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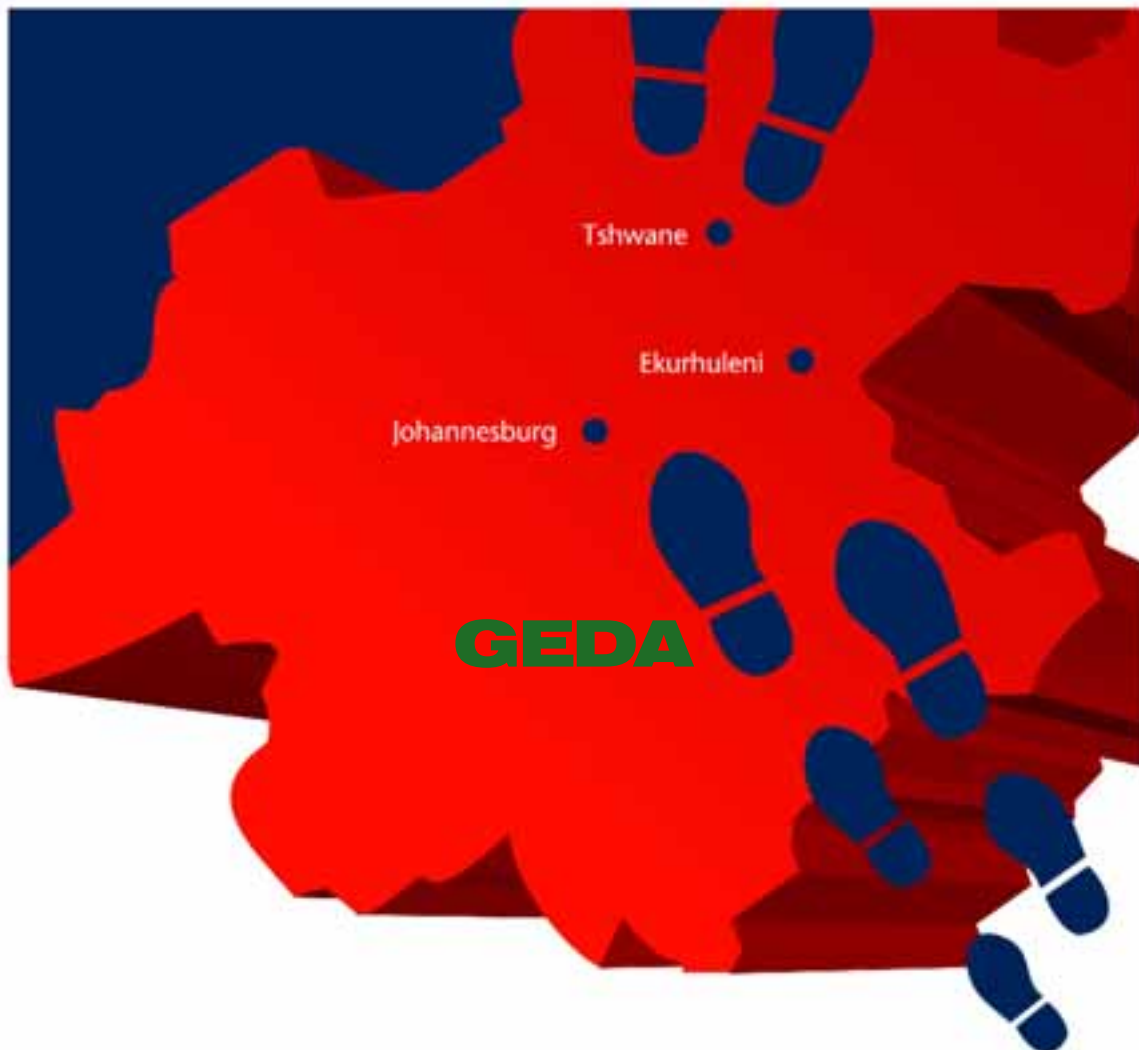
South Africa's regions

Alive with possibility

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Entrepreneurship in the global interest

Now in its second decade of freedom, South Africa is focused on sustained growth and inclusion

Since Apartheid was abolished 12 years ago, the South African government has steadily created a stable political and economic environment for its people. Both private and public sector investment have entered a rising trend, supported by strong inflows of foreign capital. President Thabo Mbeki is now focused on achieving higher levels of sustained growth through investment, to ensure greater levels of employment and inclusion for the country's diverse 44 million population.

In the past year alone, this highly promising emerging market has seen many of the largest foreign direct investments in its history. All business sectors are open and there are almost no restrictions on the form or extent of



Essop Goolam Pahad, Minister in the Presidency

foreign investment. The International Marketing Council (IMC) has been pivotal in raising South Africa's international profile. IMC's CEO Yvonne Johnston says: "We have developed a solution-orientation that says no matter who you are, we are a "can-do" nation. The country is alive with possibility."

Since Apartheid, global integration has been a priority for this new democracy, which has taken a leading role in working with other nations and organizations to create an environment more favorable to development across Africa and the world. The Department of Trade and Industry has made huge strides in creating a more level playing field. As its Deputy Minister Rob Davies says: "We have tackled a number of trade issues, such as the agricultural subsidies and tariffs of the EU, which are hindering the development of African economies."

Recognizing that resolute, concentrated action, delivery on commitments and more innovative partnerships are needed for the continent to embark on a sustainable growth path, President Mbeki launched an Accelerated and Shared Growth Initiative for South Africa (ASGISA) last year. The initiative aims to halve unemployment and poverty by 2014, twenty years after democracy was installed.

Essop Goolam Pahad, Minister in the Presidency says: "On a macroeconomic level, we have done extraordinarily well, but we face some serious challenges in growing our second economy. Our first priority must be job creation, to

Ministry of Tourism



Entabeni Game Reserve, Limpopo Province

reduce the number of people on social security, and identify the skills base for work."

For South Africa to further succeed then, work is needed at a grass roots level. With the development of democracy came the realization of a strong federal system, with local administrations on provincial and municipal levels. Each of the nine provincial governments in Eastern Cape, Western Cape, Northern Cape, Free State, Gauteng, North West Province, Mpumalanga, Limpopo and KwaZulu-Natal, is embracing the ASGISA, and industriously taking stock of the shortfalls in skills and investment in order to create jobs.

Black Economic Empowerment is slowly but surely creating a more complete social landscape, with 2001 figures showing that 61% of the black population now hold professional, associated professional and technical positions. Moreover, diversification and beneficiation have become the new watchwords. Primary industries, such as mining and agriculture, are being scrutinized for their value-added factor and more attention is being paid to developing small and medium enterprises (SMEs) than ever before.

Tourism is also key. As Rejoice Mabudafhasi, Deputy Minister, Department of Environmental Affairs and Tourism notes, the tourism opportunities in South Africa are as diverse as the provinces themselves.

Greater business engagement in all these areas could help reduce poverty and speed progress towards the UN's Millennium Development Goals. The motto here is "entrepreneurship in the global public interest".

The World Economic Forum on Africa takes place in Cape Town, the country's legislative capital, between 31st May-2nd June and is the region's most important gathering of leaders from the world's political, business and civilian communities. It is hoped that lessons learned from best practices around the continent will provoke concerted action that engages business as a catalyst for change.

Gauteng

South Africa's 'Smart' Province

Despite being the smallest of the South African provinces, Gauteng is nonetheless an economic powerhouse and Africa's fourth wealthiest region. Home to some eight million people, Gauteng means "Place of Gold"—so-named to mark the discovery of gold in the province's capital, Johannesburg, in 1886. Today, Gauteng contributes 40% of South Africa's total GDP and its main sectors are manufacturing, finance and trade.

Paul Mashatile, Minister of Finance and Economic Affairs explains: "Our 1997 trade and industry strategy repositioned Gauteng away from primary industries to become a "smart" province. We created a program called Blue IQ—a multi billion dollar initiative to develop economic infrastructure for specific major projects in the smart industries, high value-added manufacturing and tourism."

Blue IQ works as a catalyst to promote strategic private sector investment in key growth sectors of the Gauteng economy. "At the time, we identified 11 projects that would benefit, including an automotive supplier park, a science park at Pretoria that is quickly earning a reputation as a hub for innovation, and the Gautrain rapid rail link that will create more than 100,000 jobs and be completed in time for the Soccer World Cup in 2010."

The sharp focus on ICT has not gone unnoticed internationally. Gauteng has already attracted IBM, Vodafone and Virgin, who have been impressed by the benefits of South Africa for business outsourcing, particularly in terms of call centers. Keith Khoza, acting CEO of the Gauteng Economic Development Agency (GEDA) says: "In the past, India was the beneficiary of all call center initiatives because of the cost element. However, South Africa now appears to be a more serious contender as our

"Our activities are as broad as the economy," Keith Khoza, Acting CEO, GEDA

time zones are more compatible with Europe."

GEDA has been enormously successful in harnessing investment for the province, to the tune of 4.2 billion Rand (\$0.69 bn). As the first port of call for investors, GEDA is a platform for networking and finding partnerships. Mr Khoza says: "We project potential opportunities in investment and trade, which have received impressive attention both nationally and internationally. Our strength lies in being an all-rounder—our activities are as broad as the economy."

GEDA is looking to expand its remit even further, to mobilize business participation on economic decision-making, for example, by facilitating investment in specific ways. Khoza says: "We want to position ourselves as advisers on such things as security risks for investment, to be able to develop an understanding of the various sectors



Emperors Casino, Gauteng



Left: Paul Mashatile, Minister of Finance and Economic Affairs



Center: Keith Khoza, Acting CEO, Gauteng Economic Development Agency



Right: Cawe Mahlali, CEO, Gauteng Tourism Authority

and trends. Gauteng's economy is powerful and it must be supported by a powerful institution that knows the market and can speak about the market."

Gauteng is home to some of the most interesting cities in South Africa. From the dynamic Johannesburg to the vibrant Soweto to the famous Pretoria, there is a cosmopolitan and multicultural ambiance that reflects a myriad of cultures. The province offers museums, theatres, galleries, cultural precincts and excellent shopping facilities.

Since 2000, however, the government has focused on using sustainable and responsible tourism concepts to influence economic projects in under-developed areas as well. Under the Blue IQ program, Cliptown and Newtown are undergoing regeneration, for example, while a "Big-5" game reserve is being developed at Dinkeng.

Cawe Mahlali, CEO, Gauteng Tourism Authority, says: "It is said that every eighth tourist that comes to South Africa creates one job, and this is what we are aiming for. Gauteng is a world-class destination, with both business and leisure tourism. It is a bonus that the business traveler has a game reserve so close to the metropolitan area, for example. We also have the Cradle of Humankind and Freedom Park, a monument to what happened during Apartheid."

Next on the itinerary is an important branding exercise. Ms Mahlali says: "In the run-up to the World Cup, all eyes and ears will be on South Africa and Gauteng. That is a tremendous opportunity for us to show the world everything we have in the province."

Northern Cape

A Sparkling Investment Prospect

The Northern Cape's capital Kimberly was once the world's premier diamond center. Now, the province contributes only 2% towards the country's GDP. However, things are rapidly changing for this diverse region, as it develops new potential in mining, manufacturing, agriculture, ICT and tourism, and plots its position as an astronomical hub.

O.P. Dikgetsi, Minister of Finance and Economic Affairs says: "People look at the province as a diamond mining area only, but it is also home to more than 60% of the world's reserves of iron ore and good quality manganese. If we turn those into commodities we can sell, the industry has the potential to grow considerably."

The government is clear on other areas in need of a value-added boost. "The region is bursting with grapes, for example, so we are investigating wine and raisin production to ensure we add value at the same time," Mr Dikgetsi says.

The Northern Cape's dry climate is a boon for cotton production, while its barren landscape has yielded surprising opportunities in the field of cutting-edge science. The Southern Africa Large Telescope, for example, the largest single optical telescope in the southern hemisphere, was completed at Sutherland last year, while South Africa is

bidding to build the world's largest telescope, the Square Kilometer Array, (SKA) which will have a receiving area of a million square miles.

As Dikgetsi explains: "We occupy almost 30% of South Africa's landmass, yet we have only 2% of the population, so we don't have a problem with noise

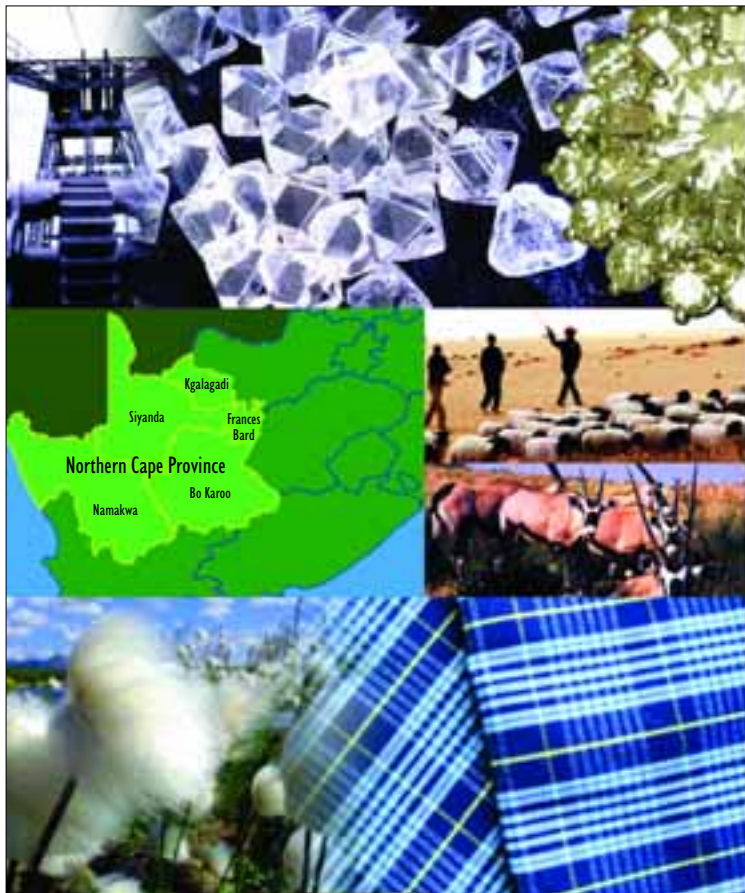


O.P. Dikgetsi, Minister of Finance and Economic Affairs

pollution or radio frequencies. This hub of scientific activity can create non-scientific value, in tourism for example."

Dikgetsi is also keen for the wool and sheepskin currently exported in its natural form to Italy and Turkey to be handled inhouse. In mining too, there are large gaps of opportunity. According to Dikgetsi, the local industry currently spends around 6 billion Rand (\$1bn) on procurement. He says: "Whatever we require is imported. We need to develop small, local businesses so they can provide what we need."

Diamonds still loom large on the investment landscape, of course, and this is where the real beneficiation should take place, Dikgetsi says: "Currently, the advantages for cutting and polishing lie in India and China, but we would like to bring the industry back here. We are meeting some potential investors this morning and will be treating them very well!"



Mine and field to diamond and yield

Nature gives her best in the Northern Cape, from the world's finest diamonds to quality agricultural commodities, and clear skies that have made us an astronomy hub. Our industry seeks complementary value-added processes to lengthen the value chain: refining, beneficiation, transformation, education and IT, among others. Everywhere one looks, opportunities like gems await to be harvested in our fertile lands.



Northern Cape Province, Ministry of Finance and Economic Affairs
 Metlife Towers, 14th floor, Market Square,
 8301 Kimberley, Northern Cape Province, South Africa.
Tel: +27 (0) 53 839 4000 **Fax:** +27 (0) 53 839 4010

Mpumalanga

South Africa's "Paradise Country"

As home to one of the world's largest canyons and South Africa's flagship game reserve, Kruger National Park, the Mpumalanga province can boast a wealth of natural assets.

Mining, manufacturing and agriculture are the province's main GDP contributors—making Mpumalanga the fourth richest of South Africa's provinces. It is the only area in the world where gold and coal are mined side-by-side, and where petrol is made from coal for commercial purposes.

In the last four years, Mpumalanga has recorded a healthy growth rate of around 3.2%, higher than the national average but below the provincial government's 6% target. Nonetheless, firm macroeconomic principles have been introduced to stimulate growth.

Situated on the north-east coast of South Africa, on the borders of Mozambique and Swaziland, the province enjoys a sophisticated business sector, well-served by a range of

professional services. It has a developed infrastructure, easy access to overseas markets and an abundance of semi-skilled labor.

Sipho William Lubisi, Minister of Economic Development and Planning says: "We are trying to establish a stable, long-term, cost-competitive and fiscally



Sipho William Lubisi, Minister of Economic Development and Planning

sustainable environment in which businesses feel welcome and are recognized as the principal generators of employment and wealth necessary to maintain and enhance the quality of life for our residents."

The Ministry's biggest challenge is to make small and medium enterprises (SMEs) more competitive and sustainable. Mr Lubisi says: "We are undertaking a major study of our key industries to see exactly how we can make them more viable, for everyone's benefit."

With this in mind, the Ministry is developing a comprehensive funding strategy, likely to be sector-focused. A new entity—the Small Enterprise Development Agency (SEDA)—will soon come to fruition to work with managers in the key business sectors, to drive competitiveness and improve economic performance in the province.

Two concepts featuring highly on both the Ministry's and SEDA's agendas are value-addition and beneficiation. As Lubisi explains: "The province is rich in minerals such as gold, granite, vanadium [a metal used to make alloy steels], platinum, verdite, iron ore, chromite and coal. However, beneficiation of these minerals is close to non-existent, except for chromite, which is made into ferrochrome and stainless steel, and gold, which is manufactured into pieces of jewelry. Most mineral resources are exported in their primary forms."



Mpumalanga Tourism Ministry

Breathtaking beauty at the Blyde River Canyon

Mpumalanga is also blessed with succulent fruit and vegetables, so its conducive climate makes the production of many value-added foods possible, such as fruit juices, jams and canned and dried fruit. The government is seeking partnerships with other players in this sector to increase its competitive edge in the marketplace. Lubisi says: "We have a challenge when it comes to water as there are not enough dams. We must build more to capture our water and make sure our agriculture flourishes."

The Mpumalanga government is keen to introduce more industrial parks, in addition to the three already in existence, to both attract foreign direct investment and give investors the dedicated space needed to set up production facilities. The Mpumalanga Investment Initiative (MII), based in the province's capital Nelspruit, is a one-stop shop that diminishes the relocation red tape for potential investors. MII has led a number of missions in different parts of the world to try and draw investors into the province. Lubisi says: "To reduce business costs, we are looking at developing more self-contained areas which have the infrastructure, the skills and the space the investor needs."

"In tourism, we are effectively sitting on a goldmine."

The province has an excellent infrastructural network, which was developed after the 1994 restructuring. Its main highway was made into a toll road, which has been key in moving the economy forward, as most goods are transported by road.

Mpumalanga also taps into an under-used resource for exporting goods, in the form of the deepwater harbor at Maputo, in Mozambique. This works out more cost-effective, as the shorter distance reduces transport costs and it is less congested than the alternative, Durban.

Lubisi says: "Our strategic location, as the corridor between the two countries, is set to boom, so we are constantly engaging with the private sector to help us with road and rail improvements."

In terms of trade, Europe is Mpumalanga's single largest export destination and accounted for around 40% of the province's export earnings over the 1996-2002 period. Other markets include North America and Asia, which make up 19.4% and 18% respectively. Lubisi says: "Most of our exports are commodity-based, such as ferro alloys and coal. The province's regional share of exports has dwindled in recent years, which is why we need to focus on investment and SMEs."

Job creation and Black Economic Empowerment are also priorities. Under the national ASGISA policy, SMEs will play a key part in harnessing some of the wealth locally. The Ministry is currently discussing a start-up loan scheme with the newly established Mpumalanga Economic Growth Agency (MEGA), for example, to help local people get a foot in the door, commercially speaking. As Lubisi says: "We are also extending a non-financial service to provide support in managing a business, how to reinvest etc.—all important elements in helping SMEs to grow."

Tourism is one sector where SME growth potential beckons. Mpumalunga received around 6.1 billion Rand (\$1bn) in revenue from both domestic and international tourism in 2003, with direct spending amounting to 4.5 billion Rand (\$0.74 bn), mainly from European visitors.

Kruger National Park is arguably the province's biggest attraction, offering tourists a feast of archaeological and natural treasures, including buffalo, elephant, leopard, lion and rhino. Visitors can also enjoy bird-watching, fly-fishing, hiking and walking, with bungee-jumping and rafting for the more adventurous.

Despite the uniqueness of the tourism product, however, there is room for improvement and this is a major aim. Lubisi says: "In tourism, we are effectively sitting on a goldmine that has not been fully exploited. Increasing our market share is paramount, especially given the economic spin-offs that could be made from this sector."

MPUMALANGA

Overflowing with business opportunities

Mpumalanga is diversity, and diversity is opportunity. Nature, culture and industry are the hallmarks of this land which connects north and south as part of the Maputo Development Corridor. Our infrastructure allows industry to flow: steel, petrochemicals, wood pulp, paper and sugar, to name a few. **Discover our diversity and find your opportunity.**



Mpumalanga Provincial Government Department of Economic Development & Planning

Private Bag X 11215, Nelspruit, 1200, South Africa
Tel: + 27 13 766 4004 Fax: + 27 13 766 4613
www.mpumalanga.gov.za/dedp

North West Province

Mineral-rich and Naturally Fortunate

Nestled between Botswana and Gauteng, North West is South Africa's most mineral-rich province, providing 25% of the country's mineral resources, and contributing a third of South Africa's platinum supplies. The province relies on its mining sector, which makes up almost a quarter of the country's GDP. Aside from that, private sector activity is relatively low.

Darkey Africa, Minister of Economic Development and Tourism says: "Given the structure of our economy, we are now placing much more emphasis on small business development. SMEs will be a critical driver of the economy. Manufacturing, tourism, infrastructure and skills development are also important."

BMW, Samsung, Tiger Wheels and Bosch are among the international entities to have chosen North West as their base, but the government wants to do more to create wealth. Mr Africa says: "We are positioning ourselves as the principal province in platinum beneficiation and are looking at its various applications. We are also talking to India which is keen to invest in beef beneficiation, for example."

The newly created Mafikeng Industrial Development Zone (MIDZ) will be an important platform from which to develop partnerships and bring much-needed employment to a rural

area. A bio-diesel project, which will create fuel from certain plant species, is taking shape and will be a critical anchor of the MIDZ, according to Africa. He says: "Namibia and Botswana have expressed an interest in placing orders for the plants producing this clean fuel, for example, and it will also have an



Darkey Africa, Minister of Economic Development and Tourism

impact on the automotive industry, as vehicles will have to be adjusted."

As home to the vibrant Sun City and the Pilanesburg National Park, tourism in the North West is already sophisticated, but the Minister is looking expectantly towards the 2010 Soccer World Cup as a revenue boost. He says: "The experience people have during the tournament will make them ambassadors for our country. They will not only speak about the great soccer, but also what a great place South Africa is."

Africa the minister, is also hopeful about Africa, the continent. He says: "We urge the eminent people of the World Economic Forum to face the critical challenges affecting international trade, so that we can all see growth and meet our Millennium Development Goals. With a high level of partnership, we will reach them."

Dedicated to a diversified and prosperous economy in the North West Province

The vibrant economy of the **North West Province** offers unique opportunities in beneficiation processes to complement the mining sector for gold, platinum and diamonds, as well as in cattle and agricultural production. Current development underway includes bio-diesel projects, an automotive cluster, a dry-port logistics hub and other projects that pave the way to our objective of sustained economic growth.

North West Province Department of Economic Development & Tourism
Private Bag X15, Mmabatho 2735, South Africa, Tel: + 27 18 387 -7700 Fax: + 27 018 392 - 5660
dseshabela@nwpg.gov.za <http://www.nwpg.gov.za>

Durban

Where Fortunes are Best Placed

Based in the KwaZulu-Natal “garden province”, this vibrant city of around 3.5 million people is bursting with investment opportunities and, with its reputation as a coastal playground, is also a very desirable place to live.

“Business and pleasure are a lifestyle that people are searching for more often these days in the same location,” says Russell Curtis, acting head of the Durban Investment Promotion Agency (DIPA). “We are business entrepreneurs, but we also have families and recreational/lifestyle aspirations.” So, with 100 km of sandy beaches and a cosmopolitan cityscape, Mr Curtis knows only too well the edge his city has on other top business locations. He says: “Often you find the business capital is not the cultural or tourism capital. Here in Durban, however, we feel we have the best combination of the two.”

The perfect work/life balance is just one of the “Super Seven” advantages Curtis lists that make Durban an attractive prospect. He says: “We also have a large event-led tourism base, which includes business tourism. Our International Convention Center has been rated “Best African Convention Center” for the last six years and we are already doubling its capacity.”

Advantage number three is Durban’s administrative structure, which, according to Curtis, has earned it the moniker of “Africa’s best-run city” in terms of governance, infrastructure and finance. He says: “We spend 20% of our annual budget on capital investment. Most business centers spend half of that, if not less.”



Russell Curtis, Acting Head of DIPA

With 57 berths and welcoming around 5,000 ships a year, the port is the largest and busiest in Africa. Together with its sister port in Richards Bay, Durban controls most of South Africa’s import and export traffic and has grown as an important trading hub. The city can also boast sophisticated telecommunications, road and rail networks.

Another key factor, on the wane in most other metropolises, is an abundance of both green and brownfield sites. “In Durban and the surrounding province, we are not constrained by natural formations that could hamper development. Land is therefore available for industrial, commercial or residential use.”

Durban is already an economic success story, which is also a major attraction. As Curtis points out, investors go where business is already thriving and Durban has a portfolio of entrenched businesses that many centers would be proud of, such as Toyota South Africa. Right now, it is



A snapshot view of South African wildlife

developing its ICT and knowledge-based cluster. Curtis says: “We have a university with capacity for 45,000 students in the province and are aggressively addressing the demand for skilled and semi-skilled labor.”

Finally, Durban has been enjoying growth rates of late that outpace the national average, something which is increasing business confidence no end. Curtis says: “Just within the greater Durban area we have a flagship list of about 30 projects, ranging from the Dube Tradeport—a multi-modal logistics platform incorporating a digital cyberport—and the port expansion. There are opportunities in tourism, automotives, textiles and chemicals.

“We are confident that once you get Durban in front of people, it almost sells itself.”

