U.S. Country Commercial Guides

South Africa

2020

U.S. Department of Commerce | International Trade Administration

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Doing Business in South Africa

Market Overview

South Africa is the most advanced, diversified, and productive economy in Africa. Boasting one of the most pro-business environments in Africa, South Africa is a logical and attractive option for U.S. companies seeking to enter the Sub-Saharan Africa marketplace. The country has a population of 58 million people, covers 1.22 million square kilometers and is the world's largest producer of platinum, vanadium, chromium, and manganese.

South Africa has enjoyed relative macroeconomic stability but is facing increasingly strong headwinds due to the 2020 COVID-19 pandemic. The economy expanded by 0.8% in 2018 and by 0.2% to $350 billion in 2019. Inflation is low.

The maturity of the South African economy is reflected in the mix of economic sectors:

- Primary (including agriculture, fishing, and mining): 10%.
- Secondary (manufacturing, construction, and utilities): 21%.
- Tertiary (trade, transport, and services): 69%.

The tourism sector in 2019 slowed to 4% growth from previous growth rates as high as 11%. The sector is a major foreign exchange earner, along with minerals, agricultural products, and some niche manufacturing and high-tech sectors.

Parts of the country's urban areas boast well-developed infrastructure, comparable to OECD standards, but rapid urbanization has led to glaring contrasts. Its growing services sector is a major employer, and the corporate side of the economy has been traditionally well-managed, although it faces low productivity gains. The banking and financial services sector is stable. The Johannesburg Stock Exchange (JSE) ranks among the top emerging market exchanges in the world.

South Africa is well integrated into regional economic infrastructure as formalized by membership in the Southern African Development Community (SADC). In addition, the Southern African Customs Union (SACU) agreement with Botswana, Namibia, Lesotho, and Swaziland facilitates commercial exchanges. South Africa is a member of the World Trade Organization (WTO), the G20, and the informal BRICS (Brazil, Russia, India, China, and South Africa) association of emerging economies. South Africa is also the economically most significant ratifier of the nascent African Continental Free Trade Agreement (ACFTA).

The African Growth and Opportunity Act (AGOA), renewed for a final 10-year period in 2016, provides duty-free access to the U.S. market for most Sub-Saharan African countries, including South Africa. The United States and South Africa signed a Trade and Investment Framework Agreement (TIFA) in 2012. The United States and SACU concluded a Trade, Investment, and Development Cooperation Agreement (TIDCA) in 2008.

The United States is a critical trading and technology partner for South Africa and ranks as South Africa's third-largest bilateral partner in two-way trade by value. While Europe and Japan have well-established trade links with South Africa, trade with China, also in financial services, is growing fast.

The U.S Department of Commerce chairs the Washington DC-based, President's Advisory Council on Doing Business in Africa (PAC-DBIA), which advises the President through the Secretary of Commerce, on ways to strengthen commercial engagement between the United States and Africa. For further information on the PAC-DBIA, please see: www.trade.gov/pac-dbia/.

Five reasons why U.S. companies should consider exporting to South Africa:

1. The all-of-U.S.-Government initiative, Prosper Africa, is now fully constituted and leverages concerted inter-agency programs to facilitate U.S. commercial access in Sub-Saharan Africa in the face of foreign interests.
2. New-to-market (NTM) companies should consider South Africa's geographic advantages, logistics infrastructure, widespread use of the English language, and relatively transparent legal processes, which make it a low-entry threshold country. The business environment (legal, publicity, marketing, forensics, process outsourcing, etc.) is arguably the best in Africa.
3. South Africa is a business incubator for new-to-market ideas; as the middle class in Africa grows, business models launched in and from South Africa will find easier acceptance in other Sub-Saharan Africa markets.
4. The penetration of South African companies and agencies into Africa makes finding the right partner to collaborate with in third markets a low-risk business development model.
5. South African companies are receptive to various partnering arrangements with U.S. companies, ranging from agency to licensing, joint ventures (JVs), mergers, and acquisitions; some South African companies hope to enter the U.S. market through similar arrangements.

Market Opportunities

As the most advanced and broad-based economy on the continent, South Africa still offers exporters and investors a diverse and mature economy with proven financial and other service sectors, as well as preferential access to export markets in the European Union, and the Southern African Development Community (SADC).

Commercial standards are generally comparable to those in most developed economies; U.S. investors find local courts fair and consistent, and institutions are well developed. Similarly, democratic life is well established with transparent and contested elections; an appreciation for the rule of law; a free, vibrant, and outspoken press; and citizens maintaining significant pride in the constitution and the peaceful formation of the post-apartheid state.

Despite political and accelerating socio-economic uncertainties, South Africa is still a destination largely conducive to U.S. investment, and should remain so as the dynamic business community is highly market-oriented and the driver of economic growth. South Africa offers ample opportunities and continues to attract investors seeking a location to access the rest of the African continent. The burgeoning fiscal constraints of the South African Government may now make it more amenable to Public-Private Partnerships (PPPs) in order to ensure continued service delivery. The IMF approved a $4.3 billion loan to South Africa that may lead to business-friendly market reforms and tighter government spending controls.

Several factors benefit U.S. exporters:

- sophisticated financial, legal, and business services sectors;
- extensive transportation infrastructure;
- South Africa's position as an entryway to other countries and markets in Sub- Saharan Africa;
- the strong reputation enjoyed by U.S.-branded goods; and
- the presence of strong, capable South African companies that can serve as good partners for trade and investment.

In general, the best prospects for exports are in capital goods, though opportunities exist in a wide range of consumer products, services, and franchising.

Market Challenges

Due to cyclical, structural and regulatory/policy challenges in the economy, government capital and operational spending has been severely curtailed since 2016, and a double deficit (budget and household) suggests that economic decline may accelerate over the short term.

There is growing concern about a host of political, economic, and regulatory factors that affect foreign businesses adversely. These include reports about corruption and mismanagement in government, significant unemployment, violent crime, insufficient infrastructure, and poor government service delivery to impoverished communities; these factors have been exacerbated by the Covid-19 pandemic. However, some progress is being made in reforming the State-Owned Enterprises (SOEs) that were tainted by corruption and mismanagement. Emergency expenditure programs to address Covid-19 have ballooned the already-high debt-to-GDP ratio and placed into question many large developmental infrastructure projects.

U.S. firms entering this market must contend with a mature and competitive market marked by well-established European and Asian competition. A trade agreement between SADC and the European Union enables many European products to enter South Africa duty-free or at lower rates than U.S. products.

The volatile rand-dollar exchange rate can complicate planning, especially for smaller or new-to-market firms. Although forward cover is readily available, and the rand is one of the most heavily traded currencies in the world, the cost does reflect interest rates, which tend to be higher than in United States and developed markets.

U.S. companies seeking to do business in South Africa will need to adapt to Broad-Based Black Economic Empowerment (B-BBEE) policies. These aim to redress economic imbalances among historically disadvantaged communities to facilitate socio-economic transformation through granting procurement preferences on government contracts (including state-owned enterprises, SOEs), based on a company's level of B-BBEE achievement. B-BBEE requires due consideration by all U.S. firms planning to do business with the South African government, SOEs, and requisite supply chains that serve them. A few foreign companies have addressed the ownership element of B-BBEE by negotiating "equity equivalency" programs with the Department of Trade and Industry that emphasize training and development of local companies. Also see Selling to the Government below.

The South African Government is continuously changing the mandatory industrial localization requirement for foreign suppliers that often view this as a cost and risk factor for doing business in South Africa.

The South African Government has continued to tighten labor and foreign ownership laws and mandated industrial localization. Sectors of specific concern include the extractive industries, security services, and agriculture. The South African Government (SAG) has adopted a qualified policy of Expropriation of Land Without Compensation (EWC) that is constitutionally sound and will not endanger food security

Due to the poor state of the public education system, skilled labor can be difficult to find in many technical and professional segments despite steadily increasing unemployment. While the pre-Covid-19 nominal unemployment rate is above 29%, including those who have given up looking for a job raises it to 37%. In addition, HIV/AIDS affects approximately one in ten South Africans with negative implications for labor availability, productivity, and healthcare costs.

2016 saw a 104-year record drought in the central and northeastern part of the country come to an end, but water scarcity will remain a major concern for agriculture, power generation, and human consumption. The Western Cape Province still has a water deficit and authorities limit water consumption.

Market Entry Strategy

Because the South African market is sophisticated, entry should be well-planned, taking into consideration the following factors:

- the demographic income distribution pattern where 10% of the population earns 45% of national income (Gini coefficient is 0.61, which means the closer to 1, the more inequality there is. Zero would indicate there is no inequality;
- the price-sensitive nature of consumer demand;
- a volatile rand-dollar exchange rate (the rate tends to be very predictable over the medium term, but can spike in the short term);
- an unreliable and under-capacitated electricity supply network;
- distribution issues, given that large retail centers are concentrated in five metropolitan regions;
- well-developed consumer protection rules and, recently, better enforcement;
- a conservative market bias that tends to stick to known suppliers and therefore requires sustained market development; and
- South Africa's position as a stepping stone for developing market opportunities in Sub-Saharan Africa (the marketing mix should anticipate this medium-term option).

For new-to-market U.S. exporters, B-BBEE guidelines have encouraged use of low-exposure market entry modes by teaming up with qualified local importer-resellers and service providers who act as the prime contractor to the South African Government and large economic players.

However, the NTM foreign supplier will find markedly different conditions when venturing northwards. This lack of regional integration relates especially to financial services, trade documentation, and road transportation networks, and may have a significant impact on risk exposure and the cost of doing business. A selection of one of three low-risk entry strategies (representation, agency, or distributorship) should be considered. If an NTM is selling to the government or government-funded organizations, any local partner should be B-BBEE-compliant and aware of local procurement regulations.

In addition to this Country Commercial Guide, the Commercial Service offices in Cape Town, Durban, and Johannesburg offer many services designed to assist NTMs in developing a market entry strategy into South Africa. For a detailed description of these services please visit:
https://2016.export.gov/southafrica/servicesforu.s.companies/index.asp

Leading Sectors for U.S. Exports & Investments

Overview of Leading Industry Sectors

The U.S. Government in December 2018 launched Prosper Africa to unlock opportunities to do business in Africa. Prosper Africa is now fully operational to exploit the resources of over 15 U.S. Government agencies to connect U.S. and African businesses with new buyers, suppliers, and investment opportunities.

The participating agencies are:

- U.S. Department of State
- U.S. Department of the Treasury
- U.S. Department of Defense
- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Energy
- U.S. Department of Homeland Security
- Office of the United States Trade Representative
- U.S. Agency for International Development
- Export-Import Bank of the United States
- Millennium Challenge Corporation
- Overseas Private Investment Corporation
- U.S. Small Business Administration
- United States African Development Foundation
- U.S. Trade and Development Agency

In South Africa, the best prospects for exports are in capital goods, though opportunities exist in a wide range of consumer products, services, and franchising.

Since 2014, South African State-Owned Enterprises (SOEs) such as Eskom (electric power) and Transnet (transportation) formalized capital expenditure plans amounting to more than R685.5 billion. However, some major projects are under review due to questions surrounding good governance, financial viability, and the radical change in direction by the new administration, since President Cyril Ramaphosa took charge in February 2018, to reduce burgeoning national debt levels.

Promising projects remain, however, in the following:

- Renewable Energy
- Oil and Gas Supplies and Equipment
- Transportation Infrastructure
- Pollution Control Equipment
- Medical Equipment and Healthcare Services
- Telecommunications and Information Technology
- Electricity Power Systems/Renewable Energy

Energy

Overview

In South Africa, approximately 85% or 42,000 MW, of the nation's electricity is generated via coal-fired power stations. While conventional thermal power will be the dominant source of electricity generation for the foreseeable future, by the end of December 2018 almost 4,000 MW of renewable energy was in operation, accounting for approximately 5% of generated electricity. Further generation comes from nuclear (approximately 5% of installed capacity), as well as hydro and pumped storage (approximately 5% of capacity).

Eskom, the vertically integrated, state-owned power company, generates approximately 85% of the electricity used in South Africa, as well as a substantial share of the electricity generated on the African continent, with the company selling electricity to neighbouring countries, including Botswana, Lesotho, Mozambique, Namibia, Swaziland, and Zimbabwe. South Africa has an electrification rate that is amongst the highest on the continent, with rural electrification around 66%, while electrification in urban areas is approximately 93%.

In February 2019, the South African government announced plans to unbundle Eskom into three separate entities responsible for generation, transmission and distribution. This move was prompted by an urgent need to address the utility's significant debt levels, which was reported in February to have reached levels of ZAR420bn ($29.8bn). The government announced in its budget speech in February that it will not be taking over Eskom's debt. Instead, it will allocate ZAR23bn ($1.65bn) yearly for the next three years to help the company pay its interest on its debts. The unbundling, which in principle would yield two viable assets, transmission and distribution, and one fiscally-constrained one, generation, aims to allow the successor companies to deal with debt levels by more easily raising financing and rationalizing costs.

Despite Eskom's debit challenges, South Africa operates a highly successful, Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) for utility-scale transactions. Further, South Africa's rooftop solar photovoltaic (PV) market has seen significant growth over the past several years with an installed capacity potentially as high as 250 MW.

South Africa Integrated Resource Plan (IRP)

The South African Government's National Development Plan (NDP) is the blueprint for infrastructure development to 2030. The NDP lays out a framework for future power generation in South Africa, while energy policies in South Africa are driven primarily by the South Africa Department of Energy's (SADOE) Integrated Resource Plan (IRP). The IRP is SADOE's estimate of electricity demand growth and what energy generation types should be procured to meet that demand, along with the generation capacity, timing, and cost. The IRP is an electricity infrastructure development plan based on least-cost electricity supply and demand balance, taking into account security of supply and the environment (minimize negative emissions and water usage).

After a number of delays, the Integrated Resource Plan (IRP) was finally signed by the Minister of Mineral Resources and Energy on October 17, 2019. The IRP was intended to be updated every two years following the publication of the first plan in 2010. However, it has proved highly politicized and has been delayed by manoeuvring around the generation mix, especially the balance between baseload –- such as nuclear power and coal and renewables.

Coal

Coal has traditionally dominated the energy supply sector in South Africa, from as early as 1880 when coal from the Vereeniging area was supplied to the Kimberly diamond fields. Presently, about 77% of South Africa's primary energy needs are provided by coal. Over the course of the past decade, Eskom has been developing two new coal-fired power plants -– the Medupi and Kusile power stations -– both supplying approximately 4,800 MW for a combined capacity of more than 9 GW. In April 2019 Eskom reported that Medupi is almost 94% complete and Kusile is sitting at about 89%.

In May 2020, Eskom released a media statement indicating that Medupi's Unit 3 has reached the full generation capacity of 793 MW following a 75-day outage to repair major design defects. Thereafter, the unit underwent optimisation and performance testing prior to conducting the boiler performance verification tests, which require inspections and equipment tests to be conducted after 2,500 hours of operation in order to verify the success of the modifications.

While these plants have been mired in delays and cost overruns, both plants are set to be fully operational by 2022, and Kusile is the first power plant in Africa to implement clean-fuel technology such as flue-gas desulfurization. Once completed, Kusile's six units will produce a total of 4 800 MW.

For this reason, the South Africa Independent Power Producer (IPP) Office, which is mandated to implement South Africa's Independent Power Producers Procurement Program (IPPPP) and operates at arms-length from the government, has introduced the Coal IPP program. To date, the Coal IPP program has announced its intent to procure 863 MW from two coal-fired power plants (the 557 MW Thabametsi project and the 306 MW Khanyisa project) under the program's first bid window, although these projects have yet to finalize their Power Purchase Agreements (PPAs) with Eskom. A second Coal IPP bid window is expected, after conclusion of Round 1 and release of the updated IRP, and cleaner coal technology is expected to be considered under this bid window. However, South African banks Nedbank, Standard Bank and First Rand Bank withdrew their financing of these projects citing reasons of commitments to "green" funding, responsible lending, and supporting sustainability initiatives.

Renewable Energy

To diversify its energy mix and attract more IPPs to the sector, South Africa has developed a renewable energy independent power producer program over the past five years, namely the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), which has proven very successful in bringing renewable energy projects to commercial operation. To date, REIPPPP has successfully procured 6.4 GW from 112 IPPs across seven bid windows. By December 2017, 3.8 GW from 62 projects were operational.

After numerous rounds under REIPPPP, the program has seen a significant decline in costs by approximately 55% for wind (ZAR 1.51 to ZAR 0.62 per kWh) and 76% (ZAR 3.65 to ZAR 0.62 per kWh) for solar PV, which make the technologies cost-competitive with new-build coal. Furthermore, renewable power sources account for just under 3% of South Africa's national electricity supply, from a baseline of zero in 2010.

The program has leveraged approximately $135.6 billion in investment across South Africa, and projects include wind, solar (both PV and concentrating solar power), small hydro, landfill gas, and biogas as sources of energy. Of this, 25.8% is from foreign financiers and investors across the globe. To date, the United States is the largest source of foreign direct investment (FDI) in the renewables space, and several U.S. companies have shown strong interest in this program and have participated in tenders issued by the South African Department of Energy. In 2019, then-Energy Minister Jeff Radebe announced that South Africa would launch a fifth REIPPPP bid with the aim of procuring a further 1 800 MW of renewable energy from IPPs.

The New Development Bank (NDB) has signed a $180 million loan agreement with ESKOM Holdings for Renewable Energy Integration and Transmission Augmentation Project in South Africa. The NDB loan will carry a sovereign guarantee. The Project Finance Facility will support the development of grid connection infrastructure for renewable energy projects. It will also back renewable energy development and reduce dependence on fossil fuels. The project is envisaged to integrate 670MW of renewable energy into the Eskom grid. Latest grid connection infrastructure will be used for renewable energy schemes and augmentation of the Eskom transmission network to the identified areas. The project will boost electricity supply to the targeted areas.

According to a research house BMI, non-hydropower renewables will be the fastest growing source of electricity generation in South Africa between 2019 and 2028. Struggling thermal capacity at Eskom and the government's commitment to REIPPPP contracts suggest good growth opportunities. Wind power will be the primary source, accounting for 60% of renewables output by 2028. The large presence of the coal power sector means renewables' contribution to total electricity output will remain below 10% during this time.

Gas Generation

While a large portion of the planned generation is based in the renewables space, a key issue has been the move towards natural gas as a fuel source. Currently, efforts are being made to develop west-coast offshore gas and explore shale gas reserves. The aim is to have liquefied natural gas (LNG) infrastructure in place to power combined-cycle turbines by 2021. Looking further out to 2030, a mix of shale gas and imported LNG will be a growing part of the power generation mix.

The South African Department of Energy is tasked with the procurement of 3,126 MW of power from gas in the period 2019–2025. This is to be baseload and mid-merit energy generation capacity needed from gas-fired power generation to contribute toward energy security. The Department's "Gas IPP Program" has been initiated through the IPP Office. At present, the IPP Office is concentrating on the LNG-to-Power IPP Program. The program commenced in May 2015 with the launch of an RFI (request for information). This closed in July 2015 and more than 170 responses were received. The next step is the RFQ (request for quotation), which was scheduled to be due before the end of 2018 but delayed because that must be done after the IRP is made public. This will establish a short list of bidders.

Nuclear

The South African Government's commitment to the future of nuclear energy is strong, with plans to generate an additional 9.6 GW from as many as eight reactors, estimated to cost between $37-$100 billion. An initial RFI from Eskom was released in December 2016 for vendor capabilities to provide South Africa with a vertically integrated nuclear new build power program based on pressurized water reactors. However, in April 2017, the South African Constitutional Court set aside nuclear agreements signed by government and vendor countries, declaring them unlawful and unconstitutional.

Energy Services

According to GreenCape's *Energy Services 2018 Market Intelligence Report*, "energy services" (ES) describes several key energy market segments in the South African energy space: (1) small-scale embedded generation (SSEG), which includes rooftop solar photovoltaic (PV) systems and energy storage; and (2) energy efficiency. According to Business Insider of May 17, 2019 the then-Minister of Energy Jeff Radebe gave the National Energy Regulator of South Africa (NERSA) leave to license 500 Mega Watts (MW) for SSEG projects, sized between 1MW and 10MW, without him needing to sign it off. While a 1MW PV solar project can power almost 140 medium-income homes over a year, this is not enough for a large shopping mall or business. With the size limit being brought up to 10MW, it gives many businesses and retailers room to go off the grid during the day - and have a surplus.

There are several factors driving growth in the SSEG and energy efficiency markets. Above-inflation electricity price rises, decreasing technology costs, and supportive policies and regulations have motivated many individuals, businesses, industry, and government to adopt alternative energy service options. These drivers are creating several notable opportunities:

The national embedded generation market for installations and operation and maintenance of rooftop solar PV has grown in the past 12 months. Local solar PV data suggests an installed capacity increase by as much as ~110 MW throughout South Africa (possibly as high as 250 MW). It is expected that the total annual available market could continue to grow at this rate to a saturation point of ~500 MW installed per year on an ongoing basis. This market could reach a total of 7.5 GW of installed capacity by 2035. The commercial and industrial (C&I) sector has been leading investments in this sector, with ~70% of new rooftop solar PV installations nationally in this sector.

The rapid uptake of solar PV over the past three years has caught national regulators by surprise and has highlighted the need for new national policies and regulations to guide and regulate the solar PV market. At a local level, there will also be a need for policy and regulation to govern the safe uptake of solar PV. Municipalities will need the support of the national energy regulator and national and provincial government to do this. Progress has already been made at a municipal level, with 35 municipalities across South Africa having introduced rules and regulations to allow SSEG to connect to and feedback on the municipal electrical grid. Of these, 21 municipalities in the Western Cape are allowing SSEG, of which, 15 have National Energy Regulator of South Africa (NERSA)-approved tariffs in place.

With increasing demand in embedded generation, the South African energy storage market is expected to grow to ZAR14.5 billion by 2035, becoming a keystone of the future energy services market. This will create opportunities for investors, manufacturers, suppliers and energy end-users in the energy storage value chain.

Energy efficiency also presents a significant opportunity to investors and businesses in all sectors. The estimated annual total available market currently stands at ZAR3 billion, reaching an estimated ZAR21 billion by 2035.
Business Insider South Africa: https://www.businessinsider.co.za/nersa-licence-change-jeff-radebe-eskom-sseg-renewable-energy-projects-flood-2019-5

Electricity Distribution

The issue of aging network infrastructure remains a concern for the distribution network as it compounds the supply and limits South Africa's ability to expand electricity access. The South African Department of Energy has completed a study to estimate the backlog, and work is currently under way to determine the most effective way to fund the rehabilitation of these networks and assets going forward.

Eskom and South Africa's 187 municipal governments are responsible for electricity distribution in South Africa. Many of the municipalities are experiencing financial problems. The maintenance backlog in the sector is valued at approximately R38.6 billion and is growing at a rate of about ZAR3.377 billion a year.

Bankability of Utility

Poor governance and a compromised executive team at Eskom saw the utility run into serious liquidity challenges at the start of 2018. In addition, there has been discussion among industry stakeholders on how to deal with the utility's "death spiral."

Public Enterprises Minister Pravin Gordhan has confirmed that Eskom's business model is up for discussion as government seeks to reduce the fiscal risk currently posed by the utility and to reposition the state-owned enterprise (SOE) for future sustainability.

Discussions could look to enhance Eskom revenue in the short-term through both higher sales and, controversially, tariff increases. Yet further tariff increases (which have increased by over 300% in the past eight years for some consumers) could spur more consumers to find ways of using less electricity, possibly even through full or partial defection from the grid.

The National Energy Regulator of South Africa (Nersa) has also warned of a "utility death spiral," whereby price elasticity of industrial demand is emerging as a primary driver of the lack of demand. This has served to exacerbate a "vicious cycle" in which increasing electricity prices drive declining sales, thereby resulting in the utility having to recover the same cost base from a shrinking customer base.

U.S. Initiatives

Power Africa. Launched in 2013, Power Africa is a market-driven, U.S. Government-led public-private partnership to double access to electricity in Sub-Saharan Africa. It also serves as a one-stop shop for private sector entities seeking tools and resources to facilitate doing business in Africa's power sector. In 2016, the Electrify Africa Act unanimously passed both houses of Congress and was signed into law, institutionalizing Power Africa and establishing two goals: to add 20,000 MW of generation capacity and expand electricity access to 50 million people in Sub-Saharan Africa by 2020. In bringing together more than 140 of the world's top companies, development institutions, and financial entities, Power Africa employs a transaction-centered approach to directly address key constraints to project development and investment in the power sector. These interventions aim to mitigate investment risk and accelerate financial close by facilitating project bankability, providing technical and transaction support to engaging with host-government counterparts: https://www.usaid.gov/powerafrica/toolbox.

Power Africa in South Africa. In South Africa, the Power Africa interagency team is working to support the country's effort to introduce large-scale renewable energy and natural gas (for power and other uses) into the economy, while assisting the government in their effort to strengthen and expand the regulatory framework. Additionally, Power Africa plans to provide transaction advisory support to municipalities, developers, and finance partners.

Sub-Sector Best Prospects

Products and services with immediate need or potential in South Africa include:

- Renewable Energy Independent Power Producer Procurement Programme (REIPPPP).
- Energy Services
- Energy Efficiency and Demand-Side Management (DSM) Technologies.
- Oil/Gas, LNG Provision, Exploration Equipment, Extraction, Pipeline, and Fuel Conversion.
- Transmission and Distribution Equipment.
- New Plant Equipment and Related Systems.
- Process Automation and Systems Control Equipment.
- Off-Grid Solutions, e.g., Fuel-Cell Technology.

Web Resources:

Engineering News
Website: http://www.engineeringnews.co.za

Eskom Media Statements
Website: http://www.eskom.co.za/News/Pages/default.aspx#Mstatements

Central Energy Fund SOC Ltd (CEF)
Website: http://www.cef.org.za

Department of Mineral Resources and Energy (DMRE)
Website: http://www.energy.gov.za

Eskom Holdings Limited
Website: http://www.eskom.co.za

South African National Energy Association (SANEA)
Website: http://www.sanea.org.za

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Ports/Marine

Overview

The South African Government views the country's ports and terminals as key engines for economic growth. South Africa is situated on one of the busiest international sea routes, critical to international maritime transportation, and its geographical location presents a huge opportunity for investing in a diversified maritime market. Transnet National Ports Authority (TNPA) which is one of five operating divisions of SOE Transnet is responsible for the safe, effective and economically efficient functioning of the national ports system, encompassing eight commercial seaports, which it manages in a 'landlord' capacity.

Opportunities

The first area of focus for Operation Phakisa, which was announced in June 2014, relates to maritime development of the 'Blue Economy.' There are four priority sectors for the Blue Economy: marine transport and manufacturing activities (coastal shipping, trans-shipment, boat building); offshore oil and gas exploration; aquaculture and marine protection services; and ocean governance. The South African Government has consulted with 180 stakeholders in the four priority areas to develop detailed plans of action for each sector. Operation Phakisa complements U.S. interests in protecting fragile ocean ecosystems and generating economic development through the utilization of South Africa's abundant maritime resources. It is estimated that Operation Phakisa could create over a million sustainable jobs.

The Ports Authority has several additional development projects planned for the next five to ten years. One such project will deepen the entrance channel of Durban harbor and widen it from 122 to 230 meters. The Ports Authority also plans to work with the municipality to build a R17 million bridge into the port. A dedicated car terminal for automobile transit will be created.

Port of Durban is the main container port on the South African coastline. While handling approximately 60% of South Africa's container traffic, the port serves KwaZulu-Natal, the Gauteng region and a large portion of the Southern African hinterland. Together with containers the port also accommodates dry bulk, liquid bulk, automotive and break bulk. Other present port activities, include facilities for local fishing industry, ship repair industries, visiting cruise liner vessels and recreational boating. The Port of Durban is bounded by the city centre to the north, residential areas to the west and east, and industrial land to the south. Thus, the development of the Durban Dig-Out Port (DDOP) at the old airport site (11 km south of the existing port) is vital for future expansion. Improvements to the throughput capacity of the existing precincts in the Port of Durban have been a priority in recent years. These projects include deepening and lengthening of the north quay at Berths 203 to 205, infilling at Pier 1, Maydon Wharf and Island View berth reconstruction and berth deepening and construction of a new passenger terminal. Long-term expansion is planned at the Durban Dig-Out Port.

In 2019 the container berth capacity dropped from 3.3 million TEUs (Twenty Foot Equivalent Units) per annum to 2.9 million TEUs per annum due to the berth deepening project at DCT. During this time the container demand will exceed container terminal capacity. The shortfall in container capacity will be accommodated by diverting the containers to the Port of Ngqura. By 2023, however, the container berth capacity is anticipated to increase to 3.8 million TEUs per annum. This increase is based on the expected completion of the berth deepening (additional 0.4MTEU/a) and lengthening (additional 0.5 MTEU/a) project.

The Port of Richards Bay reached the milestone in handling over 100 million tons of cargo during 2017/18. This truly positions the Port of Richards Bay as the bulk port of choice in the Southern African region. Furthermore the signing of the MOU between uMhlathuze Municipality, Richards Bay Industrial Development Zone (RBIDZ) and Transnet National Ports Authority (TNPA) has ensured that the port is positioned to be a natural location for bulk handling capabilities, although foreign demand for bituminous coal is decreasing. With the two phases of RBIDZ that are juxtaposed with first class industry while the deep-water Port of Richards Bay provides substantial volume for beneficiation opportunities for investments. With strategic projects such as Richards bay Expansion Project, additional liquid bulk terminals and the upgrading of roads and services will see the port take advantage of the N2 Business corridor links to provinces such as Gauteng, Mpumalanga and Limpopo and further into East Africa.

Cape Town is South Africa's second biggest seaport and its strategic location ideally positions it as a hub terminal for cargo to South America and the Far East. West/East Africa cargo has grown substantially, making the Cape Town Container Terminal the terminal of choice for trans-shipment cargo. The port exports fruit, perishable and frozen products, and fish and has a cruise ship terminal. The terminal handles 3,161 vessels per year for a gross tonnage of 44,501,297. Transnet National Ports Authority (TNPA) has selected the V&A Waterfront as the preferred bidder for the development of a cruise terminal at the Port of Cape Town. The V&A Waterfront would invest about R179-million to finance, design and develop the terminal, which would remain at E berth, Duncan Dock, in the Port of Cape Town. All international cruise liner vessels are required to dock at the Port of Cape Town as the first port of call in line with a directive from the Home Affairs Minister under the Immigration Act 13 of 2011.The upgraded Cape Town cruise terminal facility to be developed by V&A Waterfront will be a new gateway for tourism. About R1.2-billion on capacity-creating projects in Richards Bay will be set aside as Transnet pursues re-engineering of the port to create additional capacity for bulk products at the terminal.

The Port Elizabeth Container Terminal is one of the three specialized container-handling facilities along the South African coastline. Located in the center of South Africa's southern coastline, Port Elizabeth serves the immediate area of the Eastern Cape, where its main business focuses on the needs and requirements of the motor vehicle and components industry as well as various agricultural products. The terminal offers value-added services in the form of storage, packing and unpacking of containers and logistics management. With the development of the Port of Ngqura, which is South Africa's newest port and located within the Coega IDZ, this port is transitioning from being the primary central port to a premier automotive hub port and cruise terminal, primarily serving smaller or partially laden container ships. The port is exploring the untapped market of boat building in niche market of tug boats and navy vessels. The Port of Port Elizabeth handled most of the cargo in the region. With the Port of Ngqura becoming operational, the role of Port Elizabeth is changing from being the primary central port to one providing complementary services to Ngqura. In the short term, rationalization of activities will see manganese exports and liquid bulk imports moved to the Port of Ngqura, while the Port of Port Elizabeth and East London will continue to handle significant volumes of containers and vehicles.

Sub-Sector Best Prospects
Transportation Equipment and Infrastructure:

- Business Model Analysis
- Port Mobile Cranes
- Ship Repair
- Cargo Handling Services
- Weigh bridges
- Quayside Systems
- Upgrading of Existing Port Equipment

Web Resources

Transnet National Ports Authority
http://www.transnetnationalportsauthority.net/

Richard Bay Coal Terminal Consortium
http://www.rbct.co.za

For More Information, the U.S. Commercial Service, South Africa, can be contacted via email:
Sanjay.Harryparshad@trade.gov
Phone: +27 (0)31 305 7600 X3150, or visit our Website at:
http://export.gov/southafrica/index.asp

Aviation

Overview

	2018	2019 (estimated)	2020 (projected)	2021 (projected)
Total Market Size	440,000	445,000	25,000	110,000
Total Local Production	49,000	49,000	10,000	16,000
Total Exports	56,000	57.000	15,000	30,000
Total Imports	460,000	470,000	150,000	200,000
Imports from the U.S.	225,000	225,000	130,000	130,000
Exchange Rate: 1 $	14.14	14.58		

Unit: $thousand
Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Note: Above figures exclude the value of the aviation defense procurements.
Date Source: Above figures are unofficial estimates obtained from industry sources.

In 2016, South Africa ranked 76, after Greece, for global U.S. aircraft parts exports. However, the growth of commercial and general aviation in southern Africa has slowed down significantly; high operating costs and a sluggish economy are taking their toll on discount airliners and general aviation. The launch of the African Union's Single African Transport Air Market, which comprises 28 countries including South Africa, in 2018, provided airlines an opportunity to increase their operations on the continent. The biggest growth is expected in other Sub-Saharan African states as they ramp-up up their capacity to meet long-term growth in passenger travel and air freight. There has been a downturn in airborne off-shore utility and mineral deposit surveying done by South African operators in southern and central Africa over the past years. Unmanned aerial systems (UAVs) / drones are however making steady progress for a host of utility and security applications.

The single most important aviation procurement, the long-anticipated upgrade of the national carrier South African Airways (SAA) fleet amounting to as many as 20 jetliner aircraft is still in question, with the statutory appointed Business Practitioner Rescue (PBR) process under close scrutiny by both National Treasury and organized labor. The SAG is still hoping that a turn-around strategy will succeed by finding an equity partner.

The Civil Aviation Authority (CAA) in 2015 released drone regulations (http://caa.co.za/Pages/RPAS/Remotely%20Piloted%20Aircraft%20Systems.aspx) that have complicated certification of UAVs; however, there is significant pent-up demand for this disruptive technology in surveying, surveillance, and infrastructure:

Sub-Sector Best Prospects
The best prospects for U.S. suppliers are:

- Professional Drone Componentry, Systems, and Training Ground Support Equipment
- Passenger Transport Vehicles
- Cargo De-Grouping and Logistics
- Air Traffic Control
- Instrument Landing Systems
- Aircraft Technician Training Systems

Opportunities
Due to a shortage of skilled technicians and a low throughput from training institutions, there are opportunities in training systems to upgrade the skills pool. There is also demand for commercial and general aviation solutions from the United States in the following fields:

- Engine Management Systems
- Precision Tooling
- Maintenance, Repair, and Overhaul (MRO) Certification
- Flight Training Systems

Web Resources

Airports Company South Africa (ACSA)
Website: http://www.airports.co.za

Air Traffic and Navigation Services (ATNS)
Website: http://www.atns.co.za

Commercial Aviation Association of Southern Africa (CAASA)
Website: http://www.caasa.co.za

Civil Aviation Authority of South Africa (CAA)
Website: http://www.caa.co.za

Exhibitions:

Africa Aerospace and Defence (AAD) 2022
Land, Sea and Air Systems Show
Date: September , 2022
AFB Waterkloof, Pretoria
Website: http://www.aadexpo.co.za

For More Information, the U.S. Commercial Service in Johannesburg, South Africa, can be contacted via e-mail at:
Johan.vanRensburg@trade.gov; phone: +27 11 290 3208; fax: +27 11 884 0253, or visit our Website: http://export.gov/southafrica/index.asp.

Rail Infrastructure

Overview

	2018	2019 (estimated)	2020 (projected)	2021 (projected)
Total Market Size	995,000	995,000	750,000	700,000
Total Local Production	130,000	130,000	140,000	140,000
Total Exports	54,000	54,000	55,000	55,000
Total Imports	1,120,000	1,000,000	700,000	800.000
Imports from the U.S.	430,000	420,000	320,000	280,000
Exchange Rate: 1 $	14.14	14.58		

Unit: $thousand
Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Note: Above figures exclude the value of the independent Richards Bay coal terminal consortium upgrades and multi-year diesel and electric locomotives roll-out confirmed in 2010 and 2014. Figures also exclude related road, highway and port/maritime investments. Figures are unofficial estimates obtained from press and industry sources.

South Africa has the best rail infrastructure in Africa. However, rail (freight and passenger) and port capacity shortages remain a severe constraint in domestic and regional trade, even in the currently constrained business environment. The South African Government has announced plans to spend R900 billion by 2027 on transportation infrastructure, although project implementation has been slow and may be reviewed to ensure good governance and sustainability. The authorities seem intent on addressing failings in the rail environment and have made progress in streamlining the freight and passenger network on the 3'6" Cape gauge with new tractive systems, carriages, hoppers, signalling and fare collection systems, but internal inefficiencies and administered rail tariffs have made competing against road freight difficult. Feasibility studies to expand the 4'8" gauge Gautrain high speed passenger rail project in Pretoria and Johannesburg across Gauteng Province have been completed but implementation may only start over the medium term.

Opportunities

The Tambo Springs greenfield multimodal rail, road and air hub in Gauteng Province, due to be fully commissioned in 2023 or later, is valued at $15 billion. Implementation announcements around the Tambo Springs inland container terminal to be built in Ekurhuleni to the east of Johannesburg have been made: www.tambosprings.co.za

In view of declining bulk exports, the state-owned Transnet Freight Rail (TFR) and others are reviewing logistic (mostly rail, but also ports) projects such as upgrading the Sishen-Saldanha Bay ore line, the Richard Bay coal line and other new coal line networks in the north-west. Transnet's rail and port projects were set to cost around R300 billion over seven years and include augmenting the tractive and bulk car fleet, signaling, maintenance, advanced train management systems and network expansion/concession models.

A multibillion-Rand deal with the Development Bank of Southern Africa (DBSA) to provide funding and expertise for Transnet's private sector participation program was formalized in 2015. The agreement will pave the way for DBSA to co-fund preparatory and strategic support for Transnet projects, including the manganese common user loading facility in the Northern Cape and the Grootvlei coal loading structure in Mpumalanga Province.

Sub-Sector Best Prospects

Transportation equipment and infrastructure:

- Strategic Route Design and Network Planning
- Business Model Analysis and Project Management
- New and Refurbished Locomotives for African Railroad Operators
- New Bulk Car and Other Dedicated Rolling Fleets
- Smart Signalling and Operations Automation
- Automatic Fare Collection Systems
- Rolling Stock Depot Design

Web Resources

Tambo-Springs
http://www.tambosprings.co.za/hub-areas/rail-road-and-intermodal/?id=13
http://www.l2b.co.za/Projects/Project/View/5f7d2b48-ed10-4daa-b1f2-f2b7a2592a72

Transnet
http://www.transnet.co.za

Rail-Road Association
http://www.rra.co.za

Richard Bay Coal Terminal Consortium
http://www.rbct.co.za

Transnet Ports Authority
http://www.transnetnationalportsauthority.net/

Passenger Rail Agency of South Africa
http://www.prasa.com/contactdetails.aspx

Exhibitions:

Africa Rail 2020 Conference and Exhibition
October 19-20, 2020
Sandton Convention Center, Johannesburg
https://www.terrapinn.com/exhibition/africa-rail/index.stm

For More Information, the U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at:
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http://export.gov/southafrica/index.asp.

Environmental Technology

Overview

Water scarcity is a major challenge in South Africa that also represents a substantial opportunity for investors and businesses in the water sector.

South Africa is ranked as the 30th driest country in the world. It is a highly water-stressed country, with extreme climate and rainfall fluctuations (WRI 2015). Agriculture is the largest user of water followed by municipalities that include residential, commercial, and industrial users.

In order to address water scarcity and provide reliable water and sanitation to all South Africans, businesses and industries in the country estimate that an approximately R90 billion ($5.21 billion) per year of investment is needed in water infrastructure over the next 10 years (DWS 2017A)

At current consumption rates, South Africa will be using more water than it has by 2025, according to the Department of Human Settlements, Water and Sanitation. By 2030, South Africa will be using 17% more than it is today, according to the 2030 Water Resources Group.

Opportunities

The inaugural Sustainable Infrastructure Development Symposium South Africa (Sidssa) launched in June 2020 to increase infrastructure spending and employment. The platform seeks to build partnerships between public- and private-sector stakeholders interested in infrastructure investments.

The Mokolo Crocodile Water Augmentation Project (Phase 2A) project aims to increase water supply in the Lephalale region of the Limpopo Province. The water generated through the initiative will be used as a second source for the Medupi and Matimba Power Stations and will also help meet the growing demand for water in the Lephalale Municipality. The proposed investment value of the project is R12.4 billion ($720 million) and the investment period is five years.

Other areas of opportunity include:

- Smart metering and monitoring, water-efficient technologies, water reuse technologies, alternative water treatment systems, and water augmentation opportunities such as wastewater reuse and desalination
- Bulk water transfer projects, which provide opportunities to leverage new technologies.
- Construction of new dams and irrigation programs
- Clean water and sanitation
- Leak detection technologies
- Acid mine drainage
- Industrial and commercial sectors that are water intensive such as the food and beverage sectors
- New developments in green energy
- Municipal level projects

Majority of these water projects are through the different municipalities and would require a tender process.

Other sub-sector prospects in the envirotech sector include:

- Waste treatment projects

- Organic waste treatment
- Pollution and air control
- Solid waste management

Web Resources

Key Contacts
Department of Environment, Forestry and Fisheries (DEFF)
Website: http://www.environment.gov.za

Recycling Economic Development Initiative of South Africa
Website: http://www.redisa.org.za

Department of Human Settlement, Water, and Sanitation (DWS)
Website: http://www.dwa.gov.za/
Water Research Commission
Website: http://www.wrc.org.za

Water Institute of Southern Africa (WISA)
Website: http://www.wisa.org.za

Rand Water - South Africa
Website: http://www.randwater.co.za

For More Information
The U.S. Commercial Service Commercial Specialist for the Envirotech Sector in Johannesburg, South Africa can be contacted via e-mail at:
Mohammed.essay@trade.gov
Phone: +27-11-290-3025;
or visit our Website: http://export.gov/southafrica/index.asp.

Agricultural Sector

Overview

This section will cover the agricultural equipment space as well as agricultural commodities.

South Africa's agricultural sector is one of the world's most diverse, consisting of corporate and private intensive and extensive crop farming systems, including vegetable, fruit, nuts and grain production. The well-developed commercial farming in South Africa is the backbone to the country's agricultural economy.

South African climate ranges from subtropical to Mediterranean, allowing for a multitude of farming opportunities. The country's biodiversity ensures that products such as grains, fruit and wine are exported and preferred for its exceptional quality.
There is a growing demand to improve subsistence farming or informal small scale farming in South Africa.

Agricultural Equipment

Overview

	2018	2019 (estimated)	2020 (projected)	2021 (projected)
Total Market Size	1,150	1,265	1,280	1,300
Total Local Production	56	62	65	75
Total Exports	5.00	6.00	7.00	10.00
Total Imports	960	980	985	900
Imports from the U.S.	300	320	330	300
Exchange Rate: 1 $	14.14	14.58		

Units: $thousand
Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Date Source: Above figures are unofficial estimates obtained from industry sources.

Compared to the rest of Africa, South Africa has by far the most modern, productive and diverse agricultural economy. South Africa has a well-developed agricultural sector, which will stand the country in good stead in the face of continuing uncertainty both economically and in terms of the weather. There are many factors impacting on the industry – including credit ratings downgrade, land reform concerns, volatile exchange rate, ongoing weather concerns and the latest Covid-19 pandemic.

There are approximately 32,000 commercial farmers in South Africa, of which between 5,000 and 7,000 produce approximately 80% of agricultural output.

Forecasts show that the country's economic growth will remain under pressure, as consumers continue to tighten their belts because of a contracted economy and higher inflation over the last year. Investment in agriculture is widely recognized as a key precondition in achieving goals related to improving food security, creating jobs, creating wealth, and thereby reducing poverty. There are still notable headwinds moving into

2020 that can affect the farming sector. Weak global growth, domestic in-put costs, aftermath of Covid-19 and policy uncertainty could impact the economy negatively and lead to unintended consequences.

As the agricultural sector is largely export driven, it is hedged against the negative impact of a major credit downgrade, but farmers are susceptible to higher borrowing costs, depressed local demand and foreign animal and plant health import approvals.

Sub-Sector Best Prospects

The best prospects for U.S. suppliers, in South Africa and the region, are:

- Tractors
- Combine Harvesters
- Balers
- Planters
- Precision Agriculture Equipment and Technologies
- Sprayers
- Irrigation
- Storage
- Soil Testing Equipment
- Spare Parts and Service Facilities

Opportunities

Despite the current economic downturn, farmers appear to be upbeat about current agriculture conditions. Sporadic rains and prevalent dry weather conditions are a concern issue and present opportunities for no till planting equipment. Companies and farmers have indicated a strong interest in soil sampling equipment.

The integration of digital technology into agriculture presents a major opportunity for Sub-Saharan Africa. The emergence of the mobile phone as a popular communication tool, coupled with internet-based solutions, could significantly boost access to financing for agricultural inputs across the value chain. Digitalization, as well as the effective use of fertilizer and seeds, will become increasingly important in unlocking agriculture prospects in Africa. Trending technologies in agriculture include data management, machine learning, artificial intelligence, automation and drone-based applications.

Production research and technology, which South Africa needs to invest in, is an area of opportunity for growth in agriculture and in alleviating the vulnerability of crops and livestock.

There are very few barriers to bringing new equipment to the South African market. Equipment like planters, sprayers, and tilling equipment enter duty free, provided the exact same product is not manufactured in this market. Most of the precision agriculture equipment such as planters, self-propelled sprayers, and combine harvesters are imported from South America, Europe, and the United States; smaller implements are purchased locally. Known U.S. brands such as Massey Ferguson, John Deere, New Holland, AGCO, and Case IH are well-entrenched and well-known for their quality in this market.

South Africa is the platform for "regional expansion," with excellent opportunities for U.S. business in neighbouring countries such as Zambia, Zimbabwe, Angola, Mozambique and Botswana. Second-hand tractors and equipment are also well-received in these regional markets.

South Africa hosts the largest agricultural equipment show on the continent called NAMPO Harvest Day. This outdoor show takes place in May each year and provides an excellent opportunity for U.S. firms to exhibit their equipment and technology.

Trade Barriers
A lack of direction on land reform is one the issues that farmers are watching closely.
The debate on "land expropriation without compensation" has created considerable policy uncertainty and farmers and potential investors are concerned about the protection of private property rights, thus negatively impacting investor confidence.

All import and export commercial transactions require commodities on custom declarations to be classified according to an appropriate tariff heading. The tariff classification code is directly linked to the rate of duty payable on that commodity. Classification operates as part of the international Harmonized Commodity and Coding System, under the World Customs Organization (WCO) Harmonized System Convention.
Importation of all second-hand goods is subject to import control and an import permit is required.

The agricultural sector is in a precarious situation due to its backward and forward linkages with other sectors in the economy. Thus, the South African agricultural sector will suffer from the so-called contagious effect in that what happens to other sectors of the economy will have a bearing on the agricultural sector as a result of Covid-19.

Web Resources

Exhibitions and Conferences
Show: NAMPO Harvest Day
Focus: Largest Agriculture Machinery and equipment show in the Southern Hemisphere.
Dates: May 11–14, 2021
Venue: Bothaville, Free State, South Africa

South African Agricultural Machinery Association (SAAMA)
Website: http://www.saama.co.za/

NAMPO Harvest Day
Website: http://www.nampo.co.za

Agri SA
Website: http://www.agrisa.co.za/

Agricultural Business Chamber (ABC)
Website: http://www.agbiz.co.za

South African Department of Agriculture, Land Reform and Rural Development (DALRRD)
Website: http://www.drdlr.gov.za/

Agricultural Commodities

Overview

South Africa has a market-oriented agricultural economy that is highly diversified and includes the production of all the major grains (except rice), oilseeds, deciduous and subtropical fruits, sugar, citrus, wine and most vegetables. Livestock production includes cattle, dairy, hogs, sheep, and a well-developed poultry and egg industry. Value-added activities in the sector include slaughtering, processing and preserving of meat; processing and preserving of fruit and vegetables; dairy products; grain mill products; crushing of oilseeds; prepared animal feeds; sugar refining and cocoa, chocolate, and sugar confectionery amongst other food products.

The agricultural sector contributed around 10 percent to South Africa's total export earnings in FY 2019 at a value of $10.7 billion. Citrus, wine, table grapes, corn and wool accounted for the largest exports by value. South Africa also exports nuts, sugar, mohair, apples and pears to name just a few products.

South Africa imported $7.6 billion in agricultural and food products in FY 2019, which is a decrease of 3 percent from FY 2018. The major products imported were rice ($448 million), wheat ($421 million), chicken cuts and offal ($377 million), palm oil ($261 million), whiskies ($176 million), cane sugar ($149 million) and soybean meal ($131 million).

In FY 2019, the United States exported $389 million of agricultural, fish and forestry products to South Africa, up 9 percent from the previous fiscal year. Major products exported by the United States to South Africa included, poultry meat, wheat, planting seeds, distilled spirits and tree nuts. Other products imported by South Africa from the United States included dairy products and sorghum.

USDA's Foreign Agricultural Service (FAS) in Pretoria prepares more than thirty market intelligence reports for different agricultural commodities in the Southern Africa region. FAS also prepares reports that highlight the opportunities and regulatory processes for United States agricultural exports to South Africa.

The Exporter Guide for South Africa is a good starting point for United States agricultural and food companies that view South Africa as a potential market. Please feel free to contact the Foreign Agricultural Service in Pretoria for further information at the following address:

Foreign Agricultural Service
U.S. Embassy
Pretoria
South Africa
Tel: +27 (0)12 431 4057;
Fax: +27 (0)12 342 2264
Email: agpretoria@fas.uda.gov

Sub-sector Best Prospects

Grains

The grain industry (barley, maize, oats, sorghum and wheat) is one of the largest agricultural industries in South Africa, contributing more than 30% to the total gross value of agricultural production. The industry is comprised of a number of key stakeholders including input suppliers, farmers, silo owners, traders, millers, bakers, research organizations, financiers, etc. The animal feed industry is an important client and role player in the grain supply chain. Around 6.0 million tons of grain and 1.6 million tons of oil cake (from imported and locally produced sunflower and soybeans) are used by the animal feed manufacturing industry in South Africa.

Corn is the largest locally produced field crop, and the most important source of carbohydrates in the SADC region for animal and human consumption. South Africa is the main corn producer in the SADC region, with an average production of around 12 million tons per annum. Local commercial consumption of corn amounts to more than 11 million tons, and surplus corn is usually exported. Wheat is produced mainly in the winter-rainfall areas of the Western Cape and the eastern parts of the Free State with considerable annual fluctuations in production. Average wheat production has been about 1.8 million tons a year. There is, however, a distinct downward trend in the area planted to wheat over the past few years. Thus, South Africa has become more dependent on imports to meet the local demand of about 3.3 million tons.

Grains	FY 2017	FY 2018	FY 2019
Total Exports	505,000	448,000	310,000
Total Imports	553,000	409,000	510,000
Imports from the U.S.	79,000	15,000	48,000

Unit: $thousand

Wheat

South Africa is the only country in the region with significant wheat production. However, over the past 20 years, and especially after the deregulation of the market in 1997, there has been a decreasing trend in the area planted with wheat despite increasing local consumption. Declining profit margins saw local wheat farmers scaling down wheat production and switching to other crops like canola, corn, soybeans or increased livestock production. Furthermore, the trend in wheat production has been sporadic over the past 20 years because of unpredictable weather conditions. Without an advance in technology or policy changes, the decreasing trend in hectares planted with wheat in South Africa will continue.

Hence, FAS/Pretoria forecasts that the declining trend in hectares planted with wheat will continue in the 2020/21 marketing year, due to the crop's decreasing profitability. FAS/Pretoria estimates producers will plant about 520,000 hectares of wheat which could, on average yields, realize a wheat crop of about 1.7 million tons. Annual wheat consumption in South Africa is about 3.4 million tons, or about 55 kg per capita, which means South Africa will have to import at least 1.9 million tons of wheat to meet local demand. South Africa's wheat consumption is the highest in Sub-Saharan Africa and is expected to increase annually with population growth and increased urbanization to South Africa's major cities.

Wheat	FY 2017	FY 2018	FY 2019
Exports	33,000	17,000	42,000
Imports	327,000	398,000	421,000
Imports from the USA	21,000	7,000	35,000

Unit: $thousand

Opportunities

Contact U.S. Wheat Associates Cape Town office for current opportunities in the South African market for U.S. wheat at http://www.uswheat.org.

Web Resources on Wheat

U.S. Wheat Associates has an office in Cape Town, South Africa. They can help any company interested in purchasing or exporting U.S. wheat. They can be contacted at InfoCPT@uswheat.org

Alcoholic Beverages

South Africa consumes more than 4.5 billion liters of alcoholic beverages per annum and is also an important exporter of alcoholic beverages, especially wine. However, South Africa also imports a significant amount of alcoholic beverages, especially whiskies. Recent trends indicate that consumers are turning to new and innovative distilled spirits, including a greater prominence in previously disadvantaged areas.

South Africans' tastes and preferences are becoming more sophisticated and the average consumer is increasingly expecting a wider range of alcoholic products on retail shelves. As a result, an extensive range of new imported products has become available in the market. Openness to new products and an increasing middle class has helped to create a positive climate for the sale and promotion of United States distilled spirits. However, price sensitivity, rather than brand loyalty dictates consumer purchasing behavior.

Alcoholic Beverages	FY 2017	FY 2018	FY 2019
Total Exports	983,000	1,105,000	990,000
Total Imports	380,000	497,000	578,000
Imports from the U.S.	13,000	17,000	18,000

Unit: $thousand

Above Figures are from Global Trade Atlas

Web Resources on Alcoholic beverages

The Distilled Spirits Council of the United States can help U.S. distillers with market information and advice on how to export to South Africa (http://www.discus.org/).

Other Sub-sector Best Prospects

Overview: Poultry

The South African poultry meat industry, with a gross value of almost R47 billion (US$3.0 billion), is the country's largest individual agricultural industry and is contributing almost 17 percent to the total gross value of agricultural products. Broiler production makes up most of the poultry industry. However, South Africa only produces about 1.5 percent of the total broiler meat in the world and needs imports to augment local production and meet local demand.

Between 2000 and 2010, steady economic growth and increased average income in South Africa pushed large numbers of consumers towards protein-filled diets and convenience; as a result, meat consumption levels skyrocketed. The per capita meat consumption in that period increased on average by more than 4 percent per annum. Chicken meat consumption per capita grew by more than 7 percent per annum in the same period. As South Africans' disposable income grew, their buying behavior reflected their strong fondness for meat. Since 2010, however, a slowdown in South Africa's economic growth also impacted the growth in meat consumption. The per capita consumption growth rate of meat slowed down to about 1 percent per year.

South Africa consumes about 3.9 million tons of poultry, beef, lamb, and pork meat per annum. In 2018, the South African consumer spent approximately R225 billion (US15 billion) on meat products, which represented 35 percent of total expenditure on food. Poultry meat represents more than 60 percent of total meat consumption in South Africa with a per capita consumption of 42kg per annum. As poultry meat is relatively inexpensive and ubiquitous, it is the most important protein source in the diet of the majority of South Africans. This is especially true in low-income households, who constitute the majority of consumers.

Three fundamental characteristics distinguish South Africa's chicken meat market from many other countries. The first characteristic is the predominant demand for bone-in (brown meat) chicken cuts compared to breast meat (white meat). Bone-in chicken cuts represent almost 60 percent of total chicken meat demand mostly sold as "individually quick frozen" pieces in the form of low-priced 2kg and 5kg mixed packs. Brining is the second characteristic. Almost all locally produced frozen chicken contains brine in order to preserve and enhance the quality of the meat.

In 2016, the South African Department of Agriculture introduced a regulation to restrict the brined content to a maximum of 15 percent of the mass sold. Prior to 2016, brining levels of up to 43 percent were recorded, which resulted in higher water content per package of frozen chicken meat. The third characteristic is the relatively small demand for fresh (not frozen) chicken meat. Fresh chicken meat represents less than 10 percent of total consumption of chicken meat in South Africa. These characteristics reflect the predominance of a lower-income consumer base, as fresh chicken meat is usually sold at a premium over frozen and brined bone-in chicken pieces.

Broiler meat accounts for more than 95 percent of all poultry meat imports by South Africa, with the balance largely being turkey products. South Africa imported 538,000 tons of poultry meat in FY 2019 at a value of $435 million. Chicken cuts and edible offal represented the largest category of poultry meat imports, namely 55% or 295,000tons, at a value of $277 million (64% of the total value of poultry meat imports). The second largest category in volume is mechanically deboned meat with a share of 35% or 190,000 tons, at a value of $95 million (22% of the total value of poultry meat imports). These two poultry meat product segments represent 90% of total poultry meat imports in quantity by South Africa.

Brazil is the leading trading partner for South Africa in terms of poultry meat, with 45% market share in value followed by the United States with 17% market share. tons, at a value of $95 million (22% of the total value of poultry meat imports). These two poultry meat product segments represent 90% of total poultry meat imports in quantity by South Africa. Brazil is the leading trading partner for South Africa in terms of poultry meat, with 45% market share in value followed by the United States with 17% market share.

Poultry	FY 2017	FY 2018	FY 2019
Total Exports	105,000	94,000	85,000
Total Imports	455,000	513,000	435,000
Imports from the U.S.	73,000	103,000	86,000

Unit: $thousand

Above Figures are from Global Trade Atlas

Chicken bone-in portions

Overview

United States bone-in broiler meat exports to South Africa have been hampered by an anti-dumping duty that was put in place in 2000. In 2012, the anti-dumping duty was extended for another 5 years and was set at R9.40 per kilogram. However, in June 2015, representatives from the United States and South African poultry industries agreed on a tariff rate quota of 65,000 tons of United States bone-in chicken meat to enter South Africa without the anti-dumping duty. Notably, these bone-in chicken meat imports are still subject to a most favored nation (MFN) duty, which increased from 37 to 62 percent in March 2020.

In January 2016, the U.S. and South African governments concluded negotiations of the final health certificates, and the first shipment of United States bone-in broiler meat landed in South Africa in March. Exports continued and as a result the United States exported about 20,000 tons poultry meat to South Africa at a value of almost US$ 18 million in FY 2016. In FY 2017, the volume increased to 74,000 tons at a historical high value of US$73 million.

Notwithstanding this improvement, South Africa again extended the anti-dumping duty in 2017 for an additional 5-year period. The positive trend in poultry exports continued in FY 2018 with the United States exporting 95,000 tons of poultry products to South Africa at a record value of $103 million. In 2019, pursuant to the administrative guidelines, the South African Department of Agriculture raised the tariff rate quota to 68,590 tons for the 2019/20 quota year (April to March). In FY 2019, the United States exported 85,000 tons of poultry products to South Africa at a value of $86 million.

Web Resources on Poultry

The U.S.A. Poultry and Egg Export Council can help U.S. poultry exporters with market information and advice on how to export to South Africa (http://www.usapeec.org).

For more information, the U.S. Commercial Service Commercial Specialist for Agriculture in Johannesburg, South Africa, can be contacted via email at:
Mohammed.Essay@trade.gov
Phone: +27 11 290 3025
or visit our Website: http://export.gov/southafrica/index.asp.

Mining Equipment

Overview

	2018	2019 (estimated)	2020 (projected)	2021 (projected)
Total Market Size	190,000	195,000	50,000	750,000
Total Local Production	64,000	66,000	30,000	45,000
Total Exports	22,000	22,000	15,000	19,000
Total Imports	130,000	135,000	78,000	
Imports from the U.S.	40,000	41,000	10,000	20,000
Exchange Rate: 1 $	14.14	14.58		

Unit: $thousand
Data Sources: Above figures are unofficial estimates obtained from industry sources.
Note: Figures include exploration and extraction equipment, but exclude beneficiation and bulk transportation equipment.

The U.S. construction equipment sector exports to South Africa from 2011 to 2015 were over 600% higher than the next largest African market, Egypt (this sector includes construction, earthmoving and mining equipment). Overall, regional sector Africa growth since 2013 was relatively flat; regional export performance, however, mirrored overall global developments and have declined sharply since 2015.

The challenges in the mining industry, such as high input costs, environmental, health and safety regulations, a fluctuating exchange rate, and logistic inefficiencies continued to be aggravated by low commodity prices. In 2018/19 this resulted in precipitously declining employment, growth and business confidence in the mining sector. However, some mining houses have been able to improve credit ratings. The general malaise in the mining sector has been aggravated by uncertainty regarding Government intentions on mine nationalization, and investors remain cautious; half of all mining operations are said to be loss-making. The downturn in the exports of manganese, iron ore and the platinum sector do not bode well for new capital expenditure projects in this niche. Nonetheless, South Africa is one of the premier ores and mineral sources in the world, and a net exporter of mining technologies. It is a major supplier of Platinum Group Metals (PGM), coal, iron, manganese, chrome and nickel. It is also has Rare Earth Element (REE) deposits and related speciality refining infrastructure.

Sub-Sector Best Prospects
The South African mining industry is well-developed and sophisticated. Many local equipment and service providers as well as organized events exist to facilitate the distribution of goods or services into the African continent. South Africa remains an important stepping stone to develop that area. U.S. goods and services in the following fields are well represented in South Africa:

- Software
- Furnaces
- Drill Rigs
- Automated Controls
- Mining Processing
- GIS Mapping

- Communications Systems
- Materials Extraction and Handling Technology

Opportunities
Mining and related projects have traditionally been responsible for significant infrastructure development. For example, 2,200 miles of railway line, three new ports and a large amount of bulk handling infrastructure at other ports remain in planning stages of both the South African Government and mining consortia. Increasing the efficiency of material handling systems is high on the agenda of exporters of ores and minerals.

Recent mining infrastructure plans include:

- Saldanha Bay iron and steel ore bulk export hub.
- Coega Port infrastructure development focused on the creation of a dedicated rail line for the export of manganese from the Northern Cape and the creation of a chorine plant.
- Further enhanced bulk material handling systems at the port of Richards Bay.

Web Resources
Mining Indaba 2021
Africa Mining Investment Conference and Exhibition
Date: February 1-4, 2021
Venue: CTICC, Cape Town
Website: www.miningindaba.com

Electra Mining Africa 2022
Mining, Industrial & Construction, Transport Exhibition and Conference
Date: 5-9, September 2022
Venue: MTN Expo Centre, Nasrec, Johannesburg
Website: http://www.electramining.co.za

Mining Weekly Publication
Website: http://www.miningweekly.co.za

Minerals Council South Africa
Website: www.mineralscouncil.org.za/

Council for Geoscience
Website: http://www.geoscience.org.za

Mintek
Website: http://www.mintek.co.za

For more information, contact the U.S. Commercial Service in Johannesburg, South Africa, via e-mail at: Johan.vanRensburg@trade.gov; Phone: +27 11 290 3208; Fax: +27 11 884 0253, or visit our Website: http://export.gov/southafrica/index.asp.

Healthcare

Overview

Saddled with a high disease burden - (HIV/AIDS, TB and rising non-communicable disease like diabetes, cardiovascular disease, hypertension, and cancer) - South Africa's healthcare includes two systems. The public system, catering to around 85 percent of the population, constitutes roughly 48 percent of total healthcare expenditure with funding from the state (approximately nine percent of GDP). Private healthcare, on the other hand, looks after 15 percent of the population who can afford medical insurance. Both sectors offer a range of services from primary to more specialized healthcare, but more advanced, high-tech products and elective procedures are more commonly found in the private sector.

South Africa is moving toward universal healthcare in the shape of the National Health Insurance (NHI). Through NHI, the government will likely become the main procurer of health goods and services, as well as investing in the public healthcare system to improve infrastructure and access. It is envisaged that NHI will begin a phased implementation by 2026, but this will be dependent on funding and political will, among other constraints.

The healthcare market in South Africa is highly complex and fragmented in terms of real purchasing power. Entry usually requires appointing a reputable and experienced distributor.

The public sector is the major purchaser of healthcare equipment and supplies, particularly for primary healthcare. Purchasing is devolved to each of the nine provinces that in turn publish their own tender notices, but the National Department of Health also issues tenders for national supply. Severe funding constraints make it difficult for public hospitals to maintain or purchase equipment. For now, the best prospects for advanced technology and equipment remain in the private sector. Hospitals in this sector are dominated by the big three hospital groups – Netcare Limited, Life Healthcare Group, and Mediclinic Southern Africa.

All healthcare-related products must be registered with and evaluated by the South African Health Products Regulatory Authority (SAHPRA). All entities involved in the manufacture, distribution, import and export of healthcare products must be licensed by SAHPRA. Only authorized representatives resident in South Africa can apply for registration of products with SAHPRA.

Medical Devices

Overview

	2018	2019 (estimated)	2020 (projected)	2021 (projected)
Total Market Size	1.38	1.27	1.07	1.021
Imports	1.21	1.143	0.963	0.918
Imports from US	0.302	0.285	0.240	0.229
Exports	0.178	0.127	0.107	0.102
Exchange Rate $1	14.14	14.58		

Unit: $billion
Data Source: Above figures are unofficial estimates obtained from Fitch Solutions and other industry sources.

In the near term, growth in the medical device market will be modest due to the economic recession, which the COVID-19 pandemic has recently exacerbated. Should the government pursue earnestly an NHI scheme, an increase in government spending to upgrade public health facilities and systems could catalyze some growth in this sector, though the recent, significant budgetary shortfalls will likely negatively impact government spending. Private sector investment will also continue, albeit at a cautious pace. The United States continues to dominate this market sector, with other major suppliers from the EU (Germany, France, Switzerland, EU) and Asia (China and Japan).

Consumables: This sector includes bandages and dressings, suturing materials, syringes, needles, catheters, etc. Currently estimated at $240 million (2019, Fitch Solutions), this market will grow around 1.7 percent in 2020. There is some local manufacturing, but over 90 percent is imported. Major suppliers are the United States, China, India and Mexico.

Diagnostic Imaging: Valued at an estimated $192 million (2019, Fitch Solutions), Germany and the United States are the leading suppliers in this market (20 percent market share each). Other players include Japan, China, Netherlands and the UK. Despite the underdeveloped nature of this market, there is great need for MRI and PET scanners, radiotherapy products, and other diagnostic imaging products in the public sector. Still, growth will remain muted due to depressed market conditions and unfavorable currency fluctuations.

Orthopedics and Prosthetics: Valued at $ 164 million (Fitch Solutions), practically all products in this sector are imported, mainly from the United States (40 percent) and Switzerland.

Dental: projected growth in this market will be muted, 2.9 percent in dollar terms from 2019 – 2024. The dental market is currently valued at around $37 million (Fitch Solutions). Although treatment often focuses on the curative, there is recognition that more needs to be done in the area of preventive care. The market is very small for high-end elective procedures due to the associated costs and limited insurance coverage. Over 90 percent of products in this market is imported, mainly from the United States and Germany (30 percent each). Smaller suppliers include Switzerland and China. There are some local manufacturers that supply dental instruments, supplies and implants.

Patient Aids: Worth approximately $163 million in 2019 (Fitch Solutions), this category includes portable aids, such as hearing aids and pacemakers, and therapeutic appliances like respiratory apparatus and mechano-therapy. More than 95 percent of this market is imported. The United States supplies around 25 percent and other main suppliers include China, Germany, and Switzerland. Growth will be dampened by current economic conditions.

South Africa does little local manufacturing, mostly confined to assembly and lower end products (there are exceptions). There are government incentives in place to encourage this sector, which is likely to increase in the future. Exports are mainly to other countries in Sub-Saharan Africa.

Pharmaceuticals

Overview

	2018	2019 (estimated)	2020 (projected)	2021 (projected)
Prescription Sales	3.03	2,97	2.57	2.70
Innovator Drugs	1.77	1.71	1.45	1.50
Generics	1.26	1.26	1.11	1.20
OTC	0.39	0.37	0.32	0.33
Exchange Rate $1	14.14	14.58		

Unit: $billion
Above figures are unofficial estimates and from various industry resources, including Fitch Solutions

South Africa remains the largest pharmaceutical market in Sub-Saharan Africa. Its prescription drug market is valued at approximately $3.0 billion (2019, Fitch Solutions), which equates to 88.7 percent of the total market in value terms but will drop in value due to prevailing market conditions.

Should the National Health Insurance plan materialize, there could be rising demand for prescription generic drugs, improved healthcare infrastructure and access, as well as increased local pharmaceutical production of generics. Demand and spend in this sector, particularly as it relates to high value medicines, will likely be tempered or entirely impeded by the economic recession and COVID-19 pandemic. There will continue to be emphasis placed on HIV/AIDS and TB treatment but over the long-term focus will also shift towards rising chronic disease burden – diabetes, cardiovascular disease, hypertension, and cancer treatments.

The market for innovator/patented drugs is estimated at around $1.7 billion (2019, Fitch Solutions), equating to 51 percent of pharmaceutical sales and around 58 percent of prescription drug sales. Growth in this sector will be slower due to the associated high costs. Most innovator drugs are imported with main supply from India, Germany, United States, and France.

Generic drugs, valued at $1.3 billion (2019, Fitch Solutions), are likely to see strong growth, both in terms of volume and spend, due to high demand and purchasing preferences (public sector), but also because of increased local production driven by government incentives and policies favoring local content.

Over the counter medicines represent the smallest segment of the market ($378 million). This segment is extremely competitive and much of it is driven by local production. South Africa does not produce any Active Pharmaceutical Ingredients (APIs).

All medicines, regardless of category (including dietary supplements), are subject to registration and evaluation by the South African Health Products Regulatory Authority (SAHPRA) which is guided by the

Medicines And Related Substances Act, 196: https://www.sahpra.org.za/wp-content/uploads/2020/02/Government_Gazette_Medicines_and_Devices_Act_Jun_2017-1.pdf_. Labeling compliance is also addressed in the Act.

Digital Health

The South African government has indicated that digital healthcare technologies will form an integral part of NHI in that it will strengthen healthcare systems, provide better access for patients and improve health outcomes. To this end, they have published a National Digital Health Strategy for South Africa 2019-2024, prioritizing

- The development of a complete electronic record for patients (some form of this already exists)
- Digitization of healthcare systems business processes
- An integrated platform and architecture (open source/open architecture) for health sector information to ensure interoperability of existing patient-based information systems
- Growing health to promote coverage for target population groups.
- Developing and growing digital health knowledge for implementers and users

More information on the strategy can be found at: http://www.health.gov.za/index.php/2014-08-15-12-54-26?download=3651:national-digital-health-strategy-for-south-africa-2019-2024

High data costs, low connectivity density and inadequate ICT infrastructure will need to improve significantly for the successful implementation of the strategy. Adequate funding for this initiative will be key to its proper and timely implementation. Due to the high number of mobile phones, and increasingly, smart phones, several health initiatives, like MomConnect http://www.health.gov.za/index.php/mom-connect – a public/private partnership, have proven very successful.

Opportunities

The underdeveloped market offers potential for growth but faces considerable restraints including serious funding issues, poor infrastructure, staff shortages (particularly in the public sector), and difficulties in accessing the market due to the considerable delay in SAHPRA's approval process. The COVID-19 pandemic and prevailing economic recession have only exacerbated these obstacles. Opportunities will exist for:

- Cost effective and innovative detection and treatment for cancer and other non-communicable diseases (NCD)
- Cost effective and innovative surgical equipment
- Advanced surgical technologies, robot-assisted surgeries to improve outcomes and address skills shortage (likely more in the private sector)
- Developing local manufacturing for medical devices and medicines (Public- Private Partnerships)
- Vertical integration of larger healthcare providers to control costs of their supply chain by owning more of it (mergers, acquisitions, partnerships) and using technology: IoMT (Internet of Medical Things), SaMD (Software as Medical Device), Cybersecurity, data analytics, digitization and compliance

Web Resources
National Department of Health (NDoH)
http://www.health.gov.za/

South Africa Health Products Regulatory Authority (SAPHRA)
http://www.sahpra.org.za/

South African Medical Devices Industry Association (SAMED)
http://www.samed.org.za

Radiological Society of South Africa
http://www.rssa.co.za

South African Orthopedic Association
http://www.saoa.org.za

South African Spine Society
http://www.saspine.org

Major Shows
Africa Health Exhibition 2021
Dates to be confirmed
Gallagher Convention Center, Johannesburg
www.africahealthexhibition.com

For more information, the U.S. Commercial Service in Johannesburg, South Africa, can be contacted via e-mail at:
Felicity.Nagel@trade.gov
Phone: +27 11 290 3332; Fax: +27 11 884 0253, or visit our Website:
http://export.gov/southafrica/index.asp.

Automotive

Overview

	2018	2019 (estimated)	2020 (projected)	2021 (projected)
Total Market Size	37.51	35.57	34.21	35.15
Total Exports	13.41	14.26	14.24	14.29
Total Imports	16.43	16.52	16.48	16.57
Imports from the U.S.	1.11	0.937	0.920	0.952
Exchange Rate: 1 $	14.14	14.58		

Unit: $billion
Data Source: Above figures are unofficial estimates obtained from industry sources.
Total automotive exports and imports (includes vehicles, OE components and aftermarket parts)

The automotive industry's contribution to South Africa's GDP in 2019 stood at 6.4% (4.0% manufacturing and 2.4% retail). As the largest manufacturing sector in the country's economy, as much as 27.6% of value-add within the domestic manufacturing output was derived from vehicle and automotive component manufacturing activity, positioning the industry and its broader value chain as a key player within South Africa's industrialization landscape. South Africa's global vehicle production ranking is 22nd with a 6.9% vehicle production market share.

The automotive industry therefore represents an increasingly important strategic and catalytic role in the overall South African economy by impacting directly on many important economic policy goals, such as contribution to GDP, employment, skills development, economic linkages, technology and innovation.

The South African automotive industry incorporates the manufacture, distribution, servicing, and maintenance of motor vehicles and components. Original equipment manufacturers (OEMs), official dealers, and repair specialists work closely together to provide maintenance and repair services. They cooperate to ensure warranty service, driver safety, environmental protection, spare parts availability, and information about technical improvements.

Automotive Policy

The Automotive Production Development Program (APDP) replaced the export-oriented Motor Industry Development Program in 2013 with the aim of stimulating local production of automotive components while maintaining the incentives for OEMs to manufacture passenger cars and light commercial vehicles in the country for export and the local market. One of the attractions of South Africa's automotive policy over the past two decades has been its long-term vision and consistency. The APDP has reinforced policy certainty, which is critical for the industry to make long-term investment decisions. The APDP's focus is on raising local value addition to enhance the automotive industry's manufacturing output and export competitiveness. The automotive sector relies heavily on the additional economies of scale provided by exports and competitiveness is critical to its success.

Under the APDP between 2013 and 2019, the nominal automotive export value grew by 96.4%, while the rate of the nominal import value was much slower, with an increase of 37.8%. The record automotive export value of $14.26 billion in 2019 reflected a substantial increase of 11.36%, compared to the $12.64 billion total export value in 2018. Record vehicle exports of 387 125 units in 2019 resulted in the vehicle export revenue increasing by $1.45 billion, or 13.86%, to $10.46 billion compared to the $9.01 billion in 2018, while automotive component exports reflected an increase of 4,7%, from 2018 to 2019. The automotive import value also increased by $890 million or 7.8%, from $11.47 billion in 2018 to $12.38 billion in 2019, mainly due to an increase in original equipment component imports to accommodate higher vehicle production volumes.

Market Trends

Vehicle and automotive component export growth in 2020 will remain a function of the direction and performance of global markets, while imports of new vehicles into South Africa are linked to the strength of the economy and movements in the Rand exchange rate. Low economic growth prospects will continue to dampen the imports of vehicles but OEM component imports are set to grow in line with higher vehicle production levels to support higher anticipated vehicle exports. Aftermarket parts and component imports will also grow in line with the growing vehicle park in the country. Considering the continued upward momentum in exports, subject to the global impact of Covid-19, along with a weak domestic market, it is anticipated that the automotive industry will show a net positive trade balance in 2020.

South Africa's main automotive country trading partners (exports and imports combined) for 2019, reflected South Africa's global linkages with the Original Equipment Manufacturers (OEMs) parent companies in Germany, the U.S. and Japan. The domestic automotive industry's biggest single trading country partner in 2019 was Germany. Total automotive trade between the two countries amounted to $9.53 billion.

The automotive sector has been one of the most visible sectors receiving foreign investments, with the seven OEMs investing $500 million in 2019, while also making investment commitments of $2.83 billion over the next five years. Concurrently, the component sector invested $248 million in 2019, whilst expecting to invest a further $1.42 billion in domestically sourced components over the next five years. Investment into South Africa at this scale is significant and will promote local value addition while importantly, technology is also embodied in the investment.

Top 10 countries (in order of import value) of origin for vehicles and automotive component imports into South Africa include: Germany, Thailand, Japan, China, India, USA, Spain, Czech Republic, UK and Spain

South African automotive exports to the U.S. increased by 157.6% from 2001 (when AGOA commenced) to 2019, while automotive imports from the U.S. increased by 458.2%, proportionally more than South African exports over the same period. Several top U.S automotive component suppliers are represented in South Africa, including Johnson Controls, Lear, TRW Automotive, Tenneco, Federal Mogul, Delphi, Visteon, and ArvinMeritor, amongst others. All these companies have built strong business links between their South African operations and other international stakeholders. These established business links enhance the potential for mutually beneficial trade between the United States of America and South Africa.

Aftermarket

The independent aftermarket is responsible for the manufacture and sale of automotive replacement parts and accessories through independent retailers and repair shops directly to the consumer, rather than to the OEMs themselves. The aftermarket also re-manufactures, distributes, retails and installs motor vehicle parts and products, other than the original equipment components. The import value of replacement parts increased from the $4.30 billion in 2018 to $4.46 billion in 2019.

Specialty Equipment and Accessories

There has been a rapid growth in demand for automotive aftermarket specialty equipment and accessories in South Africa. In the last nine years accessorizing and improving performance of vehicles has transformed from a hobby to a fully-fledged culture of fierce competition. In the race to individualize and distinguish their vehicles from others, enthusiasts constantly seek innovative, authentic specialty components and accessories with little regard to price. In this lucrative segment, South Africans are highly receptive to U.S. brands and often follow trends set in the United States. A constant need to distinguish and individualize vehicles creates opportunities for U.S. suppliers of automotive interior and exterior accessory products such as body styling kits; racing seats; alloy wheels; suspension-lowering kits; graphics; steering wheels; gear and hand-brake pouches; boot spoilers and wings; aluminum pedals; and xenon light kits.

Opportunities

South African specialty equipment and accessory wholesalers and retailers constantly seek to expand their product range and welcome opportunities to establish distributor/agent agreements with U.S. firms. Most of the performance products are imported directly from the United States, United Kingdom, Italy, and Germany. However, these imports may not necessarily be purchased from the manufacturer or with any exclusivity and/or distributor agreements. This scenario leads to "rogue distributors" and fierce competition amongst wholesalers and smaller retail-customizing and performance shops. South African companies are interested in acquiring U.S. distributorships, but often cannot accept the U.S. company's minimum requirement to ship. This leaves the South African importers without much choice but to engage U.S. agents who consolidate and ship U.S. automotive specialty products that are purchased from "third parties."

South African aftermarket importers and wholesalers often attend international exhibitions such as SEMA, AAPEX, Performance Racing Industry (PRI), and Automechanika to meet and partner with foreign companies not represented locally.

Exhibitions
Automechanika Johannesburg
Venue: Johannesburg Expo Center - NASREC
14-17 September 2021
www.automechanika.co.za

Futuroad Expo (Africa's International Commercial Vehicle Show)
Venue: Johannesburg Expo Center - NASREC
14-17 September 2021
www.futuroad.co.za

NAACAM SHOW 2021 (Africa's Automotive Component Initiative)
Date and Venue to be confirmed
https://naacamshow.co.za/

Web Resources

National Association of Automobile Manufacturers of South Africa
Website: www.naamsa.co.za

National Association of Automotive Component
and Allied Manufacturers (South Africa)
Website: www.naacam.co.za

For More Information, the U.S. Commercial Service, South Africa can be contacted via e-mail at: Jaisvir.Sewpaul@trade.gov; Phone: +27 21 702 7379; Fax: +27 21 702 7402, or visit our Website at www.export.gov/southafrica.

Green Building Technologies

Overview

South Africa presents potentially lucrative opportunities for U.S. firms involved in Green Building Technologies (GBT). According to McGraw-Hill Construction in the World Green Building Trends survey, the growth of green building in South Africa exceeds that of established sustainability building regions such as Europe, Australia, United States, United Arab Emirates, Singapore and Brazil.

The South African government, together with the private sector, recognizes the need for energy-efficient building systems and practices. To achieve a green and sustainable building culture, South Africa requires extensive international, financial, and technical support. Green building technologies and practices from developed countries, such as the United States and Australia, are sought.

Market Developments

Rising energy costs and changing regulations driven by environmental realities have led to an urgent need for more energy efficient buildings in South Africa. This has resulted in greater awareness of and increased demand for designs and products that reduce the energy intensity of buildings. The market for improved energy efficiency interventions and resource efficient building materials is also growing steadily within the South African construction sector.

The South African government's progressive green policy is exemplified in South Africa's involvement with the World Green Building Council (WGBC), where it used the expertise and guidance of other nations in establishing the Green Building Council of South Africa (GBCSA) in November 2008. The GBCSA is the entity currently leading the green revolution in South Africa. Market trends indicate great potential in this growing market and a growing desire and ability to offer more environment-friendly products. GBSCSA is positioned strongly to lead the green building movement in South Africa and has been recognized as the fastest growing member of the World Green Building Council.

While green building in South Africa is still about the drive for companies to operate in a more socially and environmentally responsible manner, financial incentives are becoming realized. Businesses strive to operate more efficiently in a climate of sharp increases in operating expenses such as electricity and water. As these costs rise, businesses are looking for ways to contain their total cost of occupation. Developers in South Africa are focusing on matters of bottom line, with the second motivation being natural resource conservation.

The green building industry is gaining momentum in South Africa, however, resources, including skilled professionals and manufacturers of green products and services are limited. Despite these constraints, the green building market in South Africa, is responding with a diverse range of green building materials, products and an accelerated growth of certified professionals.

In South Africa, certified new green buildings cover over two million square meters and savings in electricity, water consumption and waste disposal at these buildings are having a significant impact on reducing the construction sector's carbon footprint. Developers of a sample of 50 certified projects expect their buildings will result in yearly savings of 76-million kilowatt hours, the amount of electricity needed by 5,300 households for a year; yearly carbon emissions savings of 115-million kilograms, the equivalent to having 28 000 fewer cars on the road; and savings of 124 million liters of water a year - enough to sustain 34 000 households for a year.

Market Data

Currently South Africa's commercial property sector remains vulnerable to shrinking economic growth rates across many parts of the national economy. An over-supply of office space in some of the major commercial centers has also led to a decrease in the number of 'new-build' projects. Despite this, there are positive trends in the rising number of speculative, multi-tenant commercial buildings that are choosing to target certification and there is an increase in the number of commercial properties that are undergoing refurbishment to Green Star Standards. Against this backdrop, the GBCSA reports that the value proposition for green buildings remains resilient thanks to their superior tenant retention rates and lower operating costs versus conventional, non-green buildings.

Although no formal statistics are recorded for green building products in South Africa, the building and construction materials market is estimated at about $10 billion per annum, with 60% sold direct to end-users and 40% via the distribution/merchant network. Of this total, 18% worth of materials are used in the additions, alterations and home improvement market (including unrecorded home improvement).

As increasing environmental pressures take hold in South Africa, the country’s major construction companies and developers have shown they are focusing on pursuing green practices and projects, particularly in renewable energy projects where opportunities are emerging. There is a growing recognition that climate change opportunities exceed risks, and companies now seek to develop capabilities around greener practices and technologies on a wide scale across business units. Green Star SA certified buildings are currently located predominantly in Gauteng, the Western Cape and the Durban/Umhlanga area of Kwazulu-Natal. Green building in South Africa continues to gain traction.

Sub-Sector Best Prospects

Green Technologies in the following categories offer opportunities for U.S. companies:

- Natural Heating and Cooling; Natural Lighting (design of buildings to make optimal use of day-lighting) and Energy-Saving Lighting technologies.
- Energy Generation: photovoltaics, wind turbines, solar hot water heaters, flat panel collectors, evacuated tubes.
- Heating, Ventilation and Cooling, Greenwalls, Glazing and Windows, Solar Shading, Greenroofs/Cool Roofs, Permeable Paving, Water-Efficient technologies, Structural Insulated Panels and Formaldehyde–free board.
- Alternative Building Technologies

Opportunities

South African trained environment professionals are taking seriously the ambition to lessen the carbon footprint associated with buildings and residences, especially by using design and technological innovation to decrease energy consumption and limit waste. Local suppliers and manufacturers, however, are reluctant to tie funds up with expensive green stock and resources amidst the decline in the general construction industry.

Architects, consulting engineers and sustainability consultant teams are constantly coming up with alternative and cost-efficient building designs to offset the impact of the building on its immediate environment. Previously it was thought to be costlier to make the upfront capital investments to go green, however, volatility in both the cost and availability of power and water is influencing a mind-set change.

These circumstances leave a small but growing niche of green manufacturers in South Africa, resulting in many complex green building products being outsourced from abroad (mainly from Australia and the EU). In the long run, South Africa should have adequate resources to supply many green building materials, if they partner with relevant international companies to source technological expertise and obtain distributor and/or licensing agreements with these foreign entities. This is a potential opportunity for U.S. companies to explore.

As a first step, U.S. companies seeking South African representation should contact U.S. Commercial Service South Africa (http://www.export.gov/southafrica)

Exhibitions

Trade Events in South Africa

The Green Building Convention
Date: October 28-30, 2020
Venue: Century City Exhibition Center, Cape Town
Website: https://gbcsa.org.za/gbcsa-convention/

Web Resources

Green Building Council of South Africa
Website: http://www.gbcsa.org.za

Green Cape
https://www.greencape.co.za

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Information Technology

Overview

	2018	2019 (estimated)	2020 (projected)	2021 (projected)
Total Market Size	6.41	6.51	6.10	6.60
Hardware Sales	2.05	2.01	1.68	1.76
Software Sales	1.65	1.70	1.60	1.79
Service Sales	2.69	2.80	2.81	3.05
Exchange Rate: 1 $	14.14	14.58		

Unit: $billion
Data from Fitch Solution Industry Report Q3 2020
Data Sources: Above figures are unofficial estimates obtained from industry sources.

South Africa has one of the largest information and communications technology (ICT) markets in Africa. It shows technological leadership in the mobile software field, security software as well as electronic banking services. As an increasingly important contributor to South Africa's GDP, the country's ICT and electronics sector is both sophisticated and developing. Several international corporates operate subsidiaries from South Africa, including IBM, Unisys, Microsoft, Intel, Systems Application Protocol (SAP), Dell, Novell and Compaq. It is seen as a regional hub and a supply base for neighboring countries.

South Africa's ICT products and services industry is penetrating the fast-growing African market. South African companies and locally based subsidiaries of international companies have supplied most of the new fixed and wireless telecoms networks established across the continent in recent years.

Although the public sector is normally the largest player when it comes to IT spending, the short term sees the expenditure reducing to counteract the increasing debt from the economic downturn and the COVID 19 pandemic. The South African Government's budget in this sector focuses on key interventions to increase the usage of ICT to facilitate socio-economic justice and inclusion, improve competitiveness and prepare for the 4th / Digital Industrial Revolution. In April 2019 the President appointed a commission to focus on the 4th Industrial revolution. This commission will assist government in taking advantage of the opportunities presented by the digital industrial revolution. The task commission, which will be chaired by the President, is to identify relevant policies, strategies and action plans that will position South Africa as a competitive global player. The State Information Technology Agency (SITA) manages the public sector tenders; all IT related procurement should go through this agency.

The Government, via its programs and agencies will embark on an extensive skills development programme aimed at training one million young people by 2030 in Robotics, Artificial Intelligence, Coding, Cloud computing and Networking. South Africa has a data protection law called the Protection of Personal Information (POPI) Act that prohibits the transfer of personal information to a third party who is in a foreign country unless such transfer falls within the ambit of certain exemptions. POPI legislation provided for an Information Regulator (IR), which was established in 2018. The IR is charged with regulating the protection of digital personal information. POPI came into effect from July 1, 2020 with a one year grace period for companies.

Another big spender in this sector is the banking and financial institutions. As more people join the formal markets this industry is expected to grow in the next ten years. This will drive innovation in internet banking and more specifically mobile access and mobile money solutions.

Private consumption will rise, but the strong growth of smartphones is likely to offset PC and laptop usage. In the short term, the decreasing household purchasing power and the depreciated rand could also be responsible for tablets outselling notebooks, a less expensive piece of hardware and both outselling PCs. Households effected by the economic downturn will look for cheaper options. It is a strongly regionalized market, due to a lack of inter-city connectivity and infrastructure in parts of the country (rural areas) and it is very price sensitive. However, improvements to network infrastructure and adoption of cloud services and smart infrastructure will see this changing. In the short to medium term, there is a trend towards greater innovation in applications used for HR, payroll and teleworking software to increase operational efficiencies and flexibility as more people work from home during restricted movement. This might encourage more firms to look at how to decrease capital expenditure and include remote and teleworking strategies to be included in their digital policies.

Leading U.S. companies such as Microsoft are elevating South Africa into the lead group of countries for new product releases reflecting the growing importance of the market and the region. IBM opened an IBM Cloud Data Centre in Johannesburg in 2016. IBM will provide clients with a complete portfolio of cloud services. This is the result of close collaboration with South African, 100% black-owned firm Gijima and Vodacom and is designed to support cloud adoption and customer demand across the continent. This again demonstrates the willingness of foreign companies to invest in this market and use the local skills force to penetrate the market and the region. Amazon Web Services has also opened a data center in Cape Town. CISCO and Dell both have training academies within South Africa to assist with the development of skilled labour within this sector.

Sub-Sector Best Prospects

The major worldwide trend of moving toward cloud based systems is one that has gained momentum in South Africa especially with increased improvements in connectivity, decreasing cost and data center infrastructure. The strong entrepreneurial drive within the local IT sector is creating larger demand for cloud based services. Cloud based services and solutions are seen to offer cheaper, safer alternatives and efficiency gains in operations. Using the cloud is also seen to decrease susceptibility to piracy and cyber threats.

Machine-to-machine (M2M) communication and the Internet of Things is forecast to grow and is a fairly new development globally and not just in South Africa. With the rollout of fibre and cheaper data costs, opportunities will arise in this sector for connected living.

South Africa has a thriving start up and tech market. The South African government via the ICT small, medium and micro-enterprises (SMME) Development Strategy seeks to accelerate the growth and development in the SMME sector. Government support is given to partnerships for incubation, networking and capacity building.

Software

Business software spending may be driven by customer-centric industries such as retail, financial and telecoms, where businesses are recognizing that solutions can be a competitive differentiator. Cloud-based software products are expected to drive growth. This sub-sector is still hampered by piracy and it is estimated by the Business Software Alliance (BSA) that around 35% of installed software in SA is illegal. The need for security products is growing with company spends increasing to about 8% of the total IT budget. The higher end of

South Africa's software market has matured and companies are price sensitive and cautious about investing in new technologies. This may bring opportunities for software that integrates platforms.

E-commerce and related software is showing growth with South African online stores showing the number of online shoppers increased significantly year-on-year. South Africa is still nowhere near the global estimates of online retailers who make up 10-12% of total retail, South Africa is around 1% of total market for consumer goods. Cybersecurity remains a prevalent concern for South African consumers who rather opt for physical retail purchases. It is currently estimated that only 41% of households have at least one member with access to the internet at home or elsewhere. However, only 10% of households have internet access at home. Here mobile internet adoption has been widespread and provides significant opportunity for e-commerce websites on mobile devices. Mobile penetration rate reached 165% in 2018, although this number may include inactive SIMS.

Broadband access continues to improve due to investments in submarine and terrestrial fibre-optic networks which have increased capacity and coverage. This will continue to be an important factor for spending in this sector. The 2016 StatSA General Household Survey reported a national household internet usage of 59.3%, mainly accessed through mobile devices. The cost of data in South Africa is still relatively high. Some dominant operators charge eight times more per data bundle than in other African countries. After public demand the Competition Commission released a report on its market inquiry, mandating the telecommunication companies to lower their cost for data. The telecommunication companies blamed the small amount of available spectrum but are subsequently either in discussions to or have already lowered data costs making access for all South Africans a little cheaper.

Smart Cities

South Africa is the leader when it comes to smart city technology in Africa. South African cities recognize that the benefits of smart cities are wide ranging, affecting a broad spectrum of industries and making life easier for residents in a multitude of ways. However, most South Africans lack the basic services that should be supplied by their municipalities. Lack of infrastructure, maintenance and years of corruption have left residents wanting. As such the needs for each city and community will be different. The three major South African cities: Johannesburg, Cape Town, and Durban are taking the lead with various smart city initiatives and have put into operation some variants of smart city solutions. These cities are open to explore innovative technologies and best practices that are currently been implemented in first world countries. After facing the challenges of supplying electricity, housing, water, internet connectivity and tackling congestion as well as crime the cities can then focus on the luxuries of digital innovations for their communities.

South Africa understands the need for smart cities and the benefits of thereof relating to country-wide improvements. Quality of life expectations and implementation of best practices across different industries is a fervent goal that pushes for private and public sector cooperation. The South African Local Government Association (SALGA) promotes innovation in Local Government and encourages a mindset of innovation in municipalities nationwide. SALGA's role is to collect and disseminate knowledge on innovation, to encourage learning, and facilitate the replication of successful practices in different municipalities. Innovation creates connections among communities, government, the private sector and civil society seeking innovative ways to meet social needs. The SALGA captures the essence of South Africa's country-wide effort.

A number of challenges still stand in the way of smart cities becoming a reality in South Africa - an underdeveloped infrastructure, skills deficit, and need for local and international investment for example. This is a particularly vexing hindrance to the advancement of smart cities nationally, requiring well-trained, techsavvy individuals who understand and can use IT systems. The major metropolitan areas such as Cape Town, Johannesburg and Durban have started researching smart technologies geared to smart mobility to address traffic challenges due to an increase in urbanisation. You will find the best opportunities in the large metropolitan areas of South Africa.

Opportunities

There are opportunities within organizations looking for assistance in utilizing efficiencies from cloud computing such as Software as a Service (SaaS) and Infrastructure-as-a-Service. Cloud computing is becoming more important due to improved bandwidth availability, security and lowered cost of broadband, as well as additional internet providers competing in the market. The improvements in data center infrastructure has resulted in a boost to cloud computing. It is estimated that around 60% of large South African companies have implemented some form of cloud computing since 2016. With the increase of cloud computing local firms including the telecommunication firms are offering data center services. These include MTN, Vodacom, Neotel and BCX. Huawei, AWS, Microsoft, Oracle all have data centers and positioning themselves to be a regional hub.

There have been high-profile cyber-attacks and hacks on financial, utility, and even political parties. Due to the increase in internet traffic there will be increased demand for IT security products and software within most sectors. As the Internet of Things (IoT) or connected devices grows in popularity so does the threat of cyber hacks/attacks. This comes with an opportunity for cybersecurity related to these products. According to PWC, March 2016, 32% of (reported) organisations in South Africa were victims of cybercrime with 16% not knowing if they were victims or not. Only 35% had a cyber incidence response plan. As South Africa has some of the most developed infrastructure amongst its African neighbors this has led to an increase in cybercrimes in South Africa. The South African government has undertaken to focus on their Cybersecurity Hub, developing cybersecurity tools and monitor service offerings.

Web Resources

The Department of Communications and Digital Technologies (DCDT)
Website: http://www.doc.gov.za/

The State Information Technology Agency
Website: http://www.sita.co.za/

Computer Society South Africa
Website: http://www.cssa.org.za/

Internet Service Providers Association (ISPA)
Website: http://www.ispa.org.za

Information Technology Association (ITA)
Website: http://www.ita.org.za

The South African Communications Forum (SACF)
Website: http://www.sacomforum.org.za/

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Travel and Tourism
Overview

Although a country of 57 million people, relatively few South Africans have the financial resources to travel abroad. Nonetheless the number of visitors from South Africa travelling to the U.S. increased by 9.6% from FY 2017 to FY 2018 and a further 3% from FY 2018 to FY 2019. Outbound travel presents a good opportunity for the U.S. tourism industry.

Market Trends

Forecasts indicate an increase in South African outbound travel over the next few years, and industry has taken notice.

In April 2019, United Airlines announced a new route from New York/Newark Liberty International Airport to Cape Town International Airport that started service in December 2019. This is the first non-stop flight between Cape Town and the United States and compliments a number of carriers already in the market. Delta has daily flights from Johannesburg to Atlanta and South African Airways offers direct flights to Washington DC and New York City. Other airline carriers report an increase of 26% of South African travelers going to the U.S. through their network for the calendar year 2017-2018, and the trend continued in 2019. In May 2020, Delta Airlines announced plans for a new triangular Cape Town – Johannesburg – Atlanta route.

The United States remains a popular destination for South African travellers, the most popular type of travel being packaged trips. The duration of stays ranges from 10 days to four weeks, often with at least 2-3 nights in the metropolitan districts of New York, Los Angeles, Miami, Orlando and Las Vegas. The inclusion of attractions to major destinations, such as theme parks and tours is preferred, especially amongst first time visitors, while the use of online booking sites such as Viator, is growing in popularity amongst second-time visitors. Also high on the agenda for South African tourists in the U.S. is shopping and family oriented activities.

In the past, the visa process and the relatively few flights to the U.S. have played a role in the domestic travel industry marketing the U.S. as a travel destination. But the trend is slowly changing as travel agencies are looking for more exposure and new destinations. The U.S. Embassy and consulates across South Africa are working with local partners to better clarify the visa process. The granting of 10-year visas to South Africans also compares favorably to other competing destinations such as the UK and the Far East.

Travel Statistics

Total Number of South Africans (SA) travelling to the U.S. 2018 - 108,472
Total spending in the U.S. 2018 - $1,034,000,000
Top 10 US destinations for South African Travelers
State City New York New York California Los Angeles Florida Orlando Nevada Las
Vegas Illinois Chicago Texas Dallas Maryland Washington DC Georgia Atlanta Louisiana New
Orleans Colorado Denver

Web Resources
South African Department of Tourism
https://www.tourism.gov.za/Pages/home.aspx

Association of Southern African Travel Agents (ASATA)
https://www.asata.co.za/

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Education

Overview

The number of South African students studying in the United States increased by 6.8% to 2040 students, placing South Africa 5th in the continent in terms of students studying in the U.S. With 17% of the total South African population aged between 17- 24 there is a huge potential to increase this number, especially when considering that most students who attend an English medium high school can reliably be granted a waiver from TOEFL examinations which can be an obstacle in other countries.

The South African education system is divided as follows: Pre-high school (# of years): 07 (Grade R to Grade 6) High school (# of years): 06 Lower secondary (also known as the "senior phase") lasts through grade 9 and is mandatory. Students typically begin lower secondary at age 12 or 13. The curriculum for lower secondary school includes the home language, an additional language, mathematics, natural science, social science, technology, economic and management sciences, life orientation, and arts and culture. Students receive 27.5 hours of classroom instruction per week. Upper secondary, also known as further education and training (FET), lasts through grade 12, and is not compulsory. Entry into this phase requires an official record of completion of grade nine. Just as in the intermediate and senior phases, this phase comprises 27.5 classroom hours per week. The Academic year calendar runs from mid-January to early-December.

Traditionally the recommended times for U.S. educational institutions to visit are: are May, July (Private Schools), August (Public Schools), and September.

Market Trends

The top five receiving states for South African students are New York, California, Massachusetts, Texas and Pennsylvania.

Students in the U.S. by Academic Level Number% Change 2017- 2018
Undergraduate – 1156 +10.6%
Graduate – 550 +6%
Non – Degree – 334+13.1%
Optional Practical Training – -9.1%
Students in U.S. by U.S. Institution Type%
Undergraduates in 4 - year institutions 87%
Undergraduates in 2 - year institutions 13%
Public Institute vs Private Institute 50%- 50%

Web Resources

- Universities South Africa (www.universitiessa.ac.za)
- Council on Higher Education (www.che.ac.za)
- South African Qualifications Authority (www.saqa.org.za)
- Umalusi (www.umalusi.org.za)
- Independent Examinations Board [IEB] (www.ieb.co.za)
- Independent Schools Association of South Africa [ISASA] (www.isasa.org)
- National Qualifications Framework (www.nqf.org.za)
- South African Department of Education (www.education.gov.za)
- The International Education Association of South Africa [IEASA] (www.ieasa.studysa.co.za)
- The United States - South Africa Higher Education Network (www.ussahighereducationnetwork.org)

For More Information, the U.S. Commercial Service, South Africa, can be contacted via email: Sanjay.Harryparshad@trade.gov, Phone: +27 (0)31 305 7600 X3150, or visit our Website at http://export.gov/southafrica/index.asp

Franchise Brands

Overview

Franchising has proven a successful mode of business in South Africa. Since the 1960's, franchising has grown steadily. To date, there are 865 franchise systems (FASA Survey, 2018) and over 45,000 stores in the country, of which 80% are franchisee owned.

Most franchises are found in Gauteng Province, the capital hub of South Africa, followed by Kwa-Zulu Natal and the Western Cape. Around 39% of local concepts have operations outside of South Africa, mostly in neighboring countries, and 12% have a reach beyond Africa, including Dubai, the U.S. and UK.

Franchising turnover is estimated at approximately $52 billion, equivalent to 15.7% of South Africa's GDP in 2018, with a significant number of people employed in the sector.

Trends

Although the Fast-food and Restaurant category dominates (23%), along with Retailing (18%) and Building, Office and Home Service (13%), other categories, such as Leisure/Entertainment (4%), B2B Services (7%), Automotive (8%) and Childcare, Education, Training (9%) are popular.

Most franchise concepts in South Africa are local in origin. Only one in eight franchise brands is international, which includes a significant number of U.S. brands, such as Krispy Kreme, Burger King, McDonalds, Signarama, Pizza Hut, Starbucks, and Domino's Pizza.

Market impediments to obtaining U.S. concept are difficulty in financing the high start-up costs, as all the fees are dollar-denominated. The ability to source locally is an important factor in reducing in-put costs. The pool of qualified franchise candidates is small and difficult to find. Franchisors often cite the difficulty of finding the right franchisee and right location for their concepts, as well as the complexity of the market (highly fragmented). An indication of the current economic recession is that it now takes longer for franchisees to break even.

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Web Resources

Franchise Association of South Africa (FASA)
Telephone +27 11 615 0359
www.fasa.co.za

Franchise Indaba Expo
Date to be determined
Johannesburg
https://ife.co.za

Customs, Regulations & Standards
Trade Barriers

U.S. companies have cited protective tariffs as a barrier to trade in South Africa. Non-tariff barriers to trade include port congestion, technical standards, customs valuation above invoice prices, theft of goods, import permits, antidumping measures, violations of intellectual property rights (IPR), an inefficient bureaucracy, and excessive regulation.

In 2015, South Africa agreed to a Tariff-Rate Quota (TRQ) with the United States to allow the import of 65,000 tons per year of bone-in chicken leg quarters free of the anti-dumping duties. South Africa first imposed anti-dumping duties on U.S. chicken leg quarters in 2000, and renewed the duties through reviews in 2006, 2011, and 2017. Half of the quota is reserved for historically disadvantaged importers (HDIs). All imports of U.S. chicken require a health certificate from the Department of Agriculture, Forestry, and Fisheries, and bone-in leg quarters require a quota permit from the International Trade Administration Commission (ITAC).

For additional information on trade barriers for the Southern Africa Customs Union that includes South Africa, please see the National Trade Estimate Report on Foreign Trade Barriers published by the Office of the U.S. Trade Representative at:
https://ustr.gov/about-us/policy-offices/press-office/reports-and-publications/2017/2017-national-trade-estimate

In 2014 the Government of South Africa issued an affirmative final determination in its antidumping investigation involving imports of disodium carbonate (soda ash) from the United States. The South African Customs Tariff heading for this product is 2836.20.00. Soda ash is used in the manufacture of glass, paper, rayon, soaps, and detergents. It is also used as a water softener, stain remover and bonding agent. According to the schedule published by the South African Revenue Service, definitive antidumping duties imposed on U.S. imports of soda ash range from 8% to 40% as follows:

Tata Chemicals Partners Inc: 8%
OCI Chemical Corporation: 21%
All Others: 40%

While the penalty and market size are negligible for ANSAC, this may constitute a possible international precedent in relation to price fixing. South Africa is the only developing country that has effectively prohibited ANSAC.

According to Global Trade Atlas, South African imports of the merchandise under investigation were valued at $22.8 million in 2013, of which approximately $20 million (86%) was from the United States.

ITAC is tasked with administering South African trade laws and therefore receives requests for tariff protection from several local industries. For additional information on ITAC's responsibilities (tariff administration, trade remedies, and import and export controls) please visit its website at: http://www.itac.org.za.

Import Tariffs

South Africa applies Most Favored Nation (MFN) rates to imports from the rest of the world, as well as preferential rates applied to products originating from trade partners with which it has negotiated trade agreements. South Africa has an Economic Partnership Agreement (EPA) with the European Union. Tariff rates are detailed here and are part of the Southern African Customs Union arrangement (SACU – www.sacu.int): http://www.sars.gov.za/ClientSegments/Customs-Excise/Pages/Tariff.aspx

SACU comprises South Africa, Botswana, Lesotho, eSwatini (formerly Swaziland) and Namibia and administers a common external tariff for third parties. SACU member states also apply identical excise duties and ad valorem customs duties as reflected in the relevant schedules of the respective member States Customs and Excise Acts. In support of this, member States also do not have rules of origin on trade among themselves. This common external tariff and excise regime provides a cornerstone of the customs union and SACU's relationship with third parties. The SACU regime requires review, with the arrangement having often been described as complicated and haphazard.

ITAC is responsible for tariff investigations, amendments, and trade remedies in South Africa and on behalf of SACU: http://www.itac.org.za/

Because of the Uruguay Round in 1994, South Africa reformed and simplified its tariff structure. Tariff rates have been reduced from a simple average of more than 20% to an average of 5.8%. Notwithstanding these reforms, importers have complained that the tariff schedule remains unduly complex, with nearly forty different rates. Tariff rates mostly fall within eight levels ranging from 0 to 30%, but some are higher (e.g. most apparel items).

Nearly all South Africa's specific and composite duties were converted to *ad valorem* rates (a tax, duty, or fee which varies based on the value of the products, services, or property on which it is levied), with a few exceptions remaining in a limited number of sectors, including textile and apparel products.

In the Uruguay Round, South Africa agreed to a twelve-year phase-down process. The end rate for apparel is 40%, yarns 15%; fabrics 22%; finished goods 30%; and fibers, 7.5%. The effective rated duty rates on cars, light vehicles, and minibuses is still at the high level of 34%, while the rate of duty on original motor parts is 20%.

The dutiable value of goods imported into South Africa is calculated on the f.o.b. (free on board) price in the country of export, in accordance with the WTO (ex-GATT) Customs Valuation Code. The value for customs duty purposes is the transaction value, or the price paid or payable.

In cases where the transaction value cannot be determined, the price paid for similar goods, adjusted for differences in cost and charges based on distance and mode of transport, is regarded as the transaction value. If more than one transaction value is determined, the lowest value applies. Alternatively, a computed value may be used based on production costs of the imported goods. In the case of related buyers and sellers, the transaction value will be accepted if, in the opinion of the Commissioner for Customs, the relationship does not influence the price, or if the importer shows that the transaction value approximates the value of identical or similar goods imported at or about the same time.

Dutiable weight for the assessment of specific duties is the legal weight of merchandise, plus the weight of the immediate container in which the product is sold, unless specified otherwise in the tariff.

The value-added tax (VAT) is 15%. VAT is payable on nearly all imports. However, goods imported for use in manufacturing or resale by registered trades may be exempt from VAT.

Specific excise duties are levied on tobacco, tobacco products, and petroleum products. Duties on alcoholic beverages are set at fixed percentages of the retail prices.

Ad valorem excise duties are levied on a range of “up market” consumer goods. The statutory rate is currently 10% (except for most office machinery, as well as motorcycles, that attract duty of 5%).

Various provisions for rebate of duty exist for specific materials used in domestic manufacturing.

The importer must consult the relevant schedules to the Customs and Excise Act to determine whether the potential imports are eligible for rebate duty. Information can be found on the International Trade Administration Commission of South Africa’s website at: http://www.itac.org.za.

Import Requirements and Documentation

South Africa has a complex import process. The South African Revenue Service (SARS) defines approximately 90,000 product tariff codes that are strictly enforced on all imports. New-to-Market U.S. exporters are actively encouraged to engage the services of a reputable freight forwarding/customs clearance agent well versed in South African convention.

Customs South Africa (Customs SA), a division of SARS, requires that an importer register with its office and obtain an importer’s code from SARS. This impacts many importers and may cause delays to clearance of goods.

SARS uses a Single Administrative Document (SAD) to facilitate the customs clearance of goods for importers, exporters, and cross-border traders. The SAD is a multi-purpose goods declaration form covering imports, exports, cross border, and transit movements.

The following is required for shipments to South Africa:

* For customs purposes in South Africa, one negotiable and two non-negotiable copies of the Bill of Lading are required. The Bill of Lading may be made out either "straight" or "to order".
* A Declaration of Origin Form, DA59, is to be used in cases where a rate of duty lower than the general rate is claimed as well as for goods subject to antidumping or countervailing duty. DA59 is a prescribed form with stipulated format, size and content. This form does not require Chamber of Commerce certification. One original signed copy of the form must be attached to the original commercial invoice covering goods, which require such a declaration.
* Four copies and one original Commercial Invoice are required. Suppliers must give, in their invoices, all data necessary for the importer to make a valid entry and for the South African Customs to determine value for duty purposes.
* Invoices from suppliers will not be accepted as satisfying the requirements of the customs regulations unless they state, in addition to any proprietary or trade name of the goods, a full description of their nature and characteristics together with such particulars as are required to assess the import duty and to compile statistics.
* One copy of the insurance certificate is required for sea freight. Follow the importer's and/or insurance company's instructions in other matters.
* Three copies of the Packing List are required. Data contained in this document should agree with that in other documents.

To reduce the likelihood of a dutiable assessment of samples, the shipper must state the following: **"Sample: Of no commercial value / Value for customs purposes is $xxx."**

Zero-value invoices are not accepted by South African customs authorities; the correct value must be stated of the shipment in question.

Import licenses are required for restricted items. Importers must possess an import permit prior to the date of shipment. Customs SA may impose penalties on importers who fail to produce a required permit. The permit is only valid in respect of the goods of the class and country specified. It is non-transferable and may only be used by the person to whom it was issued. Import permits are valid only for the calendar year in which they are issued.

The Director of Import and Export Control at the Department of Trade and Industry issue import permits required for specific categories of restricted goods. These categories have been reduced, but still must be obtained for most used / second-hand items. During the course of 2020, medicine exports were placed under close scrutiny, but these controls have been partly lifted to facilitate exports to neighboring states. See: http://www.itac.org.za/news-headlines/itac-latest-news/itac-clarifies-the-export-permit-matter-for-medicines

Department of Trade and Industry
International Trade Administration Commission (ITAC)
Import Control
Private Bag X753
Pretoria, 0001
Tel: +27 (0)12 394 3590/1; Fax: +27 (0)12 394 0517
Website: http://www.itac.org.za

The updated SARS import manual can be found at:
https://www.sars.gov.za/AllDocs/OpsDocs/Manuals/SC-CF-04%20-%20Completion%20of%20declarations%20-%20External%20Manual.pdf

Labeling and Marking Requirements

South Africa has a well-developed regulatory standards regime that oversees the labeling and marking requirements.

The South African Bureau of Standards (SABS, an agency of the Department of Trade and Industry, or DTI) and its accredited divisions and agents, is the national standards, homologation and accreditation authority. SABS oversees labeling and marking in the following categories:

Chemicals
Electro-technical
Food and Health
Mechanical and Materials
Mining and Minerals
Services
Transportation

A detailed listing of the relevant technical specifications by product is given at
http://www.sabs.co.za/ (see Commercial Services).

SABS is responsible for the issuing of LOAs (Letters of Authority), i.e., the control documentation on the importation of several items where certain standards must be met. Imports into South Africa must comply with the specifications for a given product or the relevant application.

If an imported product does not bear a quality or standards specification marking, the importer will finally be liable for the quality of the product. Established importers will therefore want to divest themselves of this liability by ensuring the product under discussion complies with the pertinent specifications and bears the relevant standards marking.

The marking and labeling often revolve around the categories listed above to ensure consumer and environmental protection. Often the importer will insist that the foreign manufacturer affix these at the time of manufacture or shipment from the factory. Only in exceptional cases will the importer, wholesaler, or retailer at the bulk break stage be prepared to affix these labels and markings.

Labeling and marking requirements pertain mainly to textiles, shoes, and bags, where a permanent label identifying the manufacturer and country of origin must be displayed. This process is administered by ITAC. Other controlled import items that are subject to pre-import approval (noxious chemicals, pharmaceuticals, bacteriological, nuclear/radioactive, and dangerous/volatile items) are imported by registered importers whose labeling and marking requirements are defined on an ad hoc basis during the product approval process.

It is common practice for retailers to insist that imported technical goods carry safety instructions or other user guides in the English language. Pictures and/or diagrams often supplement English user instructions. While liability laws and conventions in South Africa are not as onerous as in the United States, the retailer, wholesaler, and importer aim to reduce their liability to a minimum. South African legal practice follows the precepts of English Commercial Law, as well as Roman Dutch civil law.

It is common for the user to indicate details of the official South African service agent for the product, and, less often, the importer of the product. This user instruction will also indicate the information about the South African warranty.

The 2011 South African Consumer Protection Act (CPA) gives consumers greater legal clout when lodging product liability damages claims. The act places greater liability on foreign manufacturers in addition to their distributors, and shifts greater burden of proof on the manufacturer, not the consumer, should someone sue for damages. The stricter rule allows for the foreign company's assets in South Africa to be forfeited to pay any damages caused by the product. The provisions of the CPA are especially important when it comes to labeling. U.S. manufacturers must take extra care on any product that needs warning labels or product information sheets explaining product use, as both the local retailer as well as the manufacturer could be liable.

Please also see the Labeling and Marking subsection under Standards.

U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR).

The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counselling exporters, and drafting and publishing changes to the Export Administration Regulations; and Export Enforcement (EE), which is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end use and end user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "red flags",or warning signs, , and compiled "Know Your Customer" guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry specific topics. Interested parties can check This is a best prospect industry sector for this country. Includes a market overview and trade data list of upcoming seminars and webinars or reference BIS provided online training.

BIS and the EAR regulate transactions involving the export of "dual-use" U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the BIS website or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the BIS website and on the e-CFR (Electronic Code of Federal Regulations) and is updated as needed. The Consolidated Screening List (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

South Africa is party to the Wassenaar Arrangement. South African "listed" items are those that appear on the Department of Commerce Control List. These require a license to be exported to South Africa based on the Export Control Classification Number and the Country Chart.

Temporary Entry

South Africa has a variety of mechanisms to facilitate the temporary importation of mostly commercial goods and services.

1.Carnet Entry (also known as ATA Carnet)

South Africa is a member of the ATA Convention:
http://www.atacarnet.com/what-carnet?gclid=CJyU7PTe-a0CFYPc4AodDX3Ssw

Typically, the following goods are eligible to qualify for carnet entry:

1. Commercial samples.
2. Goods for international fairs and exhibitions.
3. Professional equipment (including tools and instruments, but not goods for processing or repair).

The exporter must provide a letter stating that the exporter/carnet holder authorizes the customs clearance agent to clear the shipment on its behalf and may deliver to the consignee addressed therein. This letter from the carnet holder is to accompany the carnet document. SARS will not process carnet clearance without this letter. No duty or VAT is payable on carnet shipments. The same carnet is used on export.

Temporary Entry Process

The shipping agent in the United States and its correspondent customs clearance agent in South Africa must be notified that a shipment is only intended to remain in South Africa for a limited period. In SA, a customs clearance agent acts for the importer or exporter and is licensed to pay and collect fees to and from South African authorities on behalf of the principal. A customs clearance agent is also a freight forwarder.

SARS customs clearance regulations process requires the settlement of a "Provisional Payment" (PP) that is valid for a period of six months; the shipment must be exported within this time. If export is to take longer, the customs clearance agent must submit a formal extension request to the South African Revenue Service (SARS, Customs and Excise) before the six-month period has expired. Upon import, the customs clearance agent needs to ensure that the serial numbers of all the goods reflect on the documentation (i.e., invoices from shipper). Customs will examine the shipment and verify the serial numbers and endorse the documentation. Upon export, the same procedure is followed so that SARS can verify that the same goods are leaving the country. The PP will cover any customs duty and VAT applicable to shipment. After export, the customs clearance agent submits the import and export documentation to SARS and requests the refund; the PP is hence liquidated.

Repair and Return Entry

The owner or agent of the goods must notify the shipping agent in the United States and its correspondent customs clearance agent in South Africa that the shipment in question is for repairs, or a return shipment for repairs performed in the United States.

The customs clearance agent in South Africa must ensure that serial numbers reflect on invoices; SARS will conduct an examination.

When imported, serial numbers are stated on invoices, with the examination to be done by SARS. No duty is payable as duty was paid on the first import into the country. However, VAT is payable on repair costs only, even though value of goods is declared to SARS as well.

The above is in accordance with SARS rebate item 409.04. To make use of this rebate item, the importer must comply with the following provisions:

* Goods are to be returned to original exporter and there is no change of ownership; the essential characteristics of product remain the same.
* There are no alterations made to goods (i.e., just repairs).
* Goods exported under customs supervision with export documents SAD 500 and DA65 must be produced at time of import clearance.
* The goods must be identifiable by the serial numbers on the goods. If these provisions cannot be met, the importer will have to enter the goods as a Duty Paid (DP) clearance (i.e., as a new import that has not previously been exported).
* The full value, which consists of the export value plus any cost of repair, must be declared.

If the goods are repaired under warranty, the cost of repair will not be dutiable, provided the importer can prove the following:

* The duty was paid on first importation of the goods in question (again by use of serial
* numbers);
* The warranty is in force at time of re-importation;
* All criteria in terms of rebate item 409.04 are complied with; and
* That warranty agreement is available for Customs if requested.

In South Africa, the South African Chamber of Commerce and Industry (SACCI) is the correspondent agent for ATA Carnet matters. See:
http://www.sacci.org.za/ata-carnet-new

SACCI accepts ATA Carnets for:

Commercial Samples
Exhibitions and Fairs
Professional Equipment

Prohibited and Restricted Imports

The importation of the following goods into South Africa is prohibited:

* Narcotic and habit-forming drugs in any form
* Fully automatic, military and unnumbered weapons, explosives and fireworks
* Poison and other toxic substances
* Cigarettes with a mass of more than 2 kilograms per 1,000
* Goods to which a trade description or trademark is applied in contravention of any Act (for example, counterfeit goods)
* Unlawful reproductions of any works subject to copyright
* Prison-made and penitentiary-made goods

Each year, the Department of Trade and Industry (DTI) publishes a list of goods requiring import permits in an annual Import Control Program, which covers imports from any country. The Directorate of Import and Export Control of the DTI administers the issuance of permits, though for some imports, the DTI may require additional and prior authorization from other departments. By notice in the Government Gazette, the Minister of Trade and Industry may prescribe that goods of a specified class or kind may not be imported into South Africa, except under the authority of, and in accordance with, the conditions stated in a permit issued by ITAC.

The main categories of controlled imports are as follows:

Used goods: ITAC may grant import permits on used goods or substitutes if not manufactured domestically, thus creating a *de facto* ban on most used goods. While designed to protect the domestic manufacture of clothing, motor vehicles, machinery, and plastics, these restrictions limit imports of a variety of low-cost used goods from the United States and Europe. Waste, scrap, ashes, and residues: the objective of import controls on these goods is to protect human health and the environment under the Basel Convention.

Other harmful substances: The South African Government controls the imports of substances such as ozone-depleting chemicals, under the Montreal Convention and chemicals used in illegal drug manufacturing, under the 1988 United Nations Convention. Goods subject to quality specifications: this restriction permits the monitoring of manufacturing specifications that enhance vehicle safety (such as in the case of tires) or protect human life.

The Department of Agriculture, Forestry and Fisheries (DAFF) requires and issues sanitary-phytosanitary certificates for the importation of poultry, beef, pork (including lard), hides and skins, animal hair and bristles, and honey products. Other products that require import permits include fish and fish products, residues, petroleum products, firearms and ammunition, gambling equipment, and radioactive chemical elements.

The South African Revenue Service (SARS), a division of the Department of Finance/Treasury, administers import duties and controls. The latter are implemented in consultation with the Department of Trade and Industry.

SARS - Customs and Excise - Johannesburg
Postal Address- Customs and Excise
Private Bag X21, Marshalltown
Johannesburg 2107
Tel: +27 (0)11 225 9000; Fax: +27 (0)11 225 9013
Website: http://www.sars.gov.za/

Customs Regulations

The South African Revenue Service (SARS), a division of the Department of Finance/ Treasury, administers import duties and controls. The latter are implemented in consultation with the Department of Trade and Industry.

SARS - Customs and Excise - Johannesburg
Postal Address- Customs and Excise
Private Bag X21, Marshalltown
Johannesburg 2107
Tel: +27 (0)11 225 9000; Fax: +27 (0)11 225 9013

Website: http://www.sars.gov.za/

Standards for Trade

Overview

South Africa has a well-developed standards regime that is largely based on compulsory, regulator-lead definition and qualification. South Africa has developed many standards over several decades that reflect specific conditions that relate to the natural and human environment. The South African Bureau of Standards (SABS) is a specialized South African statutory agency responsible for the promotion and maintenance of standardization and quality relating to commodities and the rendering of services. It is a specialized agency of the Department of Trade and Industry. Its tasks include:

* Publishing national standards
* Testing and certifying products and services to standards
* Developing technical regulations (compulsory specifications)
* Monitoring and enforcing of legal metrology legislation
* Promoting design excellence
* Providing training on aspects of standardization

SABS is accredited nationally by the South African National Accreditation System (SANAS) and is recognized internationally by Netherlands-based Raad voor Accreditatie (RvA). SABS belongs to both the International Organization of Standardization (ISO) and the International Electrotechnical Commission (IEC). Accordingly, it issues pharmaceutical and industrial standards that conform to those of the ISO.

SABS follows the standards of the ISO, the IEC and the European Committee for Standardization (CEN), and does not automatically recognize the standards of the United States. British Industry Standards and the Deutsche Industrienorm are favored in the SABS systems for historic and technical reasons. Products sourced from these countries enjoy quasi-automatic accreditation.

In practice, U.S. companies have been able to comply with South African standards when importing goods into South Africa. Based on a survey of U.S. firms already established in South Africa, the standards maintained by SABS have not been a major trade-inhibiting factor; the automotive and pharmaceutical sectors are an exception and receive more attention. All foreign suppliers pursuing compliance with South African standards have experienced slow processing of applications for Letters of Authority (LoAs), in some cases to the extent of risking technology redundancy. The Minister of Trade and Industry Rob Davies who oversees the SABS in April 2018 bemoaned the lack of professionalism at the SABS and called for a revamping of the board and an urgent formulate of a turnaround strategy.

Manufacturers have the option of paying SABS to test and approve their products. This option is rarely exercised. Though SABS has the right to terminate the sale of products if it receives enough complaints, there have been very few cases of this happening.

The standards issued by the SABS are in accordance with the Environmental Conservation Act and are enforced on all imports and exports. All foreign companies establishing themselves in South Africa need to have their Environmental Management System (EMS) certified. This certification needs to be updated every year to ensure that the company is observing South African standards.

The Directorate of Plant Health and Quality within the National Department of Agriculture (http://www.nda.agric.za) is responsible for setting standards for certain agricultural and agricultural-related products. These standards cover aspects such as composition, quality, packaging, marketing, and labeling as well as physical, physiological, chemical, and microbiological analyses.

The Standards Act, Nr. 29 of 1993 gave SABS the power to be involved in the regulations governing consumer protection. There are voluntary and compulsory standards. Only 53 of SABS's approximately 5,000 standards are mandatory. However, depending on the laws, other standards may be considered compulsory as well (i.e., electricity standards) and it may create uncertainty for businesses.

About consumer protection, reports indicate that SABS is taking a tougher line on companies that violate mandatory standards. This comes in the wake of the amended Consumer Protection Act of 2008, which, from 1 April 2011, changed many aspects of business in South Africa by introducing new legislation concerning manufacturers and service providers. This legal framework aims to protect the consumer through controls on product liability, sales and marketing practices and fairness in consumer contracts, among other issues.

Standards Organizations

The following is a list of the major South African organizations involved in the management of the standards regime:

SABS - South African Bureau of Standards, the Government agency regulating standards.
Website: http://www.sabs.co.za

Human Science Research Council (HSRC) – works with non-governmental organizations (NGOs), international development agencies, and the Government on large-scale, social-scientific projects. HSRC is also involved in the homologation of academic standards: http://www.hsrc.ac.za/en/research-outputs

South African Health Products Regulatory Authority (SAHPRA, previously known as the Medicines Control MCC) regulates medicine and devices in South Africa.

Website: https://www.sahpra.org.za/

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify U.S. is a free, Web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL
http://www.nist.gov/notifyus/.

Conformity Assessment

The following is a list of the major South African organizations involved in conformity assessment:

NMISA - National Metrology Institute of South Africa develop primary scientific standards of physical quantities for SA
Website: http://www.nmisa.org/Pages/default.aspx

SABS - South African Bureau of Standards, a Government agency regulating standards. Website: http://www.sabs.co.za

SANAS – South African National Accreditation System
Website: https://www.nrcs.org.za/

NRCS – National Regulator of Compulsory Specifications, a Government agency overseeing EHS standards and consumer protection.
Website: http://www.nrcs.org.za/

Product Certification
Certain items require product certification:

* Electrical products need to receive Electromagnetic Interference (EMI) certification.
* A mutual recognition agreement (MRA) exists between the Engineering Council of South Africa (ECSA) and the Accreditation Board for Engineering and the Accreditation Board for Engineering and Technology, Inc. (ABET) in the United States.

All medicines, including supplements and complementary medicines, as well as medical and IVD devices must be evaluated and registered with the South African Health Products Regulatory Authority (SAHPRA). The Medicines and Related Substances Act 1965 (Act 101 of 1965) can be found under: https://www.sahpra.org.za/acts-and-regulations/

Some foreign companies have experienced delays in system certification -– this is generally seen due to capacity issues at the SABS and the National Regulator of Compulsory Standards (NRCS) that have been addressed over the past year. In the case of ICT companies, this has been a business inhibitor, due to the rapidly changing requirements of end-users, as well as the short life-cycle of certain technologies.

Accreditation
The following is a list of organizations involved in accreditation in South Africa:

* South African National Accreditation System (SANAS) – Organization that awards official recognition to laboratories, certification bodies, inspection bodies, proficiency testing scheme providers, and good laboratory practice (GLP) test facilities that possess the capability to carry out certain tasks. Electronic equipment must be tested at labs accredited by SANAS. See the following Website: http://www.sanas.co.za.

* International Laboratory Accreditation Cooperation (ILAC) that determines whether laboratories can perform specific tasks. Please see http://www.ilac.org.

* International Accreditation Forum (IAF) whose members are required to maintain high standards when accrediting companies. Please see http://www.iaf.nu.

Publication of Technical Regulations
The SABS is the statutory repository of all relevant standards. These can be obtained in electronic format from the SABS at

https://www.sabs.co.za:/Business_Units/Standards_SA/index.aspx?Services_LeftLinks_StandardsSA1:MenuLink1=6.

All proposed and final technical regulations are published in the *Government Gazette*.
To subscribe to the printed (hard copy) of the *Government Gazette*, please contact:

The Government Printing Works
E-mail: jpe@print.pwv.gov.za
Tel: +27 (0)12 334 4737/4734; Fax: +27 (0)12 323 0009

Access to the Government Gazette is available online through a fee-based service provided by Sabinet Online Ltd. For additional information, visit http://www.sabinet.co.za.
Codex Alimentarius Commission (Codex)
Website: http://www.codexalimentarius.org

Council for Scientific and Industrial Research
Website: http://www.csir.co.za

Department of Health
Website: http://www.doh.gov.za

Department of Trade and Industry
Website: http://www.thedti.gov.za

Directorate of Plant Health and Quality
National Department of Agriculture
Website: http://www.nda.agric.za

Engineering Council of South Africa
Website: http://www.ecsa.co.za

Human Science Research Council
Website: http://www.hsrc.ac.za

International Accreditation Forum
Website: http://www.iaf.nu

International Laboratory Accreditation Cooperation
Website: http://www.ilac.org

International Trade Administration Commission of South Africa
Website: http://www.itac.org.za

South African Health Products Regulatory Authority (SAHPRA)
Website: www.saphra.org.za

National Department of Agriculture
Website: http://www.nda.agric.za

Office of the U.S. Trade Representative
Website: http://www.ustr.gov

Sabinet Online Ltd
Website: http://www.sabinet.co.za
South African Revenue Services
Website: http://www.sars.gov.za

Labeling and Marking

Important points on labelling/marking:

* Labeling/marking for industrial and pharmaceutical imports must be provided in English. South Africa follows the Harmonized System (HS) and belongs to the Southern African Customs Union (SACU), an organization that permits the exchange of goods practically unhindered among the member states: South Africa, the principal administrator and revenue collector; Lesotho; eSwatini (formerly Swaziland); Botswana and Namibia.
  Label compliance for pharmaceutical and medical products are described in the The Medicines and Related Substances Act 1965 (Act 101 of 1965) found at: https://www.sahpra.org.za/acts-and-regulations/

* The South African Government has regulations mandating the labeling of genetically modified (GM) food products under certain circumstances, including when allergens or human/animal proteins are present and when a GM food product differs significantly from a non-GM equivalent. The new rules also required validation of enhanced-characteristic (for example, "more nutritious") claims for GM food products. The regulations did not address labeling claims that products are GM-free. Biotechnology advocates are concerned about this omission, noting it could lead to fraudulent claims. Trade organizations seem satisfied with the regulations, which follow internationally recognized, scientific guidelines under the Codex Alimentarius Commission (Codex). See http://www.codexalimentarius.net. South Africa's Codex representative comes from the Directorate of Food Control.

Contacts
The South African Bureau of Standards
Tel: +27 (0)12 428 7911; Fax: +27 (0)12 344 1568
Website: http://www.sabs.co.za/

National Department of Agriculture (NDA)
Tel: +27 (0)12 319 6001; Fax: +27 (0)12 325 7394
Website: http://www.nda.agric.za/

Trade Agreements

There is duty-free trade between South Africa and the other four countries (Botswana, Lesotho, Namibia, and eSwatini) that comprise the Southern African Customs Union (SACU). The Southern African Development Community (SADC) Free Trade Agreement, as of 2012, allows duty-free trade among 12 of the 15 members. The European Union-South African Trade and Development Cooperation Agreement that came into effect in

2000, has as a progressive Free Trade Agreement (FTA) that has become the cornerstone of the regional trading landscape. South Africa has also negotiated agreements with the European Free Trade Association and Mercosur. South Africa, through SADC, has finalized negotiations on Phase I of the Tripartite Free Trade Agreement, which link SADC, the East Africa Community (EAC) and the Common Market of Eastern and Southern Africa (COMESA) into a free trade area.

The South African Reserve Bank approves currency exchanges.

The Department of Trade and Industry (DTI) is empowered to regulate, prohibit or ration imports to South Africa in the national interests, but most goods may be imported into South Africa without any restrictions.

As a matter of government policy, the South African Government is aiming to open its market further to increase trade and to develop more competitive domestic industries. However, in 2006, the South African Government made exceptions to this approach to protect the labor-intensive garment industry. During the course of 2020, the South African authorities enacted emergency measure to restrict all movement of goods and persons due to the Covid-19 pandemic; these have since been partially lifted.

Licensing Requirements for Professional Services

South Africa has a well-regulated mandatory professional services licensing environment that covers health, governance, safety, and the environment though specialized agencies, certified boards and associations that are answerable to the various National Departments. Upon academic graduation and completing the mandatory internship/articles period as well as relevant entrance exam, most professions require statutory registration, for instance as:

- Professional Engineer (PE).
- Law practitioners (to practice in court).
- Medical and specialist doctor and nursing staff (practice number).
- Industrial and mechanical technicians (depending upon the industry).
- Chartered Accountants (by different associations).

Selling U.S. Products & Services

Distribution & Sales Channels

The areas in and around the cities of Johannesburg, Cape Town, Durban, Pretoria, and Port Elizabeth hold approximately 90% of South Africa's economically active population. These five cities represent the country's major areas of economic activity and consumer markets.

The distribution chain within a given industry varies depending on the nature and type of the imported equipment and/or products. For example, local subsidiaries or joint-venture partners distribute consumer-oriented products to a fixed number of distributors who sell to wholesalers and/or retailers who in turn sell to end-users. There may be more intermediaries within the chain, depending on the arrangement worked out by the original equipment manufacturer (OEM).

The traditional sales channels found in developed economies are also prevalent in SA.

Wholesalers - Established South African wholesalers often import industrial raw materials and/or consumer goods requiring maintenance of stocks.

Retail organizations - Many exporters of consumer goods sell directly to South African retail organizations, including consumer corporations, department stores, chain stores, and co-operative groups of independent retailers which assume the functions of wholesale buying, selling and warehousing.

Consumer Retail - South Africa offers the full spectrum of retail outlets: small general dealers; specialty stores handling a single product line (such as clothing, electronics, or furniture); exclusive boutiques; chain stores (groceries, clothing, toiletries, household goods); department stores; cash and carry wholesale retail outlets; and co-operative stores serving rural areas. Large-scale supermarkets, or hypermarkets, are located in suburban shopping malls and sell large quantities of almost all consumer goods. These stores domestically source about 90% of consumer trade inventories.

Franchises - Franchising is well established in South Africa, with the sector showing strong and continued growth. Around 30% of South African franchises are non-food systems, with an emphasis on service. Building, office and home services sectors are dominant, with automotive, restaurant, health, education, and training franchises also available.

After-Sales Agents - For products of a technical nature, it is advisable to appoint an official after-sales agent in South Africa. Ideally, this agent should not import or market the product in question, but rather, because of its geographical reach, technical ability, and goodwill in the market, it acts as the certified service agent. Appointing an appropriate after sales agent is crucial in ensuring that the product develops a respected reputation in the South African market.

Agents & Distributors - In South Africa, the terms "agent" and "distributor" have very specific meanings.

Agent: In the strict legal sense, an "agent" means a person who, for and on behalf of a principal, either introduces a third party to the principal by soliciting orders from the third party or concludes contracts with the third party on behalf of the principal. The normal reward for an agent is a commission, paid by the principal.

Distributor: A “distributor” buys and holds stock of a product. In return, the foreign firm usually grants the distributor an exclusive right to sell the product in an area or to a particular customer. An agreement with a distributor is similar to an agreement with an agent, except that price and delivery terms will differ because the distributor is a principal. When appointing a distributor in South Africa, the same considerations apply as when appointing an agent. These are (1) whomever the foreign firm appoints to be a distributor must to know the market well and (2) the foreign firm should consider the distributor’s ability to supply the product nationally given South Africa’s geographic size. South Africa is a large country, with nine provinces. Lacking the support of a national infrastructure, smaller agents often tend to operate provincially. This means that a parent company may need to appoint an agent in each of the larger cities -– Johannesburg, Cape Town, Port Elizabeth, and Durban -– to cover the country. Larger companies who take on agencies often have an office in each of the major centers, making any agency agreement easier to control.

In South Africa, each industry sector has a limited number of major distributors, but often hundreds of small distributors. Major distributors prefer an exclusive agent/distributor agreement with the foreign firm. The country’s largest airport in Johannesburg or one of three of the country’s ports: Durban, Cape Town, and Port Elizabeth handle most imports into South Africa. The major distribution point is Johannesburg, which has bonded inland port status for custom and excise purposes.

Johannesburg

The City of Johannesburg is the commercial hub of South Africa. As the country's transportation hub, it is the center for all aviation, rail, and road infrastructure. It also has the continent's busiest international airport, which can handle 20 million passengers and 400,000 metric tons of cargo annually. The headquarters of the National Ports Authority of South Africa (NPA) is also located in Johannesburg. Johannesburg is one of the world’s few major cities located on neither an ocean nor a major river. Yet it hosts the largest and busiest “port” in Africa – an export-import freight container terminal and bonded warehouse called City Deep, which handles 30% of South Africa’s exports.

Durban

Durban is the busiest ocean port in Africa, and the Durban Container Terminal is the largest and best-equipped container terminal in the southern hemisphere. Durban’s location on the eastern coast of South Africa makes the terminal a pivotal hub for the entire southern African region of the Indian and South Atlantic Oceans, serving trade routes linking North and South America with the Middle East, India, Asia and Australia. The terminal is a crucial interface for the distribution of cargos between ocean carriers and the markets of South Africa, Botswana, Zimbabwe, Zambia and the Democratic Republic of the Congo. On the landside, there is direct connection with surface transport via rail sidings and speedy connection to South Africa’s trunk road network. The facility handles more than 4,000 ships annually, with an estimated gross tonnage of 81,700,000. Containers handled at Durban port represent 64% of the total number of containers handled at South African ports. Durban port is currently undergoing extensive upgrades aimed at increasing both efficiencies and net capacity.

Cape Town

Cape Town, located at the southern-most point of Africa, is ideally positioned as a hub terminal for cargo to South America and the Far East. West/East Africa cargo has grown substantially, making the Cape Town Container Terminal the terminal of choice for trans-shipment cargo. The terminal currently handles 3,161 vessels per year for a gross tonnage of 44,501,297.

Port Elizabeth

The Port Elizabeth Container Terminal is one of the three specialized container-handling facilities along the South African coastline. Port Elizabeth serves the immediate area of the Eastern Cape, where its main business focuses on the needs and requirements of the motor vehicle and components industry as well as various agricultural products. The terminal offers value-added services in the form of storage, packing and unpacking of containers, and logistics management. The terminal currently handles 1,271 ships with a total gross tonnage of 25,756,823.

Express Delivery

Express delivery has experienced rapid growth in South Africa as a popular retail mode of distribution, and recent investments and development of this niche by leading global brands testify to its prospects; e-commerce has also been driving this as have grocery home-delivery order services offered by departmental stores. Mobile compact products for B2C transactions primarily use express delivery services since it is still comparatively more expensive than in other more developed economies. A major reason for this is that the growing number of sub-contractors to the multinational service providers do not have the necessary national delivery footprint. This results in added costs that consumers ultimately bear. In the mining and offshore sectors, express delivery of spares for critical maintenance of capital equipment in Africa has been an established business, but this is currently experiencing a downturn, given the high costs.

Using an Agent to Sell U.S. Products and Services

One of the first steps an exporter may wish to take in locating an agent or distributor in South Africa is to contact the U.S. Commercial Service in South Africa and register for one of the services specifically designed to meet the needs of U.S. exporters. South Africa offers U.S. exporters and suppliers a wide variety of methods to distribute and sell their products, including using an agent (also known as a Commission Sales Representative, or CSR) or distributor.

In South Africa, the terms "agent" and "distributor" have a very specific meaning: agents work on a commission basis after obtaining orders from customers. Distributors buy, carry stock, and sell products directly to customers.

Agents often distribute durable and non-durable consumer goods, as well as some industrial raw materials and related commodities. This may be particularly appropriate when products are highly competitive and lack a large market. It is common to appoint a single agent capable of providing national coverage either through one office or through a network of branch offices. Recently, virtual/online distribution has been seen a significant increase in South Africa. The role as the local representatives of U.S. exporters, agents, with the help of their freight forwarder, should be able to handle the necessary customs clearances, port and rail charges, documentation, warehousing, and financing arrangements.

Local agents representing foreign exporters, manufacturers, shippers, or other principals who export goods to South Africa are fully liable, under South African import control law, for all regulations and controls that are imposed on the foreign exporters. Local agents are required to register with the Director of Import and Export Control of the Department of Trade and Industry. It is important for a U.S. exporter to maintain close contact with the local agent to track changes in importing procedures and to ensure that the agent is effectively representing the sales interest of the exporter.

Typical commission rates for agents (Commission Sales Representatives, or CSRs) in South Africa depend upon the contract concluded and upon the CSR's responsibility. These rates can range from 3%-25% commission per concluded transaction. Companies sometimes pay a retainer fee plus costs and an incentive scale on deals.

Distributors who buy for their own account and carry a wide range of spare parts often handle capital equipment and commodities such as chemicals, pharmaceuticals, and brand-new products on an exclusive basis. Leading distributors often have branches throughout South Africa and sell to both wholesalers and retailers.

When appointing a South African distributor, U.S. exporters should take care to find out if the distributor handles a competing product. In some instances, major South African corporations whose holding companies market products competing directly with American products have approached some U.S. exporters.

In South Africa's competitive marketplace, it is essential that the U.S. exporter provide adequate servicing, spare parts and components, as well as qualified personnel capable of handling service inquiries. In most cases, after-sales service should be available locally since potential delays often lead purchasers to seek alternative suppliers.

The U.S. Commercial Service has found that thorough market research preceded the most successful ventures entered into by U.S. companies. This is an important first step before engaging in a search for agents or distributors. Once contacts are established, U.S. companies should visit South Africa, as first-hand knowledge of the market is an advantage. Such a visit provides an opportunity for a personal appraisal of the prospective agent or distributor. U.S. exporters should carefully investigate the reputation and financial references of a potential agent or distributor and establish a clear agreement delineating the responsibilities of both the exporter and the agent.

The U.S. Commercial Service in South Africa offers a number of business facilitation services, including market research, appointment-setting, and background checks on potential business partners. For a full list of the services offered, please visit: https://www.trade.gov/south-africa

As part of the U.S. Government export promotion efforts, Commercial Service South Africa coordinates market research and business facilitation in several Sub-Saharan African countries. These include:
Botswana
Burkina Faso
eSwatini
The Gambia
Guinea
Lesotho
Liberia
Madagascar
Mali
Mauritius
Namibia
Senegal
Zambia
Zimbabwe

In addition to offices in South Africa (Johannesburg, Cape Town, and Durban) the U.S. Commercial Service also has offices in the following Sub-Saharan countries: Angola, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, and Tanzania, as well as a dedicated representative within the African Development Bank in Cote d'Ivoire. Through

its Partnership Post program with State Department posts in Sub-Saharan Africa, the Commercial Service can provide the same branded export services in almost all countries of the region, as detailed here:
https://2016.export.gov/southafrica/doingbusinessinsub-saharanafrica
For additional information, please e-mail the U.S. Commercial Service at:
https://www.export.gov/Contact-Us

Establishing a Local Office

South Africa is ranked 84 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. Ease of Doing Business in South Africa averaged 54.36 from 2008 until 2018, reaching an all-time low of 82 in 2017 and a record high of 32 in 2008. (Note: A low ranking means that regulations create an impediment for businesses).

https://www.doingbusiness.org/en/data/exploreeconomies/south-africa

The Companies Act of 2011 makes no distinction between locally-owned and foreign-owned companies. Companies may be either private or public. Foreign companies establishing subsidiaries in South Africa must register the subsidiary in accordance with the Act. Under the current law, all companies, whether public or private, are required to be audited. The Act allows private entities to be audited or, alternatively, they may be subject to an independent review of their financial statements. The Act introduced far-reaching changes to the South African corporate regime. A director may now be held liable for losses sustained for a breach of duty, although the new Act includes “prescribed officers” amongst the company’s employees who may be similarly responsible. The category of prescribed officers may expose persons in management positions who are not directors to new obligations and possible personal liability.

Foreign companies may establish a local branch office in South Africa by registering the branch as an "external company." Any non-resident or foreign company must register within 21 days of establishing an office in South Africa. Government approval is not required for registration and there is no requirement that a local entity hold percentage share of capital. The branch company must file annual financial statements within six months after the end of its fiscal year. Branch profits remitted to a foreign firm's headquarters are not subject to withholding tax. The legal liabilities of a branch are not limited to only its South African assets.

To make South Africa a more attractive location for multinational enterprises wishing to invest in Africa, (the dti) introduced a so-called headquarter company (HQC) regime. The rules create a more attractive fiscal and regulatory environment necessary for foreign holding companies seeking entry into Africa, and rules eliminate certain barriers that had previously discouraged foreign investors from using South Africa as a holding company location.

There are three forms of business enterprises in South Africa: a private company (Pty), public company (Ltd), and a legacy close corporation (CC). South Africa has an estimated 400,000 private companies, 4,000 public companies, and still 1.6 million close corporations. Each form has its own setup and reporting requirements as detailed below; the oversight authority is the Companies and International Property Commission (CIPC).

Private Companies: A locally registered private company, identified by the words "Proprietary Limited" (Pty) in its title, is a form commonly used to carry on operations as a subsidiary of a foreign company. Private companies may have up to 50 shareholders but cannot offer shares to the public or transfer them and are not required to have a minimum capital subscription. Private Directors need not lodge a written consent with the authorities and they need not be South African nationals or residents of South Africa. An entity must file the following information with CIPC to register a company: a certified copy of the Memorandum and Articles of Association; the registered address; the name and address of the company's local auditor; and a share capital duty receipt. Private companies are not subject to the statutory meeting and reports requirements of public companies and do not have to lodge their annual financial statements with the CIPC.

Public Companies: Public companies, designated by the word “Limited” or letters "Ltd" in the title, are formed to raise funds by offering shares to the public. Therefore, there is no limit on the number of shareholders in a public company. Public companies are required to file annual financial statements and reports with the CIPC. Public companies that issue a prospectus, must be submit proof to the CIPC that each director has paid full price for the shares, and the number of shares issued equals the stated minimum subscription. For public companies with share capital, CIPC requires the following:

- A director's statement that capital is adequate for business operation, of the directors and officers, and proof of payment of the annual duty.
- A public company may not commence operations prior to receipt of the CIPC’s certification.

Close Corporations: Close corporations, designated by the letter’s "CC" after their names, have been a form of business organization unique to South Africa. Historically, only natural citizens of South Africa could organize a CC and CCs are limited to a maximum of ten persons. Close corporations are subject to fewer registration and operating regulations than public or private companies. However, new legislation forbids the registration of new CCs, and the CIPC has established a process whereby these legacy companies are required to file annual tax returns. As many of these companies are thought to be dormant, this procedure is intended to give CIPC more up-to-date information on how many close corporations are still active.

For more information on company formation and registration, contact:
Companies and International Property Commission (CIPC)
Postal Address:
PO Box 429, Pretoria, 0001
Physical Address:
The DTI Campus, Block F, 77 Meintjies Street
Sunnyside, Pretoria
Tel: +27 (0)12-394-9500;
Fax: +27 (0)12-394-9501
Email Address: info@cipc.co.za
Website: www.cipc.co.za

Franchising

Franchising provides a good market entry mode into the South African marketplace. According to the Franchise Association of South Africa, there are 865 franchised systems, over 45,000 franchise outlets, and 17 franchise business sectors. Franchising contributes around 12.5% to South Africa’s GDP and is an important driver in the country’s economy, in addition to having one of the highest business success rates. According to the latest data, total turnover for the sector was around R721 billion in 2018.

Food franchises make up about 25% of total franchises, with some segments that are considered saturated such as pizza and burgers. Several U.S. brands have made their entry in the last few years, namely Burger King, Pizza

Hut, Krispy Kreme, Domino's and, most recently, Starbucks. Other franchise concepts such as business-to-business (B2B) services, automotive, after-care, and education are also making inroads into the market.

Franchising has become more popular in recent years, as business owners perceive them to be an effective way to conduct and grow successful businesses across a range of services. Franchising also plays an important role in furthering the development of small- and medium-sized businesses. Job creation, poverty alleviation, economic growth, and black empowerment rank high on the South African Government's agenda, and there appears to be a growing recognition by the Government that franchising can be an effective business model to address these needs.

Approximately 40% of franchises are in Gauteng Province, particularly Johannesburg and Pretoria, the economic powerhouse of the country, and the African continent. Patterns within existing franchises are changing, due to economic belt-tightening by the population and changing consumer behavior. Some franchise owners are starting to develop smaller, more cost-effective models with reduced fees, lower start-up costs, fewer employees, and reasonable rentals. Franchise owners are exploring new, less-expensive locations beyond traditional shopping and strip malls, and are developing models such as stand-alone kiosks, corporate catering, campuses, and sporting events. Other developments include incorporating a brand within a convenience store or a service station. Some franchises have found success by operating in tandem with non-competing brands. Almost 90% of franchises are locally developed and around 12% of master licenses are international. Some of the bigger South African franchisors, such as Famous Brands and Nando's, have expanded to other regions in Africa. One notable challenge is the limited access to finance as banks tend to be more cautious in the financing of franchises. This translates into a relatively small pool of entrepreneurs and companies with the ability to absorb the costs of master licenses of popular international brands.

Several business laws apply to franchising and copyrights including the Consumer Protection Act, Copyright Law, Common Law, Contract Law, and Intellectual Property Law, which the private sector vigorously adheres to.

Additional information can be found at:

Franchise Association of Southern Africa (FASA)
Postnet Suite 256, Private Bag X4
First Floor, Block A, Eastgate Office Park
South Boulevard, Bruma 2198
Tel: +27 (0) 11 615 0359; Fax: +27 (0)11 615 3679
Website: http://www.fasa.co.za/

Direct Marketing

The Covid-19 pandemic has boosted on-line retail, and direct marketing is expected to only grow s in the future direct marketing channels in South Africa include:

* Direct e-mail selling, such as Internet viral campaigns (where one e-mail user nominates "friends" to participate in a promotional campaign and to his/her own benefit hands over the e-mail addresses of friends and colleagues).
* Direct selling channels, such as the independent agent or distributor systems and multi-level marketing (MLM) companies.

* Internet marketing, which has grown rapidly as South African consumers become more comfortable about handing over banking details and ordering from non-brick-and-mortar companies. Popular sites include Takealot.com and Yuppiechef.com. Most brick-and-mortar retailers now include an online shopping option, such as Woolworths, PicknPay, Game and DionWired as examples.
* Telemarketing, a popular avenue in promoting financial instruments and insurance. A rapidly growing trend is the outsourcing of this function to external Business Process Outsource companies which is yielding positive results.

Important pieces of legislation for this business mode are the Protection of Private Information Act (POPI) and the Consumer Protection Act (CPA).

Additional information can be found at:

Direct Marketing Association of South Africa
Building C 1st floor
372/376 Oak Avenue
Ferndale, Randburg
Tel: +27 (0)861 362 362
Email: info@dmasa.org

Website: http://dmasa.org

Joint Ventures/Licensing

Joint ventures and licensing arrangements involving foreign entities attract the attention of the South African regulatory authorities when the parties agree to, or possibly require in the future, the repatriation of funds (royalties, fees, and profits) from South Africa to a foreign recipient.

When a company is interested in entering into a foreign licensing agreement to manufacture a product in South Africa, the South African licensee must apply to the Department of Trade and Industry (DTI). DTI, in turn, will make a recommendation to the South African Reserve Bank (SARB), which must approve the payment of royalties. When a licensing agreement involves no manufacturing, the South African licensee sends the request for exchange control approval directly to SARB. The calculation of discretionary funds (royalties, fees, etc.) that can be set by the parties to a joint venture or licensing arrangements are subject to complex foreign exchange controls set by the SARB that have been made less onerous over recent years. The government prohibits contract conditions involving obligatory purchasing and pricing agreements or requiring the licensee to sole source articles from the licensor.

More detailed and up-to-date information on the foreign exchange aspects of joint ventures and licensing can be obtained from the SARB or an approved foreign exchange dealer and can be found in the SARB's Exchange Control Manual

eCommerce

The eCommerce Innovation Lab (EIL) is a national office within the US Field that positions the US Commercial Service as a pacesetting resource for US businesses through empowering client-facing staff with a baseline understanding of digital trade, enabling quicker response to client needs by providing value add digital client

counselling. This helps ITA to adapt alongside industry to remain ahead of the curve on client service, trade promotion, and trade policy development through more knowledgeable and effective collaboration.
Our office has created a U.S. Field-based client digital strategy counselling process that focuses on these key concepts:

- eCommerce is a sales channel that crosses all industries that sell or promote brand awareness online. eCommerce as a sales channel is part of a businesses' B2B and/or B2C digital strategy;
- A digital strategy addresses the basic needs of a business required to succeed in cross-border ecommerce sales channels. Our counselling process focuses on identifying these needs;
- eCommerce Key Performance Indicators allows businesses to understand where their digital efforts are paying off;
- eCommerce Business Service Provider Directory (BSP) provides the much needed follow-up to our digital strategy recommendations that will help the client to succeed in overseas markets;

Assessment of Current Buyer Behaviour in Market

The top e-Commerce product category in South Africa is clothing and apparel followed by media products. There is also growth in most food delivery platforms both grocery and fast food/convenience. UberEATS is available in South Africa and competes with the local platform called Mr Delivery. Consumers are price sensitive favoring online promotions and coupons. South Africans are spending more time online researching better prices and seeking product recommendations on social media.

Local eCommerce Sales & Regulations

Cross-Border E-Commerce

South Africans purchase mostly from South African websites or online market places, but 27% purchase from the United States, and 14% from Europe. The U.S. version of Amazon.com is the third most visited e-commerce website in South Africa. If a South African imports goods in excess of ZAR10 000 ($580) or more than three times a year they will have to get an importers code, irrespective if it is for personal or business use.

Online Payment

Credit card and debit cards are the most preferred payment methods. Consumers also use e-wallet services and EFT for online payment. Due to the growth of credit card fraud, the Payment Association of South Africa mandated the use of 3D Secure in 2014. Merchants have reported that increased flexibility in the application of 3D Secure to online transactions in recent years has reduced cart abandonment by consumers. Currently around 71% of potential customers abandon their carts because of payment gateway failure.

Mobile E-Commerce

Cell phones have largely replaced wallets, as banks, card operators, retailers and communications companies provide alternatives to cash as a means of payment. M-commerce, where cell phones are used to pay for goods and services, has advanced beyond mobile banking to debit and credit transactions. M-commerce is particularly attractive in South Africa due to the rapid increase in the number of smart phones, and poor fixed-line infrastructure. This provides an immense opportunity for online retailers, as mobile spend is projected to increase. Companies need to include mobile optimization in their ecommerce offerings to increase the buying experience.
Digital Marketing

Social media platforms are becoming more pervasive as marketing tools in South Africa. More than 90% of South African major brands advertise on social media platforms. On a consumer level, growth for most networks has slowed down, but engagement by users has intensified.

Major Buying Holidays

International online sale days such as Black Friday and Cyber Monday are popular in South Africa and offer opportunities for retailers to reach more customers.

Selling Factors & Techniques

Introducing new products to the South African market requires extensive market research and mass advertising to identify potential customers' buying patterns and preferences. This applies particularly to unknown brand names, as South Africans are very brand-conscious. The market is highly fragmented and good knowledge of market segmentation is required to understand where and how to place new products. One of the tools employed by some South African marketers is the SEM or Socio-Economic Measure https://brcsa.org.za/wp-content/uploads/2019/02/SEM-User-Guide.pdf which scores households and individuals according to what items they have in their households and what public services they have access to.

Amendments to the Consumer Protection Act (CPA), effective since 2011, have changed many aspects of business in South Africa by introducing new legislation concerning manufacturers and service providers. This legal framework aims to protect the consumer through controls on product liability, sales and marketing practices, and fairness in consumer contracts, among other issues. The CPA shifts the burden of proof from the consumer to the supplier. Importantly, the CPA also provides the same consumer protection status to a franchisee in relation to the franchisor.

The introduction of the Protection of Personal Information Act (PoPIA - https://popia.co.za) will also have an impact on direct marketing or 'cold calling' as companies will no longer be able to share customer information without prior consent, and will also be responsible for the secure and correct storage of their customers' personal information.

One way of launching a new product in South Africa is by exhibiting at a trade show. Promotional "giveaways" are also very popular. An editorial and/or advertisement in a specialized trade publication will also enhance awareness of the product. Although South Africa has eleven official languages, English is the typical language of printed promotional materials.

Direct sales to individuals on a personal, one-on-one basis by freelance agents are becoming a growing niche market industry in South Africa. Examples of products sold in this way include costume jewelry, plastic containers, lingerie and personal products, and personal health and herbal type products.
Thanks to the mature nature of the SA economy, there are many industry associations that range from employers' interests' groups, to equipment importers, to professional service providers. Teaming up with an association is useful and in strategic sectors, often imperative.

Trade Promotion & Advertising

South Africa has a sophisticated advertising industry. Advertising agencies provide a full range of services. Larger-sized agencies are subsidiaries of prominent international agency groups. Major media outlets include television, radio, newspapers and magazines, outdoor advertisements, cinema and the Internet. The deregulation of the airwaves has introduced more competition through additional independent television channel and radio stations.

The key figures in South Africa's advertising industry are:

* the Association for Communication and Advertising (ACA: http://www.acasa.co.za);
* the two major media bodies, the National Association of Broadcasters (NAB http://www.nab.org.za) and the Print Media Association (PMA http://www.printmedia.org.za); and
* the Advertising Standards Authority of South Africa (ASA, please see below), which regulates South African advertising standards.

Advertising agencies in South Africa are no longer solely remunerated by clients on a commission system. Fee arrangements are becoming increasingly common and specialist media buying companies are taking a growing market share of media purchases in South Africa. Customarily, the various media offer 16.5% commission to recognized advertising agencies, provided payment is made within the stipulated 45-day period. Additional information can be obtained from the following entity:

Advertising Standards Authority of South Africa (ASASA)
Willowview, Burnside Island Office Park
410, Jan Smuts Avenue, Craighall Park, Johannesburg
Tel: +27 (0)11 781 2006; Fax: +27 (0)11 781 1616
Website: http://www.asasa.org.za

Names and addresses of major advertising agents, newspapers, magazines, market research companies, and public relations consultants along with their current rates, can be found in the Advertising and Press Annual of South Africa available from:

Infixion Media (PTY) Ltd.
Tel: +27 (0)11 877-6111
Website: http://www.infixion.co.za

Major English-language South African newspapers include:

Business Day	http://www.businessday.co.za
The Star	http://www.thestar.co.za
The Citizen	http://www.citizen.co.za
The Sowetan	http://www.sowetan.co.za
The Times	http://www.thetimes.co.za
Mail and Guardian	http://www.mg.co.za
Sunday Independent	http://www.sundayindependent.co.za

Major English-language periodicals for business include:

Financial Mail	http://www.financialmail.co.za/

Engineering News http://www.engineeringnews.co.za

Several trade exhibition firms operate in South Africa. The Exhibition Association of Southern Africa (EXSA) provides an overview of the Exhibitions and Trade Shows being held in South Africa and can be found at: http://www.exsa.co.za.

You can also visit the Commercial Service South Africa's website for links to upcoming trade events and business service providers at:
http://www.export.gov/southafrica/tradeevents/index.asp.

Pricing

Prices are generally market-driven, except for petroleum products, certain agricultural goods, and prices administered by SOEs. South Africa applies a 15% Value Added Tax (VAT) (as opposed to General Sales Tax) on all goods and services, except for some basic staple diet items. Exports are zero-rated, and no VAT is payable on imported capital goods. In Industrial Development Zones (IDZ) there is a VAT suspension on imports and exports, provided the finished product is exported.

The South African Revenue Service (SARS), a division of the South African Department of Finance/Treasury, administers VAT:

SARS
Tel: +27 (0)12 422 4000
Fax: +27 (0)12 422 5181
Website: http://www.sars.gov.za

Sales Service/Customer Support

In the South African consumer market, after-sales service is extremely important to prospective clients, especially in the case of technical and spare part services. Many South African consumers base purchasing decisions on reliable after-sales service, especially for high-end luxury goods such as electronic equipment. Appointing a central distributor who stocks spare parts and provides maintenance and repair service is advisable for existing brands and new brands breaking into the market. As the South African market becomes more competitive, South African consumers are more concerned about quality and after-sales service. Foreign companies that bring strong customer support systems to this market will have a competitive edge.

Due Diligence

Proper due diligence information should form the starting base for any business negotiation with South African concerns. U.S. companies should act prudently in completing due diligence reports prior to any proposed business deals. The U.S. Commercial Service can provide valuable background information on South African firms through our International Company Profile (ICP) service. Further information can be obtained by visiting our website at https://www.trade.gov/south-africa or by contacting your local U.S. Export Assistance Center or the U.S. Commercial Service directly in Johannesburg (see contact numbers at the end of this guide).

Local Professional Services

For information on local business service providers for U.S. exporters to South Africa, please visit the U.S. Commercial Service South Africa website at
http://export.gov/southafrica/businessserviceproviders/index.asp
or contact the U.S. Commercial Service in Johannesburg (see contact numbers at the end of this guide). U.S. companies seeking legal representation in South Africa should contact the Commercial Service office in South Africa for a list of local attorneys. For more specific information, please contact:

Law Society of the Northern Provinces
Tel: +27 (0)12 338 5800; Fax: +27 (0)12 323 2606
Website: http://www.northernlaw.co.za/

Principal Business Associations

South Africa has a myriad of business associations that wield varying degrees of regulatory influence. They act as think tanks, umbrella organizations, and special interest groups; some are keen to support accelerated socio-economic and political transformation of the South African economy.

Many of the leading business association are detailed here:
https://www.brandsouthafrica.com/investments-immigration/business/trade/help-trade/sachambers

U.S. companies in South Africa are also actively encouraged to become members of the American Chamber of Commerce in South Africa, which has more than 250-member companies and represents the broad interests of more than 600 U.S. companies actively doing business in South Africa. See www.amcham.co.za.

Limitations on Selling U.S. Products and Services

New-to-market U.S. exporters in general do not face a more onerous trading environment than would be the case for other foreign market players. The same ascriptive government non-tariff barrier-based buying requirements affect all companies doing business in South Arica (the one tariff-based exception is the European Union that has the Economic Partnership Agreement, EPA with South Africa, commonly referred as a Free-Trade Agreement). The self-evident alternative for most foreign entities has been to team up with qualified local importer-resellers and service providers who act as the prime contractor to the South African Government and other large economic partners.

Web Resources

Association for Communication and Advertising	http://www.acasa.co.za/
Department of Trade and Industry (DTI)	http://www.dti.gov.za/
Exhibition Association of Southern Africa	http://www.exsa.co.za
Franchising Association of South Africa	http://www.fasa.co.za
Law Society of South Africa	https://www.lssa.org.za/
National Association of Broadcasters	http://www.nab.org.za/
Print Media Association	http://www.printmedia.org.za/
South African National Treasury	http://www.treasury.gov.za/
South African Revenue Service	http://www.sars.gov.za/

Trade Financing

Export-Import Bank (ExIm Bank)

Ex-Im Bank is an independent U.S. Government agency that helps finance the overseas sales of U.S. goods and services. In over 70 years, Ex-Im Bank has supported more than R3.86 trillion in U.S. exports. Ex-Im Bank's mission is to create U.S. jobs through exports. The Bank provides guarantees of working capital loans for U.S. exporters, guarantees the repayment of loans, or makes loans to foreign purchasers of U.S. goods and services.

Ex-Im Bank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. To qualify for Ex-Im Bank support, the product or service must have significant U.S. content and must not affect the U.S. economy adversely. Ex-Im Bank supports the sale of U.S. exports worldwide and will support the financing of the export of any type of goods or services, including commodities, if they are not military-related.

For more information, please visit http://www.exim.gov.

Protecting Intellectual Property

South Africa has a well-developed intellectual property rights environment and enforcement by authorities is generally effective. Patent law is very well developed. Please see the Investment Climate Statement (ICS) section of this report for details on protecting intellectual property in South Africa.

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to the following article on Protecting Intellectual Property and Stopfakes.gov, or contact ITA's Office of Intellectual Property Rights Director, Stevan Mitchell at Stevan.Mitchell@trade.gov.

Guidelines appear here:
https://www.trade.gov/protect-intellectual-property

The U.S. Patent and Trademark Office has a team leader for the Sub-Saharan Africa region:

JoEllen Urban
Senior Trade Advisor
Office of Policy and International Affairs
U.S. Patent and Trademark Office
Tel: 571-272-8498
Email: JoEllen.urban@USPTO.GOV

Corruption

Please see the section on corruption in the Investment Climate Statement of this document.

New-to-market U.S. companies should insist on extensive due diligence on order to minimize risks of new partnerships and transactions. Guidelines appear here:
https://www.export.gov/article?id=Corruption

Selling to the Public Sector

Selling to the Government

Government purchasing is a significant and growing factor in the South African economy, as it addresses infrastructure deficits that include energy, transportation, communications, health, and education. In 2013, the National Treasury announced significant public-sector-driven infrastructure spending that foresaw spending of R827 billion by 2018; actual investment was less due to a variety of factors.

Nearly all purchasing (at all three levels of government (national, provincial, and municipal) is done through competitive bidding on invitations for tenders, which are published in an official state eTender Publication website managed by the Department of Finance / National Treasury:
(https://etenders.treasury.gov.za/content/advertised-tenders)
and sometimes in leading newspapers. The eTender portal is managed by the Office of the Chief Procurement Officer (OCPO) who sets the policy on content, functionality and coordinates the administration with users at national, provincial and local government level.

The OCPO has a mandate to ensure that public sector organizations in South Africa honour the provisions of the section 217 of the Constitution when spending taxpayer's money on procurement of goods, services and works. The eTender Publications Portal is one of the initiatives instituted by OCPO to support fair, equitable, transparent, competitive and cost-effective procurement in an easy to access, single point of entry, technology driven facility. It is worth noting that this portal displays on a daily basis all public sector tenders in South Africa.

Although the purchasing procedures of the central government and parastatal institutions favor local manufacturers, an overseas firm is not precluded from bidding if the firm has an agent in South Africa to act on its behalf. As a general practice, the local agent receives the payment. Several factors outlined below impact the process of selling to the South African Government and its agencies.

Central Government Procurement:
The Central Supplier Database (CSD) maintains a database of organizations, institutions, and individuals who can provide goods and services to the South African Government. The CSD has served as the single source of key supplier information for organs of state since April 1, 2016, providing consolidated, accurate, up-to-date, complete and verified supplier information to procuring organs of state. The central government procures through a so-called “supply-chain management” process to streamline the buying procedures of national, provincial, local, and state-owned companies. As part of the Public Finance Management Act Regulations of 1999, procurement accountability has devolved to “accounting officers.” Depending on their level of responsibility, accounting officers may approve government purchases up to a certain amount.

The South African Constitution lays out basic, socio-economic principles for government procurement. Procurement by an organ of state or any other institution identified in national legislation must be "in accordance with a system which is fair, equitable, transparent, competitive and cost-effective," while also allowing for categories of preference and the protection, or advancement, of persons disadvantaged by unfair discrimination, within a framework national legislation. South Africa also bases procurements on the principles of accountability and just-in-time (JIT) delivery.

Purchases are generally by competitive tender for project, supply and other contracts. Bidders generally need not pre-qualify, but the government examines the ability of bidders to supply goods or render a service. Foreign firms can bid through a local agent. The due date for a bid is usually at least twenty-one days from the publication of the notice. As a general practice, however, the contracting party allows a lead-time of thirty to forty-five days. Bids for government tenders must be on a basis of all costs included to the specified delivery point.

Local Content Requirements:
Since 2011, the South African Government has increased its local content requirements. The Department of Public Enterprises (DPE) has formulated the Competitive Supplier Development Programme (CSDP), aimed at building up the local supply base. This is becoming increasingly important in the bidding process, particularly for foreign firms.

Previously, state-owned enterprises (SOEs) participated in the National Industrial Participation Programme (NIPP), an import-offset program for government agency expenditure managed by the Department of Trade and Industry (DTI). Under the NIPP program, all imports of more than $10 million required the supplier to work with DTI to invest the equivalent of 30% of the value of the purchase in a non-related industry. However, under CSDP, companies now have more discretion to meet government requirements in this area.

Foreign prospective suppliers need to look closely at localization requirements, which are complex, evolving, and varying by sector.

Broad-Based Black Economic Empowerment (BB-BEE):
A pivotal consideration with the government and parastatal procurement process is that manufacturers or suppliers to government get varying levels of procurement preferences if they qualify as a Black Economic Empowerment (BEE) partner. The criteria to become a BBE partner aim to quantify the contribution by these partnerships to empower previously disadvantaged individuals according to a varying mix of the following parameters:

* Black Ownership
* Black Management Control
* Employment Equity
* percentage of Black Skilled Personnel
* Preferential Procurement from Black/BEE Suppliers
* Skills Development Initiatives
* Enterprise Development Initiatives for Black Businesses

The South African Government is expanding BEE requirements on an ongoing basis. Amended regulations entered into force in 2013 and 2015 and vary by industry sector charter. In BEE legislation, the term “Black” is used generically to refer to South African citizens of the following racial/ethnic groups: Blacks (those whose ancestry is exclusively/almost exclusively African), “Coloureds” (those of mixed European/African or European/Asian origin), or Indians (those whose ancestry originates in the Indian sub-continent). A 2008 court decision expanded the BEE program to include South Africans of Chinese descent.

The Broad-Based Black Economic Empowerment Act of 2003, the legislation enacting the BEE strategy, directs the Minister of Trade and Industry to develop a national strategy for BEE, issue BEE implementing guidelines in the form of Codes of Good Practice, encourage the development of industry-specific charters and establish a National BEE Advisory Council to review progress in achieving BEE objectives. While firms are not legally required to meet BEE criteria, in practice they have a very limited chance of competing for a government or parastatal procurement if they do not. Entities gain credits if they include in their up- and downstream supply chain partnering with other entities that qualify as being compliant on employment equity and other criteria.

BEE Codes of Good Practice and other pertinent legislation may be found on DTI's website: https://www.thedti.gov.za/economic_empowerment/bee_codes.jsp.
Public Private Partnerships (PPP).

The South African Government and its parastatals also pay close attention to public-private partnerships (PPPs). This mode of outsourcing operational responsibility is an alternative to direct government procurement. While it allows a variety of leasing options, it can also include buying a service from a private entity. This mode of business implies less risk for government, due to a significantly reduced capital investment requirement, and a predictable expenditure model (linked to the fee structure payable to the service provider) while at the same time allowing BEE entities to benefit from traditional government operations. The more complex PPP tender bidding process has in some cases also led to longer adjudication and awarding timelines.

Some quarters of organized labor criticize the PPP process as leading to greater privatization and deregulation. The South African Ministry of Finance (Treasury) administers the government procurement process. For more information, see:

South African National Treasury
PPP Unit
Tel: +27 (0)12 315 5741
Fax: +27(0)12 315 5477
Website: www.ppp.gov.za/Pages/About.aspx

Offsets and Counter-Trade:
South Africa's National Industrial Participation Program (NIPP) mandates a counter-trade/offset package for state and parastatal purchases of goods, services, and lease contracts over $10 million. Under the program, all bidders on government and parastatal contracts who exceed the imported content threshold must also submit an Industrial Participation package worth 30% of the imported content value. All government and parastatal tenders' issue NIPP requirements with the tender documentation and are overseen by the Industrial Participation Secretariat of the Department of Trade and Industry.

The Department of Trade and Industry administers the NIPP. See the following:
http://www.thedti.gov.za/industrial_development/nipp.jsp.

Parastatals:
Parastatals (also known as state-owned enterprises, or SOEs), local authorities, and major private buyers, such as mining companies, must follow practices like those of the central government. Parastatal procurement is guided by and bound to the schedule of local content preference. Local government purchases are increasingly significant and involves overseas bidding. With decentralized procurement by the nine separate provincial governments in South Africa, the prospects for additional government procurement below the central government level are significant, even though strict budgetary restraints are in place and many agencies face a lack of capacity in rolling out and managing projects.

SOEs play a significant role in the South African economy. In key sectors such as electricity, transport (air, rail, and freight and pipelines), and telecommunications, SOEs play a lead role, often defined by law, although limited competition is allowed in some sectors (i.e., telecommunications and air). The government's interest in these sectors often competes with and discourages foreign investment. DPE has oversight responsibility in full or in part for six of the approximately 700 SOEs that exist at the national, provincial and local levels: Alexkor (diamonds); Denel (military equipment); Eskom (electricity generation); South African Express Airways; South African Forestry Company (SAFCOL) (forestry) and Transnet (transportation). The DPE transferred control of South African Airways (SAA) to the National Treasury in 2014. These six SOEs employ approximately 105,000 people. South Africa's overall fixed investment is 19% of GDP. The SOEs' share of that investment is 21%, while private enterprise contributed 63%, with government spending making up the remainder of 16%). The IMF estimates that the debt of the SOEs would add 13.5% to the overall national debt.

The state-owned electricity monopoly, Eskom, generates approximately 95% of the electricity used in South Africa. Coal-fired power stations generate approximately 93% of Eskom's electricity. Eskom's core business activities are generation, transmission, trading, and distribution. South Africa's electricity system operates under strain because of low availability factors for base load generation capacity due to maintenance problems. The electricity grid's capacity reserve margins frequently fall under 2%, well below international norms. Between November 2013 and early 2016, Eskom periodically declared "electricity emergencies" and asked major industrial users to reduce consumption by 10% for specified periods (usually one to two days). Additionally, Eskom has implemented load shedding (rolling blackouts) to ease demand on the system on a periodic basis. The mining and industrial activity downturn also helps account for Eskom's ability to meet demand. To meet rising electricity demand, Eskom is building new power stations (including two of the world's largest coal-fired power stations, but both are years overdue and over budget) and power lines. Eskom and independent industry analysts anticipate South Africa's electricity grid will remain constrained for at least the next several years. The South African Government has implemented a renewable energy independent power producer procurement program (REIPPP) that in the past three years has added an operational 2,000 MW with another 4,000 MW planned or under construction. Standard and Poor's rates Eskom debt as B+ with a negative outlook, and all three ratings agencies have recently expressed concerns about the level of Eskom's debt and the ability of the government to cover its contingent liabilities.

Transnet National Port Authority (TNPA), the monopoly responsible for South Africa's ports, reportedly charges the highest shipping fees in the world. High tariffs on containers subsidize bulk shipments of coal and iron ore, thereby favoring the export of raw materials over finished ones. According to the South African Ports Regulator, raw materials exporters paid as much as one quarter less than exporters of finished products. TNPA is a division of Transnet, a state-owned company that manages the country's port, rail and pipeline networks. Transnet is in its third year of the Market Driven Strategy (MDS), a R366 billion ($25 billion) investment program to modernize its port and rail infrastructure. Transnet's March 2014 selection of four OEMs to manufacture 1064 locomotives is part of the MDS. This CAPEX is being 2/3 funded by operating profits with the remainder from the international capital markets. Transnet has previously reported that in 2016 it had invested R124 billion ($9.2 billion) in the last four years in rail, ports and pipeline infrastructure.

While government efforts to liberalize the telecommunications sector and encourage competition have improved, regulatory uncertainty and fragmented competition have hampered growth. Key challenges include strengthening the capacity of the sector regulator, the Independent Communications Authority of South Africa (ICASA), and implementing a spectrum auction. South Africa failed to meet the 2015 International telecommunications Union (ITU) deadline for switching off analog TV signals as part of the digital migration.

In February 2015, the DTPS announced that Telkom (a 51 % state-owned telecommunications company) will take the lead in a national broadband rollout with the goal of introducing broadband to rural and historically underserved areas. Analysts are skeptical of Telkom's ability to roll out effectively broadband on such a scale. The DTPS released a policy paper in October 2016 stating a planned course of action to realize the potential of the ICT sector. The DTPS policy paper advocates for open access requirements which could overhaul how ICT firms gain access to and use the broadband infrastructure. The paper also advocates the assignment of all high demand spectrum to a Wireless Open Access network. The controversy is expected to delay any policy implementation and contribute to ongoing uncertainty in the sector as the parastatal, Telkom, agrees with the general approach but the major private sector mobile carriers feel interventions would curb investment.

In May 2014, the government of South Africa signed the Special Economic Zones (SEZ) Act into law aimed at supporting balanced industrial development, manufacturing capabilities, and the development of more competitive free port-centric regional economies.

Prior to the SEZ Act, the Department of Trade and Industry (DTI) initiated the Industrial Development Zone (IDZ) program under the Manufacturing Development Act of 2000. The focus of current SEZ program is to attract foreign direct investment, increase exportation of value-added manufactured products, and to create linkages between domestic- and zone-based industries. Bulk ore handling, petro-chemicals, automotive manufacture, and related industries benefit from this initiative. Seven SEZs (Coega, East London, Richards Bay, Dube/King Shaka IA (KSIA), OR Tambo IA, Maluti Pafung/Harrismith and Saldanha Bay) are operational with plans to create seven more. The largest SEZ, Coega, has attracted investments worth approximately R30 billion ($2.27 billion).

U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult Advocacy Center for Foreign Government Contracts and for additional information.

Financing of Projects

Many governments finance public works projects through borrowing from the Multilateral Development Banks (MDB). A helpful guide for working with the MDBs is the Guide to Doing Business with the Multilateral Development Banks. The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development, the African Development Bank and the World Bank. These institutions lend billions of dollars to developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The U.S. Commercial Service Liaison Offices in these banks help American businesses learn how to get involved in bank-funded projects and advocate on their behalf to win bids. Learn more by contacting the Advocacy Liaison for World Bank or *the* **Advocacy Liaison for African Development Bank**

Resources

World Bank

African Development Bank

U.S. International Development Finance Corporation (DFC)

U.S. International Development Finance Corporation (DFC) is a modern, consolidated agency that brings together the capabilities of OPIC and USAID's Development Credit Authority, while introducing new and innovative financial products to better bring private capital to the developing world.

DFC partners with the private sector to finance solutions to the most critical challenges facing the developing world today. DFC invests across sectors including energy, healthcare, critical infrastructure, and technology. DFC also provides financing for small businesses and women entrepreneurs in order to create jobs in emerging markets. DFC investments adhere to high standards and respect the environment, human rights, and worker rights.

For more information contact:
Vibhuti Jain, DFC Regional Director for Africa
Email: vibhuti.jain@dfc.gov
Website: www.dfc.gov

U.S. Trade and Development Agency (TDA)

The U.S. Trade and Development Agency promotes economic development in developing countries by funding feasibility studies, consultants, training programs, and other project planning services. TDA is a source of funding for pre-financial close project preparation. In Africa, TDA assists U.S. firms by identifying major development projects that offer large export potential and by funding U.S. private sector involvement in project planning. This, in turn, helps position U.S. firms for follow-on activities during the implementation phase of the project.

For more information contact:
Jacob Flewelling, USTDA Africa Business Development Manager
Tel: + 27 11 290-3084
Email: jflewelling@ustda.gov
Website: http://www.ustda.gov/

Business Travel

Business Customs

Business customs in South Africa are generally similar to those in the United States and Western Europe. South African business people tend to dress conservatively, particularly in the financial sector. However, "smart-casual" clothing has become increasingly popular with executives in the ICT, tourism, and other services related industries. Terminology used in business invitations are:

Black Tie	(dark suit and tie or tuxedo or formal evening dress)
Business	(jacket and tie or a business dress)
Smart Casual	(casual clothing with or without tie, but no jeans and no sneakers)
Casual	(can include jeans but no sport shorts)

Business cards are usually simple, including only the basics such as company logo, name, business title, address, telephone/mobile number, fax number, e-mail, and web-address. South Africans are usually punctual, so it is best to make every effort to be on time for appointments. Appointments are always made in advance of a business visit.

Travel Advisory

For the latest Consular Information Sheet and travel advisory on South Africa, please see: https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/SouthAfrica.html

Travelers are encouraged to be vigilant and avoid large gatherings, particularly protests and demonstrations. Traditionally, South Africa's nexus to international terrorism has been through recruiting, funding and as safe haven for international terrorists. While most visitors complete their travels in South Africa without incident, criminal activity, often violent, does occur regularly, i.e. armed robbery, carjacking, mugging, "smash and grab" attacks on motor vehicles and other incidents.

For general information on international travel, please visit the main website at:
https://travel.state.gov.

The South African government levies a Value-added Tax (VAT) at 15percent. Travelers may apply for tax refunds on purchases made in South Africa over $18 on departure.

Visa Requirements

The South African Government announced new visa regulations, revised in 2016:
The criteria for business permits: it is required that the intended business fit into a specific business category as well as not being deemed an undesirable business.

Quota work permits and exceptional skills permits will no longer be available.

A new work permit called a critical skills permit is now offered.

First time permit applicants will have to submit their applications at an embassy or consulate in their country of origin. Further notes are available here: http://www.dha.gov.za/index.php/immigration-services/apply-for-a-south-african-visa

U.S. citizens traveling to South Africa require a valid passport. A visa is not required for regular passport holders on bona fide holiday or business visits for periods of up to 90 days or in transit. However, should a U.S. citizen wish to visit neighboring countries, a visa may be required for that country. For South Africa, visas are also required for extended stays, employment, study, and for diplomatic and official passport holders.

Traveling with minors: Visit the South African Department of Home Affairs Website for the most up-to-date requirements for traveling with minors to or from South Africa:
http://www.dha.gov.za/index.php/statements-speeches/621-advisory-new-requirements-for-children-travelling-through-south-african-ports-of-entry.

Evidence of a yellow fever vaccination is necessary if arriving from an infected area. Information on South African visa requirements can be obtained prior to departure from the United States by checking with:
South African Embassy, Washington, D.C. http://www.saembassy.org
S.A. Consulate, Chicago: https://www.southafrica-usa.net/chicago/
S.A. Consulate, New York: https://www.southafrica-usa.net/consulate

For information on visa requirements for other countries, contact the Embassy of the country you intend to visit, or a travel agent, or a U.S. Consular Officer.

IMPORTANT NOTE: All travelers to South Africa should make sure that their passports contain at least two completely blank visa pages for stamps; otherwise they risk being refused entry by South African immigration officials. As a general precaution, travelers are advised to carry a photocopy of the photo/bio information page of their passport and keep it in a location separate from the passport.

U.S. companies that require travel of foreign business people to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links:

State Department Visa Website: https://travel.state.gov/content/visas/en.html
United States Visas: https://ais.usvisa-info.com/en-za/niv
US Embassy Pretoria Visa Information: https://za.usembassy.gov/visas/

Currency

The South African currency is the SA Rand ("ZAR") that can be volatile at times. It is reportedly the most traded currency of all Emerging Markets and the exchange rate often reflects carry trade that leverages global interest rate differentials, leading importers to hedge against devaluation with forward cover. The Rand is the currency of the Common Monetary Area (CMA) comprising South Africa, eSwatini (formerly Swaziland) and Lesotho. The ZAR is also a legal tender in Namibia, at a fixed exchange rate to the Namibian Dollar.

In Calendar Year 2019 the official month-average U.S. Government's South African rand-dollar exchange rate was R 14.58.

Telecommunications/Electric

The South African telecommunications sector boasts one of the continent's most advanced telecommunications markets in terms of technologies deployed and services provided. The national fixed line operator is Telkom.

There are four licensed cellular service providers: Vodacom, MTN, Cell C, and Telkom (8ta). All four mobile operators offer voice and data solutions to subscribers. In up-market hotels and shopping centers, wi-fi is commonplace.

Transportation

South Africa boasts one of the most modern and extensive transport infrastructures on the African continent in terms of road, railway systems, airports, and seaports.

There are three major international airports: OR Tambo International in Johannesburg, King Shaka International Airport in KwaZulu Natal, and Cape Town International Airport in Cape Town. Carriers that fly directly from the United States to South Africa are Delta Air Lines and South African Airways (SAA). In December 2019 United began flying a direct route from Newark International Airport to Cape Town. The Gautrain, high-speed train, runs from O.R. Tambo International to multiple destinations in the Gauteng Province including Sandton, Rosebank, and Pretoria, Station opening times and train intervals are detailed at https://www.gautrain.co.za.

Do not hail taxis in South Africa. When taking a taxi, it is recommended to use private taxi companies that operate at all four- and five-star hotels. Travelers to South Africa can also rent a car. In cities and larger towns, Uber is available.

Major car rental groups represented include:
Hertz https://www.hertz.co.za
Avis https://www.avis.co.za and
Budget https://www.budget.co.za
Uber https://www.uber.com/en-ZA/

Traffic in South Africa moves on the left, and the steering wheel is on the right-hand side of the car. Under South African law, all occupants of motor vehicles equipped with seatbelts are required to wear them while the vehicle is in operation. Texting or talking on cell phone without a hands-free unit while driving is illegal.
South African law does not require an international driver's license. A valid driver's license from any U.S. state or territory that has the signature and photo of the driver is valid to drive in South Africa for stays of less than six months.

Road conditions are generally good in South Africa, but the road traffic death rate is nearly three times higher in South Africa than in the United States. The high incidence of road traffic mortality is due to a combination of poor driving, limited enforcement of traffic laws, road rage, aggressive driving, distracted driving, and driving under the influence of alcohol. Use extreme caution driving at night. U.S. Mission employees are prohibited from driving after dark outside of major metropolitan areas, except for highway travel between Pretoria and Johannesburg. Traffic lights are frequently out of order. Treat all intersections with malfunctioning traffic lights as a four-way stop.

To view U.S. Consulate information sheet on travel to South Africa visit:
https://travel.state.gov/content/passports/en/country/south-africa.html.

Language

English is one of 11 official languages in South Africa and is the most commonly used language for conducting business. Based on the most recent data available, the respective percentages of the population speaking each of them are: Zulu (25.3%), Xhosa (14.8%), Afrikaans (13.3%), Sepedi (9.4%), English (8.2%), Setswana (8.2%), Sesotho (7.9%), Xitsonga (4.4%), Swazi (2.6%), Venda (1.7%), and Ndebele (1.5%). Languages used by the Asian population include Tamil (2%), Hindi (2%), Gujerati (2%), and Urdu.

Health

In line with U.S. laws, the South Africa's health policy stipulates that smoking is prohibited in public places unless otherwise designated as smoking areas. South African tap water is mostly safe to drink, generally adhering to the highest standards, but if a traveler is not acclimatized to it, or has a sensitive digestive system, bottled water is widely available. South Africa has world-class (private care) medical services and all major cities have modern well-equipped hospitals and ambulance services to assist travelers in emergency situations. Private medical facilities are good in urban areas and near game parks but limited elsewhere. Private medical facilities may require a deposit before admitting patients. Travelers should familiarize themselves with emergency telephone numbers and the locations of nearest hospitals on arrival in the country. The national emergency telephone number is 10111.

South Africa has a few provinces where there is a threat of contracting malaria. Appropriate prophylactics taken well in advance of visiting these areas should limit the risk of falling ill. Self-protection actions should include use of mosquito repellant (all day), wearing of light long sleeved shirts and pants as well as socks and shoes from dawn and at night. Visitors should also consider sleeping under a mosquito net or in a mosquito-proof room.

High-risk malaria areas include the Lowveld of Mpumalanga and the Limpopo (the region where the Kruger Park is located) as well as in Kwazulu Natal (on the Maputaland coast).

Intermediate-risk malaria areas are Kosi Bay, Sodwana Bay, Mkuze Game Reserve, and St Lucia (but not the town of St Lucia and the river mouth).

Low-risk malaria areas are North West Province and the Northern Cape along the Molopo and Orange Rivers, including the Augrabies Falls and the Kgalagdi Transfrontier Park (malaria is rarely transmitted here, so anti-malaria drugs may not be necessary). Travelers may still contract malaria despite all precautionary measures, and if any flu-like symptoms such as headaches, fever, muscular and joint pains, sweating, shivering and attacks of nausea or diarrhea occur at any time within six months after a visit to one of these high-risk areas, visitors should consult a physician immediately.

South Africa has an epidemic of HIV/AIDS and travelers should ensure that they are aware of the associated risks.

Local Time, Business Hours & Holidays

Throughout the year, Standard Time in South Africa is two hours ahead of Greenwich Mean Time and seven hours ahead of Eastern Standard Time. Clocks are not advanced in the summer. Generally, business hours are weekdays from 8:00 a.m. to 5:00 p.m. Most offices observe a five-day week, but many stores are open on Saturdays, and from 9:00am to 2:00pm on Sundays. All banks are open weekdays from 9:00 a.m. to 3:30 p.m., and Saturdays from 8:30 a.m. to 11:00 a.m. In certain large shopping centers, some bank branches are open on Sunday mornings.

Local Holidays 2020

January 1	New Year's Day
March 21	Human Rights Day
April 10	Good Friday
April 13	Family Day
April 27	Freedom Day
May 1	Workers Day
June 16	Youth Day
August 9 *	National Women's Day
September 24	Heritage Day
December 16	Day of Reconciliation
December 25	Christmas Day
December 26	Day of Goodwill

#: denotes the holiday is observed the next Monday.

U.S. Government offices in South Africa are closed on U.S. federal and legal holidays.

Temporary Entry of Materials or Personal Belongings

Travelers must declare all goods in their possession except for personal clothing, essential toiletries and used sporting equipment (such as golf clubs). To be free from declaration, these goods must be for the passenger's personal use and not intended as gifts or to be sold, exchanged, or traded. All articles, used or unused, carried by the visitor as presents or parcels for other people, must be declared. There are no restrictions on the amount of U.S. dollars a traveler can bring into South Africa.

U.S. dollars cannot be used in South Africa and must be converted into the local currency, the South African Rand, by authorized foreign exchange dealers, hotels, commercial banks, and certain travel agencies. It is illegal to convey foreign currency to anyone else and U.S. Dollars may not be used in commercial or other private transactions.

With a valid driver's license, a visitor may enter South Africa with his/her automobile for a period not exceeding 12 months. An import duty will be charged on entry and rebated on departure. If a visitor wishes to sell his/her vehicle during his/her stay or upon departure, he/she must first obtain an import permit and pay the relevant duty.

Web Resources

Hotels in larger cities:
http://sandton.hotelguide.co.za/
http://capetown.hotelguide.co.za/
http://kwazulu.hotelguide.co.za/
http://gauteng.hotelguide.co.za/

Car Rental

Avis:	https://www.avis.co.za
Budget:	https://www.budget.co.za
Hertz:	https://www.hertz.co.za
Uber:	https://www.uber.com/en-ZA/

Air Lines

Delta Air Lines:	https://www.delta.com
South African Airlines:	https://www.flysaa.com
United Air Lines:	https://www.united.com

Private Healthcare (Hospitals)

Netcare:	https://www.netcare.co.za
MediClinics:	https://www.mediclinic.co.za
Life:	https://www.mediclinic.co.za

U.S. Government:
Consular Services for American Citizens: https://za.usembassy.gov/

or:

U.S. Consulate General Johannesburg
1 Sandton Drive (opposite Sandton City Mall)
Sandton, Johannesburg
South Africa

* Telephone +(27) (11) 290 3000 (from South Africa 011 290 3000)
* Emergency After-Hours Telephone (011) 290 3000 or 079 111 1684 (outside South Africa: +(27) 79 111 1684)
* Fax+(27) (11) 884 0396 (from South Africa (011 884 0396)
* E-mail: consularjohannesburg@state.gov

Consular Information Sheet on South Africa
https://travel.state.gov/content/passports/en/country/south-africa.html
U.S. Commercial Service – South Africa
https://trade.gov/south-africa/

Investment Climate Statement (ICS)

The U.S. Department of State's Investment Climate Statements provide information on the business climates of more than 170 economies and are prepared by economic officers stationed in embassies and posts around the world. They analyze a variety of economies that are or could be markets for U.S. businesses.

Topics include Openness to Investment, Legal and Regulatory systems, Dispute Resolution, Intellectual Property Rights, Transparency, Performance Requirements, State-Owned Enterprises, Responsible Business Conduct, and Corruption.

These statements highlight persistent barriers to further U.S. investment. Addressing these barriers would expand high-quality, private sector-led investment in infrastructure, further women's economic empowerment, and facilitate a healthy business environment for the digital economy. To access the ICS, visit the U.S. Department of Department of State's Investment Climate Statement website.

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Political Environment

For background information on the political and economic environment of the country, please click on the link to the U.S. Department of State Countries & Areas website.