June 2023

South Africa

Country Investment Strategy

EXECUTIVE SUMMARY

Since the dawn of democracy, South Africa has been at work to rebuild and reconstruct the country towards shaping its future. Whilst significant strides have been made since 1994, the triple challenges of unemployment, poverty and inequality remain. The ongoing impact of the Covid-19 pandemic on countries across the globe has had significant and unprecedented effects in terms of its wide-reaching repercussions from a policy perspective. The developmental agenda for a country like South Africa requires a more rigorous model that integrates cross-cutting principles and fiscal instruments, which in turn lays the basis for a more effective and innovative configuration of fiscal options within alternative investment scenarios that will enhance the country’s development prospects. With this milieu, one of the most important considerations is that of establishing meaningful and effective partnerships for development, between the public and private sectors working in conjunction with the academic community; donor and multilateral organisations; organised labour and local communities.

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

The CIS aims to achieve this through: (i) catalysing a new investment model to address current under-investment; (ii) attracting quality greenfield and brownfield investments in high-impact and high-growth industries, that will accelerate contributions to GDP and support the country’s transition to a green economy; (iii) supporting existing industries and developing new industries with clearly articulated forward-looking goals; (iv) targeting areas of intervention, accompanied by the mobilisation of resources and improved institutional alignment and capacity, whilst ensuring policy certainty and coherence. The CIS is importantly underpinned by and aligned to the aspirations and objectives articulated in the NDP, the country’s Economic Recovery and Reconstruction Plan (ERRP), the Re-imagined Industrial Strategy (RIS), Sector Masterplans and the National Infrastructure Plan (NIP) 2050. The CIS also contextualises the country's energy crisis, the challenges posed by climate change and the impacts on the investment environment. It recognises six drivers to investment, namely; localisation and economic resilience, infrastructure investment, African integration, the green transition, exports, and innovation.

The CIS is an umbrella for investment targeted from all investment sources. It is intended to be a thorough strategy for the national investment ecosystem which requires participation from relevant entities and contains enhancements to the governance of the investment ecosystem. It is anchored by four pillars which are summarised as: investment promotion institutional framework; investment promotion, facilitation, retention and aftercare; supporting existing and new industries as well as improvement of the investment climate. The national economic and socio-economic priorities which the CIS will contribute towards are articulated, and include economic transformation and job creation; education, skills and unemployment; consolidating the social wage; spatial integration, human settlements and local government; social cohesion and safe communities; building a capable, ethical and developmental state; socio-economic maximisation through small, medium and micro enterprise (SMME) development as well as responses to the climate crisis and energy security.

Section 1 provides an introduction and background to the domestic and international investment landscape. Section 2 outlines the need for South Africa’s inaugural country investment strategy, whilst Section 3 articulates its vision, mission and objectives as it pertains to the country’s envisioned investment trajectory. Section 4 provides an overview of the determinants of investment and the factors that constitute quality investment.

Section 5 addresses how the strategy engenders growth and outlines how the strategic objectives of the CIS translate into actionable initiatives. Section 6 to 9 describe the four strategic pillars as well associated actions, which are aptly summarised as follows:

Strategic Pillar I Supporting Existing and New Industries: A data-driven sector prioritisation model was developed to determine the sectors that should be prioritised from an investment-growth perspective within the context of limited fiscal resources. It is important to note that the aforementioned data-driven sector prioritisation approach is combined with identified strategic investment opportunities by government, known as South Africa's *5 Big Frontiers*; in addition to an alignment with government's articulated policy priorities. Synergising the results of these three areas have culminated the country's prioritised sectors to drive investment and economic development, which include (i) Transport, storage and communication; (ii) Electricity, gas and water; (iii) Agriculture, forestry and fishing (including agro-processing); (iv) Manufacturing and (v) Construction. This is aptly complemented by South Africa's *5 Big Frontiers* which range from placing South Africa at the global forefront of green hydrogen production to opportunities for localisation through beneficiation and advanced manufacturing. This section also provides an overview of the comparative advantages and relative strengths of South Africa's nine provincial economies.

Strategic Pillar II Investment Promotion, Facilitation, Retention and Aftercare: The strategy recognises that a country's ability to attract, facilitate and retain investment will play a critical role in advancing its developmental goals. The CIS also provides recommendations for investment retention and aftercare with actions identified to devote further attention to this critical endeavour, particularly in the unprecedented times posed by Covid-19. The role of BrandSA in providing a coherent and cohesive marketing approach is also emphasised.

Strategic Pillar III Improvement of the Investment Climate: The development of new training and incentives systems is emphasised, particularly in relation to training and retraining suitably well-qualified staff, not limited to public sector reforms; establishing capacity in economic policy and implementation analysis and financial management and professionalisation initiatives; all of which must be underpinned by improved governance and co-ordination mechanisms. The CIS is underpinned by various other efforts that are under way to create a more competitive business environment, including efforts to improve South Africa's investment climate including the optimal provision of network infrastructure in addition to anti-corruption efforts, regulatory unblocking and energy security as investment enablers. In relation to the country's investment competitiveness, consideration is also given to research pertaining to incentives in addition to measures recommended to improve the transparency, efficiency and effectiveness of existing incentives schemes. Reputation management, which comprises of measuring, monitoring and evaluating indicators relating to the country's investment climate and identifying interventions is also an important intervention.

Strategic Pillar IV Investment Promotion Institutional Framework: The CIS recognises the clear need to coordinate both messaging and programming to actively attract high-growth sectors and enable investment. The investment coordination structures of government are spread across multiple distinct IPAs, with varying mandates and processes, which undermines strategic capacity to realise the NDP. The CIS seeks to close the gap in South Africa's investment efforts by addressing the absence of structured co-ordination relevant to mobilising and enabling investment. It also seeks to strengthen the role of InvestSA as the national IPA to achieve better alignment and eliminate overlapping mandates around investment and encourage collaboration.

Sections 10 and 11 reflect on the implementation approach and risk identification as well as mitigation mechanisms. The implementation framework outlines the actions required to realise the CIS goals and objectives in a coherent, diligent and systematic manner. Marketing and communicating the CIS is of critical consequence and will be tailored to various audiences, across sectors and geographies. The CIS gives effect to the NDP, which recognises investment as a prerequisite for inclusive growth.

Acronyms and Abbreviations

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

IDP	Integrated Development Plan
IFTC	Investment Fast-Tracking Committee
IGC	International Growth Centre
IGR	Inter-Governmental Relations
IIO	Investment and Infrastructure Office
IMF	International Monetary Fund
IoT	Internet of Things
IPA	Investment Promotion Agency
IPP	Independent Power Producer
ISA	Infrastructure South Africa
ITO	Information Technology Outsourcing
JSE	Johannesburg Stock Exchange
JV	Joint Venture
KPI	Key Performance Indicator
kW	Kilowatt
LED	Local Economic Development
LQ	Location Quotient
M&A	Merger and Acquisition
MCDA	Multi-Criteria Decision Analysis
MTBPS	Medium-Term Budget Policy Statement
MTSF	Medium-Term Strategic Framework
NACS	National Anti-Corruption Strategy
NDP	National Development Plan
NIP	National Infrastructure Plan
NIPF	National Industrial Policy Framework
NPC	National Planning Commission
NSDF	National Spatial Development Framework
OEM	Original Equipment Manufacturer
PC4IR	Presidential Commission on the Fourth Industrial Revolution
PGM	Platinum Group Metals
PI	Performance Index
PIA	Protection of Investment Act
PICC	Presidential Infrastructure Co-ordinating Commission
PPP	Public-Private Partnership
REIPPPP	Renewable Energy Independent Power Production Procurement Programme
RIS	Re-imagined Industrial Strategy
SACU	Southern African Customs Union
SADC	Southern African Development Community

SANRAL	South African National Roads Agency Limited
SAREM	South African Renewable Energy Masterplan
SARS	South African Revenue Services
SDI	Spatial Development Initiative
SETA	Sector Education and Training Authority
SEZ	Special Economic Zone
SIPs	Strategic Integrated Projects
SMME	Small, Medium, and Micro Enterprises
SOE	State-Owned Enterprise
SWOT	Strengths, Weaknesses, Opportunities and Threats
TASEZ	Tshwane Automotive Special Economic Zone
TFR	Transnet Freight Rail
THC	Tetrahydrocannabinol
TI	Tress Index
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
US	United States
USD	United States Dollar
WEF	World Economic Forum
WTO	World Trade Organisation
ZAR	South African Rand

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1. Introduction and Background

1.1. Domestic Investment Synopsis

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

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

The NDP further articulates South Africa's commitment to transitioning towards a low carbon economy by 2030 as an important investment enabler. In response to the growing severity of the climate crisis both locally and globally, and the threat of energy security to economic development in the country, South Africa has established a National Just Transition Framework, a Just Energy Transition Framework and a Just Energy Transition Investment Plan. South Africa has also made a commitment to significantly reduce carbon emissions by 2030 in line with the Nationally Determined Contribution (NDC). Investment initiatives geared toward creating a green economy in South Africa will be essential to accomplishing these objectives.

1.2. Global and Regional Economic Context

The International Monetary Fund (IMF), in October 2022, projected that global growth will slow from 3.2 percent in 2022 to 2.7 percent in 2023 (IMF, 2022). The 2022 figure was unchanged from the last estimate, in July, but the 2023 forecast was reduced by 0.2 percentage point. The Fund's forecasts reflect the decline in global economic activity and sharper-than-expected slowdown, with inflation higher than seen in several decades (IMF, 2022). Worldwide investment growth has slowed considerably since the 2008/9 global financial crisis and is further impacted by the acute phase of the Covid-19 pandemic (IMF, 2022). In response to this impact, the expectation is that countries will embark upon economic revival initiatives; for example, through boosting industrial capacity; rebuilding export markets and establishing new markets within the context of increasingly difficult policy choices and constrained fiscal and monetary room.

Similarly, UNCTAD forecasts a slowdown of global trade in 2022 (UNCTAD, 2022a). In their December 2022 global trade update, global trade was projected to rise to USD 32 trillion, however the slowdown experienced in the second half of the year was projected to worsen in 2023. The report attributes this decline to high energy prices, rising interest rates, sustained inflation in many economies, negative global economic spillovers from the war in Ukraine and the lingering effect of the Covid-19 pandemic (UNCTAD, 2022a). For developing nations, UNCTAD cautioned that the weakening global demand, insufficient policy coordination at the international level and elevated debt burdens from the pandemic will push some countries into a downward spiral of insolvency, recession and arrested development (UNCTAD, 2022a).

The World Investment Report reflected a recovery of global FDI flows to pre-pandemic levels in 2021, reaching USD 1.6 trillion, up 64 percent from the exceptionally low level in 2020 (UNCTAD, 2022b). However, it was forecasted that this growth momentum is unlikely to be sustained, due to effects of the war in Ukraine resulting in food, fuel and finance crises, along with the ongoing Covid-19 pandemic and climate disruption particularly in developing countries. The recovery was fuelled partly by cross-border deals and international project finance encouraged by loose financing conditions and infrastructure stimulus. Merger and acquisition (M&A) markets were booming whilst greenfield investment remained fragile, especially in developing countries (UNCTAD, 2022b). This is concerning because new investments in industry are important for economic growth and development prospects. UNCTAD (2022b) reported that the rise in FDI flows relating to sectors relevant for the Sustainable Development Goals (SDGs) was significant, increasing by 70 percent in developing countries. This was mainly for renewable energy projects.

The 2021, FDI recovery brought growth in all regions. However, almost three quarters of the global increase was due to the upswing in developed countries, where FDI reached USD 746 billion in 2021 – more than double the 2020 level (UNCTAD 2022b). FDI flows to developing economies grew more slowly than those to developed regions but still increased by 30 percent, to USD 837 billion. The share of developing countries in global flows remained just above 50 percent.

FDI flows to Africa reached USD 83 billion in 2021, from USD 39 billion in 2020, with most recipients seeing a moderate rise in FDI (UNCTAD 2022b). The total for the continent was inflated by a single large intrafirm financial transaction. Southern Africa, East Africa and West Africa saw their flows rise whilst Central Africa remained flat and North Africa declined. European investors remain by far the largest holders of foreign assets in Africa, led by the United Kingdom (USD 65 billion) and France (USD 60 billion). Greenfield announcements remained depressed, but international project finance deals were up 26 percent, with strong growth in extractive industries.

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

The continent has on average received a relatively small proportion of FDI inflows as compared other regions across the globe. For example, the region received USD 2.4 billion in 1990 (1.4 percent of the world total) increasing to USD 83 billion in 2021 (~5.2 percent of the world total) (UNCTAD, 2022b).

In 2021, the continent with the highest share was Asia followed by North America, with Africa reflecting the least. Despite a relatively small proportion of FDI inflows in Africa, FDI inflows as a percentage of GDP depicted an increasing trend in Africa until the global financial crisis of 2008/9. The top FDI recipients on the continent are Egypt, South Africa, Congo, Nigeria, Mozambique and Ethiopia (UNCTAD, 2022b).

Despite these trends, the Brookings Institute (2020) cites two distinct factors that are positive in terms of international investment flows returning to the continent with the first related to the continent's drive to focus on infrastructure investment and industrial development and the second represented by that of the significant opportunities created through deepened regional integration manifested by the African Continental Free Trade Area (AfCFTA).

1.3. South Africa Economic Outlook

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

As the continent's financial hub, South Africa boasts an independent and autonomous Reserve Bank and the continent's most sophisticated financial sector with a significant African footprint offering a supportive and growing ecosystem as a regional nucleus for innovation, technology and fintech, comparable to many developed economies globally. From a financial markets perspective, the Johannesburg Stock exchange (JSE) boasts the largest stock exchange by market capitalisation amongst the continent's 22 exchanges and is also ranked in the top 20 globally (Statista, 2022). South Africa's well capitalised banking sector is home to a plethora of foreign banks and is aptly supported by a robust and resilient regulatory architecture. Testament to this is the World Economic Forum's (WEF) global competitiveness ranking of South Africa as nineteenth globally for its "well-developed equity, insurance and credit markets" (WEF, 2019).

Based on President Ramaphosa's drive to grow the economy; in 2019, South Africa climbed seven places in the WEF Global Competitiveness Survey, and the country was ranked 60th from 141 economies; with the WEF ranking South Africa as the second most competitive African economy. In addition, the Global Innovation Index ranked South Africa as the highest for innovation in Africa in 2022, supported by robust intellectual property rights legislation, business sophistication and knowledge and technology outputs (WIPO, 2022).

However, despite these positive features, the lingering impact of the Covid-19 pandemic and the continuing war in Ukraine is exerting a negative impact on many countries across the globe resulting in numerous socioeconomic repercussions contributing to and exacerbating existing fiscal room. South Africa's challenges are significant, but its stable macroeconomic policies and efforts to return the public finances to a sustainable position mean that the country is in a better position to weather the storms that lie ahead.

The country’s October 2022 Medium-Term Budget Policy Statement (MTBPS) forecasted a real GDP growth of 1.9 percent in 2022, downwardly revised from 2.1 percent in the 2022 budget review (National Treasury, 2022). National Treasury expects real GDP growth of 1.4 and 1.7 percent in 2023 and 2024, respectively. As is the case with many economies across the globe; the decline in government revenue has also led to a substantial increase in public borrowing. Continued debt accumulation and high service costs is unsustainable in the medium- to long-term within the context of a limited fiscal space necessitating an urgent reshaping of the country’s economic landscape, through initiatives such as South Africa’s Country Investment Strategy, the National Infrastructure Plan 2050 (NIP2050) and the Economic Reconstruction and Recovery Plan (ERRP).

The South African government has made significant strides in mobilising the private sector as a key player in the investment value chain towards ensuring that GFCF as a percentage of GDP, which has been under continued pressure, reaches 30 percent by 2030 as outlined in the NDP. However, the GFCF still remains below levels seen prior to the Covid-19 pandemic. Gross fixed-capital formation grew by 3.7 per cent in the first half of 2022 compared with the same period last year. In 2021, private investment amounted to 9.9 percent of GDP, and public-sector investment amounted to 4.1 percent of GDP, well below the NDP targets of 20 percent and 10 percent of GDP, respectively, by 2030 (National treasury 2022). In terms of the contribution of South Africa’s nine provinces to the GFCF, the largest contributors are, on average, found in the provincial economies of Gauteng, KwaZulu Natal and the Western Cape. There is a need for investment to be channeled towards provinces with historically low levels of investment.

Acutely aware of the extensive threat posed by climate change and the energy crisis, South Africa has begun its transition from the unsustainable use of natural resources to a low carbon economy through a just transition that will ensure that the green economy is ecologically and socio-economically sustainable. As outlined in South Africa’s Just Energy Transition Investment Plan (JET-IP), the country has committed to a Nationally Determined Contribution (NDC) of reducing “emissions to within a range of 420-350 megatons carbon dioxide equivalent (MtCO2-eq) by 2030” (JET-IP, 2022). The country has set targets pertaining to a number of initiatives, including the introduction of an independent power producing programme, promoting the deployment of other renewable energy sources including, the nascent hydrogen energy economy. The energy security risk, resulting from South Africa’s ailing state-owned enterprise, Eskom is also considered a deterrent to investment. Two initiatives that will facilitate the improvement of South Africa's investment climate and aid in the fight against climate change are the steadfast resolution of the energy crisis and greening of the economy. There have also been developments in regulation aimed at easing up restrictions on energy generation for own consumption, with government announcing the amendment of Section 2 of the Electricity Regulation Act, No 4 of 2006 (DMRE, 2006), which allows companies to generate their own electricity without the need for a license or limitation on capacity, based on the rules as outlined in the regulation. However, a just energy transition will require significant investment in low carbon technologies and innovation in climate financing models. South Africa’s Just Transition Framework notes that:

“It is estimated that [the country] will require at least US$250 billion over the next three decades to transform the energy system, with at least US$10 billion allocated toward “climate justice outcomes”—the heart of the transition—to support workers and communities in the transition (…) The estimated US$250 billion excludes the additional requirements to transition to a fully green economy, including strengthened adaptation measures” (PCC, 2022).

The Just Energy Transition Partnership (JETP) between South Africa, European partners, and the United States - will provide a valuable platform for establishing critical financial arrangements towards supporting the just transition. Additionally, the country’s investment initiatives will need to integrate climate-related risks and the just transition imperative.

Furthermore, South Africa has stated its commitment to reduce the threat imposed by poor accountability, widespread corruption, and public mistrust, which are considered as risks to investment as outlined in the National Anti-Corruption Strategy (NACS) 2020-2030 strategy (NACS, 2022). This strategy and accompanying implementation plan serve as a framework for creating a set of shared commitments across sectors, fostering cooperation within and between sectors, and refocusing efforts on the objectives of reducing corruption and establishing an ethical society. Furthermore, the 2023 budget will provide further allocations to improve the fight against corruption and advance the recommendations of the State Capture Commission by adding to the budgets of the National Prosecuting Authority, the Special Investigating Unit, the Financial Intelligence Centre and the South African Revenue Service (National Treasury, 2022). These resources will help the institutions to identify financial crimes, prosecute offenders, and recover money and assets that are the proceeds of fraud and corruption (National Treasury, 2022).

From a socioeconomic perspective, the World Bank identifies South Africa as an upper-middle-income country with a GDP per capita of approximately USD 6000 in 2021 (World Bank, 2022). Despite the tremendous economic achievement in the last three decades, South Africa remains plagued by the triple challenges of unemployment, poverty and inequality. South Africa's HDI value in 2020 was approximately 0.4 (World Bank, 2022). Importantly, the percentage of people with tertiary education in the work force has increased from 18 percent in 2008 to 22 percent in 2020.

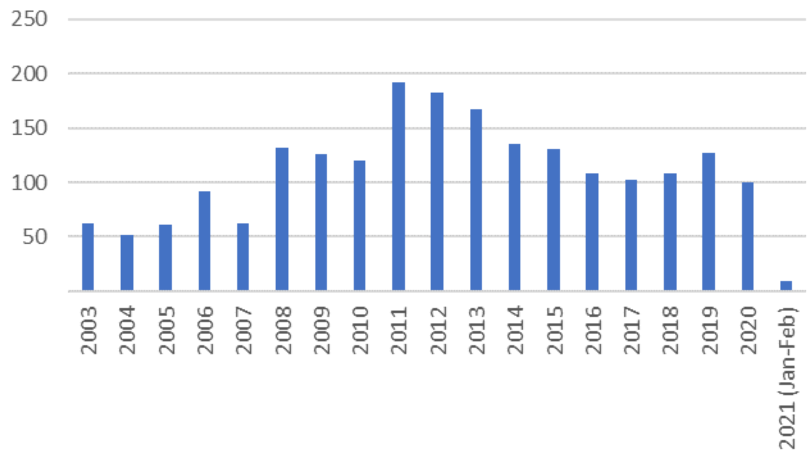
Technological advancement has been a critical component of the socio-economic evolution of societies since time immemorial. The world is moving towards the Fourth Industrial Revolution (4IR); the new epoch in social and economic life. In this regard, President Ramaphosa established the Presidential Commission on the 4IR (PC4IR) to provide leadership to enable all in society to understand and navigate what will be a fundamentally altered future. The WEF ranks South Africa as 61st of 132 countries in terms of innovation capacity (WIPO, 2022) and the current administration's willingness and ability to participate in the 4IR will work towards further advancing the country's competitiveness and innovation rankings. The report produced by the PC4IR indicates the centrality of the state in this new epoch, for instance, through: (i) utilising technology to address service delivery challenges; (ii) leveraging public-private partnerships for scientific experimentation with government departments playing an important role in aligning industrial development goals in this regard (PC4IR, 2019).

The role of cities has significantly increased during the twentieth century, both politically and economically, as is evidenced by the increase in bilateral relationships between regions and the growing number of networks between cities. The growth of cities is driven largely by the economic prosperity they help create. Through the enablement of densification, cities have helped transform economies for many centuries. High densities enable social and economic interactions at a much higher frequency than in non-urban settings. These interactions create a vibrant market for ideas that translate into innovations by entrepreneurs and investors. South Africa's eight metros, namely, City of Cape Town, Nelson Mandela Bay, Buffalo City, Mangaung, eThekwini, Ekurhuleni, Tshwane and Johannesburg, account for the bulk of national GFCF; with a value greater than 50 percent over the period under consideration. The majority of the population resides within these eight cities. Whilst GFCF has grown significantly since the advent of South Africa's democracy in 1994, it has declined since 2017. Cities will continue to be key to economic growth in South Africa; however, urbanisation has historically relied on the extraction of fossil fuels (such as coal and oil), and rapid urbanisation in South Africa poses a risk to the country's sensitive biodiversity, energy and water resources. South African urban centres that are unable to adapt to the risk of climate change will pose an existential risk to the lives and livelihoods of their residents. Investment initiatives in urban centres that support climate-resilient strategies and low-emissions - particularly through planning, construction, transport networks, water and energy resources - are key to ensuring that the further growth of the country's urban centres is aligned with the imperatives of a just transition towards a green economy.

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

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

Figure 1: FDI into South Africa by number of projects, 2003-2021



Source: GGDA (2021)

South Africa's relative competitiveness position on the continent is high with government's drive to attract productive investment being most indicative, particularly in relation to its 2019 level, following the commencement of the country's investment drive in 2018. A noticeable major decline in FDI is evident from 2014 with an uptake in 2018, due to renewed confidence in the country's investment drive. The bulk of FDI into South Africa is concentrated in the finance, mining, transport, manufacturing and retail sectors with the greatest investors emanating from Western European markets, such as the UK, the Netherlands, Luxembourg, Germany and Belgium in addition to the US, Japan and China (Santander, 2021). From a capital expenditure perspective, South Africa's major FDI competitors are represented by Egypt, Nigeria and Angola.

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

1.4. South Africa's Regional and Global Position

South Africa has been the preferred location for multinational investors in the African continent for decades. The country's unique investment value proposition makes it an attractive destination for a growing array of investors and industries. Today, South Africa is not only a resource rich economy with access to both a vibrant local market and a growing regional market but also a financial, technical and innovation hub attracting companies looking to tap the country's talent pool. The five national brand performance indicators and the investment benchmarks noted below reflect this.

1.4.1. National Brand Indicators

2019 Global Competitiveness Index

Competitiveness is a factor that influences FDI decisions and directly affects the reputation of nations. It helps to frame a knowledge of the larger enabling environment that affects social productivity and efficiency. In the 2019 edition of the WEF Global Competitiveness Index, South Africa showed positive improvements in its overall ranking, rising seven positions from 67th out of 140 countries in 2018, to 60th out of 141 countries in 2019 (WEF, 2019). The institutions pillar improved from 69th out of a 140th countries to 55th out of 141 countries. Product market improved from 74th to 69th in 2019. Other saliant improvements included ranking number one (1/141) on budget transparency. This is a positive ranking which clearly illustrates the robustly transparent political governance system of the country, anchored in the constitution of the Republic. This data is also supported by the Open Budget Index wherein South Africa ranked 2nd out of 103 nations further underlining the country's high levels of transparency in its political governance system. South Africa's ranking on judicial independence also improved by fifteen positions, ranking 33rd out of 141 nations (WEF, 2019).

2021 Rand Merchant Bank top 10 economies in Africa

South Africa ranked 3rd in the 2021 Rand Merchant Bank's top ten economies in Africa. The list is compiled annually and measures the investment attractiveness and performance of economies on the African continent. South Africa was noted as offering "a strong manufacturing and retail base that will continue to support southern African regional economies with goods and services. This ranking is reflective of the country's operating environment that is attractive for international investors.

Financial Times Fastest Growing Companies in Africa 2022

The inaugural Financial Times's Fastest Growing Companies in Africa saw South African companies comprise around a third of the 75 countries ranked (i.e. 24th). This number was larger than Nigeria, which had 20 companies in the rankings and Kenya with 9 companies. The index assessed the 5-year growth of these companies between 2017 and 2021, ensuring that the growth was not only cyclical. This indicates both diversity and growth potential within the South African economy.

Brand Finance's Africa 150 2022

In Brand Finance's 2022 Africa 150 index, which ranked the top 100 firm brands on the African continent, South African companies accounted for nearly 60 percent of the list and accounted for 70 percent of the value. Banking and telecommunications were ranked as the brands which grew the most between 2021 and 2022, placing South Africa in an optimal position due to the country's competitive banking and telecommunications sector.

South African companies ranked, which were collectively valued at approximately USD 36 billion, were more than ten times greater than Nigerian brands, ranked 2nd and valued at approximately USD 3 billion.

Brand Finance Global Soft Power Index 2022

South Africa was ranked 34th in Brand Finance's 2022 Global Soft Power Index 2022, an improvement by 3 positions and an increase of 3.1 points to its overall score. The index measures a countries familiarity, reputation and influence, and includes measurements of government performance, education and technology, media, culture and heritage and economic performance. South Africa was ranked 32nd globally for business and trade potential, increasing its score from 3.4 in 2021 to 4.0 in 2022. This indicates the willingness to invest in the country as reflected by the investment pledges received as part of the presidential investment drive.

1.4.2. South Africa Investment Benchmarking

UNCTAD (2022c) noted that FDI inflow to Southern Africa increased to USD 42 billion in the 3rd quarter of 2021, mostly due to a single large corporate reconfiguration. There were new project announcements which included a USD 4.6 billion project finance deal in clean energy as well as a USD1 billion greenfield project for a data centre campus. South Africa experienced the highest level of FDI growth between 2019–2021 when compared to other major African economies such as Kenya, DRC, Nigeria and Egypt. The country also had more than 1000 percent growth rate in FDI flows between 2020-2021. FDI flows grew from USD3 062 million, in 2020, to USD40 889 million in 2021. The table below provides a breakdown of the FDI values for South Africa, Kenya, DRC, Rwanda, Nigeria and Egypt between 2019 and 2021.

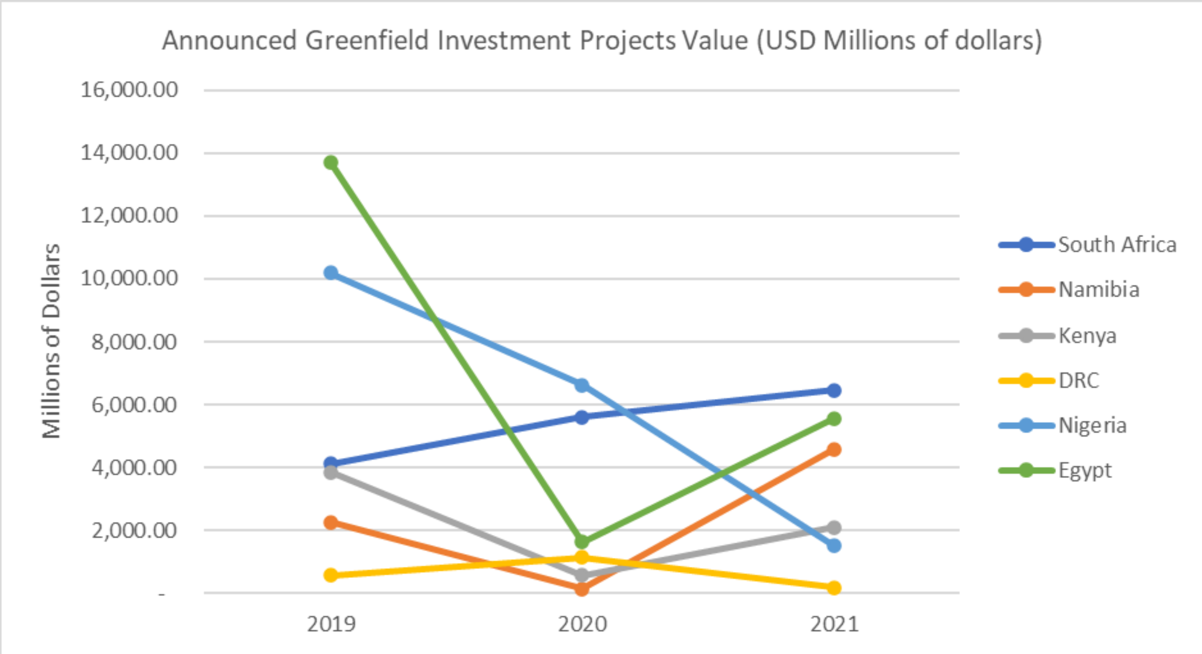
Table 1: FDI values in millions of dollars for some major African economies

FDI Value (Millions of dollars)				
	2019	**2020**	**2021**	**2020–2021 growth rate (%)**
South Africa	5 125	3 062	40 889	1235
Kenya	1 098	717	448	-37
Rwanda*	263	100	212	112
DRC	1 488	1 647	1 870	14
Nigeria	2 305	2 385	4 844	103
Egypt	9 010	5 852	5 122	-12

*Source: UNCTAD, 2022c; *The World Bank, 2023*

In terms of greenfield investment projects, South Africa experienced a positive, albeit low, greenfield investment growth rate between 2020 and 2021. Greenfield investment projects increased by 15 percent from USD5 599 million in 2020 to USD6 459 million in 2021. Namibia experienced the highest level of growth in greenfield investment projects on the continent over the same period, with a growth rate of close to 3000 percent from USD149 million, in 2020, to USD 4 594 million, in 2021. South Africa is lagging behind the major economies of Kenya and Egypt in terms of growth in greenfield investments; however, the country attracted a higher value of greenfield investment between 2019 and 2021. The figure below shows a breakdown of the value of announced greenfield investment projects in South Africa, Namibia, Kenya, DRC, Nigeria and Egypt.

Figure 2: Announced Greenfield Investment Projects Value (USD Millions of dollars)



Source: UNCTAD (2022c)

1.5. International Agreements and Economic Diplomacy

South Africa has several trade and investment agreements that provide an export platform and are geared towards driving access into local and global markets. In addition, the country has signed a number of preferential trade agreements with key partners over time. Of great importance will be the accelerated conclusion of enabling agreements under negotiation and the conclusion of the implementation measures of those that have been ratified. The stability and future development of the African continent compels South Africa to review and assess its economic prowess and its importance as Africa's gateway. South Africa must consider the economic priorities and interests of key economies, and its trading partners, in the international arena, and forge new partnerships in a post-Covid world, whilst ensuring that the country's interests are advanced through effectively promoting new investment and efficiently retaining existing investment.

1.5.1. African Regional Integration

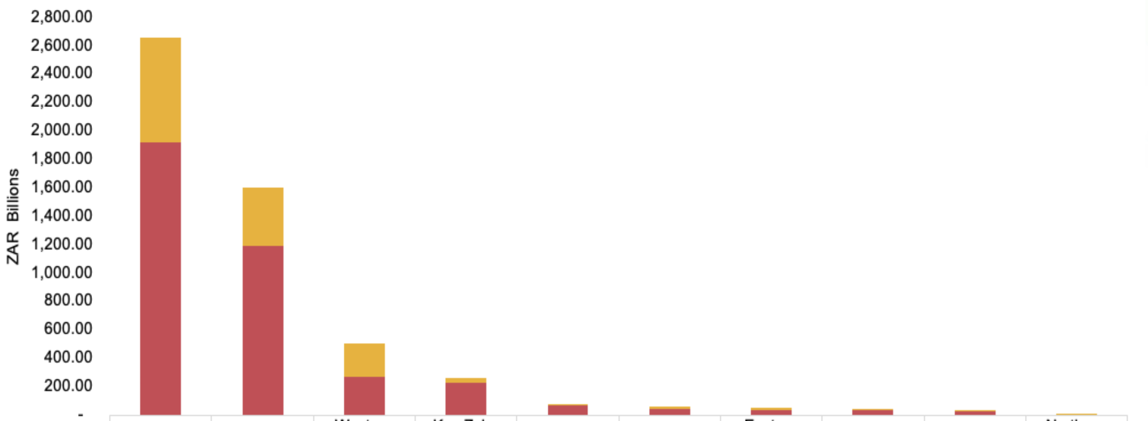
South Africa utilises government-to-government relations and mechanisms to advance a developmental agenda in Africa that focuses on:

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

- negotiating agreements on investment protection and economic co-operation

Figure 3 indicates that total trade between South Africa and Africa amounted to ZAR 2.7 trillion for goods and services, between 2015 and 2020. In the period under consideration, South Africa exported ZAR 1.9 trillion worth of goods and services to the continent. The geographic area of the Gauteng City Region accounted for 62.1 percent of total exports (GGDA, 2021). In terms of imports, between 2015 and 2020, the total value of imported goods and services from the continent amounted to ZAR 739.1 billion, representing a trade surplus of approximately ZAR 1.18 trillion.

Figure 3: Trade between South Africa and the African continent, 2015 – 2020



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

Source: GGDA (2021)

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

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

Competition's chief negotiator as well as the South African Revenue Service (SARS) on South Africa's strategic trajectory for the African continent.

In terms of the opportunities that the AfCFTA presents for South Africa, the country is considered an entry point into Africa by numerous corporations seeking to invest in the continent. South Africa is well positioned to capitalise from trade and investment opportunities presented by AfCFTA since it has the most industrialised economy in Africa with advanced logistics infrastructure and a sophisticated financial system. This could support the growth of important industries where South Africa has a competitive advantage, including manufacturing, agriculture, tourism, e-commerce, and the services sector. The ratification of the AfCFTA occurs at an opportune time when the country is implementing economic recovery plans and structural reforms to boost economic growth, make the economy more competitive on a global scale, lower the cost of doing business and attract investment.

1.5.2. The Rest of the World

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

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

2. Purpose of South Africa's Country Investment Strategy

Whilst significant socioeconomic gains have been made in recent decades, progress with respect to job creation has been minimal, particularly since 2008, with an indication of gains made reversed (NPC, 2020). A lack of employment creation and weak employment quality contributes to the country being plagued by persistently high levels of inequality, further threatening the underlying social fabric of South Africa as a nation. Perpetually low levels of investment, at 14 percent, in 2021, versus a 30 percent GFCF target, continue to undermine the country's capacity to address this challenge, exacerbated by the prolonged effects posed by the Covid-19 crisis and geopolitical challenges posed by the Ukraine war.

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

The CIS seeks to provide a clear and strategic direction for the country's investment drive towards shaping a post-Covid-19 economy and facilitating improved alignment between investment and economic growth in South Africa. The CIS seeks to support the country's transition to a low-carbon, climate resilient economy by supporting new investment opportunities, across identified sectors, in line with the imperatives of the NDP and the National Just Transition Framework. The CIS seeks to align the efforts of various investment mandate holders in the country to co-ordinate investment coherently in addition to ensuring alignment between various sectorial masterplans, building on the comparative advantage of each locality.

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

Through the CIS, South Africa has identified six crucial investment drivers that can attract and foster investment in the country. These drivers encompass a range of policies and environmental factors aimed at (i) enhancing localisation and economic resilience, (ii) promoting infrastructure development, (iii) fostering African integration, (iv) embracing the green transition, (v) enabling export-orientated industrialisation, and (vi) embracing innovation and digitisation. By focusing on these drivers, South Africa aims to create a favourable investment climate and unlock the potential for economic growth and development. These drivers are aptly summarised as follows:

Localisation and Economic Resilience: South Africa recognises the importance of localization in driving investment. By promoting local processing, beneficiation and manufacturing, the country aims to enhance economic resilience and reduce dependency on raw material exports. This strategy encourages investors to establish local operations, thereby creating jobs, boosting domestic industries, and increasing value addition within the country. Moreover, as is becoming increasingly commonplace, countries have begun to mitigate the risk associated with import dependence in key areas such food, medical devices, pharmaceuticals and key technology products.

Infrastructure Investment: Investing in infrastructure not only benefits the country in terms of improved connectivity and efficiency but also attracts investment from users and producers of infrastructure components. Developing robust transportation networks, reliable energy systems, and modern communication infrastructure can entice domestic and foreign investors to set up operations in South Africa, knowing they will have the necessary infrastructure support to thrive.

African Integration: South Africa recognises the potential for new opportunities and synergies through African integration. By actively participating in regional trade agreements and promoting the flow of goods and services within the continent, South Africa can tap into emerging markets, expand its customer base, and attract foreign direct investment from countries seeking to invest in African markets. South African investors are also importance sources of FDI into other African countries, which represents an opportunity for value-chain deepening in South Africa and cross-border industrialisation.

Green Transition: Embracing the green transition is crucial for attracting investment in South Africa. By promoting renewable energy projects, implementing sustainable practices, and encouraging green technologies, the country positions itself as an attractive investment destination for environmentally conscious investors. South Africa's commitment to reducing carbon emissions and mitigating climate change can unlock opportunities for investments in renewable energy, green infrastructure, and sustainable industries.

Export-Orientated Industrialisation: Expanding exports is a key driver for attracting investment in South Africa. The country possesses abundant mineral resources, raw materials, and manufacturing capabilities. By diversifying export markets and targeting major destinations such as Europe, China, India, Brazil, and the United States, South Africa can attract investment in its export-oriented industries. Investments in logistics, production capacity, and market access can be stimulated by the potential for increased export volumes and enhanced competitiveness.

Innovation & Digitisation: The ongoing global shift brought about by technology presents both challenges and possibilities. South Africa recognises the need to embrace innovation and adapt to the changing landscape. By fostering research and development, nurturing a culture of entrepreneurship, and leveraging technological advancements, South Africa can attract investment in knowledge-intensive sectors. Investors seeking opportunities in emerging technologies, digitalisation, and disruptive business models may be enticed by the country's commitment to innovation.

South Africa's investment drivers encompass a comprehensive range of policies and environmental factors that can drive investment and promote sustainable economic growth. By focusing on localisation, infrastructure investment, African integration, the green transition, exports, and innovation, South Africa aims to create an attractive investment climate, unlock new opportunities, and position itself as a competitive player in the global economy.

3. South Africa's Investment Vision, Mission and Objectives

3.1. Vision Statement

South Africa: Africa's leading investment destination

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

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

3.2. Mission Statement

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

South Africa's government acknowledges that policy certainty and regulatory consistency are required to enhance institutional effectiveness. The CIS will consequently articulate a clear agenda and strategy to determine and formulate policy options, leveraging legislation and maximising resource mobilisation to advance a well-articulated and clearly defined development trajectory. South Africa's investment strategy aligns various investment mandate holders in the country to co-ordinate investment coherently; in addition to ensuring alignment with industrial policy, various sectorial master plans and local economic strategies. The strategy for investment also seeks to have positive spillovers in the country's socio-economic objectives, thereby improving the lives of all its citizens.

3.3. Strategic Objectives

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

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

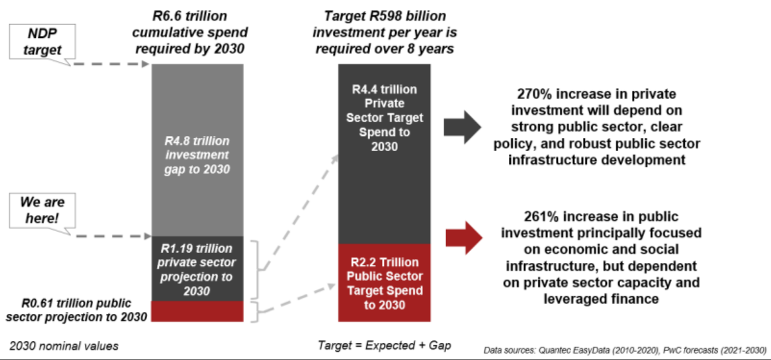
Figure 4: Country Investment Strategy Strategic Objectives

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

- Strategic Objective #1: Catalyse a new investment model to address current under-investment
- Strategic Objective #2: Attract quality greenfield and brownfield investments in high-impact and high-growth industries that will accelerate contributions to GDP and support the country’s transition to a green economy
- Strategic Objective #3: Support existing industries and develop new industries with clearly articulated forward-looking goals
- Strategic Objective #4: Target critical areas of intervention, accompanied by the mobilisation of resources, improve institutional alignment and capacity, and ensure policy certainty and coherence.

In April 2018, President Cyril Ramaphosa announced South Africa’s Investment Mobilisation Drive to increase levels of fixed investment and raise ZAR 1.2 trillion investment over a five-year period until April 2023. Over the last four years, investment drive has generated investment totalling ZAR 1.14 trillion which translated to 95 percent of the initial investment mobilisation drive target. South Africa’s investment challenge of mobilising FDI to NDP target signifies an ambitious undertaking in the current economic context. The country requires ZAR 6.6 trillion cumulative investment by 2030, with a significant portion of this coming from the private sector (approximately ZAR 4.4 trillion). The country must attract ZAR 598 billion of investment per year over the next eight years to achieve this target. This represents over 270 percent increase in private sector investment and 260 percent increase in public sector investment, when considering the current levels. The CIS seeks to expand on the momentum gained from the country’s investment drive and aims to contribute to attracting investment such that GFCF reaches 30 percent of GDP by 2030. It should be noted that these targets are additional to current commitments and need to be achieved from all sources and types of investment in South Africa, working in unison with the CIS.

Figure 5: South Africa’s Investment Targets Aligned to NDP



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

Source: Quantec EasyData (2010-2020), PwC forecasts (2021-2030) and NDP 2030

4. Determining and Measuring Quality FDI

It is important to strategically identify the type of FDI that will enable South Africa to achieve its investment aspirations. Market-seeking FDI involves seeking large populations with growing incomes whilst resource-seeking FDI seeks a labour force at competitive relative costs and/or access to natural resource endowments, such as minerals and energy (Meyer & Estrin, n.d.) with institutional quality and other key FDI determinants remaining relevant. On the other hand, efficiency-seeking FDI enters the country to save costs in international production networks (offshoring) and strategic asset-seeking FDI enters the country to enhance the capabilities of the investing firm by acquiring a firm with technology and brands that have competitive advantage. FDI is able to influence an economy in a number of ways, namely technology transfer; technology spillovers; employment and employment quality and boosting competition amongst local firms within the international arena. Recent data indicates positive benefits to host developing economies, particularly through increased levels of knowledge transfer (Meyer & Estrin, n.d.) and technology diffusion, leading to positive demonstration effects and further evidence points to rising income levels thereby generating important economic transformation effects (Gonzalez, Qiang, & Kusek, 2018). The potential of such demonstration effects will be higher, the more divergent the gap between the host and source country (Meyer & Estrin, n.d.). Attracting quality or sustainable FDI is thus of critical importance (IGC, 2017).

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

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

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

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

In order to support the NDP targets of the country's transition to a low-carbon economy, FDI should be leveraged by government to support the low-emissions and climate resilient targets of the just transition (Lowitt, 2022). FDI that supports blended finance models, as "an enhancement to local financing actions" (Ibid), can catalyse new financing opportunities to support the just transition (PCC, 2022).

5. CIS Strategic Pillars & Engendering Growth

The CIS is an umbrella for investment targeted from all investment sources. It is intended to be a thorough strategy for the national investment ecosystem which requires participation from relevant entities and contains enhancements to the governance of the investment ecosystem. The Figure below shows the CIS goals and objectives presented in Section 3 as well as the key pillars for each objective. It emphasises the manner in which the strategic objectives are translated into actionable initiatives which result in investment attraction, all of which are discussed in this document. These pillars are summarised as: investment promotion institutional framework, investment promotion, facilitation, retention and aftercare, supporting existing and new industries as well as improvement of the investment climate. The CIS will have a two-tiered impact: Tier 1 will be the catalysis of investment, while Tier 2 relates to the spillover effects to economic and socio-economic priorities for growth. The actions identified under each pillar are discussed in the implementation approach.

Figure 6: CIS Strategic Pillars and How It Engenders Growth

CIS Vision & Mission

Position South Africa as **a key African investment destination** of choice, by **leveraging quality Foreign Direct Investment (FDI) & Domestic Direct Investment (DDI)** to achieve South Africa's **National Development Plan (NDP)** transformation goals of driving economic growth, increasing employment, reducing inequality and decreasing poverty, supporting a just transition to a low-carbon economy; anchored by quality institutions and robust economic networks

Goals & Objectives	Catalyse a new investment model to address under-investment	Attract quality greenfield and brownfield investments in high-impact and high-growth industries that will accelerate contributions to GDP and support the country's transition to a green economy	Support existing industries & develop new industries with clearly articulated forward-looking goals	Target areas of intervention, mobilise resources, improve institutional alignment & capacity, and ensure policy certainty & coherence
Pillars	Investment Promotion Institutional Framework	Investment Promotion, Facilitation, Retention & Aftercare	Supporting Existing & New Industries	Improvement of Investment Climate
Tier 1: Catalyse Investment				
	i) Enhance coordination between national and subnational investment promotion entities ii) Identify & mobilise relevant stakeholders in the country's investment ecosystem iii) Strengthen the role of InvestSA as the National IPA iv) Integration & interfacing with existing investment & infrastructure institutions v) Leverage existing structures to establish an investment fast tracking committee & eliminate duplicative structures vi) Ensure coordination with all unblocking/red-tape reduction initiatives	i) Strengthen the relationship with the private sector & clarify the role of government & the private sector in investment across sectors ii) Identify & detail investment opportunities for strategic sectors iii) Strengthen linkages to "Invest SA" as one of the country's key investment promotion agency to guide investors through the stages of effecting an investment in SA iv) Promote South Africa as investable market through InvestSA and BrandSA v) Coordinate & facilitate investor mobilisation & investment implementation vi) Target & act on incoming investor intelligence with state support including tracking the national investment pipeline vii) Develop & implement retention & aftercare programmes to support established investors and identify expansion projects and spillover opportunities	i) Support new industries of growth and structuring as the *Big Frontiers*: South Africa's country's articulated strategic investment attraction initiatives ii) Actively promote sectors that are best positioned to drive South Africa's investment growth and economic transformation goals iii) Leverage comparative advantages for metros and provinces for investment iv) Promote establishment of Special Economic Zones	i) Mobilise institutions with clarified accountabilities & responsibilities across the investment cycle ii) Provision of Infrastructure Development As an Enabler & South Africa's NIP2050 iii) Reputation management: Measuring, monitoring & evaluation of indicators relating to the country's investment climate & identifying interventions iv) Review current incentives dispensation and design fit-for-purpose incentives for investment promotion v) Establish an investment capability center to reinforce capabilities across the ecosystem including identifying capacity building actions for existing IPAs vi) Regulatory unblocking through amendments and introduction of new policies vii) Consolidate & strengthen existing capacity in identified priority sectors through enhancing policy certainty viii) Elevate the commitments that need specific coordination attention from the Presidency through the investment fast tracking committee

Tier 2: Linkages to economic and socio-economic priorities for growth through all relevant policies

Economic transformation and job creation	Education, skills development and unemployment	Consolidating the social wage through reliable and quality basic services	Spatial integration, human settlements and local government	Socio-Economic Maximisation through Development of Small, Medium and Micro Enterprise (SMME)	Social cohesion and safe communities	Response to climate crisis and energy security	Building a capable, ethical and developmental state

Source: South Africa Country Investment Strategy (2023)

A country's ability to attract and retain investment plays a critical role in supporting its economic, socio-economic and other developmental goals and is the locus of the proposed Country Investment Strategy. FDI and DDI influence an economy in a number of ways, including technology transfer, technology spillovers, employment and employment quality and boosting competition amongst local firms. The CIS will contribute to the following national economic and socio-economic priorities.

- **Economic transformation and job creation:** Economic transformation refers to a rapid and fundamental change in the systems and patterns of ownership and control that govern the economy. Higher levels of FDI stimulate an increase in GFCF which lead to increased GDP/capita, increased purchasing power and improvements in productivity. Increased inward investment also exerts direct and indirect effects of job creation. Interventions that alter how the benefits of growth are dispersed and fundamentally alter the structures and patterns of ownership and control that dominate the economy must be made in tandem with the CIS' growth-oriented agenda. Initiatives that transform the economy must meet the dual tests of sustainability and intergenerational equity. The CIS considers and aligns other country priorities, such as initiatives to promote women, youth and other relevant socio-economic criteria. The prioritised investments must be evaluated against a measurement criterion designed to quantify the socio-economic impact, accordingly. Further, South Africa has pledged its commitment to the attainment of decent work and sustainable livelihoods for all workers and has undertaken decisive steps to promote decent work imperatives in national development strategies (SDG, 2022). Amongst such imperatives is the principle of job security, earning of a living wage and the right to join a trade union amongst other worker rights. **Education, skills and unemployment:** attracting quality FDI contributes to improving the skills base of the host economy and facilitates technology transfers and knowledge. Positive developmental impacts can arise from FDI projects that include corporate programmes designed to provide upskilling to employees, suppliers and/or other local residents. South Africa faces a significant unemployment challenge, with a reported rate of approximately 33 percent in the second quarter of 2022. Youth unemployment is a major concern which can lead to drastic social repercussions such as social exclusion and unrest. The South African government has introduced the Presidential Youth Employment Initiative (PYEI), which aims to make headway in reducing youth unemployment. The high levels of unemployment adversely impact economic growth prospects and social development. The potential causes of unemployment relate to lack of job opportunity creation within the economy, potential barriers to entry into the labour market (such as limited work experience), and the occurrence of external economic shocks such as the 2008/9 financial crisis and more recently, the Covid-19 pandemic. Other factors to consider include governance and institutional factors, regional pressures and factors from the international community, as well as the rise of automation and technological progress.

  Structural unemployment is a crucial consideration impacting South Africa's labour market. It is defined as the "mismatch between the jobs available and the skill levels of the unemployed". Structural unemployment occurs when an underlying shift within the economy hinders people from finding job opportunities that match their skills. It essentially impacts on labour mobility. One of the causes relates to technological changes that result in the need for further training and skills development to acquire new skills in line with the shift within the economy. Skills attained by the youth in the current education system do not align with the current labour demands of digital technologies and 4IR skills. As industries evolve and new markets are explored, the skill requirements begin to exceed the available skills in the market, creating a gap that further exacerbates the already high unemployment rate.

  Upskilling the unemployed population is an imperative consideration, specifically noting the rise of the 4IR as well as the drive for new emerging competitive markets. It has been noted that structural unemployment can prevail long-term and usually requires intentional radical changes to contain and reverse its effects on the overall economy. Skills transfer and the preparation of workers for the workplace play a crucial role in improving labour participation and absorption rates towards reducing overall unemployment. The skills transfer component may require support from the government in the form of targeted development programmes to ensure that the appropriate skills are developed that match the requirements of the job market. It is imperative to address the structural unemployment challenges both short term and in the long run as means to reduce the socioeconomic costs associated with it, such as increased criminal activities due to lack of income. To effectively address the unemployment concerns, there is a need for collaborative efforts from the public and private sectors in designing basic and higher learning curriculums that address the mismatch in labour skills demanded and supplied. This may require the development and prioritisation of employment-creating policies that induce labour-intensive economic growth in unison with augmenting technology for more robust economic growth in the country.

- **Consolidating the social wage through reliable and quality basic services**: the CIS makes recommendations for blended finance initiatives in public infrastructure, raising the standard of publicly available services by opening up channels outside of the fiscus.

- **Spatial integration, human settlements and local government:** South Africa faces a severe challenge in terms of its legacy spatial divide. Compounding this spatial challenge is an institutional challenge that relates to the neglect of infrastructure life-cycle-maintenance and operations that are aligned to a cost-revenue plan. Albeit anecdotal, there is clear evidence that the lack of post construction management of many areas has resulted in a weakened ability to optimally embark on investment attraction initiatives and further, that the investment is not fully leveraged to stimulate economic growth. The absence of basic management structures, funding for maintenance, security and operations has resulted in infrastructure being vandalised and misused over time. The sector prioritisation model developed has a component that seeks to address spatial priorities and specifically, in relation to the dilemma posed by the rural/urban divide. The intention is to attract investment in those identified areas to redress existing spatial imbalances of economic development. This should also be viewed in the context of the failure of urban municipalities to cope with rapid migration to the cities. In this regard, the Integrated Sustainable Rural Development Strategy (ISRDS, 2000) noted that the most effective way to curb urban squalor is to invest in rural development there by eliminating the push factors triggering migration to the cities. The metros, even with the ultimate support and funding, will not surmount demand. Some of the examples of strategic rural investment projects embarked upon include the Eastern Seaboard development. Redirecting of investments to such comprehensive programmes would trigger a reversal of urban migration. The manner in which investment and spending is planned and implemented therefore needs to be aligned to the country's spatial transformation agenda, as articulated in the National Spatial Development Framework (NSDF, 2018). The strategy also highlights the potential of blended finance for catalytic and transformative infrastructure in underserviced areas.

- **Socio-Economic Maximisation through Development of Small, Medium and Micro Enterprise (SMMEs):** Strengthening backward and forward linkages from investment into the local economy is critical from an enterprise development perspective (IGC, 2017). This allows for direct technology transfer and spillover from foreign to domestic firms and also, raises the local and global competitiveness of local suppliers. Important actions include the establishment of a vendor development programme to efficiently support the matchmaking of foreign investors and local firms and include financial concessions, such as support to local suppliers on the basis of purchase orders from the foreign firm. This can be facilitated by investor efforts to support the integration of local companies and SMMEs into their business processes and value chains. FDI projects can establish a variety of local business linkages with the most valuable of development objectives generally arising from the amount of value-additivity derived from local content purchases, including the integration of local companies into FDI business procurement and processes.

It is evident that the scale of investment required cannot be achieved through only large investments and should be complemented with a fast-growing SMME sector, supported by liquid capital market funding. Likewise, there is also a need to invigorate South Africa’s SMMEs, owing to historical challenges including a severe lack of access to capital and markets. The challenges facing SMMEs are particularly acute in rural areas where there is a lack of access to credit, poor profitability, lack of access to markets, lack of mentorship, shortage of skills, and poor infrastructure especially with regards to commercial, accounting and legal services, understanding of labour law regulations, government bureaucracy and crime. These are only a few of the hindrances which, together with the Department of Small Business Development, must be alleviated. The country’s Re-imagined Industrial Strategy articulates the expansion of SMMEs as a key growth pillar, which also forms part of broader economic recovery policy goals. SMMEs are the largest category of businesses in South Africa and are estimated to number between 2.4 million and 3.5 million. The largest number is in the informal and macro segments. The country has adopted an industrialisation approach through localisation to rebuild the production economy, create jobs, and transform the ownership patterns of the South African economy. This approach includes improving the competitiveness of SMMEs and their ability to meet the procurement requirements of large multinational/local corporations and state-owned enterprises; offering support with access to finance for SMMEs who have limited, or no, access to finance; improving the prevailing regulatory and administrative environment and providing industrial incentives to catalyse investment and development.

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

- The food and beverages industry including agro-processing (for purposes of food security);
- Automotives and transport equipment value-chain;
- Furniture and general use products;
- Pharmaceuticals and nutraceuticals;
- Clothing, textiles, leather and footwear;
- Steel, machinery and metal products;
- Beauty and personal care products;
- Pulp and paper products;
- Petroleum and chemical products; and
- Plastic and plastic products

There is a need to also dissect other sectors such as the automotive value chain and services sector to identify opportunities for SMMEs. Development of SMMEs should be a joint effort between public and private sector through skills development, specific supplier development and market access.

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

- **Social cohesion and safe communities:** through enhancing the economic development of local communities where the FDI is located, social cohesion will be promoted. This is effected through enhancing social inclusion within communities leading to more cohesive societies.

- **Building a capable, ethical and developmental state:** The NDP Vision 2030 clearly articulates the need for "a state that is capable of playing a developmental and transformative role" with staff possessing the requisite authority, expertise and support in the execution of their roles; in turn, requiring a "long-term approach to skills development". In this regard, the development of new training and incentives systems is emphasised, particularly in relation to training and retraining suitably well-qualified staff, not limited to public sector reforms; establishing capacity in economic policy and implementation analysis and financial management and professionalisation initiatives; all of which must be underpinned by improved governance and co-ordination mechanisms. The CIS contains recommendations to promote the technical capacity of IPA officials (e.g. training and exchange programmes between the country and UNCTAD, World Bank and others) and further articulates measures to enhance transparency in the investment attraction and facilitation landscape.

- **Response to climate crisis and energy security:** In response to both the climate crisis and energy security in South Africa, the CIS also aims to align and contribute to three key policy areas identified in the Just Transition Framework (PCC, 2022). Further leveraging FDI and DDI to support the imperatives of these policy considerations across prioritised sectors. These key policy areas are highlighted as follows:
    - Human Resource Development and Skills Development: inward investment towards building skills for green jobs, in sectors that will need to undergo decarbonisation, to support the just transition. Targeted FDI and DDI should be leveraged to develop technological competencies in the green economy, this includes upskilling the workforce in future labour-intensive green industries and building skills for climate-resilient infrastructure development.
    - Industrial Development, Economic Diversification, and Innovation: the sectors prioritised through the CIS should prioritise investment towards supporting innovation in green technologies and supporting local SMMEs developing green technologies. This is particularly important in prioritised sectors with historically high carbon emissions.
    - The CIS supports new industries, such as green hydrogen, that have a strong commitment to the imperatives of a just transition and ensuring energy security in South Africa. The CIS aims to support an enabling regulatory framework for the development of new technologies, especially in renewable energy technologies that will support energy security in the country.
    - Social Protection Measures: supporting investment into ecological infrastructure and factoring climate-risk into investment initiatives. Leveraging FDI and DDI for climate-resilient infrastructure development in urban centres that will be hardest hit by the impacts of climate change to protect livelihoods and expand job creation potential.

6. Strategic Pillar I: Investment Promotion Institutional Framework

6.1. Scoping the Investment Coordination Challenge

To deliver the CIS, South Africa needs to adapt its institutional framework for investment promotion. The country must achieve better alignment of policies and practices across government departments nationally and sub-nationally. The absence of structured coordination of the various mandates and processes relevant to mobilising, promoting, designing, implementing and facilitating investment undermines strategic capacity to realise the NDP targets for both investment in its right and economic growth more broadly. This strategy aims to eliminate overlapping mandates around investment and encourage collaboration.

Because the success of the strategy will be measured by the success of its implementation, it will be critical to deploy an institutional framework for investment generation that ensures that national and sub-national investment promotion agencies row in the same direction to fulfil high level strategy objectives.

Currently, the investment coordination structures of government are spread across multiple distinct IPAs at the national, provincial and local level. InvestSA, though in theory the overarching IPA, has no direct authority over the others, nor does it directly instruct the diplomatic missions across the globe which conduct investment mobilisation and promotion activities in the context of economic diplomacy. The structural incentives embedded within legal, taxation and programmatic frameworks similarly lack co-ordination. Further, South Africa's ability to attract, facilitate and retain investment is not aligned with the importance of the task and the complexity of the challenge. South Africa´s framework for investment promotion is sub-optimal when compared to international best practice.

A new investment model will address the institutional weakness that characterises South Africa and create the conditions for a stronger and coherent institutional framework and a strong and performing national investment promotion agency.

The CIS therefore proposes to strengthen the role of InvestSA as the National IPA. By empowering an overarching and fully capacitated InvestSA, South Africa will greatly enhance its investment promotion and retention capacity by optimising and restructuring its existing investment promotion institutional framework and strengthen the execution capacity. This will also be complemented by the establishment of an investment fast-tracking committee (IFTC) which will provide a platform for ecosystem coordination.

6.2. How Investment Co-ordination Will Work in Practice under The Institutional Framework

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

a) The Economic Reconstruction and Recovery Plan (ERRP)
b) Operation Vulindlela (easing the regulatory burden and streamlining regulation)

c) Presidential Employment Stimulus Programme
d) Sector Masterplans developed by the Department of Trade Industry and Competition (dtic) and other specific lead departments working with key private sector constituencies
e) Economic diplomacy commitments (and opportunities) with respect to the Africa Continental Free Trade Area (AfCFTA) and wider international trade positioning

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

As indicated, the proposed Investment Fast-Tracking Committee (IFTC) will leverage existing structures and provide a platform for ecosystem coordination as follows:

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

These functions form basis of the terms of reference of the IFTC that will be established by the Presidency and will coordinate with the Presidential Advisory Council on Investment.

6.3. Critical Actions

1. Develop a coordination framework for national and subnational investment promotion entities
2. Identify and mobilise relevant stakeholders in the country’s investment ecosystem
3. Leverage existing structures to establish a centralised office for the IFTC
4. Define all role players and responsibilities of the multi-departmental IFTC
5. Establish terms of reference and governance structure of the IFTC
6. Define criteria and/or exemptions for fast tracking
7. Develop detailed investment coordination workflows which informs how investment mobilisation, investment promotion, investor intelligence, investment design, investment implementation and investment enabling will be facilitated through the IFTC and in collaboration with IPAs.
8. Coordinate, direct and streamline investor mobilisation and investment implementation of Apex projects
9. Coordinate and act on incoming investor intelligence; specifically with respect to driving investment design with state support
10. Track the universe of investment relevant commitments elevated from the ERRP, sector masterplans and other relevant sources.
11. Elevate the commitments that need specific coordination attention from the Presidency as Country Strategic Investment Programmes (CSIPs), with the infrastructure-linked versions of these phasing into SIPs.

7. STRATEGIC PILLAR II: INVESTMENT PROMOTION, FACILITATION, RETENTION AND AFTERCARE

The CIS's function is to develop and implement effective inward investment aligned to South Africa's prioritised sectors. The strategy generates, develops and articulates diverse and strong investment opportunities in South Africa's economic sectors. As part of generating inward investment, the CIS seeks to strengthen the relationship with the private sector and to clarify the role of government and the private sector in investment across sectors. This includes improving transparency in communication and promoting South Africa as an investable market and supporting with investor aftercare.

As articulated previously, South Africa has a myriad of IPAs with differing mandates. The success of the CIS relies on a homogenous approach to investment promotion and facilitation. As highlighted in the preceding section, there is therefore a need for an institutional arrangement which not only strengthens and elevates the National Investment Promotion agency but that is also able to convene subnational promotion entities to ensure promotional synergies and consistency.

It is useful to distinguish between various categories relevant to the coordination of the investment mandate through a strengthened and enhanced National Investment Promotion Agency. These categories include:

a) *Investment mobilisation* includes the scope of activities relating to the identification of specific investors or classes of investors relevant to a specific sectoral or strategic objective and the deployment of targeted engagement to convince these investors to engage with – and invest – in South Africa
b) *Investment promotion* seeks to promote South Africa as an investible market, based on more transversal, systematic factors
c) *Investor intelligence* refers to activities which gather crucial information on what is driving investor intent (or the lack thereof) and what informs the nature and scope of potential investment decisions, subjecting this information to trend analysis and overlaying analyses of different sectors and geographies to drive a coherent strategy to inform investment mobilisation and investment promotion activities
d) *Investment design* references the process of financially and operationally structuring new investments, particularly relevant in a public policy context where co-investment or catalysation are required
e) *Investment implementation* covers all the processes and actions required to realise an investment in country on the part of active participants in said processes (public and private).
f) *Investment facilitation* entails the unblocking of intended investment through fast-tracking of existing processes and/or the creation of legislation.

InvestSA, as the national IPA will be responsible for investment mobilisation, investment promotion, investor intelligence, investment design and investment facilitation and implementation in this regard. BrandSA, working alongside InvestSA, will provide a cohesive and consistent marketing approach. BrandSA is suitably positioned to articulate South Africa's positioning, value proposition, attractiveness, investment proposition and competitive advantage, through the following:

a) Promoting and marketing South Africa as a desirable investment destination
b) Articulating the country's values, behaviour, and character
c) Leading and promoting brand awareness internally, regionally and globally

d) Adopting a cohesive approach when promoting the nation brand to global audiences

This will help streamline both messaging and programming to actively attract high-growth sectors and enable the investment the private sector is willing to make on its own. Further, the role of other subnational IPAs will be enhanced to improve their capabilities in mobilising investment and in investor aftercare, and post investment implementation.

7.1. Services to Inward Investors

Optimal execution and effectiveness of the CIS will require South Africa to have a well-functioning institutional framework for investment promotion which includes: (a) a high-level institutional arrangement that involves all government and private sector stakeholders involved with the investment journey and climate; (b) a strong and technical investment promotion structure with a clearly defined mandate, a reasonable degree of autonomy and resources to effectively perform in a competitive environment; (c) an investment promotion plan that translates the CIS into image building activities, investment generation campaigns, investor support services and investment climate advocacy initiatives; and, (d) a partnership and coordination mechanism between national and subnational promotion entities to ensure promotional synergies and consistency.

Given South Africa's unique landscape for investment generation across national, provincial and municipal spheres, it will be critical also to deploy a framework for investment generation that ensures that the national and sub-national IPAs are aligned to fulfil high level strategy objectives. This will require new institutional arrangements, associated performance indicators and a clear articulation of what specific services will be offered and executed by each IPA entity (how these will be measured, reviewed and improved) to deliver on the overall strategy.

The role of InvestSA in inwarding investment will not be delinked from the CIS. InvestSA provides practical information, specialised assistance and access to platforms required to facilitate business establishment and/or expansion plans. InvestSA's business services are aimed at improving the time-to-market of an investment. The agency works in partnership with South Africa's nine provinces and municipalities to match investment needs with the diverse business opportunities that South Africa has to offer.

The CIS intends to augment the capacity of InvestSA and IPAs by supporting them in their dealings with investors through:

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

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

7.2. Investor Retention and Aftercare

Mechanisms and programmes that encourage reinvestment or investor retention are referred to as investor aftercare. In the aftermath of the Covid-19 pandemic and more recent geo-political conflicts impacting on global supply chains and companies' investment decisions, this area of work is crucial in not only ensuring the retention of exiting investors but also enhancing the aftercare service offering to work with existing investors on new and expanded investment projects. Not only do IPA need to be agile in responding to global and local challenges but they also need to be flexible in adapting investor service offerings. With the disruptions in global supply chains and value chains there is an increased focus on strengthening linkages between foreign and domestic companies and the local economy.

The CIS implementation team will provide advice to implement robust facilitation and investor retention and aftercare for targeted investors, anchored in the following principles:

- Identifying and removing obstacles prohibiting reinvestment and establishing mechanisms for escalation
- Provide prompt and proactive assistance to strengthen relationships with investors and troubleshoot potential barriers and challenges effectively and efficiently
- Collaborate with other divisions, institutions and/or IPAs on establishing advocacy platforms for investors and policymakers
- Actively maintain a network for facilitation of investor issue resolutions
- Facilitate early warning mechanism for investors and also, pre-empt and facilitate solutions for mutual benefit.

7.3. Critical Actions

1. Establish high-level coordinating mechanism for investment generation to support its implementation
2. Strengthen the relationship with the private sector and clarify the role of government, IPAs as well as the private sector in investment across sectors
3. Work with various institutions to detail investment opportunities for strategic sectors
4. Strengthen linkages to "Invest SA" as the national investment promotion agency to guide investors through the stages of effecting an investment in SA
5. Promote South Africa as investable market through South Africa's established institutions
6. Establish a system of obtaining views from investors on what they need to consider SA as an investment destination
7. Implement a client relationship management (CRM) solution for investor aftercare
8. Develop and implement programmes for retention and aftercare to support established investors and identify expansion projects and spillover opportunities
9. Support IPAs to develop targeted investment promotion plans.

8. Strategic Pillar III: Supporting Existing and New Industries

8.1. Identifying and Promoting High-Growth Opportunities

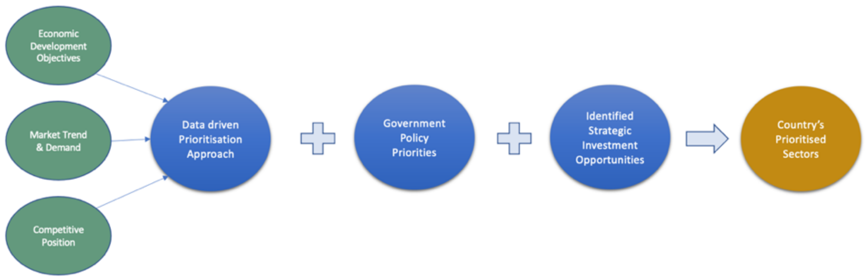
8.1.1. Sector Prioritisation Approach

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

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

It is important to note that the aforementioned data-driven sector prioritisation approach will be combined with: (i) identified strategic investment opportunities by government also known as South Africa's *Big Frontiers*, as included in this document; in addition to (iii) government policy priorities. Synergising the results of these three areas will culminate in the country's prioritised sectors to drive investment and economic development, as per figure 7 below.

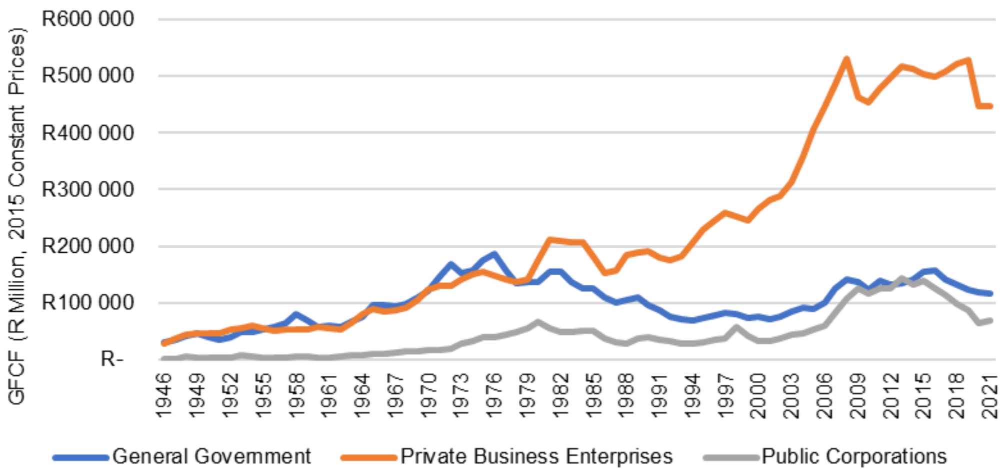
Figure 7: South Africa's CIS Sector Prioritisation Approach



Source: South Africa Country Investment Strategy (2023)

GFCF trends are focused on analysing trends from private and public sector investment. According to Figure 8, it is evident that private sector investment is significantly higher than that of government and state-owned entities combined when analysing GFCF trends.

Figure 8: Gross Fixed Capital Formation, 1946 – 2018 (ZAR millions, constant prices)



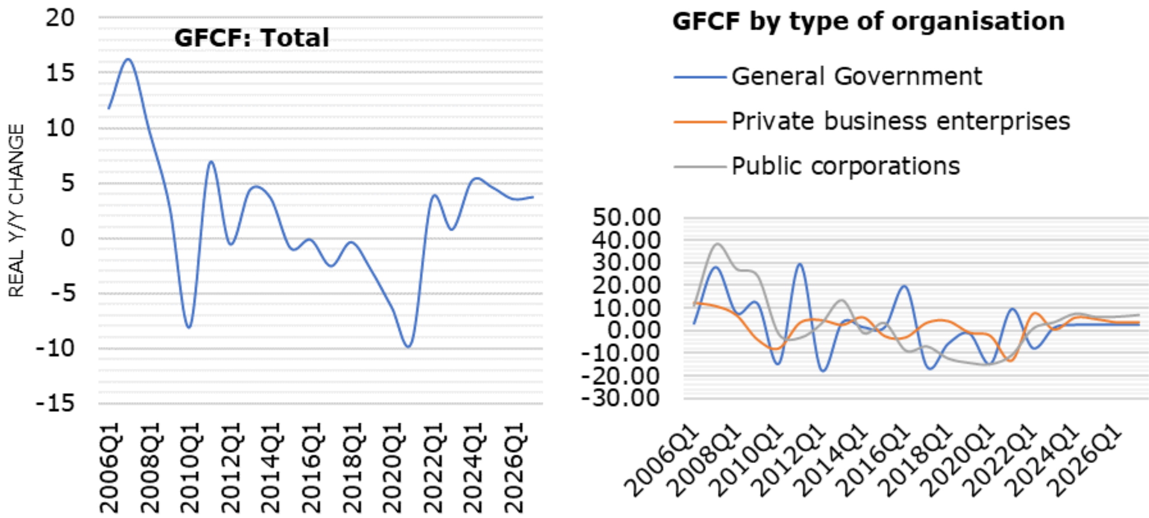
Source: Quantec

The figure above shows that general government GFCF has shown declines since 1976 with an overall downward trend leading to 2021. Public corporations have shown an overall increase in GFCF over the period; however, their contribution has been relatively small with an 11% contribution in 2021. Private sector has seen large increases in GFCF, noting the sharp increases from 1986 and contributed 71% to GFCF in 2021. The CIS and NIP2050 collectively must focus on targeting investment that will contribute towards ensuring increasing the public sector's participation in GFCF.

From figure 8 above, it is also evident that GFCF by the private sector and public corporations have been increasing since 1994. The highest recorded figure was approximately 23 percent during the period leading up to the 2010 Soccer World Cup. Whilst the current trajectory is unfavourable, the CIS and NIP2050 collectively focus on targeting investments that will contribute towards the reversal of this trend.

Growth for all organizations will increase at a slower pace as indicated in Figure 9 below. Public Corporations will have the highest increase in investment as shown in the forecast until 2027. The ERRP focuses on significant infrastructure investment by SOEs or public corporations. It is thus concluded that one of the potential areas that should be targeted towards increasing domestic investment is expenditure by SOEs in the short term; accompanied by strong governance mechanisms.

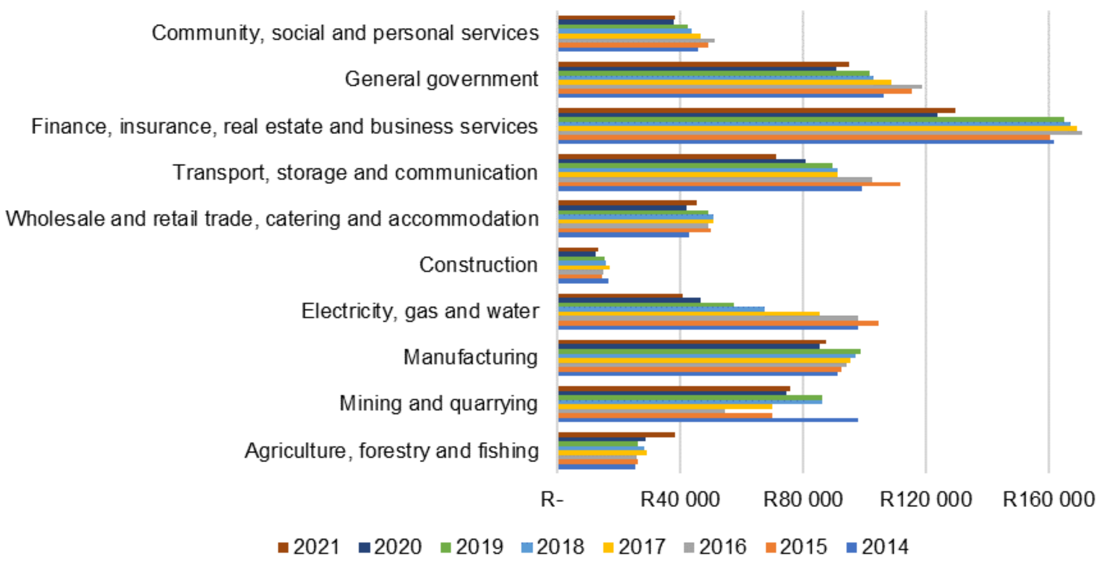
Figure 9: Gross Fixed Capital Formation Forecasts



Source: SARB / Quantec (2021)

The figure below shows that the financial services industry had the highest GFCF over the period, closely followed by general government as well as the transport, storage and communication industry. Sectors such as Agriculture, Mining, Utilities (electricity, gas and water), Manufacturing and Construction have high economic multipliers. Increasing investment in these sectors are therefore expected to catalyse growth throughout the economy. Government has articulated a required shift from government consumption to crowd-in investment.

Figure 10: Sectorial performance by GFCF, ZAR millions, 2010 constant prices



Source: Quantec

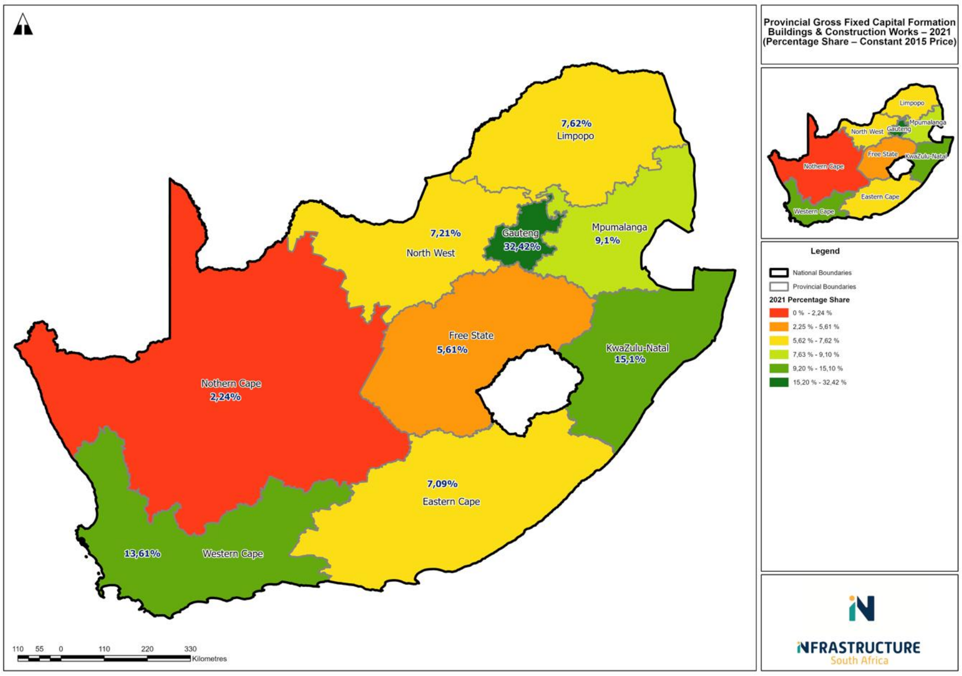
8.1.2. Location Benchmarking

Location benchmarking focuses on four elements, namely: (i) Gross Fixed Capital Formation per provincial and municipal locations; (ii) location quotients for each province;

(iii) the Growth Performance Index for economics sectors of respective provinces; and (iv) the Tress Index of each province. The GFCF analysis of the provinces focuses on an analysis of the provincial distribution of GFCF; an analysis of the provincial distribution of GFCF; and an analysis of the distribution of GFCF within the nine provinces on municipal level.

Figure 11 depicts the provincial distribution of GFCF in South Africa during 2019. The red depiction reflects the lowest level of GFCF whilst the darkest green depicts the highest. The figure indicates that Gauteng receives the highest levels of GFCF with Northern Cape the lowest, the former of which has the highest concentration of the country's population and the latter of which has the smallest. The second lowest GFCF is recorded in the North West, Free State and Eastern Cape provinces. A more detailed provincial and metropolitan perspective is contained in Section 8.1.5.

Figure 11: Provincial distribution of investment



Source: Quantec Easy Data, ISA Mapping

8.1.3. Sector SWOT Analysis

South Africa boasts a multitude of investment opportunities with potential sector projects that are internationally competitive. In particular, private sector partnerships and investment will help South Africa meet its articulated investment targets. Whilst challenges have been experienced in relation to electricity supply, the renewable energy space presents lucrative prospects for the country's future growth potential; an example thereof is the success of the REIPP programme, previously mentioned. In addition, the potential represented by growing transport infrastructure will further unlock and enable other economic sectors. The advancing automotive sector also offers several opportunities in its value chain. Covid-19 and lockdown restrictions affected all sectors but importantly demonstrated that the agriculture sector requires greater government support and investment due to its large employment multiplier. A SWOT analysis of key sectors is contained in Annexure 1.

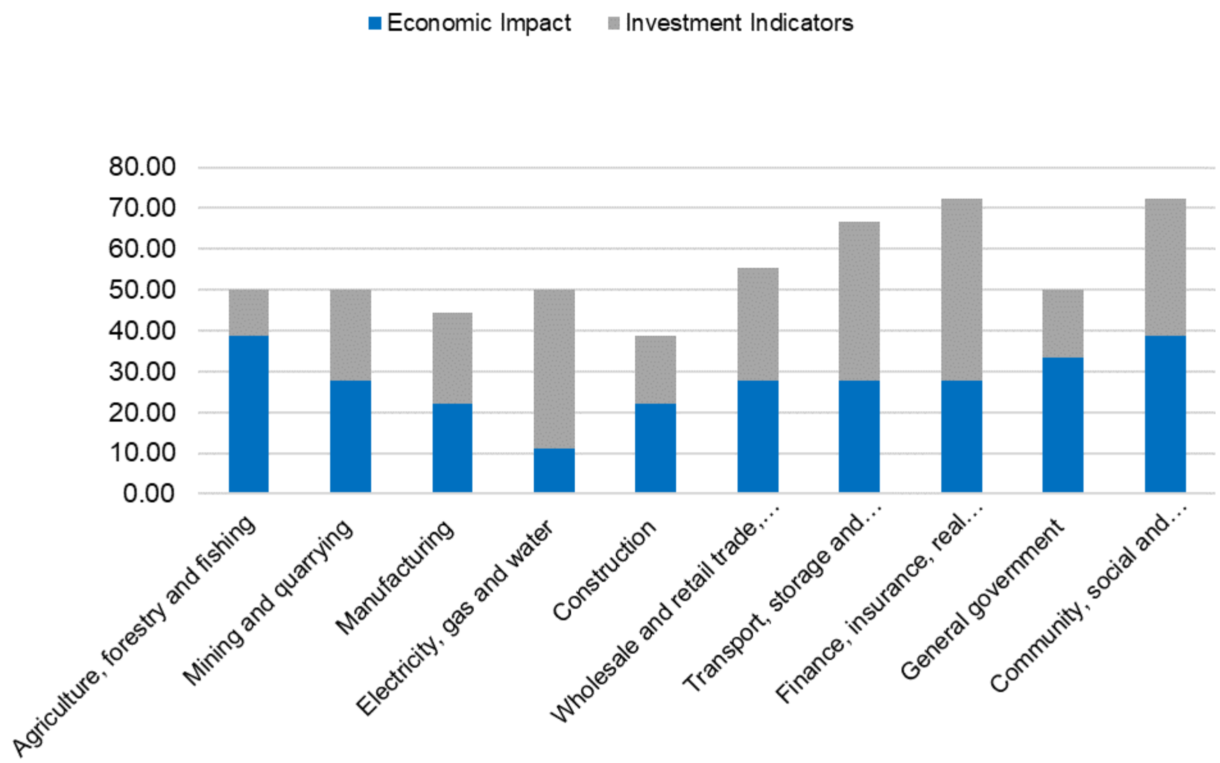
8.1.4. Sector Prioritisation Model

A sector specific prioritisation model was developed with the aim of identifying high priority investment sectors that offer opportunities to investors. The options considered determined the expected economic impact of GFCF on each economic sector. In 2019, GFCF was recorded at ZAR600 billion (2010 constant prices) or ZAR900 billion (at 2019 current prices), equating to 18 percent of GDP. In order to meet the country's 30 percent target, an additional ZAR600 billion (at current prices) must be invested. The economic impact of the additional GFCF investment is thus of importance. This was modelled for each sector and the results provide an indication of the potential economic impact of each sector from an investment perspective. This also enables a comparison to be made in relation to current GFCF trends.

8.1.4.1. Performance Matrix

The Performance matrix or Performance Index (PI) summarises the results. The graph below provides an indication on the prioritisation results normalised to a value out of 100 for ease of reference.

Figure 12: Performance index for investment prioritisation



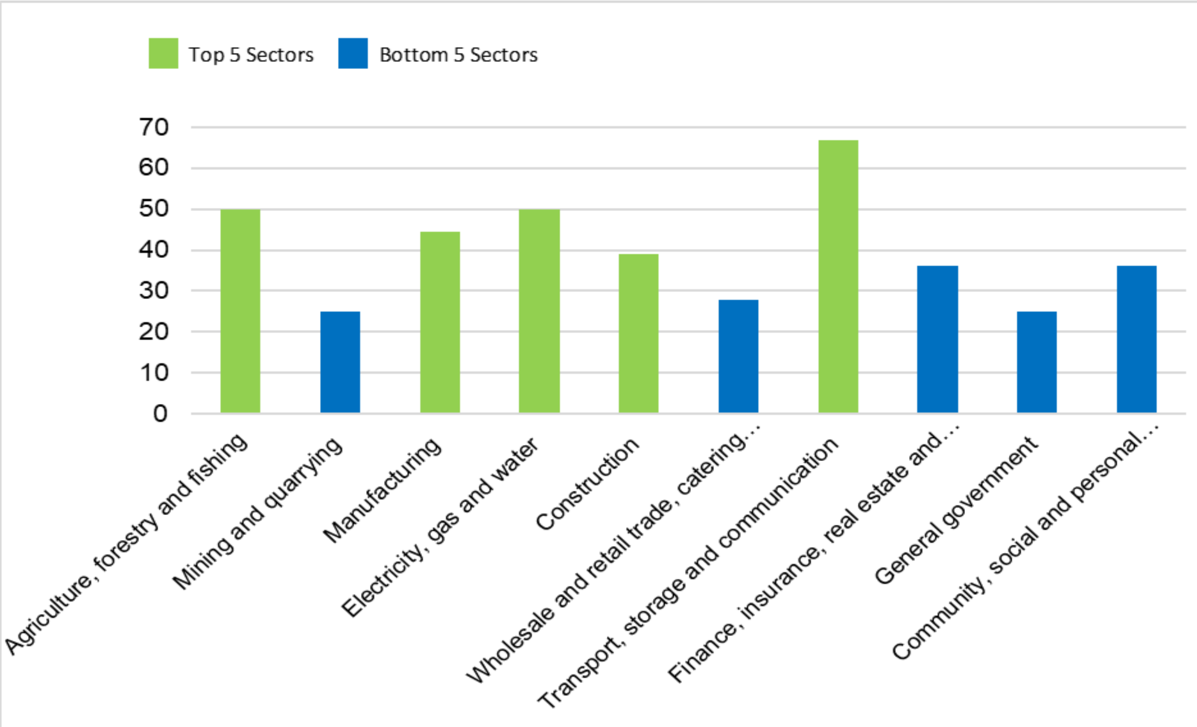
Source: South Africa's Country Investment Strategy (2023)

Figure 12 above indicates that the following sectors should receive the *greatest priority in terms of economic and investment indicators*: (i) Transport, storage and communication; (ii) Finance, insurance, real estate and business services and (iii) Community, social and personal services.

8.1.4.2. Determining South Africa's Priorities

As mentioned earlier, it was deemed important to conduct a sensitivity analysis by incorporating sectoral weightings, particularly in relation to considering the impact of job creation in South Africa across sectors. The weighted performance index accommodates for this by applying weightings to the different sectors against the two main scoring criteria, that is the (i) economic impact; and (ii) investment indicators. A Multi-Criteria Decision Analysis (MCDA) approach was utilised, specifically the Analytical Hierarchy Process (AHP) methodology for determining the relative weightings. Pair-wise comparisons were undertaken on all sectors in which relative importance levels were defined. The comparative analysis allowed for the computation of the respective sector specific weightings which was then applied to the scoring on the main criteria to form the weighted performance index, illustrated in Figure 13 below. The weighted performance index was normalised to value out of 100 for ease of reference.

Figure 13: Weighted sectorial performance index

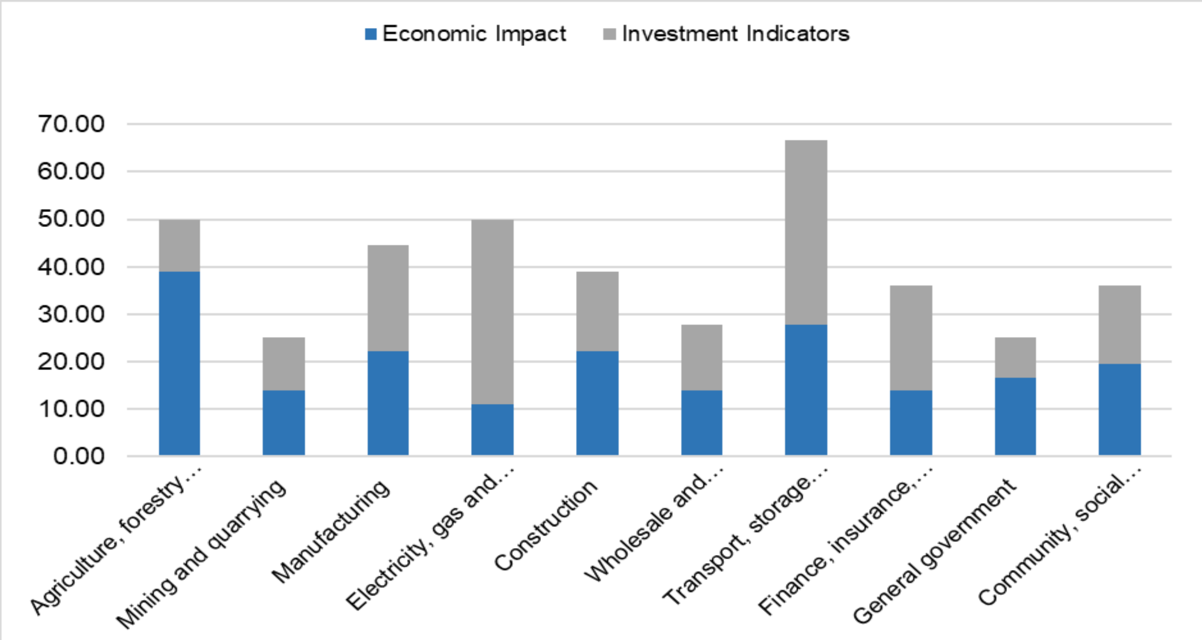


Source: South Africa's Country Investment Strategy (2023)

As indicated in Figure 13 above, the 5 sectors that achieved the *highest priority weighted scores were*: (i) Transport, storage and communication; (ii) Electricity, gas and water; (iii) Agriculture, forestry and fishing; (iv) Manufacturing and (v) Construction.

Figure 14 below shows the contributions of both the Economic Impact and Investment indicators per sector in the weighted performance index. It can be observed in the top 5 ranked sectors outlined above that the Investment component in the Electricity, gas and water sector as well as in Transport, storage and communication scored significantly higher than its economic impact constituent. Conversely, Agriculture, forestry and fishing together with the Construction sector had greater contributions in terms of Economic impact as compared to the Investment criteria component, which can be attributed to these industries being relatively labour intensive. The Manufacturing sector remained balanced with equal contributions from both an economic impact and investment indicator perspective.

Figure 14: Weighted sectorial performance index (Criteria Specific)



Source: South Africa's Country Investment Strategy (2023)

As alluded to in the beginning of this section, aligning government priorities to the economic modelling process is critical. Thus, the weighted performance index takes this into consideration by supporting key government plans and policies such as the ERRP and NIP2050. The top 5 sectors identified, in conjunction with the *Big Frontiers* articulated in Section 9, form the basis of South Africa's prioritised economic sectors to drive the country's investment growth target and economic transformation goals.

Table 2: Sector prioritisation results

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

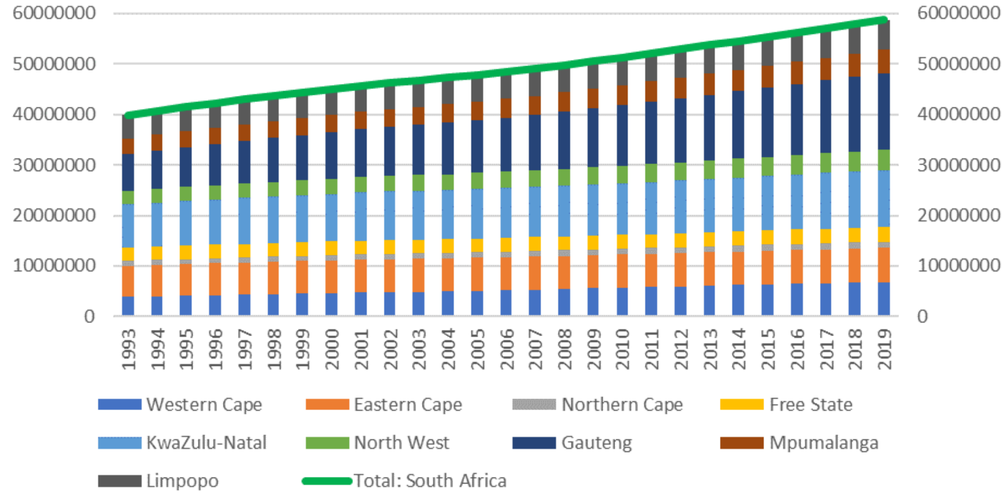
Source: South Africa's Country Investment Strategy (2023)

In addition to the above modelling undertaken, South Africa's Department of Trade, Industry & Competition has developed seven critical masterplans to drive industrialisation and these include automotives, steel, sugar, poultry, furniture, global business services and clothing, textile, leather and footwear. The development and implementation of masterplans is a core element of the country's Re-imagined Industrialisation Strategy and are utilised to attract investment, build capable local industries and create jobs. South Africa's sectorial masterplans serve as the contribution to the ERRP, which reinforces industrialisation and localisation as vital in charting the economy on a new growth path on the back of increased local production and increasing the country's export competitiveness, through a focussed investment drive.

8.1.5. Comparative Advantages of Provinces and Metropolitan Cities

South Africa consists of 9 jurisdictional areas at the provincial level. This section provides an overview on the performance and key sectors of each provincial economies. Figure 15 below provides an indication of the population per province. South Africa's top three most populous provinces are Gauteng, Kwa-Zulu Natal and the Western Cape, home to 26 percent, 19 percent and 12 percent of South Africa's total population, respectively. These three provinces also host five of the eight metropolitan cities in the country, which are jurisdictionally independent but interrelated to other spheres of government. The CIS encourages leveraging the comparative advantages of provinces. This is also crucial in addressing the spatial imbalances relating to the urban and rural divide. Part of this endeavor includes development of investment books for each province, which articulate the offering of the respective province.

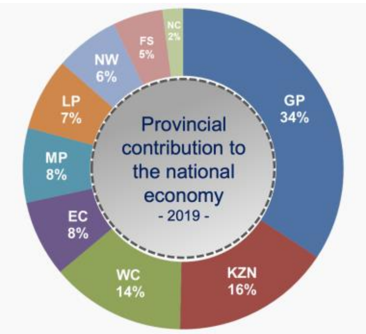
Figure 15: Population of South Africa's Nine Provinces: 1993 – 2019

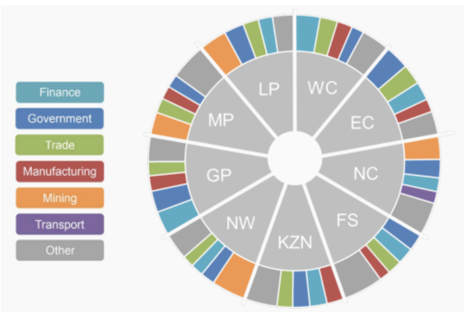


Source: Quantec (2021)

Figure 16 demonstrates the provincial contribution to the national economy in 2019, with Gauteng, KwaZulu Natal and the Western Cape being the country's top three contributors. It is also interesting to note that Gauteng accounts for 10 percent of the African continent's GDP and is thus, often considered to be the continent's economic powerhouse. Mining remains to be the dominant industry in the North West, Limpopo, Mpumalanga and the Northern Cape whilst finance is dominant in Gauteng and the Western Cape.

Figure 16: South Africa's Provinces in the National economy





Source: StatsSA (2021)

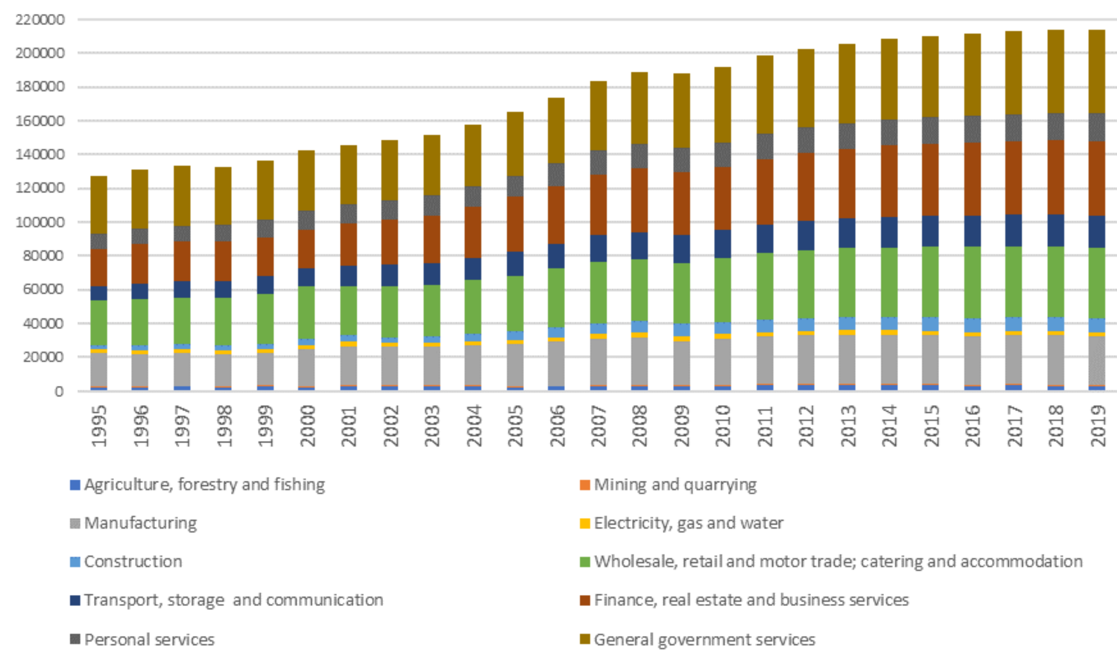
8.1.5.1. Approach for provincial priority sectors

Time series data is used to calculate economic indices that reflect the relative strengths and weaknesses of South Africa's provincial economies. Three indices are used in the analysis, namely: the Tress Index (TI): indicating the level of diversification or concentration in a region's economy; the Location Quotient (LQ): demonstrating the comparative advantage of a specific sector when compared to the aggregate economy; and the Growth Performance Index (GPI): reflecting the growth in a certain sector in a regional economy relative to the growth attained in the same sector in the national economy.

8.1.5.2. The Eastern Cape Province

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

Figure 17: Eastern Cape Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

Location Quotient: *Sectors demonstrating comparative advantages*

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

* Not self-sustaining & is a potential risk to the regional economy

Growth Performance Index

- Positive performance from the mining and quarrying sector

Tress Index (TI) *for Gross Value Added at Basic Prices:*

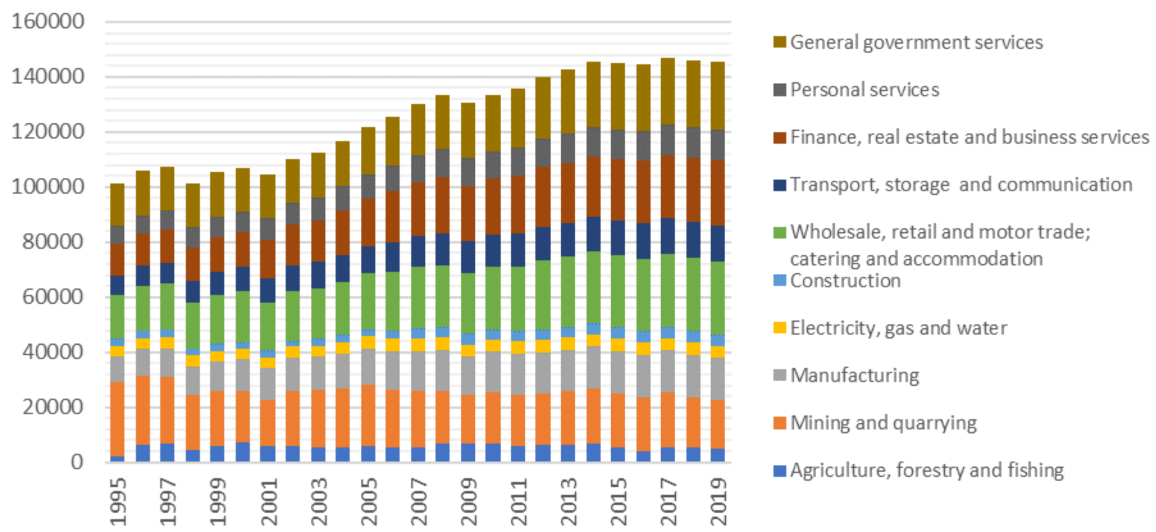
- Eastern Cape province has become more concentrated in its economic structure between 2010 (50.7 TI) and 2020 (50.9 TI)

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

8.1.5.3. The Free State Province

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

Figure 18: The Free State Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

Location Quotient: *Sectors demonstrating comparative advantages*

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

Growth Performance Index

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

Tress Index (TI) *for Gross Value Added at Basic Prices:*

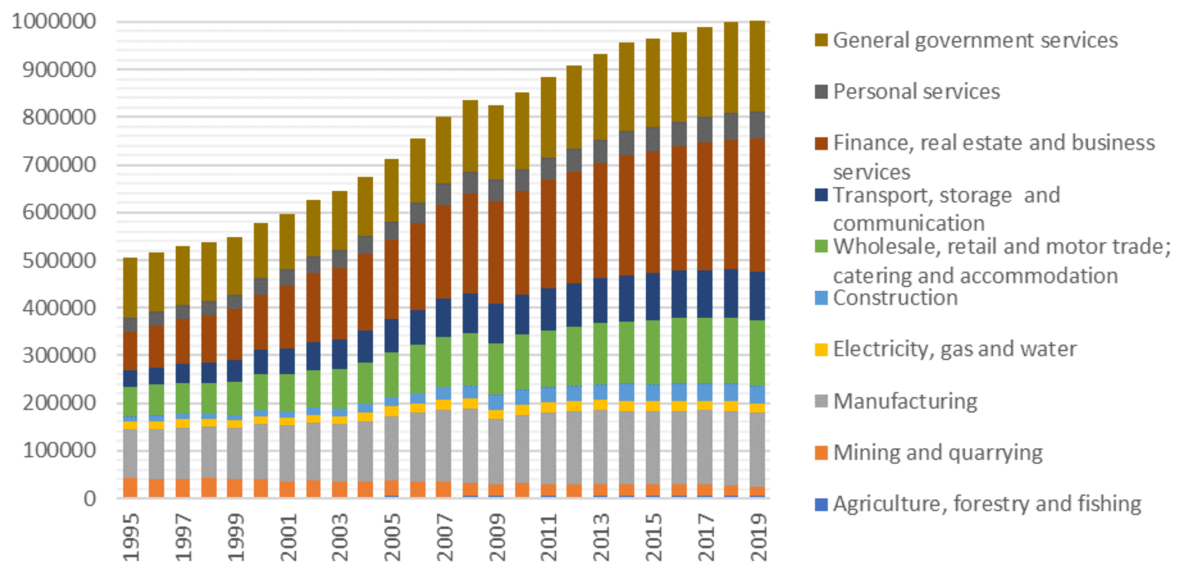
- The economy is still diversified in structure between 2010 (31.7 TI) and 2020 (31.2 TI)

Conclusion: The TI reflects that the Free State economy province is still diversified in its structure. The electricity, gas, and water sector is the only sector in the Free State that has both a high LQ and GPI and represents an investment sector with high growth potential. In addition to this sector, the following sectors are considered as good investment opportunities due to their respective LQ scores: **Agriculture, forestry and fishing; Mining and quarrying; Wholesale and retail trade, catering and accommodation; and Community, social and personal services.**

8.1.5.4. The Gauteng Province

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

Figure 19: Gauteng Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

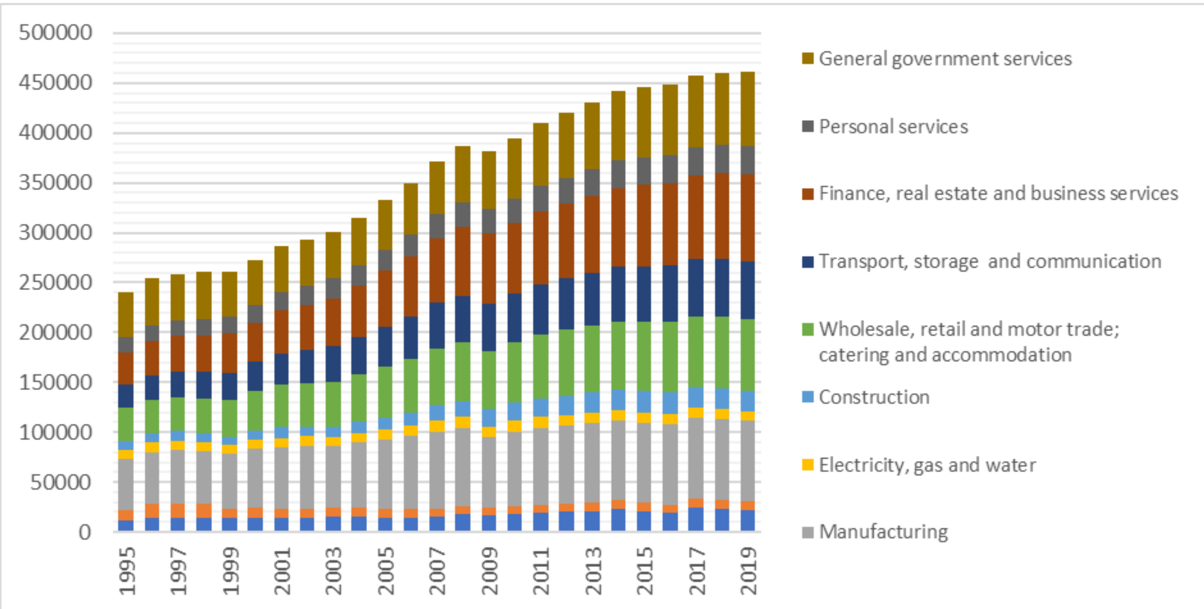
Location Quotient: *Sectors demonstrating comparative advantages* • Finance, insurance, real estate and business; • Manufacturing; • Transport, storage and communication; and • General government	**Growth Performance Index:** Many of Gauteng's economic sectors performed quite well, relative to the national aggregate, with the exception of the mining sector: Wholesale, retail and trade, catering and accommodation; Transport, storage and communication; Finance, real estate and business service; Agriculture, forestry and fishing; Construction; Personal services; Electricity, gas and water; Manufacturing; and General government. ***Tress Index (TI)*** *for Gross Value Added at Basic Prices:* • The level of concentration in Gauteng has increased over time; with a TI of 49.1 in 2010 & 54.6 in 2020

Conclusion: The TI reflects that the Gauteng economy is becoming more concentrated. Gauteng has a number of comparative advantages and strong GPI performance in most economic sectors. **The following sectors are considered to be good investment opportunities due to their respective GPI and LQ scores: Manufacturing; Transport, storage and communication; Finance, real estate and business service; and Personal services.**

8.1.5.5. KwaZulu Natal Province

Figure 20 below provides an overview of the sectorial composition of the Province of Kwa-Zulu Natal. The Province's three largest sectors, on average over time, by GVA are (i) finance, real estate and business services, (ii) manufacturing, and (iii) general government services. The growing government services sector within the province is not sustainable and efforts must be made to diversify the economy, accordingly. The metropolitan city of eThekwini (Durban) is situated within Kwa-Zulu Natal.

Figure 20: KwaZulu Natal Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

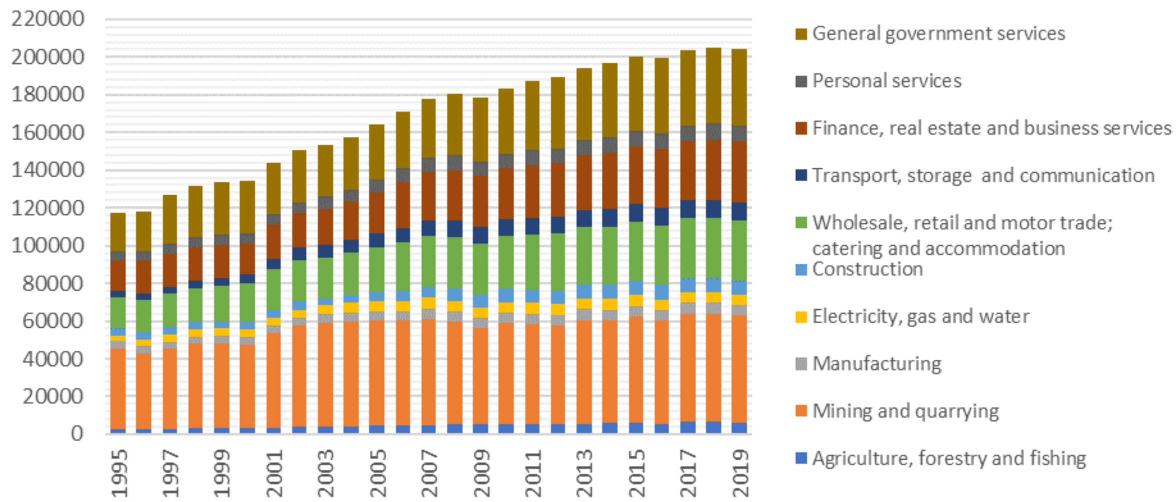
Location Quotient: *Sectors demonstrating comparative advantages* • Agriculture, forestry and fishing; • Transport, storage and communication; • Manufacturing; • Construction; and • Community, social and personal services	***Growth Performance Index:*** Growth in the following sectors outperformed the national economy:Agriculture, forestry and fishing; Mining and quarrying; Transport, storage and communication; Construction; Wholesale and retail and motor trade, catering and accommodation; Manufacturing; Personal services; and General government service ***Tress Index (TI)*** *for Gross Value Added at Basic Prices:* • Province still diversified in its economy with a TI of 39.2 in 2010 & 40.1 in 2020

Conclusion: The TI reflects that the KwaZulu Natal economy is still diversified. The following sectors are considered good investment opportunities due to their respective LQ and GPI scores: **Agriculture, forestry and fishing; Transport, storage and communication; Manufacturing; Construction; and Personal services**. In addition, the wholesale, retail and motor trade; catering and accommodation sector is of potential.

8.1.5.6. Limpopo Province

Figure 21 below provides an overview of the sectorial composition of the Limpopo Province. The Province's three largest sectors, on average over time, by GVA are (i) mining and quarrying, (ii) (ii) general government services and (iii) finance, real estate and business services. The growing government services sector within the province is not sustainable and efforts must be made to diversify the economy, accordingly.

Figure 21: The Limpopo Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

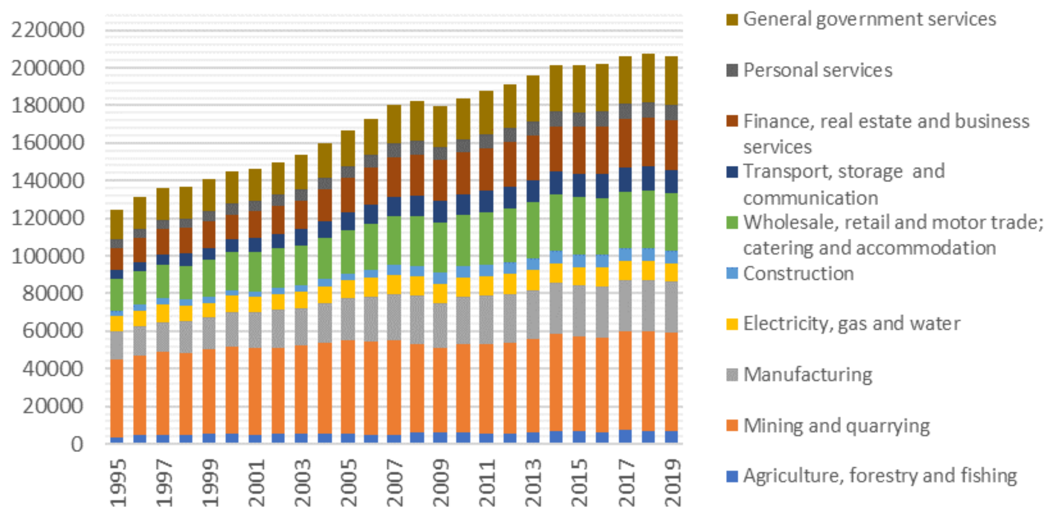
Location Quotient: *Sectors demonstrating comparative advantages* • Mining and quarrying • Agriculture, forestry and fishing; • Electricity, gas and water; • Construction; and • General government	***Growth Performance Index:*** Three economic sectors in the Limpopo Province outperformed the national economy and include: Mining and quarrying; Agriculture, forestry and fishing; and Electricity, gas and water ***Tress Index (TI)*** *for Gross Value Added at Basic Prices:* • Province is becoming concentrated in its economic structure with a TI of 49.2 in 2010 & 50.6 in 2020

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

8.1.5.7. Mpumalanga Province

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

Figure 22: Mpumalanga Province Sectorial GVA Composition: GVA, constant prices, R millions



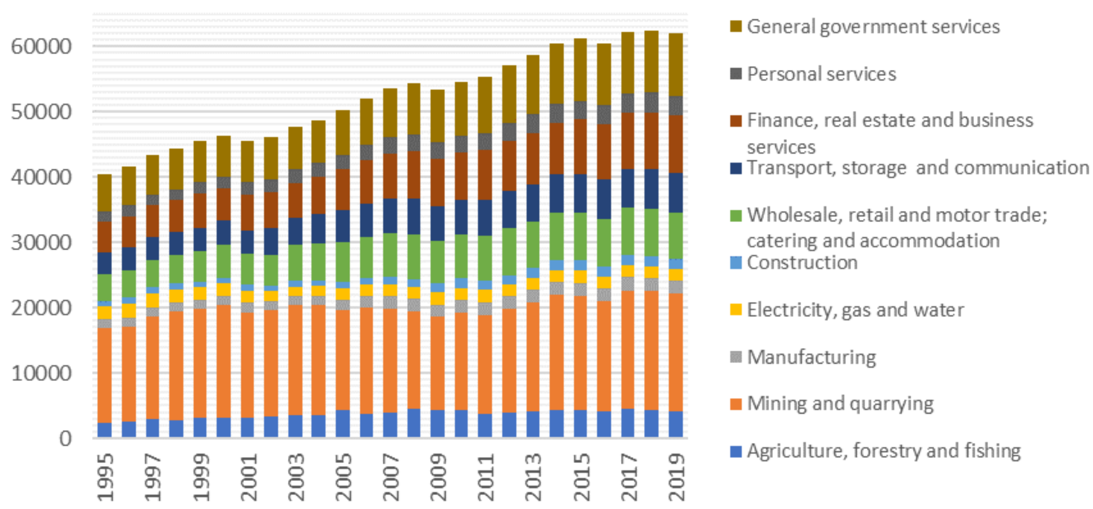
Source: Quantec (2021)

Location Quotient: *Sectors demonstrating comparative advantages* • Mining and quarrying; • Electricity, gas and water; and • Agriculture, forestry and fishing	***Growth Performance Index:*** The following sectors outperformed the national economy: Mining and quarrying; Agriculture, forestry and fishing; and Manufacturing ***Tress Index (TI)*** *for Gross Value Added at Basic Prices:* • TI reflects that its structure is still diversified, albeit demonstrating marginal concentration increase between 2010 (39.5 TI) and 2020 (40.7 TI).
Conclusion: The TI reflects that the Mpumalanga economy is still diversified. Three sectors have comparative advantages based on the LQ scores and the following sectors are considered good investment opportunities due to their respective LQ and GPI scores: **Mining and quarrying; Agriculture, forestry and fishing; Electricity, gas and water; and Manufacturing**	

8.1.5.8. The Northern Cape Province

Figure 23 below provides an overview of the sectorial composition of the Northern Cape Province. The Province's three largest sectors, on average over time, by GVA are (i) mining and quarrying, (ii) finance, real estate and business services, and in recent years reflect a close tie between the (iii) wholesale, retail and motor trade; catering and accommodation and general government services sectors; the latter of which is not sustainable.

Figure 23: Northern Cape Province Sectorial GVA Composition: GVA, constant prices, R millions



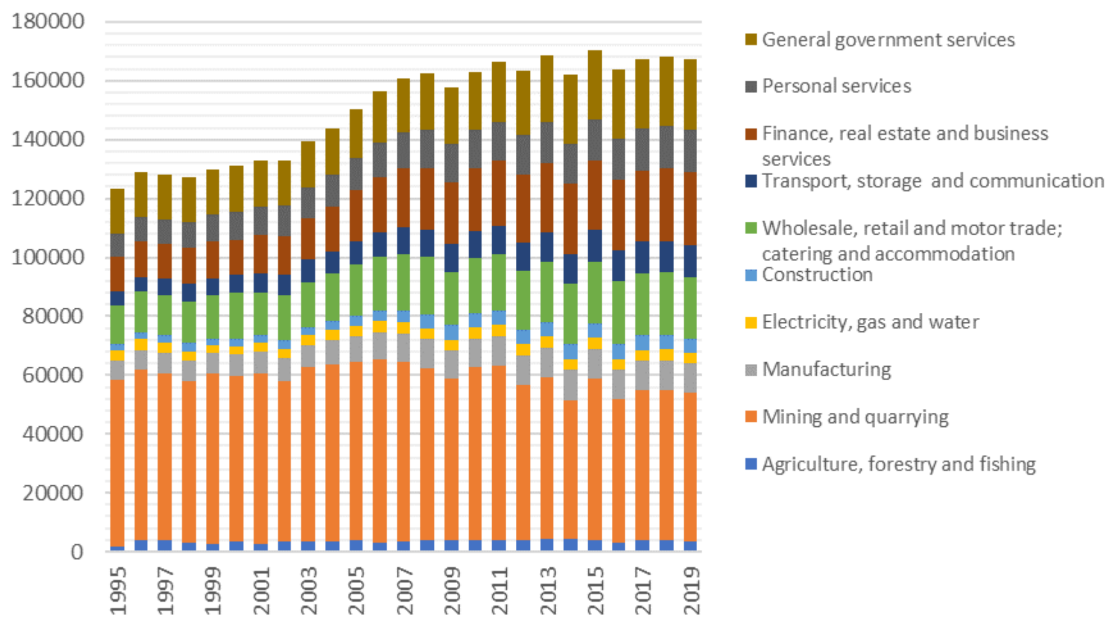
Source: Quantec (2021)

Location Quotient / Growth Performance Index	
Location Quotient: *Sectors demonstrating comparative advantages* • Mining and quarrying; • Agriculture, forestry and fishing; • Electricity, gas and water; and • Transport, storage and communication	***Growth Performance Index:*** The leading sectors in the Northern Cape include, based on the province's relative performance to the national economy are: Mining and quarrying; Electricity, gas and water; and Personal services. ***Tress Index (TI)*** *for Gross Value Added at Basic Prices:* • The TI for the Northern Cape reflects diversification in terms of its economic structure; with a TI of 42.1 TI in 2010 and 45.8 TI in 2020.
Conclusion: The TI reflects that the Northern Cape economy is diversified, hence there is little concern if too much investment takes place in one specific industry. Although the LQ reflects a good performance of the agriculture, forestry and fishing sector, it is important to note that this sector underperformed when compared to the growth of this sector in the aggregate economy over this period. The following sectors are considered good investment opportunities due to the LQ and GPI scores and should thus, be prioritised by the province: **Mining and quarrying; and Electricity, gas and water.** In addition, if significant plans are made and implemented to revive the **agriculture, forestry and fishing sector,** this could also be a third sector of opportunity for the province.	

8.1.5.9. The North-West Province

Figure 24 below provides an overview of the sectorial composition of the North-West Province. The Province's three largest sectors, on average over time, by GVA are (i) mining and quarrying, (ii) finance, real estate and business services, and (iii) general government services sectors; the latter of which is not sustainable.

Figure 24: The North West Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

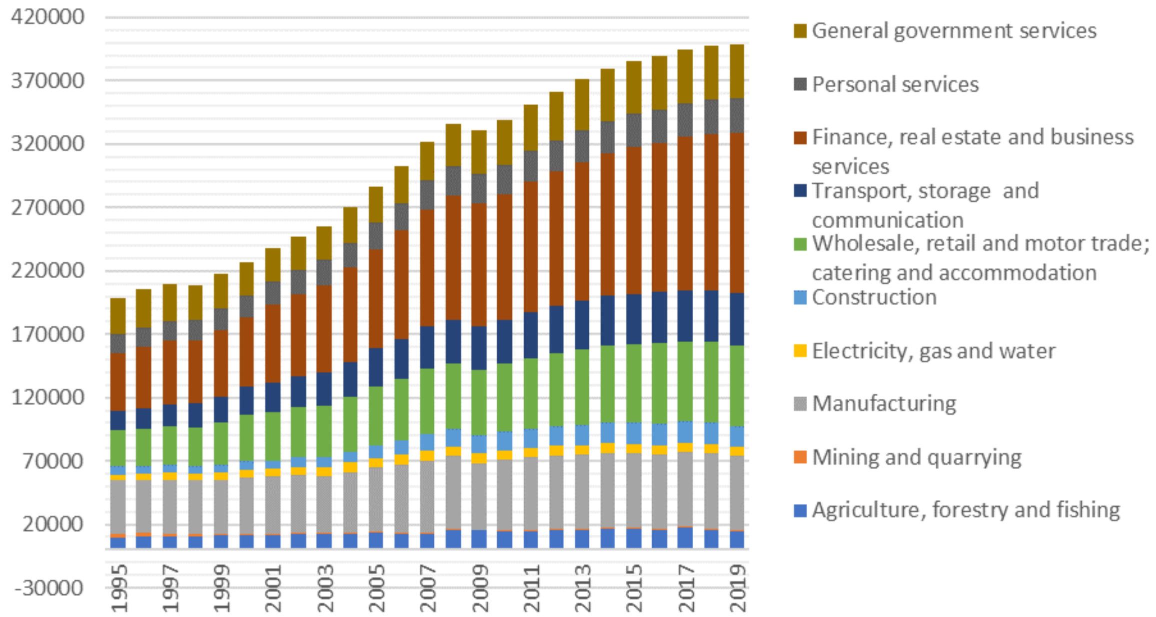
Location Quotient: *Sectors demonstrating comparative advantages* • Mining and quarrying; and • Community, social and personal services. The LQ for the electricity, gas and water sector has also grown significantly and is now	***Growth Performance Index:*** General government services illustrates the best growth performance, which is not sustainable. ***Tress Index (TI)*** *for Gross Value Added at Basic Prices:* • North West Province reflects that it is a more diversified than concentrated in structure; with a TI of 49.1 TI in 2010 and 45.3 TI in 2020.

Conclusion: The TI reflects that the North West economy province is still diversified in its structure. The GPI reflects that only the government sector experienced buoyant growth between 2010 and 2020. This implies that significant investment takes place in government services and hence indicates a more pressing requirement to attract private sector investment into other sectors of the economy. The following sectors are considered good investment opportunities due to their respective LQ scores: **Mining and quarrying; and Community, social and personal services.** In addition, based on significant growth in the LQ score of the **electricity, gas and water sector**, this is considered to be a sector of potential for the province.

8.1.5.10. The Western Cape Province

Figure 25 below provides an overview of the sectorial composition of the Western Cape Province, which is also home to the metropolitan city of Cape Town, a global tourism destination. The Province's three largest sectors, on average over time, by GVA are (i) finance, real estate and business services, (ii) wholesale, retail and motor trade; catering and accommodation, and (iii) manufacturing.

Figure 25: Western Cape Province Sectorial GVA Composition: GVA, constant prices, R millions



Source: Quantec (2021)

Location Quotient: *Sectors demonstrating comparative advantages* • Agriculture, forestry and fishing; • Finance, insurance, real estate, and business service; and • Manufacturing; • Construction; • Community, Social and Personal Services; and • Wholesale and retail trade, catering and accommodation	***Growth Performance Index:*** Leading sectors include: Mining and quarrying; Wholesale, retail and trade, catering and accommodation; Finance, real estate and business services; Construction; Personal services; and General government. ***Tress Index (TI)*** *for Gross Value Added at Basic Prices:* • The province has become a slightly more concentrated economy between 2010 &2020, implying that the economy is slightly more vulnerable to exogenous shocks, such as commodity price fluctuations structure; with a TI of 48.7 TI in 2010 and 51.1 TI in 2020.

Conclusion: The TI reflects that the Western Cape economy is becoming more concentrated and although the GPI reflects a good performance of the mining and quarrying sector, investment in this sector should be carefully considered due to the very poor LQ score. The following sectors are considered good investment opportunities due to the LQ and GPI scores: **Wholesale and retail trade, catering, and accommodation; Finance, real estate and business services; Construction; and Personal services.** In addition, manufacturing could also be a sector of potential for the Province based on the fact that it is already in the top 3 largest sectors for the province by GVA; the LQ of the sector is greater than 1, indicating a comparative advantage, and the GPI for the sector is very close to 100.

8.2. South Africa's Five Big Frontiers

8.2.1. The Big Frontiers to Accelerate FDI and DDI for Job-rich Growth

The *Big Frontiers* listed in this section are the country's articulated strategic investment attraction initiatives that are elevated as Country Strategic Investment Programmes to drive the requisite levels of FDI and DDI that match the ambitions of the NDP. The *Big Frontiers* also align to the six drivers of investment, namely; localisation and economic resilience, infrastructure investment, African integration, the green transition, exports, and innovation. South Africa's *Big Frontiers* have been derived through the empirical analysis presented above and also, through a 'matrixing' process which identified, across a range of existing strategic commitments, initiatives under the following categories of state action to promote, facilitate and enable investment:

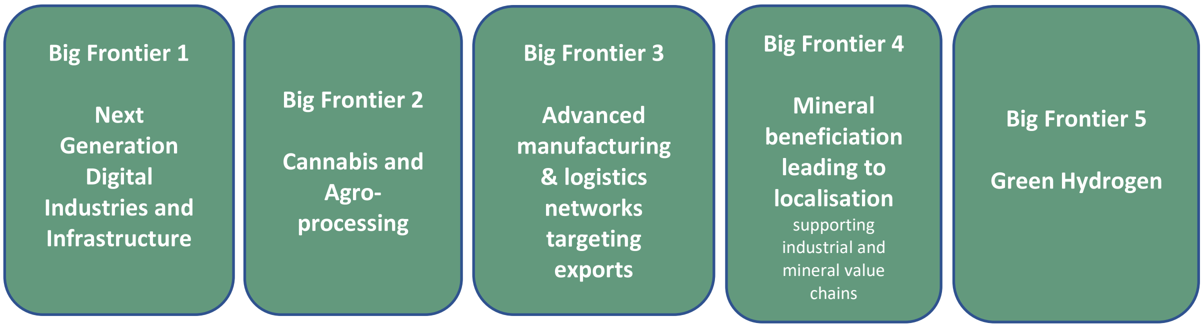
a) **Convene:** the state can convene and cluster relevant players to ensure that investments support each other and further, that co-ordinated investor intelligence is enhanced
b) **Co-invest:** the state can build something that is a platform for or a significant component of a larger private sector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

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

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

The combination of the empirical work presented thus far and the matrixing exercise just described has yielded the 5 big frontiers, which are summarised below.

Figure 26: South Africa's 5 Big Frontiers



Source: South Africa's Country Investment Strategy (2023)

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

8.2.1.1. Big Frontier 1: Driving wide and deep digital coverage to position South Africa as Africa's Hub for Next Generation Digital Industries and Infrastructure

Modelling contained within the country's ICT and Digital Economy Masterplan indicates that the digital economy could boost total GDP by 3 percent overall and contribute as much as 19 percent to GDP. The masterplan foresees this through enabling the hyper-scaling of global business services and digital services businesses, advanced manufacturing of new digitally enabled products, enabling the deployment of transformative technologies and digital platforms and enabling next generation creative industries such as gaming production. This in turn depends on a demand-led, integrated national programme to build the relevant digital workforce and building high-capacity connectivity to serve both individual users and industrial clients. An industrial broadband strategy at the level required will need to be built through an interlocking network of private sector investments. High growth start-ups and scale-ups are key to catalysing and enabling this Big Frontier, and it is crucial for the current regulatory policy environment be reviewed to ensure that it is not restrictive compared to competitor countries.

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

To improve digital infrastructure in South Africa, several key steps must be taken:

- Broadband Expansion: Enhance the coverage and speed of broadband networks, particularly in rural and underserved areas. This can be achieved through investment in fiber-optic cables, wireless technologies, and satellite systems.
- Mobile Network Development: Improve the availability and quality of mobile networks to ensure widespread connectivity across the country. This includes expanding network coverage, upgrading infrastructure, and promoting competition among mobile service providers.
- Investment in Data Centres: Encourage the establishment of modern data centres to support the storage, processing, and management of data. Incentives can be provided to attract local and international investments in data centre infrastructure.
- Support for Internet Exchange Points (IXPs): Promote the establishment and growth of IXPs to facilitate efficient and cost-effective exchange of internet traffic within the country. Encouraging participation from internet service providers and fostering collaboration among stakeholders can enhance the effectiveness of IXPs.
- Digital Skills Development: Invest in digital skills training and education programs to develop a skilled workforce capable of managing and utilizing digital infrastructure effectively. This includes providing training in areas such as cybersecurity, data analytics, software development, and digital entrepreneurship.
- Cybersecurity Enhancements: Strengthen cybersecurity measures to safeguard digital infrastructure and protect against cyber threats. This involves establishing robust security protocols, promoting cybersecurity awareness, and collaborating with public and private entities to develop cybersecurity frameworks.
- Public-Private Partnerships: Foster collaboration between the government, private sector, and civil society to jointly invest in and develop digital infrastructure. Public-private partnerships can help leverage expertise, resources, and funding to accelerate infrastructure development and bridge the digital divide.
- Regulatory Framework: Establish a favourable regulatory environment that promotes competition, innovation, and investment in digital infrastructure. Streamlining regulations, removing barriers to entry, and providing incentives for infrastructure development can attract private investments and stimulate growth.
- International Connectivity: Improve international connectivity by enhancing submarine cable systems and establishing reliable connections with other countries and continents. This facilitates seamless data transfer, global collaboration, and participation in the global digital economy.
- Digital Inclusion: Ensure equitable access to digital infrastructure and services for all citizens, regardless of location or socioeconomic status. This involves targeted initiatives to bridge the digital divide, such as providing affordable internet access, subsidizing digital devices, and promoting digital literacy programs.

By implementing these measures, South Africa can enhance its digital infrastructure, promote digital inclusion, and unlock the potential for economic growth, innovation, and improved quality of life for its citizens. Below are some of the initiatives required to unlock this Big Frontier.

Table 3: State enablement of Big Frontier 1: Next Generation Digital Industries and Infrastructure

Convene	• Fast-track international marketing and investor engagement in key source markets for global business services • Mobilise digital, ITO and ICT companies to participate in export market opportunities • Map the innovation funding process for digital innovations from R&D to final launch • Bolster R&D financing schemes with a centralised co- ordinating body • Nurture alternative and innovative start-up financing schemes

	• Cultivate grass roots innovation schemes • Promote work from anywhere digital platforms which provide outcomes based gig and contract work for South Africans in townships and villages
Co-invest	• Optimise existing special economic zones, innovation hubs, industrial and technology parks and youth technology facilities • Create public-private deal making teams • Provide standardisation ranking and pre-testing initiatives for digital products and services that are exported
Catalyse	• Activate bidding process to position public sector backhaul investments as platforms for interlocking private investment into universal broadband (see strategy outlined above) • Reform the SETA funding model for digital skills from being output-based to being outcome-based and establish digital apprenticeship centres • Modernise South Africa's qualifications and credentialing system in line with digital industrial workforce demand and set aside discretionary SETA funding for micro-credentials • Ensure all SETAs incorporate digital skills planning into their sector skills plans and that curriculums across all disciplines in TVET institutions are designed to provide students with relevant skills that enhance digital literacy
Enable	• Enact standard by-laws governing wayleave application and processing which favour broadband installation in under-serviced areas, as well as fair, rapid turnaround bidding systems for those seeking to use street furniture (streetlamps and similar infrastructure) • Refine South Africa's IP policies and patent grant system to incentivise digital platforms • Create incentives and an enabling environment for the establishment and expansion for data centres and cloud adoption in South Africa • Scale-up and drive uptake of the dtic's incentive scheme for global business services. • Provide financial and non-financial reshoring and right-skilling incentives • Development of a policy that addresses data access and • sharing that supplements the current Protection of Personal 3 years Information ("POPI") Act with a view to balancing data protection and international competitiveness of SA as a digital market

Source: South Africa Country Investment Strategy (2023)

8.2.1.2. Big Frontier 2: Cannabis and Agro-processing Opportunities

South Africa's cannabis and advanced agro-processing sectors present several opportunities for investment and growth. Some of the key opportunities in these sectors are as follows:

Advanced Agro-processing:

- Value Chain Development: South Africa's diverse agricultural sector provides opportunities for advanced agro-processing activities, including food and beverage processing, packaging, and distribution. Developing value-added products from agricultural commodities can enhance their market value and increase export potential.
- Technological Innovations: Integration of advanced technologies, such as precision farming, automation, and data analytics, can improve productivity, reduce costs, and enhance the quality of agricultural products.
- Export Potential: South Africa's favourable geographic location and trade agreements offer access to regional and international markets, making it an attractive base for agro-processing companies aiming to expand their export reach.
- Sustainability and Organic Products: Growing demand for sustainable and organic products presents opportunities for environmentally friendly agro-processing practices and the production of organic food and beverages.

Cannabis Industry:

- Legalisation: In recent years, South Africa has taken steps towards legalizing the cultivation and use of cannabis for medicinal and recreational purposes. This opens up opportunities for businesses to enter the cannabis market and tap into its potential.
- Medicinal Cannabis: The growing global demand for medicinal cannabis products creates opportunities for local companies to cultivate, process, and export medical-grade cannabis products.
- Value-Added Products: Beyond raw cannabis, there is potential for developing value-added products such as oils, extracts, edibles, and pharmaceutical formulations, which can cater to both domestic and international markets.

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

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

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

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

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

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

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

Table 4: State enablement of Big Frontier 2: Cannabis and Agro-processing

Convene	• Process the recommendations of the Cannabis Industrialisation Masterplan through Cabinet via the Inter-ministerial Committee on cannabis commercialisation • Process the recommendations of the Poultry and Sugar masterplans through relevant structures • **Promote collaboration and partnerships among farmers, processors, distributors, and retailers to create integrated value chains. This involves establishing linkages between farmers and agro-processors, providing farmers with technical support, training, and access to markets. Integrated value chains can ensure a consistent supply of quality agricultural produce for processing, leading to improved productivity and competitiveness**
Co-invest	• Mobilise cannabis production for export as part of the SEZ network • Investing in infrastructure, such as storage facilities, processing plants, transportation networks, and cold chains, is crucial to support agro-processing activities. Adequate infrastructure ensures the efficient movement of agricultural produce from farms to processing centers and markets, reducing post-harvest losses and improving overall supply chain efficiency.
Catalyse	• Gear relevant land-release, land-reform and mining land reclamation programmes to identify land-parcels that would not be suitable for most cash-crops (due to water table and/ or soil quality issues) but which could be viable for cannabis plantations • Support research and development efforts focused on improving agricultural practices, crop varieties, and processing techniques. Encouraging innovation in agro-processing technologies can enhance product quality, extend shelf life, reduce waste, and increase overall productivity. Collaboration between research institutions, government agencies, and private sector entities can drive innovation and knowledge transfer in the sector. • Enhance skills development programs and vocational training in agro-processing. This will equip individuals with the necessary knowledge and skills to work in the sector, promoting job creation and entrepreneurship. Collaboration between industry and educational institutions can facilitate skills transfer and address the skills gap in the agro-processing value chain.
Enable	• Finalise a common cannabis regulatory framework geared towards industrialisation for export, with a focus on medicinal value chain • This will most likely require the deployment of regulatory sandboxes to test these approaches in specific provinces and regions • Facilitate access to finance for small and medium-sized agro-processing enterprises. This can be done through the provision of low-interest loans, grants, and incentives targeted at agro-processing businesses. Financial support can help these enterprises invest in modern processing equipment, technologies, and capacity building, enabling them to expand their operations and compete effectively • Promote domestic and international market development for agro-processed products. This involves market research, identifying export opportunities, and facilitating trade agreements and market access. Support the branding, marketing, and packaging of South African agro-processed products to meet the quality standards and preferences of target markets. • Develop and implement supportive policies and regulations that encourage investment in agro-processing. This includes streamlining licensing processes, providing incentives for investments, ensuring food safety standards, and protecting intellectual property rights. A conducive policy environment can create certainty for investors and foster a competitive agro-processing sector.

Source: South Africa Country Investment Strategy (2023)

Further, the CIS will be used as a vehicle to drive investment into those key strategic areas identified in the cannabis masterplan: The following additional actions are to be considered for the Cannabis Frontier:

- That a Policy Document (or foundation policy principals document) be drafted to establish the basis for policy coherence within government and for engagement with the social partners.
- A set of urgent 'Interim Measures' be formulated and agreed upon across government departments. These should include short term regulatory reform amendments to the existing disparate legislation, and which will enable further investment and development of the sector without prejudice to the interests of affected and marginalized rural communities.
- The commencement of work to develop an all-encompassing hemp and cannabis Bill.
- A much deeper and urgent research programme to develop a competitive hemp and cannabis development plan (Masterplan) running alongside the implementation of short-term regulatory reform and the implementation of catalytic developmental initiatives.
- The convening of the inter-departmental working group of all departments identified in the existing Masterplan to secure a definitive report on progress and to secure a time bound outcomes-based work programme. This meeting could also be utilised for the purposes of informing departments of the future integrated, supportive initiatives which will fall under the Presidency

8.2.1.3. Big Frontier 3: Advanced Manufacturing and Logistics Networks

The new African single market is deliberately designed to liberalise trade in goods and services, facilitated by the reduction and elimination of tariff barriers for goods and enabling cross-continental trade in services.

South Africa's preferential export market access to AfCFTA, the UK, European and US markets represents global demand that can and should be harnessed to drive massive new investment into productive capabilities, particularly where South Africa has structural advantages continentally. These include autos and auto components, agro-processing, medical devices and pharmaceuticals, and agro-processing such as food and beverages. There is an explicit opportunity to link the waste and recycling economy in South Africa, as a conduit for recovered plastic and packaging feedstock, to the export of finished goods into the new single market.

To unlock South Africa's advanced manufacturing potential, the following interventions are to be implemented:

- Invest in Research and Development (R&D): Increase funding for R&D activities to drive innovation and technological advancements in advanced manufacturing. This can involve collaboration between industry, academia, and research institutions to develop new technologies, processes, and materials.
- Skills Development: Focus on developing a skilled workforce with expertise in advanced manufacturing technologies. This can be achieved through vocational training programs, partnerships with educational institutions, and upskilling initiatives to meet the demands of the industry.
- Infrastructure Development: Enhance the manufacturing infrastructure by investing in modern facilities, equipment, and production lines. This includes upgrading existing manufacturing facilities and establishing specialized manufacturing zones or parks that provide a conducive environment for advanced manufacturing activities.
- Public-Private Partnerships: Foster collaboration between the government and private sector to jointly invest in advanced manufacturing initiatives. This can involve creating incentives for private investments, providing funding support, and facilitating technology transfer and knowledge sharing between industry and academia.
- Regulatory Environment: Establish a favourable regulatory framework that encourages advanced manufacturing activities. This includes streamlining regulations, reducing bureaucratic barriers, and providing incentives for research, development, and investment in advanced manufacturing technologies.

- Industry Clusters and Networks: Promote the formation of industry clusters and networks to facilitate collaboration, knowledge sharing, and resource pooling among companies operating in the advanced manufacturing sector. This can lead to increased efficiency, shared expertise, and collective problem-solving.
- Export Promotion: Develop strategies to promote exports of advanced manufactured products. This involves identifying target markets, supporting market entry, and providing export incentives to enhance the competitiveness of South African advanced manufacturing companies in global markets.
- Technology Adoption: Encourage the adoption and integration of advanced manufacturing technologies such as automation, robotics, additive manufacturing, and digitalisation. This can improve productivity, efficiency, and product quality, enabling South African manufacturers to compete globally.
- Support for Small and Medium Enterprises (SMEs): Provide targeted support to SMEs in the advanced manufacturing sector, as they play a crucial role in driving innovation and economic growth. This can include access to finance, mentorship programs, and assistance in navigating regulatory requirements
- Collaboration and Knowledge Exchange: Foster collaboration and knowledge exchange among industry stakeholders, research institutions, and international partners. This can be facilitated through conferences, workshops, technology showcases, and networking events to promote learning, collaboration, and the sharing of best practices.

By implementing these strategies, South Africa can unlock its advanced manufacturing potential, stimulate economic growth, create high-value jobs, and position itself as a competitive player in the global advanced manufacturing landscape.

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

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

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

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

Table 5: State enablement of Big Frontier 3: Advanced manufacturing and logistics networks targeting export, including the new single African market

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

Source: South Africa Country Investment Strategy (2023)

8.2.1.4. Big Frontier 4: Mineral beneficiation leading to localisation (supporting industrial and mineral value chains)

South Africa's mineral reserves are valued at US$2.5 trillion, with the Bushveld Complex holding the world's most valuable minerals. Gold's share of mining output has declined from 67% in 1980 to 14% by 2018. In addition to diamonds and gold, the country also contains sizeable reserves of iron ore, platinum, manganese, chromium, copper, uranium, silver, beryllium, zinc, vanadium and titanium. The mining sector has become more diversified over time.

While SA has significant reserves, historically the country has exported raw minerals, and imported consumer and capital goods. Beneficiation creates opportunities for development of new value chains, leveraging the mineral wealth of the country for the creation of jobs and investment. Particular success has been seen in the development of fuel cell and catalytic converter production capacity which uses platinum group metals, as well as the development of energy storage solutions using vanadium and nickel sulphate, and steel.

To deepen levels of localised beneficiation, a number of constraints will need to be addressed in response to the following constraints: limited access to raw materials, shortage of critical infrastructure, limited exposure to research and development, inadequate skills and access to international market.

South Africa has articulated its aspirations in the mineral beneficiation masterplan which sets out interventions that are intended to bring about the developmental changes in the domestic mineral value chain. The framework contained therein focusses on eight pillars; namely i. Industrial Financing; ii. Mineral Supply and Pricing; iii. Energy Supply; iv. Infrastructure; v. Research and Development; vi. Demand Creation; vii. Development of Indigenous Manufacturing Capacity; as well as viii. Skills Development.

Table 6: State enablement of Big Frontier 4: Mineral beneficiation leading to localisation – supporting industrial and mineral value chain

Convene	• The successful realisation of the objectives will require a mechanism through which implementation of a mineral beneficiation masterplan will be monitored and controlled. This will necessitate working with key stakeholder departments and entities, including; Department of Mineral Resources and Energy, DTIC,

	Department of Science and Innovation, IDC, DBSA, National Treasury, DPME and Department of Public Enterprises amongst others. • Leverage multi stakeholder structures to inform value chain specific strategies and coordinate the implementation and monitor the impacts of the stated categories
Co-invest	• Leverage existing and new special economic zones for beneficiation opportunities. Where possible, locate new beneficiation projects in SEZs to support export competitiveness. • Create linkages with funding and financing organisations such as IDC, DBSA and other DFIs
Catalyse	• Understand current skills gaps and implement interventions in collaboration with Department of Higher Education and Training (DHET), Department of Science and Innovation (DSI), and Mining Qualifications Authority (MQA), Sector Education and Training Authorities (SETAs) and develop and fund requisite skills in the sector • Facilitate partnerships between domestic companies and science councils to commercialise and adopt mineral beneficiation technologies
Enable	• Enact enabling regulatory framework, which looks at strengthening and coordinating various pieces of legislation to ensure amongst other things; security of raw material supply at competitive prices, leveraging incentives and tax legislation to support R&D, financing for industrial projects and training.

8.2.1.5. Big Frontier 5: Green Hydrogen

The green economy offers significant investment potential for South Africa. This frontier aligns with global trends towards sustainability and responsible investing, offering opportunities for economic growth, job creation, and environmental stewardship. The country aims to leverage this through untapped potential of the green hydrogen economy as well as impact investing.

In order for the world to keep the 1.5-degree global warming target within reach, the International Energy Agency estimates that green hydrogen will need to make up 10-20 percent of the global energy mix by 2050. This would represent a 7-fold increase in global hydrogen demand to approximately 660 million tons per annum.

South Africa has a long history in developing a green hydrogen sector through the work of the Department of Science and Innovation stemming from 2007. This historic ground has enabled the pivoting of South Africa's green hydrogen approach to capture the opportunities stemming from the decarbonisation of hard-to-abate sectors and the emergence of green hydrogen as a tradable commodity. This is reflected in the Hydrogen Society Roadmap and the Green Hydrogen Commercialisation Strategy. Given the importance of the developing large scale production capacity by 2030, significant funding is already being applied to feasibility studies with the intention of leading productions commencing construction by 2024/25.

South Africa has a number of globally competitive advantages which enable the country to be a potential green hydrogen production hub. These include:

- A superior renewable energy endowment with a combination of wind and solar irradiation which is amongst the best in the world;
- Large tracts of land on which to produce this renewable energy which is not suitable for food production or human settlements;
- The availability of water through the desalination of sea water;
- A geographical position which enables us to supply both Europe and the Far East;
- The largest industrial base on the African continent which allows for both domestic consumption and the ability to produce value added products such as green steel and green fertilisers; and

- A deep and embedded knowledge of how to produce power-fuels or e-fuels from hydrogen using the proprietary Fischer-Topsch process.

In late 2022, the South African Cabinet endorsed the national Just Energy Transition Investment Plan as the basis for our pathway towards a low carbon and climate resilient society. According to the plan, South Africa will need approximately USD 98 billion over the next five years to enable a just transition and achieve the ambitious targets we have set out in our Nationally Determined Contribution.

To date South Africa has a pipeline of green hydrogen with a capital cost in excess of ZAR 300 billion stemming across multiple elements such as green ammonia, e-methanol, sustainable aviation fuel, green steel, fuel cells, mobility and infrastructure. Despite this already significant investment pipeline, South Africa as a full value chain green hydrogen investment destination still offers substantial additional investment opportunities including green shipping, green fertiliser production, electrolyser manufacturing (leveraging off of our PGM mining), pipeline development, green field port developments like that at Boegoeberg se baai and upgrades that may be required at other ports such as Saldanha Bay, the Port of Ngqura and Richards Bay.

South Africa has the potential to produce 6 to 13 million tons of green hydrogen and derivatives per year by 2050. This would require 140 – 300 gigawatts of renewable energy by 2050. The green hydrogen sector hydrogen could contribute between 15 and 30 billion dollars per year to South Africa's GDP and create up to 1.4 million jobs. This would also require a cumulative investment of approximately 100 to 250 billion dollars by 2050.

In order to achieve this potential, South Africa needs to develop green hydrogen projects with between 3-5 gigawatts of electrolyser capacity and 6-10 gigawatts of dedicated renewable energy by 2030. This would require the securing by developers of early stage off-take agreements facilitated by bilateral agreements between South Africa and off-take countries.

In terms of impact investing, investors globally recognize the importance of investing in companies, funds, and projects that combat climate change, promote good governance, and have positive social and environmental impacts. Environmental, Social and Governance (ESG) investing encompasses responsible investing, sustainable investing, and impact investing, which intentionally seek measurable social, developmental, and environmental impact. The green economy offers investment opportunities in areas such as green energy supply, decarbonisation of hard-to-abate sectors, waste economy, water reuse, and new energy vehicles. ESG and impact investing have experienced significant growth, with global investments exceeding USD 40.5 trillion. Blended finance, leveraging private capital for sustainable development, is an emerging trend. However, expertise and resources for blended financing structures are limited. Scaling ESG and impact investing can be facilitated through investment vehicles and platforms that channel capital to small and medium enterprises, providing wholesale capital and business development support.

Table 7: State enablement of Big Frontier 5: Green Hydrogen and Greening South Africa's Economy

Convene	• Establish dedicated platforms, roadmap strategies, and roundtables to engage stakeholders, investors, and relevant industry bodies. • Approve South Africa Green Hydrogen Commercialisation Strategy and Hydrogen Investor Roadmap, working with SAREM, HySA and other relevant umbrella bodies • Convene regular roundtables with hydrogen sector investors, including the Platinum Group Metals (PGM) mining sector • **Convene and mobilize ESG and impact investors through a dedicated platform for blended finance and concessional capital pools.**

Co-invest	• Integrate green hydrogen and ESG investments into Special Economic Zones (SEZs), incentivise renewable energy and electrolyser technology production, and incorporate storage and transport infrastructure. • Deploy Green Hydrogen and Green Ammonia export production as part of relevant Special Economic Zones. • Deploy SEZ and other industrial incentives to establish Tier-1 producers of renewable energy and electrolyser technology in advanced manufacturing hubs. • Integrate blended finance portfolio lending into Special Economic Zones for enterprise and supplier development programs. • Incorporate blended finance channels into build and maintenance contracts for utilities in energy, waste economy, and water re-use sectors.
Catalyse	• Integrate dedicated Green Hydrogen and Green Ammonia storage into existing port operations • Expand and/or establish dedicated Green Hydrogen and Green Ammonia overland transport capacity including specialist rolling stock and pipeline infrastructure where necessary • Mobilise public sector entities to establish prototype blended capital pools targeting township and rural SMEs.
Enable	• Facilitate unlimited renewable energy generation at hydrogen production sites, expedite regulatory support for new energy vehicles, consolidate public sector funds for blended finance partnerships, and mandate blended financing for service improvement in critical sectors. • Fast-track mining exploration linked to PGM • Establish partnerships and link blended financing pools with appropriate public institutions and support from government departments. • ndate blended financing for service improvement and expansion in off-grid/micro-grid networks and waste economy industrialisation.

Source: South Africa Country Investment Strategy (2023)

8.3. Critical Actions

1. Convene working groups aligned to big frontiers. Public-private partnership conversations at the country level will help the government evaluate blockages and identify options to promote investments linked to South Africa’s Five Big Frontiers/ Drivers. This could be done, for instance, by evaluating the PPP framework review current underway, this process is critical in addressing the blockages that are in the system. Therefore, there is a need to prioritise the finalisation of this process.
2. Identify and expand on opportunities to convene, cluster, co-invest, catalyse and enable each big frontier
3. Structure strategic investment opportunities, with relevant stakeholders
4. Establishment of Special Economic Zones through strategies that promote development of world-class infrastructure and attract foreign and domestic investment and enable the big frontiers
5. Ensure continuous alignment with various sector masterplans and ongoing engagement with sector leads and departments and develop recommendations. Additionally, ensure that the country’s industrialisation aspirations are accounted for in the prioritised sectors
6. Ensure continuous alignment on comparative advantages for metros and provinces for investment and develop recommendations
7. Support in structuring investment opportunities for targeted sectors
8. Support in identifying cross-cutting opportunities across different sectors, which can be elevated as strategic investment opportunities.

9. Strategic Pillar IV: Improvement Of The Investment Climate

9.1. Investment Climate Reform Programme

South Africa recognises that it needs to make a concerted effort to reduce red tape across all levels of government to improve the investment climate. The country acknowledges that the regulatory environment is often cumbersome and negatively impacts on productivity. The CIS intends to support in the improvement of business regulatory processes as well as associated legislative reforms because a successful investment strategy requires a comprehensive and robust investment climate reform programme.

South Africa has embarked on an investment climate reform programme to create an enabling business environment in 2018 led by the Presidency, the dtic, the National Treasury and various inter-governmental stakeholders. The programme streamlined and improved processes relating to certain government public services such as construction permitting as well as the deployment of an online company registration platform. For instance, in one metro, it took up to 155 days to process construction permits. The implementation of a construction permitting system drastically reduced the number of procedures and lead times for obtaining construction permit resulting in a turnaround time of 15 days. This is one example which can be replicated in other metros.

It is widely acknowledged that red tape is a key constraint to economic growth, competitiveness and unnecessarily hampers the day-to-day operations of businesses. A country wide comprehensive approach to remove non-essential, complex procedures, licenses, permits and obsolete regulations and practices will enhance South Africa’s competitiveness. This together with a drive to automate and digitise public services would compel the public service to improve business processes, a necessary pre-cursor to automation and digitisation. It was also found at the height of the pandemic, that countries with higher levels of digital systems were able to continue offering services and had rebounded faster economically than countries that had not digitised. Digitising back-office processes offers the most potential for productivity gains in the public sector allowing multiple government departments to receive and process applications in real time. All too often policy is written and implemented without considering the perspective of the end user. The key to good digital services is understanding the user’s perspective.

As a baseline, it is imperative that as a starting point, government departments develop service charters, standard operating procedures and adhere to the standards they set. Moreover government departments ought to measure their performance, publish information relating to their performance to improve transparency, consult and verify experience through consultations with the private sector in order to co-create a public service sector that responds to the needs of the public and the business sector on an ongoing basis.

Further, the country’s Operation Vulindlela initiative, which is a government-wide approach through which Ministers, departments and entities implement structural reforms. This unit resides in the Presidency and National Treasury monitors progress and actively supports its implementation.

The President's announcement of the appointment of a red tape unit in the 2022 State of the Nation address, to implement priority reforms signals a step change. The red tape reduction team has been working with the dtic and the Department of Small Business Development and has since identified approximately 100 potential red tape issues. The team has reduced this to a shortlist of 5 focus areas following engagement with the dtic, the Department of Small Business Development and selected stakeholders across business and civil society. The focus areas include tourism transport operator licenses or permits, mining and prospecting rights license system, work permit and visa administration, unregistered early childhood development centres in townships as well as informal trading permits. Some notable progress includes resolving the inability to quickly process work permits and visas which negatively impacts on international firms' ability to operate in the country. The Department of Home Affairs has developed an action plan for implementation in response to this. Further, systems and process are being upgraded to reduce the backlog in obtaining licenses for travel or tourism operators and mining and prospecting rights.

Such regulatory reform programmes to address private sector challenges offers government and the private sector an invaluable opportunity to engage each other to ensure an enabling business environment and the reduction or elimination of compliance costs.

9.2. Investment Protection

In 2015, South Africa enacted the Protection of Investment Act, which codifies the protections typically found in Bilateral Investment Treaties (BIT). The Act confirms South Africa's openness to foreign investment; achieves a balance between investor rights and government obligations; and clarifies standards of protection for both foreign and domestic investors. It also provides for dispute resolution options, including mediation, domestic courts, and international arbitration.

Regulations on Mediation Rules were developed to give proper application to the Protection of Investment Act, and Invest South Africa serves as the focal point for mediation requests. The aim of the mediation process is to resolve investor problems before resorting to judicial proceedings.

South Africa's investment policy approach aligns with global practices and emphasizes the right to regulate in the public interest while promoting sustainable development. The Act incorporates elements of UNCTAD investment policymaking principles and has been commended by UNCTAD for leading the global debate on investment policy reforms.

9.3. Policy Certainty and Stability to Attract Investment

Investors commit capital for the long term, without easily accessing their commitment over the term. It is therefore imperative in an economy where funding is required for long term projects such as unlisted growth businesses and infrastructure, that short term considerations and market fluctuations do not impact investment decision making, resulting in greater achievement of long-term objectives. Policy certainty and strong investor protections plays a significant role in investment decision making for both local and foreign investors as their investments are not liquid and positions cannot be easily changed in the face of adverse policy changes or negative investor sentiment. Investment capital will always be directed to where the returns that can be achieved offset the risks that are taken. A stable political, economic and policy environment is imperative to attracting investment and achieving economic recovery and growth. Policy certainty of tenure is fundamentally important, and building on that, policy certainty will enhance South Africa's attractiveness for the international investment community. Foreign investors also need to feel confident that inflows and outflows from South Africa will not be restricted. South Africa, through the CIS, has articulated its foundations for growth including enabling business by cutting red tape, linking existing policies and strategies, thereby resulting in improved competitiveness, especially for smaller businesses.

9.4. CIS linkages to existing policies and strategies

South Africa's National Development Plan: Vision 2030

The sixth administration has stressed the importance of policy implementation as a central feature over the current term, with focal areas including that of economic transformation, job creation and spatial integration. These priority areas stem from the NDP, which was adopted by Cabinet in 2012. In order to meet these articulated growth targets, the foundation of the economy requires rebuilding by revitalising and expanding productive sectors. This requires a re-imagining of the country's industrial strategy to unlock private investment while the state will focus on improving economic inclusion.

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

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

South Africa's Re-Imagined Industrial Strategy

The Re-imagined Industrial Strategy (RIS) is an extension of the National Industrial Policy Framework (NIPF), adopted by Cabinet in 2007. It provides an integrated and coherent framework for the reindustrialisation of the South African economy to be implemented across government departments and in collaboration with business and labour. The NIPF argues that a core structural weakness in South Africa's economy is that the losses in employment in traditional commodity sectors (such as agriculture and mining) have not been adequately offset by sufficiently rapid growth in non–traditional tradeable sectors (such as in manufacturing and other tradeable activities). The development of manufacturing outside of heavy industry is critical for employment creation because of its skill intensity. Although rising, it is lower than a range of skill–intensive non–tradeable service sectors. The NIPF has emphasised that manufacturing is the most important, but not exclusive, platform for structural transformation. It establishes a framework aimed at unlocking constraints to growing a range of non–traditional tradeable goods and services including manufactured products outside of mineral processing; services than can compete in export markets and against imports, including certain non–traditional agricultural and mining activities. This rationale is adopted in the country's sector prioritisation strategy, which is discussed in this document.

The National Spatial Development Framework (NSDF)

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

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

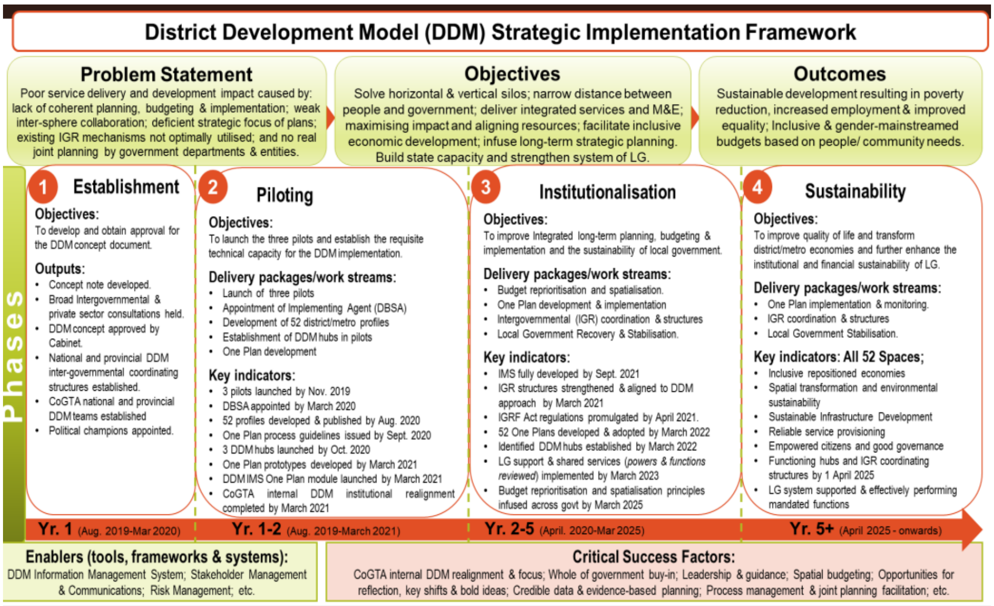
Towards improving the coherence and impact of government service delivery and development, the South African Cabinet, led by President Cyril Ramaphosa, adopted the District Development Model (DDM) in 2019. The DDM is a *One Plan, One Budget* integrated district-based approach intended to break the pattern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

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

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

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

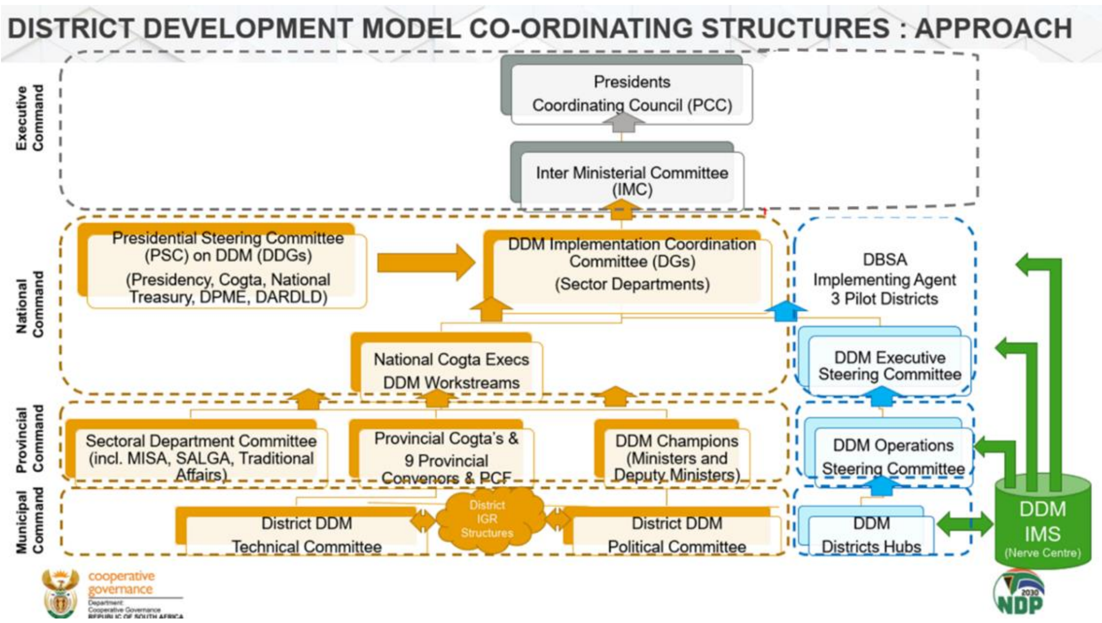
Figure 27: District Development Model Strategic Implementation Framework



Source: DBSA (2020a)

In terms of alignment to the country's investment strategy, the DDM will contribute to the country's investment landscape as it provides a mechanism to co-ordinate and direct investment across the three spheres of government considering district level priorities. This includes directing investment to areas with historically low levels of FDI and DDI. The DDMs coordinating approach includes multi-tiered command structures, at municipal, provincial, national and executive level as demonstrated by Figure 28. The country's investment priorities will be synchronised through these structures. It is therefore important that continuous engagement and alignment between the DDM and CIS priorities occurs throughout various stages of implementation.

Figure 28: District Development Model Co-ordinating Structures



Source: Department of Co-operative Governance (2021)

National Anti-Corruption Strategy

Complementing the recommendations made towards building state capacity, the country's Medium Term Strategic Frameworks (MTSFs) and NDP Vision 2030 articulate South Africa's commitment to reducing corruption (NACS, 2022). A need for an overarching National Anti-Corruption Strategy (NACS) and a supporting implementation plan was identified, which "serves as a guide for developing a set of shared commitments across sectors, to support collaboration within and between sectors, and to direct renewed energy towards the goal of reducing corruption and building an ethical society" (NACS, 2022). The NACS provides a robust conceptual framework and strategic pillars to guide anti-corruption approaches across the country. It also provides support and co-ordination between government, business and civil society efforts to reduce corruption and improve accountability and ethical practice. The NACS provides a tool for monitoring progress towards creating a less corrupt society and will be implemented in the context of the South African Criminal Justice System. The strategy will contribute towards improving transparency, compliance, structures of oversight and accountability as well as domestic and international partnerships. The South African government has established a new National Anti-Corruption Advisory Council to highlight the value of public-private partnerships (PPPs) in combatting corruption. The council's role is to advise government on the critical preventative measures, institutional capabilities and resources that are required to proactively curb a recurrence of state capture and to prevent fraud and corruption in South Africa as well as recommend effective implementation of the national anti-corruption strategy by government, civil society and the private sector.

9.5. Energy Security and the Just Energy Transition

South Africa recognises that in order to create a competitive and enabling business environment, a demonstrated effort towards securing energy supply will be required to boost investor confidence. Business requires an enabling policy environment (integrated incentive framework) to accelerate the development and deployment of low-carbon solutions if the country is to meet and potentially exceed the proposed 2030 NDC commitment range. As highlighted previously, the country has established both a National Just Transition Framework and a Just Energy Transition Investment Plan to move the country towards securing a sustainable and just future. South Africa has, in the Integrated Resource Plan of 2019 (IRP 2019), committed to diversifying its energy mix in order to move away from a reliance on a primarily fossil fuel (coal) energy base. This commitment is underpinned by the IRP's goal of ensuring energy security for South Africa to meet the demands of economic growth, with "a total 18 000MW of new generation capacity" committed to between 2010 – 2030 (IRP, 2019).

In line with the IRP, the South African government has established the Renewable Independent Power Producer Programme (REIPPP), which "has resulted in over 6 000 MW of generation capacity being allocated to bidders across a variety of technologies, principally in wind and solar" (Government of South Africa, 2022). The REIPPP aims to secure electrical energy from the private sector (Independent Power Producers) through renewable energy sources that are added to the national grid (Ibid). The Programme relies on private sector investments and has exemplified that the local private sector has "a strong appetite for investing in climate finance assets" (JET-IP, 2022).

South Africa has, through the Department of Forestry, Fisheries and the Environment (DFFE), established a national Green Fund was established in 2012. The Green Fund aims:

- to catalyse the country's transition to a green economy by investing in innovative projects that will help realise a low-carbon, resource-efficient and climate-resilient future (DFFE, 2016); and
- to attract foreign investment and additional national investments into the greening of the South African economy to complement existing financial support.

The Fund is implemented through a partnership with the Development Bank of South Africa (DBSA).

There have also been developments in regulation aimed at easing up restrictions on energy generation for own consumption, with government announcing the amendment of Section 2 of the Electricity Regulation Act, No 4 of 2006 (DMRE, 2006), which allows companies to generate their own electricity without the need for a license or limitation on capacity, based on the rules as outlined in the regulation. However, a just energy transition will require significant investment in low carbon technologies and innovation in climate financing models.

Through InvestSA, South Africa has also launched the Energy One Stop Shop (EOSS), which is a government initiative aimed at streamlining and facilitating investment in the energy sector. It serves as a central point of contact for investors and provides assistance in navigating the regulatory processes and requirements related to energy projects. The EOSS acts as a single-entry point for investors, guiding them through the various stages of project development, from initial inquiries to obtaining necessary permits and licenses. It assists in coordinating engagements with different government entities involved in the energy sector, including the Department of Mineral Resources and Energy, the National Energy Regulator of South Africa, and various provincial and local authorities. By centralising the investment facilitation process, the EOSS aims to reduce bureaucracy, shorten approval timelines, and enhance transparency in the energy sector. It provides investors with access to information, guidance, and support to navigate the regulatory landscape, ensuring a smoother and more efficient investment experience.

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

South Africa recognises infrastructure as a critical enabler for inclusive and sustainable economic growth as articulated in the NDP. Infrastructure development is identified as integral in not only resuscitating the economy but also in enabling private sector investment. The country has over the past several years embarked on capital investment programmes aimed at addressing backlogs and capacity constraints in the country's infrastructure. The country's ongoing investment in infrastructure will ensure both stability and consistency in the planning, investment, implementation and maintenance of infrastructure in the short-, medium- and long-term and will also restore the confidence of the private sector. Maintaining and upgrading the country's infrastructure base is now of critical importance given the extent of theft and damage, especially to rail and electricity supply infrastructure. This is in line with industrial policy objectives espoused in the various masterplans.

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

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

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

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

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

For a detailed analysis of each infrastructure sector in South Africa, please refer to South Africa's NIP2050.

9.7. Incentives to Promote Investment

Financial and non-financial resources are key levers to encourage domestic and foreign investment. As a developing country, South Africa competes with other developing and developed countries for a limited quantity of global investment funds. In some cases, South Africa competes with countries offering a generous array of financial incentives including grants, tax incentives and concessional finance.

Competing for investment solely on the basis of the quantum of financial incentives provided is likely to be ineffective and will absorb limited fiscal resources that are required to support other competing policy needs. South Africa's approach is more nuanced wherein a range of incentives are provided to both domestic and foreign investors in addition to creating an enabling investment environment, such as regulatory and policy changes and careful consideration of the opportunity to design market structures that encourage new investment. South Africa is an attractive investment destination by virtue of its substantial mineral wealth, relatively young population, strong economic and financial institutions and preferential access to high-growth, export markets.

The provision of incentives is aligned to government's wider set of structural reforms designed to improve the business climate and grow the economy. A recent review of the country's incentives identified 64 direct incentives; 43 tax (indirect) incentives in addition to information and skills development support. These support measures are broadly comparable to what other developing countries provide. It is essential that South Africa continues to monitor global government incentive trends, including the introduction of new forms of support, such as the U.S. Inflation Reduction Act, 2022.

The investment fast-tracking committee (IFTC) alongside the dtic, must implement the recommendations of the 2018 Department of Planning, Monitoring & Evaluation incentives review into the effectiveness of business incentives acting as an Inter-Governmental Incentives Coordinating Committee and support in the development of a National Incentives Policy Framework to inform the design, administration and review of both existing and new business incentives. As part of its participation in the investment fast-tracking committee, National Treasury must develop a methodology for evaluating the motivation for and the economic costs and benefits of new and existing incentives.

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

9.8. Leveraging Emerging Financing and Funding Mechanisms to Catalyse Investment

Capital budget reforms are required to boost infrastructure spending, particularly as new infrastructure projects are rolled out. The crowding out of capital spending by consumption spending pressures, such as the public sector wage bill and debt service costs, has been highlighted as a major required shift by National Treasury (2020). Furthermore, Covid-19 has significantly exacerbated the position of the country's fiscus and its already strained ability to finance capital infrastructure. Bridging the infrastructure and investment gap, which will still exist with the elimination of efficiency improvements, requires the identification and implementation of alternative mechanisms to leverage private sector finance.

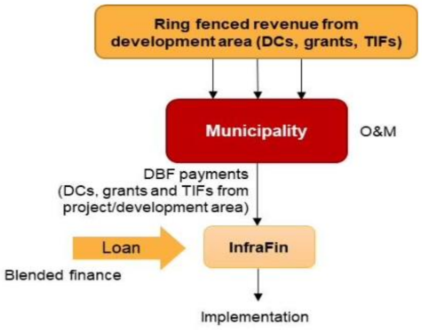
Insufficient capacity, skills and an inefficient regulatory and policy framework hamper government's ability to develop a robust project pipeline. Government currently lacks the technical expertise and institutional landscape to attract private sector finance and, in addition, to improve infrastructure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

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

Public infrastructure is predominantly financed through cash, savings and debt by government with the exception of 33 PPPs since 1998. In the last ten years, South Africa has averaged at less than one PPP project closed per annum with all but one being office accommodation. In addition, PPPs account for a mere 2.2 percent of total public sector infrastructure (National Treasury, 2020). These have included hospitals, transport and roads, tourism and mainly, head office accommodation with the majority funded through a combination of equity, debt and government capital contributions. However, the current governance and institutional arrangements for infrastructure spending in the country requires an overhaul demonstrated by poor accountability, rampant corruption and distrust from the public. The National Treasury is currently reviewing the concerns, perceptions and criticism raised about PPPs with the intent of increasing PPPs and crowd in private sector funding. A welcomed and most recent innovation is private sector investment in renewables with the country's Independent Power Producer Programme, which has attracted over ZAR200 billion, including ZAR41.8 billion internationally. Further, the 2021 proposed amendments to Regulation 28 will play an important role in improving the regulatory certainty around retirement funds as a significant source of local capital investing into private equity and infrastructure as key drivers of growth.

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

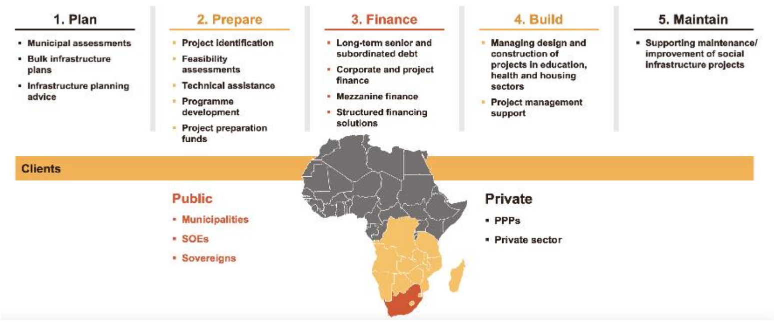
Figure 29: Typical DBSA Blended Finance Model



Source: DBSA (2020)

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

Figure 30: DBSA Areas of Focus



Source: DBSA (2020)

9.8.1. Mechanisms to Improve Private Sector Participation

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

The Budget Facility for Infrastructure

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

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

Infrastructure South Africa (ISA)

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

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

Infrastructure Fund

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

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

Public-Private Partnership Review

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

- Policy Framework: South Africa lacks an overarching infrastructure policy framework that can mainstream PPPs into the overall planning process for public investments in a fiscally prudent manner.
- Legal and Regulatory Framework: Multiple approvals and inadequate coverage of important aspects in PPP legal and regulatory framework.
- Institutional Arrangements and Accountability: There is a lack of a centralized approach and 'gateway' body to screen infrastructure investments for PPP suitability.
- PPP Capacity: There is a lack of capacity at various government levels: Within the Regulatory function in National Treasury which does not have enough dedicated staff; the PPP Unit which needs more resources; and Procuring Institutions (PI)s which lack skills and expertise in PPPs.
- PPP Process: The existing PPP processes are rigid and cumbersome as they are not calibrated to project size or project type.

Overall, the review findings indicate that there is no need for a complete overhaul of the PPP legal and regulatory framework as there are good aspects that compare well with international benchmarks. However, there are critical gaps and challenges that need to be addressed and improved. Recommendations include legislative changes to improve the PPP value chain and improved application and practice which is expected to yield more reliable results and generate more confidence in the overall PPP framework.

Municipal Investment Programme Project Preparation Facility

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

9.9. Municipal Governance

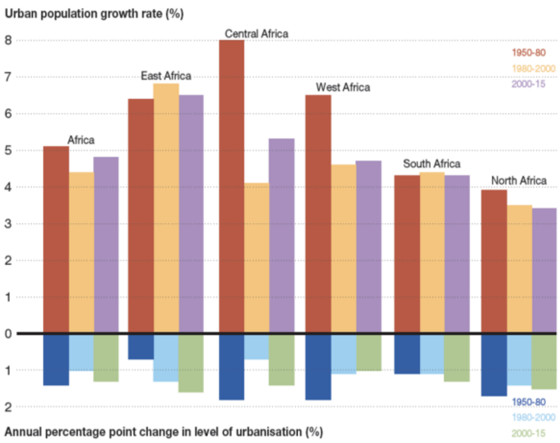
Municipal services and service delivery are the basic functional activities of municipal governments. Municipalities are the third sphere of government and the one that functions closest to local communities. Municipal governments have often been described as comprising the sphere of government that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

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

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

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

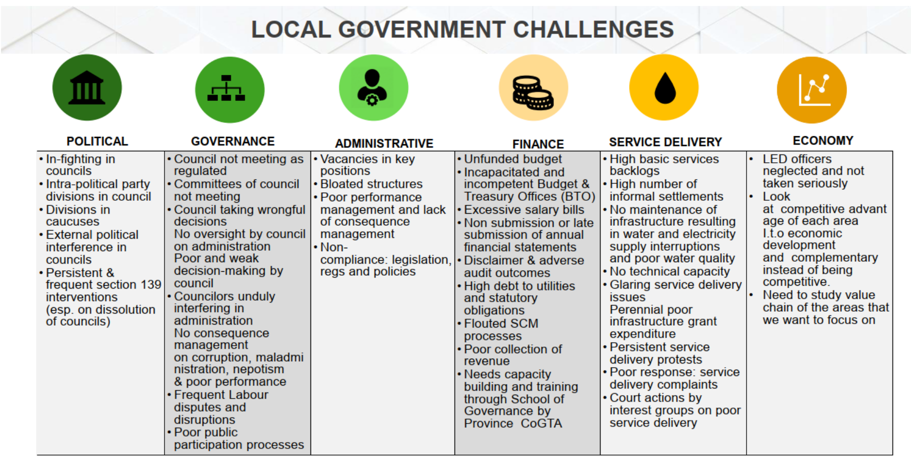
Figure 31: Urbanisation over time on the African continent



Source: Brookings Institute (2016)

Over the last five years, local government had to navigate several challenges with these being increasingly pronounced within smaller local municipalities due to the difficulties posed by collecting revenue and hence, ensuring financial sustainability. Smaller local municipalities have limited economic opportunity and struggle to find alternative revenue sources towards becoming more self-sustaining. Metropolitan municipalities are under continuous strain as a result of rapid rural urban migration hampering planning and implementation. These challenges cannot be solved by local government alone, which is one of the fundamental anchors of the DDM which provides the basis for an integrated and co-ordinated way of working across departments and across the three distinct and interrelated spheres of government. Figure 32 aptly articulates some of these challenges.

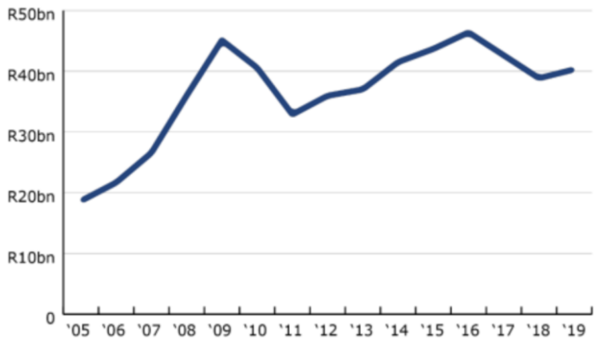
Figure 32: Challenges of local government



Source: Department of Co-operative Governance (2021)

The challenges of local government have led to poor municipal performance and the widespread lack of performance, in particular from smaller municipalities. Political infighting amongst coalition governments and political interferences in administrative matters have severely hampered service delivery. Municipalities must be an enabler and not a hindrance to growth. A lack of effective oversight and accountability has sought to undermine the legitimacy of municipalities and has further created the space for political interference. The challenges of local government also manifest through the increasing incidence of service delivery protests. Government remains positive in terms of the future trajectory of the country particularly within the context of various initiatives underway; such as the DDM as discussed in Section 10.3.

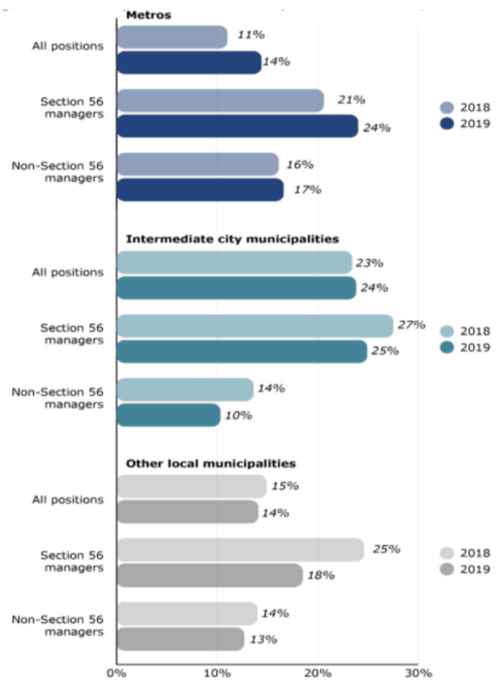
Figure 33: Capital spending by local government



Source: StatsSA (2020)

Local government challenges include a lack of skills; rural-urban migration; an inability to spend efficiently and effectively (see figure 33); weak supply chain management; poor revenue collection and management and a lack of spending on repairs and maintenance. Figure 34 highlights the vacancy rates in local government between 2018 and 2019, where Section 56 managers represent senior management. It is within this context that government has adopted the DDM and pursued various successful partnerships with the private sector to fill the prevailing public sector skills gap.

Figure 34: Vacancy rates in local government



Source: StatsSA (2020)

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

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

9.10. Building a Capable State

Building state capacity and capability is in no respect a linear process as it involves the perpetual identification and correction of identified institutional weaknesses (Levy & Kpundeh, 2020). The NDP *Vision 2030* clearly articulates the need for "a state that is capable of playing a developmental and transformative role" with staff possessing the requisite authority, expertise and support in the execution of their roles; in turn, requiring a "long-term approach to skills development" (NPC, 2012). Whilst building administrative capabilities does not constitute a means to an end, it is an important contributor to enhancing a nation's economic development prospects. It is thus vital for government to gear its efforts towards creating an environment that is conducive to the development of human capital. Investor relations are becoming increasingly long-term in nature, particularly those that are productive; thus requiring state investment in the continued development of a clear understanding of investor needs, towards developing mutually beneficial relationships, across the investor lifecycle. Consequently, this requires the development of technical and specialist skills, anchored by robust accountability and oversight mechanisms, particularly at the local government level. It is important to note that building the capacity of accountability systems can exert much needed pressure on the performance of public actors (Levy & Kpundeh, 2020), which is an important requirement in the South African investment environment. In this regard, the development of new training and incentives systems cannot be overemphasised, particularly in relation to training and retraining suitably well-qualified staff, not limited to public sector reforms; establishing capacity in economic policy and implementation analysis and financial management and professionalisation initiatives; all of which must be underpinned by improved governance and co-ordination mechanisms.

9.11. Critical Actions

Investment climate reforms programmes

1. Synergise existing investment climate improvement reforms to support the improvement of government business regulatory processes and/or associated legislative reforms.

Capacity development

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

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

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

Leveraging emerging finance mechanisms

13. Expand on emerging innovations in the infrastructure finance such as blended finance vehicles which plays a critical role in bringing risk adjusted returns in line with investment requirements.
14. The reform of the PPP framework is key as most of the blended projects will be partnerships between the public and private sector which urgently need to increase in scale, quality, pace and impact.

Incentives

15. Treasury, in collaboration with the Auditor General, should develop a practice note to the Public Finance Management Act setting out clear guidance as to the treatment of incentives. In addition, Treasury in collaboration with SARS, must undertake a review of all the tax incentives identified and assess whether they are still relevant, effective and efficient. Insofar as it pertains to the commercialisation of research and development, the Department of Science and Technology, in consultation with the dtic will undertake a review of South Africa's overall support offering compared to international best practice

Municipal challenges

16. Alignment and synergising the CIS and DDM, as a vehicle to improve municipal governance challenges. For example, there is need for profiling the Districts/Metros in terms of the important metrics necessary for fundamental analysis for investment decision making and ensure its availability on the digital platforms for investors. It therefore requires soft integration of the various sector departments and district data and information sets. This will require the strengthening of the DDM profiling data for investment purposes.
17. Additionally, the following critical actions are necessary to address the municipality challenges:

- Develop a technical support and assistance model to support ailing municipalities, in alignment with efforts made through the DDM
- Review the equitable share formula, which influences inequality in infrastructure development and thus investment attraction across the country and the opportunity to recalibrate its formulation.
- Provide guidelines for investment incentives to manage the intensity of the investment attraction competition amongst municipalities.

10. IMPLEMENTATION APPROACH

The implementation framework outlines the measures, approach and actions required to realising the CIS goals and objectives in a coherent, diligent and systematic way. The implementation approached is aligned to the strategic pillars outlined in preceding sections.

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

Once adopted, the CIS will be the investment promotion and facilitation strategy for the country and will remain as such until reviewed and updated. The successful implementation of the CIS is dependent on the collective buy-in of all stakeholders within and outside of government, with the Presidency leading the process. It will also require the appropriate development of capacity across the state, including within InvestSA, as human capital and resources are vital for the successful deployment the strategy. Skilled professionals provide the necessary expertise and skills for attracting and managing investments. They play a crucial role in investment promotion, marketing the country's opportunities, and engaging with potential investors. Additionally, human resources are essential for policy development and implementation, as experts can formulate investor-friendly policies while safeguarding national interests. Skilled personnel within institutions facilitate investment processes, provide support to investors, and enhance institutional capacity. Moreover, human capital drives knowledge sharing, innovation, and capacity building, fostering long-term economic growth and resilience. Overall, it will be important to augment the capacity of existing institutions by investing in human capital.

The implementation of the CIS will be overseen in five workstreams, aligned to the strategic pillars and running in parallel as indicated:
Workstream 1: Championing the new investment model (i.e., incl. the IFTC)
Workstream 2: Sector Prioritisation and Alignment
Workstream 3: Promoting new industries and supporting existing industries i.e. *5 Big Frontiers*
Workstream 4: Capacity Development, Policy, Regulatory and Financing
Workstream 5: Investment Promotion, Facilitation, Retention and Aftercare

The functions of each workstream are detailed below.

10.1. Implementation Framework

Workstream 1: Championing the new investment model, (incl. the IFTC)

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

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

Investment Fast-Tracking Committee (IFTC):

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

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

Supporting coordination across the various CIS workstreams:

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

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

Monitoring and Evaluation:

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

<u>Workstream 2: Sector Prioritisation and Alignment</u>

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

<u>Workstream 3: Promoting new industries and supporting existing industries i.e Big Frontiers</u>

The *5 Big Frontiers* discussed in this document will require joint co-ordination and collaboration. This workstream will be responsible for leading the work on the *Big Frontiers* and to carry out the required activities as per the categories of state action discussed earlier in the CIS. There is a need for a targeted approach to attracting investment to these opportunities and an urgent need for a more market demand driven approach to investment. This workstream will be responsible for the process of operationally structuring investments, particularly relevant in the context where co-investment or catalysation is required. This workstream will also convene role players from the Presidential Climate Commission and Presidential Climate Finance Task Team to ensure that investment initiatives in priority sectors factor in climate-risk and are orientated towards supporting the just energy transition.

Workstream 4: Capacity Development, Policy, Regulatory and Financing

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

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

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

Financial: (i) Engage with Development Bank South Africa and the Independent Development Corporation (IDC) to review potential finance mechanisms and evaluate regulatory barriers that need to be addressed, e.g. regulatory barriers have been identified with respect to raising project specific bonds; and (ii) Develop a strategic framework for leveraging blended finance

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

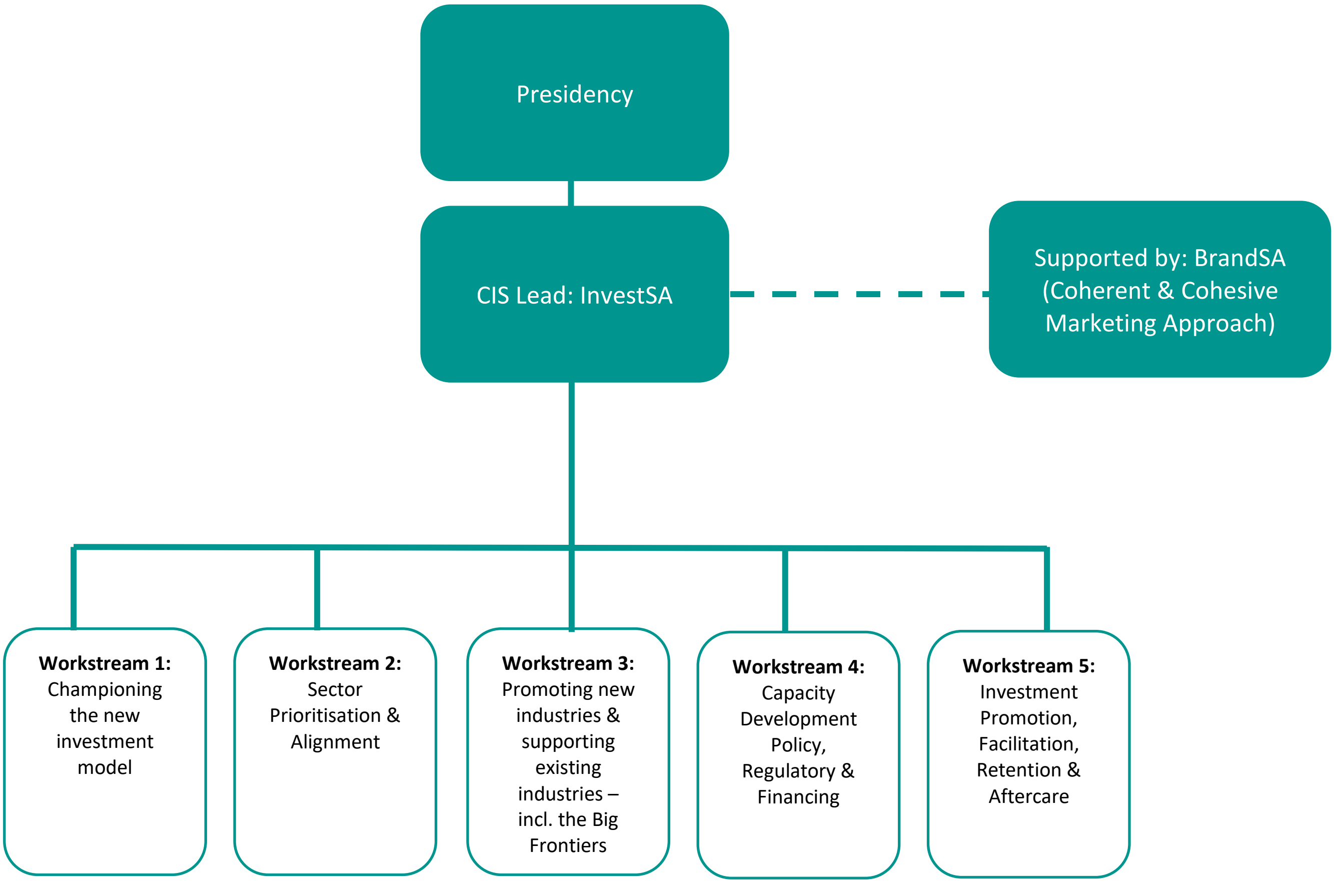
Workstream 5: Investment Promotion, Facilitation, Retention and Aftercare

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

10.2. Implementation Structure

The implementation structure for the CIS is demonstrated in Figure 35 below. The CIS will be driven at the highest level, with oversight by the Presidency, appointing InvestSA as the CIS lead. BrandSA, working alongside InvestSA, will provide a cohesive and consistent country-level marketing approach. InvestSA will be responsible for identifying leads for each workstream and for convening the necessary resources to support the workstreams. The CIS Lead is also responsible for developing detailed Terms of References for each workstream. The workstreams will include nominated representatives from relevant departments, provinces, institutions and organisations.

Figure 35: CIS Implementation Structure



Source: South Africa Country Investment Strategy (2023)

10.3. Implementation Plan

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

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

The high-level implementation plan for Phase 1 is presented in Table 8 below.

Table 8: Country Investment Strategy Implementation Plan

Objective		**Intervention**	**Activity**	**Lead & Contributing Department**	**Timeline**
	Workstream 1 Championing the new investment model				
Catalysing a new investment model to address current under-investment	**1.1**	Establish team to steer/lead CIS implementation	Approval of Country Investment Strategy	Cabinet	August 2023
			Appoint InvestSA as CIS Lead	Presidency	October 2023
			Prepare terms of reference for CIS workstreams & obtain approval	CIS Lead/InvestSA	November 2023
			Identify & appoint leads for workstreams 1-5	CIS Lead/InvestSA/IIO	November 2023
			Identify & appoint participants of workstreams. Workstreams should include participants from all relevant departments	CIS Lead/IIO/relevant departments/institutions/provinces/InvestSA	November 2023
			Convene all CIS workstreams	CIS Lead/IIO/Workstream Leads & Participants/InvestSA	December 2023
	1.2	Develop a detailed communication and stakeholder engagement plan	Refine & finalise Communications Plan for approval	CIS Lead/IIO/InvestSA/BrandSA	November 2023
			Identify additional stakeholders to be engaged to refine the CIS further		November 2023

	1.3	Structure investment fast-tracking to streamline the investment process	Strategy for fast-tracking of investments	Workstream 1/CIS technical advisory panel/InvestSA	December 2023
			Develop concept paper/terms of reference		January 2024
			Consultative workshops		January 2024
			Approval of investment fast tracking	Cabinet	March 2024
			Clarify responsibilities and strengthening investment promotion and facilitation activities towards reducing overlaps	CIS Lead/InvestSA	March 2024
			Conduct capacity assessment of existing IPAs		
			Establish detailed recommendations for enhancing co-ordination		
	1.6	Develop Detailed CIS implementation plan	Develop detailed CIS implementation plan	CIS Lead/IIO/All workstreams/relevant departments/institutions/InvestSA	October 2023
			Review, refine and Update CIS		March 2024
	1.7	Monitoring, evaluation & reporting	Develop comprehensive Monitoring & Evaluation Framework	CIS Lead/IIO/Workstream 1/InvestSA	March 2024
			Establish mechanisms to monitor and evaluate progress		March 2024
			Provide monitoring, evaluation & reporting functions across workstreams	CIS Lead/IIO/Workstream 1/Implementing Agents/InvestSA/ BrandSA	Ongoing
	Workstream 2 Sector Prioritisation and Alignment				
Supporting existing industries and developing new industries with clearly articulated forward-looking goals	**2.1**	Alignment of policies, priorities, sector masterplans and economic strategies across spheres of government	Identify existing policies, plans and economic strategies	CIS Lead/Workstream 2/Technical advisory panel/InvestSA	December 2023
			Review and examine to find areas that have to be aligned		January 2024
			Reformulate and develop new document		February 2024
	2.2	Outlining priority sectors (niche areas) to advance economic growth. Identify and forge new partnerships (relationships)	Conduct a needs analysis in all provinces		January 2024
			Identify strengths and potential areas for investment and development		January 2024
			Consult and select contact persons for each niche		February 2024
			Refine a reference list of all priority sectors and new partnerships.		February 2024

	Workstream 3 Promoting new industries & supporting existing industries i.e strategic Investment Opportunities –the 5 Big Frontiers				
Attract quality greenfield and brownfield investments in high-impact and high-growth industries that will accelerate contributions to GDP and support the country's transition to a green economy and Supporting existing industries and developing new industries with clearly articulated forward-looking goals	**3.1**	Structuring of strategic investment opportunities '*big frontiers*'	Develop a baseline plan for structuring *big frontiers*	CIS Lead/ Workstream 3/Various departments/institutions/InvestSA	December 2023
			Identify stakeholders to be engaged and proceed with stakeholder engagement		December 2023
			Implement per the categories of state actions identified		August 2024
	3.2	Establishment of Special Economic Zones through strategies that promote development of world-class infrastructure and attract foreign and domestic investment.	Review existing/planned special economic zones	CIS Lead/ Workstream 3/Implementing Agent/InvestSA	January 2024
			Revisit governance and business models and possibility of creation on single authority to reduce bureaucracy, including new and comprehensive globally competitive suite of incentives		January 2024
			Identify the ones that can be developed		February 2024
			Determine and draw boundaries around zones		March 2024
	Workstream 4 Capacity Development, Policy, Regulatory and Financing				
Target areas of intervention, mobilise resources, improve institutional alignment & capacity, and ensure policy certainty & coherence	**4.1**	Situational analysis of current policy, institutional, legal and regulatory framework	Analyse existing policies and regulations affecting investment climate	CIS Lead/ Workstream 4/Technical advisory panel/InvestSA	January 2024
			Identify synergies		January 2024
			Select those that are relevant and applicable		January 2024
			Compile a new reference point		March 2024
			Develop document with recommendations for implementation		March 2024
	4.2	Determination of a clear policy direction for the country's investment drive that aligns investment and economic growth. Investment in infrastructure and other value chains	Reformulate Policy for investment	CIS Lead/ Workstream 4/various departments/institutions/provinces/InvestSA	April 2024
			Identify infrastructure projects		April 2024
			Set up an implementation team		
			Implement policy		April 2024

	4.3	Review Investment Incentives & Recommendations	Work with Inter-departmental Incentives Coordinating Committee (IGC) to review incentives	Workstream 1/DPME & collaboration with lead departments/InvestSA	January 2024
			Produce Incentives Report	DPME/IGICC/dtic	February 2024
			Draft & approval of National Incentives Policy Framework	Workstream 1/DPME/IGICC/dtic	February 2024
			Develop central register of all beneficiary firms		August 2024
			Implement online grant and document management system		August 2024
			Establish monitoring, evaluation & reporting system		August 2024
	4.4	Investigate Capacity (Building a Capable State)	Define all role players involved and activities undertaken in the investment attraction and facilitation process	Workstream 1/CIS Lead/IIO/InvestSA	March 2024
			Clarify responsibilities and strengthening investment promotion and facilitation activities towards reducing overlaps		
			Conduct capacity assessment of existing IPAs		
			Establish detailed recommendations for enhancing co-ordination		
	Workstream 5 Investment Promotion, Facilitation, Retention & Aftercare				
Investment Promotion, Facilitation, Retention & Aftercare	5.1	Investment mobilisation	Activities relating to the identification of specific investors or classes of investors relevant to a specific sectoral or strategic objective (the demand side objective), and the deployment of targeted engagement to convince these investors to engage in – and invest – in South Africa.	CIS Lead/Workstream 5/IPAs/Ambassadors/Envoys/InvestSA/BrandSA	Ongoing coordination
	5.2	Investment promotion	Promote South Africa as an investible market, based on more transversal, systematic factors		Ongoing coordination
	5.3	Investor intelligence	Activities which gather crucial information on what is driving investor intent (or lack thereof) and what informs the nature and scope of potential investment decisions, subjecting this information to trend analysis and overlaying analyses of different sectors and geographies to drive a coherent strategy to inform investment mobilisation and investment promotion with respect to FDI and DDI.		Ongoing coordination
	5.4	Investment implementation	Processes and actions required to realise an investment in country on the part of active participants in said processes (public and private).		Ongoing coordination

10.4. Monitoring, Evaluation and Reporting

10.4.1. Monitoring

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

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

The metrics of relevance are as follows:

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

Additionally, the following will be monitored:

- Policy and regulatory scoping to unblock investment
- Incentives frameworks

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

Table 9: NDP final and intermediate targets

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

Source: NDP Vision 2030 and StatsSA

Table 10: Country Investment Strategy Monitoring and Evaluation Framework

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

clearly articulated forward-looking goals	• Ease of doing business improvement	84/190	50/190	strategies across spheres of government. Review and examine to find areas that have to be aligned				
				Outlining priority sectors (niche areas) to advance economic growth. Identify and forge new partnerships (relationships)	Finalised and aligned list of priority sectors for the CIS Comparative advantage between different localities specified	Various sector priorities across different government initiatives	Homogenous and aligned approach to sector prioritisation	IIO/dtic/ relevant departments/ sectors/InvestSA
Impact: Attract quality greenfield and brownfield investments in high-impact and high-growth industries that will accelerate contributions to GDP and support the country's transition to a green economy				Package strategic infrastructure projects 'big frontiers for investment, in line with categories of state actions	Number of big bet opportunities transitioned to projects	0 Big Frontier Strategic Investment Opportunities	5 Big Frontier Strategic Investment Opportunities	IIO/CIS Lead/ relevant departments/ sectors/InvestSA
Impact:				Situational analysis of current policy, institutional, legal	Develop document with	No single policy in place	Document on policy alignment developed as it	IIO/CIS Lead/ relevant departments/

Target areas of intervention, mobilise resources, improve institutional alignment & capacity, and ensure policy certainty & coherence				and regulatory framework	recommendations for implementation		pertains to investment	sectors/InvestSA
				Determination of a clear policy direction for the country's investment drive that aligns investment and economic growth. Investment in infrastructure and other value chains	Reformulate policy for investment	No single policy in place	Document on policy alignment developed as it pertains to investment	IIO/CIS Lead/ relevant departments/ sectors/InvestSA
Impact: Attract quality greenfield and brownfield investments in high-impact and high-growth industries that will accelerate contributions to GDP and support the country's transition to a green economy				Improved Investment Mobilisation	Improved quality & rate of investment	17,9% 2020	23% by 2024 30% by 2030 (NDP)	CIS Lead/Workstreams /IPAs/Ambassadors/ Envoys/InvestSA
				Improved Investment Promotion	Improved quality & rate of investment	17,9% 2020	23% by 2024 30% by 2030 (NDP)	
				Improved Investor Intelligence	Improved quality & rate of investment	17,9% 2020	23% by 2024 30% by 2030 (NDP)	
				Improved Investment Implementations	Improved quality & rate of investment	17,9% 2020	23% by 2024 30% by 2030 (NDP)	

10.4.2. Evaluation and Reporting

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

11. Risk Identification and Risk Mitigation Approach

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

Table 11: Risk scoring framework

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

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

The risk assessment process is based on the risk scoring framework in Table 11 above, which considers the likelihood of the risks and its impact or severity. The highest risk items (in red) have the highest scores. Mitigation measures are identified for risks rated as very high or high. Tolerable and low risks will be monitored. Table 12 below indicates the risks identified which may impact on the achievement of CIS including its likelihood, severity and the total risk score. The risk rating below considers the risk prior to any mitigation measures. The risk mitigation measures are included below.

Table 12: Risk identification, rating and mitigation

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

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

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

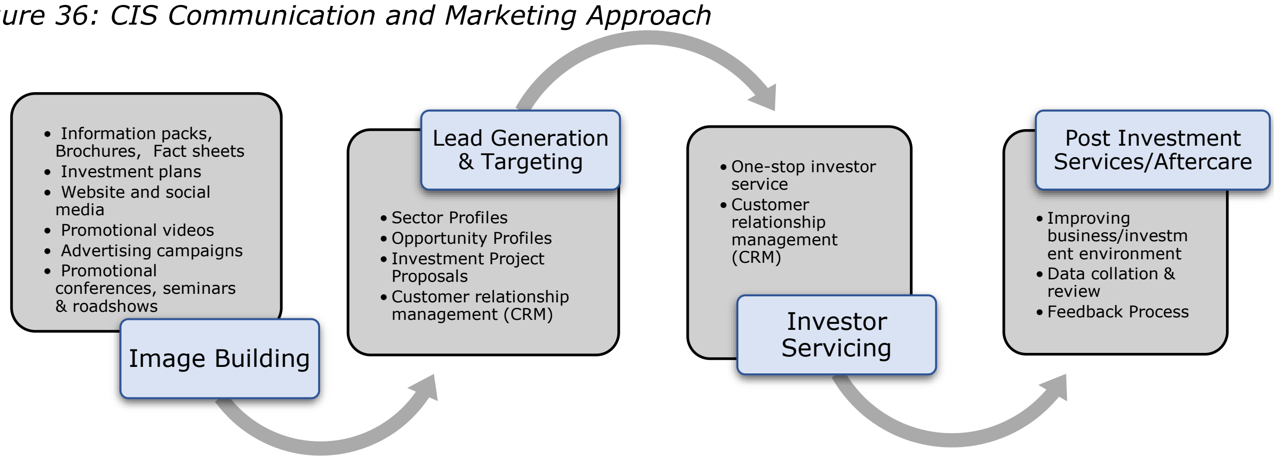
12. Communicating and Marketing the Investment Strategy

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

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

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

Figure 36: CIS Communication and Marketing Approach



Source: Adapted from United Nations ESCAP (2017)

Image Building

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

Some image building activities will include:

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

Lead generation and targeting

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

Some lead generation and targeting activities will include:

- Preparation of opportunity profiles:

    - These are produced to steer investors towards tangible investment opportunities. In this case, the opportunity profiles will present the details of a specific investment opportunity such as the Strategic Investment Opportunities or big frontiers.
- Preparation of investment project proposals: investment project proposals are more detailed than opportunity profiles.
    - These are specific defined projects in particular sectors or industries that foreign investors can invest in, which can pave the way for direct FDI or matchmaking opportunities between domestic and foreign firms.
    - Development of investment books highlighting comparative advantages of provinces.

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

Investor Servicing

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

Post Investment Services (Aftercare)

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

13. Concluding Remarks

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

14. ANNEXURES

ANNEXURE 1: SECTOR SWOT ANALYSIS

This annexure contains a SWOT analysis of some important South African economic sectors at a more disaggregated level.

Manufacturing

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

Agriculture

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

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

Tourism

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

Mining

Strengths • Attracts large FDI investments • An industry where South Africa has consistently ranked as a leading geography for over the last 2 centuries	*Weaknesses* • Instability in the labour market and wage demand pressures linked to social wage issues • Systemic risk of industrial action and community unrest in some mining areas due to ongoing resource disputes in source communities • Declining productivity, coupled with rapidly escalating costs • Hydrocarbons, particularly coal, will face steep declines in export demand over the coming decade, with real risk of stranded assets
Opportunities • Market share of global commodity production and reserves declining but the potential is still huge in the mining industry • Viable deposits are being discovered in less mined geographies across the republic • Promote exploration and beneficiation of minerals, particularly through the fast-tracking of exploration permits • Platinum group metals represent a huge growth sector due to their role in fast-	*Threats* • Policy and regulatory uncertainty • Standards of redress for environmental impact of mining on source ecosystems and communities are likely to rise over the next decade • Adverse demand conditions (weak world demand) • Logistical constraints such as inefficient rail and port infrastructure • Utility disruptions, due to load-shedding

expanding green energy systems and processes • Mines represent an excellent use case for sub-100Mw own-generation microgrids using renewables in order to stabilise supply and decarbonise value chains to avoid carbon pricing at export level	• Decarbonisation of the mining process is increasingly becoming a requirement for export competitiveness

Construction

Strengths	*Weaknesses*
• A significant contributor to employment • New technologies are continuing to improve productivity • Newer and often more sustainable materials and building techniques are being introduced and adopted at scale much more frequently than in previous decades	• Decrease in market capitalisation by construction companies • Growth rates within the industry are volatile; with public sector spending, which could otherwise provide a counter-cyclical cushion, under pressure due to fiscal headroom. • The workforce development system for vocational skills in South Africa is very certification driven (rather than demand driven) and is poorly coordinated with industry • Rising/volatile input material costs and consistent reliance on imported materials due to uncertainty of supply requirements undermining incentives to invest in local productive capacity
Opportunities	*Threats*
• Public and private sector investment in infrastructure projects is expected to drive growth • The fundamental need for infrastructure remains • Contactor development pipelines as structured in law (under South Africa's PPPFA and BBBEE codes) can be positioned to nurture small construction contractors and grow them into medium or large-sized contractors with the assistance of developmental platforms and structured purchase order/working capital financing (aligned to promote CIDB progression). Executed correctly and with adequate community engagement, such approaches can constructively delegitimise bad actors claiming to represent community interests and genuinely empower broad based cohorts of smaller firms • South Africa's cohort of CIDB Grade 9 construction firms are established operators on a continental scale and well placed to build export business lines into the new African single market • A well-coordinated workforce development system, based on a reform of current vocational training pipelines to become demand driven and project-linked, could provide meaningful career pathways for the thousands of graduating trainees each year and significantly boost South Africa's productive capacity	• Bad actors (presenting themselves as community business forums) have in many areas 'gangsterised' community contracting interfaces, through rent-seeking, obstructing projects to the point of abandonment in some cases • Can be a hazardous industry for workers • Electricity supply availability has had a serious impact on construction projects, causing costly delays • Large-scale (CIDB grade 9) construction companies are increasingly reliant on work outside of South African market to remain solvent

Electricity, gas and water

Strengths	*Weakness*
• Eskom generates, transmits, and distributes electricity to a wide variety of parties in South Africa and to surrounding countries • The new independent power producer regulations , as well as South Africa's internationally admired process for renewable energy IPPs, lay the groundwork for a much more diversified energy system supporting a higher growth economy • With respect to the energy, water and gas sectors, South Africa has well established public and private sector research and development capabilities that can establish industrial scale capacity in deploying and advancing new technologies	• Unreliability of supply has driven South Africa's energy availability factor to low levels, experienced by citizens and businesses as "load shedding" when supply is negatively shocked through failures across the fleet of centrally managed power stations. • At the same time, due in no small part to just transition complexities (see threats), the onboarding of renewables as an alternative has not been fast-tracked in line with South Africa's potential • Distribution systems that are copper wire intensive are frequently crippled by cable theft, representing a major challenge for a range of sectors • Deficit of skilled human capital to maintain and service existing infrastructure and develop and deploy independent power production sites distributed locally as microgrids • Natural gas, the least emissions intensive of the hydrocarbon fuels, is undeveloped in South Africa and carbon pricing considerations may undermine its competitiveness over the time horizon required to realise investments in gas infrastructure • Water infrastructure is poorly maintained and watershed management is not well configured for South Africa's semi-arid status. This is being exacerbated as climate change concentrates rainfall in less frequent and more intensive bursts, overwhelming infrastructure and leading to floods, with long cycles between rain resulting in droughts, again exacerbated by poor watershed management.
Opportunities • The unbundling of the Eskom value chain into two competitive marketplaces for generation and distribution, linked and coordinated by an independent transmission system and market operator (ITSMO), presents huge opportunities for broad cohorts of industrialists to generate and distribute competitively priced energy wherever it is geographically required. This shift to distributed markets has huge implications for market depth and width, offering the opportunity to convert – for instance – the 30 percent of bulk electricity lost to non-billable outflows (mainly illegal connections) into locally distributed, low-cost billables • The energy sector is an input of, and therefore an enabler of, all other economic sectors. Competitively priced energy (which, in the age of carbon pricing, increasingly means green as well as cost-effective) is an enabler of cross-cutting economic growth • South Africa possesses globally leading potential to produce solar and wind energy at large volumes, with green energy being a major export competitiveness scaler for key	*Threats* • South Africa's massive advantage with respect to renewable energy capability has to be weighed against the risk of accelerating the collapse of livelihoods in the hydrocarbons sector (noting that that the contraction of the export market for hydrocarbons – particularly coal – is already on a downward trajectory) without a clear strategy to fund a just transition (potentially through cross subsidy from renewables) • Without a predictable demand schedule for renewable energy, investment in local component manufacturing at a scale that would make pricing competitive will be compromised • Climate change induced water risk will place constraints on water as both a public resource and an industrial input.

sectors such as manufacturing. It is also the most critical input into the electrolyzation of green hydrogen, a huge potential export commodity • The volume of green energy production required for export market driven green H_2 and green ammonia is sufficient, if tied to strategic localisation initiatives, to seed a layer of tier 1 renewable energy component suppliers • South Africa has the opportunity to harness innovations emerging from its R&D eco-systems to manage watersheds much more effectively and ramp up the re-use and reprocessing of mine water (and thus reduce the cost of water as an industrial input)	

Transport, storage and communication

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

to participate in the commercial evolution of the public transport network • Enabling, coordinating and public-private cost-sharing to drive digital infrastructure as a platform/scaler for all categories of digitally enabled growth	• Rail-based public transport has safety issues and unreliability due to criminality driving down passenger numbers and revenues • The country's digital communications infrastructure requires additional investment, with private sector investment leading most the build without a systematic design platform from the public sector, to optimise end-to-end connectivity; further exacerbated by a lack of meaningful co-investment vehicles for public-private collaboration

Finance, insurance, real estate and business services

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

to entry, provided connectivity challenges can be resolved	

Community, social and personal services

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

Health Care Sector

Strengths	*Weaknesses*
• Existence of a wide network of health care infrastructure (public and private). • Highly efficient private healthcare system (infrastructure and administration). • Existence of dedicated specialist private hospital facilities.	• Existing Healthcare infrastructure (Hospitals and Clinics) in need of major renovation and rehabilitation. • Challenges with availability of medicines at some public healthcare facilities. • Challenges with availability of medical doctors and specialists at some public healthcare facilities.
Opportunities • Implementation of the National Health Insurance (NHI) by 2030. • Development of more dedicated nursing colleges (training facilities). • Consolidated private and public heathcare delivery platform. • Provision of high quality healthcare uniformly across the country and its citizens.	*Threats* • Concerns about the management of the NHI (Healthcare infrastructure and scheme management). • Current reputation of public healthcare facilities of delivering a non-satisfactory service to citizens. • Public distrust in the government plans and policies. • Emigration of health sector professionals and specialists.

ANNEXURE 2: INCENTIVES

A guide to some of the dtic Incentive Schemes is available on request.

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

These incentive programmes are grouped into the following clusters:

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

Please consult the relevant guidelines for more detailed information, available via the dtic website (www.thedtic.gov.za) under "Financial Assistance" or from the various administrative offices at the dtic Campus. Application forms can also be obtained via the website.

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