U.S. Country Commercial Guides

South Africa

2017

U.S. Department of Commerce | International Trade Administration

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Doing Business in South Africa

Market Overview

- South Africa is a country of 55 million people, enjoying relative macroeconomic stability and a largely pro-business environment.
- South Africa is a logical and attractive option for U.S. companies seeking to enter the sub-Saharan Africa marketplace. The country covers 1.22 million square kilometers and is the world's largest producer of platinum, vanadium, chromium and manganese.
- South Africa is the most advanced diversified and productive economy in Africa. However, its actual growth does not match that of other African economies.
- In 2016, its gross domestic product (GDP) grew by 0.5% to an estimated $ 736.3 billion (based on purchasing power parity – ppp, or $350 billion in the more widely used standard GDP definition). The mature nature of the South African economy is reflected in the mix of economic sectors:
  1. Primary (including agriculture, fishing and mining): 10%.
  2. Secondary (manufacturing, construction and utilities): 21%.
  3. Tertiary (trade, transport and services): 69%.
- The tourism sector has experienced above global average growth, capitalizing on South Africa's natural beauty, wildlife reserves and good infrastructure. The sector is a major foreign exchange earner, along with minerals, agricultural products and some niche, high-tech sectors.
- The country's urban areas boast well-developed infrastructure, comparable to OECD standards. Its growing service sector is a major employer, and the private, corporate side of the economy is well-managed, although facing slow productivity gains. The banking and financial services sector is stable and weathered the 2008 financial crisis well. The Johannesburg Stock Exchange (JSE) ranks among the top emerging market exchanges in the world.
- South Africa is well integrated into the 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 BRICS (Brazil, Russia, India, China and South Africa).
- 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 new 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 annually as South Africa's third-largest 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 progressing fast.

- In 2012, the U.S Department of Commerce launched the "Doing Business in Africa" (DBIA) campaign. This program is likely to continue and brings together resources of various USG agencies to increase trade and investment opportunities for U.S. businesses in Africa. For further information on DBIA, please visit the DBIA page on the International Trade Administration website.
- Five reasons why U.S. companies should consider exporting to South Africa:
  1. South Africa remains a must-consider country in sub-Saharan Africa when new-to-market (NTM) companies consider location options; the logistics infrastructure, English language and benign legal processes make this a low entry-threshold country.
  2. The business management environment (legal, publicity, marketing, accounting, forensics, process outsourcing, etc.) is arguably the best in Africa.
  3. South Africa is a business incubator for NTM 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; these range from agency, to licensing, to JV's, to mergers and acquisitions; some
  6. South African companies hope to enter the U.S. market in this fashion.

Market Challenges

- There is serious, growing concern about a host of political, economic and regulatory factors that affect foreign businesses adversely. These include increasingly persistent reports about corruption and ineptitude in high government circles, significant unemployment, violent crime, insufficient infrastructure and poor government service delivery to impoverished communities. The increasingly rhetorical political debate over the direction of economic policy has been exacerbated by very low economic growth and a governing party reeling from setbacks in local government elections in August 2016.
- 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 with 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 because of South Africa's relatively higher historical rates of inflation.
- Broad-Based Black Economic Empowerment (B-BBEE) policies aim at redressing economic imbalances among historically disadvantaged communities to facilitate socio-economic transformation, specifically to increase the number of black South Africans that either own or manage companies. B-BBEE requirements demand due consideration by all firms planning to do business with the South African Government, but also within the general business community. New, more ambitious ascriptive requirements were introduced in 2013 and continue to be tightened up in order to induce improved economic opportunities by awarding more points in the equity/ownership requirement than previously. As in the past, entities gain credits if they include in their upstream and downstream supply chain partnering with other entities that qualify as being compliant on employment equity and other criteria. B-BBEE fronting that creates the appearance of regulatory compliance is a criminal offense and may lead to a fine of up to 10% of an entity's turnover or up to 10 years' incarceration by directors and complicit staff. A few foreign companies have addressed the ownership element of B-BBEE by implementing "equity equivalent" programs that emphasize training and development of local companies, although it can be difficult to get government approval for these proposals. Also see Selling to the Government below.
- For new-to-market U.S. exporters, these ascriptive trading requirements have encouraged 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. 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.
- Since 2012, the South African government has announced plans to tighten labor and foreign ownership laws and mandated industrial localization. Sectors of specific concern have included the extractive industries, security services and agriculture. It remains uncertain in which direction government will go to address rigidities in labor regulations in the face of popular discontent around unemployment, poverty and inequality.
- Despite current uncertainties, as the most advanced, broad-based economy on the continent, South Africa still offers exporters and investors a diverse and mature economy with vibrant financial and other service sectors, as well as preferential access to export markets in the United States, the European Union and the Southern African Development Community (SADC).

- Commercial standards are generally similar 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, and citizens maintaining significant pride in the constitution and the peaceful formation of the post-Apartheid state.
- Despite socio-economic and political 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.
- Despite increasing unemployment (while the nominal rate is 26%, most observers find the broader definition including those who have given up looking for a job, which is currently 37%), skilled labor can be difficult to find in many, if not most, technical and professional segments, due to the poor state of the public education system. In addition, HIV/AIDS affects approximately one in ten South Africans with unfortunate implications for labor availability, productivity and healthcare costs. Annual labor negotiations have been marked by violence in previous years, although the last two years have been relatively peaceful.
- 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 currently has an unrelated significant water crisis that has led to a declaration of emergency that severely limits water supply.

Market Opportunities

Several factors benefit U.S. exports:

- Sophisticated financial services, 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;
- 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. Due to cyclical, structural and regulatory/policy challenges in the economy, Government capital and operational expenditure have been a hotly debated party political issue since 2016, and the triple deficit (trade, budget and households) suggests economic growth will remain slow for the medium term. Of particular note are:

- Electricity Power Systems and Renewable Energy.
- Oil and Gas Supplies and Equipment.
- Transportation Infrastructure.

- Pollution Control Equipment.
- Medical Equipment and Healthcare Services.
- Telecommunications.
- Information Technology.

Market Entry Strategy

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

- The skewed demographic income distribution pattern, where 10% of the population earns 45% of national income (Gini coefficient is 0.61);
- The price-sensitive nature of the majority of consumer demand;
- A potentially volatile rand-dollar exchange rate (the rate tends to be very predictable over the medium term – its volatility 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;
- 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).

However, the new-to-market 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 judicious selection of one of three low-risk entry strategies (representation, agency or distributorship) is required by new-to-market entities. If you are selling to the government or government-funded organizations, any local partner should be B-BBEE-compliant and be aware of local procurement regulations.

In addition to this Country Commercial Guide, the Commercial Service offices in Durban, Cape Town and Johannesburg offer many services designed to assist you in developing your market entry strategy into South Africa. For a detailed description of these services please visit the Exports.gov website.

Political Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S Department of State Background Notes.

Selling U.S. Products & Services

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. They 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 a network of branch offices. In addition to their 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 (also known as a Commission Sales Representative, or CSR) 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 the most successful ventures entered into by U.S. companies have been preceded by thorough market research. 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 the U.S. Commercial Service page.

As part of the Presidential National Export Initiative (NEI) and the Doing Business in Africa (DBIA) campaign, Commercial Service South Africa coordinates market research and business facilitation in a number of sub-Saharan African countries. These include:

- Botswana
- Burkina Faso
- The Gambia
- Guinea
- Lesotho
- Liberia
- Madagascar
- Malawi
- Mali
- Mauritius
- Namibia
- Senegal
- Swaziland
- Zambia

The U.S. Commercial Service also has seven other 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.

For additional information, please e-mail the U.S. Commercial Service office at: Johannesburg.office.box@trade.gov.

Establishing a Local Office

Since 2009, South Africa has slowly been slipping in the World Bank's Ease of Doing Business Index, to attain a ranking of 74 in 2016.

However, South Africa has consistently done well for ease of access to credit and has shown improvements in trading across borders.

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 for private entities to choose -- they can decide 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 nonresident 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 percentage of share capital be held locally. 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.

In order to make South Africa a more attractive location for multinational enterprises wishing to invest in Africa, a so-called Headquarter Company (HQC) regime has been introduced in South Africa. The rules create a more attractive fiscal and regulatory environment necessary for foreign holding companies seeking entry into Africa, and rules eliminate certain barriers which had 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. The registration of a company is established by filing the following information with the CIPC: 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. For public companies that issue a prospectus, proof must be submitted 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, the following must be provided to the CIPC:

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

Close Corporations: Close corporations, designated by the letters "CC" after their names, have been a form of business organization unique to South Africa. They can only be organized by natural citizens of South Africa and are limited to a maximum of ten persons. Close corporations are subject to fewer registration and operating regulations than companies. However, new legislation forbids the new registrations of CCs, and the CIPC has established a new process whereby these legacy companies would be 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 of these companies 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

Franchising

Franchising provides a good market entry mode into the South African marketplace. According to the Franchise Association of South Africa, there are 625 franchised systems, over 39,000 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 R465.27 billion in 2014.

Food franchises make up about 25% of total franchises, with some segments that are considered saturated such as pizza and burgers. Other franchise concepts such as B2B services, automotive, after-care and education are also making inroads into the market. 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.

Franchising has become more popular in recent years, as it is perceived 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 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 located 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 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. Notable challenges include 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: the Consumer Protection Act, Copyright Law, Common Law, Contract Law and Intellectual Property Law, which are vigorously adhered to.

Additional information can also 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
Ms. Vera Velasis, Executive Director
Email: fasa@fasa.co.za

Direct Marketing

Direct marketing is expected to grow over the next ten years. 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 also 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.

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

Joint Ventures/Licensing

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

When a company is interested in entering into a foreign licensing agreement to manufacture a product in South Africa, the South African licensee must submit an application 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 request for exchange control approval is sent directly to SARB by the South African licensee. 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. Contract conditions involving obligatory purchasing and pricing agreements or requiring the licensee to sole source articles from the licensor are prohibited.

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, accessible via the following Website.

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 comprised planned spending of R827 billion by 2016; actual investment was less due to policy and cyclical changes. The medium-term expenditure framework (MTEF) for 2017 sees no additional resources available for allocation, and the budget will focus on expenditure control within budget limits.

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 publication, the State Tender Bulletin and sometimes in leading newspapers. 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, payment is made to the local agent. Several factors 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 will serve as the single source of key supplier information for organs of state from 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. Other principles on which procurement must be based in South Africa are accountability and the just-in-time (JIT) delivery principle.

Purchases are generally by competitive tender for project, supply and other contracts. Bidders generally need not pre-qualify, but the ability of bidders to supply goods or render a service generally is examined. 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, a lead-time of thirty to forty-five days is allowed. 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 need to qualify as commonly referred to as BEE partners. These criteria 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. New 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 African Chinese.

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 little or no chance of competing if they do not.
BEE Codes of Good Practice and other pertinent legislation may be found on DTI's website.

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.

In some quarters of organized labor, the PPP process has been criticized 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

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. These NIPP requirements are issued with the tender documentation of all government and parastatal tenders and are overseen by the Industrial Participation Secretariat of the Department of Trade and Industry.

To learn more about the Department of Trade and Industry administers the NIPP, please visits the website.

Parastatals
Parastatals (also known as state-owned enterprises, or SOEs), local authorities and major private buyers, such as mining companies, must follow practices similar to the central government. Parastatal procurement is guided by and bound to the schedule of local content preference. Local government purchases are increasingly significant and also involve 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. The Department of Public Enterprises (DPE) Minister has publicly stated that South Africa's SOEs should advance economic transformation, industrialization and import substitution. 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). South African Airways (SAA) was transferred in 2014 to control by the National Treasury. 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 since November 2014. This issue has since abated, with no load shedding reported in 2016, as Eskom appears to have regained control of the grid. However, concerns still exist about the possibility of a return to load shedding as the economy resumes growth above 1%. 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 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. In March

2014, Transnet announced an average overall tariff increase of 8.5% at its ports to finance a $240 million modernization effort. 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. In March 2017, Standard and Poor's dropped its rating of Transnet to below the investment-grade threshold and in line with the sovereign's. However, the stand-alone credit profile of the company remains at BBB. Of the major South African SOEs, Transnet is thought to be the most competently managed.

The state-owned carrier, South African Airways (SAA), relies on the government for financial assistance to stay in operation. SAA dominates the southern Africa regional market, but faces competition from regional airlines such as Emirates. In fiscal year 2014/2015, SAA sustained a loss of R5.6 billion ($412 million) and in fiscal year 2015/2016 it had a loss of R1.4 billion ($103 million). In 2016, the National Treasury agreed to another R5 billion ($353.0 million) guarantee. SAA in turn was asked to elect a new twelve-member board to assist the airline with its turnaround strategy. As part of its turn-around strategy, SAA has cut unprofitable, politically-motivated routes, renegotiated leases on its A340s, and is still considering redundancies to trim its bloated payroll. During FY 2016/2017, SAA lost R4.5 billion ($321 million).

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. Many of the issues stem from the confusion and infighting caused by the split of the Department of Communications into two departments shortly after the May 2014 national election. The two departments - the Department of Communication (DOC) and the Department of Telecommunication and Postal Services (DTPS) - have been at odds over roles and responsibilities. ICASA falls under the DOC while DTPS is responsible for writing the policies on telecommunications that ICASA is supposed to regulate. South Africa has now started but not completed the migration from analog-to-digital.

The constant battling between the two departments has delayed much-needed rapid deployment guidelines for broadband and spectrum allocation that is supposed to be a by-product of the constantly delayed analog to 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 the rural and historically underserved areas. Analysts are skeptical of Telkom's ability to effectively roll out broadband on such a scale. A policy paper was released in October 2016 by the DTPS stating a planned course of action to realize the potential of the ICT sector. Open access requirements are advocated which could overhaul how ICT firms gain access and use the 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.

New legislation embodied in the Special Economic Zones (SEZ) Act was signed into law in May 2014. This Act is 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 benefited 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. The largest SEZ, Coega, has attracted investments worth approximately R30 billion. Another seven are planned.

Multilateral Development Banks (African Development Bank, World Bank)
The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the African Development Bank and the World Bank. These institutions lend billions of dollars in 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. Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the African Development Bank and the World Bank.

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to "Project *Financing*" Section in *"Trade and Project Financing"* for more information.

Distribution & Sales Channels

Approximately 90% of South Africa's economically active population is found in areas surrounding the cities of Johannesburg, Cape Town, Durban, Pretoria and Port Elizabeth. 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 equipment and/or products being imported. Consumer-oriented products, for example, are distributed by local subsidiaries or joint-venture partners to a fixed number of distributors who sell to wholesalers and/or retailers who in turn sell to end-users. There may be more middlemen 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 - Consumer goods requiring maintenance of stocks and industrial raw materials are often exported to South Africa through established wholesalers.
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. About 90% of the consumer trade inventories of these stores are domestically sourced.

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 should be a company that does not import or market the product in question, but rather, because of its geographical reach, technical ability and goodwill in the market, 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, which is received from the principal.

Distributors: A "distributor" buys and holds stock of a product. In return, they are usually granted an exclusive right to sell the product in a particular area or to a particular type of 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) that whoever you appoint to represent your organization needs to know the market well, and 2) South Africa is a large country so you need to consider national distribution. South Africa is a large country, with nine provinces. Lacking the support of national infrastructure, smaller agents often tend to operate provincially. This means you 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 but a handful of major distributors, but often hundreds of small players. Major players prefer an exclusive agent/distributor agreement with the foreign firm. Most South Africa imports are handled through the country's largest airport in Johannesburg or through one of three of the country's ports: Durban, Cape Town and Port Elizabeth. 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 the 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 also speedy connection to South Africa's trunk road network. The facility handles in excess of 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. Express delivery is still primarily being used for B2C transactions for more mobile compact products, and is still comparatively more expensive than other more developed economies. A major reason for this is that there is a growing number of service providers who sub contract on behalf of the larger service providers who do not have the necessary national footprint to deliver themselves. This results in added costs which the consumer ultimately bears. In the mining and off-shore 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

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.

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. The new legal framework aims to protect the consumer through controls on product liability, sales and marketing practices and fairness in consumer contracts, among other issues. In essence, 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.

One way of launching a new product in South Africa is by exhibiting at a trade show. Promotional "give-aways" 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, promotional material is typically printed in English.

Direct selling has certainly found a niche market in South Africa. Direct sales to individuals on a personal one-on-one basis by freelance agents are fast becoming a multi-million dollar 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.

E-Commerce

Overview

E-Commerce is making steady progress in the South African retail environment, especially in far-flung areas where traditional distribution channels are too costly. Traditional retailers have almost all taken on a web-presence to compete with mail-order companies; many outsource delivery to a service provider. South African online spend is forecasted to grow to over 53 billion Rand by 2018 with a projected annual growth rate of 15% through 2021. This accounts for 1% of the country's retail sector as a whole and indicates immense potential for growth and opportunity. Internet user penetration is at 47% and expected to reach 60% by 2021 and mobile penetration is 65% and growing. In South Africa, generally B2B customers are also B2C customers, so interaction is generally the same. Both have become accustomed to performing consumer product research online. As a result both types of customers are using consumer and B2B websites to purchase products and services for their companies or as individuals.

Current Market Trends

The top e-Commerce product category in South Africa is media products, including books, CDs, DVDs, and games. Consumers are also price conscious, favoring online promotions and coupons. South Africans are spending more time online researching better prices and seeking product recommendations on social media.

Cross-Border e-Commerce

South Africans purchase mostly from South African websites, 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.

Online Payment

Credit card and debit cards are the most preferred payment methods. Consumers also use e-wallet services 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.

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 cell phones, limited access to the Internet, and poor fixed-line infrastructure. This provides an immense opportunity for online retailers, as mobile spend is projected to increase by 123% by 2018.

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.

Trade Promotion & Advertising

South Africa has a sophisticated advertising industry. Advertising agencies provide a full range of services. Larger 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;
- The two major media bodies, the National Association of Broadcasters and the Print Media Association; 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
Mr. Fred Makgato
Email: freddy@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.
Dev Naidoo
General Manager: New Media B2B
dev.naidoo@newmediapub.co.za
Tel: +27 (0)11

Major English-language South African newspapers include:

- Business Day
- The Star
- The Citizen
- The Sowetan
- The Times
- Mail and Guardian
- Sunday Independent

Major English-language periodicals for business include:

- Financial Mail
- Engineering News

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.

You can also visit the Commercial Service South Africa's website for links to upcoming trade events and business service providers.

Pricing

Prices are generally market-determined, with the exception of petroleum products, certain agricultural goods and prices administered by SOEs. South Africa applies a 14% 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

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 opens up and 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.

Protecting Intellectual Property

South Africa has a well-developed intellectual property rights environment and enforcement by authorities is generally effective. Patent law and enforcement 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. Guidelines appear here.

The U.S. Patent and Trademark Office has a team leader for the sub-Sahara 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 on page 152 in the Investment Climate Statement of this document.

New-to-market US companies should insist on extensive due diligence on order to minimize risks of new partnerships and transactions. Guidelines appear here.

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, 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, 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.

Principle 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 SA economy.

Many of the leading business association are detailed here.

U.S. companies in South Africa are also actively encouraged to become members of the American Chamber of Commerce in South Africa which represents more than 250 U.S. companies actively doing business South Africa.

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. All are impacted by the same ascriptive government non-tariff barrier-based buying requirements (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
- Advertising Standards Authority of South Africa
- Department of Trade and Industry (DTI)
- Exhibition Association of Southern Africa
- Franchising Association of South Africa
- Law Society of the Northern Provinces
- National Association of Broadcasters
- Infixion Media (PTY) Ltd.
- Print Media Association
- National Consumer Council
- South African National Treasury
- South African Revenue Service

Leading Sectors for U.S. Exports & Investments

Top Markets Reports

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

South African Government-owned utilities such as Eskom (electric power) and Transnet (transportation) have formalized capital expenditure plans amounting to more than R685.5 billion; these alone amount to significant prospects.

Of particular note are:

- Electricity Power Systems/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

<u>Overview</u>

	2016	2017 forecast	2018 forecast
Total Generation (TWh)	240.589	248.576	257.206
Net Consumption (TWh)	203.4	205.6	208.3
Net Capacity (MW)	50,561.2	53,819.9	56,204.0

Source: BMI (EIA, UN, BMI National Sources)

Approximately 89% of South Africa's electricity is generated through coal-fired power stations, and conventional thermal power sources are likely to remain the dominant source of electricity generation in the future. Koeberg, a large nuclear station near Cape Town, provides about 5% of capacity. A further 3.6% is provided by hydroelectric and pumped storage schemes, while 2.4% is provided by renewable energy. ESKOM, the vertically integrated, state-owned power company, generates approximately 95% 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 neighboring countries, including Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe. South Africa supplies two-thirds of Africa's electricity and its 85% national electrification rate is amongst the highest on the continent, with a 77% connection rate in rural areas and 90% in urban areas.

In 2014-2015, the country experienced severe load-shedding while ESKOM undertook major maintenance on its aging coal fleet. Although South Africa has not experienced load shedding since August 2015, the lack of load shedding is mostly attributed to the slowdown in economic activity decreasing demand. However, in early April 2017, Unit 5 of the Medupi coal-fired power plants was placed into commercial operation, adding 800 MW to the national grid. Unit 1 of the Kusile coal-fired power plant was connected in March 2017, and is close to adding another 800 MW to the grid. In February 2017, the Ingula pumped storage power plant was completed, providing an additional 1,332 MW of power. With these additions, ESKOM has stated it now has around 5.6 GW of surplus capacity during the day (as well as operating reserve of 2 GW). However, additional capacity will be required for at least the next 20 years, particularly as a number of the country's aging coal-plants are planned to be retired over the coming years. The majority of growth will come from non-hydropower renewables, which is forecast to grow at an annual average of 10% for the next 10 years.

In an attempt to diversify its energy mix and attract more Independent Power Producers (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 Program (REIPPPP), that has proven very successful in bringing renewable energy projects to commercial operation. To date, REIPPP has successfully procured 6.4 GW from 102 IPPs across six bid windows. By end September 2016, 2.7 GW of the procured capacity, from 51 projects, had already started operations and was delivering 2.1GW of actual capacity to the grid.

After more than four bid rounds under REIPPP, the cost of wind and solar technology has declined over 70% and is now cost-competitive with new build coal. Furthermore, renewable power sources account for 2.4% of South Africa's installed capacity, from a baseline of zero in 2010. This has led South Africa to become the largest wind energy producer on the continent and to be placed among the top-10 countries globally for installed, utility-scale solar photovoltaic capacity.

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 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 DoE. There are plans for a Bid Round 5 under REIPPPP, as well as a Solar Parks Program, however Eskom has begun to backpedal on its commitments to the REIPPP, as it seeks further discussions with the new Energy Minister, which -- over the course of the last several months of 2016 and into the first half of 2017 -- has thrown the program as a whole into jeopardy. Some observers have commented that the first 2011 REIPPP agreements contracted ESKOM to procure at then going power production costs; since then the REIPPP cost base has significantly diminished. ESKOM is therefore keen to renegotiate these off-take agreements in order to relieve the current state of ESKOM's finances.

Additional Generation Capacity

The South African Government's National Development Plan (NDP), is the blue-print 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. Based on the IRP, the Minister of Energy issues periodic determinations that inform capacity allocations in terms of how much new power generation is needed, and from which sources.

On November 22, 2016, South Africa's former Minister of Energy released long-awaited updates to the Integrated Resource Plan (IRP). The IRP update is focused on electricity demand from 2020 to 2050, and lays out how various generation types would be procured to meet that demand over the 30-year time frame. While the IRP is meant to be updated annually, this is the first update since the 2010 IRP was approved in 2011. The updated IRP gives a base case illustrating a growth rate of 2.17% from 2017 to 2050, where demand grows from 44,916 MW in 2020 to 85,804 MW in 2050. This base case allocates 55,000 MW for new renewables (wind and solar) to be added between 2020 and 2050; over 35,000 MW of gas (open and combined cycle); 20,000+ MW of nuclear, and 15,000 MW of new coal. The public comment period for the IRP was concluded on March 30, 2017. The next step will be to present the document for Cabinet approval in mid-2017.

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 LNG infrastructure in place to power combined-cycle turbines by 2020. 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 towards the energy security. The Department's "Gas IPP Program" has been initiated trough 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 the RFI. This closed in July 2015 and more than 170 responses were received. The next step is the RFQ due before the end of 2016. 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.

Funding

Further capital expenditure is ongoing with the two large scale coal-fired plants under construction; Medupi Power Station (4,800 MW) and Kusile Power Station (4,800 MW). Labor unrest, bureaucratic impediments and technical issues have resulted in delays of the commissioning of both plants. Both projects are severely over budget (approximately $20 billion) and a decade behind schedule. The sector is expected to remain in crisis through 2018, and there is an estimated $18.4 billion funding gap for new capacity.

For the 2017/2018 financial year, the National Energy Regulator of South Africa (NERSA) has granted Eskom a 2.2% tariff increase, which was implemented on April 1 2017 for Eskom's director customers and July 1 for municipalities.

The possibility of privatization in the power sector is slowing beginning to become a reality, with Eskom currently buying power from both Sasol and MTN (large corporates with self-sustaining generation). Furthermore, government is considering selling off assets in order to bridge Eskom's current funding gap, how and when this will come to fruition remains to be seen.

Demand-Focused Initiatives

To relieve short-term pressure on the generation system term, the Government has also been trying to reduce demand. Demand side management is recognized in the IRP2010 document, which cites energy efficiency as an important contributing factor to the overall energy system in South Africa, and projects a savings level of 3,420 MW by 2030.

The National Energy Efficiency Agency (NEEA), under the rearranged South African National Energy Development Institute, will have the lead on energy efficiency projects. The updated IRP draft focuses on demand from 2020 to 2050.

Electricity Distribution

In addition to the threat posed by inadequate generation capacity, the security of electricity supply in South Africa is threatened by the dilapidated state of the country's electricity distribution industry (EDI).

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 R3.377 billion a year.

However, ESKOM is making strides in two provinces under its universal electrification program. The utility has spent $63 million connecting 47,402 new households to the electricity grid across one of South Africa's eastern provinces during the 2016/2017 financial year. This resulted in almost 94,000 new households connected in the province over the past three financial years.

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 de-risk investments and accelerate financial close - from facilitating project bankability with financing and risk mitigation, to providing technical and transaction support, to engaging with host-government counterparts. Learn more about the full Power Africa toolbox or other opportunities offered by Power Africa.

Sub-Sector Best Prospects

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

- Renewable Energy Independent Power Producers Program (REIPP).
- 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
- Department of Energy Renewables Website
- Central Energy Fund Website
- Department of Energy Website
- Eskom Holdings Limited Website
- South African National Energy Association (SANEA) Website

For more information, contact in Johannesburg, South Africa:

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Phone: +27-11- 290-3332
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Or visit our Website.

Power Africa
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Or visit our Website.

Agricultural Sector

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 12% to South Africa's total export earnings in FY2016 at a value of $9.2 billion. Citrus, wine, table grapes and apples accounted for the largest exports by value. South Africa also exports nuts, pears, corn, wool, sugar and mohair to name just a few products.

South Africa imported $7.0 billion in agricultural and food products in FY2016, which was at the same level as in FY2015. The major products imported were corn ($505 million), rice ($424 million), wheat ($367 million), chicken cuts and offal ($268 million), palm oil ($265 million) and soybean meal ($197 million). South Africa is usually a net exporter of corn, but due to a severe drought in the 2015/16 season, which decreased production by almost 50%, imports of more than three million tons of corn were needed to fulfill local demand.

In FY 2016, the United States exported $345 million of agricultural, fish and forestry products to South Africa, up 39% from the previous fiscal year, due to an increase in bulk commodity exports which reached $119 million. Major bulk commodities exported by the United States to South Africa included, wheat, corn and sorghum. Other major products imported by South Africa from the United States included planting seeds, poultry meat, tree nuts, and distilled spirits.

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 prepare 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.

In addition, 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.usda.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 4.0 million tons of grain and 1.5 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 about 10 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 with wheat over the past few years; hence South Africa has become more dependent on imports to meet the local demand of about 3.3 million tons.

Grains	FY2014	FY2015	FY2016
Total Exports	$556 million	$330 million	$290 million
Total Imports	$607 million	$594 million	$908 million
Imports from the U.S.	$35 million	$15 million	$110 million

Wheat

South Africa is the only country in the region with significant wheat production. However, in 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.

Annual wheat consumption in South Africa is about 3.3 million tons, or about 55 kg per capita, which means South Africa will have to import at least 1.5 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 2014**	**FY 2015**	**FY 2016**
Exports	$89 million	$127 million	$22 million
Imports	$540 million	$459 million	$370 million
Imports from the USA	$26 million	$1 million	$55 million

Opportunities

Contact U.S. Wheat Associates Cape Town office for current opportunities in the South African market for U.S. wheat.

Web Resources

U.S. Wheat Associates has an office in Cape Town, South Africa. It would be happy to help any company interested in purchasing or exporting U.S. wheat and can be contacted at InfoCapeTown@uswheat.org.

Alcoholic Beverages

South Africa consumes more than 4.0 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 help to create a positive climate for the sale and promotion of United States distilled spirits. However, price sensitivity, rather than brand loyalty, still rules the consumer's purchasing behavior.

Alcoholic Beverages	**FY2014**	**FY 2015**	**FY 2016**
Total Exports	$1,034 million	$973 million	$855 million

Alcoholic Beverages	FY2014	FY 2015	FY 2016
Total Imports	$494 million	$414 million	$349 million
Imports from the U.S.	$34 million	$31 million	$27 million

Note: All figures in US$ Million
Above Figures are from Global Trade Atlas

Resources
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.

Poultry
The South African poultry meat industry, with a gross value of almost R40 billion (US$3.0 billion), is the country's largest individual agricultural industry and is contributing almost 17% 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% of the total broiler meat in the world and needs imports to augment local production and fulfill local demand.

Over the past two decades, steady economic growth and increased average income in South Africa pushed more people to the middle income class. Currently, the middle class represent about 70% of the South African population and 55% of total income earnings. With the growth in disposable income, more South Africans are choosing protein-filled diets. For example, in 1995, the average person ate a total of 40kg of meat a year; while 20 years later the average South African is eating 67kg of meat a year – an increase of almost 70% over the period. The consumption of poultry meat (of which most is broiler meat) increased by more than 80%, from 22 kg per person per year in 2000 to almost 40 kg per person per year in 2015. In 2015, the South African consumer spent approximately R186 billion ($14 billion) on meat products, which represented 35% of total expenditure on food. South Africa consumes about 3.6 million tons of poultry, beef, lamb and pork meat per annum, with poultry meat consumption representing more than 60% of total meat consumption. As poultry meat is relatively inexpensive and ubiquitous, it has grown to be the most important protein source in the diet of the majority of South Africans.

Broiler meat accounts for 90% of all poultry meat imports by South Africa, with the balance largely being turkey products. South Africa imported 551 thousand tons of poultry meat in FY2016 at a value of $362 million. Chicken cuts and edible offal represented the largest category of poultry meat imports, namely 55% or 300 thousand tons, at a value of $268 million (74% of the total value of poultry meat imports). The second largest category in volume is mechanically deboned meat with a share of 35% or 195 thousand tons, at a value of $53 million (15% 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. The European Union is the most important trading partner for South Africa in terms of poultry meat, with 64% market share in value followed by Brazil with 29% market share.

Poultry	FY 2014	FY 2015	FY 2016
Total Exports	$89 million	$100 million	$83 million
Total Imports	$371 million	$385 million	$362 million
Imports from the U.S.	$18 million	$2 million	$18 million

Note: All figures in US$ Million
Above Figures are from Global Trade Atlas

<u>Chicken Bone-In Portions</u>

In 2012, the was extended for another 5 years and was set at R9.40 per kilogram. However, i meant that South Africa will continue to have duty-free access under African Growth and Opportunity Act (AGOA) to the United States market for a wide range of South African products for the next decade. In January 2016, negotiations of the final health certificates were concluded and the first shipment of United States bone-in broiler meat landed in South Africa in March. In 2016, the United States exported about 25,000 tons of bone-in broiler meat to South Africa at a value of almost $17 million.

The strong demand for poultry products in South Africa will continue, and with the United States' ability to compete with the current top suppliers in the South African market, increased poultry meat imports from the United States is expected.

<u>Resources</u>
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.

Agricultural Equipment

Overview
Unit: USD millions

	2015	2016	2017 (estimated)	2018 (estimated)
Total Market Size	1000	1000	1000	1150
Total Local Production	56	59	59	56
Total Exports	5.80	5.80	5.80	6.00
Total Imports	870	870	870	960
Imports from the U.S.	198	200	200	300
Exchange Rate: 1 USD	12.76	14.71		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources: 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. Agriculture as a percentage of GDP has decreased over the past four decades, currently contributing approximately around 2%. Because of its potential for job creation, the agriculture sector is a key focus on the government's New Growth Path, a plan by the government to create 5 million new jobs by 2020. Plans include programs to promote commercially oriented small-scale farming, while support is also available to smallholders on land acquired through land reform.

Essentially the Development Plan entails that agriculture – both emerging and commercial – should still be afforded the opportunity to contribute optimally to economic growth, job creation, foreign exchange earnings and development of the industrial sector within a safe and non-discriminatory environment.

During 2016, South Africa faced one of the worst droughts to hit the region in 30 years.

Due to the subdued political economic environment in the country, imports of new machinery declined as farmers had to battle the drought as well as volatile exchange rates.

Despite the negative economic situation, South Africa is still seen as a major contributor to agriculture with tractor sales constituting around 60% of the market followed by combine and baler sales. Of new agriculture equipment, 5% is produced locally, while 95% of agriculture equipment and parts are sourced from international markets, with at least 25% coming from the United States. Second-hand equipment has limited market opportunities.

Agricultural Equipment Market Segmentation:
Retail sales of agricultural equipment during March 2017 were as follows:

		Month March		%age change	Year-to-date March		%age change
		2017	2016	%	2017	2016	%
Tractors	515	434	18.7	1 668	1 745		-4.4
Combine Harvesters	23	14	64.3	58	52		11.5

Source: South African Agricultural Machinery Association (SAAMA)

March 2017 tractor sales of 515 units were almost 19% more than the 434 units sold in March 2016. On a year-to-date basis tractor sales are now only approximately 4% down on last year. March combine harvester sales of 23 units were approximately 64% up on the 14 units sold in March last year. Combine harvester sales for the year-to-date are almost 12% up on last year.

The better sales this month are a reflection of the current good summer crop prospects. With the maize crop now forecasted at 14.3 million tons, this crop is likely to be the biggest crop since 1981. Although crop prices have been depressed with the excellent crop prospects, farmers were able to buy good-priced stock which came in on the back of the, then, strong rand. It is likely that short-term prospects for agricultural machinery sales will continue to be good.

However, with the very recent weakening of the rand, equipment prices are going to be forced upwards again. This will probably start affecting the market towards the middle of the year. Expectations for 2017 are that overall tractor sales should be at least as good as those in 2016.

South Africa has good sunlight nationwide throughout the year, which allows for more controlled farming, particularly greenhouse farming. This supports a growing market in greenhouse farming solutions and other related products.

<u>Sub-Sector Best Prospects</u>
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.

Farmers have already taken the opportunity of buying older, cheaper-priced stock and most of this stock has now been bought up. Farmers are now showing caution and are likely to delay their buying decisions until their crops have been harvested; this will mean that tractor sales in the next two or three months will surely be depressed.

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 like planters, self-propelled sprayers and combine harvesters are imported from South America, Europe and the United States, and smaller implements are purchased locally. Known U.S. brands like Massey Ferguson, John Deere, New Holland, AGCO and CaseIH are well entrenched and are all well known for their quality.

South Africa is seen as the platform for "regional expansion" with excellent opportunities in neighboring countries such as Zambia, Angola, Mozambique, and Malawi presenting further opportunities for U.S. business. Second hand tractors and equipment are well received in these regional markets.

South Africa also hosts the largest agricultural equipment show on the continent called NAMPO harvest day. This show takes place in May each year and provides an excellent opportunity for U.S. firms to exhibit at our USA pavilion.

Trade Barriers

Most goods can be imported into South Africa without a permit. 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.

Tariffs and duty rates are constantly revised and are subject to change without notice.

Importation of all second-hand goods is subject to import control and an import permit is required.

Web Resources

Exhibitions and Conferences:

- NAMPO Harvest Day Week:
- Focus: Largest Agriculture Machinery and equipment show in the Southern Hemisphere
- Dates: 17–20 May, 2018
- Venue: Bothaville, Free State, South Africa
- Show: Agritech 2018
- Focus: Agriculture machinery and equipment show
- Dates: 12–15 April 2018
- Venue: Chisamba, Zambia

Resources:

- South African Agricultural Machinery Association (SAAMA) Website
- NAMPO Harvest Day Website
- Agritech Expo Zambia Website
- Agricultural Business Chamber (ABC) Website
- South African Department of Agriculture, Forestry and FisheriesWebsite
- Agri SA

For More Information, the U.S. Commercial Service Commercial Specialist for Agriculture in Johannesburg, South Africa, can be contacted via email at the following:

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Phone: +27 11 290 3025,
Or visit our Website.

Pollution Control Equipment

Overview

Unit: USD thousands

	2015	2016	2017 (estimated)	2018 (estimated)
Total Market Size	49,500	52,500	54,000	55,000
Total Local Production	7,900	8,300	9,300	9,500
Total Exports	1,740	1,750	1,950	2,150
Total Imports	42,000	45 000	46 000	48 000
Imports from the U.S.	5,600	5,700	6,400	7,000
Exchange Rate: 1 USD	12.76	14.71		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources: Above figures are unofficial estimates obtained from industry sources.
Note: Figures exclude water desalination and petroleum refinery equipment.

The Government of South Africa through the Department of Environmental Affairs (DEA) has set up the Green Fund to support the transition to a low carbon, resource-efficient and climate resilient development path and has allocated R800m for this endeavor. The DEA has appointed the Development Bank of Southern Africa (DBSA) as the implementing agent of the Green Fund.

Promulgated in the South African Government Gazette, South Africa's air-quality regulations are additions to the National Environmental Management: Air Quality Act (NEMAQA). The Act is aimed at imposing a carbon emissions tax and also enforcing gas-emissions limitations that are on par with global standards.

As is the case globally, pressure on industry from governmental institutions and civil society to reduce air pollution and its carbon footprint is steadily increasing. As a result, companies are either introducing new or upgraded air-pollution-control technologies.

The main sources of air pollution in southern Africa include industry (thermal power stations, smelters, cement factories, chemical factories), forest/savannah fires, biomass burning (use of firewood and charcoal), waste burning and transportation emissions. Air pollution is linked to a number of human health and environmental impacts including respiratory diseases, heavy metals poisoning, and increases in the levels of acidity or nutrients in lakes, thus affecting water quality and aquatic biodiversity.

The Air Pollution Information Network for Africa (APINA) is a key driver of the regional air pollution policy process within the Southern African Development Community (SADC) region.

The South African Government delayed the implementation of a planned carbon tax to 2016, while saying it may impose new levies on mining companies to help fund the treatment of acid water seeping from disused gold mines.

Sub-Sector Best Prospects

South African businesses are under increasing pressure to regard sustainability as a business imperative - prompted by a mix of fiscal interventions, tighter pollution laws and inspections, higher energy prices, a new corporate governance code and a global focus on climate change.

Three major issues dominate the South African Government's environmental efforts:

- The implementation of the stricter South African Air Quality Act.
- Regulation of the use of leaded gasoline, low sulfur diesel oil.
- Enforcement of regulations on management of hazardous waste materials (particularly asbestos).

Other matters that are enjoying closer scrutiny are:

- Sustainable water usage, including grey water recycling.
- Industrial water effluent, especially Acid Mine Water Drainage (AMD).
- Waste water treatment plants and basic sanitation.

Industry sectors under pressure to improve their environmental record include iron and steel, cement, pulp and paper, and oil refining. Municipalities will have responsibility for monitoring ambient air quality and source emissions, while emissions producers will have to apply for new permits.

Hazardous waste management is also a growth sector (including asbestos products and by-products). In 2012 the Integrated Industry Waste Tyre Management Plan (IIWTMP) of the Recycling and Economic Development Initiative of South Africa (REDISA) was approved and implemented.

Clean water supply is also a major concern. Significant pressure on water resources has meant more attention to water management systems, including by municipalities. At the same time, industrial water users are looking at the sustainable management of water. South Africa currently faces a water shortage due to poor planning and lack of investment,

With the National Water Act of 1998 still under review, municipalities are exerting more pressure on industry to conform to the effluent discharge standards, which can often present compliance challenges.

The Act, which aims to ensure that the country's water sources are developed, used, conserved and managed in a sustainable manner, is under review to improve on various regulations, including wastewater treatment requirements, as stated by the Department of Water Affairs in its strategic plan for the fiscal years 2013 to 2018.

The key sub-sectors offering the most opportunities for U.S. companies are:

- Water Treatment technologies and services.
- Air Pollution Control and Monitoring.
- Hazardous Material Containment and Management.
- Solid Waste Management Technology.
- Sustainability Management, Auditing and Carbon-Trading Expertise.

Opportunities

Water Management

At current consumption rates, South Africa will be using more water than it has by 2025, according to the water affairs department. By 2030, it will be using 17% more, according to the 2030 Water Resources Group.

During 2016, water supply levels in the Johannesburg, Tshwane and Ekurhuleni metros in South Africa's Gauteng province have dropped significantly. Water levels in Gauteng dams remain below normal reservoir levels of 60-90%. Officials have blamed the situation on high temperatures and severe drought facing several parts of the country. The lack of rainfall has further exacerbated the situation. The high water demand is projected to cause localized problems in some parts of the City of Johannesburg, City of Tshwane and the Ekurhuleni Metropolitan Municipality. It should be noted that during 2016 South Africa faced a severe drought with a number of dams running low, however during the course of the year significant rainfall restored these dams back to full capacity. The Western Cape is still facing drought conditions.

Currently, acid mine drainage (AMD) is possibly the most pressing industrial remedial water management issue facing South Africa. AMD is a major environmental problem, and is associated with surface and groundwater pollution, and is responsible for degradation of soil quality and aquatic habitats.

The biggest issue facing big urban centers is the underground loss of bulk water due to failing infrastructure (25% of all water supplied). In most cases, the reported drop in quality of potable water is due to lack of technical capacity of the local water authorities to manage water purification systems. Water sanitation is another opportunity for U.S. water consulting firms to collaborate with local municipalities to address sanitation projects.

South Africa is considering coastal city desalination programs as an immediate technology option to address rapidly increasing water demands. The guiding policy document is the Department of Water Affairs and Forestry's 2009 Framework on Water for Growth and Development. This document tasks major coastal cities to urgently look into this technology. Government has set a target of producing 7-10% of all water from desalination by 2030. Constructing of new desalination plants also presents an opportunity for U.S. firms.

The Lesotho Highlands Water Project (LHWP) Phase II, which features a water transfer system from Lesotho to South Africa and a hydropower generation component in Lesotho, is estimated to deliver water in late 2024. Phase II includes the Polihali dam, the Polihali-Katse transfer tunnel and other infrastructure programs. A prequalification process is under way to appoint consultants for the main works associated with the 2,322mn cubic meter dam and the 38.2km long transfer tunnel. The feasibility studies are expected to take two years to complete. The main works are slated to start in 2018. The project is reportedly estimated to involve a cost of R22.9 billion ($1.49 billion).

Air Pollution Control and Monitoring

The Air Quality Act mandates large South African industrial groups to implement emission management and monitoring equipment. There is an opportunity for extensive implementation of emission filters and cleaner production technology to assist the large air-polluting industries in South Africa to reach mandatory emissions targets. There is demand for monitoring technology to measure emission levels in different industrial zones.

Hazardous Waste Management

Opportunities for U.S. companies exist in treatment of hazardous waste sites, containing chemical and hydrocarbon spills, and cleaning and rehabilitating of asbestos and gold mine dumping sites. The South African Government is also looking at a road freight management system to monitor hazardous material shipments and end-use compliance.

Solid Waste Management

Waste management in South Africa is based on the principles of the White Paper on Integrated Pollution and Waste Management (IP&WM) and the National Waste Management Strategy (NWMS) published by the Department of Environmental Affairs and Tourism in 1999 and 2000 respectively and the subsequent enhancement of the new National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). South Africa supports the waste hierarchy in its approach to waste management, by promoting cleaner production, waste minimization, reuse, recycling and waste treatment with disposal seen as a last resort in the management of waste.

The implementation of so-called integrated waste management plans and policies by municipalities will create opportunities for U.S. suppliers. In the short- and medium-term, opportunities exist in the provision of residential solid waste technologies and rehabilitation equipment to assist local municipalities.

Web Resources

Key Contacts:

- Department of Environmental Affairs and Tourism Website
- Recycling Economic Development Initiative of South Africa Website

- Department of Water Affairs and Forestry Website
- Water Research Commission Website
- Water Institute of Southern Africa Website
- Rand Water - South Africa Website

The U.S. Commercial Service Commercial Specialist for the Pollution Control Equipment Sector in Johannesburg, South Africa can be contacted via e-mail at:

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Port and Maritime Infrastructure

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 Transnet SOC Limited is responsible for the safe, effective and economically efficient functioning of the national ports system, encompassing 8 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 a number of additional development projects planned for the next five to ten years. One such project will deepen the entrance channel 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. Other plans include creating a dedicated car terminal for automobile transit.

The Port of Durban is the busiest container terminal in Africa and the second busiest in the southern hemisphere following Melbourne, Australia. Over 4,000 commercial vessels called at the port's 57 berths last year. Over the past five years, volumes have continued to increase due to the increasing number of automobiles exported from Durban by BMW and other car manufacturers in the region producing for export. The Durban Car Terminal, the largest import/export facility for the motor industry in South Africa, handled over 700,000 automobiles in 2013, a growth of 7.2% over the previous year. The Ports Authority alone employs 6,200 people at the Durban Port. This figure is expected to rise to over 9,000 by 2018/19 as the R300 billion Capex plans for expansion begin to yield benefit. Transnet estimates 71% of this budget will go towards increasing capacity in order to meet its projections for increased traffic. The Ports Authority estimates that over 30,000 are also employed indirectly. In addition to the container terminal, the port has a ship building and ship-repair facility, a yacht facility, a rail marshaling service, a sport facility, a Navy outpost on Salisbury Island (which the port is trying to obtain for civilian use), a protected mangrove, and a Port Academy that trains future employees. Ports Authority management is interested in exploring ways in which the port, particularly the Port Academy, can cooperate with the U.S. Government through exchanges, guest speakers, or other opportunities.

To the north of Durban in KwaZulu-Natal, Richard's Bay is the busiest port in South Africa by tonnage and is one of the top two coal handling ports in the world. Richard's Bay focuses on bulk cargo handling while the Durban Port focuses on general cargo. It has also been earmarked for expansion projects with R3.7-billion had been set aside for mobile and quayside equipment, as well as weighbridges. Safety-critical, environmental and legal compliance projects would also be carried out. From a commercial point of view, this port is also looking at developing opportunities in oil and gas, ship/rig repair and maritime vessel building.

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 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 gateway to a unique African experience in cruise 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. 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. Transnet has also confirmed that it would relocate the current export manganese facility from Port Elizabeth to a new two-berth facility at the Port of Ngqura by 2015/16, to facilitate an expansion of South Africa's manganese export capacity. As this move begins to get phased in, the port is exploring the untapped market of boat building in niche market of tug boats and navy vessels.

Sub-Sector Best Prospects

Transportation equipment and infrastructure:

- Business model analysis
- Port mobile cranes
- Ship repair
- Cargo handling services
- Weighbridges
- Quayside systems
- Upgrading of existing port equipment

Web Resources

- Transnet;
- Transnet National Ports Authority;
- Richard Bay Coal Terminal Consortium.

Aerospace

Overview

Unit: USD thousands

	2015	2016	2017 (estimated)	2018 (estimated
Total Market Size	430,000	435,000	435,000	440,000
Total Local Production	43,000	45,000	47,000	49,000
Total Exports	55,000	53,000	54,000	56,000
Total Imports	450,000	445,000	450,000	460,000
Imports from the U.S.	220,000	220,000	220,000	225,000
Exchange Rate: 1 USD	12.76	14.71		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Date Source: Above figures are unofficial estimates obtained from industry sources.
Note: Above figures exclude the value of the unannounced replacement program of SAA and expected defense procurements.

In 2016, South Africa ranked 76, after Greece and before Cyprus for global U.S. aircraft parts exports. The growth of commercial and general aviation in southern Africa is slowing down; high operating costs and a sluggish economy are taking their toll on discount airliners and general aviation. The biggest growth can be expected in other sub-Saharan African states as they ramp-up up their capacity to meet consistent 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.

The single most important aviation procurement is the long-anticipated upgrade of the national carrier South African Airways (SAA) fleet amounting to as many as 20 jetliner aircraft.

The Civil Aviation Authority (CAA) in 2015 released drone regulations that have been welcomed by the UAV / RPA industry.

Sub-Sector Best Prospects

The best prospects for U.S. suppliers are:

- 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

- Africa Aerospace and Defense (AAD) 2018 | Land, Sea and Air Systems Show | Date: September 19-21, 2018 | AFB Waterkloof, Pretoria;
- Airports Company South Africa (ACSA)
- Air Traffic and Navigation Services (ATNS)
- Commercial Aviation Association of Southern Africa (CAASA)
- Civil Aviation Authority of South Africa (CAA)

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Mining Equipment

Overview

Unit: USD thousands

	2015	2016	2017 (estimated)	2018 (estimated)
Total Market Size	190,000	180,000	170,000	190,000
Total Local Production	65,000	68,000	58,000	64,000
Total Exports	20,000	21,000	17,000	22,000
Total Imports	150,000	140,000	130,000	130,000
Imports from the U.S.	39,000	39,000	39,000	40,000
Exchange Rate: 1 USD	12.76	14.71		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
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 Africa growth in the past four years was relatively flat; regional export performance, however, mirrored overall global and declined sharply in 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. The result has been continued declining employment, sector growth, business confidence and credit ratings of publically listed mining houses. The situation was aggravated by populist rhetoric around mine nationalization, and investors are taking a cautious approach; half of all mining operations re said to be loss-making. The downturn in the exports of manganese and iron ore do not bode well for new capital expenditure projects in this niche. Nonetheless, South Africa is one of the premier ore 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.

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 for coal at the port of Richards Bay.
- Shale gas deposit exploration work in the Karoo desert have been put on hold due to regulatory processes and the down-turn in energy prices.

Web Resources

- Electra Mining Africa | Mining, Industrial & Construction | Transport Expo | Transport for the mining industry | Date: 10-14, September 2018 | Venue: MTN Expo Centre, Nasrec, Johannesburg;
- Mining Weekly Publication;
- South African Chamber of Mines;
- Council for Geoscience;
- Mintek.

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Rail Infrastructure

Overview

Unit: USD thousands

	2015	2016	2017 (estimated)	2018 (estimated)
Total Market Size	950,000	960,000	980,000	995,000
Total Local Production	90,000	110,000	125,000	130,000
Total Exports	52,000	52,000	51,000	54,000
Total Imports	1,100,000	1,200,000	1,110,000	1,120,000
Imports from the U.S.	430,000	430,000	420,000	430,000
Exchange Rate: 1 USD	12.76	14.71		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Date Source: Figures are unofficial estimates obtained from press and industry sources.

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.

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 slower business environment. The SAG has announced plans to spend R 900 billion by 2027 on transportation infrastructure, although project implementation has been slow. 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, signaling 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 network in Pretoria and Johannesburg to the south and west of the Gautrain Province are under way. A notional high speed rail connection from Johannesburg to Durban (350 miles) remains unlikely under the current budgetary constraints, but the new Gautrain 4'8' gauge, high speed light rail commuter network in Gauteng Province has passed phase 2 feasibility studies and is set to expand by 95 miles in all four wind directions over the next 18 years

Opportunities

The Tambo Springs Project, Gauteng Province, greenfield multimodal rail, road and air hub, due to be fully commissioned by 2021, is valued at $15.0 billion. First project announcements around the Tambo Springs inland container terminal to be built in Ekurhuleni to the east of Johannesburg are expected to be announced in June 2016. See the Tambo Springs Project website.

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 7 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 signaling and operations' automation.
- Automatic fare collection systems.
- Rolling stock depot design.

Web Resources

- Tambo-Springs or Leads 2 Business
- Transnet
- Rail-Road Association
- Richard Bay Coal Terminal Consortium
- Transnet Ports Authority
- Passenger Rail Agency of South Africa
- Africa Rail 2017 | June 13-14, 2017 | Sandton Convention Center, Johannesburg

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Medical Devices

Overview

Unit: USD million

	2015	2016	2017 (estimated)	2018 (estimated)
Total Market Size	1108.81	1102.3	1371.5	1560.8
Total Local Production	186.4	177.1	193.39	210.95
Total Imports	922.4	1038.2	983.18	933
Imports from the U.S.	212.15	294.34	309	324.4
Exchange Rate: 1 USD	12.76	14.71		

South Africa is considered one of the largest markets in the MEA region and by some estimates is the largest economy in Africa. Spending on medical devices as a proportion of wealth is lower than average for this region, at around 0.3% of GDP and 4.0% of health expenditure (2015).

It is projected that 2017 will be a more positive year for the healthcare sector in terms of growth, but challenges remain due to the sluggish economic growth and currency fluctuations. Most of the major product categories will be affected, which include consumables, diagnostics, dental and orthopedics. Medical device imports will grow modestly, and South African exports will remain muted.

The medical device market in South Africa continues to be dominated by the United States in all categories, but particularly in orthopedics, prosthetics, patient aids, other devices and consumables. However, buyers are increasingly looking towards sourcing from Asian markets in an effort to save on costs. Germany is second to the USA, followed by China, Switzerland, the UK and Japan. China is making significant inroads, increasing by around 10% in terms of market share.

Market growth will likely be influenced by national legislation related to the government's NHI program, as well as the Competition Commission's investigation into private healthcare costs.

Competition from local production will be muted, and mostly limited to consumables (bandages, dressings, etc.) and furniture. However the local development of Lodox Systems, a full-body X-ray machine, as well as the Aceso system by CapeRay, a screening device integrating two modalities – full field mammography and automated breast ultrasound, indicates that local producers can successfully compete with international suppliers of sophisticated equipment if they have access to the appropriate funding channels.

The Department of Health has issued new regulatory requirements for medical devices and in vitro diagnostic (IVD) devices. These regulations, which lay out the procedures for registration, were published in the Government Gazette in December 2016 appear to have taken immediate effect. Registration with the Medicines Control Council (MCC) is mandatory for devices procured under international tendering. For other transactions, there will be a transitional arrangement of as yet unregistered devices and IVDs. However, the MCC can impose requirements at its discretion for devices not participating in public tenders in order to ensure that the medical device or IVD meets the essential principles of safety and performance, as determined by the Council.

Sub-Sector Best Prospects

According to analysis by BMI, diagnostic imaging facilities are underdeveloped with a low provision of advanced equipment. According to the WHO, South Africa has 12 MRI scanners and 51 CT scanners in the public sector, equal to 0.2 and 1.0 units per mn population. There were also 32 mammography units, 21 linear accelerators, nine telecobalt units and three PET scanners. The overall provision of equipment would be higher if units in the private sector were included. According to Elekta, there are a total of 71 linear accelerators in operation in public and private centers, but even this figure is said to be less than half the total number actually needed.

Diagnostic Imaging Equipment:

Diagnostic imaging equipment is forecast to be valued at US will grow approximately at a CAGR of 12% between 2016 and 2021 and is likely to continue as and when healthcare infrastructure and upgrades will be made.

Dental Equipment:

Although the smallest product area (3.6% of all medical imports), it grew at a CAGR of 10.2% in the last year. Access to good dental health remains a problem for the majority of the population.

Patient Aids:

Patient monitoring devices, powered mobility aids and other patient aids have experienced higher growth. This is a market that is dominated by India and China. This market sector is forecast to grow at a CAGR of 15.7% from 2016–2021.

The sophisticated South African medical community is generally interested in new technology developments and innovative products, hence all product categories will be considered.

Opportunities

The underdeveloped market offers potential for growth but is considerably restrained by funding issues, poor infrastructure and staff shortages (particularly in the public sector. Opportunities will exist for exporters of medical equipment (particularly new and innovative equipment), as extensive upgrades and development of hospital infrastructure is being considered. The private healthcare sector is very sophisticated and boasts world class facilities with several centers of excellence. However, approximately 93% of equipment is imported. Refurbished equipment is not favored by the medical community, particularly in the private sector, and that market opportunities here will be very limited.

Web Resources

- South African Medical Devices Industry Association (SAMED)
- Radiological Society of South Africa
- South African Orthopedic Association
- South African Spine Society

Major Shows:

- Africa Health 2017 | June 07–09, 2017 | Gallagher Center, Johannesburg.

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Automotive

Unit: USD Billion

	2014	2015	2016	2017 (estimated)
Total Market Size	22.80	24.03	26.10	26.3
Total Local Production	13.23	14.68	14.18	14.32
Total Exports	8.42	9.33	10.92	11.36
Total Imports	16.86	18.68	18.90	20.10
Imports from the U.S.	1.60	1.73	1.85	2.10
Exchange Rate: 1 USD	11.07	12.76	14.71	

Note: Above figures are estimates obtained from the National Association of Automobile Manufacturers of South Africa (NAAMSA) and represent the South African Automotive Industry as follows:

- Total Market Size represents new and used vehicle sales, workshop revenue, spares,
- Accessories and other trading revenue.
- Total exports represent the total value of both components and vehicles.
- Total imports represents the total value of imports of both components and new
- Vehicles.
- Imports from the United States also reflect the value of components and new vehicles.

<u>Market Overview</u>

The automotive sector in South Africa is the mainstay of the national industrial base and accounts for 7.5% of GDP. South Africa improved its global ranking to 21st (24th in 2014) in the world with a market share of 0.68%. In respect of Light Commercial Vehicles (LCVs) South Africa was ranked 14th pressures brought on by a deteriorating rand resulting in increasing retail prices above inflation.

Total domestic production, largely due to increased vehicle exports, is anticipated to rise by over 4.0% in volume terms, from the 615 658 units produced in 2015, to about 640 000 vehicles in 2016/7. South Africa exported 56.7% of its light vehicle (passenger cars and light commercial vehicles) production in 2015. The performance of exports will remain a function of the performance and direction of global markets, as well as OEM policies which will continue to support South African vehicle production as long as it remains competitive.

American automotive corporations are represented in South Africa. Ford Motor Company SA is the leading automotive manufacturer in South Africa; however General Motors SA in May 2017 announced to be divesting from South Africa by year-end due to declining sales in an increasingly competitive market.

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 of 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. The African Growth and Opportunities Act (AGOA) has been the catalyst to boosting South African automotive exports to North America. The percentage increase in automotive exports from 2001 (when AGOA commenced) to 2013 equaled 306.8%. The percentage increase of automotive exports from the United States to South Africa was 321.9% during the same time frame.

OEMs and official dealers and repair specialists work closely together to provide maintenance and repair services. They also cooperate to ensure warranty service, driver safety, environmental protection, spare parts availability and information about technical improvements. The broader South African automotive industry incorporates the manufacture, distribution, servicing and maintenance of motor vehicles and components. In terms of the trade which supports this industry, there are approximately 4,600 garages and fuel stations (with the majority having service workshops as well) plus a further 1,898 specialist repairers; 1,374 new car dealerships holding specific franchises; an estimated 1,696 used vehicle outlets; about 292 vehicle component manufacturers, together with about 150 others supplying the industry on a non-exclusive basis; 1,508 specialist tire dealers and retreaders; 483 engine re-conditioners; 167 vehicle body builders; 2,907 parts dealers and around 220 farm vehicle and equipment suppliers.

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.

Market Trends

2015/6 turned out to be difficult years for the South African automotive industry with domestic new vehicle sales under pressure, particularly at dealer level, despite attractive incentives and a strong contribution by the car rental sector which accounted for an estimated 12.5% of new car sales during the year. Industry trading conditions remained intensely competitive with over 55 brands and 2 872 model derivatives, in the new car and light commercial vehicle sectors, competing for consumers' franchise. The vehicle-ownership ratio in South Africa is in the order of 180 vehicles per 1 000 persons.

Total sales for 2015 amounted to 617 749 units compared to the 644 259 units retailed in 2014. In 2015 the passenger car segment reflected the biggest decline with a fall of 6.0%, while there was a decrease of 3.2% in sales of trucks and buses. Light commercial vehicles showed a modest increase of 0.5% over 2014. The downturn in domestic new vehicle sales could be attributed to various factors, such as a slowdown in the economy, increases in interest rates, pressure on consumers' disposable income and inflationary

Consumers in South Africa are spoilt for choice. In just about every segment of the market, every brand has a benchmark product. This offered car buyers the reportedly widest choice to market size ratio anywhere in the world. On the light commercial vehicle side there were 31 brands with 615 model derivatives to choose from. The car ownership ratio in South Africa is in the order of 180 vehicles per 1,000 persons.

In respect of Africa's regional integration agenda, South Africa remains important for the development of the region. Since South Africa is a catalyst for the future growth and development in sub-Saharan Africa, any reduction in trade in automotive products could have negative implications for growth and development in the Southern African region. Increased trade between South Africa and the United States, in the longer term, will create improved opportunities and demand for U.S. technical expertise, credit and markets and will also focus on incremental trade and investment opportunities between the two countries.

Vehicle exports to the U.S. in 2015 comprised mainly of the left-hand drive BMW 3-series as well as the Mercedes-Benz C-Class models. The 35.4% year-on-year increase in automotive component exports to NAFTA could mainly be attributed to expanded catalytic converter exports to the region.

<u>Sub-Sector Best Prospects</u>

The countries of origin for the aftermarket parts imported were aligned with the main countries of origin for new passenger cars and commercial vehicles. Imports from the traditional markets such as Germany, the United States and the United Kingdom have declined over recent years while imports from China have increased, indicating the cost competitiveness of this increasingly dominant automotive force. Despite the decline, the United States is still South Africa's third highest sourcing country of aftermarket parts after Germany and China.

There has been a rapid growth in demand for automotive aftermarket specialty equipment and accessories in South Africa. This market size is estimated to be between $2 million and $2.5 billion. 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.

The following performance products are sought after by dragsters in "the race to be the best": intercoolers; ball bearing turbos; octane boosters; gauges; racing bolts; performance water injection systems, high flow injectors; racing clutches; metal head-gaskets; racing tires, nitro fed boosters, racing pistons; calipers and racing disk kits; high pressure fuel kits; gas flow cylinder heads; and dynamometers.

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. The majority 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, however, either U.S. companies do not reply to their inquiries, or the U.S. company's minimum requirement to ship is too large for the South African importer. This leaves the South African importers without much choice but to engage U.S. agents who consolidate and ship U.S. specialty products that are purchased from "third parties" to them.

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

Exhibitions

- Automechanika Johannesburg 2017 | September 27-30, 2017, Johannesburg.

South Africa's Leading International Trade Fair for the Automotive Industry targeting Trade Visitors from the Sub-Saharan Region. Automechanika Johannesburg offers a unique spectrum of products from the fields of automotive parts, car wash, workshop and filling-station equipment, IT products and services, accessories and tuning.

Web Resources

- National Association of Automobile Manufacturers of South Africa
- National Association of Automotive Component and Allied Manufacturers (South Africa)
- The Department of Trade and Industry South Africa

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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.

While South Africa is only playing catch-up to its developed and developing counters, the survey pegs the country's take up of green building to grow three-fold, from a measured 16% in 2012 to 52% by 2018. A total of 60% of firms in the survey reported future green commercial developments by 2018, while retrofits came in at 58%.

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, are sought after.

Market Developments

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.

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 continuous momentum in South Africa, however, resources, including skilled professionals and manufacturers of green products and services are limited. Despite these constraints, as a consequence of increased consumer and market awareness, the green building market in South Africa, in line with international trends, is responding with a diverse range of green building materials and products.

In South Africa, certified new green buildings cover nearly one-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, helping in the global battle to combat climate change and conserve natural resources. Developers of the 50 certified projects expect their buildings will result in combined 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 – sufficient to sustain 34 000 households for a year.

Market Data

The GBCSA develops rating tools according to market demand, and has reported the interest in green building and sustainability has not slowed, despite the economic downturn. 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).

South Africa's State-owned Industrial Development Corporation (IDC) plans to inject $1.2billion into 'green' industries over the next five years as part of a larger $13 billion disbursement plan. The IDC indicated that the "green economy" has emerged as a primary focus for the development finance institution (DFI), owing to its potential to create jobs and lower the carbon intensity of the South African economy.

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 and is growing exponentially.

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.

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. However, local suppliers and manufacturers are reluctant to tie funds up with expensive green stock and resources amidst the decline in the general construction industry.

These circumstances leave only a small niche of green manufactures in South Africa, resulting in many complex green building products being outsourced 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 certainly an opportunity for U.S. companies to explore.

As a first step, U.S. companies seeking South African representation should contact the U.S. Commercial Service South Africa.

Exhibitions

Trade Events in South Africa:
- The Green Building Convention 2017 | Date: 9 – 11 October 2017 | Venue: Cape Town Convention Center
- Interbuild Africa | Date: August 15-18, 2018 | Expo Center, NASREC, Johannesburg

Web Resources
- Green Building Council of South Africa

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
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Or visit our Website.

Information Technology

Overview

Unit: ZAR billions

	2014	2015	2016	2017
Total Market Size	67	74.2	78.8	83.3
Hardware sales	26.1	29.1	29.5	29.2
Software sales	16	16.7	18	19.7
Services sales	25.8	28.2	31.2	34.3

**BMI Industry Report 2017 Q1 Sales*
Data Sources: Above figures are unofficial estimates obtained from industry sources.

South Africa has one of the largest information technology markets in Africa by value. 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 gross domestic product (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.

The South African Government and the Financial sector continue to be the largest player when it comes to IT spending. Private consumption will rise, but the strong growth of smartphones is likely to offset PC and laptop usage. The depreciated rand could also be responsible for tablets outselling notebooks, a less expensive piece of hardware. 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. There is a trend towards greater innovation in applications used for HR and payroll to increase operational efficiencies.

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. Intel launched its Software and Services Group in South Africa in 2015. In March 2016, IBM announced that they were opening a new IBM Cloud Data Centre in Johannesburg. 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.

Sub-Sector Best Prospects

The major worldwide trend of moving toward cloud based systems is one that has gained momentum in South Africa. The strong entrepreneurial drive within the local IT sector is creating larger demand for cloud based services.

Machine-to-machine (M2M) communication and the Internet of Things otherwise known as the smart market is forecast to grow and is a fairly new development globally and not just in South Africa.

In South Africa, the focus of projects relating to the IoT mainly concentrates on connecting all South African citizens to the internet. Many metropolitans are creating free Wi-Fi hubs enabling access to the internet, especially in the townships, enabling those citizens that cannot afford the high data costs to improve their connectivity via free Wi-Fi hotspots. The demand for wireless connectivity has grown by roughly 19% within a year as there are now about 10,000 Wi-Fi hotspots around the country. Research released by iPass, a global WiFi company indicated that there was one Wi-Fi hotspot for every 6160 South Africans, far below the global average of one per 150 people. As this smart technology market is fairly new, it is forecast to grow bringing with it opportunities to connect via the requisite hardware, software and security systems.

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.

E-commerce and related software is showing growth with South African online stores showing the number of online shoppers increased significantly year-on-year.

Broadband access continues to improve due to investments in submarine and terrestrial fiber-optic networks which have increased capacity and coverage. This will continue to be an important factor for spending in this sector.

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. 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.

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. Along with underdeveloped infrastructure, an even more troubling obstacle is the skills deficit. This is a particularly vexing hindrance to the advancement of smart cities nationally, requiring well-trained, tech-savvy individuals who understand and can use IT systems.

The City of Cape Town has made some notable progress with a digital integrated Transport system, implementing a SAP-ERP system which was globally recognized for a visionary use of IT by Computer World Honors 21 Century Achievement Award. Another critical component of making the City of Cape Town Smart City ready was the decision to build a fibre optic network to connect City buildings and the citizens of the City. The ongoing roll out has connected 300 buildings with over 800km of fibre and a target of 600 buildings and 1300km of fibre to be reached by 2021. This enables the City to share information across departments and capture data to prioritize services.

The City Johannesburg enables residents to digitally report any infrastructure faults and encourages use of smart metering to eliminate non-collection electricity bills.

Cybersecurity
As the Internet of Things (IoT) or connected devices grows in popularity so the threat of cyber hacks/attacks increases and with this comes opportunity for cybersecurity related to these products. According to PWC, March 2016, 32% of respondent organizations 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.

If only 35% had cyber incidence response plans there may be opportunity to consult for the other 65%.

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. According to Business Monitor International, areas of opportunity for cloud computing include banking and retailing. Cloud computing growth has also resulted in increased investments in data centers and related infrastructure.

- There have been high profile cyber-attacks and hacks on financial, utility and even political parties. Due to the increase in Web 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 the threat of cyber hacks/attacks increases and with this comes 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.

Web Resources

- The Department of Communications South Africa
- The State Information Technology Agency
- Computer Society South Africa
- Internet Service Providers Association (ISPA)
- The Electronic Industries Federation (EIF)
- Business Monitor
- Information Technology Association (ITA)
- The South African Communications Forum (SACF)

For More Information, the U.S. Commercial Service, South Africa can be contacted via email:

Kirsten.Bell@trade.gov;
Phone: +27 (0)21 702 7345;
Or visit our Website.

Customs, Regulations & Standards

Trade Barriers

U.S. companies have cited protective tariffs as a barrier to trade in South Africa. Other barriers to trade include port congestion, technical standards, and customs valuation above invoice prices, theft of goods, import permits, antidumping measures, IPR crime, 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 and 2011. ITAC started its current review of these duties in March, 2017. Half of the quota is reserved for historically disadvantaged individual (HDI) importers. All imports of U.S. chicken require a health certificate from the Department of Agriculture, Forestry, and Fisheries, and bone-in leg quarters also 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.

In a 2008 ruling, the South African Supreme Court of Appeal upheld rulings by the Competition Tribunal in favor of local soda ash producers and against the American Natural Soda Ash Company (ANSAC). According to the court ruling, ANSAC admitted that its membership agreement eliminates price competition between its members in export sales to South Africa. ANSAC has agreed to pay an administrative penalty and cease exports to South Africa. The agreement does, however, allow the constituent members of ANSAC to continue trading in South Africa.

On June 19, 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 is 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.

The International Trade Administration Commission (ITAC) is tasked with administering South African trade laws and therefore receives requests for tariff protection from a number of local industries. For additional information on ITAC's responsibilities (tariff administration, trade remedies, and import and export controls) please visit its website.

Import Tariff

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). More information about tariff rates can be found at SARS.gov.

SACU comprises South Africa, Botswana, Lesotho, 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.

The South African International Trade Administration Commission (ITAC) is responsible for tariff investigations, amendments, and trade remedies in South Africa and on behalf of SACU.

As a result 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 of 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 actually paid or payable.

In cases where the transaction value cannot be determined, the price actually 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 14%. 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.

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 USD 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. Failure to produce a required permit could result in the imposition of penalties. 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.

Import permits required for specific categories of restricted goods are obtainable from the Director of Import and Export Control at the Department of Trade and Industry. These categories have been reduced, but still must be obtained for most used / second-hand items.

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

The updated SARS import manual.

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
- Cosmetics

The SABS website gives a detailed listing of the relevant technical specifications by product.

SABS is responsible for the issuing of LOA's (Letter of Authorities), 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 are all desirous 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 also 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 Section subsection under Standards.

U.S. Export Controls

South Africa is a 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.

These items are detailed on the U.S. Government Publishing Office website.

The Country Chart, which includes South Africa, is in Part 738. The Commerce Control
List is in Part 774; there are ten categories that can be pulled up as separate files.

Temporary Entry

South Africa has a variety of mechanisms to facilitate the temporary importation of mostly commercial goods and services: Carnet Entry (also known as ATA Carnet). South Africa is a member of the ATA Convention.
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 of time.

The customs clearance process will include a "Provisional Payment" (PP) that is valid for a period of six months; and the shipment must be exported within this time. If export is to take longer, a formal extension request must be submitted to the South African Revenue Service (SARS, Customs and Excise) before the six-month period has expired. Upon import, the serial numbers of all the goods must be indicated on the documentation (i.e., invoices from shipper). Customs will examine the shipment and will verify the serial numbers and endorse the documentation. Upon export, the same procedure is followed so as to verify that the same goods are leaving the country. The PP will cover any customs duty and VAT applicable to shipment. After export, this PP is then liquidated by means of submitting the import and export documentation and requesting the refund.

Repair and Return Entry

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

When the product is exported, the serial numbers are to be stated on invoices; examination will be done by SARS.
When imported, serial numbers are to be 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. In order 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.

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, additional and prior authorization may be required 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: 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 are controlled for environmental, health, and social reasons. 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.

A sanitary-phytosanitary certificate is required for the importation of poultry, beef, pork (including lard) hides and skins, animal hair and bristles and honey products. These certificates are issued by the Department of Agriculture, Forestry and Fisheries (DAFF). 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

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

Standards for Trade

Overview

South Africa has a well-developed standards regime that is largely based on compulsory, regulator-lead definition and qualification. Many standards have been developed over several decades and 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 receiving 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.

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 in order to ensure that the company is observing South African standards.

The Directorate of Plant Health and Quality within the National Department of Agriculture 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 actually 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.

With regard to 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.
- 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.
- Medicines Control Council (MCC) regulates medicine and devices in South Africa.

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 on the NIST Offcial website.

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.
- SABS - South African Bureau of Standards, a Government agency regulating standards.
- SANAS – South African National Accreditation System.
- NRCS – National Regulator of Compulsory Specifications, a Government agency overseeing EHS standards and consumer protection.

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 and devices must be certified by the Medicines Control Council (MCC).
- All medical and IVD devices must be evaluated and regulated by the Medicines Control Council (MCC).

Some foreign companies have significant experienced delays in system certification -- this is generally seen due to capacity issues at the SABS. 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.
- International Laboratory Accreditation Cooperation (ILAC) that determines whether laboratories are able to perform specific tasks.
- International Accreditation Forum (IAF) whose members are required to maintain high standards when accrediting companies.

Publication of Technical Regulations

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

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.

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 goods to be exchanged practically unhindered among the member states: South Africa, the principal administrator and revenue collector; Lesotho; Swaziland; Botswana and Namibia. For more information regarding pharmaceutical labeling, please see The Medicines and Related Substances Act of 1965.
- 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). South Africa's Codex representative comes from the Directorate of Food Control.

For more information, see the guidelines of the South African Department of Agriculture, Forestry and Fishery.

Contacts

- The South African Bureau of Standards | Tel: +27 (0)12 428 7911; Fax: +27 (0)12 344 1568
- National Department of Agriculture (NDA) | Tel: +27 (0)12 319 6001; Fax: +27 (0)12 325 7394

Trade Agreements

There is duty-free trade between South Africa and the other four countries (Botswana, Lesotho, Namibia, and Swaziland) 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, which some trading partners (including the United States) would like to emulate in their trade regime with South Africa.

South Africa has also negotiated agreements with the European Free Trade Association and Mercosur. South Africa, through SADC, is finalizing negotiations on Phase I of the Tripartite Free Trade Agreement, which will link SADC, the East Africa Community (EAC) and the Common Market of Eastern and Southern Africa (COMESA) into a free trade area. The three regional economic groups intended to finish Phase I by June 2016, but this deadline has slipped somewhat. Negotiations are slated to begin in June for the Continental Free Trade Agreement (CFTA), under the auspices of the African Union that will link T-FTA with the Economic Community of West African States (ECOWAS).

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 in order to increase trade and to develop more competitive domestic industries. However, in 2006, the South African Government made exceptions to this approach in order to protect the labor-intensive garment industry.

Licensing Requirements for Professional Services

South Africa has a fairly 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).

Web Resources

- ATA Carnets
- Bureau of Industry and Security, U.S. Department of Commerce
- Codex Alimentarius Commission (Codex)
- Council for Scientific and Industrial Research
- Department of Health
- Department of Trade and Industry
- Directorate of Plant Health and Quality National Department of Agriculture
- Engineering Council of South Africa
- Human Science Research Council
- International Accreditation Forum
- International Laboratory Accreditation Cooperation
- International Trade Administration Commission of South Africa
- Medicines Control Council
- National Department of Agriculture
- Office of the U.S. Trade Representative
- Sabinet Online Ltd
- South African Revenue Services

Investment Climate Statement

Executive Summary

With the most advanced, broad-based economy on the continent, South Africa offers investors a diverse and mature economy with a vibrant financial and services sector, a relatively deep pool of experienced local partners, good long-term growth prospects, as well as preferential access to export markets in the United States, the European Union and southern Africa. Standards are generally similar to those in developed economies, U.S. investors find local courts generally fair and consistent, and infrastructure is well developed.

Despite what had been a generally welcoming environment, there are concerns among investors about the short-term direction of government policy making and the lack of effective programs to create jobs or economic growth, which was only 0.3% in 2016. Investors are also concerned by the expectation of political instability related to the choice of the next president of the ruling African National Congress (ANC) party extending through the next national election in 2019. Citing these concerns, S&P Global Ratings downgraded South Africa's sovereign credit rating on internationally-denominated debt to sub-investment grade status (BB+) immediately following a March 2017 cabinet reshuffle that saw off nine ministers, including most importantly the respected Minister of Finance. Fitch followed in early April 2017 with a drop to BB+ for both the domestic and international sovereign ratings. Before this year's cabinet shuffle and related political concerns, investors had largely coped with a range of concerns, including violent crime, labor unrest, and widespread corruption. Basic infrastructure gaps and poor government service delivery in low-income areas have increased the incidence of protests and crime over the last several years. Although improved over the last two years, access to electricity remains a significant concern. Unemployment is high, averaging over 25% by standard definitions, but high-skilled labor is in short supply and immigration laws make importing labor a challenge that has frustrated many current investors.

The biggest concern for investors is political uncertainty and the failure of economic policy to promote growth. The South African government has since 2012 increasingly proposed laws, policies, and reforms aimed at improving the lives of historically disadvantaged, generally black South Africans, arguing that the transition from apartheid has not produced the expected economic transformation in terms of the racial distribution of employment and ownership of companies. There is also a sense that the ANC and the South African government feel they cannot rely on the private sector to complete this transformation in a timely manner, and thus the state needs to take a more direct hand in driving development, particularly by promoting greater industrialization and radical economic transformation. The need to improve economic outcomes for the unemployed and historically disadvantaged is broadly recognized within the business community, and companies have invested significant time and money in developing their staff and fostering development opportunities in their communities. Recent government initiatives to accelerate transformation have included tightening labor laws to achieve proportional racial, gender, and disability representation in workplaces, performance requirements for government procurement such as ownership transfer and localization, and weakening commercial property rights. While some initiatives have gained the force of law, such as the updated 2013 Broad-based Black Economic Empowerment (B-BBEE) amendments, other initiatives remain the subject of debate, creating uncertainty about the future regulatory and investment climate. Sectors of specific concern have included the extractive industries, security services, and agriculture.

Despite this short-term policy uncertainty and some important structural economic challenges, South Africa is a destination 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 from which to access to the rest of the continent.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2016	64 of 175	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business Report "Ease of	2016	74 of 190	doingbusiness.org/rankings
Global Innovation Index	2016	54 of 128	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2015	$5.6 billion	http://www.bea.gov/international/factsheet/

Measure	Year	Index/Rank	Website Address
World Bank GNI per capita	2015	$6080	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness To, and Restrictions Upon

The government of South Africa is generally open to foreign investment as a means to drive economic growth, improve international competitiveness, and access foreign markets. Merger and acquisition activity is more sensitive and requires advance work to answer potential stakeholder concerns. Virtually all business sectors are open to foreign investment. Certain sectors require government approval for foreign participation, including energy, mining, banking, insurance, and defense. Excepting those sectors, no government approval is required to invest, and there are few restrictions on the form or extent of foreign investment. The Department of Trade and Industry's (DTI) Trade and Investment South Africa (TISA) division provides assistance to foreign investors. Recently, they announced a One-Stop Shop for investment support, with offices in Pretoria, Cape Town and Durban, and an online presence at the South African Government website. The DTI most actively courts manufacturing industries in which research indicates the foreign country has a comparative advantage. It also favors manufacturing under a belief that it can be labor intensive, and where suppliers can be developed from local industries. TISA offers information on sectors and industries, consultation on the regulatory environment, facilitation for investment missions, links to joint venture partners, information on incentive packages, assistance with work permits, and logistical support for relocation. DTI publishes the "Investor's Handbook" on its website.

While the South African Government supports investment in principle and takes active steps to attract foreign direct investment (FDI), investors and market analysts are concerned that its commitment to assist foreign investors is insufficient in practice. Some of their concerns include a belief that the national-level government lacks a sense of urgency when it came to supporting investment deals. Several investors reported trouble accessing senior decision makers. Additionally, South Africa scrutinizes merger and acquisition related foreign direct investment for its impact on jobs, local industry, and retaining South African ownership of key sectors. Private sector representatives and other interested parties were concerned about politicization of South Africa’s posture towards this type of investment. Despite South Africa’s general openness to investment, actions by some South African Government ministries and statements by politicians provide troubling examples of a lack of awareness of the potential impact domestic policies can have on investments. At times, there also seems to be a lack of conviction in some political circles about the importance of FDI to South Africa’s growth and prosperity. There is also a general inability among South African Government ministries to consult adequately with stakeholders before implementing laws and regulations, which has on occasion produced unintended but serious consequences that hamper investors. Examples include the newly adopted Protection of Investment Bill, the recently passed Expropriation Bill, the Private Security Industry Regulation Act (PSIRA), amendments to the Minerals and Petroleum Resources Development Act (MPRDA), and onerous paperwork required for people travelling with children.

Limits on Foreign Control and Right to Private Ownership and Establishment

Currently there are no limitations on foreign ownership, although the Private Security Industry Regulation Act (PSIRA) which has passed Parliament and is awaiting presidential signature to become law, has a clause requiring 51% ownership and control by South Africans of companies in the security industry. President Zuma also announced again, in his State of the Nation Address (February 2017) that he will soon launch a land reform bill that restricts foreign ownership, and will convert foreign-owned land to long-term leases.

Other Investment Policy Reviews

South Africa's economy was generally strong until the global economic crisis in 2008. Strong demand for South Africa's commodities and prudent macroeconomic management afforded reduced levels of public debt, generally low inflation, and a substantial economic growth. Inflation remained within the central bank's target range of 3-6% from 2010 - 2015, though it has pushed the upper limit since late 2012 and exceeded 6% for much of 2016 and the first two months of 2017, peaking at 6.8% in December 2016 when the effects of a major drought were most evident. Growth has stalled, registering only 0.3% in 2016 with continued gloomy forecasts for 2017. S&P downgraded the sovereign debt ratings to sub-investment grade, with a sustained negative outlook, immediately after the Finance Minister was fired in March and Fitch followed with a reduction to sub-investment grade on both domestic and local-currency government debt in early April 2017.

Business Facilitation

The Department of Trade and Industry just announced (March 17, 2017) the opening of a One Stop Shop for investment and business registration. The opening was for "brick and mortar" offices in Pretoria, Durban and Cape Town, and virtual offices with their upgraded website. Adding the "brick and mortar" investment is a demonstration of South Africa's commitment to reducing barriers to investment and increasing coordination among the various government departments.

Outward Investment

South Africa does not incentivize outward investments, and the largest outward direct investment is from SASOL, with a gas liquification plant in Louisiana. There are some restrictions on outward investment, such as a R1 billion ($71.4 million) per year outward flow per company. Please visit the South African Reserve Bank website for any additional information.

Bilateral Investment Agreements and Taxation Treaties

South Africa had bilateral investment treaties (BITs) with 41 countries. After a two-year review of BITs, the DTI determined in 2012 that "first generation" BITs, an estimated 30 agreements mostly with EU states, exposed South Africa unnecessarily to international arbitration or created domestic policy conflicts, and should be terminated. South Africa may adopt a new BIT model for the future that exempts investor-state dispute and expropriation provisions, and facilitates the government's economic transformation goals including Broad-based Black Economic Empowerment (B-BBEE). South Africa has allowed the BITs of Netherlands, Spain, Luxembourg, and Belgium and Germany to expire. Article 52 of the 1999 EU-South Africa Trade, Development, and Cooperation Agreement covers investment promotion and protection. The BITs were replaced with the Protection of Investment Act, signed December 2015.

The United States and South Africa signed a Trade and Investment Framework Agreement (TIFA) in 1999. TIFA discussions were renewed in 2011, and the agreement was updated in 2012, and discussions were held again in April 2015. The United States and the South African Customs Union negotiated in 2008 a Trade, Investment and Development Cooperation Agreement (TIDCA) which also covers South Africa. The U.S.-South Africa bilateral tax treaty eliminating double taxation entered into force in 1998. The United States and South Africa signed a new bilateral tax treaty in June 2014 to implement the U.S. Foreign Asset Tax Compliance Act which went into force in October 2015.

Legal Regime

Transparency of the Regulatory System

South African laws and registrations are generally published in draft form for stakeholder comment, and legal, regulatory, and accounting systems are generally transparent and consistent with international norms.

South Africa's Consumer Protection Act (2008) went into effect in 2011. The legislation reinforces various consumer rights, including right of product choice, right to fair contract terms, and right of product quality. Impact of the legislation will vary by industry, and businesses will need to adjust their operations accordingly. The legislation for the Consumer Protection Act can be found at the South African Department of Trade and Industry website. The implementing regulations and guidelines can be found at the Department of Trade and Industry's Legislation and Business Regulation webpage and in the Consumer Protection Act of 2008 (the make take some time to load).

International Regulatory Considerations

South Africa is a member of the Southern Africa Customs Union (SACU) and the Southern Africa Development Community (SADC). SACU has a common external tariff and supposedly tariff-free trade between its five members, while SADC is a 15-member free trade agreement. South Africa is generally restricted from negotiating trade agreements by itself, since SACU is the competent authority. In general, South Africa hews to European standards or UK standards where those differ. They are a member of the World Trade Organization (WTO) and attempt to notify all draft technical regulations to the Committee on Technical Barriers to Trade (TBT).

Legal System and Judicial Independence

South Africa has a mixed legal system of Roman-Dutch civil law, English common law, and customary law. The independence of the judiciary is widely lauded, and has been demonstrated in the past years through rulings against President Zuma or individuals close to him.

Laws and Regulations on Foreign Direct Investment

Currently there are no limitations on foreign ownership, although the Private Security Industry Regulation Act (PSIRA) which has passed Parliament and is awaiting presidential signature to become law, has a clause requiring 51% ownership and control by South Africans in private companies in the security industry. President Zuma also announced in his State of the Nation Address (February 2017) that he will soon launch a land reform bill that restricts foreign ownership, and will convert foreign-owned land to long-term leases. The Broad-Based Black Economic Empowerment (B-BBEE) policy, requires levels of company ownership by Black South Africans in order to achieve government tenders and contracts.

Competition and Anti-Trust Laws

The Competition Commission is empowered to investigate, control and evaluate restrictive business practices, abuse of dominant positions and mergers in order to achieve equity and efficiency.

Expropriation and Compensation

The Expropriation Act of 1975 (Act) and the Expropriation Act Amendment of 1992 entitles the government to expropriate private property for reasons of public necessity or utility. The decision is an administrative one. Compensation should be the fair market value of the property as agreed between the buyer and seller, or determined by the court, as per section 25 of the Constitution. In several restitution cases, in which the government initiated proceedings to expropriate white-owned farms after courts ruled the land had been seized from blacks during apartheid, the owners rejected the court-approved purchase prices. In most of these cases, the government and owners reached agreement on compensation prior to any final expropriation actions. The government has twice exercised its expropriation power, taking possession of farms in Northern Cape and Limpopo Provinces in 2007 after negotiations with owners collapsed. The government paid the owners the fair market value for the land in both cases. There is no record, dating back to 1924, of an expropriation or nationalization of a U.S. investment in South Africa. A new draft expropriation law, intended to replace the Expropriation Act of 1975, was passed and is awaiting Presidential signature. Some analysts have raised concerns about

aspects of the new legislation, including new clauses that would allow the government to expropriate property without first obtaining a court order.
Racially discriminatory property laws during apartheid resulted in highly distorted patterns of land ownership in South Africa. In 2011, South Africa tabled a “Green Paper” on land reform to address these distortions. The Green Paper’s “three pillars” include a land management commission, a land valuation-general and a land rights management board with local management committees. These would keep track of land sales, ensure proper record keeping, and "facilitate productive land usage and an equitable land distribution." Certain provisions in the Green Paper have generated controversy such as proposed "severe limitations" on private land ownership, particularly foreign ownership, the powers granted to a proposed “valuer-general” to assist the Department of Rural Development and Land Reform in assessing the fair value of land, the proposed Commission’s powers to invalidate title deeds and confiscate land, and the state’s right to intervene regarding the use of land. President Zuma suggested that private land ownership will be limited to 12,000 hectares (roughly 30,000 acres) and that no foreigners would be allowed to own land in his State of the Nation address in February 2015. While details about these proposed policies remain hazy and are not yet law, it is an indication of the direction of government policy, and has already caused some investors to cancel potential deals. The Finance Minister planned the creation of the Office of a Valuer-General will be funded in the FY 2015-16 fiscal year, but this office remains to be initiated.

In March 2014, the Parliament passed the Restitution of Land Rights Amendment Bill, which reopens the window for persons or communities disposed of their land after 1913, due to past discriminatory laws and policies to lodge claims for their properties. President Zuma signed the bill on July 1, 2014. As expected, the bill inspired some significant new claims for restoration of property seized during colonization or under the Apartheid government.

The Mineral and Petroleum Resources Development Act 28 of 2002 ("MPRDA"), enacted in 2004, gave the state ownership of all of South Africa's mineral and petroleum resources. It replaced private ownership with a system of licenses controlled by the South African government. Under the MPRDA, investors who held pre-existing rights were granted the opportunity to apply for licenses provided they met certain criteria, including the achievement of certain BEE objectives. Amendments to the MPRDA passed by Parliament in 2014, but not signed into law by President Zuma, grant the state de facto expropriation rights for projects in the minerals and petroleum sectors; they also grant broad discretionary powers to the person of the Minister to restrict exports and prices for commodities the Minister deems strategic. While seemingly written for the mining sector, the bill’s inclusion of petroleum could complicate, if not obviate, new investment in oil and gas because of the carried interest provisions. The South African government has been strongly urged to separate out petroleum from the bill. In February 2015 the bill was returned to committee because of constitutional concerns over process and policy and currently remains stalled in committee.

In February 2014, the South Africa Parliament passed amendments to the 2001 Private Security Industry Regulatory Act aimed at controlling national security risks associated with foreign investors. President Zuma had not signed the bill into law as of March 2017. This bill would require at least 51% domestic ownership of foreign-owned private security companies, possibly including not only private security services providers, but also security equipment manufacturers and service providers like locksmiths and keymakers. The forced ownership transfer requirements likely would be found in violation of South Africa's commitments under the General Agreement on Trade in Services (GATS). There is concern that passage of the bill with the local ownership requirement would lead other industries to ask for similar provisions.

In December 2015, President Zuma signed the Promotion of Investment Act into law, to put the rights of foreign and domestic investors on an equal footing. The Act provides the government the option to expropriate property at a price lower than market value based on a formulation in the Constitution termed "just and equitable compensation." This considers market value with discounts based on the current use of the property, the history of the acquisition, current use of the property, and the extent of direct state investment and subsidy in the acquisition and beneficial capital improvement of the property. The Act also allows the government to expropriate under a broad range of policy goals, including economic transformation and correcting historical grievances.

Dispute Settlement

ICSID Convention and New York Convention

Arbitration in South Africa follows the Arbitration Act of 1965, which does not distinguish between domestic and international arbitration and is not based on UNCITRAL model law.

South Africa is a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards, but is not a member of the World Bank's International Center for the Settlement of Investment Disputes. South Africa recognizes the International Chamber of Commerce, which supervises the resolution of transnational commercial disputes. South Africa applies its commercial and bankruptcy laws with consistency, and has an independent, objective court system for enforcing property and contractual rights. South Africa's new Companies Act also provides a mechanism for Alternative Dispute Resolution. South African courts retain discretion to hear a dispute over a contract entered into under U.S. law and under U.S. jurisdiction. However, the South African court will interpret the contract with the law of the country or jurisdiction provided for in the contract.

Dispute resolution can be a time-intensive process in South Africa. If the matter is urgent, and the presiding judge agrees, an interim decision can be taken within days while the subsequent appeal process can take months or years. If the matter is a dispute of law and is not urgent, it may proceed by application or motion to be solved within months. Where there is a dispute of fact, the matter is referred to trial, which can take several years. The Alternative Dispute Resolution involves negotiation, mediation or arbitration, and may resolve the matter within a couple of months. Alternative Dispute Resolution is increasingly popular in South Africa for many reasons, including the confidentiality which can be imposed on the evidence, case documents and the judgment.

Bankruptcy Regulations
South Africa has a strong bankruptcy law, which grants many rights to debtors, including rejection of overly burdensome contracts, avoiding preferential transactions and the ability to obtain credit during insolvency proceedings. South Africa has a World Bank rank of 74 in the 2016 Doing Business report.

Industrial Policies

Investment Incentives
There are several incentive programs offered by the Department of Trade and Industry. These include the Business Process Services (BPS) which is aimed at attracting investment and creating employment in South Africa through off-shoring activities, the 12i Tax Incentive, which supports investments in priority sectors of more than R1.6 million ($139,000), and the Manufacturing Investment Program, which offers an investment grants of up to 30% of qualifying investment costs in machinery, equipment, commercial vehicles, land and buildings required for production facilities.

Other programs target specific industries, like the Sector Specific Assistance Scheme (SSAS), which is a reimbursable cost-sharing grant, the Film and Television Production Rebate Scheme, and the Automotive Investment Scheme (part of the Automotive Production and Development Program).

There are several programs for development, such as the Capital Projects Feasibility Program (CPFP), which is a cost-sharing grant that contributes to feasibility studies for projects to increase local exports and stimulate the market for South African capital goods and services, and the Critical Infrastructure Program (CIP), a cost sharing grant for projects designed to improve critical infrastructure in South Africa. The grant covers qualifying development costs up to 30% towards the total development costs of qualifying infrastructure. Private firms with a minimum B-BBEE level of four can qualify.

The Incubation Support Program (ISP) supports business incubators for enterprises with the potential to revitalize communities, while the Manufacturing Competitiveness Enhancement Program (MCEP) encourages manufacturers to upgrade production facilities to sustain employment and maximize value-addition. The Support Program for Industrial Innovation (SPII) promotes technology development in South Africa's industry through the development of innovative products and/or processes. SPII focuses on the development phase, which begins at the conclusion of basic research and ends at the point when a pre-production prototype has been produced.

South Africa is also creating Special Economic Zones, to provide tax and tariff incentives for manufacturing in specified locations.

Research and Development

Foreign companies are eligible for public financed research programs. Most government tenders are subject to a relatively high score on the B-BBEE scorecard.

Foreign Trade Zones/Free Ports/Trade Facilitation

South Africa designated its first Industrial Development Zone (IDZ) in 2001. IDZs offer duty-free import of production-related materials and zero VAT on materials sourced from South Africa, along with the right to sell in South Africa upon payment of normal import duties on finished goods. Expedited services and other logistical arrangements may be provided for small to medium-sized enterprises, or for new foreign direct investment. Co-funding for infrastructure development is available from DTI. There are no exemptions from other laws or regulations, such as environmental and labor laws. The Manufacturing Development Board licenses IDZ enterprises in collaboration with the South African Revenue Service (SARS), which handles IDZ customs matters. IDZ operators may be public, private, or a combination of both. IDZs are currently located at Coega near Port Elizabeth, in East London, and Richards Bay. In February 2014, the Department of Trade and Industry introduced a new Special Economic Zones (SEZs) bill focused on industrial development. The bill was subsequently passed, and the SEZs are in the process of being created. The SEZs are intended to encompass the IDZs but also provide scope for economic activity beyond export-driven industry to include innovation centers and regional development. The broader SEZ incentives strategy allows for 15% Corporate Tax as opposed to the current 28%, Building Tax Allowance, Employment Tax Incentive, Customs Controlled Area (VAT exemption and duty free), and Accelerated 12i Tax Allowance.

Performance and Data Localization Requirements

South Africa uses government procurement policies to promote domestic economic development and fight unemployment. South Africa's Preferential Procurement Policy Framework Act of 2000 (the Framework Act) and associated implementing regulations created a legal framework and formula for evaluating tenders for government contracts. Certain provisions of the Act provide a pathway for government departments to issue tenders that favor local content providers. Moreover, in a bid to boost industrialization and to create jobs, the government signed with labor leaders in 2011 the "Local Procurement Accord," which commits the government to increasing the proportion of goods and services procured from South African suppliers to an "aspirational target" of 75%.

There are currently no requirements on local data storage for intellectual property rights. However, there is a new draft IP rights policy under consideration, which has not yet been released for public content. The Department of Trade and Industry has received public comment on their "framework" for drafting the new policy, and the framework is due to be finalized in April 2017.

Protection of Property Rights

Real Property

The South African legal system protects and facilitates the acquisition and disposition of all property rights (e.g., land, buildings, and mortgages). Deeds must be registered at the Deeds Office. Banks usually register mortgages as security when providing finance for the purchase of property.

Intellectual Property Rights

South Africa has a strong legal structure and enforcement of intellectual property rights through civil and criminal procedures. Criminal procedures are generally lengthy, so the customary route is through civil enforcement. There are concerns about illegal commercial photocopying, software piracy, and internet policy.

Owners of patents and trademarks may license them locally, but when a patent license entails the payment of royalties to a non-resident licensor, DTI must approve the royalty agreement. Patents are granted for twenty years - usually with no option to renew. Trademarks are valid for an initial period of ten years, renewable for ten-year periods. The holder of a patent or trademark must pay an annual fee to preserve ownership rights. All agreements relating to payment for the right to use know-how, patents, trademarks, copyrights, or other similar property are subject to approval by exchange control authorities in the South African Reserve Bank. A royalty of up to 4.0% is the standard approval for consumer goods, and up to 6.0% for intermediate and finished capital goods.

Literary, musical, artistic works, cinematographic films, and sound recordings are eligible for copyright under the Copyright Act of 1978. New designs may be registered under the Designs Act of 1967, which grants copyrights for five years. The Counterfeit Goods Act of 1997 provides additional protection to owners of trademarks, copyrights, and certain marks under the Merchandise Marks Act of 1941. The Intellectual Property Laws Amendment Act of 1997 amended the Merchandise Marks Act of 1941, the Performers' Protection Act of 1967, the Patents Act of 1978, the Copyright Act of 1978, the Trademarks Act of 1993, and the Designs Act of 1993 to bring South African intellectual property legislation fully into line with the WTO's Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS). Amendments to the Patents Act of 1978 also brought South Africa into line with TRIPS, to which South Africa became a party in 1999, and implemented the Patent Cooperation Treaty. The private sector and law enforcement cooperate extensively to stop the flow of counterfeit goods into the marketplace, and the private sector believes that significant progress has been made since 2001. Statistics on seizures are not available.

In August 2012, the Copyright Review Commission (CRC) released a report recommending amending laws to hold Internet Service Providers (ISPs) and

Wireless Application Service Providers (WASPs) accountable for copyright violations occurring through the internet and improve royalty collection. In December 2013, President Zuma signed into law a bill amending four pieces of intellectual property legislation to protect indigenous intellectual property. IP experts and rights holders have been concerned the legislation could undermine the ability of existing IP rights holders to protect their rights in court. In 2013, the government released a draft National Intellectual Property Policy that would inform the government's approach to intellectual property and existing laws. The policy recommended South Africa make greater use of TRIPS flexibilities in order to lower the cost of medicines, and ensure the protection of rights reflected in national industrial and public objectives. In February 2015, the government rescinded the draft 2013 policy, and reissued a new draft policy that has not yet been published. In July 2016, DTI issued a draft Framework that laid out a path to drafting a new policy. The final Framework is expected to be issued in April 2017, when work will start on drafting a new IPR policy.

Resources for Rights Holders

Economic Officer covering IP issues: Edward Winant
Trade and Investment Officer
+27(0)12 431-4343
WinantEH@State.gov

For additional information about South Africa's treaty obligations and points of contact at local IP offices, please see WIPO's country profiles. List of attorney for various South African districts can be found on the U.S. Mission Citizen Services page.

Financial Sector

Capital Markets and Portfolio Investment

South Africa recognizes the importance of foreign capital in financing persistent current account and budget deficits and openly courts foreign portfolio investment. Authorities regularly meet with investors and encourage open discussion between investors and a wide range of private and public-sector stakeholders. After weak growth prospects and an increasing likelihood of downgrades by credit rating agencies shook investor confidence in late-2015, the government enhanced efforts to attract and retain foreign investors. In February and March 2016, and then again in November, the Finance Minister was joined by senior officials from the South African Reserve Bank and representatives from private business and labor unions on the biannual non-deal "investor road shows" in London, Boston, and New York to actively promote South Africa as an investment destination. South Africa avoided anticipated credit downgrades in July and December 2016. However, the Finance Minister was recalled from a March 2017 investor road show to London and within the week, he was dismissed from office and replaced with a cabinet veteran who had no direct experience in business and finance. S&P immediately downgraded South Africa's sovereign credit rating, pushing the rating on international debt below the sub-investment threshold. Fitch followed within a week and was the first of the three agencies to push the domestic rating into sub-investment grade. Moody's is likely to follow.

South Africa's financial market is regarded as one of the most sophisticated among emerging markets. A sound legal and regulatory framework governs financial institutions and transactions.

The fully independent South African Reserve Bank (SARB) regulates a wide range of commercial, retail and investment banking services according to international best practices, such as Basel III, and participates in international fora such as the Financial Stability Board and G-20 Finance Ministers and Central Bank Governors. The Johannesburg Stock Exchange (JSE) serves as the front-line regulator for listed firms, but is supervised in these regulatory duties by the Financial Services Board (FSB). The FSB also oversees other non-banking financial services, including other collective investment schemes, retirement funds, and a diversified insurance industry. The South African government has committed to tabling a Twin Peaks regulatory architecture to provide a clear demarcation of supervisory responsibilities and consumer accountability and to consolidate banking and non-banking regulation in 2017.

South Africa has access to deep pools of capital from local and foreign investors which provide sufficient scope for entry and exit of large positions. Financial sector assets amount to almost three times GDP and the JSE is the largest on the continent with capitalization of approximately $1 trillion and approximately 400 companies listed on the main and alternative board. Non-bank financial institutions (NBFI) hold about two thirds of financial assets. The liquidity and depth provided by NBFIs make these markets attractive to foreign investors, who hold more than a third of equities and government bonds, including sizeable positions in local-currency bonds. A well-developed derivative market and a currency which is widely traded as a proxy for emerging market risk, allows investors considerable scope to hedge positions with interest rate and foreign exchange derivatives.

The SARB's exchange control policies permit authorized currency dealers, normally one of the large commercial banks, to buy and borrow foreign currency freely on behalf of domestic and foreign clients. The size of transactions is not limited, but dealers must report all transactions to SARB, regardless of size. Non-residents may purchase securities without restriction and freely transfer capital in and out of South Africa. Local individuals and institutional investors are limited to holding 25% of their capital outside of South Africa. Given the recent depreciation of the exchange rate, this requirement has entailed portfolio rebalancing and repatriation to meet the prescribed prudential limits.

Banks, NBFIs and other financial intermediaries are skilled at assessing risk and allocating credit based on market conditions. Foreign investors may borrow freely on the local market. A large range of debt, equity, and other credit instruments are available to foreign investors, and a host of well-known foreign and domestic service providers offer accounting, legal and consulting advice.

Money and Banking System
South African banks are well capitalized and comply with international banking standards. There are 17 registered banks in South Africa, of which 14 are branches of foreign banks. Four banks - Standard, ABSA, First Rand (FNB), and Nedbank - dominate the sector, accounting for over 80% of the country's banking assets, which total over $366 billion. However, Capitec Bank is a notable newcomer in the retail banking space. The SARB regulates the sector according to the Bank Act of 1990. There are three alternatives for foreign banks to establish local operations, all of which require SARB approval: separate company, branch, or representative office. The criteria for the registration of a foreign bank are the same as for domestic banks. Foreign banks must include additional information, such as holding company approval, a letter of "comfort and understanding" from the holding company, and a letter of no objection from the foreign bank's home regulatory authority. More information on the banking industry may be obtained from the South African Banking Association.

The Financial Services Board (FSB) governs South Africa's non-bank financial services industry. The FSB regulates insurance companies, pension funds, unit trusts (i.e., mutual funds), participation bond schemes, portfolio management, and the financial markets. The JSE Securities Exchange SA (JSE) is the seventeenth largest exchange in the world measured by market capitalization. Market capitalization stood at R11.036 billion (approximately $830 million) in March 2017, with over 400 firms listed. Two new exchanges have been approved in the past year. The Bond Exchange of South Africa (BESA) is licensed under the Financial Markets Control Act. Membership includes banks, insurers, investors, stockbrokers, and independent intermediaries. The exchange consists principally of bonds issued by government, state-owned enterprises, and private corporations. The JSE acquired BESA in 2009. More information on financial markets may be obtained from the JSE. Non-residents are allowed to finance 100% of their investment through local borrowing (previously, they were required to invest R1 for every R3 borrowed locally). A finance ratio of 1:1 also applies to emigrants, the acquisition of residential properties by non-residents, and financial transactions such as portfolio investments, securities lending and hedging by non-residents.

Foreign Exchange and Remittances:
Foreign Exchange
SARB's Exchange Control Department administers foreign exchange policy. An authorized foreign exchange dealer, normally one of the large commercial banks, must handle international commercial transactions and report every purchase of foreign exchange, irrespective of the amount. Generally, there are only limited delays in the conversion and transfer of funds. Due to South Africa’s relatively

closed exchange system, no private player, however large, can hedge large quantities of Rand for more than five years.

While non-residents may freely transfer capital in and out of South Africa, transactions must be reported to authorities. Non-residents may purchase local securities without restriction. To facilitate repatriation of capital and profits, foreign investors should ensure an authorized dealer endorses their share certificates as "non-resident." Foreign investors should also be sure to maintain an accurate record of investment.

Remittance Policies

Subsidiaries and branches of foreign companies in South Africa are considered South African entities and are treated legally as South African companies. As such, they are subject to exchange control by the SARB. South African companies may, as a general rule, freely remit the following to non-residents: repayment of capital investments, dividends and branch profits (provided such transfers are made out of trading profits and are financed without resorting to excessive local borrowing), interest payments (provided the rate is reasonable), and payment of royalties or similar fees for the use of know-how, patents, designs, trademarks or similar property (subject to prior approval of SARB authorities).

While South African companies may invest in other countries, SARB approval/notification is required for investments over R500 million ($43.5 million). South African individuals may freely invest in foreign firms listed on South African stock exchanges. Individual South African taxpayers in good standing may make investments up to a total of R4 million ($340,000) in other countries. As of 2010, South African banks are permitted to commit up to 25% of their capital in direct and indirect foreign liabilities. In addition, mutual and other investment funds can invest up to 25% of their retail assets in other countries. Pension plans and insurance funds may invest 15% of their retail assets in other countries.

Before accepting or repaying a foreign loan, South African residents must obtain SARB approval. The SARB must also approve the payment of royalties and license fees to non-residents when no local manufacturing is involved. When local manufacturing is involved, the DTI must approve the payment of royalties related to patents on manufacturing processes and products. Upon proof of invoice, South African companies may pay fees for foreign management and other services provided such fees are not calculated as a percentage of sales, profits, purchases, or income.

Sovereign Wealth Funds

South Africa does not have a Sovereign wealth fund.

State-Owned Enterprises

State-owned enterprises (SOEs) play a significant role in the South African economy. In key sectors such as electricity, transport (air, rail, 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. The Department of Public Enterprises (DPE) minister has publicly stated that South Africa's SOEs should advance economic transformation, industrialization and import substitution. 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). South African Airways (SAA) was transferred in 2014 to control by the National Treasury. These six SOEs employ approximately 105,000 people. South Africa's overall fixed investment was 19% of GDP. The SOEs share of the investment was 21% while private enterprise contributed 63 % (government spending made 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 giant 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. Beginning in November 2013, Eskom periodically declared "electricity emergencies," and asked major industrial users reduce consumption by 10% for specified periods (usually one to two days). 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). 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 3 years has added 1500 MW of a planned 3900 MW of renewable energy production to the grid. Following the sovereign downgrade, S&P dropped the rating to Eskom to a highly speculative B+, with a negative outlook.

Transnet National Port Authority (TNPA), the monopoly responsible for South Africa's ports, charges some of the highest shipping fees in the world. In March 2014, Transnet announced an average overall tariff increase of 8.5% at its ports to finance a $240 million modernization effort. 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. In April 2012, Transnet launched its Market Driven Strategy (MDS), a R336 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. In 2016, Transnet reported it had invested R124 billion ($9.2 billion) in the previous four years in rail, ports, and pipeline infrastructure. S&P dropped Transnet's ratings below the investment-grade threshold in line with the sovereign's in March 2017, but the company's stand-alone credit profile remains at BBB. Of the major South African SOEs, Transnet is among the most competently managed.

Direct aviation links between the United States and Africa are limited, but have expanded over the past few years. The growth of low-cost carriers in South Africa has reduced domestic airfares, but private carriers are likely to struggle against national carriers without further air liberalization in the region and in Africa. In South Africa, the state-owned carrier, South African Airways (SAA), relies on the government for financial assistance to stay afloat. SAA has had decades of consecutive losses including a R5.6 billion loss ($412 million) for fiscal year 2014/2015 and a R1.4 billion loss ($103 million) for 2015/2016. In 2016, the National Treasury agreed to another R5 billion ($353 million at the time) guarantee in exchange for a new twelve member board expected to help the airline turn around. The compromise helped the airline continue normal operations, hire Bain & Company for a three month contract to advise SAA on its strategy, and expand its fleet through the leasing of new wide-body aircraft from Airbus. During fiscal year 2016/2017, SAA lost R4.5 billion ($321 million).

The telecommunications sector in South Africa, while advanced for the continent, is hampered by regulatory uncertainly and poor implementation of the digital migration, both of which contribute to the high cost of data. In 2006, South Africa agreed to meet an International Telecommunication Union deadline to achieve analog-to-digital migration by June 1, 2015. As of April 2017, South Africa has initiated but not completed the migration. Until this process is finalized, South Africa will not be able to allocate the spectrum freed up by the conversion. Many of the issues stem from the confusion and infighting caused by the 2014 split of the Department of Communications into two departments—the Department of Communications (DOC) and the Department of Telecommunications and Postal Services (DTPS). The DOC is responsible for the migration and has oversight of the sector regulator, the Independent Communications Authority of South Africa (ICASA). DTPS is responsible for ICT policy.

In October 2016, DTPS released a policy paper addressing the planned course of action to realize the potential of the ICT sector. The paper advocates for open access requirements that could overhaul how telecommunications firms gain access to and use infrastructure. It also proposes assigning all high-demand spectrum to a Wireless Open Access Network. Some stakeholders, including state-owned telecommunications firm Telkom, agree with the general approach. Others, including the major private sector mobile carriers, feel the interventions would curb investment while doing little to facilitate digital access and inclusion. The controversy is expected to delay any policy implementation and contribute to ongoing uncertainty in the sector.

Privatization Program

Although in 2015 and 2016, senior government leaders discussed allowing private-sector investment into some of the more than 700 state-owned enterprises (SOEs) and recently released a report of a presidential review commission on SOE, which called for rationalization of SOEs, no concrete action has been taken on the topic yet.

Responsible Business Conduct

Responsible Business Conduct (RBC), is well-developed in South Africa, and is driven in part by the recognition that the private sector has an important role to play. The socio-economic development element of B-BBEE has formalized and increased RBC in South Africa, as firms have largely aligned their RBC activities to the element's performance requirements. The 2013 amendment's compliance target is 1% of net profit after tax, and at least 75% of the RBC activity must benefit historically disadvantaged South Africans referred to the B-BBEE act as black people, which includes South Africans of black, colored, Chinese, and Indian descent. Most RBC is directed towards non-profit organizations involved in education, social and community development, and health.

Corruption

Allegations of corruption in the public tendering process persist in South Africa at all levels of government, despite the country's excellent anti-corruption regulatory framework, as highlighted by the Prevention and Combating of Corrupt Activities Act of 2004. The office of the Public Protector, among other agencies, is tasked with conducting independent investigations into allegations of official corruption, and is widely respected for its effectiveness and impartiality. The Public Protector conducted an extended investigation into public spending on President Zuma's private residence in Nkandla, KwaZulu-Natal. President Zuma was required to repay $560,000 for non-security upgrades.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

South Africa signed the Anticorruption Convention on 9 Dec 2003 and ratified it on 22 Nov 2004. They have also signed the OECD Convention on Combatting Bribery, in 2007, with implementing legislation dating from 2004.

Resources to Report Corruption

To report corruption to the government:

Advocate Busisiwe Mkhwebane
Public Protector
Office of the Public Protector, South Africa
175 Lunnon Street, Hillcrest Office Park, Pretoria 0083
Anti-Corruption Hotline: +27 80 011 2040 or +27 12 366 7000
customerservice@pprotect.org

Or for a non-government agency:

David Lewis
Executive Director
Corruption Watch
87 De Korte Street, Braamfontein/Johannesburg 2001
Telephone: +27 80 002 3456 or +27 11 242 3900
info@corruptionwatch.org.za

Political & Security Environment

There were reports that the government or its agents committed arbitrary or unlawful killings. Police use of lethal and excessive force, including torture, resulted in numerous deaths and injuries, according to the Independent Police Investigative Directorate (IPID), Amnesty International, and other nongovernmental organizations (NGOs). Politically motivated killings increased prior to the August 3, 2016 municipal elections. The country has a high crime rate, and criminals are often well armed. The government recorded more than 20,000 killings (or homicides) in the 12-month period ending March 31, 2017. The National Prosecuting Authority (NPA) did not publish statistics on the number of murderers prosecuted, but watchdog groups estimated the conviction rate for all crimes reported was as low as 10%.

Labor Policies & Practices

Over the last 22 years, the South African government has replaced apartheid-era labor legislation with policies that emphasize employment security, fair wages, and decent working conditions. Under the aegis of the National Economic Development and Labor Council (NEDLAC), government, business, and organized labor are to negotiate all labor laws, with the exception of laws pertaining to occupational health and safety. South African law allows workers to form or join trade unions without previous authorization or excessive requirements. Labor unions that meet a locally negotiated minimum threshold of representation (often, 50% plus one union member) are entitled to represent the entire workplace in negotiations with management. As the majority union or representative union, they may also extract agency fees from non-union members present in the workplace. In some workplaces, this financial incentive has encouraged inter-union rivalries, including intimidation and violence, as unions compete for the maximum share of employees in seeking the status of representative union.

There were 181 trade unions registered in March 2015, down from the 2002 high of 504. Trade union membership figures are imprecise, but according to the 2015 Second Quarter Labor Force Survey conducted by the government entity Statistics South Africa (StatsSA), 3.7 million workers belonged to a union. According to StatsSA, union membership decreased by 17,000 from the second quarter of 2014 to the second quarter of 2015; some of this decline can be attributed to retrenchments in the mining and metals sectors. Department of Labor statistics indicate union density declined from 45.2% in 1997 to 24.7% in 2014. A survey by South Africa's Institute of Race Relations (IRR) released in February 2015 found fewer than one in five economically active South Africans are choosing to join trade unions. IRR analysts concluded declining membership indicates unions are struggling to find relevance and attract young workers. A key finding of the report concludes registered union membership as a proportion of total employment decreased by 20% between 1994 and 2014. In recognition of their affiliates' declining membership, South Africa's three largest labor federations in 2015 pledged to step up efforts to recruit members in order to strengthen workers' collective bargaining power. The right to strike is protected under South African law. There were a number of economically impactful strikes in 2015, particularly in the mining, postal, legislature, communication, municipal/utility, transport, agriculture, and engineering sectors. Strikes in 2015 were triggered in rank order by wages, grievances, recognition agreements, retrenchments, and dismissals. Municipal/utility workers held the most strikes in 2015, followed by mineworkers and transport sector workers.

Improved labor stability is essential for South Africa's economic stability and development, and vital to the country's ability to continue to attract and retain foreign investment. Government, business, and labor are attempting to address these challenges through a process led by South African Deputy President Cyril Ramaphosa. Stakeholders in NEDLAC have agreed in principle on a national minimum wage, but are still discussing the modalities of instituting it and policies for minimizing strike violence and frequency. Department of Labor-determined sectoral minimum wages already exist for vulnerable sectors, such as agriculture, domestic and security services; they are frequently reviewed and adjusted. South Africa has the most stratified minimum wage system in Sub-Saharan Africa, with 124 wage schedules through Department of Labor-determined sectoral minimum wages in 11 sectors, bargaining council agreements reached between unions and employer associations in several sectors, and company-level collective bargaining agreements in other sectors.

Collective bargaining is a cornerstone of the current labor relations framework. Forty four bargaining councils exist through which parties negotiate wages and conditions of employment. Per the Labor Relations Act, the Minister of Labor must extend agreements reached in bargaining councils to non-parties of the agreement operating in the same sector. Employer federations, particularly those representing Small and Medium Enterprises (SMEs) argue the extension of these agreements -- often reached between unions and big business -- negatively impacts SMEs that cannot afford to pay higher wages. In 2015, the average was settlement was a 7.7% increase, on average 3% above inflation and down from the average increase of 8.1% in 2014.

Major labor legislation includes
The Labor Relations Act (LRA), in effect since 1995 with amendments made in 2014, provides fair dismissal guidelines, dispute resolution mechanisms, and retrenchment guidelines stating employers must consider alternatives to retrenchment and must consult all relevant parties when considering possible layoffs. The Act enshrines the right of workers to strike and of management to lock out striking workers. The Act created the Commission on Conciliation, Mediation, and Arbitration (CCMA) which can conciliate, mediate, and arbitrate in cases of labor dispute, and is required to certify an impasse in bargaining council negotiation before a strike can be called legally. The CCMA's caseload currently exceeds what was anticipated; the South African Government provided the CCMA an additional $60 million to handle its caseload and any possible increase caused by the 2014 amendments to the LRA. Amendments to the LRA deal with the regulation of temporary employment service firms, extend organizational rights to workplaces with a majority of temporary or fixed term contract workers, reduces the maximum period of temporary or fixed term contract employment to three months, establishes joint liability by temporary employment services and their clients for contraventions of employment law, and strengthens other protections for temporary or contract workers.

The Basic Conditions of Employment Act (BCEA), implemented in 1997 and amended in 2014, establishes a 45-hour workweek and minimum standards for overtime pay, annual leave, sick leave, and notice of termination. The Act also outlaws child labor. Further, it states that no employer may require or permit overtime except by agreement, and overtime may not be more than ten hours per week. Amendments made in 2014 clarify the definitions of employment, employers, and employees to reflect international labor conventions, closing a loophole that previously existed in South African law between the LRA and the BCEA. The Act gives the Minister of Labor the power to set minimum wages and annual minimum wage increases for employees not covered by sectoral minimum wage agreements.

The Employment Equity Act of 1998, amended in 2014, prohibits employment discrimination and requires large- and medium-sized companies to prepare employment equity plans to ensure that historically disadvantaged South Africans, such as Blacks, South Asians, and Coloreds, as well as women and disabled persons, are adequately represented in the workforce. The Employment Equity Act amendments increase fines for non-compliance with employment equity measures and have a new provision of equal pay for work of equal value. The Act prohibits the use of foreign nationals to meet employers' affirmative action targets and relaxes the standards for parties in labor disputes to access the CCMA instead of going directly to the Labor Court.

More information regarding South African labor legislation can be found at the Department of Labor website.

OPIC

Since a 1993 agreement to facilitate Overseas Private Investment Corporation (OPIC) programs, OPIC has invested in a number of funds supporting sub-Saharan Africa development, including the Africa Catalyst Fund ($300 million focused on small- and medium-sized enterprise development), Africa Healthcare Fund ($100 million focused on private healthcare delivery businesses, and ECP Africa Fund II, ($523 million, focused on telecommunications, oil and gas, power, transportation, agribusiness, media, financial services, and manufacturing). Tailored products to support clean and renewable energy are a particular focus. OPIC opened an office in Johannesburg in 2013 to support investment to key African countries through its financing and risk mitigation instruments. Additional information on OPIC programs that involve South Africa may be found on OPIC's website.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2016	$316.8	2015	$314.6 billion	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2015	$8.0	2015	$6.1 billion	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Host country's FDI in the United States ($M USD, stock positions)	2015	$4.6 billion	2016	$4.3 billion	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2015	2.5%	2015	1.9%	Calculate, and then delete this text

Table 3: Sources and Destination of FDI
*[Statistical Tables, published by the South African Reserve Bank](#)

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	$126.7 billion	100%	Total Outward	$154 billion	100%
UK	$45.5 billion	36%	China	$63 billion	41%
Netherlands	$37.5 billion	29.5%	UK	$12 billion	7.8%
U.S.	$7.5 billion	6%	Luxembourg	$11.8 billion	7.7%
Germany	$5.2 billion	4%	Mauritius	$10 billion	6.5%
China	$3.7 billion	3%	Netherlands	$7.6 billion	5%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	$147 billion	100%	All Countries	$138 billion	100%	All Countries	$8.4 billion	100%
UK	$53 billion	36%	UK	$50.4 billion	36.5%	US	$2.9 billion	34.5%
US	$24.4 billion	16.5%	Luxembourg	$18.7 billion	13.6%	UK	$2.7 billion	32%
Luxembourg	$19 billion	13%	US	$16.7 billion	12%	Luxembourg	$0.4 billion	5%

Portfolio Investment Assets								
Ireland	$16 billion	10.8%	Ireland	$15.7 billion	11%	India	$0.3 billion	3.6%
Germany	$9.4 billion	6.4%	Germany	$9.1 billion	6.6%	Ireland	$0.2 billion	3.2%

Contact Information

Contact Point at Post for Public Inquiries:
Edward H. Winant
Trade and Investment Officer
877 Pretorius Street, Pretoria, South Africa
+27 (0) 12 431 4343
WinantEH@State.Gov

Trade & Project Financing

Methods of Payment

South African importers utilize most of the standard payment methods available in international commerce. The most commonly used are:

- Cash in Advance: the buyer pays for goods in advance and money is transferred from the buyer's account to the seller's account in the currency of the Pro Forma Invoice. (Lowest Risk).
- Letters of Credit (LC), also known as Commercial or Documentary Credits: this form protects both buyer and seller against non-payment and is issued by a bank on behalf of an importer in favor of a beneficiary, typically the exporter.
- Irrevocable LC: if the exporter is concerned about the reliability of the importer only, he/she should use an irrevocable LC.
- Confirmed irrevocable credit: if the exporter is also concerned about the standing of the issuing bank and/or the standing of the importer's country, he/she should use a confirmed irrevocable credit.

Other methods of payment include the following:

- Bank Collections and Bills of Exchange: whereby the exporter initiates through the banking system the collection of money owed to him by the buyer (Medium Risk).
- Open Account: the seller relies entirely on the buyer/importer to make payment as stipulated under a contract of sale, usually after a part of the consignment has been sold (High Risk).
- Sales on Consignment: the seller sends goods prior to payment, but retains ownership of the goods until the buyer sells the goods to the end-user. The buyer is then expected to pay for the goods (Highest Risk).

For most payment processes, two reliable methods are used: Telegraphic Transfers (TT's) or S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication).

In South Africa, all credits issued are subject to exchange control regulations, and in limited cases, a South African import permit. South African exchange control regulations stipulate that payment of imports may be effected only by authorized banks against submission by their customers of documentary proof that the goods were imported into South Africa as evidenced by invoices and shipping documents stamped by South African Customs. An exception is, inter alia, when South African banks have opened documentary import letters of credit in favor of foreign exporters. Payment in those instances may be effected against presentation by the exporter of invoices and shipping documents to the foreign negotiating bank before the goods have arrived in South Africa (but after they have left the United States). If credit is available, payment will take place upon presentation of documents.

American exporters should offer quotations based on the f.o.b. value at the port of export. As a general rule, such quotations should also include a statement of the actual charges for freight and insurance plus any additional charges to the port of delivery. Quotations are usually in terms of the currency of the country of origin.

The terms of payment for imported goods vary according to the type of buyer and the buyer's access to capital. Large organizations such as the government or mining companies tend to transact business on a sight-draft basis, while small companies tend to operate on documents against acceptable terms.

Payment between 80 and 120 days after acceptance is most common, but terms may vary between 30 and 180 days. For larger orders of capital equipment, longer terms are often required. It is advisable to ship on a letter of credit, sight letter of credit, or 30-day letter of credit basis that the importer can use as a negotiating instrument to expedite the payment transfer. The payment transfer can be affected within 24 to 48 hours after the importer presents a valid import permit and proper documents to his or her bank.

The Basel 3 framework was implemented in South Africa in January 2013 and is scheduled to continue until 2018. In May 2017, the much awaited Financial Intelligence Centre (FIC) law was promulgated, bringing South Africa in line with international anti-money laundering requirements.

Banking Systems

Despite recent credit-rating downgrades, South Africa still has a well-developed banking system which resembles the United Kingdom's rather than that of the United States. It consists of three key elements:

- The South African Reserve Bank (the country's central bank).
- Private sector banks (commercial banks, merchant banks, and general banks).
- Mutual banks.

The South African banking system weathered the recent global financial crisis relatively well, and remains relatively stable and the South African Reserve Bank reported that banks were adequately capitalized.

South African banks hold the first six places among the top 100 banks on the African continent. Four large banks dominate, with Standard Bank of South Africa, Nedbank, ABSA (Amalgamated Bank of South Africa, now owned by Barclays PLC), and FirstRand Bank collectively accounting for around 85% of banking services in South Africa. A New banking entity, Capitec, has made significant inroads into the unbanked and entry-level banking segment. In total, there are approximately 70 foreign banks operating in South Africa, either via representative offices, branches, subsidiaries or joint ventures with local companies. These are listed here.

International banks in the country have focused on offshore lending (where they have a competitive advantage as a result of their low overheads and their ability to raise funds at comparatively favorable rates), as well as treasury activities for corporate clients and government.

All banks offer a comprehensive range of products and services through extensive branch and electronic banking infrastructures, serve a wide customer base, and have the characteristics of universal banks.

Based on population numbers, South Africa does not appear to be "over-banked," as one branch exists for approximately every 9,500 persons. However, a large portion of the population does not have access to normal banking services and uses only a few products. Many Black South Africans tend to save outside the formal banking sectors, and choose to save in cooperative savings institutions called "stokvels." Excluding the non-banked segment of the population, it is estimated that there is one branch for every 3,200 persons. Electronic banking has become commonplace. The banking sector is overshadowed by the four largest retail banks that set cost and service standards. Attempts by authorities to make the banking sector more cost-effective and service orientated, especially to new entry-level clients, have met with limited success.

Foreign Exchange Controls

The Exchange Control Department at the South African Reserve Bank (SARB) administers a foreign exchange policy that has been progressively relaxed over recent years. Authorized foreign exchange dealers, normally one of the large commercial banks, must handle all international commercial transactions and report every purchase of foreign exchange, irrespective of the amount, received by South African residents and companies. In practice, there are only limited delays in the conversion and transfer of funds.

All inquiries regarding exchange controls should be directed to an authorized foreign exchange dealer, who will, if required, refer the matter to the Exchange Control Department of the SARB. For more information and a list of authorized dealers in foreign exchange, please refer to the South African Reserve Bank website.

South African Reserve Bank (SARB)
Mr. Elijah Mazibuko
Head, Exchange Control Department
Tel: +27 (0)12 313 3911; Fax: +27 (0)12 313 3133

When South African authorized dealers of foreign exchange open documentary import letters of credit in favor of foreign exporters, payment is effected against presentation by the exporters of invoices and shipping documents to the foreign negotiating bank prior to the arrival of goods in South Africa.

Foreign exchange may also be provided on a cash-with-order basis to cover the cost of permissible imports up to an amount of R50,000 but authorized dealers must satisfy themselves by the subsequent production of the usual documentary evidence that the exchange provided has been used for the purposes stated and that the goods have been imported into the country. Prior Exchange Control approval is required for amounts exceeding R50,000.

Private and corporate payments by means of credit and/or debit cards are limited to R50,000 per transaction. The cardholder can make multiple purchases provided it does not exceed the limit.

Foreign Exchange regulations are detailed here.

U.S. Banks & Local Correspondent Banks

U.S. Banks with representative offices in South Africa:

- Bank of New York Mellon,
- Merrill Lynch Bank of America (pending).

U.S. Banks with registered offices in South Africa:

- JP Morgan,
- Citibank.

Banks in South Africa with Correspondent Worldwide Banking Arrangements:

- ABSA (with Chemical Bank);
- First National Bank;
- Nedbank (with Bankers Trust, Chase Manhattan, Chemical Bank, Citibank, and Morgan Guarantee Trust);
- Bank of Taiwan (South Africa) Limited;
- FirstRand Bank Limited;
- First National Bank of Southern Africa Limited;
- Mercantile Bank;
- HSBC;
- International Bank of Southern Africa - S.F.O.M. Limited;
- Investec Bank Limited;
- Rand Merchant Bank Limited;
- Societe Generale South Africa Limited;
- Standard Merchant Bank Limited;
- The South African Bank of Athens Limited;
- The Standard Bank of South Africa Limited.

Visit the South African Reserve Bank website for a current listing of all South African Reserve Bank registered banks.

Project Financing

Much of the South African Government's impressive capital infrastructure investment drive is being financed by the Government and the larger state-owned enterprises (Transnet, Eskom, ACSA, TCTA - Trans-Caledon Tunnel Authority), although a sizeable portion has also been funded by the private sector in the form of public private partnerships (PPP). South Africa was an early pioneer of PPPs, embracing, for example, the use of toll roads to upgrade and maintain the national road systems as early as 1997, and building the first two private prisons in South Africa in 2000-01. Since then, there has been a downturn in PPP projects, outside of the highly successful renewable energy program, but renewed fiscal pressures may see closer cooperation with private funders and operators.

National or provincial governments will generally publish tenders, requiring consortia to respond to PPP-type projects. This is different from normal infrastructure tenders in that all the funding is privately raised. The concessionaire will usually be required to build and operate the infrastructure for an extended period of time, taking the risks and rewards that go along with such an endeavor. Project finance in South Africa generally exhibits the following characteristics:

- Long-term tenders, to match the underlying concession contract with government.
- Limited recourse, meaning that the lender takes on the project risk.
- Involvement of more than one bank, owing to the large amounts of debt.
- Very high gearing as infrastructure is a low-risk asset class, and there is usually no or very limited market risk being taken by the funders. This results in lower shareholder equity requirements.

Most of the current deals in the PPP sector involve building and operating the project; the most profiled recent example is the Gautrain high-speed passenger rail connection between Johannesburg, Pretoria and OR Tambo International Airport.

The Government's PPP unit, a part of the Government Technical Advisory Centre attached to the National Treasury, oversees new and existing projects. Their website gives further details around PPPs.

A current list of PPP projects appears here.

The five big emerging economies of Brazil, Russia, China, India and South Africa (BRICS) have created a New Development Bank. The bank, headquartered in Shanghai, will fund infrastructure and development projects throughout the developing nations.

Export-Import Bank

Ex-Im 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 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. Ex-Im Bank does not compete with commercial lenders, but assumes the risks they cannot accept. It must always conclude that there is reasonable assurance of repayment on every transaction financed. 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, as long as they are not military-related.

EXIM bank has over several decades built up a solid track record as the export guarantee partner of choice for costly US-sourced capital procurements in South Africa. It has several Master Guarantor Agreement (MGA) arrangements with South Africa financial institutions and has also developed a dedicated Rand-denominated guarantee loan scheme for South African end-users or end-users in the region that make use of a South African MGA financial partner.

In September 2013 SOE logistics company Transnet received approval for an EXIM loan finance facility for 143 locomotives on order with GE. The South African aviation industry as well as power utility Eskom are regular users of EXIM guarantees; at the same time importers of small consignments have also found EXIM to be useful under certain circumstances.

For more information, please visit Export and Import Bank of the United-States.

Overseas Private Investment Corporation (OPIC)
OPIC is the U.S. Government's development finance institution. It mobilizes private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets, catalyzing revenues, jobs and growth opportunities both at home and abroad. OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds.

For additional information contact:

Mr. Peter Ballinger
OPIC, Johannesburg
Tel: +27 (0)11 290-3000
Email: Peter.Ballinger@opic.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. USTDA 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
U.S. Trade and Development Agency
Africa Business Development Manager
Tel: + 27 11 290-3084
Email: jflewelling@ustda.gov

Web Resources
Development Bank of Southern Africa (DBSA)
The DBSA is one of five existing development finance institutions in South Africa and has a mandate to accelerate sustainable socio-economic development in the region by funding physical, social and economic infrastructure. For additional information contact:

CEO: Mr. Patrick Dlamini
Tel: +27 (0)11- 313-3516; Fax: +27 (0)11-206-3516
Email: lorraineL@dbsa.org

Industrial Development Corporation of South Africa, Ltd (IDC)
The IDC is a state-owned financial institution offering an extensive range of financing facilities to private sector entrepreneurs engaged in manufacturing industries in South Africa. Its mission is to assist in the financing of new and existing private sector enterprises so that industrial development takes place in South Africa according to sound business principles.

CEO: Mr. Geoffrey Qhena
Tel: +27 (0)11-269-3000; Fax: +27 (0)11-269-3113
Email: geoffreyq@idc.co.za

Small Business Development in South Africa
The United States Agency for International Development (USAID) is the U.S. Government agency responsible for development assistance. USAID assists government and non-government institutions in South Africa to contribute to the political, social, and economic empowerment. It has two programs that help with small business development in South Africa.

The Southern Africa Trade and Investment Hub (SATIH)
SATIH is a USAID funded grant program that seeks to increase international competitiveness, intra-regional trade and food security in the Southern Africa Development Community (SADC) region. SATIH supports progress on the SADC

regional integration agenda and increasing the trade capacity of regional value chains in selected sectors.

South African Supplier Diversity Council (SASDC - previously South African International Business Linkages SAIBL)
SASDC is a USAID-supported supplier diversity program aimed at assisting products and services from previously under-used South African suppliers. This process helps to sustainably and progressively transform a corporation's supply chain to reflect the demographics of the society in which it operates. In South Africa, it involves the process of integrating a growing pool of competitive black suppliers into corporate supply chains, using targeted procurement and enterprise development to achieve this.

Please contact USAID for additional information on its programs at:
United States Agency for International Development - South Africa
Tel: +27 (0)12 452 2000; Fax: +27 (0)1 460 3177

Enterprise Development in Southern Africa
The Southern African Enterprise Development Fund (SAEDF), a R965 million USAID-sponsored project supports small-to-medium-sized enterprises throughout South Africa.

The Entrepreneurship Development Unit of the University of the Western Cape also provides information on small business development in South Africa:

> Entrepreneurship Development Unit
> Department of Management
> Head of Department: Mr. Goosain Solomon
> University of the Western Cape
> Tel: +27 (0)21-959-2595; Fax: +27 (0)12-959-3219

Multilateral Development Banks
The African Development Bank Group
The African Development Bank Group (AfDB), headquartered in Abidjan, Côte d'Ivoire, is an international financial institution created in 1964 to promote the economic and social development of member African countries. The Bank Group covers Africa exclusively, with its lending operations and non-lending development activities all centered on Africa. U.S. Commercial Service has a Liaison Officer to the African Development Bank, Ms. Julie Marie LeBlanc - Email: Julie.LeBlanc@trade.gov.

> African Development Bank Group
> Tel: (+225) 20 26 10 20
> E-mail: afdb@afdb.org

The World Bank Group
South Africa was a founding member of the International Bank for Reconstruction and Development (IBRD) in 1944. It joined the International Development

Association (IDA) in 1960, the International Finance Corporation (IFC) in 1957, and the Multilateral Investment Guarantee Agency (MIGA) in 1994. Additional information is available on the Internet on the World Bank website.

World Bank Resident Mission in South Africa/IBRD Section
Guang Zhe Chen Country Director for South Africa, Botswana, Namibia, Lesotho, Swaziland, Zambia and Zimbabwe
Chief of Mission: Ms. Ruth Kagia
Tel: +27 (0)12- 742-3105; Fax: +27 (0)12-742-3135
Email: gchen1@worldbank.org

IFC Section (International Finance Corporation)
Tel: +27 (0)11-731-3000; Fax: +27 (0)11-268-0074
Country Manager: Mr. Salix Karimjee
Email: skarimjee@ifc.org

U.S. Commercial Service Liaison Office at the World Bank
Mr. Aaron Held
Advisor & Director of U.S. Business Liaisons
Office of the U.S. Executive Director
U.S. Trade Advocacy Center
Bank E-mail: world.bank@mail.doc.gov
Commerce E-mail: Aaron.Held@trade.gov
Tel: (202) 458-0120; Fax: (202) 477-2967

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 de-risk investments and accelerate financial close -- from facilitating project bankability with financing and risk mitigation, to providing technical and transaction support, to engaging with host-government counterparts. Learn more about the full Power Africa toolbox or other opportunities offered by Power Africa.

Web Resources

- African Development Bank Group
- Ex-Im Country Limitation Schedule
- Development Bank of Southern Africa

- Entrepreneurship Development Unit of the University of the Western Cape
- Export-Import Bank of the United States
- Country Limitation Schedule
- Industrial Development Corporation of South Africa, Ltd
- OPIC
- SBA's Office of International Trade
- South African Association of Freight Forwarders
- South African Reserve Bank
- Southern African Enterprise Development Fund
- The World Bank
- Trade and Development Agency
- USDA Commodity Credit Corporation
- United States Agency for International Development South Africa

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

Access the latest Consular Information Sheet and travel advisory on South Africa.

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. In 2016 there was an increase in terrorist threats in South Africa which resulted in the U.S. Department of State raising the threat level at all South African U.S. Mission locations from low to medium. While the majority of 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.

Value-added Tax (VAT) is levied at 14%. Travelers may apply for tax refunds on purchases made in South Africa over $37 on departure.

Visa Requirements

In 2014, the South African Government announced new visa regulations, these were revised in 2015.

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 at the South African Home Affairs website.

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 particular country. For South Africa, visas are also required for extended stays, employment, study, and for diplomatic and official passport holders.

Traveling with minors:
Since late 2015, there are revised requirements for minors traveling through South African ports of entry. 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.

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 the:

- South African Embassy in Washington, D.C.;
- S.A. Consulate, Chicago;
- S.A. Consulate, New York.

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 will be turned away and 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 businesspeople 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;
- United States Visas;
- US Embassy Pretoria Visa Information.

Currency

The South African currency is the SA Rand ("R") 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, Swaziland and Lesotho. The SA Rand is also a legal tender in Namibia, at a fixed exchange rate to the Namibian Dollar.

In 2016 the official month-average U.S. Government's South African rand-dollar exchange rate was R 14.71.

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; the Second National Operator (SNO) is Neotel.

Cellular services are provided by four licensed cellular operators: Vodacom, MTN, Cell C and 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 two major international airports: OR Tambo International in Johannesburg, 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) only. United Airlines code shares with SAA. A high-speed train, the Gautrain, runs from O.R. Tambo International (Ortia) to Sandton, every fifteen minutes from 5:30am to 8:300pm. Station opening times are detailed at the Gautrain timetables webpage.

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;
- Avis;
- Budget;
- Uber.

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.

View the U.S. Consulate information sheet on travelling to South Africa.

Language

South Africa has 11 official languages. Based on the most recent data available, the respective percentages of the population speaking each of them are: Zulu (23.8%), Xhosa (17.6%), 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. Business is conducted mostly in English.

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 in the vicinity of game parks, but limited elsewhere. Private medical facilities 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. Sleeping under a mosquito net or in a mosquito-proof room should also be considered.

High risk malaria areas: 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: 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: 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). It is very important for travelers to realize that they 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, a physician should be consulted immediately.

South Africa has also an epidemic of HIV/AIDS and travelers should ensure that they are well 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 1:00 p.m. and 2:00 p.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 2017:

- 1-Jan: Sunday - New Year's Day (#)
- 21-Mar: Tuesday - Human Rights Day
- 14 Apr: Friday - Good Friday
- 17-Apr: Monday - Family Day
- 27-Apr: Thursday - Freedom Day
- 1-May: Monday - Workers Day
- 16-Jun: Friday - Youth Day
- 9-Aug: Wednesday - National Women's Day
- 24-Sep: Sunday - Heritage Day (#)

- 16 Dec: Saturday - Day of Reconciliation
- 25-Dec: Monday - Christmas Day
- 26-Dec: Tuesday - 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 with the exception of personal clothing, essential toilet articles and used sporting equipment. In order 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 that may be taken 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:

- Siyabona Africa – Sandton Hotel Guide
- Siyabona Africa – Cape Town Hotel Guide
- Siyabona Africa – Kwazulu Hotel Guide
- Siyabona Africa – Gauteng Hotel Guide

Car Rental:

- Avis;
- Budget;
- Hertz;
- Uber.

Air Lines:

- Delta Air Lines;
- South African Airlines;
- United Air Lines.

Private Healthcare (Hospitals):

- Netcare;
- MediClinics.

U.S. Government:

- Consular Services for American Citizens 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
    - U.S. Commercial Service – South Africa