Competition Act and various environmental laws.

10.2. Municipal Governance

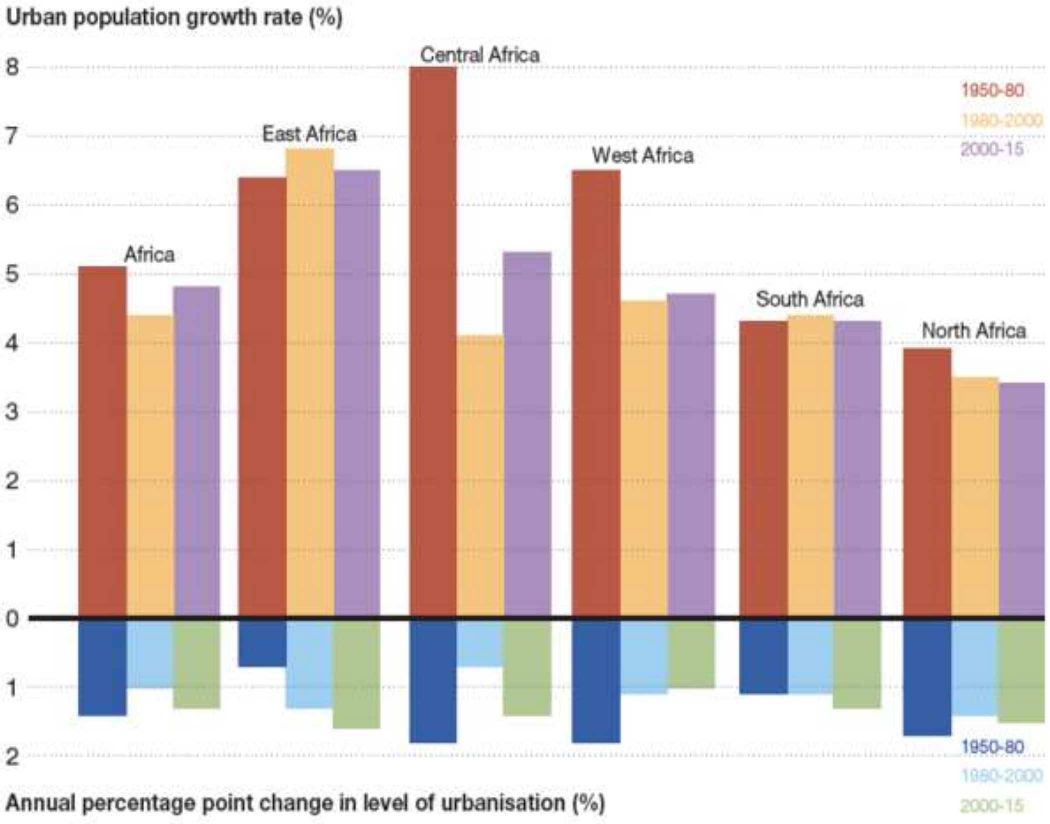
Municipal services and service delivery are the basic functional activities of municipal governments. Municipalities are the third sphere of government and the one that functions closest to local communities. Municipal governments have often been described as comprising the sphere of government that is tasked with the development and provision of services to communities.

In compliance with the basic constitutional provisions and requirements in respect of municipal service provision, the Municipal Systems Act determines specific duties and requirements for all municipalities. As a general duty, a municipality must give effect to the provisions of the Constitution and must:

- Give priority to the basic needs of the local community;
- Promote the development of the local community; and
- Ensure that all members of the local community have access to at least the minimum level of basic municipal services

Municipal services must be equitable and accessible for all residents and must enable municipalities to achieve and fulfil their objectives and duties. According to Section 4 of the Municipal Systems Act, every municipality has the right to finance the municipality by, amongst others, charging fees for services, imposing surcharges on fees, effecting rates on property.

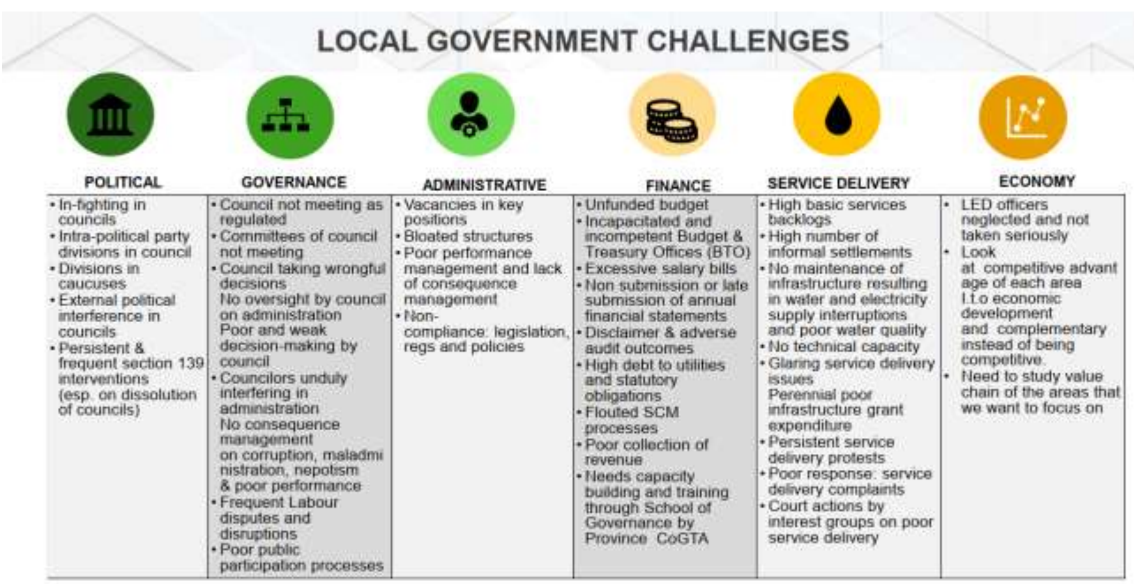
Figure 54: Urbanisation over time on the African continent



Source: Brookings Institute (2016)

Over the last five years, local government had to navigate several challenges with these being increasingly pronounced within smaller local municipalities due to the difficulties posed by collecting revenue and hence, ensuring financial sustainability. Smaller local municipalities have limited economic opportunity and struggle to find alternative revenue sources towards becoming more self-sustaining. Metropolitan municipalities are under continuous strain as a result of rapid rural urban migration hampering planning and implementation. These challenges cannot be solved by local government alone, which is one of the fundamental anchors of the DDM which provides the basis for an integrated and co-ordinated way of working across departments and across the three distinct and interrelated spheres of government. Figure 55 aptly articulates some of these challenges.

Figure 55: Challenges of local government



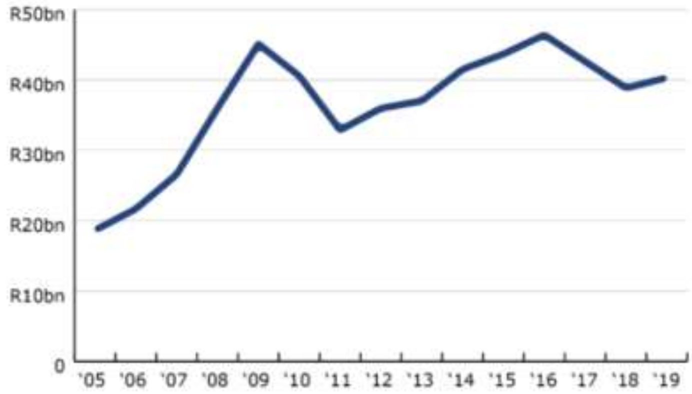
LOCAL GOVERNMENT CHALLENGES

POLITICAL	GOVERNANCE	ADMINISTRATIVE	FINANCE	SERVICE DELIVERY	ECONOMY
• In-fighting in councils • Intra-political party divisions in council • Divisions in caucuses • External political interference in councils • Persistent & frequent section 139 interventions (esp. on dissolution of councils)	• Council not meeting as regulated • Committees of council not meeting • Council taking wrongful decisions No oversight by council on administration Poor and weak decision-making by council • Councilors unduly interfering in administration No consequence management on corruption, maladministration, nepotism & poor performance • Frequent Labour disputes and disruptions • Poor public participation processes	• Vacancies in key positions • Bloated structures • Poor performance management and lack of consequence management • Non-compliance: legislation, regs and policies	• Unfunded budget • Incapacitated and incompetent Budget & Treasury Offices (BTO) • Excessive salary bills • Non submission or late submission of annual financial statements • Disclaimer & adverse audit outcomes • High debt to utilities and statutory obligations • Flouted SCM processes • Poor collection of revenue • Needs capacity building and training through School of Governance by Province CoGTA	• High basic services backlogs • High number of informal settlements • No maintenance of infrastructure resulting in water and electricity supply interruptions and poor water quality • No technical capacity • Glaring service delivery issues Perennial poor infrastructure grant expenditure • Persistent service delivery protests • Poor response: service delivery complaints • Court actions by interest groups on poor service delivery	• LED officers neglected and not taken seriously • Look at competitive advantage of each area I.t.o economic development and complementary instead of being competitive. • Need to study value chain of the areas that we want to focus on

Source: Department of Co-operative Governance (2021)

The failures of local government have led to poor municipal performance and the widespread lack of performance, in particular from smaller municipalities. Political infighting amongst coalition governments and political interferences in administrative matters have severely hampered service delivery. Municipalities must be an enabler and not a hindrance to growth. A lack of effective oversight and accountability has sought to undermine the legitimacy of municipalities and has further created the space for political interference. The failures of local government also manifest through the increasing incidence of service delivery protests. Government remains positive in terms of the future trajectory of the country particularly within the context of various initiatives underway.

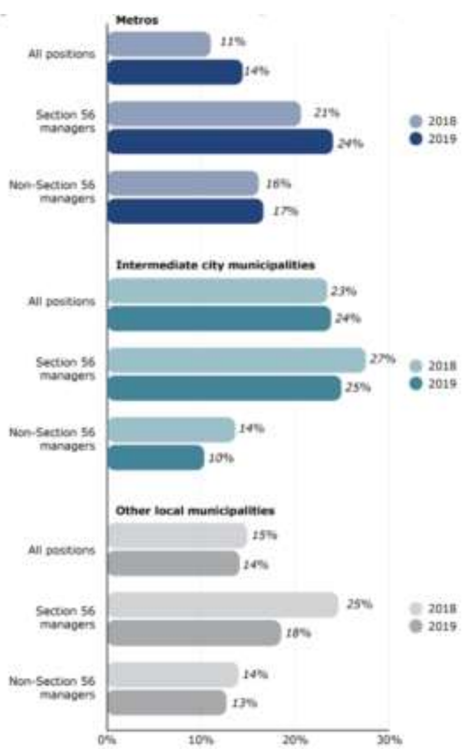
Figure 56: Capital spending by local government



Source: StatsSA (2020)

Local government challenges include a lack of skills; rural-urban migration; an inability to spend efficiently and effectively (see figure 55); weak supply chain management; poor revenue collection and management and a lack of spending on repairs and maintenance (BER, 2021). Figure 57 highlights the vacancy rates in local government between 2018 and 2019, where Section 56 managers represent senior management. It is within this context that government has adopted the DDM and pursued various successful partnerships with the private sector to fill the prevailing public sector skills gap.

Figure 57: Vacancy rates in local government



Source: StatsSA (2020)

10.2.1. Municipal function in infrastructure provision for development

Municipalities have a critical role to play in investment facilitation and as such, must address administrative and legislative hurdles to investment, ensure the streamlining of internal processes and procedures, the employment of professional and competent staff in this critical area and importantly and critically, the development of partnerships for alternative funding mechanisms from an infrastructure provision perspective.

The Municipal Systems Act

In terms of the Municipal Systems Act, the Council of a Municipality has a duty, within its financial and administrative capacity, to promote and undertake development in the municipality. Municipal Councils are in terms of the Municipal Systems Act required to adopt Integrated Development Plans (IDP). The IDP is a strategic plan necessary for the development of a municipality which, inter alia, "links, integrates, and co-ordinate plans and takes into account proposals for the development of the Municipality, and also forms the policy framework and general basis on which annual budgets must be based". According to the Municipal Systems Act, an IDP adopted by the Council of municipality:

"is the principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development, in the community".

Furthermore, in terms this Act, cities are required to, inter alia, conduct their affairs in a manner that is consistent with IDPs. The Municipal Planning and Performance Management Regulations stipulates that the IDP must identify "any investment initiatives in the municipality, and any development initiatives in the municipality, including infrastructure".

Town Planning and Townships Ordinance 15 of 1986

Section 116 of the aforementioned ordinance provides that every township established shall be provided with engineering services for the proper development of the township. In terms of these provision, local authorities are responsible for the installation and provision of external engineering services and requires that an applicant, in a township establishment application, contributes towards the costs incurred by the local authority to install and provide external engineering services.

Linking infrastructure investment to a spatial development vision can be a powerful motivator for private investment. Spatial development has the potential to generate income that can be ringfenced for future infrastructure development. Over time, land use rights approved can generate income to finance capital upgrades and enhance the quality of life for all residents. Local governments allocate capital budgets for the installation of bulk services and whilst this budget is often insufficient due to the high demand for bulk services in new and existing areas, backlogs and the rapid growth of various nodes; budgets are chronically underspent due to insufficient planning and project execution, amongst other factors.

10.2.2. Built Environment Requirements

Annexure 3 to the CIS contains an overview of key built environment regulations and associated processes, including land acquisition, building approvals, environmental impact assessment related information, key construction permit processes, water license processes and registering property.

10.3. Leveraging emerging financing and funding mechanisms to catalyse investment

South Africa is well below its NDP target of 30 percent GDP by 2030 with respect to GFCF. Estimates currently stand at below 20 percent, with the public sector's contribution at below 8 percent and real growth in public infrastructure spend has been declining by 2 percent each year. Capital budget reforms are required to boost infrastructure spending, particularly as new infrastructure projects are rolled out. The crowding out of capital spending by consumption spending pressures, such as the public sector wage bill and debt service costs, has been highlighted as a major required shift by National Treasury (2020). Furthermore, Covid-19 has significantly exacerbated the position of the country's fiscus and its already strained ability to finance capital infrastructure. Bridging the infrastructure and investment gap, which will still exist with the elimination of efficiency improvements, requires the identification and implementation of alternative mechanisms to leverage private sector finance.

Insufficient capacity, skills and an inefficient regulatory and policy framework hamper government's ability to develop a robust project pipeline. Government currently lacks the technical expertise and institutional landscape to attract private sector finance and, in addition, to improve infrastructure project lifecycles. Infrastructure finance and funding is still heavily reliant on the state, which is not sustainable, nor desirable. For instance, 80 percent of national roads are non-toll funded through government and 10 percent are tolled and managed by SANRAL (funded by toll revenue and capital market borrowings). On the Gautrain, despite high user fees, government still pays ZAR250 million per year; creating significant contingent liabilities. Thus, government's capital financial requirements, reflected by capital revenue less expenditure, will remain in a chronic deficit, due to increased reliance on the state for infrastructure funding.

The share of public infrastructure spend is not sufficient and budgets are declining, as importantly indicated. Significantly reduced municipal and state-owned entity (SOE) spending capacity is evident and is a drag on, rather than an enabler of, growth. Municipalities have continuously underspent on conditional grants and increasingly, have not collected sufficient revenue to finance capital expenditure. This situation is exacerbated by the fact that national government has decreased conditional grants to provinces and municipalities due to rising debt and an increasing budget deficit. SOEs, due to the unenviable state of their governance, have struggled to efficiently and effectively allocate their expenditure and deliver on infrastructure; essentially serving to undermine the country's macroeconomic stability. In addition, cost overruns on infrastructure projects are far too frequent creating major spending inefficiencies.

Public infrastructure is predominantly financed through cash, savings and debt by government with the exception of 33 PPPs since 1998. In the last ten years, South Africa has averaged at less than one PPP project closed per annum with all but one being office accommodation. In addition, PPPs account for a mere 2.2 percent of total public sector infrastructure (National Treasury, 2020). These have included hospitals, transport and roads, tourism and mainly, head office accommodation with the majority funded through a combination of equity, debt and government capital contributions. However, the current governance and institutional arrangements for infrastructure spending in the country requires an overhaul demonstrated by poor accountability, rampant corruption and distrust from the public. A welcomed and most recent innovation is private sector investment in renewables with the country's Independent Power Producer Programme, which has attracted over ZAR200 billion, including ZAR41.8 billion internationally.

Emerging innovations in the infrastructure finance space have revealed that blended finance plays a critical role in bringing risk adjusted returns in line with investment requirements. Blended Finance leverages strategic public finance to mobilise private financing with the South African Infrastructure Fund being a notable positive development in this regard. The DBSA is currently developing a mechanism for the funding and implementation of municipal bulk infrastructure to unlock large scale catalytic developments within the context of metros and intermediate cities often being unable to provide the bulk infrastructure necessary to unlock large-scale catalytic developments.

Figure 58: Typical DBSA Blended Finance Model

Source: DBSA (2020)

The DBSA is also exploring initiatives across critical areas of economic infrastructure, including transport, energy, water and ICT towards adopting an integrated approach to infrastructure development and identifying and implementing mechanisms to enhance South Africa's capability to leverage private investment for development initiatives.

Figure 59: DBSA Areas of Focus

Source: DBSA (2020)

10.3.1. Mechanisms to Improve Private Sector Participation

The South African government considers the role of the private sector as central in South Africa's infrastructure delivery and investment attraction programme through the provision of skills, resources and funding to solve infrastructure challenges. Bridging the infrastructure investment gap requires developing innovative approaches to leverage private-sector finance, making the necessary regulatory changes and improving infrastructure planning across government to build a pipeline of projects. To unlock this potential, government has initiated broad reforms in infrastructure provision. These reforms will ensure that infrastructure is built faster and that costs are controlled, with appropriate sharing of risks between the private and public sector. The initiatives below include those articulated in South Africa's 2020 Budget Review (National Treasury, 2020).

The Budget Facility for Infrastructure

The Budget Facility for Infrastructure (BFI) was established by National Treasury in 2016 to evaluate large-scale project proposals before committing fiscal resources. Most proposals submitted through the BFI have, however, been poorly planned and packaged, mainly because of insufficient technical expertise and institutional capacity to develop bankable projects. The Development Bank of Southern Africa (DBSA) has established a project preparation facility to bridge this gap, in addition to leveraging DFI support in this regard.

National Treasury is currently developing a government-wide project appraisal and evaluation guideline to complement the Infrastructure Delivery Management System (IDMS) and the 2019 Framework for Infrastructure Delivery and Procurement Management (FIDPM). The guideline aims to provide simple, uniform methodologies and criteria that will apply to all new proposals to ensure value for money and optimal economic and social outcomes.

Infrastructure South Africa (ISA)

As directed by Cabinet in 2020, responsibility for the IDMS is being transferred from National Treasury to the Minister of Public Works and Infrastructure for execution by ISA. Work is therefore in progress between ISA, National Treasury and the Infrastructure Fund to review the country's eco-system for driving the value chain of preparing, appraising, approving and delivering public infrastructure investment and private partnerships for infrastructure. This important effort is taking on board the institutional systems, guidelines and legal provisions developed and implemented across government to date; the reviews conducted on these systems (including the review of the PPP Framework) and the advent of opportunities emerging for blended finance. ISA has identified international best practice methodologies that include partnership options early in the preparatory phases of infrastructure planning and will adapt these for application in South Africa. ISA aims to streamline the institutional roles, improve transparency and accountability, and expedite new ways to boost capacity for robust infrastructure investment planning and efficient delivery, utilising both public and private resources.

ISA's focus is not only on driving public sector investment but also on unblocking state obstacles to the independent investment initiatives of private sector companies. In this regard, ISA is developing mechanisms for private investors to register specific needs for support from government in the unblocking of private capital projects.

Infrastructure Fund

Government has committed R100 billion to the Infrastructure Fund, including R10 billion over the next three years. The fund focuses on blended-finance projects; increasing private-sector investment in public infrastructure in order to contribute to higher economic growth, productivity and employment creation. Government's aim is to leverage R1 trillion worth of infrastructure investment. The fund's implementation unit, housed within the DBSA, aims to facilitate and expedite the development of projects and programmes.

Over the next three years, the DBSA will identify, plan and package at least five blended-finance mega projects (valued at over R200 billion), using the funds committed by government to close funding gaps and reduce risks for the private sector. The DBSA is collaborating with private-sector investment associations, the Banking Association South Africa, the Association for Savings and Investment South Africa and the Public Private Growth Initiative to build partnerships and attract private-sector funding. Project proposals will be evaluated through the BFI.

Public-Private Partnership Review

In 2019, National Treasury began reviewing the public-private partnership (PPP) regulations and guidelines. The review aims to identify and address challenges that have negatively affected PPP project readiness and private-sector participation. Improvements stemming from the review are being taken up by ISA and are also expected to enhance the Infrastructure Fund work on blended-finance projects. The reform of the PPP framework is key as most of the blended projects will be partnerships between the public and private sector which urgently need to increase in scale, quality, pace and impact.

Municipal Investment Programme Project Preparation Facility

The Neighbourhood Development Programme helps municipalities improve the development and management of their built environment. A dedicated grant will be created to support municipalities to establish effective and efficient programme management and project preparation facilities for capital investment programmes. The Cities Preparation Support Fund will provide co-financing, which declines as these municipalities increase their capacity.

10.4. Institutional Co-ordination of Inward Investment

10.4.1. Scoping the investment coordination challenge

A clear and specific service offering must be developed and articulated towards providing services to investors in a more cohesive and effective manner, which includes high-level strategic objectives, institutional arrangements and associated KPIs to deliver on the country investment strategy (World Bank, 2019). The investment coordination process and investment fast-tracking mechanisms outlined below respond to the NDP targets on investment acceleration, as measured by gross fixed capital formation. It is evident that the NDP targets require acceleration in order to meet the 2030 target levels. The investment coordination process, interlocked with the National Infrastructure Plan 2050, are key enablers for this acceleration.

There is a clear need to coordinate both messaging and programming to actively attract high-growth sectors and enable the investment the private sector is willing to make on its own. This is directly linked to the socio-economic objectives of the ERRP in that it is this enabling environment and value creation by government that creates the opportunity for developmental and catalytic conditions generated by quality investment. It is useful, in assessing the capacity of the state to execute this function to distinguish between various categories relevant to the coordination of the investment mandate:

a) *Investment mobilisation* includes the scope of activities relating to the identification of specific investors or classes of investors relevant to a specific sectoral or strategic objective and the deployment of targeted engagement to convince these investors to engage with – and invest – in South Africa
b) *Investment promotion* seeks to promote South Africa as an investible market, based on more transversal, systematic factors
c) *Investor intelligence* refers to activities which gather crucial information on what is driving investor intent (or the lack thereof) and what informs the nature and scope of potential investment decisions, subjecting this information to trend analysis and overlaying analyses of different sectors and geographies to drive a coherent strategy to inform investment mobilisation and investment promotion activities
d) *Investment design* references the process of financially and operationally structuring new investments, particularly relevant in a public policy context where co-investment or catalysation are required

e) *Investment implementation* covers all the processes and actions required to realise an investment in country on the part of active participants in said processes (public and private).
f) *Investment enabling* entails the unblocking of intended investment through fast-tracking of existing processes and/or the creation of legislation.

The investment coordination structures of government are spread across 77 distinct IPAs at the national, provincial and local level. Invest SA, though in theory the overarching IPA, has no direct authority over the other 76, nor does it directly instruct the diplomatic missions across the globe which conduct investment mobilisation and promotion activities in the context of economic diplomacy. The structural incentives embedded within legal, taxation and programmatic frameworks similarly lack co-ordination.

As alluded to earlier, a report commissioned by the Department of Planning, Monitoring and Evaluation (DPME) in 2018 highlights the following:

- South Africa spends around ZAR50 billion a year on an elaborate mix of business incentives that cut across multiple departments and sectors
- The incentive system is well-aligned with government's overall economic strategies and goals, but it is difficult to assess whether the system is actually contributing towards the achievement of these objectives
- Insufficient attention is given to the rationale and design of new incentives, and the monitoring and evaluation of existing programmes
- A large part of the incentive system is oriented towards sustaining mature industries and protecting workers in existing companies, rather than facilitating new entrants (companies or sectors) or technology diffusion.

The absence of structured coordination of the various mandates and processes relevant to mobilising, promoting, designing, implementing and enabling investment undermines strategic capacity to realise the NDP targets for both investment in its right and economic growth more broadly.

As such, the investment coordination process is designed to do the following:

- Coordinate, direct and streamline investor mobilisation and investment implementation
- Effect investment fast-tracking aligned to key strategic criteria
- Coordinate and act on incoming investor intelligence; specifically with respect to driving investment design with state support
- Track the universe of investment relevant commitments elevated from the ERRP, sector masterplans and other relevant sources.
- Elevate the commitments that need specific coordination attention from the Presidency as Country Strategic Investment Programmes (CSIPs), with the infrastructure-linked versions of these phasing into SIPs.

These functions form basis of the terms of reference of the Investment Fast-Tracking Committee that will be established by the Presidency.

10.4.2. How investment co-ordination will work in practice

In order to build on and aggregate existing efforts across government to enable and facilitate investment, the investment coordination process supports, compliments and integrates the following active workflows which have organised and streamlined government activities to realise cross-cutting economic policy priorities:

a) The Economic Reconstruction and Recovery Plan (ERRP)
b) Operation Vulindlela (easing the regulatory burden and streamlining regulation)
c) Presidential Employment Stimulus Programme
d) Sector Masterplans developed by the Department of Trade Industry and Competition and other specific lead departments working with key private sector constituencies

e) Economic diplomacy commitments (and opportunities) with respect to the Africa Continental Free Trade Area (AfCFTA) and wider international trade positioning

As per the process outlined, investment relevant commitments will be repeatedly analysed according to the four state action areas (convene, co-invest, catalyse, enable) to generate an investment action matrix that can be tracked and subjected to troubleshooting by the investment fast-tracking committee. A selected cluster of interventions derived from the investment action matrix will be periodically elevated to the status of apex interventions to be directly co-ordinated by the Investment and Infrastructure Office in the Presidency.

The categories of Apex Interventions (drawn from the investment action matrix) to be managed will be as follows:

- *Country Strategic Investment Programmes* which include multiple departmental mandates and require leadership from the centre to execute. These projects are specifically assigned to one department, though multiple departments and agencies will implement them. The naming is indicative of the intent to navigate complexities and incept these projects to the point they can be managed as Strategic Infrastructure Projects (SIPS) or through other appropriate implementation vehicles.
- *Blended finance vehicles* targeted for enabling key categories of investment to be deployed via the Infrastructure Fund or other relevant vehicles
- *Regional economic masterplans* linked to clustering and stimulating specific sectors and areas through targeted/enabled investment
- *Critical Regulatory reforms* including allowing strategic projects in various sectors to conduct various initiatives and experiment on areas. This may be of success under the supervision of a regulator for key sectors and types of projects which pilot new regulatory approaches in a limited area or areas for a limited period of time.

As indicated, the proposed Investment Fast-Tracking Committee (IFTC) will provide a platform for ecosystem coordination.

- The IFTC will apply exemptions and special dispensations based on the application of investment fast-tracking criteria and will further commit to these in writing.
- The committee will also track interventions under the four articulated action areas captured as part of the investment action matrix; and define country value propositions for targeted sectors to be communicated to the wider network of IPAs, led by InvestSA.
- The IIO, in addition to acting as secretariat for the committee, leads and reports on the execution of the Apex projects, identifying new apex projects through the investment action matrix.

10.4.3. Investment incentives

In addition, the investment fast-tracking committee must implement the recommendations of the 2018 DPME review into the effectiveness of business incentives acting as an Inter-Governmental Incentives Coordinating Committee and developing a National Incentives Policy Framework to inform the design, administration and review of both existing and new business incentives. As part of its participation in the investment fast-tracking committee, National Treasury must develop a methodology for evaluating the motivation for and the economic costs and benefits of new and existing incentives. All incentives should be assessed against the National Incentives Policy Framework in accordance with this methodology. National Treasury in collaboration with the DPME must develop minimum annual reporting requirements for all government incentives and single register of all beneficiary firms is critical for efficient administration in this regard.

The IFTC should oversee the appointment of an independent party to design and develop a comprehensive document management system. The DPME, as part of its participation in the IFTC will review the status and the depth of internal and external evaluations across all incentives identified in the 2018 study. In addition, those incentives that have not yet been subjected to an independent evaluation should be prioritised for inclusion in the national evaluation plan. Furthermore, all departments responsible for the administration of business incentives should develop a comprehensive monitoring and evaluation framework. The DPME should issue guidelines and advise accordingly on associated costs. From a governance perspective, all ex-ante assessments and ex-post evaluations of new or existing incentives should be made public.

Treasury, in collaboration with the Auditor General, should develop a practice note to the Public Finance Management Act setting out clear guidance as to the treatment of incentives. In addition, Treasury in collaboration with SARS, must undertake a review of all of the tax incentives identified and assess whether they are still relevant, effective and efficient. Insofar as it pertains to the commercialisation of research and development, the Department of Science and Technology, in consultation with the DTIC will undertake a review of South Africa's overall support offering compared to international best practice. From a capacity development perspective, it will be critical for the Department of Higher Education and Training to introduce a common budget and programme reporting framework for all SETAs; establishing a mechanism through which the SETAs can share ideas and collaborate to support the investment facilitation process from a skills development perspective.

11. Implementation Approach

The implementation framework outlines the measures, approach and actions required to realising the Country Investment Strategy goals and objectives in a coherent, diligent and systematic way. The CIS gives effect to the NDP, which recognises investment as a key requirement towards inclusive economic growth.

The CIS seeks to close the gap in South Africa's investment efforts by addressing the absence of structured coordination of the various mandates and processes relevant to mobilising, promoting, designing, implementing and enabling investment, which undermines the country's strategic capacity to realise the NDP targets.

Once adopted, the CIS will be the investment promotion and facilitation strategy for the country and will remain as such until reviewed and updated. The successful implementation of the CIS is dependent on the collective buy-in of all stakeholders within and outside of government, with the Presidency leading the process (through the IIO). The successful implementation of the CIS will require appropriate capacity building to be developed across the state.

The implementation of the CIS will be overseen in five workstreams running in parallel as indicated below:
Workstream 1: Championing, Support & Coordination (i.e., incl. the IFTC)
Workstream 2: Sector Prioritisation and Alignment
Workstream 3: Strategic Investment Opportunities – i.e., the *5 Big Frontiers*
Workstream 4: Policy, Regulatory & Financing
Workstream 5: Investment Promotion and Facilitation

The functions of each workstream are detailed below.

11.1. Implementation Framework

Workstream 1: Championing, Support & Coordination (incl. the IFTC)

This workstream is the custodian of the CIS and ensures its adoption across various spheres of government and society. The custodians of the CIS are at the highest level of government i.e., Presidential level, through the Investment and Infrastructure Office. The implementation of the CIS needs to be supported and delivered through appropriate resource allocation. Workstream 1 will be responsible for the following:

Communicating the CIS in government and across society: this includes championing and guiding CIS implementation; undertaking communication of the CIS to build a shared understanding; institutionalising the CIS; undertaking ongoing engagement with stakeholders; providing support as well as reviewing and updating the CIS.

Investment Fast-Tracking Committee (IFTC):

A committee will be convened to investigate measures for investment fast-tracking, guided by the development of a clear Terms of Reference. The IFTC will:

- Define all role players involved in the investment attraction and facilitation process and establish clear recommendations for enhancing coordination
- Investigate measures to effect investment fast-tracking aligned to clearly defined key strategic criteria.

Investment Incentives Reviews and Guidance:

The recommendations of the 2018 DPME review on the effectiveness of business incentives needs to be implemented. This should be achieved in co-ordination with an Inter-Governmental Incentives Coordinating Committee and developing a National Incentives Policy Framework, which will inform the design, administration and review of both existing and new business incentives. National Treasury and the DTIC are key stakeholders in this regard.

Supporting coordination across the various CIS workstreams:

This workstream is the lead for the implementation of the CIS and will be responsible for the overall coordination of activities across various workstreams. There may be areas of overlap between the workstreams and this will be resolved and coordinated by this workstream. Additionally, the support coordination function will include the following:

- Coordinate, direct and streamline investor mobilisation, investment implementation and investment enabling
- Coordinate and act on incoming investor intelligence – specifically with respect to driving investment design with state support
- Track the universe of investment relevant commitments elevated from the ERRP, sector masterplans, Operation Vulindlela and other relevant sources
- Elevate commitments that require the co-ordination attention from the Presidency
- Ensure alignment of priorities in consideration of the NSDF and the DDM.

Monitoring and Evaluation:

This workstream will also be responsible for monitoring and evaluation in accordance with the KPIs defined for the CIS including reporting.

Workstream 2: Sector Prioritisation and Alignment

The CIS needs to ensure continuous alignment with the various sector masterplans and ongoing engagement will therefore be necessary with sector leads and departments. It is envisaged that this will be an ongoing process as sector masterplans evolve over time. A CIS and sector prioritisation working group will be convened to ensure that the masterplans contribute towards achieving the CIS goals and objectives as well as to ensure continuous alignment. This workstream will include relevant nominated representatives from departments/sectors.

Workstream 3: Strategic Investment Opportunities - Big Frontiers

The *5 Big Frontiers* discussed in this document will require joint co-ordination and collaboration. This workstream will be responsible for leading the work on the *Big Frontiers* and to carry out the required activities as per the categories of state action discussed earlier in the CIS. There is a need for a targeted approach to attracting investment to these opportunities, as articulated in the recommendation made in Section 5; highlighting the urgent need for a more market demand driven approach to investment. This workstream will be responsible for the process of operationally structuring investments, particularly relevant in the context where co-investment or catalysation is required.

Workstream 4: Policy, Regulatory and Financing

The policy and regulatory landscape in South Africa may be considered complex by investors and may deter some investors from investing in the country. Various government institutions and task teams are reviewing different aspect of existing policies and regulations with the intent of improving the country's investment climate. This workstream will consolidate and co-ordinate different institutions/groups and further provide direction on enabling policies, identifying impediments, generating solutions and making delivery commitments. Policy, regulatory and financing review, evolution and reform will form part of this CIS workstream, with the intent of unblocking challenges. The following policy, regulatory and financing principles will be considered:

Policy and Regulatory: (i) Reduce regulatory complexities and hurdles for investors, including investigating relevant amendments to the Municipal Finance Management Act, Municipal Services Act (with respect to constraints on municipal use of Public-Private Partnerships), Public Finance Management Act, and effecting amendment to Reg 28 of the Pension Fund Act to include an explicit allocation for infrastructure assets (latter is currently being considered by National Treasury), whilst being cautious with respect to risk-return considerations; and (ii) Further investigate the removal of conflict between Public-Private Partnerships and Preferential Procurement Policy Framework Act in terms of procurement, exempting the new integrated Public-Private Partnerships Policy from the Preferential Procurement Policy Framework Act.

Institutional: (i) Define all role players involved in the investment attraction and facilitation process and establish clear recommendations for enhancing coordination (ii) Create a new integrated planning process addressing identified barriers; (iii) Create a centralised approach to screening and championing alternative financial mechanisms utilising Infrastructure South Africa and National Treasury; and (iv) Establish independent monitoring capacity for Public-Private Partnerships, identified by National Treasury, this will create an important signalling effect for the private sector.

Financial: (i) Infrastructure Fund to create principles for financial structures on infrastructure projects for each of the four network sectors that can be used as a basis for structuring blended finance initiatives; (ii) Engage with Development Bank South Africa to review potential finance mechanisms and evaluate regulatory barriers that need to be addressed, e.g. regulatory barriers have been identified with respect to raising project specific bonds; and (iii) Develop a strategic framework for leveraging blended finance

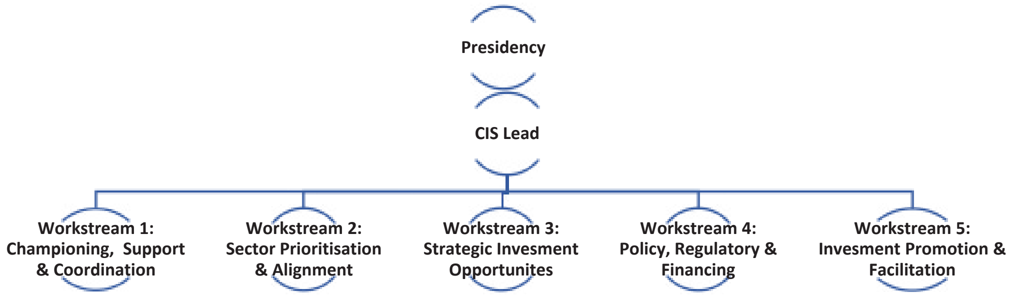
Workstream 5: Investment Promotion and Facilitation

As discussed in earlier chapters, South Africa has a myriad of IPAs with differing mandates. The success of the CIS relies on a homogenous approach to investment promotion and facilitation. There is therefore a need to convene a working group comprising of the leads of the various IPAs. The IPA workstream will comprise of national IPAs, provincial IPA's, metropolitan IPA's and SEZs as well as ambassador and envoy representatives. This group will be responsible for investment mobilisation, investment promotion, investor intelligence, investment design and investment implementation. In terms of investment facilitation and aftercare, InvestSA will remain the custodian of this function, with the critical action of the dedicated development of an investment retention and aftercare strategy.

11.2. Implementation Structure

The implementation structure for the CIS is demonstrated in Figure 61 below. The implementation of the CIS will be supported by the Presidency. A CIS Lead will be identified and will be responsible for identifying leads for each workstream and for convening the necessary resources to support the workstreams. The CIS Lead is also responsible for developing the detailed Terms of Reference for each workstream. The workstreams will include nominated representatives from relevant departments, provinces, institutions and organisations.

Figure 61: CIS Implementation Structure



Source: South Africa Country Investment Strategy (2021)

11.3. Implementation Plan

A high-level implementation plan is included in the CIS, which identifies activities to be actioned and indicative timelines. Implementation of the CIS will follow a phased approach:

- Phase 1: A one-year implementation plan (short-term) which comprises immediate implementation actions, assigned to specific departments/entities/individuals and includes timelines for completion. This phase will focus on the alignment of long-term plans, building a shared vision and understanding as well as the set-up of workstreams. This phase entails championing and ensuring broad communication and awareness on the CIS. The CIS implementation plan will be refined through the stakeholder engagement process.
- Phase 2: A five-year plan which defines and refines a longer planning window of actions identified in the one-year implementation plan. This plan addresses the question: 'what does success look like?' in terms of South Africa's investment landscape.

The high-level implementation plan for Phase 1 is presented in Table 32 below.

Table 36: Country Investment Strategy Implementation Plan

Objective		Intervention	Activity	Lead & Contributing Department	Timeline
	Workstream 1 Championing, Support & Coordination (led by Infrastructure Investment Office)				
Catalysing a new investment model to address current under-investment	**1.1**	Establish team to steer/lead CIS implementation	Approval of Country Investment Strategy	Cabinet	March 2022
			Prepare terms of reference for CIS workstreams & obtain approval	IIO	May 2022
			Appoint CIS Lead within IIO	IIO	June 2022
			Identify & appoint leads for workstreams 1-5	CIS Lead/IIO	June 2022
			Identify & appoint participants of workstreams. Workstreams should include participants from all relevant departments	CIS Lead/IIO/relevant departments/institutions/provinces	June 2022
			Convene all CIS workstreams	CIS Lead/IIO/Workstream Leads & Participants	July 2022
	1.2	Develop a detailed communication and stakeholder engagement plan	Refine & finalise Communications Plan for approval	CIS Lead/IIO	June 2022
			Identify additional stakeholders to be engaged to refine the CIS further		June 2022
	1.3		Work with Inter-departmental Incentives Coordinating Committee (IGC) to review incentives	Workstream 1/DPME & collaboration with lead departments	August 2022

		Review Investment Incentives & Recommendations	Produce Incentives Report	DPME/IGICC	September 2022
			Draft & approval of National Incentives Policy Framework	Workstream 1/DPME/IGICC	September 2022
			Develop central register of all beneficiary firms		March 2023
			Implement online grant and document management system		March 2023
			Establish monitoring, evaluation & reporting system		March 2023
	1.4	Investigate investment fast-tracking to streamline the investment process	Investigate fast-tracking of investments	Workstream 1/CIS technical advisory panel	July 2022
			Develop concept paper		August 2022
			Consultative workshops		August 2022
			Approval of investment fast tracking	Cabinet	October 2022
	1.5	Investigate Capacity (Building a Capable State)	Define all role players involved and activities undertaken in the investment attraction and facilitation process	Workstream 1/CIS Lead/IIO	October 2022
			Clarify responsibilities and strengthening investment promotion and facilitation activities towards reducing overlaps		
			Conduct capacity assessment of existing IPAs		
			Establish detailed recommendations for enhancing co-ordination		
	1.6	Develop Detailed CIS implementation plan	Develop detailed CIS implementation plan	CIS Lead/IIO/All workstreams/relevant departments/institutions	October 2022
			Review, refine and Update CIS		March 2023
	Workstream 2 Sector Prioritisation and Alignment				
Supporting existing industries and developing new industries with clearly articulated forward-looking goals	**2.1**	Alignment of policies, priorities, sector masterplans and economic strategies across spheres of government	Identify existing policies, plans and economic strategies	CIS Lead/Workstream 2/Technical advisory panel	July 2022
			Review and examine to find areas that have to be aligned		August 2022
			Reformulate and develop new document		September 2022
	2.2	Outlining priority sectors (niche areas) to advance economic	Conduct a needs analysis in all provinces		August 2022
			Identify strengths and potential areas for investment and development		August 2022

		growth. Identify and forge new partnerships (relationships)	Consult and select contact persons for each niche		September 2022
			Refine a reference list of all priority sectors and new partnerships.		September 2022
	Workstream 3 Strategic Investment Opportunities 'Big Frontiers				
Identifying high-impact and high-growth industries which will accelerate contributions to GDP *and* Attracting quality greenfield investments into South Africa	**3.1**	Structuring of strategic investment opportunities *'big frontiers'*	Develop a baseline plan for structuring *big frontiers*	CIS Lead/ Workstream 3/Various departments/institutions	July 2022
			Identify stakeholders to be engaged and proceed with stakeholder engagement		July 2022
			Implement per the categories of state actions identified		March 2023
	3.2	Establishment of Special Economic Zones through strategies that promote development of world-class infrastructure and attract foreign and domestic investment.	Review existing/planned special economic zones	CIS Lead/ Workstream 3/Implementing Agent	August 2022
			Revisit governance and business models and possibility of creation on single authority to reduce bureaucracy, including new and comprehensive globally competitive suite of incentives		August 2022
			Identify the ones that can be developed		September 2022
			Determine and draw boundaries around zones		October 2022
	Workstream 4 Policy, Regulatory and Financing				
Targeting areas of intervention, accompanied by the mobilisation of resources and the co-ordination and alignment of institutions	4.1	Situational analysis of current policy, institutional, legal and regulatory framework	Analyse existing policies and regulations	CIS Lead/ Workstream 4/Technical advisory panel	August 2022
			Identify synergies		August 2022
			Select those that are relevant and applicable		August 2022
			Compile a new reference point		October 2022
			Develop document with recommendations for implementation		October 2022
	4.2	Determination of a clear policy direction for the country's investment drive that aligns investment and economic growth. Investment in infrastructure and other value chains	Reformulate Policy for investment	CIS Lead/ Workstream 4/various departments/institutions/provinces	November 2022
			Identify infrastructure projects		November 2022
			Set up an implementation team		
			Implement policy		November 2022
	Workstream 5 Investment Promotion and Facilitation				

Coordinate, direct and streamline investor mobilisation, investment implementation and investment enabling	5.1	Investment mobilisation	Activities relating to the identification of specific investors or classes of investors relevant to a specific sectoral or strategic objective (the demand side objective), and the deployment of targeted engagement to convince these investors to engage in – and invest – in South Africa.	CIS Lead/Workstream 5/InvestSA,IPAs/Ambassadors/Envoys	Ongoing coordination
	5.2	Investment promotion	Promote South Africa as an investible market, based on more transversal, systematic factors		Ongoing coordination
	5.3	Investor intelligence	Activities which gather crucial information on what is driving investor intent (or lack thereof) and what informs the nature and scope of potential investment decisions, subjecting this information to trend analysis and overlaying analyses of different sectors and geographies to drive a coherent strategy to inform investment mobilisation and investment promotion with respect to FDI and DDI.		Ongoing coordination
	5.4	Investment implementation	Processes and actions required to realise an investment in country on the part of active participants in said processes (public and private).		Ongoing coordination
	Workstream 6: Monitoring, Evaluation & Reporting				
Establish mechanisms to monitor and evaluate progress	6.1	Monitoring, evaluation & reporting	Develop comprehensive Monitoring & Evaluation Framework	CIS Lead/IIO/Workstream 1	October 2022
			Establish mechanisms to monitor and evaluate progress		October 2022
			Provide monitoring, evaluation & reporting functions across workstreams	CIS Lead/IIO/Workstream 1/Implementing Agents	Ongoing

11.4. Monitoring, Evaluation & Reporting

11.4.1. Monitoring

The monitoring and evaluation for the CIS will provide the periodic assessment of implementation and performance as well as evaluate end results. The CIS Lead and workstreams will be responsible for monitoring and evaluation in accordance with the KPIs defined for the CIS, in conjunction with the DPME. All inputs and reports from the various workstreams and stakeholders will be consolidated. Actual performance will be monitored closely through quarterly and annual reports.

Upon approval of the CIS, the CIS Lead and workstreams will develop a comprehensive monitoring and evaluation framework as well as establish mechanisms to monitor and evaluate progress. Baseline data will be collected at the start of the activities and impact data will be collected when appropriate during the implementation.

The metrics of relevance are as follows:

- Number of investments generated by sector/location
- Number of jobs created by sector/location
- Number of projects commenced
- Capital value of investments, including per FDI type and resultant Gross Fixed Capital Formation
- Increases in the rate of GDP growth and employment attributable to increased foreign and domestic investment

Additionally, the following will be monitored:

- Policy and regulatory scoping to unblock investment
- Incentives frameworks

The CIS needs to ultimately contribute to the overall targets in the NDP based on the fact that higher levels of investment will stimulate an increase in GFCF; which, in turn, leads to increased GDP/capita; increased purchasing power and improvements in productivity. Increased inward investment also exerts direct and indirect effects of job creation and job quality. The targets from the NDP are indicated below:

Table 37: NDP final and intermediate targets

Measures		Baseline	Target 2024	Target NDP 2030
Growth	GDP growth	0.8%	2% - 3%	5.4%
Unemployment	Formal rate	27.6%	20% - 24%	6%
Employment	Number employed	16.3 million	18.3–19.3 million	23.8 million
Investment	% of GDP	18%	23%	30%
Inequality	Gini co-efficient	0.68	0.66	0.60
Poverty	Food poverty	24.7%	20%	0.0%
	Lower bound	39.8%	28%	0.0%

Source: NDP Vision 2030 and StatsSA

Table 38: Country Investment Strategy Monitoring & Evaluation Framework

Outcomes	Overall Indicators	Overall Baseline	Overall Targets	Intervention/ Outputs	Outcome (Indicator)	Baseline	Target	Lead/ contributing dept
Impact: Catalysing a new investment model to address the current under-investment	• Investment (Gross Fixed Capital Formation) as a percentage of GDP	17,9% 2020	23% by 2024 30% by 2030 (NDP)	Establish team to steer/lead CIS implementation	Improved coordination between various investment mandate holders	New Indicator	Institutionalisation of CIS	IIO
	• Number of jobs created by sector/location	16,3 mil	19.3 mil 2024 23.8 mil 2030 (NDP)	Develop a detailed communication and stakeholder engagement plan & implement	Implementation supported by diverse stakeholders	New indicator	CIS adopted and aligned across various	IIO/GCIS
	• Number of investments by sector/ location	63	Achieve desired FDI%	Review Investment Incentives & Recommendations	Policy alignment & established monitoring, evaluation & reporting system	New Indicator	Incentive monitoring system	IIO/DPME/IGICC
	• Number of strategic Investment opportunities projects commenced	0	5	Investment fast-tracking to streamline the investment process	Improved efficiency from investment design to implementation	New indicator	Measure number of investments fast-tracked through the committee	IIO
				Investigate capacity (Building a Capable State)	Detailed assessment of capacity & recommendations	New Indicator	Enhanced approach to co-ordination	IIO/relevant departments /sectors/IPAs
	• Increases in the rate of GDP growth and employment attributable to increased foreign and domestic investment	0.83%	2-3% 2024 5.4% 2030 (NDP)	Develop Detailed CIS implementation plan	Detailed plan for CIS incl. long-term plan	New indicator	Approved CIS implementation plan	IIO
Impact: Supporting existing industries and developing new industries with				Identify existing policies, plans and economic strategies and align on policies, priorities, master plans and economic strategies	Improved alignment between policies, economic strategies, master plans	No single policy in place	Document on policy alignment developed as it pertains to investment	IIO/relevant departments /sectors

clearly articulated forward-looking goals	• Ease of doing business improvement	84/190	50/190	across spheres of government. Review and examine to find areas that have to be aligned				
				Outlining priority sectors (niche areas) to advance economic growth. Identify and forge new partnerships (relationships)	Finalised and aligned list of priority sectors for the CIS Comparative advantage between different localities specified	Various sector priorities across different government initiatives	Homogenous and aligned approach to sector prioritisation	IIO/DTIC/ relevant departments/ sectors
Impact: Identifying high-impact and high-growth industries which will accelerate contributions to GDP *and* Attracting quality greenfield investments into South Africa, as opposed to concentrations of M&As and JVs				Package strategic infrastructure projects 'big frontiers for investment, in line with categories of state actions	Number of big bet opportunities transitioned to projects	0 Big Frontier Strategic Investment Opportunities	5 Big Frontier Strategic Investment Opportunities	IIO/CIS Lead/ relevant departments/ sectors

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Printed by and obtainable from the Government Printer, Bosman Street, Private Bag X85, Pretoria, 0001
Contact Centre Tel: 012-748 6200. eMail: info.egazette@gpw.gov.za
Publications: Tel: (012) 748 6053, 748 6061, 748 6065

Government Gazette
Staatskoerant

REPUBLIC OF SOUTH AFRICA
REPUBLIEK VAN SUID AFRIKA

Vol. 683 | 27 May / Mei 2022 | No. 46426

PART 2 OF 2

N.B. The Government Printing Works will not be held responsible for the quality of "Hard Copies" or "Electronic Files" submitted for publication purposes

ISSN 1682-5845

Impact: Targeting areas of intervention, accompanied by the mobilisation of resources and the co-ordination and alignment of institutions				Situational analysis of current policy, institutional, legal and regulatory framework	Develop document with recommendations for implementation	No single policy in place	Document on policy alignment developed as it pertains to investment	IIO/CIS Lead/ relevant departments/ sectors
				Determination of a clear policy direction for the country's investment drive that aligns investment and economic growth. Investment in infrastructure and other value chains	Reformulate policy for investment	No single policy in place	Document on policy alignment developed as it pertains to investment	IIO/CIS Lead/ relevant departments/ sectors
Impact: Coordinate, direct and streamline investor mobilization, investment implementation and investment enabling				Improved Investment Mobilisation	Improved quality & rate of investment	17,9% 2020	23% by 2024 30% by 2030 (NDP)	CIS Lead/Workstreams /IPAs/Ambassadors/ Envoys
				Improved Investment Promotion	Improved quality & rate of investment	17,9% 2020	23% by 2024 30% by 2030 (NDP)	
				Improved Investor Intelligence	Improved quality & rate of investment	17,9% 2020	23% by 2024 30% by 2030 (NDP)	
				Improved Investment Implementations	Improved quality & rate of investment	17,9% 2020	23% by 2024 30% by 2030 (NDP)	

11.4.2. Evaluation and Reporting

The CIS Lead and workstreams will be responsible for monitoring and evaluation in accordance with defined CIS KPIs in addition to fulfilling all required reporting requirements. Quarterly reports and presentations will be produced that consolidate all the activities of various workstreams. In addition, a consolidated CIS report will be produced on an annual basis for submission to Cabinet. Performance against the targets and indicators will be reported upon, along with constructive assessments thereof. The CIS itself will be reviewed on an annual basis with amendments made where required.

12. Risk Identification & Risk Mitigation Approach

The CIS is the first of its kind of the country and thus, it is anticipated that a number of risks will emerge which may affect its implementation. The risk assessment process identifies major risks which will impact or influence the goals and objectives of the CIS being realised. A qualitative approach to risk management has been followed, comprising the following stages: Identify, Analyse, Evaluate and Treat.

Table 39: Risk scoring framework

Severity/ Impact of Risk	Very High	5	5	10	15	20	25
	High	4	4	8	12	16	20
	Medium	3	3	6	9	12	15
	Low	2	2	4	6	8	10
	Negligible	1	1	2	3	4	5
			1	2	3	4	5
			Rare	Unlikely	Possible	Likely	Almost certain
			Likelihood/Probability of Risk				

Risk Rating	
Very High	15-25
High	8-14
Tolerable	4-7
Low	0-3

The risk assessment process is based on the risk scoring framework in Table 11 above, which considers the likelihood of the risks and its impact or severity. The highest risk items (in red) have the highest scores. Mitigation measures are identified for risks rated as very high or high. Tolerable and low risks will be monitored. Table 36 below indicates the risks identified which may impact on the achievement of CIS including its likelihood, severity and the total risk score. The risk rating below considers the risk prior to any mitigation measures. The risk mitigation measures are included below.

Table 40: Risk identification, rating and mitigation

Risk Description	Probability	Impact	Risk Rating	Mitigation
Limited resources & capacity to implement the action plan as outlined in the CIS	3	4	12	IIO to work with various departments/institutions to resource & add capacity to implement the CIS
Insufficient buy-in from key stakeholders	4	5	20	Various stakeholders consulted to date. Stakeholder engagement plan to be developed & implemented
Absence of institutional mandate to implement the CIS	3	4	12	CIS includes considerations for institutional coordination. Recommendations to be adopted.

Poor adoption of policy & regulatory recommendations as outlined in the CIS	4	5	20	Ensure engagement and alignment with relevant stakeholders
Misalignment & conflicting mandates with IPAs	3	4	12	Include nominated IPA representatives in the workstreams
Conflicting sector priorities between various investment institutions	3	3	9	Provide clear rationale for sector prioritisation & engage with relevant departments/sectors/institutions
Poor communication & marketing of the CIS	2	4	8	Provide adequate resources to communicate & market the CIS. Develop communication plan.
Poor response from investors on CIS	3	5	15	Adopt lead generation & targeting strategies to communicate CIS.
Lack of stakeholder buy-in for strategic investment opportunities '*big frontiers*'	3	4	12	Identify key stakeholders to be engaged for the opportunities & involvement in the outset
Conflicting objectives and overlaps between various country policies	3	5	15	Conduct a review of various relevant policies & identify gaps/overlaps
Poor success of complementary country programmes such as ease of doing business, services to inward investors etc	3	5	15	Continuous engagement with complementary programmes to identify bottlenecks early
Timeline and completeness of the CIS i.e. delays in finalisation & approval of CIS	2	3	6	Risk level low. To be monitored
Poor success rate to attract FDI and DDI as required by the CIS	2	5	10	Adopt lead generation & targeting strategies to communicate CIS opportunities
Failure to achieve socio-economic targets as per the CIS mission statement	2	5	10	Implement KPI monitoring programme to be able to highlight issues earlier
Misalignment between NIP and CIS	1	3	3	Risk level low. To be monitored
Poorly defined or ambiguous CIS implementation plan	1	5	5	Risk level low. To be monitored
Changes in strategy leadership executive structure	3	1	3	Risk level low. To be monitored
Site disruptions adversely impacting on investment	3	3	9	Announced at State of the Nation Address in 2020 that specialised units, including members of the SAPS & NPA were mandated to deal with construction mafia.
Impact of corruption on investor perception	3	4	12	National Anti-Corruption Strategy in development.

From the above, it is evident that the risks associated with stakeholders and required engagements are the highest. The risk profile will change when implementing some of the identified mitigation measures.

13. Communicating & Marketing the Investment Strategy

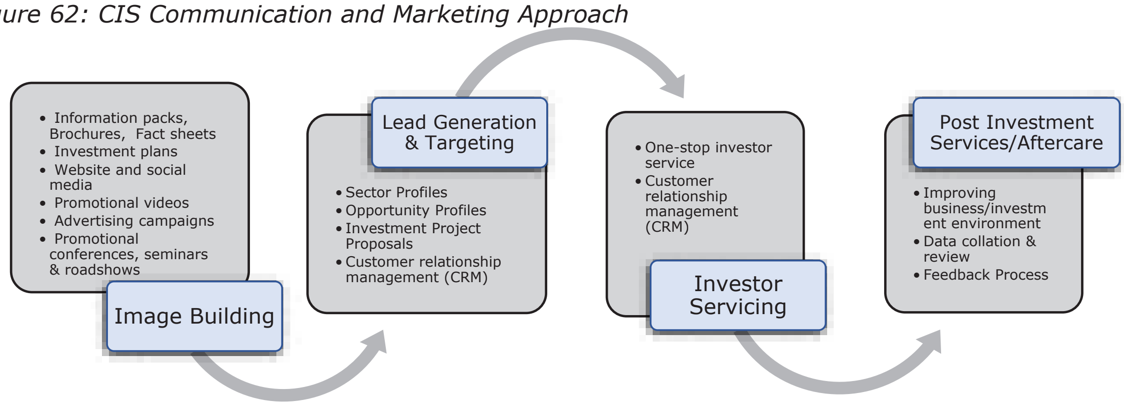
Communication will be tailored to different audiences as per the groupings below:

- Inter-governmental communication and alignment, led by IIO

- Investor communication and engagement conducted with InvestSA, BrandSA, IPAs, Ambassadors, Investment Envoys and IIO
- Public relations and media engagement supported by GCIS
  - o A detailed communication plan will be developed which addresses the content and messaging for each audience

Existing IPAs (such as InvestSA and others) will be leveraged to communicate and market various aspects of the CIS. The communication and marketing activities will comprise of a series of initiatives to promote the country as an attractive location for FDI, as illustrated in the figure below. Broadly summarised, communication and marketing will comprise of four parts as follows (United Nations ESCAP, 2017):

Figure 62: CIS Communication and Marketing Approach



Source: Adapted from United Nations ESCAP (2017)

Image Building

The image building initiative seeks to achieve the following: communicating characteristics of the country including location benchmarking with potential investors; controlling the narrative by focusing on the details most relevant to attracting FDI; Educating prospective investors on what the country offers; communicating the country's commitment to improving the investment environment as well as reinforcing positive perceptions of the country, such that the country stands out against its competitors.

Some image building activities will include:

- Providing investor packs, introductory brochures and fact sheets; and disseminating targeted information and materials accordingly
- Hosting promotional conferences, seminars and roadshows
- Participating in international trade and industry conferences
- Organising investment seminars in key target markets, based on an investor demand-driven approach
- Advertising campaigns, promotional videos, website and social media presence, news releases, features and articles
- Ensuring regular interface between senior IPA officials via an established IPA engagement group

Lead generation & targeting

There is a need for a targeted approach to investment promotion, specifically in relation to promotion of the Country strategic investment programmes i.e., the *5 Big Frontiers*. Lead generation refers to acquiring investment leads through prepared sector-specific or opportunity-specific data and information. Targeting involves the presentation of well-researched niche investment opportunities in a given location to specific targeted investors.

Some lead generation and targeting activities will include:

- Preparation of opportunity profiles:
  - o These are produced to steer investors towards tangible investment opportunities. In this case, the opportunity profiles will present the details of a

specific investment opportunity such as the Strategic Investment Opportunities or big frontiers.

- Preparation of investment project proposals: investment project proposals are more detailed than opportunity profiles.
  - These are specific defined projects in particular sectors or industries that foreign investors can invest in, which can pave the way for direct FDI or matchmaking opportunities between domestic and foreign firms.

A key component of marketing and communication is the use of a fully digital customer relationship management (CRM) system to capture those investors interested in learning more about the country or potential investment opportunities and it is recommended that this be taken forward.

Investor Servicing

Investor servicing is a critical component of communication and marketing initiatives. South Africa has established InvestSA as a 'one-stop-shop' to address the administrative burden often experienced by investors. InvestSA collaborates across various government entities and provides a more streamlined and investor-friendly policy environment. This implies that the investor contacts a single entity to obtain all the necessary information in a streamlined and co-ordinated process rather than having to go through different government entities. It is envisaged that InvestSA will continue to fulfil this role to communicate and market aspects of the CIS.

Post Investment Services (Aftercare)

The post investment and aftercare function entails improving South Africa's business climate by initiating or supporting advocacy initiatives. InvestSA is further mandated to co-ordinate the improvement of the investment climate and ease of doing business by identifying bottlenecks, administrative barriers and to have a plan of action to improve service delivery. The post-investment service will form part of the monitoring and evaluation of the CIS, such that a feedback process is implemented, however, as indicated a detailed investment retention and aftercare strategy and plan must be developed, accordingly.

14. CONCLUDING REMARKS

Whilst significant socioeconomic gains have been made in recent decades, progress with respect to job creation requires significant policy intervention, particularly since the 2009 financial crisis, which demonstrated an indication of gains made being reversed (NPC, 2020). A lack of employment creation and weak employment quality contributes to the country continuing to be plagued by persistent and high levels of inequality, further threatening the underlying social fabric of South Africa as a nation. Perpetually low levels of investment continue to undermine the country's capacity to address this challenge, which has been exacerbated by the continued effects posed by the Covid-19 pandemic, resulting in a loss of 1.28 million jobs in the economy in 2020 alone. Healthy levels of foreign and domestic direct investment are able to influence an economy in a number of ways, including technology transfer, technology spillovers, employment and employment quality, development of SMMEs and boosting competition amongst local firms. Over the next few decades, the real challenge with South Africa's transition will be for the government, social and private sectors to shape an environment that will enable South Africa's residents to be its greatest beneficiaries. In this regard, a country's ability to attract and retain investment plays a critical role in supporting its economic, socio-economic and other developmental goals and forms the locus of South Africa's Country Investment Strategy.

15. ANNEXURES

ANNEXURE 1: CONTACT DETAILS & LINKS TO USEFUL INFORMATION FOR PROSPECTIVE INVESTORS

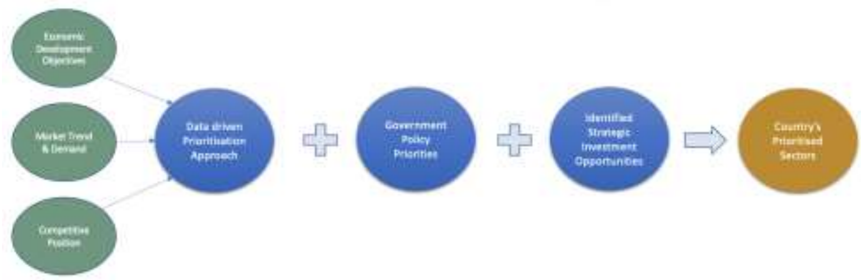
Note: Annexure 1 will be further populated during the course of the public consultation process

Annexure 2: Sector Prioritisation Econometric Methodology

Sector prioritisation approach

Synergising the results of (i) a data-driven prioritisation model; (ii) government policy priorities; and (iii) identified strategic investment opportunities culminates in the country's prioritised sectors to drive investment and economic development. This section focuses on the methodology adopted for the data-driven prioritisation model.

Figure A1.1: Sector Prioritisation Approach



Source: South Africa Country Investment Strategy (2021)

<u>Economic Development Impact</u>

As mentioned in Section 7.4, the overarching objective is to ensure that investment results in meaningful economic development. Table A1 lists respective sectoral multipliers for contributions to (i) employment, (ii) Gross Value added (GVA) and (iii) tax.

Table A1.1: Economic Sector Multipliers

Economic Sector	Employment multiplier (Direct + Indirect)	GVA-output multipliers (Direct + Indirect)	Tax multipliers (Direct + Indirect)
Agriculture, forestry and fishing	7.012	0.922	0.091
Mining and quarrying	1.928	0.945	0.070
Manufacturing	3.010	0.911	0.105
Electricity, gas and water	1.104	0.966	0.042
Construction	4.164	0.908	0.109
Wholesale and retail trade, catering and accommodation	4.666	0.945	0.077
Transport, storage and communication	2.414	0.921	0.099
Finance, insurance, real estate and business services	3.374	0.942	0.100
General government	2.733	0.950	0.065

Community, social and personal services	7.125	0.934	0.091

Source: Adapted from Input Output Tables (2018)

From the table above, it is evident that the agricultural sector has the highest employment multiplier; the electricity and gas sector has the highest GVA multiplier and the construction sector has the highest tax multiplier. Table A1.2 provides an indication of the number of jobs created by each economic sector.

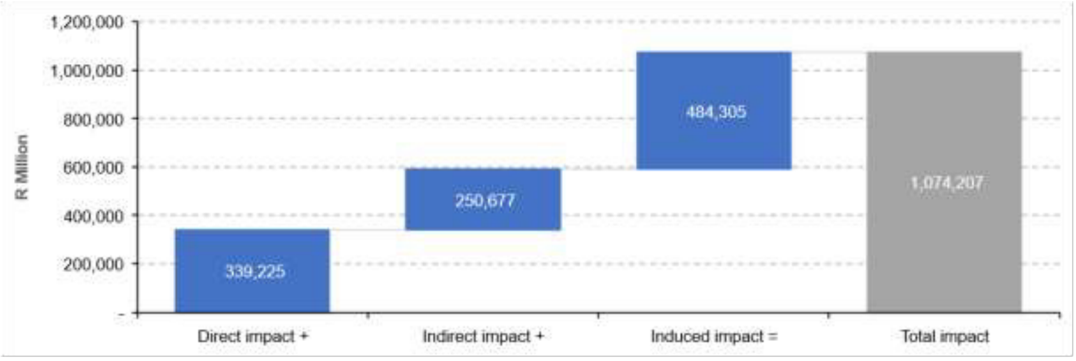
Table A1.2: Job creation impact, by sector

Sector	**Total employment (Number)**
Agriculture, forestry and fishing	1,153,295
Mining and quarrying	508,195
Manufacturing	1,527,926
Electricity, gas and water	70,075
Construction	1,023,097
Wholesale and retail trade, catering and accommodation	3,726,366
Transport, storage and communication	737,621
Finance, insurance, real estate and business services	2,869,819
General government	2,067,972
Community, social and personal services	2,651,588

Source: Adapted from Input Output Tables (2018)

From the table above, it can be deduced that the trade and finance, insurance, real estate and business service sectors have the greatest impact on employment multipliers. As mentioned earlier, the aim of the CIS is to attract sufficient investment such that GFCF reaches 30 percent of GDP as per the NDP target. Based on 2019 data, an additional amount of approximately R600 billion will be required per annum. The current proportional GFCF spending per economic sector was applied to an econometric model and this output establishes the potential economic impact if the required additional GFCF spending is obtained. The figures below reflect this scenario. Figure A1.2 indicates that the direct impact of GFCF spending amounts to GVA of R339 billion.

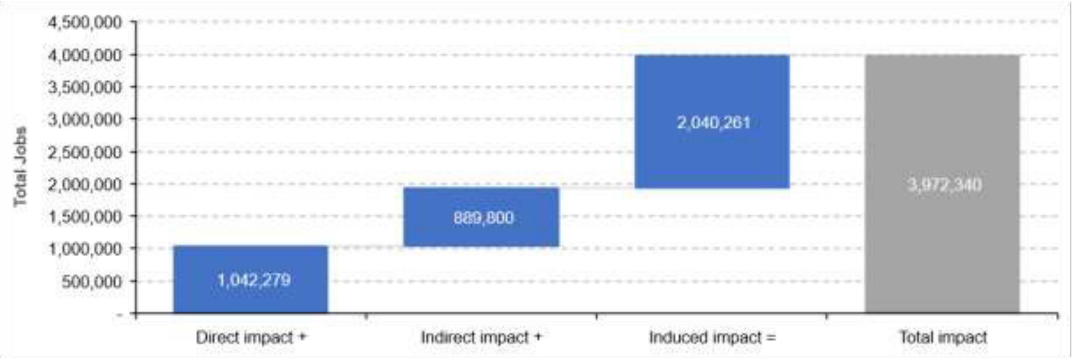
Figure A1.2: GFCF Direct Impact due to additional GFCF Expenditure



Source: South Africa Country Investment Strategy (2021)

According to Figure A1.3, the direct impact of employment is estimated at approximately 1 million new jobs.

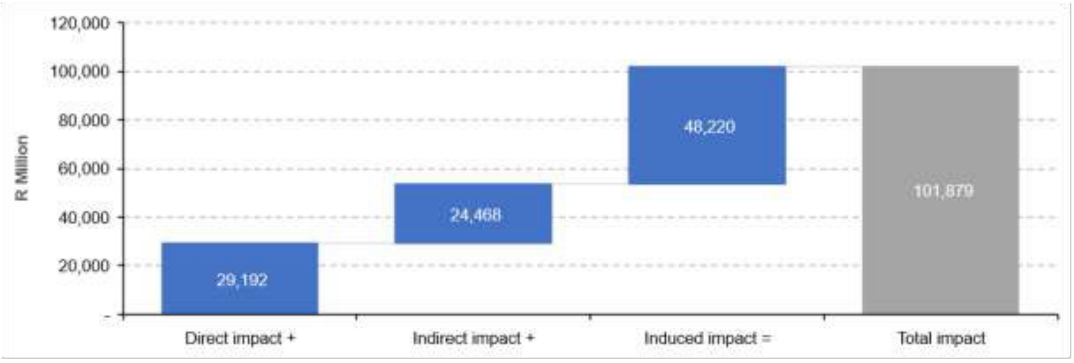
Figure A1.3 Employment Impact due to GFCF Expenditure



Source: South Africa Country Investment Strategy (2021)

Similarly, Figure A1.4 indicates that an additional R29 billion in direct taxes can be expected through the additional GFCF expenditure, indicative that the envisaged investment can exert significant positive economic impacts for South Africa.

Figure A1.4 Additional Taxes due to GFCF Expenditure

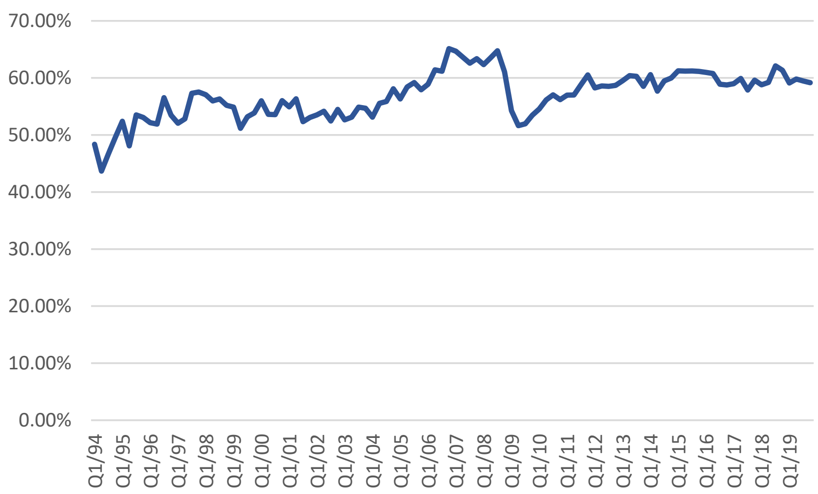


Source: South Africa Country Investment Strategy (2021)

Trade Openness Index

The Trade Openness Index (TOI) reflects the sum of imports and exports of a country as a ratio of GDP. By the very nature of its definition, it aims to determine the openness of a country to trade and subsequently, investment flows. The overall trend is also of importance as it provides an indication of increasing or decreasing imports and exports. Figure A1.5 provides a graphical representation of the TOI for South Africa since the country's democratic transition in 1994. It is evident that the trendline increased from 1994 to 2008 by approximately 64 percent followed by the adverse effects of 2008/9 global financial crisis. The TOI experienced a significant decline in this period and has not yet recovered to pre-2008 levels. The most recent trendline also exhibits a downward trajectory, at less than 60 percent, signalling the trade effects of the Covid-19 pandemic.

Figure A1.5: Trade Openness Index for South Africa



Source: Quantec (2021)

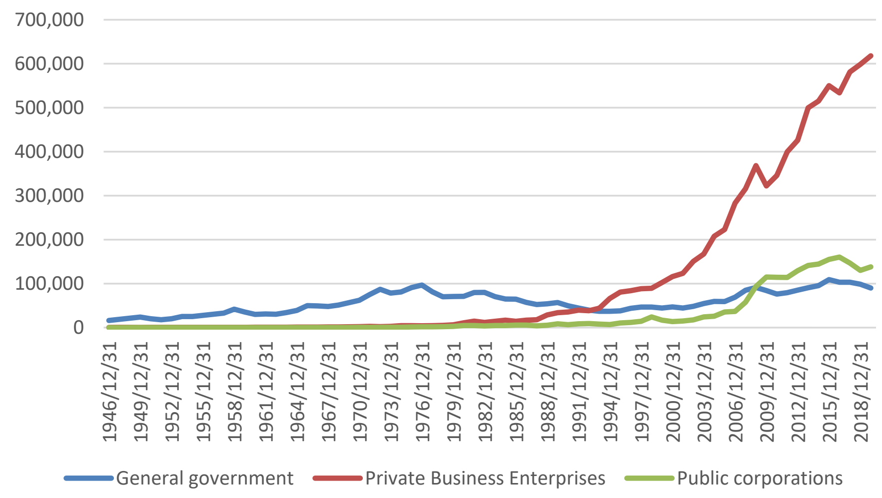
Gross Fixed Capital Formation

According to the OECD, GFCF is defined as the acquisition of assets produced less disposals. These are assets that are intended for use in the production of other goods and services for a period of more than one year. The following aspects are analysed in this section: (i) GFCF trends and forecasts; (ii) GFCF for the 9 economic sectors of the economy; and (iii) GFCF for the primary, secondary and tertiary sectors.

Trends and Forecasts of Gross Fixed Capital Formation

GFCF trends are focused on analysing trends from private and public sector investment. According to Figure A1.6, it is evident that private sector investment is significantly higher than that of government and state-owned entities combined.

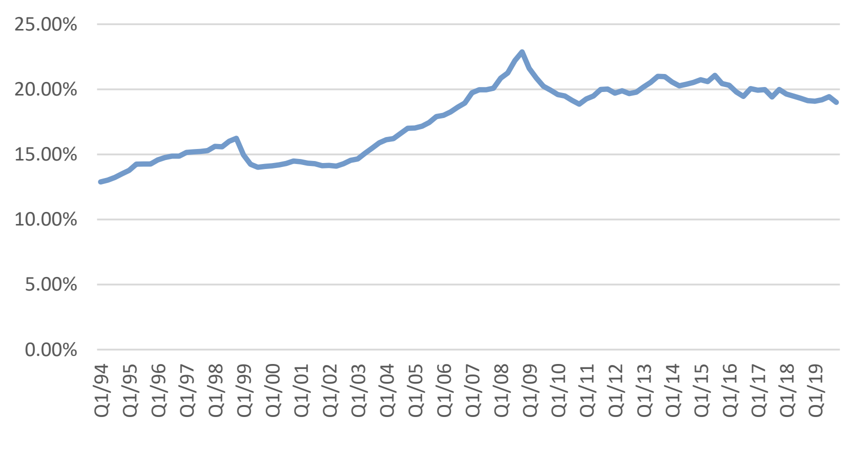
Figure A1.6: GFCF in South Africa, 1946 – 2019



Source: Quantec (2021)

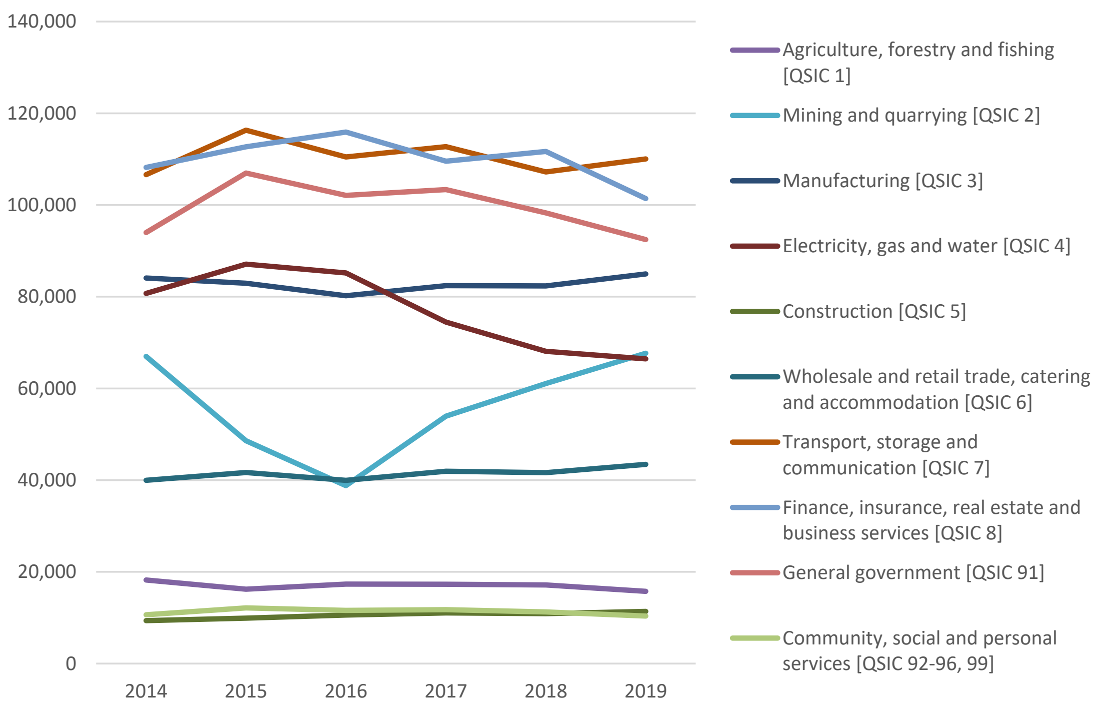
As mentioned throughout the CIS, the GFCF to GDP target of the NDP is 30 percent. This relationship currently stands at below 20 percent. The highest recorded figure was approximately 23 percent during the period leading up to the 2010 Soccer World Cup. The current trend is downward, and thus, the CIS and NIP2050 collectively focus on targeting investment that will ensure the reversal of this trend.

Figure A1.7: GFCF to GDP, 1994 – 2019



Source: Quantec (2021)

Figure A1.8: GFCF of 9 Economic Sectors, 2014 – 2019



Source: Quantec (2021)

Figure A1.8 and Table A1.3 reflect GFCF for 9 economic sectors. These sectors are compared in terms of their actual GFCF spend per annum. Currently the transport, storage and telecommunications sector is the best performing sector by value in terms of GFCF in the country and is closely followed by the finance, insurance, real estate and business services sector. Other strong performing sectors include general government and manufacturing; the former of which is not sustainable. The construction and community/social services sectors indicated the lowest investment levels and the agricultural sector also experienced relatively low levels of GFCF during this period.

Table A1.3: GFCF of 9 Economic Sectors, 2014 – 2019, ZAR millions (2010 constant prices)

Economic Sectors	2014	2015	2016	2017	2018	2019
Agriculture, forestry and fishing [QSIC 1]	18,219	16,213	17,317	17,296	17,137	15,751
Mining and quarrying [QSIC 2]	66,995	48,606	38,797	53,949	61,072	67,668
Manufacturing [QSIC 3]	84,066	82,924	80,210	82,416	82,345	84,966
Electricity, gas and water [QSIC 4]	80,719	87,103	85,177	74,481	68,080	66,446
Construction [QSIC 5]	9,363	9,917	10,593	11,041	10,900	11,374
Wholesale and retail trade, catering and accommodation [QSIC 6]	39,982	41,664	39,955	41,944	41,634	43,439
Transport, storage and communication [QSIC 7]	106,622	116,317	110,465	112,713	107,219	110,054
Finance, insurance, real estate and business services [QSIC 8]	108,184	112,690	115,908	109,555	111,669	101,405
General government [QSIC 91]	94,003	106,967	102,095	103,374	98,285	92,463
Community, social and personal services [QSIC 92-96, 99]	10,635	12,139	11,594	11,747	11,274	10,361

Source: Quantec (2021)

Table A1.4 below provides an indication of the GFCF performance of the 9 sectors in 2019. It is evident that the transport and communications sector received the most investment, whilst the community, social and personal services sector received the least investment during this period.

Table A1.4: Sector Ranking, based on GFCF

Economic Sectors	2019
Transport, storage and communication [QSIC 7]	1
Finance, insurance, real estate and business services [QSIC 8]	2
General government [QSIC 91]	3
Manufacturing [QSIC 3]	4
Mining and quarrying [QSIC 2]	5
Electricity, gas and water [QSIC 4]	6
Wholesale and retail trade, catering and accommodation [QSIC 6]	7
Agriculture, forestry and fishing [QSIC 1]	8
Construction [QSIC 5]	9
Community, social and personal services [QSIC 92-96, 99]	10

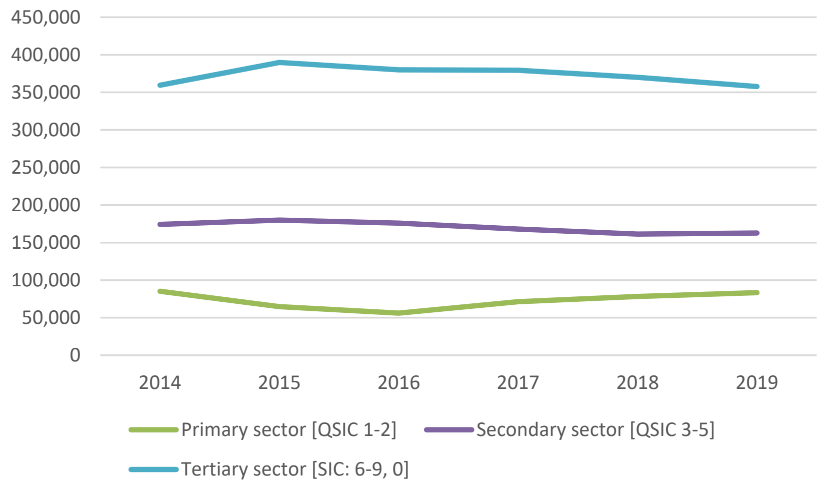
Source: Quantec (2021)

Gross Fixed Capital Formation – Main Economic Sectors

GFCF for the primary, secondary and tertiary economic sectors also provides interesting trends in terms of investment into these sectors. Figure A1.9 below depicts investment in these sectors and clearly illustrates that the tertiary sector is by far dominant; a characteristic of many developed economies across the globe.

Figure A1.9: GFCF of Main Economic Sectors, 2014 – 2019, ZAR millions (2010 constant prices)

Source: Quantec (2021)

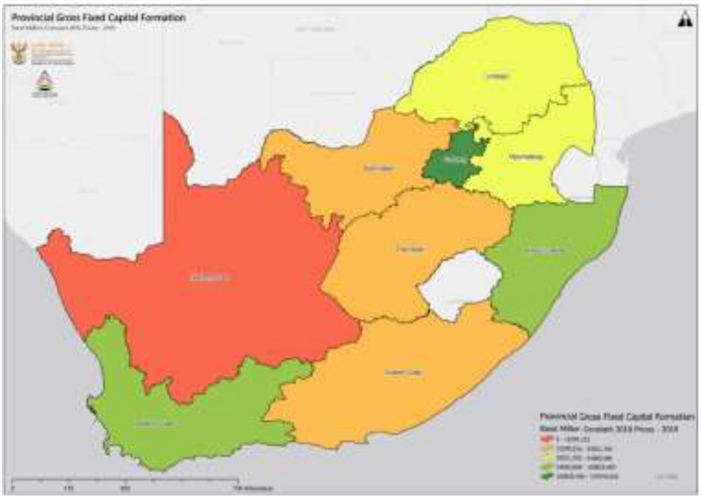


Location Benchmarking

Location benchmarking focuses on the following elements, namely: (i) Gross Fixed Capital Formation per provincial and municipal locations; (ii) location quotients for each province; (iii) the Growth Performance Index for the 9 economics sectors of respective provinces; and (iv) the Tress Index of each province.

Gross Fixed Capital Formation
The GFCF analysis of the provinces focuses on an analysis of the provincial distribution of GFCF; an analysis of the provincial distribution of GFCF; and an analysis of the distribution of GFCF within the nine provinces on municipal level.

Figure A1.10: Provincial Distribution of GFCF



Source: Quantec (2021)

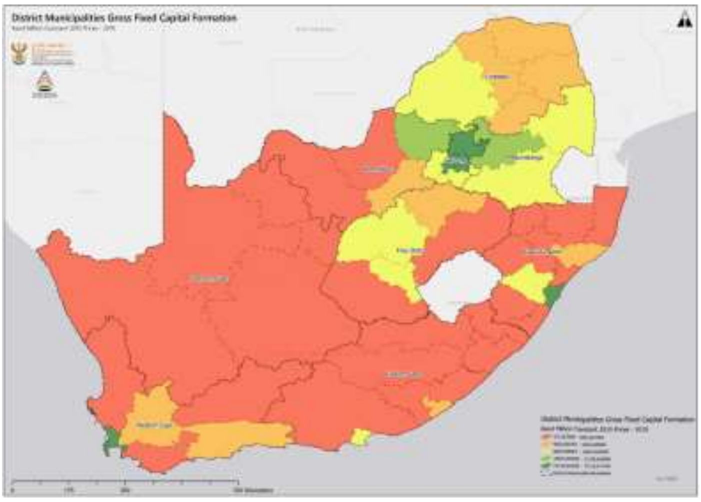
Figure A1.10 depicts the provincial distribution of GFCF in South Africa in 2019. The red depiction reflects the lowest level of GFCF whilst the dark green depicts the highest. The figure indicates that Gauteng receives the highest GFCF with Northern Cape the lowest, the former of which has the highest concentration of the country's population and the latter of which has the smallest. The second lowest GFCF is recorded in the North West, Free State and Eastern Cape provinces. It is interesting to note that KwaZulu Natal recorded the second highest level of GFCF during 2019.

The same colour grading scheme was applied for the municipal (metropolitan and district level) distribution of GFCF for 2019. From Figure A1.11, it is found that the majority of metropolitan municipalities received the highest level of GFCF, namely:

- City of Tshwane;
- City of Johannesburg;
- Ekurhuleni;
- eThekwini; and
- City of Cape Town.

This figure also clearly illustrates the unequal distribution of GFCF as rural areas in South Africa have generally exhibited the lowest levels of investment.

Figure A1.11: Municipal Distribution of GFCF



Source: Quantec (2021)

Location quotients

The Location Quotient (LQ) gives an indication of the comparative advantage (demonstrated by a figure of higher than 1) of a specific sector when compared to the aggregate economy. The table above indicates that 7 of the 9 provinces have a comparative advantage in agriculture, forestry and fishing. Furthermore, 4 out of 9 provinces have a comparative advantage in mining and quarrying. The GDP contributions of these sectors and the manufacturing sector confirm that South Africa has a comparative advantage in these three sectors. Comparative advantage across other sectors is spread across different provinces indicating that the country's economy is reasonably diversified with key economic sectors including agriculture, forestry and fishing, mining, manufacturing, energy, financial, real estate and business services, construction, trade, catering and accommodation, transport, storage and communication.

Table A1.5: Location Quotients for the Provinces of South Africa - 2017

Industry	WC	EC	NC	FS	KZN	NW	GP	MP	LP
Agriculture, forestry and fishing	7.52	0.81	2.99	2.05	1.56	1.10	0.19	1.18	1.07
Mining and quarrying	0.69	0.02	2.72	1.35	0.20	4.08	0.31	2.87	3.47
Manufacturing	0.42	0.96	0.26	0.79	1.33	0.39	1.15	0.99	0.23
Electricity, gas and water	2.47	0.66	1.02	1.12	1.05	0.95	0.89	2.02	1.15
Construction	5.82	1.03	0.75	0.66	1.11	0.64	1.02	0.77	0.76
Trade, catering and accommodation	0.43	1.36	0.79	0.96	1.01	0.78	0.92	0.98	1.01
Transport, storage and communication	0.60	0.92	1.22	1.03	1.34	0.65	1.04	0.67	0.50
Finance, real estate and business services	0.40	0.95	0.67	0.83	0.86	0.67	1.22	0.59	0.73
Personal services	0.40	1.25	0.92	1.38	1.05	1.33	0.87	0.67	0.73
General government services	1.62	1.30	0.98	0.97	0.95	0.75	1.19	0.71	1.10

Source: Country Investment Strategy Calculations using StatsSA data

Growth Performance Index

The Growth Performance Index provides an indication of growth in a certain sector in the provincial economy relative to the growth attained in the same sector nationally. An index larger than 100 is indicative of a leading sector. South Africa has seen growth, of varying extents, in all sectors across the 9 provinces. Noteworthy is the growth in general government services in provinces such as the Western Cape, Northern Cape, Kwa-Zulu Natal and Mpumalanga. This is potentially as a result of the increase of the size of government and it is thus important that government shifts from a pattern of growing consumption to greater investment. The Eastern Cape provinces exhibited the largest scores in the agricultural, electricity and water sectors, whilst Limpopo exhibited the best performance in the manufacturing and construction sectors. It is evident that Gauteng leads in the trade and accommodation sector. The Northern Cape had the best performance in the transport and logistics sector signalling important considerations for future port developments.

Table A1.6: Growth Performance Index for the Provinces in South Africa – 2007 - 2017

Industry	WC	EC	NC	FS	KZN	NW	GP	MP	LP
Agriculture, forestry and fishing	91.4	115.32	98.45	111.76	97.99	108.1	105.33	95.41	104.24
Mining and quarrying	114.24	53.16	84.08	82.59	91.4	103.2	83.31	109.98	109.61
Manufacturing	104.1	95.75	112.49	82.79	102.2	98.91	97.92	107.27	130.05
Electricity, gas and water	100.26	114.99	102.28	79.81	98.46	109.53	99.46	104.13	99.8
Construction	107.99	103.87	97.53	84.97	117.1	84.68	93.04	88.16	109.13
Trade, catering and accommodation	92.49	81.75	73.32	100.89	81.4	106.8	125.15	102.83	116.57
Transport, storage and communication	101	100.17	109.25	98.55	104.8	101.73	95.59	108.52	97.04
Finance, real estate and business services	85.2	100.29	88.09	101.82	101	112.58	104.2	112.18	106.31
Personal services	85.01	96.99	69.4	80.68	102.1	97.86	105.06	88.44	102.45

General government services	135.23	95.54	108.89	94.34	105.4	86.18	100.72	110.76	94.91

Source: Country Investment Strategy Calculations using StatsSA data

Tress Index

The Tress Index reflects the level of diversification or concentration of a region or economy. The higher the index, the more concentrated is the economy or the more vulnerable is the economy to exogenous shocks. The table reflects the Tress index of the provinces. Generally, it is difficult to encounter a Tress Index of more than 60 percent. In order to better understand this, it is useful to note that in the period when Zimbabwe was the "food basket of Africa", its index would have been approximately 60 percent (signalling a high concentration in agriculture). Table A1.7 indicates that South Africa's nine provinces all exhibit a Tress Index of lower than 50 percent. This implies that provinces are mostly diversified with limited concentration in a specific sector. The Western Cape, Eastern Cape, Gauteng and the Limpopo provinces have the highest Tress indices, further implying greater vulnerability to exogenous variables, such as commodity price fluctuations and changes in climatic conditions. The economy in Limpopo has become more contracted over time due to growth in the mining industry.

Table A1.7: Tress Index for Gross Value Added at Basic Prices (All Provinces- 2010 to 2019)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total: South Africa	37.8	38.4	38.9	38.9	39.1	39.4	40.1	39.6	40.1	40.9
P1: Western Cape	48.7	49.1	49.2	49.2	49	49.5	50	49.8	50.4	51.2
P2: Eastern Cape	50.7	50.7	50.6	50.4	50.5	50.8	51.2	50.9	51.2	51.7
P3: Northern Cape	42.1	42.7	43.3	43.6	44.4	44.1	43.7	44.3	44.8	45.2
P4: Free State	31.7	32.5	33.4	33.3	33.1	34.3	35	34.2	34.4	34.9
P5: KwaZulu-Natal	39.2	39.3	39.4	39	38.5	39	39.7	38.7	39.1	39.9
P6: North West	49.1	48.8	46.9	47.4	44.6	47.8	46.2	46.3	46.5	46.5
P7: Gauteng	49.1	49.8	50.2	50.3	50.5	50.7	50.9	51	51.5	52.3
P8: Mpumalanga	39.5	39.4	39.6	39.5	39.8	39.3	39.6	39.4	39.5	39.8
P9: Limpopo	49.2	49.2	48.9	49.4	48.8	49.4	49.3	49.3	49.4	50

Source: Quantec (2021)

Sector prioritisation model

A sector prioritisation model was developed with the aim of identifying high priority investment sectors that offer opportunities to investors. The methodology followed includes the following steps:
Step 1: Establish a decision process
Step 2: Identify options/alternatives
Step 3: Identify criteria and sub-criteria
Step 4: Scoring approach
Step 5: Performance Matrix
Step 6: Weighting and sensitivity analysis
Step 7: Examination of results

Priority decision approach

A Multi-Criteria Analysis (MCA) model was developed to establish priority investment preferences for different economic sectors. It is important to note that MCA establishes preferences between options by reference to an explicit set of objectives that the decision-making body has identified and for which it has established measurable criteria to assess the extent to which the objectives have been achieved. A key feature of MCA is its emphasis on the judgement of the decision-making team in establishing objectives and criteria; estimating relative importance weights and, to some extent, in judging the contribution of each option to each performance criterion. MCA, however, can bring a degree of structure, analysis and openness to classes of decision that lie beyond the practical reach of cost-benefit analyses. The CIS MCA model assesses the extent and compliance to which the economic development and investment objectives have been achieved by way of a scoring system. The compliance measurement is largely quantitative.

Identify options/alternatives

The options considered determined the expected economic impact of GFCF on each economic sector. Ten key economic sectors are considered:

- Agriculture, forestry and fishing [SIC 1]
- Mining and quarrying [SIC 2]
- Manufacturing [SIC 3]
- Electricity, gas and water [SIC 4]
- Construction [SIC 5]
- Wholesale and retail trade, catering and accommodation [SIC 6]
- Transport, storage and communication [SIC 7]
- Finance, insurance, real estate and business services [SIC 8]
- General government [SIC 91]
- Community, social and personal services [SIC 92-96, 99]

As previously indicated, to meet articulated NDP targets, an additional R600 billion per annum, at current prices, must be expended. The economic impact of the additional GFCF investment is of importance. This was modelled for each sector and the results provide an indication of the potential economic impact of each sector from an investment perspective. This also enables comparison to current GFCF trends.

Table A1.8: Expected Economic Implication of Increased GFCF per Sector

Sector	**Jobs**		**GVA**		**Tax**	
	Direct Impact	**Total Impact**	**Direct Impact**	**Total Impact**	**Direct Impact**	**Total Impact**
Agriculture, forestry and fishing [SIC 1]	2,380,009	5,131,987	314,090	1,001,111	30,385	98,601
Mining and quarrying [SIC 2]	690,922	3,289,522	342,607	1,012,349	24,854	90,907
Manufacturing [SIC 3]	988,912	4,504,548	294,469	1,181,414	32,508	120,160
Electricity, gas and water [SIC 4]	396,426	2,628,818	356,043	973,134	14,995	71,863
Construction [SIC 5]	1,316,987	4,654,649	290,906	1,129,268	33,847	118,038
Wholesale and retail trade, catering and accommodation [SIC 6]	1,714,209	4,367,556	343,943	1,006,092	27,614	94,102
Transport, storage and communication [SIC 7]	846,787	3,521,930	323,462	983,490	34,415	100,733
Finance, insurance, real estate and business services [SIC 8]	1,185,384	4,091,669	330,413	1,045,487	34,768	106,501
General government [SIC 91]	1,143,689	4,694,660	403,134	1,267,135	26,850	112,367

Community, social and personal services [SIC 92-96, 99]	2,535,129	5,684,899	331,125	1,106,425	31,894	109,337
Trend	1,042,279	3,972,340	339,225	1,074,207	29,192	101,879

Source: Quantec (2021)

Identify criteria and sub-criteria

The identification of the criteria applied was informed by two main criteria and six sub-criteria, summarised in Table A1.9 below.

Table A1.9: Identification criteria and sub-criteria

Criteria	**Sub-Criteria**
Economic Impact	Sector impacts GVA
	Sector Impacts Jobs
	Tax
Investment Indicators	Fixed Capital Stock per Sector
	GFCF
	Growth in Fixed Capital Stock per Sector

Source: Quantec (2021)

Scoring approach

The scores of the factors are listed below where 3 is most compliant and 1 least compliant. Whilst the scoring may be limited to a Likert scale of three, the allocation of scores covers an in-depth assessment of the variables, including the weighting of each main criteria to measure influence and sensitivity on the results as demonstrated in Table A1.10 below.

Table A1.10: Scoring matrix

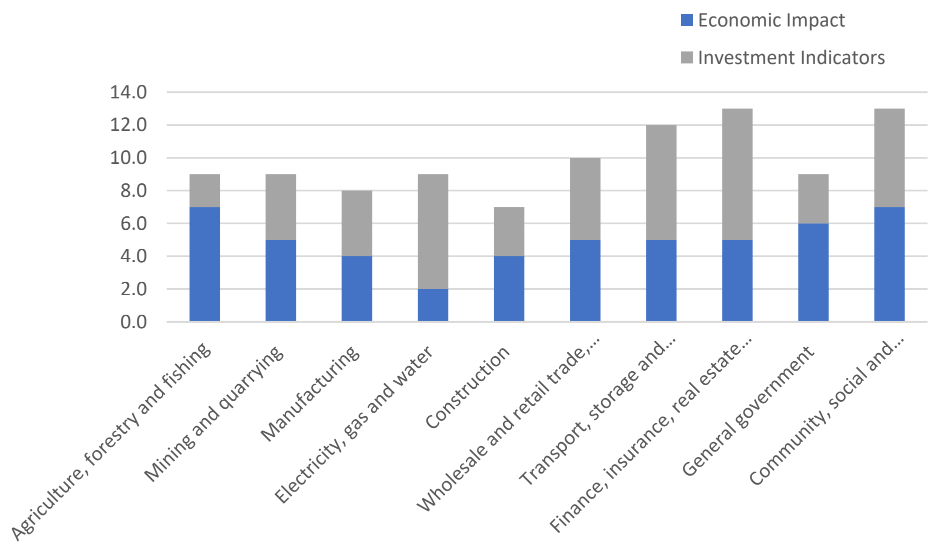
Scoring Approach	**Score**
Most compliant	3
Average compliance	2
Least compliant	1
Not Applicable	0

In terms of the initial Performance Index (Multi-criteria Outcomes), a decision was made to provide each sub-criteria with an equal weight. This implies the perfect score is 18.

Performance Matrix

The Performance matrix or Performance Index (PI) summarises the MCA results. The graph below provides an indication on the prioritisation results.

Figure A1.12: Performance Index Summary

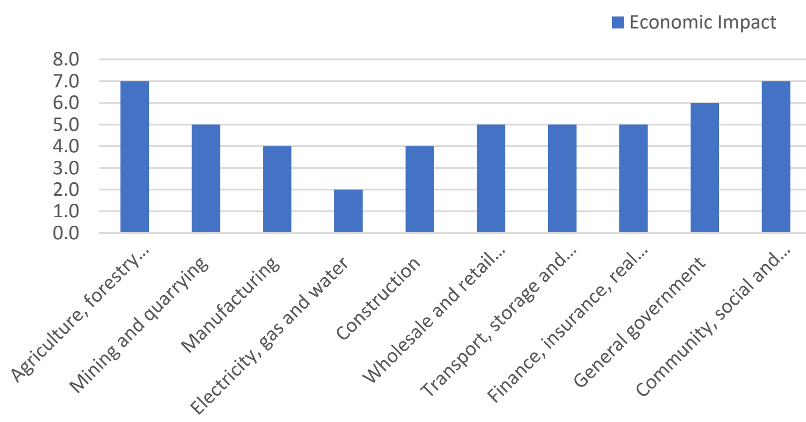


Source: South Africa Country Investment Strategy (2021)

The figure above indicates that the following sectors should receive the greatest priority for investment, namely:

- Finance, insurance, real estate and business services;
- Community, social and personal services;
- Transport, storage and communication; and
- Wholesale and retail trade, catering and accommodation.

Figure A1.13: Performance Index Prioritisation, Economic Impact



Source: South Africa Country Investment Strategy (2021)

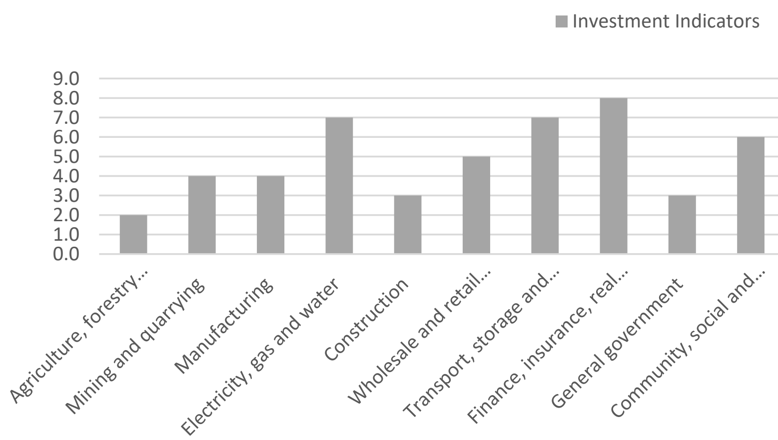
Purely from an economic impact the following sector provided the best performance, namely:

- Agriculture, forestry and fishing;
- Community, social and personal services; and
- General government.

Figure A.14 demonstrates that the three best performing sectors on the investment criteria were:

- Finance, insurance, real estate and business services;
- Transport, storage and communication; and
- Electricity, gas and water.

Figure A1.14: Performance Index Prioritisation, Investment Impact



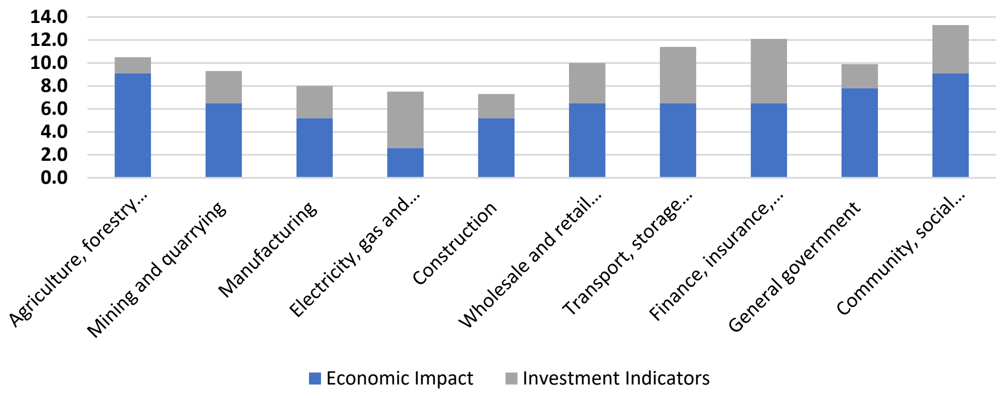
Source: South Africa Country Investment Strategy (2021)

Weighting and sensitivity analysis

As discussed earlier in the report, it was deemed necessary to conduct a sensitivity analysis by adding varying weightings to the criteria and sectors. The Weighted Performance index reflects the results of changes to the two main criteria: (i) economic impact (1,3 factor); and (ii) investment indicators (0,7 factor)

This was based on the argument that the economic impact considers the potential of increased GFCF investment, whilst the investment indicators reflect historic data.

Figure A1.15: Weighted Priority Scores

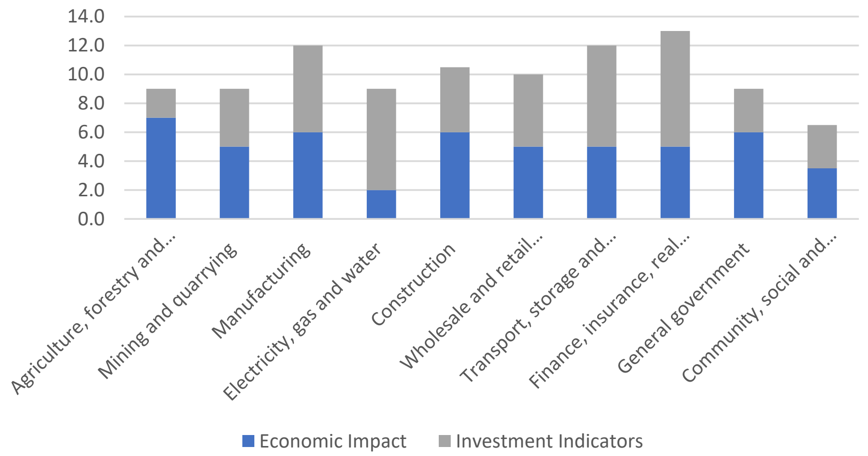


Source: South Africa Country Investment Strategy (2021)

The following sectors achieved the highest weighted priority scores, namely:

- Community, social and personal services;
- Finance, insurance, real estate and business services;
- Transport, storage and communication; and
- Agriculture, forestry and fishing.

Figure A1.16: Policy Performance Index for South Africa's Sector Prioritisation



Source: South Africa Country Investment Strategy (2021)

The following sectors achieved the highest policy priority scores, namely:
- Finance, insurance, real estate and business services;
- Manufacturing;
- Construction; and
- Transport, storage and communication.

Policy Prioritisation Results

Based on the overall prioritisation results, the following table highlights the sectors that offers investment opportunity.

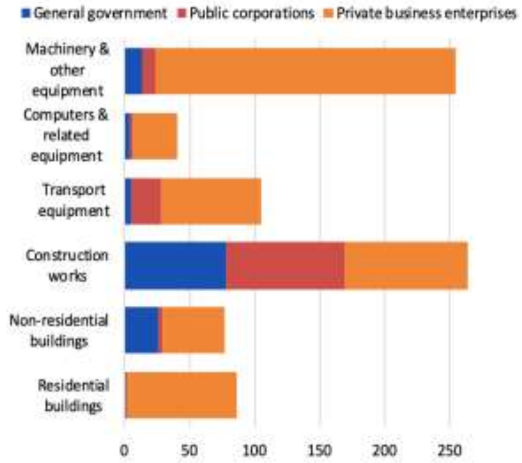
Table A1.11: Proposed CIS Investment Priorities

Sector	**Priority**
Finance, insurance, real estate and business services	High
Transport, storage and communication	High
Manufacturing (including agro-processing)	High
Construction	High
Agriculture, forestry and fishing	Medium
Mining and quarrying	Medium
Electricity, gas and water	Medium
Wholesale and retail trade, catering and accommodation	Medium
General government (investment not consumption driven)	Medium
Community, social and personal services (includes education, waste economy & health)	Medium

Source: South Africa Country Investment Strategy (2021)

South Africa's policy sector prioritisation approach is aligned to current trends of GFCF expenditure as indicated by Quantec utilising South African Reserve Bank data in Figure 23 below; wherein categories representing elements of three of the four "high" priority sectors are demonstrated through machinery and other equipment; computers and related equipment; transport equipment; and construction works including elements related to the real estate sector.

Figure 23: GFCF Expenditure Categories, 2019, ZAR billions



Source: Quantec (2020)

Annexure 3: Sector SWOT Analysis

This annexure contains a SWOT analysis of some important South African economic sectors at a more disaggregated level than that contained in the previous Annexure.

Manufacturing

Strengths • Attracts large FDI investments. • A driver of innovation and R&D • Significant residual capacity in historic manufacturing belts • SEZ programme provides a powerful policy platform for state co-investment in new productive capacity	*Weakness* • Manufacturing production is decreasing year-on-year • Decreases in employment • Residual capacity has become dormant as competitiveness has declined, rendering historic manufacturing clusters into rustic belts
Opportunities • Localisation: working with local and community businesses to rebuild the foundations of manufacturing • A big driver of employment • Export opportunities into the new African single market will change demand factors in favour of manufacturing from within AfCFTA • Expansion of SEZ network allows for recapitalisation of existing industrial spaces – as well as new build - in response to demand from AfCFTA and other foreign markets • Strategic localisation initiatives provides offtake opportunities for both recapitalisation and new build of industrial parks servicing the domestic market and linked to SEZ value chains	*Threats* • Losing critical manufacturing capacity • Disruption of power distribution through load shedding • South Africa could lose out to other potential manufacturing clusters within the African single market if policy/ programmatic response is too sluggish

Agriculture

Strengths • Agriculture expanded production by 13.1 percent in 2020 (StatsSA, 2021) • A significant contributor to employment, especially to unskilled labour • Relatively low barriers to entry at the primary level, provided key factor inputs (land, in particular) are available and primary producers can be clustered for scale	*Weaknesses* • Small-scale farmers lack the research and market information required for product commercialisation • Characterised by seasonal employment • Agro-processed goods and/or bulk export supply both require scale for competitiveness entrenching the historical dominance of the marketplace by large supplier groups and distribution networks

Opportunities	*Threats*
• Growth of emerging black farmers (The IDC and the Department of Agriculture, Land Reform and Rural Development launched a ZAR1 billion Agri-Industrial Fund to boost the participation of black farmers • The AfCFTA presents significant opportunity for the country to assume a leadership role with respect to agro-processing in particular • Productive conversion of arable land to smaller farms able to supply as part of clusters through organised platforms	• Financing options for small-scale farmers have interest rates and too many financial backlogs • Climate change • Water scarcity • Agri-logistics systems, including cold-chain transport and storage are not accessible to the broad-base of smallholder farmers

Tourism

Strengths	*Weakness*
• Spectacular scenery and desired destinations to attract tourists • Significant growth potential • A labour-intensive sector with a supply chain that links across multiple sectors	• Hardest hit by the ongoing Covid-19 crisis • The pandemic will have far-reaching implications for productive employment, especially for low-skilled youth • Tension/trade-off between utilisation of coastal areas for mining and tourism activities
Opportunities • Use electronic visas to expedite foreign business and leisure tourism • Encourage domestic tourism, through incentivisation, booking/information sharing platforms and value chain linkages (e.g., between activity and accommodation providers) • Drive investment	*Threats* • Discouragement due to safety and security perceptions

Mining

Strengths	*Weaknesses*
• Attracts large FDI investments • An industry where South Africa has consistently ranked as a leading geography for over the last 2 centuries	• Instability in the labour market and wage demand pressures linked to social wage issues • Systemic risk of industrial action and community unrest in some mining areas due to ongoing resource disputes in source communities • Declining productivity, coupled with rapidly escalating costs • Hydrocarbons, particularly coal, will face steep declines in export demand over the coming decade, with real risk of stranded assets

Opportunities	*Threats*
• Market share of global commodity production and reserves declining but the potential is still huge in the mining industry • Viable deposits are being discovered in less mined geographies across the republic • Promote exploration and beneficiation of minerals, particularly through the fast-tracking of exploration permits • Platinum group metals represent a huge growth sector due to their role in fast-expanding green energy systems and processes • Mines represent an excellent use case for sub-100Mw own-generation microgrids using renewables in order to stabilise supply and decarbonise value chains to avoid carbon pricing at export level	• Policy and regulatory uncertainty • Standards of redress for environmental impact of mining on source ecosystems and communities are likely to rise over the next decade • Adverse demand conditions (weak world demand) • Logistical constraints such as inefficient rail and port infrastructure • Utility disruptions, due to load-shedding • Decarbonisation of the mining process is increasingly becoming a requirement for export competitiveness

Construction

Strengths	*Weaknesses*
• A significant contributor to employment • New technologies are continuing to improve productivity • Newer and often more sustainable materials and building techniques are being introduced and adopted at scale much more frequently than in previous decades	• Decrease in market capitalisation by construction companies • Growth rates within the industry are volatile; with public sector spending, which could otherwise provide a counter-cyclical cushion, under pressure due to fiscal headroom. • The workforce development system for vocational skills in South Africa is very certification driven (rather than demand driven) and is poorly coordinated with industry • Rising/volatile input material costs and consistent reliance on imported materials due to uncertainty of supply requirements undermining incentives to invest in local productive capacity
Opportunities	*Threats*
• Public and private sector investment in infrastructure projects is expected to drive growth • The fundamental need for infrastructure remains • Contactor development pipelines as structured in law (under South Africa's PPPFA and BBBEE codes) can be positioned to nurture small construction contractors and grow them into medium or large-sized contractors with the assistance of developmental platforms and	• Bad actors (presenting themselves as community business forums) have in many areas 'gangsterised' community contracting interfaces, through rent-seeking, obstructing projects to the point of abandonment in some cases • Can be a hazardous industry for workers • Electricity supply availability has had a serious impact on construction projects, causing costly delays • Large-scale (CIDB grade 9) construction companies are increasingly reliant on work

structured purchase order/working capital financing (aligned to promote CIDB progression). Executed correctly and with adequate community engagement, such approaches can constructively delegitimise bad actors claiming to represent community interests and genuinely empower broad based cohorts of smaller firms • South Africa's cohort of CIDB Grade 9 construction firms are established operators on a continental scale and well placed to build export business lines into the new African single market • A well-coordinated workforce development system, based on a reform of current vocational training pipelines to become demand driven and project-linked, could provide meaningful career pathways for the thousands of graduating trainees each year and significantly boost South Africa's productive capacity	outside of South African market to remain solvent

Electricity, gas and water

Strengths	*Weakness*
• Eskom generates, transmits, and distributes electricity to a wide variety of parties in South Africa and to surrounding countries • The new independent power producer regulations , as well as South Africa's internationally admired process for renewable energy IPPs, lay the groundwork for a much more diversified energy system supporting a higher growth economy • With respect to the energy, water and gas sectors, South Africa has well established public and private sector research and development capabilities that can establish industrial scale capacity in deploying and advancing new technologies	• Unreliability of supply has driven South Africa's energy availability factor to low levels, experienced by citizens and businesses as "load shedding" when supply is negatively shocked through failures across the fleet of centrally managed power stations. • At the same time, due in no small part to just transition complexities (see threats), the onboarding of renewables as an alternative has not been fast-tracked in line with South Africa's potential • Distribution systems that are copper wire intensive are frequently crippled by cable theft, representing a major challenge for a range of sectors • Deficit of skilled human capital to maintain and service existing infrastructure and develop and deploy independent power production sites distributed locally as microgrids • Natural gas, the least emissions intensive of the hydrocarbon fuels, is undeveloped in South Africa and carbon pricing considerations may undermine its competitiveness over the time horizon required to realise investments in gas infrastructure • Water infrastructure is poorly maintained and watershed management is not well

	configured for South Africa's semi-arid status. This is being exacerbated as climate change concentrates rainfall in less frequent and more intensive bursts, overwhelming infrastructure and leading to floods, with long cycles between rain resulting in droughts, again exacerbated by poor watershed management.
Opportunities • The unbundling of the Eskom value chain into two competitive marketplaces for generation and distribution, linked and coordinated by an independent transmission system and market operator (ITSMO), presents huge opportunities for broad cohorts of industrialists to generate and distribute competitively priced energy wherever it is geographically required. This shift to distributed markets has huge implications for market depth and width, offering the opportunity to convert – for instance – the 30 percent of bulk electricity lost to non-billable outflows (mainly illegal connections) into locally distributed, low-cost billables • The energy sector is an input of, and therefore an enabler of, all other economic sectors. Competitively priced energy (which, in the age of carbon pricing, increasingly means green as well as cost-effective) is an enabler of cross-cutting economic growth • South Africa possesses globally leading potential to produce solar and wind energy at large volumes, with green energy being a major export competitiveness scaler for key sectors such as manufacturing. It is also the most critical input into the electrolyzation of green hydrogen, a huge potential export commodity • The volume of green energy production required for export market driven green H_2 and green ammonia is sufficient, if tied to strategic localisation initiatives, to seed a layer of tier 1 renewable energy component suppliers • South Africa has the opportunity to harness innovations emerging from its R&D eco-systems to manage watersheds much more effectively and ramp up the re-use and reprocessing of mine water (and thus reduce the cost of water as an industrial input)	*Threats* • South Africa's massive advantage with respect to renewable energy capability has to be weighed against the risk of accelerating the collapse of livelihoods in the hydrocarbons sector (noting that that the contraction of the export market for hydrocarbons – particularly coal – is already on a downward trajectory) without a clear strategy to fund a just transition (potentially through cross subsidy from renewables) • Without a predictable demand schedule for renewable energy, investment in local component manufacturing at a scale that would make pricing competitive will be compromised • Climate change induced water risk will place constraints on water as both a public resource and an industrial input.

Transport, storage and communication

Strengths	*Weakness*
• Transport is a transversal enabler of all economic sectors • Linked to the storage sector, transport constitutes an extended portion of the value chain for any investment dependent on the movement of physical goods and growth will be correlated with such sectors • In turn, communications infrastructure will be a value chain component of any business sector, particularly global business services • Public transport services over 70 percent of commuters. Though 80 percent of these commuters currently rely on the minibus taxi networks, the evolution of BRT systems (with taxi associations as equity partners) has demonstrated how taxi routes can mature into more structured forms of public transport.	• Underinvestment and poor operational coordination across the legacy Spoornet network (now operated under Transnet Freight Rail or TFR) has resulted in an estimated 100 million tonnes per annum of freight demand moving from rail to road over the last 2 decades. As a result, 80 percent of South African freight moves by road as opposed to rail, whereas the ratio should be the inverse from both a cost and efficiency perspective • Though SA has a high penetration rate - 56.3 percent of SA population were internet users in 2020 and is projected to increase to 62.3 percent in 2025 (StatsSA) , mobile access dominates; • Access to high-speed fibre is concentrated at upper income levels both in terms of households and higher turnover firms. • Last-mile connectivity is poorly coordinated and the continued legal and policy uncertainty with respect to spectrum allocation remains a barrier to adoption of new connectivity scalers critical to the internet of things, specifically 5G
Opportunities	*Threats*
• Port and rail infrastructure is a very feasible zone of opportunity for public private co-investment, offtake driven financing and shared public-private operating models, particularly with respect to demand growth from the new African single market and other export constituencies, in addition to new energy export opportunities linked to the hydrogen economy • Public transport represents a growth value proposition wherever urbanisation and densification of city nodes are projected trends. Investment into evolving public transport systems will present the opportunity for broad-based, bottom of the pyramid growth; including through special purpose vehicles which create equity layers for taxi associations to participate in the commercial evolution of the public transport network • Enabling, coordinating and public-private cost-sharing to drive digital infrastructure as a platform/scaler for all categories of digitally enabled growth	• South Africa's port and rail infrastructure lags not only global benchmarks but now also amongst key ports on the African continent with respect to efficiency, reliability and cost. This is a major barrier to physical trade flows of all kinds as a source of investment and growth • The current subsidisation model for road-based public transport flows almost exclusively to bus systems, the least utilized mode, with the taxi industry both unsubsidised and operating with much more problematic commuter-safety standards as well as under conditions that provide limited scope for transport-oriented development at tax-ranks and along routes • Rail-based public transport has safety issues and unreliability due to criminality driving down passenger numbers and revenues • The country's digital communications infrastructure requires additional investment, with private sector investment leading most the build

	without a systematic design platform from the public sector, to optimise end-to-end connectivity; further exacerbated by a lack of meaningful co-investment vehicles for public-private collaboration

Finance, insurance, real estate and business services

Strengths	*Weaknesses*
• Operational sophistication global gold-standard financial compliance capabilities and depth of capital pools available provide South Africa with a leading position on the continent as a financial services centre • Continent-leading node with respect to global business services, including the country's recent emergence as a leading provider of outsourced global business services • South Africa has a well-developed and commercially innovative property sector, including a well-established pool of vertically-integrated property developers/ managers in addition to a significant network of retail investment trusts	• The financial services sector's offering with respect to retail banking and banking services for SMMEs (where the next major frontier of customer growth and lending growth lies, along with the widest and most geographically spread potential to generate employment) lack agility and are poorly positioned for innovation • Very fee-centric revenue models and high-cost legacy branch networks renders the cost of servicing the unbanked, including underbanked bottom of the pyramid customers, prohibitive. Poor data on the genuine credit risk banks face in such markets results in very conservative lending criteria in order to avoid being classified as irresponsible lenders • Business process services outsourcing, to fully harness the economic potential of the available workforce, must be able to operate in a much more decentralised manner, including work from home models and the use of localised hubs, which relies on fibre connectivity that is currently poorly distributed in areas where key workforce clusters reside • Real estate and commercial development patterns track very specific, concentrated nodes, hemmed in by the carrying capacity of bulk services and the poor integration of public transport networks
Opportunities • Fintech platforms and wholesale financing instruments targeting platform financing channels which connect portfolios of underserved customer pools with non-bank intermediaries represent a major opportunity frontier for expanding access to financial services by commercially viable but unbanked/underbanked firms • Special purpose vehicles that collateralise future revenues from developments as the basis for blended finance of bulk infrastructure (energy, water management, road networks and digital	*Threats* • Fintech platforms are currently fragmented, with users spread across multiple individual platforms rendering individual platforms not optimally scalable over the medium-term • Digitisation remains a threat to low-skilled labour without adequate and agile workforce development • Commercial property clusters may be threatened by the shift to working from home

infrastructure) can unlock vast pipelines of greenfield and brownfield real estate developments in under-serviced areas • Global business services represents a massive opportunity for employment with low barriers to entry, provided connectivity challenges can be resolved	• Financial services instruments targeting the new African single market depend on access still to be negotiated

Community, social and personal services

Strengths • High informal employment	*Weakness* • Covid-19 lockdown restrictions saw personal services businesses, such as gyms and hairdressers, closing and not generating income • Sector includes some government services
Opportunities • Skills development opportunities in personal services and others • Improve community and social infrastructure • Increase research and development innovations • Digitize the sector as platforms and allow for digital space training	*Threats* • Lack of financial support to SMMEs (resolvable through wholesale financing to platforms, as per above)

ANNEXURE 4: BUILT ENVIRONMENT REQUIREMENTS

South Africa is an aptly regulated environment with various Acts of Parliament that govern infrastructure and the built environment.

The following referenced Acts are important for infrastructure development:

- Constitution of the Republic of South Africa, 1996
- Spatial Planning and Land Use Management Act 2021, Act No.16 of 2013
- National Building Regulations and Building Standards Act, 1977 (Act 103 of 1977)
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)
- Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003)
- Municipal Systems Act, 2000 (Act No. 32 of 2000)
- Architectural Profession Act, 2000 (Act No. 44 of 2000)
- Engineering Profession Act, 2000 (Act No. 46 of 2000)
- Landscape Architectural Profession Act, 2000 (Act No. 45 of 2000)
- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- Project and Construction Management Professions Act, 2000 (Act No. 48 of 2000)
- Quantity Surveying Profession Act of 2000 (Act No. 49 of 2000)
- Public Finance Management Act, 1999 (Act No. 1 of 1999)
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
- National Environmental Management Act, 1998 (ACT NO. 107 OF 1998)
- National Water Act No. 36 of 1998
- Infrastructure Investment Act 2014 (Act 23 of 2104)

<u>Land Acquisition Process</u>

Property rights are protected through The Bill of Rights in the Constitution in South Africa. The Constitution protects a person's real rights to property ownership, lease, mortgage, lien or servitude. The state has a duty to take reasonable legislative measures to promote access to land on an equitable basis and no individual may be arbitrarily deprived of property.

South Africa has no restrictions on foreign ownership of property, however, there are procedures and requirements which must be complied with in certain transfers of ownership. For example, a non-South African entity seeking to purchase land in South Africa has to register a legal entity in South Africa and appoint a South African resident public officer. Non-residents that purchase property in South Africa with the intention of residing for longer periods require a residence permit.

Land registration Process

The land registration process gives registered owners security of title. The following steps are applicable to the process:

- Offer to purchase or declaration of interest to landowner(s) and negotiations
- Determine restrictions/interdicts/servitudes on land
- Formal offer to purchase and agreement if accepted
- Local municipality rates and taxes clearance certificate
- Deed transfer to new owners' registration and payment

The latest land audit is further available on: http://www.ruraldevelopment.gov.za/publications/landaudit- report/file/6126

Property Registration Process

The following property registration process is applicable in South Africa:

- Conveyancer conducts a title search and checks on property
- Obtain a rates clearance certificate
- Obtain a plumbing certificate
- Obtain an entomologist's certificate
- Obtain an electrical compliance certificate
- Conveyancer prepares and collects all the required documentation
- Obtain a transfer duty receipt
- Parties sign all the documentation
  Conveyancer lodges the deed

Building Approval Process

All land in South Africa falls within the jurisdiction of a municipality. Each municipality has its own requirements related to the approval of building plans for land within its area of jurisdiction. Building plans must be approved by the relevant municipality before construction begins (National Building Regulations and Building Standards Act No. 103 of 1977 (NBRBSA)). In most cases, approval for a building plan is only required for land that falls within a township development plan. However, as a general rule, all land that is zoned residential, business or industrial will fall within a township development plan of a municipality. Therefore, building plans for a project in these types of zones must be approved by the applicable municipality before construction can commence.

Key Construction Permit Processes

The following process is applicable to obtain a construction permit in South Africa:

Prior to construction:

- Obtain a geographical and topographical survey of the land plot from a licenced private plot
- Obtain pre-construction clearances from relevant municipality department/s
- Obtain land use management approval from municipal town planning department
- Obtain approval of the building plans from municipal building control department
- Notify about commencement of building work from municipal building control department and provincial Department of Labour

During construction:

- Receive inspections from municipal building control department and provincial Department of Labour
- Apply for water and sewerage connections from municipal water and sanitation department
- Receive inspections and obtain water sewerage connection from municipal water and sanitation department

After construction:

- Notify upon completion of building work from municipal building control department
- Receive final inspection plans from municipal building control department and fire department

- Obtain occupancy certificate from municipal building control department.

Environmental Impact Assessment

The purpose of the Environmental Impact Assessment (EIA) is to evaluate environmental consequences of a proposed activity or project and analyse alternatives. The EIA is an integral part of the planning and decision-making process and is focused on effective environmental management.

The EIA process in line with the National Environmental Management Act offers the following benefits:

- Requires an applicant to subject a listed activity to either the Basic Assessment or Scoping and EIA process, depending on the nature of the listed activity
- Requires an applicant to review the activity he/she intends to undertake and to consider the environmental impacts and to consider alternatives and mitigation measures that will reduce those environmental impacts
- Provides the public with a meaningful opportunity to understand and comment on the proposed activity
- Provides government decision-makers with important information to assist them in deciding whether the proposed activity should be approved; and
- Provides a legal right for interested and affected parties to participate in the process.

Some of the steps to be following the early stages of the EIA process include:

- Step 1: The Developer consults the Schedules in the EIA Regulations to decide whether a Basic Assessment or an EIA is needed
- Step 2: The developer arranges and completes a pre-consultation meeting with the Department of Environmental Affairs (DEA)
- Step 3: DEA provides a letter of confirmation, setting out the result of the pre-consultation
- Step 4: The developer completes and submits an application, following the advice received from DEA
- Step 5: The response by DEA to the application will commence later steps in the procedure.

If a Basic Assessment or Scoping and EIA is well-managed, the timeframe – which includes those timeframes that are prescribed - are as follows:

- Basic Assessment process, from the date that the application is submitted to the date that the application is decided should take between 202 and 252 days, depending on whether the Competent Authority has been notified by the applicant that an additional 50 days would be required (Western Cape Gov, 2015).
- Scoping and EIA process, from the date that the application is submitted to the date that the application is decided should take between 305 and 355 days, depending on whether the Competent Authority has been notified by the applicant that an additional 50 days would be required (Western Cape Gov, 2015).

In the event that the scope of work must be expanded based on the outcome of an assessment done in accordance with these Regulations, which outcome could not be anticipated prior to the undertaking of the assessment, or in the event that exceptional circumstances can be demonstrated, the competent authority may, prior to the lapsing of the relevant prescribed timeframe, in writing, extend the relevant prescribed timeframe and agree with the applicant on the length of such an extension.

The National Water Act for Water Use Licenses (WULA)

The process of submitting a water use licence requires submission of technical documents and reports, as well as specialist studies as determined by the Department of Water and Sanitation (DWS).

All water users need to register with the Department of Water Affairs (DWA). An applicant must register for water use if water is not received from a local authority, water board, irrigation board, government water scheme or other bulk supplier and are using water for: irrigation; mining purposes; industrial use; feedlots in terms of a general authorisation.

There is often the need to consider the influence of a watercourse (e.g., a river) when starting a new development (or activity), even when the watercourse appears to be an insignificant part to the site. Evaluating the watercourse prior to defining the site layout can assist in both increasing the suitable space (frequently by more than 100m) as well as reducing the cost and difficulty of obtaining authorisation.

South Africa has legislation in place which guides the potential influence that a proposed development (or activity) has on a watercourse starting with the Section 21 water uses as defined in the National Water Act (Act No 36 of 1998) for which a water use licence (WUL) is required where applicable.

Two frequently applicable water uses are:

- 21(c): impeding or diverting the flow of water in a watercourse; and
- 21(i): altering the bed, banks, course or characteristics of a watercourse.

Under normal circumstances, the submission of a WULA can take anything between three to six months but may take longer as determined by various factors.

Regulation	Steps in processing of water use licence applications	Maximum Days allocated	Cumulative days	Responsible
0	Pre-application enquiry	0	0	Applicant / Responsible
1	Application submitted	1	1	Applicant
2	Responsible authority acknowledges receipt of the application	10	11	Responsible authority
3	Applicant confirms arrangements for site inspection with an allocated case officer	5	16	Applicant
4	Site inspection to confirm water uses, determine information requirements and the need for public participation	20	36	Responsible authority / Applicant
5.	Confirm requirements for water use licence application technical report based on site visit and meeting	5	41	Responsible Authority
6	Compilation, consultation and submission of water use licence application technical report by applicant	105	146	Applicant
7	Reject / Accept water use licence application technical report	10	156	Responsible authority
8	Assessment	139	295	Responsible authority / Applicant
8	Decision and communication to applicant	5	300	Responsible authority

<u>Costs at the municipal level</u>

The following municipal costs contribute to the development of residential, retail, commercial, and industrial properties, including:

- Town planning (land use management application) fees
- Rezoning Applications
- Consent Use Applications
- The Removal of Restrictive Conditions Applications
- Building Line Relaxation Applications
- Subdivision Applications
- Consolidation Applications
- Township Establishment Applications
- building plan submission fees
- consumption charges
- Electricity
- Water
- Refuse Removal
- Sanitation
- Municipal rates
- Engineering service contributions

Annexure 5: Agreements between South Africa and the Rest of the World

	Type of Agreement	Countries Involved	Main Objective/Terms	Products Involved
Customs Union				
Southern African Customs Union (SACU)	Customs Union	Botswana, Eswatini, Lesotho, Namibia and South Africa	Duty free movement of goods; a common external tariff applied on goods entering any of the countries from outside the SACU	All products
Free Trade Agreements (FTAs)				
Southern African Development Community (SADC): Protocol on Trade in Goods	Free Trade Agreement: Protocol on Trade in Goods	Among 13 of the 16 SADC Member States. Angola is in the process to accede to the free trade agreement; the DRC and Comoros have not yet acceded.	An FTA, with 85% duty-free trade achieved in 2008. The 15% of trade, constituting the "sensitive list", was largely liberalised from 2009 to 2012.	Most products
Southern African Development Community (SADC): Protocol on Trade in Services	Services trade liberalization : Protocol on trade in services	Among 15 of the 16 SADC Member States. (Comoros being the exception.)	Liberalize trade in services. Seven of the 15 signatory countries have ratified; awaiting a further 3 countries to ratify the Protocol, for it to enter into force.	Six services sectors initially (communication, construction, energy, finance, transport, tourism); other sectors might follow in a second round of negotiations.
Trade, Development and Cooperation Agreement (TDCA)	Free Trade Agreement	South Africa and the European Union (EU)	The EU offered to liberalise 95% of its duties on South African originating products by 2010. In turn, by 2012, South Africa offered to liberalise 86% of its duties on EU originating products.	The TDCA was reviewed, with the aim of broadening the scope of product coverage. This took place under the auspices of the Economic Partnership Agreement (EPA) negotiations between SADC and the EU. Resulting from these negotiations, the TDCA trade chapter was

				replaced by the SADC-EU Economic Partnership Agreement.
EFTA-SACU Free Trade Agreement (FTA)	Free Trade Agreement	SACU and the European Free Trade Association (EFTA) – Iceland, Liechtenstein, Norway and Switzerland	Tariff reductions on selected goods	Industrial goods (including fish and other marine products) and processed agricultural products. Basic agricultural products are covered by bilateral agreements with individual EFTA States
Economic Partnership Agreement between the SADC EPA States, and the European Union and its Member States	Economic Partnership Agreement	South Africa, Botswana, Eswatini, Namibia, Lesotho and Mozambique (referred to as the SADC EPA Group), and the European Union (EU)	SA's core interest has been to harmonise trading regimes between SACU and the EU; to secure further market access in agriculture (beyond the SA-EU Trade Development and Cooperation Agreement (TDCA) provisions) and regain some policy space lost under the TDCA.	The agreement covers most products. It replaces the Trade Chapter of the TDCA.
Preferential Trade Agreements (PTAs)				
SACU-Southern Common Market (Mercosur) PTA	Preferential Trade Agreement	SACU and Argentina, Brazil, Paraguay and Uruguay. (Although Venezuela has since joined MERCOSUR, it is not party to the PTA with SACU.)	Tariff reductions on selected goods. It entered into force on 21 October 2016	About 1 000 product lines on each side of the border
Zimbabwe/South Africa bilateral trade agreement	Bilateral Preferential Trade Agreement	South Africa and Zimbabwe	Preferential rates of duty, rebates and quotas on certain goods traded between the two countries	Note: the agreement has been in existence since 1964 and was reviewed in 1996. It was terminated in November 2018, following the implementation of the wider-scope SADC free trade area which includes both South Africa and Zimbabwe.
Non-reciprocal				

Trade Arrangements				
Generalised System of Preferences (GSP)	Unilateral preferences granted under the enabling clause of the WTO; these preferences are not contractually binding upon the benefactors	Offered to South Africa as developing country by: the EU Norway Switzerland Russia Turkey The US Canada Japan	Products from developing countries qualify for preferential market access into these markets	Selected industrial and agricultural products
Africa Growth and Opportunity Act (AGOA)	Unilateral assistance measure; similar to the GSP programmes but wider in scope	Granted by the US to 39 sub-Saharan African countries	Preferential access to the US market through lower tariffs or no tariffs on selected products	Duty free access to the US market under the combined AGOA/GSP programme stands at approximately 7 000 product tariff lines
Current Trade Negotiations				
SACU-India PTA	Preferential Trade Agreement	SACU and India	Tariff reductions on selected goods	SACU and India are in the process of exchanging tariff requests
SADC-EAC-COMESA Tripartite FTA	Free Trade Agreement	26 countries with a combined GDP of US$860 billion and a combined population of approximately 590 million people	The Tripartite Framework derives its basis from the Lagos Plan of Action and the Abuja Treaty establishing the African Economic Community (AEC), which requires rationalisation of the continent's regional economic communities. The Tripartite initiative comprises three pillars that will be pursued concurrently, in order to ensure an equitable spread of the benefits of regional integration: market integration, infrastructure development and industrial development	The FTA will, as a first phase, cover only trade in goods; services and other trade-related areas will be covered in a second phase. The framework agreement and several annexes have been concluded; ratification in member countries are underway. South Africa has ratified. Ratifications have not yet reached the required number for it to enter into force. Negotiating the tariff liberalization schedules are underway. The negotiating modalities require that duties on 60 to 85% of tariff lines be liberalized upon entry into force; the remaining tariff lines will be subject to negotiation for liberalization, with implementation over a 5

				to 8 year period. Work in Phase II has commenced
The African Continental Free Trade Area (AfCFTA)	Free Trade Agreement	The AfCFTA integrates a market of 55 countries with a combined GDP of over US$ 3.3 trillion and a population of more than 1 billion people. The AfCFTA builds on the Tripartite Free Trade Area (TFTA) with the Common Market for East and Southern Africa (COMESA), East African Community (EAC) and the Southern Africa Development Community (SADC). The AfCFTA therefore presents new market access opportunities in West Africa and North Africa which will be beneficial for the export of South African value added products services.	The key objectives of the AfCFTA is to among others, create a single market for Goods, Services, and enhance economic integration in the African Continent in accordance with the Pan African Vision of "An integrated, prosperous and peaceful Africa" enshrined in Agenda 2063; promote structural transformation of the State Parties; boost intra-Africa trade by progressively eliminating tariffs and non-tariff barriers to trade in goods; progressively liberalize trade in services; cooperate on customs matters and the implementation of trade facilitation measures; and design a mechanism for the settlement of disputes concerning their rights and obligations. The AU Assembly launched the AfCFTA negotiations during the 25th Ordinary Summit of Head of States and Governments on 15 June 2015 in Johannesburg, South Africa; adopted the legal instruments establishing the AfCFTA on 21 March 2018 in Kigali, Rwanda and	– Agreement establishing the AfCFTA – Protocol on Trade in Goods and Annexes – Protocol on Trade in Services – Protocol on the Rules and Procedures for the Settlement of Disputes. Phase II of the negotiations will cover Competition, Intellectual Property and Investment. The AfCFTA is being pursued under the development integration approach which places emphasis on market integration, infrastructure and industrial development, to address Africa's productive capacity and supply side constraints.

			launched the operational phase of the Agreement during the Extra-Ordinary Summit held July 2019 in Niamey, Niger. South Africa signed the Agreement and deposited the instrument of ratification on 1 July 2018 and 10 February 2019, respectively. Effectively, the Agreement entered into force as at 30 May 2019.	

Multilateral agreements

The first multilateral agreement was signed/adopted 1883/03/20 Paris Convention for the Protection of Industrial Property (Amended on 28 September 1979).

Date signed / adopted	Party	Title of agreement	Date
19830215	UNIDROIT	Convention on Agency in the International Sale of Goods	19860127 (a) Entry into force: Not in force
19851011	IBRD	Convention Establishing the Multilateral Investment Guarantee Agency (MIGA)	19921216 (s) 19940302 (r) Entry into force: 19940310
19890627	WIPO	Protocol relating to the Madrid Agreement concerning the International Registration of Marks	Entry into force: Not in force
19910603	African Union (AU)	Treaty Establishing the African Economic Community (Abuja Treaty)	19971010 (s) 20010531 (r) Entry into force: 20010625
19940415	WTO	Marrakesh Agreement Establishing the World Trade Organization (including GATT 1994), Uruguay Round	19940415(s) 19941202 (r) Entry into force: 19950101
19940901	United Nations (UN)	Agreement to Establish the South Centre	19980825 (r) Entry into force: 19981024
19941027	WIPO	Trademark Law Treaty (TLT)	19941028 (s) Entry into force: Not in force
19941207	United Nations (UN)	Grains Trade Convention	19961114 (a)

			Entry into force: 19961114
19951006	WTO	Second Protocol to the General Agreement on Trade in Service (GATS)	19960628(A) Entry into force: 19960901
19951104	African, Caribbean and Pacific Group of States (ACP) European Union (EU)	Fourth ACP-EC Convention of Lome, as Revised by the Agreement signed in Mauritius on 4 November 1995. (Superseded by Cotonou Agreement)	19970424 (a) Entry into force: 19980601
19960824	SADC	Protocol on Trade in the Southern African Development Community (SADC) Region	19960824 (s) 19991224 (r) Entry into force: 20000125
19961220	WIPO	WIPO Copyright Treaty (WCT)	19971212 (s) Entry into force: Not in force
19961220	WIPO	WIPO Performances and Phonograms Treaty (WPPT)	19971212 (s) Entry into force: Not in force
19970415	WTO	Fourth Protocol to the General Agreement on Trade in Services (GATS)	19971128(A) Entry into force: 19980205
19980227	WTO	Fifth Protocol to the General Agreement on Trade in Services (GATS)	19990127(A) Entry into force: 19990301
19991130		Protocol of Accession of the Republic of South Africa to the Agreement Establishing the Advisory Centre on WTO Law (ACWL)	20170403 (a) Entry into force: 20170503
20000807	SADC	Amendment Protocol on Trade in the Southern African Development Community (SADC) 2000	Entry into force: 20000807
20001215	Mercosur	Framework Agreement for the Creation of a Free Trade Area	Entry into force: 20001215
20051206	WTO	Protocol Amending the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement	20160223 (A) Entry into force: 20170123
20060626	SACU	Free Trade Agreement between the European Free Trade Association (EFTA) States and the Southern African Customs Union (SACU) States	20070417 (r) Entry into force: 20080501
20060701	SACU	Agricultural Agreement between the Southern African Customs Union (SACU) States and Switzerland	20060701 (s) 20070514 (r) Entry into force: 20080501
20060701	SACU	Agricultural Agreement between the Southern African Customs Union States (SACU) and the Kingdom of Norway	20060701 (s) 20070514 (r) Entry into force: 20080501
20060701	SACU	Agricultural Agreement between the Southern African Customs Union States (SACU) and the Republic of Iceland	20060701 (s) 20070514 (r) Entry into force: 20080501

20070817	SADC	Agreement Amending Annex VI to the Protocol on Trade Concerning the Settlement of Disputes between the Member States of the Southern African Development Community	Entry into force: 20070817
20080817	SADC	Agreement Amending Article 20 of the Southern African Development Community Protocol on Trade	Entry into force: 20080817
20081015	IBSA	Memorandum of Understanding on Trade Facilitation for Standards, Technical Regulations and Conformity Assessment	Entry into force: Not in force
20090403	SACU MERCOSUR	Preferential Trade Agreement between the Common Market of the South (MERCOSUR) and the Southern African Customs Union (SACU)	20120111(r) Entry into force: 20160401
20090908	SADC	SADC Declaration on Regional Cooperation in Competition and Consumer Policies	Entry into force: 20090908
20100622	African, Caribbean and Pacific Group of States (ACP) European Union (EU)	Agreement Amending for the Second Time the Partnership Agreement between the Members of the African, Caribbean and Pacific Group of States, of the One Part, and the European Community and its Member States, of the Other Part, signed in Cotonou on 23 June 2000, as first Amended in Luxembourg on 25 June 2005	20100927 (s) 20130417 (r) Entry into force: 20170401
20110213	SADC	Amendment to Annex VII to the SADC Protocol on Trade Concerning Trade in Sugar	Entry into force: 20110213
20120624	WIPO	Beijing Treaty on Audio-visual Performances	Entry into force: Not in force
20120818	SADC	SADC Protocol on Trade in Services	20120818 (s) 20140224 (r) Entry into force: Not in force
20130412	SACU	Amendments to the Southern African Customs Union (SACU) Agreement of 2002 to Institutionalise the SACU Summit	20160727 (r) Entry into force: 20160916
20141127	WTO	Protocol Amending the Marrakesh Agreement establishing the World Trade Organisation (WTO) including its Annex on the Agreement on Trade Facilitation, and Establishment of the National Committee on Trade Facilitation	20171130 (A) Entry into force: 20171130
20150610	COMESA EAC SADC	Agreement Establishing a Tripartite Free Trade Area among the Common Market for Eastern and Southern Africa, the East African Community and the Southern	20170707 (s) 20181213 (r) Entry into force: Not in force

		African Development Community (TFTA)	
20160610	European Union (EU)	Economic Partnership Agreement between the European Union and its Member States of the One Part and the Southern African Development Community EPA States, of the Other Part	Entry into force: 20161016 (Provisional)
20160831	SADC	Agreement Amending Annex 1 (Cooperation on Investment) of the Protocol on Finance and Investment	Entry into force: Not in force
20160831	SADC	Agreement Amending Article 3 of the Southern African Development Community Protocol on Trade	20160831 (s) Entry into force: Not in force
20170130	Flanders ILO	Memorandum of Understanding between the Government of the Republic of South Africa, the Government of Flanders and the International Labour Organization on Development of a Social Economy Policy in South Africa	Entry into force: 20170130
20180321	African Union (AU)	Agreement Establishing the African Continental Free Trade Area (AfCFTA)	20180701 (s) 20190210 (r) Entry into force: 20190530

Bilateral agreements

The first Bilateral agreement was signed/adopted in 1654/04/11 Peace and Commerce.

Date signed / adopted	Party	Title of agreement	Date
19860731	Zimbabwe	Exchange of Notes to Amend the Trade Agreement of 30 11 1964, the Validity of which was Extended by an Exchange of Letters on 24 March 1982	Entry into force: 19860731
19900619	Malawi	Trade Agreement	Entry into force: 19900619
19900810	Hungary	Trade Agreement between the Government of the Republic of South Africa and the Government of the Republic of Hungary	Entry into force: 19900810
19901025	Romania	Trade Agreement between the Governments of the Republic of South Africa and the Republic of Romania	Entry into force: 19901025
19901116	Romania	Exchange of Notes to Propose the Establishment of Consular and Trade Relations between the Republic of South Africa and Romania	Entry into force: 19901116
19910912	Czech and Slovak Federal Republic	Trade Agreement	Entry into force: 19910912
19910918	Poland	Trade Agreement	Entry into force:

			19910918
19920306	Italy	Economic and Industrial Co-operation Agreement	Entry into force: 19920306
19920824	Mozambique	Agreement with regard to the Establishment of Trade Missions	Entry into force: 19920824
19921008	Israel	Agreement on Trade and Industrial Co-operation	Entry into force: Not in force
19921020	Namibia	Agreement Regarding Trade Tests for Apprentices and Other Prospective Artisans	Entry into force: 19921020
19930120	Canada	Memorandum of Understanding Relating to the Export from South Africa of Certain Textiles and Textile Products for Import into Canada	Entry into force: 19930120
19930708	Sudan	Exchange of Notes Regarding the Establishment of a Trade Representative Office of the Sudan in Pretoria	Entry into force: 19930708
19931022	Russian Federation	Agreement on Trade and Economic Co-operation	Entry into force: 19931022
19940711	Commonwealth Development Corporation	Agreement between the Government of the Republic of South Africa and the Commonwealth Development Corporation	Entry into force: 19940711
19940812	Malaysia	Memorandum of Understanding on Concluding Agreements that Enhance Trade and Investments between the two Countries	Entry into force: 19940812
19940822	India	Trade Agreement	Entry into force: 19940822
19940920	United Kingdom (UK)	Agreement for the Promotion and Protection of Investments. Plus Protocol of 25 11 1997	19980527 (r) Entry into force: 19980527 Terminated 31 August 2014 Investments in effect for further 20 years
19950125	India	Agreement on the Intergovernmental Joint Commission for Political Trade, Economic, Cultural Scientific and Technical Cooperation	Entry into force: 19950125
19950316	France	Protocol for the Creation of a Joint Commission on Trade and Industry	Entry into force: 19950316

19950509	Netherlands	Agreement on Encouragement and Reciprocal Protection of Investments between the Republic of South Africa and the Kingdom of the Netherlands	Entry into force: 19990501 Terminated 30 April 2014 Investments in effect for further 15 years
19950627	Swiss Confederation	Agreement on the Promotion and Reciprocal Protection of Investments	Entry into force: 19971129 Terminated 31 August 2014 Investments in effect for further 20 years
19950707	Republic of Korea	Agreement on the Promotion and Protection of Investments	Entry into force: 19970628
19950707	Republic of Korea	Memorandum of Understanding between the Ministry of Trade and Industry of the Republic of South Africa and the Ministry of	Entry into force: 19950707

		Trade, Industry and Energy of the Republic of Korea	
19950911	Germany	Treaty Concerning Reciprocal Encouragement and Protection of Investment. Plus Protocol	19980310 (r) Entry into force: 19980410 Terminated 31 August 2014 Investments in effect for further 20 years
19950928	USAID	Project Grant Agreement for the Technical Support Grant to the Department of Trade and Industry Project no 674-0303	Entry into force: 19950928
19951011	France	Agreement on the Reciprocal Promotion and Protection of Investments	Entry into force: 19970622 Terminated 31 August 2014 Investments in effect for further 20 years
19951127	Canada	Agreement for the Promotion and Protection of Investments	Entry into force: Not in force
19951208	Cuba	Agreement for the Promotion and Reciprocal Protection of Investments	Entry into force: 19970407
19960222	Denmark	Agreement Concerning the Promotion and Reciprocal Protection of Investments. Plus Protocol	Entry into force: 19970423 Terminated 31 August 2014 Investments in effect for further 10 years
19960801	Senegal	Letter of Intent Regarding the Promotion and Reciprocal Protection of Investments	Entry into force: 19960801
19960802	Zimbabwe	Zimbabwe/South Africa Textile and Clothing Arrangement	Entry into force: 19970101
19961001	Iran	Trade Agreement	Entry into force: Not in force
19961128	Austria	Agreement on the Promotion and Reciprocal Protection of Investments. Plus Protocol	19971003 (r) Entry into force: 19980101 Terminated 31 August 2014 Investments in effect for further 20 years
19970124	USA	Agreement Concerning Cooperation on Defence Trade Control	Entry into force: 19970124
19970301	Philippines	Trade Agreement	Entry into force: 20021025
19970307	Malaysia	Trade Agreement	Entry into force: Not in force
19970313	Australia	Exchange of Notes for the Export of Monazite to South Africa	Entry into force: 19970313
19970324	Namibia	Bilateral Agreement Concerning Debt	Entry into force: Not in force
19970415	Cuba	Trade Agreement	Entry into force: 19970415
19970506	Mozambique	Agreement for the Promotion and Reciprocal Protection of Investments. Plus Protocol	Entry into force: Not in force
19970609	Italy	Agreement on the Promotion and Protection of Investments	Entry into force: 19990316 Terminated on 15 March 2019

			Investments in effect for further 10 years
19971103	Iran	Agreement on Reciprocal Promotion and Protection of Investments. Plus Protocol	Entry into force: Not in force
19971120	Indonesia	Trade Agreement	Entry into force: Not in force
19971230	People's Republic of China	Agreement Concerning the Reciprocal Encouragement and Protection of Investments	Entry into force: 19980401
19980217	Mauritius	Agreement for the Promotion and Reciprocal Protection of Investments	Entry into force: 19981023
19980525	Sweden	Agreement on the Promotion and Reciprocal Protection of Investments	Entry into force: 19990101
19980619	Senegal	Agreement for the Promotion and Reciprocal Protection of Investments	Entry into force: Not in force
19980709	Ghana	Agreement for the Promotion and Protection of Investments	Entry into force: Not in force
19980723	Argentine Republic	Agreement on the Promotion and Reciprocal Protection of Investments	Entry into force: 20010101 Terminated on 31 March 2017 Investments in effect for further 15 years
19980814	Belgo-Luxembourg Economic Union	Agreement on the Reciprocal Promotion and Protection of Investments	Entry into force: 20030314 Terminated 13 March 2013 Investments in effect for further 10 years
19980908	Côte D'Ivoire	Letter of Intent Regarding the Promotion and Reciprocal Protection of Investments	Entry into force: 19980908
19980914	Finland	Agreement on the Promotion and Reciprocal Protection of Investments. Plus Protocol	Entry into force: 19991003
19980924	Canada	Trade and Investment Cooperation Arrangement	Entry into force: 19980924
19980925	Canada	Memorandum of Understanding between the Department of Trade and Industry of the Republic of South Africa and the International Development Research Centre of the Government of Canada	Entry into force: 19980925
19980930	Spain	Agreement on the Promotion and Reciprocal Protection of Investments	Entry into force: 19991223 Terminated 22 December 2013 Investments in effect for further 10 years
19981028	Egypt	Agreement for the Promotion and Reciprocal Protection of Investments	Entry into force: Not in force
19981028	Egypt	Trade Agreement	Entry into force: Not in force
19981112	Chile	Agreement for the Reciprocal Promotion and Protection of Investments	Entry into force: Not in force
19981119	Greece	Agreement for the Promotion and Reciprocal Protection of Investments. Plus Protocol	Entry into force: 20010906 To terminate on 5 Sept 2021 Investments in

			effect for further 10 years
19981123	Russian Federation	Agreement on the Promotion and Reciprocal Protection of Investments	Entry into force: 20000412
19981123	Ukraine	Trade Agreement	Entry into force: Not in force
19981214	Czech Republic	Agreement for the Promotion and Reciprocal Protection of Investments. Plus Protocol	Entry into force: Not in force
19990107	United Kingdom (UK)	Declaration of Intent on Industrial Cooperation	Entry into force: 19990107
19990202	People's Republic of China	Agreement on the Establishment of a Joint Economic and Trade Commission	Entry into force: Not in force
19990202	People's Republic of China	Agreement on Trade, Economic and Technical Cooperation	Entry into force: Not in force
19990428	Russian Federation	Agreement between the Government of the Republic of South Africa and the Government of the Russian Federation on the Joint Intergovernmental Committee on Trade and Economic Cooperation	Entry into force: 19990428
19990520	Saudi Arabia	Agreement on Economic, Trade, Investment and Technical Cooperation. Plus Protocol	Entry into force: 20020522
19990524	Germany	Exchange of Notes Constituting an Agreement Concerning the Project "Advisory Services for Investment South Africa (ISA)"	Entry into force: 19990524
19990524	Germany	Exchange of Notes Constituting an Agreement Concerning the Project "Trade and Industrial Policy Secretariat (TIPS) Consultancy"	Entry into force: 19990524
19991011	European Union (EU)	Agreement in the Form of an Exchange of Letters Concerning the Provisional Application of the Agreement on Trade, Development and Cooperation (TDCA) between the Republic of South Africa, of the One Part, and the European Community and its Member States, of the Other Part	Entry into force: 20000101 (Provisional) 20040501
19991011	European Union (EU)	Agreement on Trade, Development and Cooperation (TDCA) between the European Community and its Member States, of the One Part and the Republic of South Africa, of the Other Part - Protocol 1 Concerning the Definition of the Concept of 'Originating Products' and Methods of Administrative Cooperation - Protocol II on Mutual Administrative Assistance in Customs Matters - Final Act - Declarations	Entry into force: 20040501
20000425	Vietnam	Trade Agreement	Entry into force: Not in force
20000429	Nigeria	Agreement for the Reciprocal Promotion and Protection of Investments	Entry into force: 20050727
20000429	Nigeria	Trade Agreement	Entry into force: 20050727

20000508	Uganda	Agreement for the Reciprocal Promotion and Protection of Investments. Plus Protocol	Entry into force: Not in force
20000623	Turkey	Agreement Concerning the Reciprocal Promotion and Protection of Investments	Entry into force: Not in force
20000923	Bulgaria	Trade Agreement	Entry into force: 20021002
20000924	Algeria	Agreement on Economic Cooperation and Partnership	Entry into force: Not in force
20000924	Algeria	Agreement on the Reciprocal Promotion and Protection of Investments	Entry into force: Not in force
20000924	Algeria	Trade Agreement	Entry into force: Not in force
20001019	Rwanda	Agreement and Protocol for the Reciprocal Promotion and Protection of Investments	Entry into force: Not in force
20001023	Belarus	Trade and Economic Co-operation Agreement	Entry into force: 20030826
20010310	Japan	Exchange of Notes Concerning the Study of the Development of Small and Medium Enterprises in Kwazulu-Natal	Entry into force: 20010310
20010403	Tunisia	Trade Agreement	Entry into force: Not in force
20020128	European Union (EU)	Agreement between the Republic of South Africa and the European Community on Trade in Spirits. Plus Final Act	Entry into force: 20020128 (Provisional)
20020128	European Union (EU)	Agreement between the Republic of South Africa and the European Community on Trade in Wine	Entry into force: 20020128 (Provisional)
20020128	European Union (EU)	Agreement in the form of an Exchange of Letters between the Republic of South Africa and the European Community on Trade in Wine	Entry into force: 20020101
20020128	European Union (EU)	Agreement in the Form of an Exchange of Letters Providing for the Provisional Application between the European Community and the Republic of South Africa on Trade in Spirits as from 28 January 2002	Entry into force: 20020128 (Provisional)
20020128	European Union (EU)	Agreement in the Form of an Exchange of Letters Providing for the Provisional Application of the Agreement between the Republic of South Africa and the European Community on Trade in Wine as from 28 January 2002	Entry into force: 20020128
20020228	Tunisia	Bilateral Agreement for the Promotion and Reciprocal Protection of Investments	Entry into force: Not in force
20020614	Libya	Agreement for the Promotion and Reciprocal Protection of Investments	Entry into force: Not in force
20020614	Libya	Trade agreement	Entry into force: Not in force
20020904	Uganda	Trade Agreement	Entry into force: Not in force
20030128	Yemen	Agreement for the Reciprocal Promotion and Protection of Investments. Plus Protocol	Entry into force: Not in force

20030128	Yemen	Trade Agreement	Entry into force: Not in force
20031021	Qatar	Agreement on Economic, Commercial and Technical Cooperation	Entry into force: 20191204
20031021	Qatar	Agreement on the Promotion and Reciprocal Protection of Investments	Entry into force: Not in force
20040217	Equatorial Guinea	Agreement for the Reciprocal Promotion and Protection of Investments	Entry into force: Not in force
20040820	Croatia	Bilateral Trade Agreement	Entry into force: 20060705
20040831	Democratic Republic of Congo (DRC)	Agreement for the Reciprocal Protection and Promotion of Investments	Entry into force: Not in force
20040831	Democratic Republic of Congo (DRC)	Memorandum of Understanding on Economic Cooperation	Entry into force: Not in force
20040915	Romania	Memorandum of Understanding on the Statute of the Joint Commission for Economic and Technical Cooperation	Entry into force: Not in force
20041020	Israel	Agreement for the Reciprocal Promotion and Protection of Investments	Entry into force: Not in force
20041124	Vietnam	Joint Announcement on the Establishment of the Joint Trade Committee	Entry into force: 20041124
20050217	Angola	Agreement for the Reciprocal Promotion and Protection of Investments	Entry into force: Not in force
20050228	European Union (EU)	Additional Protocol to the Agreement on Trade, Development and Cooperation (TDCA) between the European Community and its Member States, of the One Part, and the Republic of South Africa, of the Other Part, to Take Account of the Accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia, and the Slovak Republic to the European Union	Entry into force: 20040501 (Provisional)
20050303	Turkey	Trade and Economic Cooperation Agreement between the Government of the Republic of Turkey and the Government of the Republic of South Africa	Entry into force: Not in force
20050322	Gabon	Trade Agreement	Entry into force: Not in force
20050415	Mozambique	Memorandum of Understanding on Economic Cooperation	Entry into force: Not in force
20050600	Russian Federation	Memorandum of Understanding on Cooperation between Russia and South Africa	Entry into force: 20050600
20050802	Gabon	Agreement for the Reciprocal Promotion and Protection of Investments	Entry into force: Not in force
20050922	Tanzania	Agreement for the Promotion and Reciprocal Protection of Investments	Entry into force: Not in force
20050922	Tanzania	Agreement on the Establishment of a Presidential Economic Commission	Entry into force: Not in force

20050924	United Arab Emirates (UAE)	Bilateral Agreement on Economic, Trade and Technical Co-operation	Entry into force: 20190913
20050926	Kuwait	Agreement between the Government of the Republic of South Africa and the Government of the State of Kuwait for the Reciprocal Promotion and Protection of Investments	Entry into force: Not in force
20050926	Kuwait	Agreement on Economic and Technical Co-operation	Entry into force: 20100823
20050926	Kuwait	Trade Agreement	Entry into force: 20101221
20051201	Republic of Congo	Agreement for the Reciprocal Promotion and Protection of Investments	Entry into force: Not in force
20051201	Republic of Congo	Trade Agreement	Entry into force: Not in force
20051205	Finland	Agreement on the Institutional and Implementation Support in SMME Development in South Africa	Entry into force: 20051205
20051212	Uganda	Agreement Regarding the Establishment of a Joint Permanent Economic Commission	Entry into force: 20051212
20060419	UNIDO	Agreement on Establishing a Sub Regional Office in South Africa	Entry into force: 20060419
20060703	Guinea	Trade Agreement	Entry into force: Not in force
20060828	Belarus	Agreement on the Establishment of a Committee on Trade and Economic Cooperation	Entry into force: Not in force
20060828	People's Republic of China	Memorandum of Understanding on Promoting Bilateral Trade and Economic Cooperation	Entry into force: 20060828
20060830	Rwanda	Memorandum of Understanding Regarding Economic Cooperation	Entry into force: Not in force
20060922	Cameroon	Memorandum of Understanding Regarding Economic Co-operation	Entry into force: Not in force
20060922	Cameroon	Trade Agreement	Entry into force: 20111125
20061120	Oman	Trade Cooperation Agreement	Entry into force: 20061120
20061121	Namibia	Memorandum of Understanding on Economic Co-operation	Entry into force: 20061121
20061212	Czech Republic	Agreement on Economic Cooperation	Entry into force: Not in force
20061212	European Union (EU)	Decision no 1/2006 of the EU-South African Cooperation Council on the Amendment of Annex II and Annex III to the Agreement on Trade, Development and Cooperation (TDCA) between the European Community and its Member States, of the One Part, and the Republic of South Africa, of the Other Part, to Phase out and Eliminate the Duties on Some Automotive Products	Entry into force: 20061215
20061213	Madagascar	Agreement on the Promotion and Reciprocal Protection of Investment	Entry into force: Not in force
20061213	Madagascar	Memorandum of Understanding on Economic Co-operation	Entry into force: 20061213

20070206	People's Republic of China	Agreement on Economic and Technical Cooperation	Entry into force: 20070206
20070206	People's Republic of China	Joint Declaration of Intent on Economic and Technical Cooperation	Entry into force: 20070206
20070206	People's Republic of China	Protocol on Economic and Technical Cooperation	Entry into force: 20070206
20070925	Guinea	Agreement for the Reciprocal Promotion and Protection of Investments. Plus Protocol	Entry into force: Not in force
20071010	European Union (EU)	Additional Protocol to the Agreement on Trade, Development and Cooperation (TDCA) between the Republic of South Africa, of the One Part, and the European Community and its Member States, of the Other Part, to take account of the Accession of the Republic of Bulgaria and Romania to the European Union	20070101 (provisionally applied) Entry into force: 20090501
20071107	Sudan	Agreement for the Reciprocal Promotion and Protection of Investments	Entry into force: Not in force
20071107	Sudan	Memorandum of Understanding Regarding Economic Co-operation	Entry into force: 20071107
20071107	Sudan	Trade Agreement	Entry into force: 20071107
20080311	Yemen	Memorandum of Understanding between the Department of Trade and Industry of South Africa and Technical Board of Yemen Export Supreme Council	Entry into force: 20080311
20080318	Ethiopia	Agreement for the Promotion and Reciprocal Protection of Investments	Entry into force: Not in force
20080318	Ethiopia	Memorandum of Understanding Regarding Industrial and Technical Cooperation	Entry into force: 20080318
20080919	Kenya	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Kenya Regarding Economic Co-operation	Entry into force: Not in force
20080919	Kenya	Trade Co-operation Agreement between the Government of the Republic of South Africa and the Government of the Republic of Kenya	Entry into force: Not in force
20090205	Mauritius	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Mauritius on Economic Cooperation	Entry into force: 20090205
20090802	Egypt	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Arab Republic of Egypt on Economic Cooperation	Entry into force: 20090802
20090820	Angola	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Angola on Trade Cooperation	Entry into force: 20090820
20090820	Angola	Memorandum of Understanding on Industrial Cooperation	Entry into force: 20090820
20090911	European Union (EU)	Agreement between Republic of South Africa, of the One Part, and the European	20101203 (a) Entry into force:

		Community and its Member States, of the Other Part, Amending the Agreement on Trade, Development and Cooperation (TDCA)	Not in force
20090916	European Union (EU)	Amendment of Annex IV and Annex VI to the Agreement on Trade, Development and Cooperation (TDCA) between the European Community and its Member States, on the One Part, and the Republic of South Africa, on the Other Part, Regarding Certain Agricultural Products (Cheese Agreement)	Entry into force: 20091101
20090923	USAID	Amendment Number Two to the Strategic Objective Grant Agreement No.674-0335 for Support for Economic Growth	Entry into force: 20090923
20091009	Brazil	Memorandum of Understanding between the Department of Trade and Industry of the Republic of South Africa and the Ministry of Development, Industry and Foreign Trade of the Federative Republic of Brazil for the Promotion of Trade and Investment	Entry into force: 20091009
20091126	Hungary	Agreement on Economic Cooperation	Entry into force: 20120523
20091127	Zimbabwe	Agreement for the Promotion and Reciprocal Protection of Investments. Plus Protocol	Entry into force: 20100915
20091208	Zambia	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Zambia on Trade and Industrial Development Cooperation	Entry into force: 20091208
20100408	Republic of Congo	Memorandum of Understanding between the Government of the Republic of Congo Regarding Economic Co-operation	Entry into force: 20100408
20100812	Lesotho	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Kingdom of Lesotho on Economic Co-operation	Entry into force: 20100812
20101021	Syrian Arab Republic	Agreement between the Government of the Republic of South Africa and the Government of the Syrian Arab Republic on Economic and Trade Co-operation	Entry into force: Not in force
20110225	OPCW	Agreement between the Government of the Republic of South Africa represented by the Department of Trade and Industry and the Organisation for the Prohibition of Chemical Weapons on the Privileges and Immunities of the OPCW	Entry into force: 20131105
20110811	Burundi	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Burundi Regarding Economic Cooperation	Entry into force: Not in force
20110823	Ghana	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic	Entry into force: 20110823

		of Ghana Regarding Economic and Technical Co-operation	
20111124	Benin	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Benin Regarding Economic and Technical Cooperation	Entry into force: Not in force
20111213	Mozambique	Memorandum of Understanding between the Government of the Republic of Mozambique Regarding Co-operation in the Forestry Based Industries	Entry into force: 20111213
20120203	Cuba	Agreement between the Government of the Republic of South Africa and the Government of the Republic of Cuba on Economic Assistance	Entry into force: 20121121
20120523	Nigeria	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Federal Republic of Nigeria on Economic and Technical Co-operation	Entry into force: 20120523
20120618	USA	Agreement Concerning the Development of Trade and Investment between the Government of the Republic of South Africa and the Government of the United States of America	Entry into force: 20120618
20120716	Chile	Memorandum of Understanding on the Establishment of a Joint Trade and Investment Commission between the Government of the Republic of South Africa and the Government of the Republic of Chile	Entry into force: 20121024
20121106	Greece	Agreement between the Government of the Republic of South Africa and the Government of the Hellenic Republic on Economic Cooperation	Entry into force: 20150104
20121115	Iraq	Bilateral Agreement between the Government of the Republic of South Africa and the Government of Iraq on Economic and Technical Cooperation	Entry into force: 20150130
20131017	Poland	Agreement between the Government of the Republic of South Africa and the Government of the Republic of Poland on Economic Cooperation	Entry into force: 20160121
20140926	Cuba	Exchange of Notes to Amend the Agreement between the Government of the Republic of South Africa and the Government of the Republic of Cuba on Economic Assistance	Entry into force: 20150326
20141120	Botswana	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Botswana on Trade and Industrial Co-operation	Entry into force: 20141120
20150327	European Union (EU)	Additional Protocol to the Agreement on Trade, Development and Cooperation (TDCA) between the Republic of South	20150327 (s) 20160224 (r) Entry into force:

		Africa, of the One Part, and the European Community and its Member States, on the Other Part, to Take Account of the Accession of the Republic of Croatia to the European Union	20130701(Provisional) 20160301
20150408	Zimbabwe	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of Zimbabwe on Economic and Trade Co-operation	Entry into force: 20150408
20150508	Mauritania	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Islamic Republic of Mauritania on Economic Co-operation	Entry into force: 20150508
20150614	Senegal	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Senegal on Economic and Technical Co-operation	Entry into force: 20150614
20151130	Cuba	Exchange of Notes to Amend the Agreement between the Government of the Republic of South Africa and the Government of the Republic of Cuba on Economic Assistance	Entry into force: 20151130
20151203	Liberia	Memorandum of Understanding between the Government of the Republic of Liberia and the Government of the Republic of South Africa on Economic and Technical Co-operation	Entry into force: 20151203
20160424	Iran	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Islamic Republic of Iran on Cooperation in the Field of Trade and Industry	Entry into force: 20160424
20160424	Iran	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Islamic Republic of Iran on the Establishment of an Investment Joint Committee	Entry into force: 20160424
20161122	People's Republic of China	Framework Agreement between the Department of Trade and Industry of the Republic of South Africa and the National Development and Reform Commission of the People's Republic of China for the Development of Cooperation on Production Capacity	Entry into force: 20161122
20161122	People's Republic of China	Memorandum of Understanding between the Department of Trade and Industry and the Ministry of Commerce of the People's Republic of China Regarding Co-operation on Special Economic Zones and Industrial Parks	Entry into force: 20161122
20170104	Cuba	Exchange of Notes between the Government of the Republic of South Africa and the Government of the Republic of Cuba Concerning Further Amendments to	Entry into force: 20170330

		the Agreement between the Government of the Republic of South Africa and the Government of the Republic of Cuba on Economic Assistance	
20170529	Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ)	Project Agreement between the Government of the Republic of South Africa and Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ) GMBH Concerning the Project Transport Refrigeration Project (TRP) in South Africa	Entry into force: 20170529
20180724	People's Republic of China	Joint Statement on Further Improving Bilateral Cooperation in Trade and Investment between the Department of Trade and Industry of the Republic of South Africa and the Ministry of Commerce of the People's Republic of China	Entry into force: 20180724
20190219	Mozambique	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Mozambique on Economic Co-operation	Entry into force: Not in force
20201020 20210326	Cuba	Exchange of Notes between the Government of the Republic of South Africa and the Government of the Republic of Cuba Concerning Further Amendments to the Agreement between the Government of the Republic of South Africa and the Government of the Republic of Cuba on Economic Assistance	Entry into force: Not in force

ANNEXURE 6: INCENTIVES

A guide to some of the DTIC Incentive Schemes 2020/21

Important Note: All incentive schemes on offer by the Department of Trade, Industry and Competition (the dtic) have their own specific guidelines and qualifying criteria. Please consult these before making any enquiries or decisions. Guidelines, application forms and further information about the dtic's many incentive offerings are available via the dtic website (www.thedtic.gov.za) under financial assistance and can also be obtained from the various administrative offices at the dtic Campus.

These incentive programmes are grouped into the following clusters:

- **Industrial Innovation** promotes innovation and technology development. Its incentive programmes are the Support Programme for Industrial Innovation (SPII) and the Technology and Human Resources for Industry Programme (THRIP).
- **Manufacturing Investment** encourages additional investment in the manufacturing sector through the Automotive Investment Scheme (AIS), which includes the People-Carrier Automotive Investment Scheme (P-AIS) and the Medium and Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS); Black Industrialist Scheme (BIS); Agro-Processing Support Scheme(APSS); Aquaculture Development Enhancement Programme (ADEP), Manufacturing Competitiveness Enhancement Programme (MCEP) loan facility; Clothing and Textile Competitiveness Improvement Programme (CTCIP); and Strategic Partnership Programme (SPP).
- **Export Promotion** supports industrial competitiveness and consists of the Export Marketing and Investment Allowance (EMIA) programme, the Sector-Specific Assistance Scheme (SSAS) and the Capital Projects Feasibility Programme (CPFP).
- **Services Investment** stimulates increased investment and growth in the services sector through the Global Business Services (GBS) and Film and Television Production incentive programmes.
- **Infrastructure Support** leverages investments by providing infrastructure critical to industrial development and enterprise competitiveness within an industrial cluster, as well as tax benefits for locating to geographically designated areas of the country set aside for specifically targeted economic activities, and supported through special arrangements and systems often different to those that apply to the rest of the country. The incentive programmes in this cluster are the Critical Infrastructure Programme (CIP) and Special Economic Zone (SEZ) Programme.

All incentive schemes on offer by the dtic have their own specific guidelines and qualifying criteria. This booklet serves only as a guide to what is on offer and who is eligible to apply. Please consult the relevant guidelines for more detailed information, available via the dtic website (www.thedtic.gov.za) under "Financial Assistance" or from the various administrative offices at the dtic Campus. Application forms can also be obtained via the website.

Incentive	**Description**	**Benefits**	**Criteria**
Technology And Human Resources For Industry Programme(THRIP)	The THRIP is intended to leverage collaborative partnerships between government and industry (working with academia) for research and development in science, engineering and technology on a cost-sharing basis, to produce highly skilled human resources and technology solutions for improved industry competitiveness.	The THRIP is a cost-sharing grant of up to R8 million for a maximum period of three years for approved projects engaged in applied research and development in science, engineering and technology. Additional special inclusions in a grant may be funding for Technology Innovation Promotion through the Transfer of People (TIPTOP) and for the cost of legal advice on the development of intellectual property rights (IPR) agreements	1. The applicant must be a registered legal entity in South Africa. 2. The project must have a partnership, with at least one partner being a South African research institution, which includes HEIs, SETIs and national research facilities. 3. The duration of the partnership must be equal to or more than the period of the THRIP project. 4. The project must include at least four registered South African students at fourth-year level in the SET fields, who will be involved and trained throughout the research conducted. 5. The project must be focused on applied research in the fields of science, technology or engineering, the outputs of which could make a significant contribution to improving the industry partner's competitiveness. 6. The project intention should be to innovate. 7. The project must have clearly defined scientific and technology outputs
Support Programme For Industrial Innovation (SPII)	The SPII is designed to promote technology development in South Africa's industry, through the provision of financial assistance for the development of innovative products and/or processes. The SPII focuses specifically on the development phase, which begins at the conclusion of basic research and ends at production of a pre-production prototype.	SPII Product Process Development (PPD) Scheme 1. Provides financial assistance to small and micro enterprises in the form of a non-repayable grant. 2. A percentage of 'qualifying' costs are incurred in the pre-competitive development activities associated with a specific project. 3. The scheme limit is a maximum grant of R2 million. 4. The scheme incurs 50% of the qualifying costs where the applicant has 25% or less black economic empowerment (BEE) ownership; 75% of qualifying costs where the applicant has between 25% and 50% BEE	1. Development should represent a significant advance in technology. 2. Development and subsequent production must take place within South Africa. 3. Intellectual property to reside in a South-African-registered company. 4. Participating businesses must be South-African-registered enterprises. 5. Government-funded institutions (e.g. the CSIR) do not directly qualify for support but may participate as subcontractor(s). 6. No simultaneous applications are allowed from the same company

		ownership or more than 50% shareholding by women or people with disabilities; and 85% of qualifying costs where the applicant has more than 50% BEE ownership. SPII Matching Scheme 1. Provides financial assistance to all enterprises in the form of a non-repayable grant. 2. The scheme has a maximum grant limit of R5 million. 3. If the applicant has less than 25% BEE ownership, 50% of qualifying costs are incurred by the scheme; between 25 and 50% BEE ownership, 65% of qualifying costs are incurred; and above 50% BEE ownership or more than50% shareholding by women or people with disabilities, 75% of qualifying costs are incurred. 4. Financial assistance under the Matching Scheme is provided to large companies on a 50% matching basis.	
Automotive Investment Scheme (AIS)	The AIS is 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.	1. The AIS provides for a non-taxable cash grant of 20% of the value of qualifying investment in productive assets for original equipment manufacturers (OEMs) and 25% of the value of qualifying investment in productive assets for component manufacturers and tooling companies, as approved by the dtic. 2. An additional non-taxable cash grant of 5% may be made available for projects that maintain their base-year employment figure throughout the incentive period, and achieve at least two of the following economic requirements: • Tooling • Research and development in South Africa • Employment creation • Strengthening of the automotive value chain	1. The applicant must submit a valid B-BBEE certificate of compliance (i.e. B-BBEE levels 1 to 8). 2. The applicant must retain base-year employment levels during the entire incentive period, from application stage to the claim period. 3. Light motor vehicle manufacturers should have achieved or be able to demonstrate that they will achieve within three years a minimum of 50 000 annual units of production per plant. 4. A component manufacturer that can prove a contract is in place or has been awarded, or a letter of intent has been received for the manufacture of components to supply to the light motor vehicle manufacturer

		• Value addition • Empowerment	supply chain locally and/or internationally. 5. A component manufacturer that can prove that after this investment it will achieve at least 25% of total entity turnover or R10 million annually by the end of the first full year of commercial production, as part of a light motor vehicle manufacturer supply chain locally and/or internationally.
People-Carrier Automotive Investment Scheme (P-AIS)	The P-AIS is a sub-component of the AIS and provides a non-taxable cash grant of between 20% and 35% of the value of qualifying investment in productive assets approved by the dtic.	1. Complete-Knocked-Down (CKD) vehicle assembler • CKD investments that started production from 1 January 2012 to 31 March 2015 may qualify for a grant of 25% of the qualifying investment costs. • CKD investments with a start production from 1 April 2015 onwards may qualify for a grant of 20%. • For an additional 5%, the project must demonstrate that the investment will result in the maintenance of base-year employment levels throughout the incentive and model phase-out periods. • For a second additional 5% bonus grant (cumulative 10%), the project must meet the set economic benefit criteria. 2. Component manufacturers • Component manufacturers may qualify for a grant of 25% of the qualifying investment costs. • For an additional 5%, the project must demonstrate that the investment will result in the maintenance of base-year employment levels throughout the incentive period and achieve at least two of the set economic benefit criteria. • For a second additional 5% (cumulative 10%) P-AIS grant, the project must meet	1. Complete Knocked Down (CKD) vehicle assemblers • People carriers for the transport of between 10 and 35 people, including the driver, with a vehicle mass exceeding 2 000kg. • Floor panels, body sides or roof panels are not permanently attached to each other; the engine and transmission assemblies, axles, radiators, suspension components, steering mechanisms, braking or electrical equipment or instrumentation are not fitted to such floor pans or chassis frames; the bodies/cabs are not fitted to floor pans or chassis frames. 2. Component manufacturers • A component manufacturer that can prove that a contract is in place or has been awarded or a letter of intent has been received for the manufacture of components to supply the medium and heavy commercial vehicle manufacturer supply chain locally and/or internationally • A component manufacturer that can prove that after this investment it will achieve at least 25% of total entity turnover or R10 million

		the set economic benefit criteria.	annually by the end of the first full year of commercial production, as part of the automotive (medium and heavy commercial vehicle) manufacturer supply chain locally and/or internationally.
Medium And Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS)	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 manufacturers and tooling companies for MHCVs, as approved by the dtic.		1. Truck manufacturers 2. Bus chassis manufacturers 3. Component manufacturers, deemed component manufacturers, tooling companies, and bus and truck body manufacturers
The Black Industrialists Scheme (BIS)	The purpose of the Black Industrialists (BI) policy is to leverage the state'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.	The BIS offers approved entities a cost-sharing grant ranging from 30% to 50%, to a maximum of R50 million. The size of the grant will depend on the level of black ownership and control, the economic benefit of the project and the project value. The BIS offers support on a cost-sharing basis towards: • capital investment costs • feasibility studies towards a bankable business plan (to a maximum of 3% of projected investment costs) • post-investment support (maximum of R500 000) • business development services (maximum of R2 million)	The programme focuses on the following productive sectors: 1. Blue/ocean economy, including vessel building and repair 2. Oil and gas 3. Clean technology and energy 4. Mineral beneficiation 5. Aerospace, rail and automotive components 6. Industrial infrastructure 7. Information communication technologies 8. Agro-processing 9. Clothing, textiles/leather and footwear 10. Pulp, paper and furniture 11. Chemicals, pharmaceuticals and plastics 12. Nuclear 13. Manufacturing-related logistics 14. Designated sectors for localisation
Agro-Processing Support Scheme (APSS)	The APSS aims to stimulate investment by the South African agro-processing/beneficiation (agri-business) enterprises. The	The scheme offers a 20% to 30% cost-sharing grant to a maximum of R20 million over a two-year investment period, with a last claim to be submitted within six months	• An applicant must submit a completed application form and business plan with detailed agro-processing/beneficiation activities, budget plans and

	investment should demonstrate that it will achieve some of the following: • increased capacity • employment creation • modernised machinery and equipment • competitiveness and productivity improvement • broadening participation The APSS will target five key sub-sectors: • Food and beverage value addition and processing • Furniture manufacturing • Fibre processing • Feed production • Fertilizer production	of the final approved milestone. • the dtic may consider an additional 10% grant for projects that meet all economic benefit criteria such as employment, transformation, geographic spread and local procurement. • The maximum approved grant may be utilised on a combination of investment costs provided the applicant illustrates a sound business case for the proposed investment activities.	projected income statement and balance sheet for a period of at least three years for the project. The project/business must exhibit economic merit in terms of sustainability. • The application must be submitted within the designated application window period, prior to the start of processing/beneficiation or undertaking of activities applied for. Any assets bought and taken into commercial use, or competitiveness improvement costs incurred before applying for the incentive will be considered as non-qualifying. • Existing entities must submit latest financial statements, reviewed by an independent external auditor or accredited person and not older than 18 months. • The approved entity may not reduce its employment levels from the average employment levels for a 12-month period prior to the date of application, and these employment levels should be maintained for the duration of the incentive period/agreement. Minimum qualifying investment size, including competitiveness improvement cost, will be at least R1 million.
Aquaculture Development Enhancement Programme (ADEP)	The ADEP is an incentive programme available to South-African-registered entities engaged in primary, secondary and ancillary aquaculture activities in both marine and freshwater classified under SIC 132 (fish hatcheries and fish farms) and SIC 301 and 3012 (production, processing	Primary aquaculture operations • Hatchery facilities and operations (e.g. broodstock, seed, spat, fry, fingerling, etc.); • Nursery facilities and operations; • Grow-out facilities and operations [e.g. rafts, net closures, net pens, cages, tanks raceways and ponds;	ADEP's contribution is up to 50% (capped at R20 million) of qualifying costs for new, upgrading or expanding projects in the following: • Machinery, equipment and tools • Bulk infrastructure (only in water and electrical infrastructure)

	and preserving of aquaculture fish). The grant is provided directly to approved applications for new projects or the upgrading of existing projects. The programme offers a reimbursable cost-sharing grant of up to a maximum of R20 million qualifying costs in machinery, equipment, bulk infrastructure, owned land and/or buildings, leasehold improvements, and competitiveness improvement activities as outlined in section 8 of the ADEP guidelines.	Recirculating Aquaculture System (RAS), ranching, etc.] Secondary aquaculture operations • Primary processing: post-harvest handling, gutting, packing, quick freezing • Secondary processing: filleting, portioning, packaging, setting up trader, and distribution networks • Tertiary processing or value adding: curing, brining, smoking, further value adding such as terrines, roulades, pates, paters • Waste stream Ancillary aquaculture operations • Aquaculture feed manufacturing operations Small black enterprises ADEP's definition of small black enterprises: • 100% black-owned • Exercises operational and management control over the business • Makes a long-term commitment to the business and is a medium- to long-term investor • Investment of less than R5m	• Owned land (only applicable to small black enterprises) • Buildings (ponds, cages, tanks, etc.) • Leasehold improvements, capitalised in the balance sheet, where lease agreement is at least 10 years • Rental costs, (only for small black enterprises), capped at R20 000 per month and claimable at stage two only • Aquaculture feed, up to a maximum of 10% of total costs, (capped at 20% for small black enterprises) • Commercial vehicles or work boats (owned or capitalised financial lease), not to exceed 50% of total qualifying costs • Competitiveness improvement activities (e.g. skills development) up to R500 000 • Environmental impact assessments (EIA) and permit authorisation costs (only for small black enterprises) • Mentorship (only or small enterprises), up to R200 per hour, eight hours per day capped at R200 000 per approved project or application
Manufacturing Competitiveness Enhancement Programme (MCEP) Loan Facility	The MCEP is designed to make existing South African manufacturing companies more competitive. The programme provides working capital loans to qualifying companies. Plant and equipment loans are also provided to manufacturing companies that are owned by black industrialists. Both the working capital loan and plant and equipment loan are priced at a preferential rate fixed of 4% per annum.		Qualifying criteria for a working capital loan • The facility is available for working capital • It is not applicable to start-ups • Capped at R50 million per annum • Only applicable to manufacturers under Standard Industry Classification Code 3 • The maximum repayment term is 48 months (including moratorium) • The first drawdown must be within six months of the date of approval

			• The applicant may not cut jobs during the term of the facility • The applicant should be at B-BBEE level 4 – if not, this status should be achieved within 24 months of approval of the loan • Fees are not applicable Qualifying criteria for plant and equipment loan • Only available for black industrialists • Start-up businesses may apply • The maximum term for plant and equipment loans is 84 months (including moratorium) • Maximum loan amount of R50 million per qualifying applicant • Pre- and post-business-development sector support will be capped at R3 million per application • Applicants must meet the dtic's definition of black industrialist
Clothing And Textile Competitiveness Improvement Programme (CTCIP)	The CTCIP aims to build capacity among clothing and textile manufacturers and in other areas of the apparel value chain in South Africa to enable them to effectively supply their customers and compete on a global scale. Such competitiveness encompasses issues of cost, quality, flexibility, reliability, adaptability and the capacity to innovate	The main objective of the CTCIP is to create a group of globally competitive clothing and textile companies, thus ensuring a sustainable environment that will retain and grow employment	
Strategic Partnership Programme (SPP)	The SPP provides cost-sharing grants to develop and support programmes/interventions aimed at enhancing the manufacturing and service capacity of SMME suppliers with linkages to strategic partner supply chains, industries or sectors.	The objective of the SPP is to encourage large private-sector enterprises in partnership with government to support, nurture and develop small and medium enterprises within the partner's supply chain or sector to be manufacturers of goods and suppliers of services in a sustainable manner.	• A South African registered legal entity in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008 (as amended); the Close Corporation Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended). • An entity with a minimum turnover of R100 million per annum for at least two consecutive years at

			application stage, confirmed by the latest available audited financial statements. • An association with five or more registered legal entities. • An association that can organise itself for this purpose and must in this regard provide a letter(s) of commitment from manufacturer(s) that control(s) and/or has a direct influence in the market/manufacturing value chain to be developed
Export Marketing And Investment Assistance (EMIA)	In order to grow export markets, the EMIA individual exporter incentives provide cost-reimbursable grants to individual exporters in order to grow export markets for South African products and services.	• Provide export event marketing assistance to develop new and grow existing export markets. • Assist with the identification of new export markets through international exhibitions and market research. • Assist companies to increase their competitiveness by supporting patent registrations, quality marks and product marks. • Assist with facilitation to grow foreign direct investment (FDI) through missions and FDI research. • Increase the contribution of black-owned businesses and small, medium and micro enterprises (SMMEs) to South Africa's economy	• South African individual exporters • South African export trading houses representing at least three SMMEs or businesses owned by historically disadvantaged individuals (HDIs) • South African commission agents representing at least three SMMEs/HDI-owned businesses • South African exports councils, industry associations and joint action groups (JAGs) representing at least five South African entities
Sector-Specific Assistance Scheme (SSAS)	The SSAS is an upfront and redisbursable cost-sharing incentive, which grants financial support to registered sector coordinators that are recognised by the dtic, supporting the development of industry sectors and contributing to the growth of South African exports. The incentive is also available for international exhibition support.	Funding in sectors and sub-sectors of industry prioritised by the dtic • Sector-specific export development and promotional costs • Sector-focused export product and service development costs • Sector-specific projects that enhance export capabilities	• Export councils established through application to the dtic (an export council is a Section 21 non-profit company that represents the developmental and promotional objectives of a particular industry on a national level) • Industry associations, which are representative of sectors or sub-sectors of industry prioritised for development and promotion by the dtic, as

			determined by the relevant customised sector desk and export promotion unit • JAGs that are groups of three or more entities that seek to cooperate on a project in a particular sector or sub-sector in industry prioritised for development and promotion by the dtic • Provincial investment and economic development agencies • Business chambers • Small Enterprise Development Agency (seda) • Local municipalities • Metropolitan councils
Capital Projects Feasibility Programme (CPFP)	The CPFP is a reimbursable cost-sharing grant that contributes to the cost of feasibility studies likely to lead to projects that will increase local exports and stimulate the market for South African capital goods and services.	The grant is capped at R8 million for qualifying capital project BFS internationally, and domestically for manufacturing projects not exceeding 50% of the qualifying cost of the BFS project. For projects in the rest of Africa, it is capped at 55% of the qualifying cost	South-African-registered legal entities are eligible for the CPFP. A foreign entity will only be considered if it partners with a South-African-registered entity and the application is submitted by the South African entity. BFS projects that fulfil the following non-financial criteria are eligible: • New projects and expansions or rehabilitation of existing projects domestically or internationally • Achieve minimum South African local content of 50% for capital goods and 70% for professional services • Satisfy all the mandatory qualifying criteria such as B-BBEE and TCC compliance • Demonstrate the ability and credentials to complete the BFS successfully • Clarity of the BFS project scope and work schedule • Entities with applications for the BFS in South Africa must be engaged in the manufacturing sector (SIC3)

Global Business Services (GBS)	South Africa provides a robust enabling environment for potential investors, as well as a deeper domain skills advantage, a young and empathetic workforce, significant cost savings and world-class infrastructure for those who set up their operations in the country. The GBS incentive programme was designed to ensure that South Africa offers a globally competitive business case to investors. The GBS incentive programme was implemented from 1 January 2019 to attract investment and create employment opportunities, predominantly for youth in the country, through offshoring activities.	• The base incentive is calculated on projected offshore jobs to be created, based on a tapering scale and is awarded on actual offshore jobs created as per the definition of full-time equivalents. • The base incentive offers a differential (three-tier structure) incentive for non-complex, complex and highly complex jobs based on a fully loaded operating cost per job. • The base incentive is paid for a period of five years (60 months) from the date on which an offshore job is created. • The base incentive will be determined at application stage, depending on the fully loaded operating costs. • The bonus incentive is to be paid only at the end of year five, when the applicant becomes eligible for it. • The bonus incentive for non-complex jobs is only available to applicants that create and maintain more than 500 offshore jobs over a five-year period. • The bonus incentive for complex jobs is only available to applicants that create and maintain more than 200 offshore jobs. • The bonus incentive for highly complex jobs is only available to applicants that create and maintain more than 100 offshore jobs.	• The applicant must: ◦ be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008, the Close Corporations Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended); ◦ be a taxpayer in good standing and must in this regard provide a valid tax clearance certificate; ◦ be B-BBEE compliant in terms of the B-BBEE Codes of Good Practice, 2013 and submit a valid B-BBEE certificate of compliance or affidavit; ◦ pay a minimum wage of R5 000 per month, or in the case of inclusively hired resources pay a minimum wage of R4 000 per month for the first 12 months of employment; and ◦ be involved in starting a new operation or expanding an existing operation in order to perform GBS activities and which may be operated from more than one physical location in South Africa. • The new project or expansion of an existing project must: ◦ have created at least 50 new offshore jobs in South Africa by the end of the three years from the start of operation, as defined by these guidelines; ◦ be financially viable; ◦ commence operations no later than six months from the date of the GBS incentive grant approval; ◦ in a joint venture arrangement, at least one of the parties must be registered in South Africa as a legal entity; and ◦ a pilot project must result in investment and the

			creation of jobs within the six-month trial period.
Special Economic Zone (SEZ) Programme	SEZs are geographically designated areas of a country set aside for specifically targeted economic activities, and supported through special arrangements (that may include laws) and systems that are often different from those that apply in the rest of the country.	A number of incentives will be available to ensure SEZ growth, revenue generation, creation of jobs, attraction of FDI and international competitiveness. These SEZ incentives include: • Preferential 15% corporate tax • Building allowance • Employment incentive • Customs-controlled area	
Critical Infrastructur e Programme (CIP)	The CIP aims to enhance investment by supporting critical infrastructure and thus lowering the costs of investment. It is made available to approved eligible enterprises upon the completion of the project concerned. Infrastructure for which funds are required is deemed to be 'critical' if the investment would not take place without the said infrastructure or the said investment would not operate optimally.	• The CIP offers a grant of 10% to 30% of the total qualifying infrastructural development costs, up to a maximum of R50 million, based on the achieved score in the economic benefit criteria. • Agro-processing applicants and state-owned aerospace and defence national strategic testing facilities: The CIP will offer a grant of 10% to 50% of the total infrastructural development costs, up to a maximum of R50 million. • Projects that alleviate water and/or electricity dependency on the national grid: The CIP will offer a grant of 10% to 50%, up to a maximum of R50 million. • Distressed municipalities and state-owned industrial parks: The CIP offers a maximum grant of up to 100%, capped at R50 million for infrastructural development. Applicants are encouraged to make a contribution according to affordability.	• The applicant must be a registered legal entity in South Africa. • The project must be at least a level four B-BBEE contributor in terms of the Codes of Good Practice for B-BBEE. This requirement takes into account the exemptions in terms of Qualifying Small Enterprises (QSEs) as set out in terms of the Codes of Good Practice. • For FDI (i.e. foreign investors incorporated in South Africa), where it can be proven that such a foreign investor does not enter into any partnership arrangements in foreign countries, the Codes of Good Practice make provision for the recognition of contributions in lieu of a direct sale of equity. • For all projects, a grace period of 15 months after date of submission of the application is given to be able to comply. In all cases, a B-BBEE certificate should be submitted at claims stage. • The envisaged investment projects that may qualify for benefits under any investment incentive schemes offered by the dtic are eligible to apply for the CIP, provided such application is not for the

			same infrastructure activity items proposed by the project. • Projects that have applied for the Shared Economic Infrastructure Facility (SEIF) will not be funded or co-funded for the same infrastructure activity under CIP
South African Emerging Black Filmmakers Incentive	The objectives of the South African Emerging Black Filmmakers Incentive, a sub-programme of the South African Film and Television Production and Co-Production Incentive, is to nurture and capacitate emerging black filmmakers to take up big productions and contribute towards employment opportunities.	• A rebate of 50% on the Qualifying South African Production Expenditure (QSAPE). • The costs for the purchase of key production equipment may qualify once-off under this incentive programme to a maximum cost-sharing incentive of R2 million.	• The QSAPE must be a minimum of R500 000 for all qualifying production formats and a minimum of R500 000 for documentaries. • At least 14 calendar days and 80% of the principal photography must be filmed in South Africa. • The QSAPE must account for at least 75% of the total production budget. • The majority of intellectual property must be owned by South African citizens. • The copyright must be registered with the Companies and intellectual Property Commission (CIPC) and the certificate of registration must be provided at claim stage. • Both the director and the producer must be black South African citizens who will be credited for their roles. • The top writer and producer credits must include South African citizens, either exclusive or shared collaboration credits. • The majority of the five highest-paid performers must be South African citizens. • The majority (51%) of heads of departments (HODs) and key personnel must be black South African citizens. • The holding company must have been in existence, operational and

			involved in the film industry for at least six months, with at least a 10-minute trailblazer or short film produced. • Both the holding company and SPCV must achieve at least a level two B-BBEE contributor status respectively, in terms of the B-BBEE Codes of Good Practice.
Foreign Film And Television Production And Post-Production	To encourage and attract large-budget films and television productions and post-production work that will contribute towards employment creation, enhancement of international profile, and increase the country's creative and technical skills base	• The Foreign Film and Television Production and Post-Production Incentive provides an incentive of 25% of the QSAPE.. • An additional incentive of 5% of QSAPE is provided for productions conducting post-production in South Africa and utilising the services of a black-owned service company. • The Foreign Film and Television Production and Post-Production Incentive provides an incentive of 20% of the Qualifying South African Post-Production Expenditure (QSAPPE) of at least R1.5 million. • An additional incentive of 2.5% of QSAPPE is provided for spending at least R10 million of the post-production budget in South Africa; or an additional incentive of 5% of QSAPPE is provided for spending at least R15 million of the post-production budget in South Africa. • The incentive programme offers a reimbursable grant to the maximum of R50 million per qualifying project.	The Foreign Film and Television Production and Post-Production Incentive is available to foreign-owned and South African qualifying post-production companies that meet the following criteria: • .At least 21 calendar days and 50% of principal photography must be filmed in South Africa. • Must have a minimum of R15 million for all qualifying production formats. • Must have a minimum of R12 million for level one (1) B-BBEE contributor status service companies. • The QSAPPE must be at least R1.5 million for all qualifying post-production activities.
SA Film And Tv Production And Co-Production	The South African Film and Television Co-Production Incentive, which is a sub-programme of the South African Film and Television Production Incentive Programme, aims to support official co-productions and contribute towards employment	• The rebate is calculated at 35% of QSAPE. • An additional 5% of QSAPE is provided for productions hiring at least 20% black South African citizens as HODs and procuring at least 30% of the QSAPE from 51% South African black-owned entities, which have been	• Must have a minimum QSAPE of R2.5 million for all qualifying production formats and a minimum of R500 000 for documentaries. • Must submit a copy of the advance ruling at application stage and a copy of the final ruling at claim stage.

	opportunities in South Africa.	operating for at least a period of one year. • The incentive programme offers a reimbursable grant to the maximum of R50 million per qualifying project.	• At least 14 calendar days and 50% of principal photography must be filmed in South Africa. • The director must be a South African citizen, unless the production requires the inclusion of an individual not covered by this clause, in which case approval may be given at the provisional approval stage. • The writer and producer credits must include South African citizens, unless the production requires the inclusion of an individual not covered by this clause, in which case approval may be given at provisional approval stage (either exclusive or shared collaboration credits). • At least two highest-paid performers must be South African citizens, unless the production requires the inclusion of an individual who is not a South African citizen, in which case approval must be requested at application stage. • The majority of the film's HODs and key personnel must be South African citizens, unless the production requires the inclusion of an individual who is not a South African citizen, in which case approval must be requested at application stage. • The holding company and SPCV must achieve at least a level three and level four B-BBEE contributor status respectively in terms of the B-BBEE Codes of Good Practice.
SA Film And Tv Production Incentive	To support the local film industry and contribute towards employment opportunities in South Africa.	• The incentive is calculated at 35% of QSAPE. • An additional 5% of QSAPE is provided for productions hiring at least 30% of black	• Productions must have a minimum QSAPE of R1.5 million for all qualifying production formats and a

		South African citizens as HODs and procuring at least 30% QSAPE from 51% South African black-owned entities that have been operating for at least a period of one year, with a cap of R50 million per project	minimum of R500 000 for documentaries. • At least 14 calendar days and 60% of principal photography must be filmed in South Africa. This requirement may be waived for productions with a minimum QSAPE of R50 million. • A minimum of 75% of the total production budget (TPE) must be QSAPE. • The majority of intellectual property must be owned by South African citizen(s) and the copyright must be registered with the CIPC. • The director must be a South African citizen, and credited for this role. • The top writer and producer credits must include South African citizens, with either exclusive or shared collaboration credits. • The majority of the five highest-paid performers must be South African citizens. • The majority of HODs and key personnel must be South African citizens, with at least 20% of the HODs on core production functions being black South African citizens.

ANNEXURE 7: REFERENCES

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ANNEXURE 8: ENDNOTES

[i] According to the ICT & Digital Economy Masterplan (August 2020): The key opportunities for digitally traded services from South Africa lie in five core areas:

- Digital contact centre services create additional opportunities for South Africa to provide next-gen omnichannel services to global markets. This includes the development of "super agents" that are enabled by automation and technology to provide digitised contact centre services such as web chat, social media and instant messaging. These services can be further augmented and optimised with an overlay of predictive, prescriptive, behavioural and social media analytics expertise. 17 Notably, these non-voice, digital channels have the potential to create over 55,000 digital contact centre jobs, as part of the broader expansion of BPO services, by 2030. Moreover, these types of services could be facilitated via niche, SMME digital-interaction hubs that support larger, voice-based contact centre operations with the potential to create over 600 small and micro businesses within a period of 10 years.
- Shared services where South Africa is fast becoming a favoured offshoring location for specialist, niche domain services. South Africa has a mature and progressive shared services sub-sector with highly qualified talent and digitised services providing sophisticated finance and accounting (F&A), human resource outsourcing (HRO), IT outsourcing (ITO), procurement and legal services to a growing international clientele. If the country is able to a develop a more robust and vibrant domestic shared services market, it could create over 51,000 globally focused jobs in specialist, niche services by 2030. 18 Approximately 40% of these jobs could be housed within over 400 small and micro enterprises.
- Reshoring and bringing contracts and services back to South Africa that are outsourced to other markets such as China and India. Bringing this offshored work back to South Africa constitutes a significant opportunity for growing domestic job creation and should be thought of as a form of export revenue. It is estimated that more than 28,000 jobs in the areas of testing and application development are being outsourced by South African corporates to foreign markets and could be brought back onshore.
- Personalised and social services delivered virtually with business-to-consumer or freelancer-to- consumer digital platforms. In this regard, there are organisations in South Africa that are already providing lifestyle, concierge services, online video distribution and content services with other centres providing digitised, video-enabled English tutoring to students in China. Freelancer-to-consumer digital platforms have the potential to create 410 entrepreneurs and over 270 SMMEs who trade in digital products and services over the next 10 years.
- Public sector and state-owned enterprises in South Africa could significantly improve citizen service delivery, save costs and create more jobs by digitising, outsourcing and co-sourcing non-core functions and operations. Already, a Mass Digitisation plan is underway to digitise manual documents in prioritised government departments by creating 9 digital bureaus across the country, 12 sustainable black owned enterprises and potentially create 10,000 youth jobs.
- Over 64,000 agents and knowledge workers already provide globally traded services from South Africa to markets such as Australia, Canada, China, Europe, the United Kingdom, the United States and other African countries. It is estimated that these jobs currently contribute about R16.1 billion export-driven revenue to South Africa's GDP.

[ii] *Ibid.* Promising physical technology production opportunities in South Africa, as per the Master Plan are:

- Electronics and components for a range of technologies including phones, tablets, wires and a range of other devices
- Sensors and telematics which includes lidar, smart metres for water and electricity and other applications such as car and weapons tracking, wildlife tracking for poacher prevention and pet tracking
- Additive manufacturing, optimum materials and components that provide input to the growing use of plastics and metals in additive manufacturing processes
- Electric vehicles, components and batteries that feed into the growing demand for electric vehicles, particular in South Africa's traditional auto export markets where demand is shifting to electric vehicles
- Satellites and drone components to provide input to the growing demand for earth observation data and satellite use cases as well as the rapidly evolving drone industry

[iii] Ibid. Deepening adoption of transformative tech applications is key to unlocking productivity effects in the domestic economy. The value add to industry as result of such productivity effects across the domains of the economy was estimated to be in excess of R2 trillion over a 10-year period , largely underpinned by IoT and AI technology, as well as platforms. In order for South Africa to support the emergence and scaling of multiple digital platforms, it is important to first identify where these platforms have the potential to scale, what their business models look like, and their impact on supporting growth, jobs and transformation. Six areas of high potential are identified here.

- Task-matching platforms that reduce many of the frictions and information asymmetries in low-skilled informal labour markets, such as domestic services, gardening, painting, maintenance, and electrical and plumbing work.
- Platforms for transport and delivery services that match demand and supply efficiently.
- Platforms that facilitate the preparation and delivery of food are reforming the restaurant industry as eating
- out becomes more affordable.
- Platforms in the tourism sector
- Job matching platforms that match youth to jobs can reduce labour market inefficiency.
- Platforms that connect informal businesses and SMMEs to suppliers and customers can reduce inefficiencies and help businesses reach new markets

The platform economy will contribute to the Masterplan's objectives of economic growth, job creation and transformation.

- The ecommerce market in the country is growing significantly. In 2019, 52% of the South African population purchased at least one product online. This represents a growth rate of 14% and annual revenue of USD 3 billion. Statista digital market outlook estimates that ecommerce will grow at an annual rate of 10%, earning a revenue of USD 3.9 billion in three years. In 2018, host and guest activity on Airbnb generated an estimated USD 678 million in revenue. This is forecasted to grow at an annual rate of 14%, leading to an estimated revenue of USD 693 000 in three years.
- Industry stakeholders estimate that digital platforms will create 60 000 income generating opportunities in the next three years and an additional 80 000 income-generating opportunities in the next ten years. Additionally, job matching platforms estimate that they will provide digital skills and work readiness training to 500 000 South Africans.
- The scarcity of data makes it difficult to estimate the impact of digital platforms on transformation, however qualitative evidence suggests that digital platforms will contribute to transformation by improving service delivery in rural areas or townships, upskilling workers, enabling market access and providing scaling opportunities to township enterprises.

[iv] As per the analysis of the report produced by the South African Cultural Observatory on Unlocking the Growth Potential of the Online Gaming Sector in South Africa (August 2019), the global Gaming Industry is large and highly competitive. The global gaming industry in 2018 consisted of 2.3 billion consumers, who spent nearly US$ 138 billion on games. Although the South African gaming industry is small, it is growing at an exponential rate. A recent PWC (2018) report identifies the digital video games sector as one of "the biggest success stories" in the South African entertainment and media industries. Although the size of the South African animation and gaming sector is comparatively small, the international rise in demand for their content, and the growing quality and recognition of South African products, shows that the sector is maturing.

Challenges faced by the sector (and thus the need for policy interventions) include:

- Skills development and training with a view to greater sector transformation;
- Keeping key skills in South Africa;
- Providing continuous work so that a career in the sector is more attractive;
- Developing (and maintaining control) of own Intellectual Property, while also
- attracting and developing profitable international work;
- The difficulty in accessing development (pre-production) finance.
- Advantages identified by those in the industry included: Unique African stories and cultural diversity; lower production costs that enable international service work; a significant pool of talent and skills; the high quality of the work produced; and access to advanced production and infrastructure.
- Policy interventions that could help to unlock *the potential of the industry include:*
    - Relaxing restrictions on short-term work visas so that local firms can more easily bring
    - in, and learn from, international partners;
    - Making it easier for small businesses in the sector to do business by, for example,
    - providing easier access to the skills levy fund, and relaxing exchange controls;
    - Upgrading base infrastructure, such as internet, fibre and electricity supply to improve internet speed and stability, which will be important for stimulating both the supply and
    - demand sides of the industry.

[v] SA has a relatively high penetration rate - 56.3% of SA population were internet users in 2020, and projected to increase to 62.3% in 2025 (StatsSA) . But mobile access dominates - Smartphone penetration was over 90% in 2019 (ICASA 2020) .Access through high-speed fibre is concentrated at upper income levels :

- 10.4% of South African households had access to the internet at home (StatsSA 2019)
- Fixed broadband subscriptions per 100 inhabitants is 2.14 in 2019 (up from 0.95 in 2009) (Statista)
- Fixed broadband subscriptions dropped by 20% in 2019, as users shifted to mobile data, but fibre internet subscriptions were up 28.8% and 168% over the past five years

[vi] For a useful briefing on the structure and institutional machinery of the AFCFTA, see International Trade Centre (2018). A business guide to the African Continental Free Trade Area Agreement. ITC, Geneva.

[vii]South Africa currently leads the continent in terms of intra-regional exports, with 17% of the total. 12% of SA Imports are intra-regional (TRALAC, 2020)

[viii] As the Automotive Sector Masterplan notes :

Demographic data reveals that there will be major middle-class growth across SSA over the next 15 years. According to Ward (2011; in Thailand Automotive Institute, 2012), the middle-class population of SSA will grow from 137 million in 2009 to 341 million in 2030 – growth of 149%. This reveals that the SSA market holds major potential demand for new vehicles across the spectrum of passenger vehicles, LCVs, M&HCVs, off-highway vehicles, and motorcycles. Developing a regional market and associated production dynamic is a critical strategic imperative. In respect of light vehicles only: if the South African domestic market were to achieve 1.2 million units of demand by 2035, alongside an SSA new vehicle market of a further 800,000 units, then an attractive regional market dynamic would clearly be in place, allowing for the establishment of a common market of around two million units. This would begin to approximate the positive momentum built in ASEAN and MERCOSUR, positioning SSA as an attractive market and investment opportunity. However, how does the South African automotive industry play a role in establishing such a regional market dynamic to the benefit of itself and other participating SSA economies? Key is establishing a business case for the establishment of a regional automotive trade and production block that positions SSA as a viable automotive space. As the leading automotive producer in SSA it is essential that South Africa leads this process, but at the same time ensures that participating countries receive mutual benefit from its establishment. The critical opportunities in this regard relate to passenger vehicles, LCVs, M&HCVs, off highway

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transport equipment, and motorcycles, with the potential to create a regional production platform enhanced by the breadth of the range of product covered in this masterplan. Establishing a regional automotive development programme that operates to support the shared industrial development aspirations of SSA economies is therefore critical. Practically, this may require a phased approach over the period through to 2035, starting with a common SACU-automotive development plan, through to a SADC plan, followed by an SSA-wide plan. The timing and associated execution of these plans requires the establishment of a clear private-public partnership, and inter-governmental working relationship that ensures the realisation of potentially significant mutual benefits.

[ix] The current edition of the DTIC Official Guide to Special Economic Zones lists the following incentives:

1. Vat and Customs Relief
   - Companies located within a CCA will be eligible for VAT and customs relief, as per the current IDZs.
   - Characteristics of a CCA include the following:
   - Import duty rebate and VAT exemption on imports of production-related raw
   - materials, including machinery and assets, to be used in production with the aim
   - of exporting the finished products;
   - VAT suspension under specific conditions for supplies procured in South Africa; and
   - Efficient and expedited customs administration.
   - More information on CCAs can be found on the SARS website www.sars.gov.za

2. Employment Tax Incentive
   - All employers of low-salaried employees (below R60 000 per annum) in any SEZ will be entitled to the employment tax incentive (ETI). This aims to encourage employers to hire young and less experienced work seekers. However, the employee age restriction will not apply to SEZs. It reduces an employer's cost of hiring people through a cost-sharing mechanism with Government, while leaving the wage the employee receives unaffected. The employer can claim the ETI and reduce the amount of Pay-As-You-Earn (PAYE) tax payable by the amount of the total ETI calculated in respect of all qualifying employees.

3. Building Allowance
   - Businesses operating within approved SEZs (by the Minister of Finance, after consultation with the Minister of Trade, Industry and Competition) will be eligible
     for an accelerated depreciation allowance on capital structures (buildings). The special rate of capital (depreciation) allowances in lieu of normal allowances will be available for erecting or improving buildings and other fixed structures. This rate will equal 10% per annum over 10 years.
   - Companies engaged in the following activities, based on the Standard Industrial Classification Code issued by Statistics South Africa, will not qualify for the building allowance:
     - Spirits and ethyl alcohol from fermented products and wine (SIC code 3051)
     - Beer and other malt liquors and malt (SIC code 3052)
     - Tobacco products (SIC code 3060)
     - Arms and ammunition (SIC code 3577)
     - Bio-fuels if that manufacture negatively impacts on food security in South Africa

4. Reduced Corporate Income Tax Rate
   - Certain companies will qualify for a reduced corporate income tax rate of 15%, instead of the current 28% headline rate. To qualify, the following conditions must be satisfied:
   - The company must be located in a SEZ that is approved by the Minister of
   - Finance;
   - It must be incorporated or effectively managed in South Africa;
   - At least 90% of the income must be derived from the carrying on of business or
   - provision of services within that SEZ; and
   - The company must not be engaging in activities listed in the Government
   - Gazette No. 39930.

[x] This investment is a direct outflow of the industry coordinating activities that have now evolved into the Automotive Sector Masterplan, the objectives of which are as follows :

1. Grow South African vehicle production to 1% of global output
2. Increase local content in South African assembled vehicles to up to 60%6
3. Double total employment in the automotive value chain
4. Improve automotive industry competitiveness levels to that of leading international
5. competitors
6. Transformation of the South African automotive industry through the employment of Black
7. South Africans, upskilling of Black employees, empowerment of dealerships and authorised repair facilities, and substantially increasing the contribution of Black-owned automotive component manufacturers within the automotive supply chain
8. Deepen value addition within South African automotive value chains

[xi] This is a long-term systemic problem. As far back as 1998, the Moving South Africa (MSA) study identified major weaknesses in the freight system.

- Lack of support for export competitiveness; and

- Low levels of system sustainability.
    - The MSA defined three strategic actions:
- Build density in the transport system through focusing freight flows on select corridors by supporting and reinforcing current trends to build the backbone of the system, at the same time as reducing complexity and investment requirements;
- Build economies of scale within the different modes by focusing the role of the modes, maximising scale economies within each mode and offering differentiated services where economically sustainable; and
- Improve firm level competitiveness by removing obstacles, improving integration, ensuring sufficient reinvestment to maintain quality infrastructure and operations, restoring price and value signals between customers and providers and building an industry platform which drives differentiation and innovation.

The international metric for freight costs is US cents per ton per kilometre. The cost of road freight will be between 7 and 8c using this metric, while the cost of rail freight should be between 3 and 4c. Using the international standard industry measures of US cents per ton per kilometre, the cost of road-borne freight, at 6 -7 c/ton-kilometre (T-Km) is double that of rail freight, which *should* come in at approximately 3-4 c /ton-kilometre in the South African context. Using actual data from the Ford Motor Company (FMC) as a case study, the real cost for clients of the current publicly managed freight system is actually 30% higher than the cost of road.

There are a number of systemic drivers of these uncompetitive costings, including:

- A deficit of investment in making rail transit a seamless and reliable option for various economic actors. TFR is still recovering from multiple decades during which it was cross-subsidised by other components of the Transnet group, and was neither a commercial value proposition in its own right nor – as a result- the priority for internal investment.
- The absence of an internal optimization mechanism across the 8 heavy freight rail corridors which are linked to the various port systems. There is no coordinated effort to drive logistics demand through various national economic hub points using either rail or roll-on/roll-off systems to integrate rail and road. This limits the potential for investing in/ upgrading the network on commercial terms linked to guarantee demand from specific users/ investors.
- Contestation for timing slots at intermodal hubs which favour passenger rail run by PRASA, crowding out scheduled freight and leading to delays and cost increased

[xii] To quote the March 2021 draft of the Cannabis Industrialisation Masterplan:

> *The cannabis plant contains at least 70 unique compounds, collectively known as phytocannabinoids, of which two are tetrahydrocannabinol (THC) and cannabidiol (CBD). THC is a cannabinoid that produces a psychoactive effect but also has medicinal properties. CBD is a cannabinoid with mostly medicinal properties. The major difference between the hemp and dagga is the physical appearance and the amount of THC they contain. Hemp plants are generally taller whereas dagga plants are shorter and bushy. Industrial hemp and medicinal cannabis are currently broadly classified as hemp, although the cultivation practices, morphology, growth pattern, cultivation requirements, etc. are quite different. Hemp for industrial use is generally suitable for open field production while medicinal cannabis is grown under protection for optimum results. Hemp plants contain lower levels of tetrahydrocannabinol (THC). Dagga, on the other hand, contains high levels of THC. THC and CBD, as well as other cannabinoids and compounds, are secreted by glandular trichomes on flower buds of female plants.*

[xiii] In South Africa, cannabis is regulated in terms of two pieces of legislation, namely:

- Medicine and Related Substances Act, 1965 (Act No.101 of 1965), administered by the Department of Health. The purpose of the Medicine and Related Substances Act, 1965 (Act No. 101 of 1965) is to provide for the registration of medicines and related substances intended for human and for medical devices. The Department of Health had, during May 2020, changed the legal status of cannabis. Cannabis had been removed from Schedule 7. THC is now listed as Schedule 6 which legalises it to be used for medicinal purposes. CBD is listed as Schedule 4 if it is going to be used as complementary medicine. It is listed under Schedule 0 if it is being used for food, cosmetics, beverages and other manufactured products. Problems, however, remain with regard to regulation of cannabis seed. The listing of CBD in both Schedule 0 and Schedule 4 is potential source of confusion in terms of implementation.
- Drugs and Trafficking Act, 1992 (Act No. 140 of 1992), administered by the Department of Justice and Correctional Services which is enforced by the South African Police Services. The purpose of the Drugs and Drug Trafficking Act, 1992 (Act No. 140 of 1992) is to provide for the prohibition of the use or possession of, or the dealing in, drugs and of certain acts relating to the manufacture or supply of certain substances or the acquisition or conversion of the proceeds or certain crimes; for the obligation to report certain information to the police; for the exercise of the powers of entry, search and seizure; and for matters connected herewith.
- International Law: South Africa is party to three international Treaties that impact the legal status of Commercialising cannabis:
    - The UN Single Convention on Narcotic Drugs, 1961 (as amended by the 1972 Protocol);
    - The UN Convention on Psychotropic Substances, 1971;
    - The UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988.