



the dti

Medium-Term Strategic Plan 2011-2014



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



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Foreword by the Minister



Minister of Trade and Industry, Dr Rob Davies

As we enter into the third year of the current mandate, more emphasis will be placed on the implementation of key strategic programmes that contribute to the achievement of key priorities contained in the Medium-Term Strategic Framework (MTSF) for 2009 – 2014. In his State of the Nation Address, President Jacob Zuma placed emphasis on the creation of decent work and called on all of the sectors of government to redouble their efforts to achieve this objective.

In 2010, Cabinet approved the New Growth Path (NGP) as the overarching policy framework to deliver on the outcome of creating decent employment through inclusive growth. To this end, the Department of Trade and Industry (**the dti**) will implement programmes that will contribute to the achievement of the jobs target set out in the NGP. Our flagship will be the Industrial Policy Action Plan (IPAP), where we will focus on employment outcomes through aligning industrial incentive programmes to support labour absorption.

In the course of this year we will table the updated IPAP2 covering the Medium-Term Expenditure Framework (MTEF) period 2011/12 - 2013/14. This will build on and improve the work undertaken in the current IPAP2 covering the period 2010/11 - 2012/13. With the broad framework of the Automotive Production and Development Programme (APDP) firmly in place, **the dti** is working on a programme to resuscitate the Medium and Heavy Commercial vehicle segment of the Automotive Industry. Recently, a study on the Medium and Heavy Commercial Vehicle sector was completed with a view to developing a growth strategy and action plan to support further industrialisation. This should create considerable market opportunities for the auto component sector through building on synergies between the passenger cars and heavy commercial vehicles.

We will continue with the process of reviewing the business regulatory framework the Department administers to ensure that the regulatory function is effectively strengthened while reducing unnecessary “red tape”. The monitoring and evaluation system, which culminated in the signing of performance and delivery agreements entered into between the President and Ministers, has been further developed through the finalisation of the delivery agreements for each of the twelve identified outcomes. We have been entrusted with joint responsibility to co-ordinate the implementation of Outcome 4: “Decent work through inclusive Growth” and also have commitments in several other sectors. A major thrust of our work in the year ahead will be focused on improving and better focusing on support for Small, Medium and Micro Enterprises (SMME) development as well as finalising and implementing a new framework for improved support to co-operatives. Every other division in **the dti** also has important programmes to implement.

I am confident that, despite the challenge of creating sustainable employment, **the dti** has the resources and the will to contribute towards achieving these important priorities of government.

A handwritten signature in black ink, appearing to read 'R. Davies', written over a light background.

Dr R Davies, MP
Minister of Trade and Industry

Overview by the Acting Director-General



Acting Director-General, Lionel October

During the period covered by this Strategic Plan, **the dti** envisages building on the work being carried out as contained in the IPAP2 document. **the dti** will continue to play a central role in pursuit of government's key priorities in the medium term, for we are fully conscious of the intensity of the work that needs to be undertaken in order to contribute to Government's identified priorities in this regard. **the dti** will continue with the implementation of its interventions to contribute to Government's priority relating to the creation of decent work. This will be coupled with additional interventions, through the continued implementation of IPAP2 that will contribute to addressing underlying structural constraints, preventing sustainable growth in the manufacturing sector.

The Department will maintain its focus on aligning industrial financing and incentives to industrial policy objectives as part of efforts to place our economy on a new labour-absorbing growth path. Significant progress has been made in this regard with the launch of the 12i Tax Incentive that aims to accelerate economic growth in the industrial sector and supports IPAP2, particularly in terms of job creation, training and energy efficiency.

In the area of international trade, as part of promoting regional integration within Africa, **the dti** will strengthen trade and investment engagements at the bilateral level, as well as advance the integration project in the Southern African Customs Union (SACU) and consolidate gains made under the Southern African Development Community (SADC) Free Trade Agreements (FTA). The Department will also expand its focus on extending regional markets in Africa by pursuing the SADC-East African Community (EAC)-Common Market for Eastern and Southern Africa (COMESA) Tripartite FTA. In recognition of the growing economies in the South, **the dti** will build on ongoing economic and trade cooperation efforts with Brazil, Russia, India and China through its membership of BRICS (Brazil, Russia, India, China and South Africa). This work will aim to shift the patterns of trade in a manner that encourages exports of higher value-added products and builds complementarities and mutually supportive relations with these countries of the South. At the multilateral level, renewed efforts to conclude the Doha Round of negotiations at the World Trade Organisation will require intensive engagement and monitoring to ensure that any outcomes do not undermine our industrial development and employment objectives.

the dti will take advantage of South Africa's market access opportunities by the continued implementation of its diversification strategy to ensure that South Africa's exports to conventional markets stabilise and exports to markets that have shown resilience during the global crisis such as Asia, Africa, South America and the Middle East grow. This market diversification strategy will be complemented by a product diversification strategy to focus on products higher up in the value chain to prioritised countries. **the dti's** investment promotion activities will focus on the IPAP2 priority sectors for investment attraction. In recruiting investment, emphasis will be placed on investments that have a greater multiplier effect on the South African economy

During the medium-term period, the Department will finalise the review of the scope and quality of financial and non-financial support provided to SMMEs and entrepreneurs. The objective of this review is to ensure that appropriate support is provided to this segment of enterprises to encourage their sustainable growth. The new model for co-operatives will also be implemented, to enhance support offered to these entities and raise their value and profile in the local economy.

The Department will place continued focus on the challenges emanating from the implementation of Broad-Based Black Economic Empowerment (B-BBEE), so as to advance economic transformation and facilitate growth, development and stability in the economy. This will be achieved through the revision of the codes of good practice and the Black Economic Empowerment (BEE) Advisory Council. The Council will be responsible for reviewing progress in achieving BEE and advise government on relevant programmes and instruments to achieve BEE objectives.

On the regulatory front, the Department is cognisant of the need to have a regulatory environment that supports industrial development objectives. Focus will thus be placed on those areas of regulation that still need to be amended to enhance enterprise development. This will be coupled with the implementation of both the Consumer Protection and Companies Acts. The Department has finalised regulations which will give effect to both pieces of legislations. The legislation will enable the establishment of the National Consumer Commission (NCC) and the Companies and Intellectual Property Commission (CIPC).

Given the importance of the work to be undertaken over the medium-term period, the Department will enhance its institutional arrangements and capacity to ensure effective monitoring and evaluation of programmes and projects, strong strategic and operational management and greater integration of its public entities to deliver on the Government priorities. In this regard, **the dti** has already undertaken a service delivery improvement process that will be integral to its delivery of high-quality and timeous services to the public.

the dti will continue to strengthen its engagements with social partners to ensure improved and co-ordinated implementation of strategic interventions. This will be done through active participation in key forums, such as the Economic Sector and Employment Cluster and the National Economic Development and Labour Council (Nedlac). The Department recognises the key role that such institutions play in ensuring the effective implementation of its programmes.

The Department will also ensure that its internal capacity to deliver on its mandate is enhanced through the implementation of effective and efficient systems, strategies and business processes relating to the management of human resources, information technologies and financial and physical resources. It will focus on improving the turn-around times for the payment of services offered by suppliers.

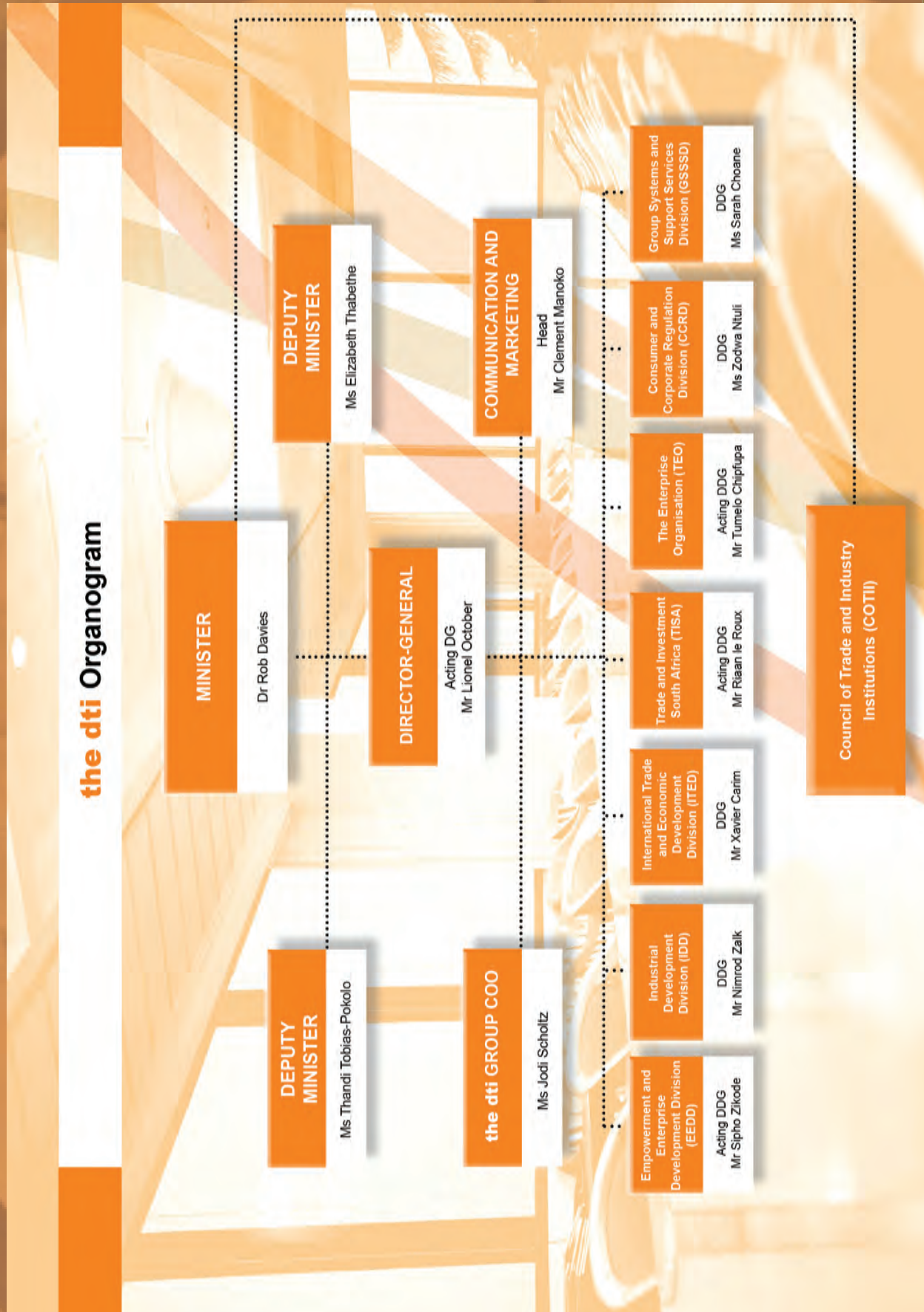
Through integrated and co-ordinated strategies, **the dti** will keep citizens at the centre of its service delivery promise. The Department will sharpen its focus on implementing policy interventions, promoting long-term industrialisation and industrial diversification, accelerating inclusive economic growth and development and generating sustainable employment.



Mr Lionel October
Acting Director-General

Part A: Strategic Overview

1.1 Organisational structure of the dti



1.2 Vision

“A dynamic industrial, globally competitive South African economy, characterised by inclusive growth and development, decent employment and equity, built on the full potential of all citizens”.

1.3 Mission

the dti's Mission is to:

- Promote structural transformation, towards a dynamic industrial and globally competitive economy;
- Provide a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development;
- Broaden participation in the economy to strengthen economic development; and
- Continually improve the skills and capabilities of **the dti** to effectively deliver on its mandate and respond to the needs of South Africa's economic citizens.

1.4 Strategic Objectives

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

1.5 Legislative Mandate

the dti's work is governed by a broad legislative framework, as outlined below:

Act	Purpose
1. Abolition of the Fuel Research Institute Act, 1983 (Act No. 30 of 1983)	To repeal the Fuel Research Institute and Coal Act, 1963, and to provide for the vesting of the assets and liabilities, and the transfer of the employees, of the fuel Research Institute in and to the CSIR.
2. Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice, 2006 (Act No. 19 of 2006)	To provide for an internationally recognized and effective accreditation and monitoring system for the Republic by establishing SANAS as a juristic person; to recognize SANAS as the only accreditation body in the Republic for the accreditation of conformity assessment and calibration as well as monitoring of good laboratory practice.
3. Alienation of Land Act, 1981 (Act No. 68 of 1981)	To regulate the alienation of land in certain circumstances and to provide for matters connected therewith.
4. Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)	To establish a legislative framework for the promotion of black economic empowerment; to empower the Minister to issue codes of good practice and to publish transformation charters; to establish the Black Economic Empowerment Advisory Council; and to provide for matters connected therewith.
5. Business Names Act, 1960 (Act No. 27 of 1960)	To provide for the control of business names and for matters incidental thereto (To be repealed in terms of section 121 of the Consumer Protection Act, 2008)
6. Close Corporations Act, 1984 (Act No. 69 of 1984)	To provide for the formation, registration, incorporation, management, control and liquidation of close corporations
7. Companies Act, 1973 (Act No. 61 of 1973)	To consolidate and amend the law relating to companies and to provide for matters incidental thereto.
8. Consumer Affairs (Unfair Business Practices) Act, 1988 (Act No. 71 of 1988)	To provide for the prohibition or control of certain business practices; and for matters connected therewith (To be repealed in terms of section 121 of the Consumer Protection Act, 2008).
9. Consumer Protection Act, 2008 (Act No. 68 of 2008)	To promote a fair, accessible and sustainable market place for consumer products and services, and for that purpose to establish national norms and standards relating to consumer protection, to provide for improved standards of consumer information, to prohibit certain unfair marketing and business practices, to promote responsible consumer behaviour, to promote a consistent legislative and enforcement framework relating to consumer transactions and agreements, to establish the National Consumer Commission and to repeal certain laws.
10. Convention on Agency in the International Sale of Goods Act, 1986 (Act No. 4 of 1986)	To provide for the application in the Republic of the Convention on Agency in the International Sale of Goods adopted by the International Institute of the United Nations Organization for the unification of Private Law.
11. Co-operatives Act, 2005 (Act No. 14 of 2005)	To provide for the formation and registration of co-operatives and matters incidental thereto.
12. Copyright Act, 1978 (Act No. 98 of 1978)	To regulate copyright in respect of, inter alia, artistic works, dramatic works, computer programs, musical and literary works.

Act	Purpose
13. Counterfeit Goods Act, 1997 (Act No. 37 of 1997)	Strengthens prohibitions on trade in counterfeit goods, confers powers on inspectors and the police to enter and search premises, with and without a warrant, confers powers on Customs and Excise to seize and detain suspected counterfeit goods.
14. Designs Act, 1993 (Act No. 195 of 1993)	To consolidate the law relating to designs, to provide for the registration of designs and to delineate the rights pertaining thereto.
15. Estate Agents Act, 1976 (Act No. 112 of 1976)	To provide for the establishment of an Estate Agents Board and an Estate Agents Fidelity Fund and for the control of certain activities of estate agents.
16. Export Credit and Foreign Investments Insurance Act, 1957 (Act No. 78 of 1957)	To promote trade with countries outside the Republic by providing for the insurance on behalf of the Government of the Republic of contracts in connection with export transactions, investments and loans or similar facilities connected with such transactions.
17. Expropriation (Establishment of Undertakings) Act, 1951 (Act No. 39 of 1951)	To provide for the expropriation of land and the taking of the right to use land temporarily for or in connection with the objects or undertakings of national importance
18. Housing Development Schemes for Retired Persons Act, 1988 (Act No. 65 of 1988)	To regulate the alienation of certain interests in housing development schemes for retired persons and to provide for matters connected therewith.
19. Intellectual Property Laws Rationalisation Act, 1996 (Act No. 107 of 1996)	To provide for the integration of intellectual property rights subsisting in the ex-TBVC's into the national system, to extend the South African intellectual property rights legislation throughout the Republic and to repeal certain intellectual property laws.
20. Inventions Development Act, 1962 (Act No. 31 of 1962)	To provide for the promotion of the development and exploitation in the public interest of certain discoveries, inventions and improvements and to establish a South African Inventions Development Corporation and to prescribe its powers and functions and the manner in which it shall be managed and controlled. (To be repealed by section 17 of the Technology Innovation Agency Act, 26 of 2008)
21. International Convention for Safe Containers Act, 1985 (Act No. 11 of 1985)	To provide for the application in the Republic of the International Convention for Safe Containers so as to maintain a high level of safety of human life in the handling, stockpiling and transporting of containers.
22. Liquor Act, 2003 (Act No. 59 of 2003)	To establish national norms and standards in order to maintain economic unity within the liquor industry; to provide for essential national standards and minimum standards required for the rendering of services; to provide for measures to promote co-operative government in the area of liquor regulation; and to provide for matters connected therewith.
23. Lotteries Act, 1997 (Act No. 57 of 1997)	To establish a National Lotteries Board and to regulate and prohibit lotteries and sports pools.
24. Manufacturing Development Act 1993 (Act No. 187 of 1993)	To establish the Manufacturing Development Board, to provide for the establishment of programmes for manufacturing development; and for matters incidental thereto.
25. Measurement Units and Measurement Standards Act, 2008 (Act No. 18 of 2006)	To provide for the use of measurement units of the International System of Units; to provide for the designation, keeping and maintenance of national measurement units and standards; to provide for the establishment and functions of the National Metrology Institute; and to provide for the repeal of certain laws.
26. Merchandise Marks Act 1941 (Act No. 17 of 1941)	To make provision concerning the marking of merchandise and of coverings in or with which merchandise is sold and the use of certain words and emblems in connection with business

Act	Purpose
27. National Building Regulations and Building Standards Act 1977 (Act No. 103 of 1977)	To provide for the promotion of uniformity in the law relating to the erection of buildings in the areas of jurisdiction of local authorities and for the prescribing of building standards
28. National Credit Act, 2005 (Act No. 34 of 2005)	To promote a fair and non-discriminatory marketplace for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information.
29. National Empowerment Fund Act, 1998 (Act No. 105 of 1998)	Establishes a trust to promote and facilitate ownership of income generating assets by historically disadvantaged persons, particularly assets in state owned enterprises made available at a discount as part of restructuring programmes, gives powers to the trust to enable it to establish sub-trusts and investment companies to promote black economic empowerment.
30. National Gambling Act, 2004 (Act No. 7 of 2004)	To provide for the co-ordination of concurrent national and provincial legislative competence over matters relating to casinos, racing, gambling and wagering; and to provide for the continued regulation of those matters; for that purpose to establish certain uniform norms and standards applicable to national and provincial regulation and licensing of certain gambling activities; to provide for the creation of additional uniform norms and standards applicable throughout the Republic; to retain the National Gambling Board; to establish the National Gambling Policy Council; to repeal the National Gambling Act, 1996; and to provide for matters incidental thereto.
31. National Regulator for Compulsory Specifications Act, 2008 (Act No. 5 of 2008)	To provide for the administration and maintenance of compulsory specifications in the interest of public safety, health and environmental protection; and to provide for the establishment of the National Regulator for Compulsory Specifications
32. National Small Enterprise Act, 1996 (Act No. 102 of 1996)	To provide for the establishment of the Advisory Board and the Small Enterprise Development Agency; and to provide for guidelines to be followed by organs of state to promote small enterprise in South Africa and for matters incidental thereto.
33. National Supplies Procurement Act, 1970 (Act No. 89 of 1970)	To empower the responsible Minister to manufacture, produce, acquire, hire or import goods, to acquire, hire or supply services, and to exercise control over goods and services and the manufacture, production, processing and treating of goods and to provide for the establishment and administration of a National Supplies Procurement Fund
34. Non-Proliferation of Weapons of Mass Destruction Act, 1993 (Act No. 87 of 1993)	To provide for control over weapons of mass destruction and to establish a council to control and manage matters relating to the proliferation of such weapons in the Republic; to determine its objects and functions and to prescribe the manner in which it is to be managed and controlled.
35. Patents Act, 1978 (Act No. 57 of 1978)	To provide for the registration and granting of letters patent for inventions and for the rights of a patentee.
36. Performers Protection Act, 1967 (Act No. 11 of 1967)	To provide for the protection of the rights of performers of literary and artistic works.
37. Property Time Sharing Control Act, 1983 (Act No. 75 of 1983)	To regulate the alienation of time-sharing interests pursuant to property time sharing schemes.

Act	Purpose
38. Protection of Businesses Act, 1978 (Act No. 99 of 1978)	To restrict the enforcement in the Republic of certain foreign judgments, orders, directions, arbitration awards and letters of request; to prohibit the furnishing of information relating to businesses in compliance with foreign orders, directions or letters of request.
39. Rationalisation of Corporate Laws Act, 1996 (Act No. 45 of 1996)	To provide that certain corporate laws shall apply throughout the RSA, to repeal certain corporate laws and to provide for the retrospective incorporation of certain putative close corporations.
40. Registration of Copyright in Cinematograph Films Act, 1977 (Act No. 62 of 1977)	To provide for the registration of copyright in cinematograph films and for matters connected therewith.
41. Sale and Service Matters Act, 1964 (Act No. 25 of 1964)	To provide for the control of the sale of goods and the rendering of services and for matters connected therewith (To be repealed in terms of section 121 of the Consumer Protection Act, 2008).
42. Sale and Service Matters Act, 1964 (Act No. 25 of 1964)	To provide for the control of the sale of goods and the rendering of services and for matters connected therewith (To be repealed in terms of section 121 of the Consumer Protection Act, 2008).
43. Share Blocks Control Act, 1980 (Act No. 59 of 1980)	To control the operation of share block schemes, i.e. any scheme in terms of which a share, in any manner whatsoever, confers a right to or an interest in the use of immovable property.
44. Small Business Development Act, 1981 (Act No. 112 of 1981)	Whole Act was repealed save for section 2A dealing with the application of the Insurance Act, 1943.
45. Space Affairs Act, 1993 (Act No. 84 of 1993)	To provide for the establishment of a Council to manage and control certain space affairs in the Republic; to determine its objects and functions and to prescribe the manner in which it is to be managed and controlled.
46. Standards Act, 2008 (Act No. 8 of 2008)	To provide for the development, promotion and maintenance of standardization and quality in connection with commodities and the rendering of related conformity assessment services; and for that purpose to provide for the continued existence of the SABS, as the peak national institution; to provide for the repeal of the Standards Act, 1993, and to provide for transitional arrangements.
47. Sugar Act, 1978 (Act No. 9 of 1978)	To consolidate and amend the laws relating to the sugar industry; and to provide for matters incidental thereto.
48. Temporary Removal of Restrictions on Economic Activities Act, 1986 (Act No. 87 of 1986)	To empower the President to suspend temporarily laws or conditions, limitations or obligations thereunder, if their application unduly impedes economic development or competition.
49. Trade Marks Act, 1993 (Act No. 194 of 1993)	To consolidate the law relating to trade marks and to provide for the registration of trade marks, certification of trade marks and collective trade marks and for the protection of rights relating thereto.
50. Trade Metrology Act, 1973 (Act No. 77 of 1973)	To consolidate and amend the law relating to trade metrology so as to ensure the accuracy of measuring instruments utilized in trade on the basis of national measuring standards.
51. Trade Practices Act, 1976 (Act No. 76 of 1976) (To be repealed in terms of section 20 of Act 43 of 1990)	To provide for the control of certain advertisements; to restrict the giving or supply of benefits and to regulate the use of trade coupons in connection with the sale or leasing of goods or the rendering or provision of certain services; to prohibit or control certain trade practices; to repeal the Trade Coupons Act, 1935; and to provide for incidental matters (To be repealed in terms of section 121 of the Consumer Protection Act, 2008).

1.6. Overview of the Economy

1.6.1 Background

Until the global economic crisis South Africa enjoyed steady and positive growth. According to Statistics South Africa, the country's gross domestic product (GDP) rose by 2.7% in 2001; 3.7% in 2002; 3.1% in 2003; 4.9% in 2004; 5% in 2005; 5.4% in 2006; 5.1% in 2007 and 3.1% in 2008. However, this real GDP growth was not complemented by any significant improvement in unemployment, which remained at or above 22.8%, even at the peak of this growth trajectory.

The fact that this positive growth has been driven mainly by international commodity price increases and credit-induced consumption – therefore not being sufficiently underpinned by growth of the production sectors of the economy – is an indication of a deep-seated structural problem facing our economy. The unsustainable and resultant problematic nature of the growth path has necessitated an upscaled and refocused IPAP.

The beginning of 2008, however, also saw a decline in global economic activity, triggered by the financial crisis, which disrupted credit extension and paralysed trade and income flows. As the crisis deepened, GDP contracted in the fourth quarter of 2008 and first quarter of 2009, officially plunging the economy into recession. This contraction continued into the third quarter of 2009, with GDP growth rates of -2.8%.

GDP grew by 4.6% in the first quarter of 2010, effectively pulling the economy out of recession; this was a result of strong stimulatory monetary and fiscal policy measures put in place in South Africa and most parts of the world. Further, faster growth in developing countries, such as China, India, Brazil and most African countries, might have contributed to this recovery by stimulating trade and global commodity prices.

These monetary and fiscal policy measures led to generally low interest rates, particularly in developed countries. The generally low interest rates in developed economies prompted international investors to increase their investment in countries with high interest rates, such as ours, resulting in significant net capital flows to South Africa.

These are mainly in the form of short-term capital inflows, such as the acquisition of bonds which, in turn, led to the appreciation of the currency. The strong currency tended to delay the recovery of the South African economy because it negatively affected the competitiveness of South African products in international markets and increased exports.

These policy measures also left governments with large fiscal deficits, which escalated Government debt and debt repayments, thereby limiting the country's capacity to spend on service delivery.

Investment levels were low, due to ailing business confidence, the gloomy economic outlook; and tight lending criteria, both to households and businesses, which led to a decline in manufacturing production.

Adverse economic conditions that affected the rest of the world, including South Africa in 2009, seem to be coming to an end. The third quarter of 2009 saw some positive developments: business confidence improved, private sector investment turned around after five consecutive quarters of decline, and consumption levels and exports improved.

However, the global economic recovery is still fragile and surrounded with uncertainty, particularly among our major trading partners in the developed world. The fact that economic recovery of developing countries, led by China and India, is more robust than that of developed countries indicates a need for realignment of South Africa's export focus.

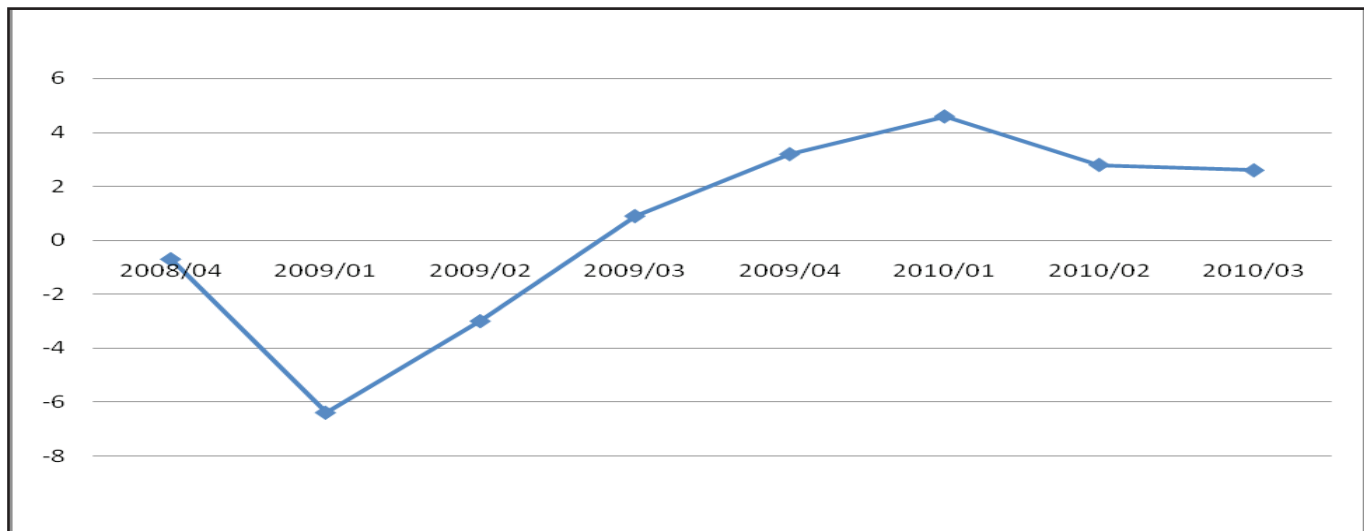
1.6.2 Gross Domestic Product (GDP)

The economy grew by 4.6% in the first quarter, followed by 2.8% in the second quarter, and 2.6% in the third quarter of 2010. According to the Reserve Bank Quarterly Bulletin of December 2010, the strong performance of the economy in the first quarter of 2010 may be attributed to strong performance of the mining and the manufacturing sectors. In the first quarter of 2010, the mining sector increased by 18.7%, an improvement of 11 percentage points when compared to its 2009 Q4 figure of 7.7%. The manufacturing sector also showed improvement of 7.8% in the first quarter of 2010, this improvement was however lower than

the 2009 Q4 figure of 10.8%.

The slow-down in growth in the second quarter of 2010 may be attributed to the effects of the appreciating volatile currency. During the second quarter, the mining sector declined from 18.7% to -22%. Manufacturing growth also lost momentum and declined further to 5%. The negative growth rate of the mining sector and the loss of momentum in the manufacturing sector combined to decrease GDP growth rate to 2.8%. The 0.2% decline in GDP growth rate between the second and third quarters of 2010 may be attributed to below-par performance of the manufacturing and tertiary sectors.

Figure 1: GDP Growth Rate, Q4 2008 to Q3 2010



Source: South African Reserve Bank.

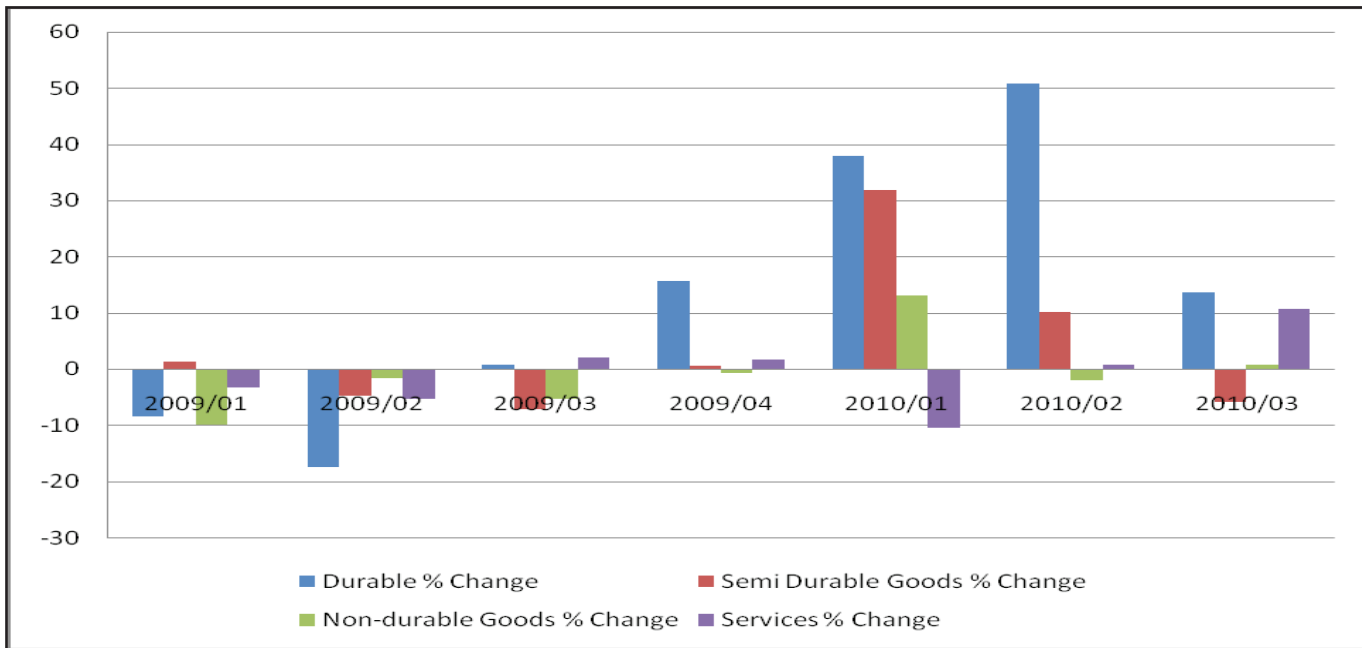
1.6.3 Household Consumption

Consumption levels improved dramatically in the first and second quarters of 2010, due to low interest rates, improved confidence levels and above-inflation salary increases. These increases in consumption levels were mainly attributable to durable and semi-durable goods.

Durable goods consumption accelerated by 37% and 50.8% in the first and second quarters of 2010, respectively. This increase was due to enlarged expenditure on recreational goods, including television sets, in anticipation of the 2010 FIFA World Cup™ football tournament, coupled with improved expenditure on furniture and motor vehicle trade.

Other components of consumption showed vast improvements in the first three quarters of 2010, as compared to the negative growth rates experienced in 2009. The services sector registered an increase of 10.7%, due to the influx of tourists visiting South Africa after the 2010 FIFA World Cup™ tournament.

Figure 2: Percentage Change in Household Consumption, Q1 2009 to Q3 2010



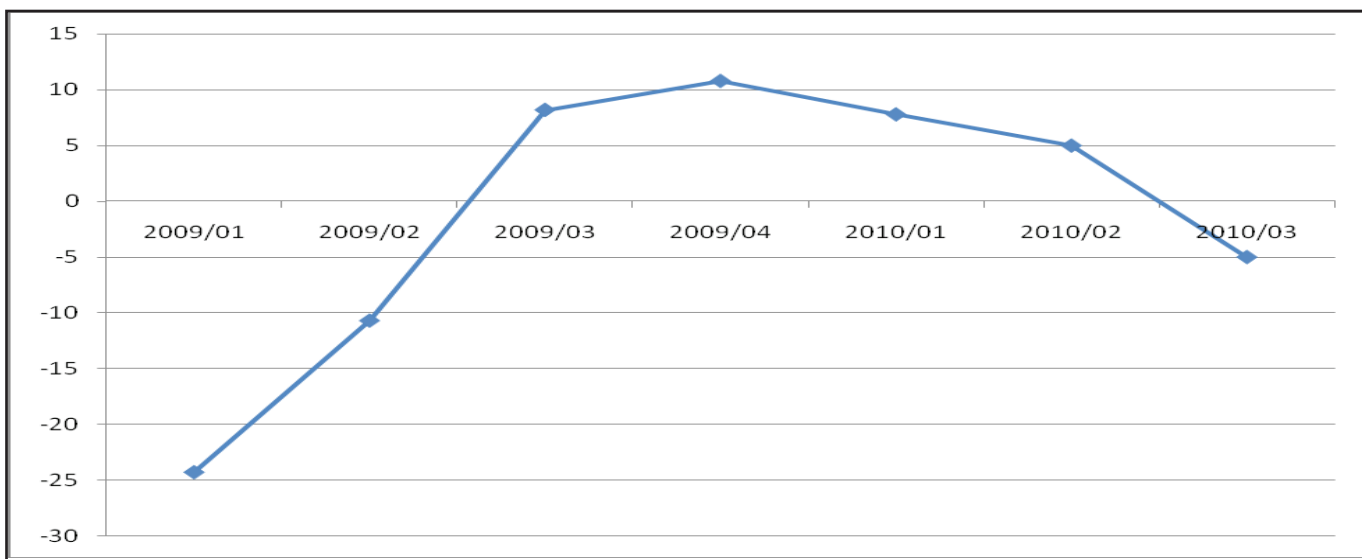
Source: South African Reserve Bank.

1.6.4 Manufacturing

The manufacturing sector in South Africa is one of the sectors that can absorb low-skilled labour. The resurgence of the sector in the third quarter of 2009 was warmly welcomed. The sector's value-addition increased by 8.2% in the third quarter of 2009 and accelerated to 10.8% in the fourth quarter of 2009. This increase was attributed to an improvement in demand for the South African manufactured products in global markets.

In 2010, manufacturing sector value-addition began to fall from a 2009 Q4 high of 10.8% to 7.8% in 2010 Q1, 5.0% in 2010 Q2 and -5.5% in 2010 Q3. The latter decline was due to a decline in production in basic iron and steel, non-ferrous metals, and the machinery and electrical components sub-sectors.

Figure 3: Percentage Change in Manufacturing Value Addition, Q1 2009 to Q3 2010



Source: South African Reserve Bank.

1.6.5 Employment

The buoyant economic performance that preceded the global recession in 2008 was accompanied by an upward phase in the employment cycle, which lasted up to the third quarter of 2008. This upturn in employment was, however, insufficient to reduce unemployment levels in any significant way.

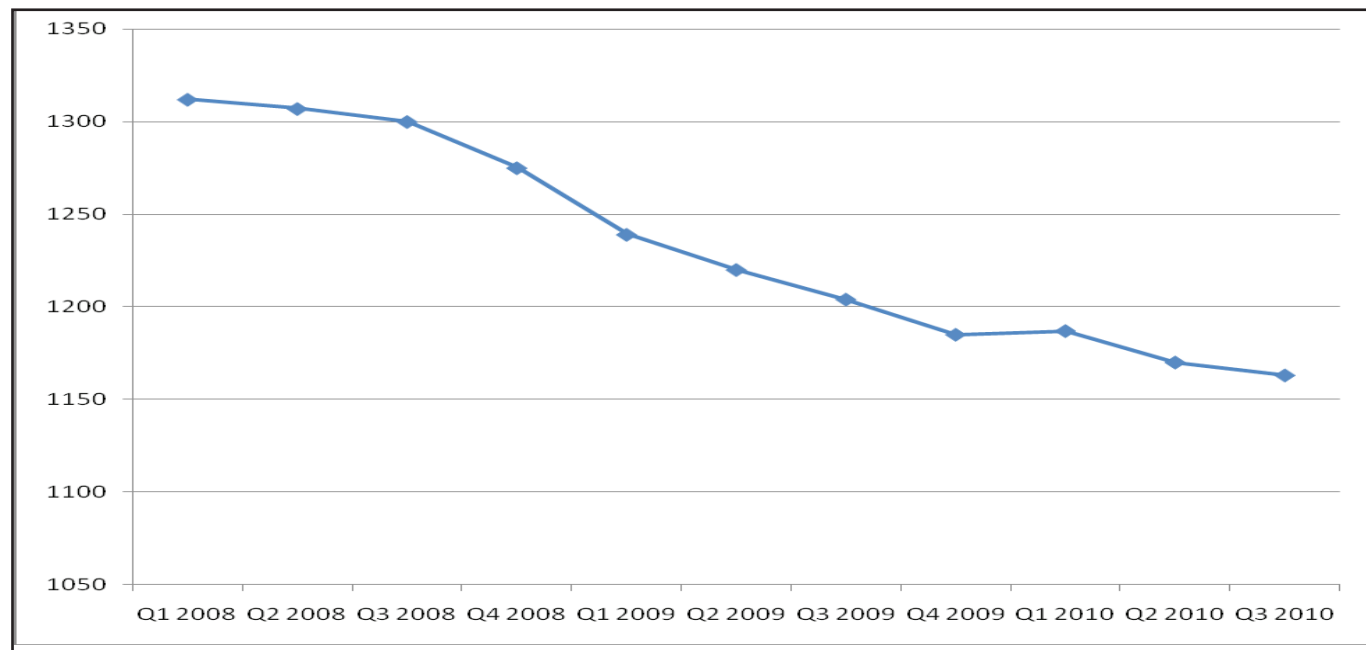
The expansion in mining activity, on the other hand, was encouraged by an international commodity price boom. Employment creation took place mainly in the non-gold mining sector, which accounted for just over 67% of total mining-sector employment in 2008.

From the third quarter of 2008, however, formal non-agricultural employment was on the decline. According to the *Quarterly Employment Statistics Survey*, 244 400 job opportunities were lost between March 2009 and March 2010, the hardest-hit sectors were finance, insurance, real estate, and business services, which lost almost half of their total jobs during this period.

Manufacturing, construction and trade, catering and accommodation services jointly lost about 158 000 job opportunities during this period.

As illustrated in Figure 4, formal employment in the Manufacturing sector was on the decline. Employment in the third quarter of 2010 declined, compared to that of the previous quarter. Between the first quarter of 2008 and the third quarter of 2010, 149 000 jobs were lost in the manufacturing Sector.

Figure 4: Employment in the Manufacturing Sector '000s, Q1 2008 to Q3 2010



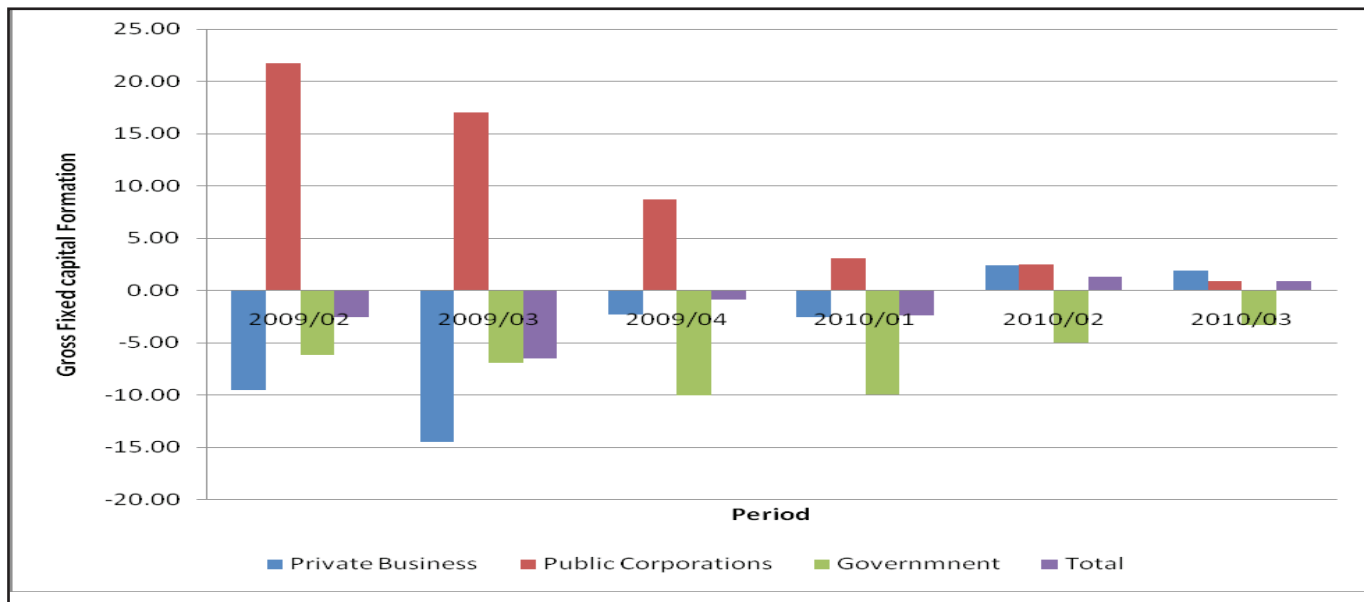
Source: StatsSA.

1.6.6 Investment

Total gross fixed capital formation (investment) improved in the second and third quarters of 2010 by 1.3% and 0.9%, respectively. This was mainly due to the turn-around by the private sector investment, which grew by 2.4% in the second quarter and 1.9% in the third quarter after declining by 2.5% in the first quarter of 2010.

The second quarter in 2010 increase in capital spending may be attributed to infrastructure projects preceding the 2010 FIFA World Cup™ football tournament, coupled with an increase in spending in the mining sector. Due to the low savings rate in South Africa, 15.3% of investment had to be financed from capital inflows in the third quarter of 2010, which were mainly short term in nature and therefore unsustainable.

Figure 5: Percentage Change in Gross Fixed Capital Formation, Q2 2009 to Q3 2010

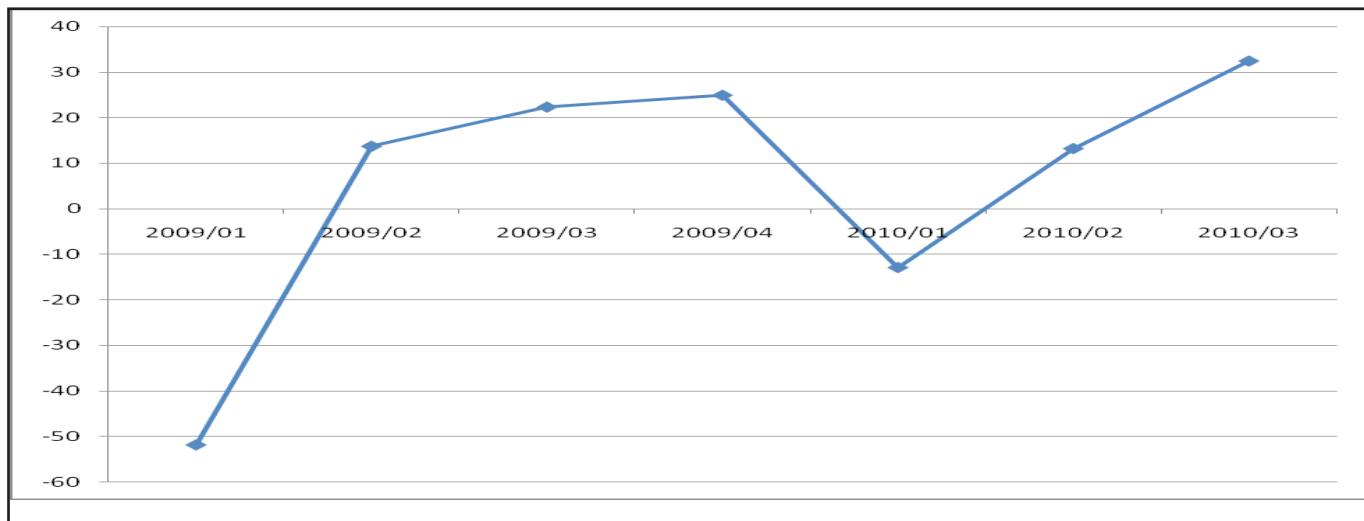


Source: South African Reserve Bank.

1.6.7 Trade Balance

The trade balance exhibited an interesting trend; it switched from the deficit of R12, 9 billion in the first quarter of 2010, to surpluses of R13, 2 billion in the second quarter and R32, 4 billion in the third quarter of 2010. This trend was due to the drastic reduction of imports compared to exports as a result of the adverse economic conditions at the time. Improvement in mining exports to both China and India were the main contributors to positive trade balances in the second and third quarters of 2010.

Figure 6: Trade Balance (R millions), Q1 2009 to Q3 2010



Source: South African Reserve Bank.

1.7 Conclusion

There are signs that the global economy is coming out of recession and that recovery is being led by the developing world. This suggests that our trade focus and strategies need to be revisited so that they can reflect these new developments. The fact that the recovery is still fragile suggests that Government efforts to stimulate the economy and create an environment conducive to job creation need to be intensified. Production in the manufacturing production, this sector showed a vast improvement from the

third quarter of 2009. In addition, the private sector is spending more on capital equipment and households are spending more on durable goods.

We are looking at new ways of boosting economic growth and job creation. Some of these interventions include skills development, sustaining infrastructure investment, public employment and rural development programmes, as well as improving the country's savings levels and ensuring a more inclusive labour market.

1.8 Alignment to Government-Wide Priorities and Outcomes

Government identified ten strategic priorities to ensure the delivery of quality services in its *MTSF 2009 – 2014*. These priorities will be brought to fruition via the finalisation of twelve high-level outcomes, to be realised over the medium to long term. To ensure that each institution of Government is clearly aware of its role and contribution to this process, a set of desired outputs to be delivered under each of the outcomes have been agreed upon and are contained in the Delivery Agreements, as entered into between Ministers with the President.

The Minister of Trade and Industry had outlined a set of priorities in his Delivery Agreement which priorities are articulated in the table below. They serve as the cornerstone of **the dti's** deliverables, in addition to those stipulated in its legislative mandate to create a conducive environment in the manufacturing sector for the creation of decent work opportunities.

Table 2: Alignment of the Minister's Priorities to the Government-Wide Priorities and Outcomes

Government's MTSF Priorities	Government Outcome	Outputs for the Delivery Agreement of the Outcome	the dti Strategic Objectives
1. Speeding up growth and transforming the economy to create decent work and sustainable livelihoods	4. Decent employment, through inclusive economic growth	Report on obstacles to faster, sustainable and inclusive economic growth	Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation
		Make growth more labour-absorbing and increase the number of decent work opportunities	
		Clear, detailed, costed and multi-pronged strategy to reduce youth unemployment	
		Raise our competitiveness, raise our net exports, grow our trade as a share of world trade and improve its composition	Build mutually beneficial regional and global relations, to advance South Africa's trade, industrial policy and economic development objectives
		Appropriate cost structure in the economy	Create a fair regulatory environment that enables investment, trade and enterprise development, in an equitable and socially responsible manner
		Improved support to small business and co-operatives	Facilitate broad-based economic participation, through targeted interventions to achieve more inclusive growth

Government's MTSF Priorities	Government Outcome	Outputs for the Delivery Agreement of the Outcome	the dti Strategic Objectives
8. Pursuing African development and enhanced international co-operation	11. Create a better South Africa, a better Africa and a better world	Raise our competitiveness, raise our net exports, grow our trade as a share of world trade and improve its composition	Build mutually-beneficial regional and global relations, advance South Africa's trade, industrial policy and economic development objectives
10. Building a developmental state, including improvement of public services and strengthening democratic institutions	12. An efficient, effective and development-orientated public service and an empowered, fair and inclusive citizenship	<ul style="list-style-type: none"> • Service delivery quality • Human Resource (HR) management and development • Business processes, systems, decision rights and accountability management • Reducing corruption in the public service 	Promote a professional, competitive and customer-focused working environment that ensures effective and efficient service delivery

1.9 the dti's Strategic Objectives and Outcomes

In response to priorities highlighted by the Minister and commitments made in Delivery Agreements, the Department has identified key strategic objectives and corresponding medium-term outcomes in support of government-wide priorities and broader outcomes. These are detailed below:

Table 3: the dti's Strategic Objectives and Outcomes

the dti's Strategic Objectives	Outcomes
Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation	<ul style="list-style-type: none"> • Reduced cost of production in the economy; • Increased production and export of tradable goods and services; • Accelerated GDP growth • Increased competitiveness • Increased employment opportunities • Increased investments
Build mutually-beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives	<ul style="list-style-type: none"> • Increased trade, underpinning industrial and broad-based economic development in South Africa • Reformed regional, continental and global economic governance to promote national and continental development • Improved trade, investment, infrastructure and industrial development in Africa • Increased value-added exports to and strategic investment from targeted countries
Facilitate broad-based economic participation through targeted interventions, to achieve more inclusive growth	<ul style="list-style-type: none"> • Increased growth in SMMEs and co-operatives • Increased access to business development and market access support • Increased firm-level productivity • Increased participation of previously marginalised people and regions in the mainstream economy • Balanced spatial economic development

the dti's Strategic Objectives	Outcomes
<p>Create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially-responsible manner</p>	<ul style="list-style-type: none"> • Reduced regulatory compliance costs • Enforced fair business practices • Reduced regulatory constraints for Small, Medium and Micro-sized Enterprises (SMMEs) • Facilitated entry to markets • Enhanced consumer confidence in markets
<p>Promote a professional, competitive and customer-focused working environment that ensures effective and efficient service delivery</p>	<ul style="list-style-type: none"> • A skilled and capable workforce • Efficient and effective service delivery • the dti, as a recognised employer of choice • Increased access to occupationally-directed training and development opportunities