



With an improving, growing economy and boundless motivation for change, South Africa is making rapid progress.



South Africa is an economic powerhouse, thanks to abundant energy resources and extensive, untapped mining potential.



South Africa has more than just the 'Big Five' to offer the curious tourist. Explore the Rainbow Nation, birthplace of humanity.

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Macro-stability, the future vision

As the second largest and best developed economy in Africa, the Rainbow Nation holds the key to unlocking the continent's full potential.

To imagine Africa's future, we first need to look at the past and see how far the continent has come. This is a symbolic year for South Africa, as it marks the 25th anniversary of the release of Nelson Mandela, both a titan of hope for the whole continent and a symbol of a nation's progress. This year in Cape Town, from 3rd to 8th June, the World Economic Forum will hold a series of talks and events to bring together regional and global leaders from business, civil society and government, to identify the progress made over the past decades, share insights on innovative approaches to economic expansion, and discuss how Africa can develop sustainably for the benefit of all.

Africa, and South Africa in particular, have posted impressive numbers over the last 15 years, averaging two to three percentage points above world growth figures. There is much more to be done, and for this, the continent as a whole needs strong multinational leadership. Using its competitive advantages of a world-class legal framework, a well-developed financial system and a young population, the Rainbow Nation is ready to propel itself forward and be the driver for a better Africa.

For sustainable change to happen, it will need double-digit growth to provide more jobs for its young population: however, with resources as lucrative as gold, diamonds, iron ore and platinum, and thriving tourism and energy potential, South Africa can become a hub for the wider region, while Africa as a whole is set to overtake both India and China in the key working age demographic.

Dr. Rob Davies, Minister of Trade and Industry, says, "South Africa, along with Africa as a whole, has long been considered a producer and exporter of primary products. Most of the value derived from those products doesn't come from primary production. It takes place in the value-addition process, so the ambition of South



Dr. Rob Davies
Minister of
Trade & Industry



Siphso Zikode
Acting CEO
SEDA



Matsietsi Mokholo,
Acting DG, Dept. of
Public Enterprises

Africa is to move up the value chain and begin industrialising the country and the continent, which will characterise the next phase of growth and development. For South Africa, we see industries linked to infrastructure as key drivers of industrial development, such as the emergence of green industries and the renewable energy sector." And, as Dr. Davis explains, it is important for the continent to work towards common goals that will benefit all, such as the formation of a free-trade zone that will help link up the different regional economies that currently do not interact as well as they should, putting the brakes on even bigger growth.

In 2014 South African GDP increased by 4.1% quarter-on-quarter, and manufacturing, a key area the government is hoping to utilise as an engine for growth,

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also expanded by an impressive 9.5%, highlighting why the sector is vital for the future, thanks to the value addition it brings. “African prospects are better than they used to be and we welcome that,” he says. “We will help establish a free-trade area from Cape Town to Cairo, where there is a combined GDP of about \$1 trillion, and a population of 600-700 million. The African Union will also work towards a continental free-trade area as the next stage, to bring in West and North Africa.”

All of which excites Miller Matola, CEO of Brand South Africa. With the macro-economic picture in South Africa looking positive, reflected in an unprecedented 62 quarters of uninterrupted economic growth between 1993 and 2007, and a solid return to expansion following a dip during the global economic crisis, South Africa’s prospects are driving excitement about the possibilities investment will bring.

“Infrastructure is critical across various areas: energy, transport, and social infrastructure, and the renewable energy sector will fuel the economy. We are also looking at ICT, manufacturing, agro-processing and profitable processing of minerals,” he explains. “With Brand South Africa’s participation in nation building, and their contribution to increased social cohesion paying off, the benefits are clear for a society like ours that comes from decades of apartheid. A unified society is more productive, much like a unified Africa will be when trading barriers are removed.”

This idea of a unified society is one that Siphso Zikode, acting CEO of SEDA (Small Enterprise Development Agency) can get behind. His agency understands that SMEs are the true drivers of growth, and that support for their development is needed: “This is a country of angels. Apartheid was a cruel system, and the racial hatred it created was horrible. However, white and black people are better off now, and although we face some challenges, such as crime, South Africa is the place to be for business. We have created a positive environment for investment for generations to come. Also, if you look at developed countries, SMEs play a huge role in economic expansion. Here in South Africa, infrastructure is an area our SMEs can help to develop, thereby increasing employment and reducing poverty.”

The reduction in poverty levels is central to the South African plan, with the aim of lowering the proportion of households with a monthly income of below ZAR 419 (£23) per person from 39% to nil. Couple this with an ambitious aim of reducing inequality (Gini coefficient) from 0.69 to 0.6 by increasing employment from 13 million to 24 million by 2030, and of raising the per capita income from ZAR



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Yunus Hoosen
Chief Director
TISA



Kgositso Ramokgopa,
Executive Mayor
City of Tshwane

50,000 (£2,735) to ZAR 120,000 (£6,563) by 2030, the success of the National Development Plan (NDP) is key.

The NDP will create Special Economic Zones (SEZ) and Industrial Development Zones (IDZ), and is a framework to protect local and international investors, and encourage more FDI. The Chief

Director of TISA (Trade and Investment South Africa), Yunus Hoosen, has seen government policies pay off over the past 20 years: “In 1994 we had about ZAR 1 billion of investment; today we have about ZAR 60 billion. We facilitate this as an investment agency providing investor services. We have the SEZ, which support ICT with ICT parks, and Business Processing Outsourcing is a vertical that will be in these parks. We envisage 10 SEZ: oil and gas, manufacturing, and trade and logistical hubs. With incentives such as a customs control area, labour subsidies, a 15% tax rate and tax allowances, it will become even more lucrative to set up here.” IDZs are an integral part of the NDP, and a prime example of the government looking to stimulate growth in value added industries, to compliment the rest of South Africa’s quality infrastructure. As Hoosen explains, “We currently have six IDZs, and are embarking on an international investment promotion to promote this programme, with 37 economic officers working in 44 countries. Each IDZ has a special value proposition, such as the Dube IDZ, a trade and logistics hub.”


Local government is also pushing forward. In the words of Kgositso Ramokgopa, Mayor of the City of Tshwane: “We have a policy of investment attraction and retention. There are three areas we are focusing on: government services, as the biggest source of employment, financial services, and construction. People are discovering our city as a prime location for investment.” (More on Tshwane on page 8.)



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Invested in powering ahead

South Africa is on the verge of a golden age in energy and looking inside and outside the country to build a grid to support major growth.

In a continent where a lack of reliable and affordable electricity can hinder development in rich investment areas, South Africa is conversely on the precipice of a golden age in energy. With electricity consumption having grown rapidly since 1980, the country is powering ahead to meet ever-increasing demand as urbanisation and industrialisation continue to rise. It is also a significant member and a vital part of the 12-nation strong Southern African Power Pool (SAPP). The initiative, which promotes a regional grid with the ultimate aim of electrifying rural areas, has an installed generating capacity of 54.7 GWE, 240.3 billion KW of which is primarily coal-fired, through South Africa's state energy company Eskom.

Africa's most southerly country is, however, reviewing its energy generation mix and working towards a healthier balance of fossil fuels, solar, wind, nuclear and hydropower, all of which present exciting investment opportunities. Currently a third of the country's fuel comes from coal, but along with the issuance of fracking licenses, the government has unveiled 47 construction opportunities for renewable energy sites, which have provided short and long-term jobs for local people. Two nuclear reactors generate 5% of the country's electricity and there are firm plans in place for some 9,600 MW more to be generated over the next decade - but, of course, huge capital investment is needed.

Thembisile Majola, Deputy Minister of Energy is positive: "We have worked a lot with nuclear power and we do it in a safe manner, in a very sustainable way. Cape Town, for example, is nuclear-powered. Among the benefits of nuclear is its medicinal use, which we are now exporting to the rest of the world. We are using it locally and exporting it to over 30 countries. It is used for diagnosis, which is a very important issue. People don't understand that nuclear is not only about weapons and power generation.

"South Africa also has potentially huge reserves of gas. Although not a renewable source, it is a much cleaner source of energy. South Africa is very keen for its partners to invest more in helping them to develop diverse clean energy sources. The country and the government are looking for investment in a refinery capacity in order to begin producing more renewable energy. As a country we actually do have the available power to meet the demands and needs of our population. The challenges come in terms of the network, and the distribution network in particular. This issue of networks is definitely being tackled now."

Over at the South African Nuclear Energy Corporation Ltd. (NECSA), CEO Phumzile Tshelane, discusses the gap between supply and demand: "We have coal reserves that can last us more than a 100 years; coal is a source that we now know how to use cheaply, and its potential is higher than any other source. That said, a healthy energy mix is essential, along with sound infrastructure, in order to be able to better diversify the energy sources. The government is focusing on nuclear energy having a nuclear build programme and a huge amount of money is being invested in



Phumzile Tshelane
CEO
NECSA

research and development. It's not just about building a power plant: it's about building an industry around nuclear power plants, which is a much more powerful way of injecting activity into the South African economy.

"These power plants are constructed over a period of 5 to 10 years, and further activity is to come. "With this, you can create approximately 150,000 jobs (30,000 direct jobs). And we are talking about sustainable jobs because they are interwoven with the process of industrialisation."

NECSA has two entities: NTP Radioisotopes SOC Ltd and Pelchem SOC Ltd, which act as commercial subsidiaries to domestic national bases. Pelchem's activities stem from developing fluorine-based chemicals, which form the foundations of industrial development, and are being exported to 21 different countries around the globe. NTP is a very important company as it supplies chemicals with varied established uses, from testing and energy, to therapeutic purposes and cancer treatments.

"NECSA has a strong capacity for research and how we continue to discover new products. It is important to maintain communications about the benefits of this research and its uses," Tshelane says. "NTP is the second largest producer of radioisotopes in the world, and we are hoping that in a few years it becomes the number one. We have also been working on a new medical chemical called Lutetium 177, which can be injected into patients to distinguish between an infection and an inflammation. The company feels it is an extremely important step as we are increasing our capability to export it to more and more countries.

"South Africans want their economy to grow, and energy security is the key to continuous growth. Very often we participate in public conferences to create awareness about the international-standard regulations that we uphold. There is a certain fear after Fukushima that the same thing could happen in South Africa, which we see as unlikely. We feel it's important to address the deeply held beliefs of anti-nuclear proponents through our demonstrated experience and expertise that makes nuclear power in South Africa both safe and efficient.

"For us to take Africa and South Africa to the next level, energy has to be a priority," says Dr. Mzubanzi Bismark Tyobeka, CEO of the National Nuclear Regulator (NNR). "South Africa has been successfully running nuclear energy programmes for over 30 years without any significant incidents. The government has signed agreements with China, France, and Russia that will culminate in a common process where the strategic partner will be selected and proceed with the 9.6 MW infrastructure, something which is currently progressing well.

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“The most important thing about this nuclear focus is the potential it has to correct the economy. It is essential that the country has enough energy for investors to come and work on projects and not go elsewhere. In building these plants, work can continue on the Grand Inga project for hydro-electricity generation. That combination will give South Africa an excess of energy in the country that can be used to fuel industrialisation and infrastructure development, and allow us to export to the rest of the continent.

“As with all sectors in a growing economy, public and private partnerships are essential for greater development and progress. NECSA is key player in the nuclear area, along with Eskom, which is generating many energy sources, nuclear being the most important. With this project, NECSA will play the role of operator, vitally important as they are the people looking after the fuel, imports, and such like. Once everything else is decided, NNR enters the picture.”

The NNR is the only regulatory body in Africa with extensive experience in overseeing nuclear power projects. It was one of the main founders, as well as being the most active member, of FNRBA, a forum for nuclear regulatory bodies in Africa that works to standardise radiation and nuclear safety matters and to coordinate the skills and experience of all members. The entity is part of an international forum called the Multinational Design Evaluation Programme, and the Regulatory Corporation Forum of the International Atomic Energy Agency, which is a large body of international nuclear regulators at which Dr. Tyobeka is currently vice-chairman.

Mining the opportunities

With huge deposits of gold, diamonds, coal and iron ore, it's not surprising that the country became Africa's richest from its mining capacity, and that mining is an industry that continues to thrive. South Africa is the world's largest producer of chrome, manganese, platinum, and vanadium, and the third-largest producer of coal.

Since 1869, when the 83½-carat Star of South Africa diamond was discovered close to the banks of the Vaal River, people have rushed to find similar riches and a booming diamond industry prevails to this day. High technology may have replaced the pick, and strict regulations now limit the free-for-all mentality of the late 1900s, but diamond mining still excites the investor as much as a diamond gift excites a loved one.

Overseen by the Minister of the Department of Public Enterprises, South Africa is developing and growing in many areas. Alexkor is South Africa's public mining company, which has combed rivers, beaches and the seabed along the northwest coast of South Africa in the search for unique, high-quality gems.

Over the life of the mine, approximately 10,000,000 carats of gemstone-quality diamonds have been recovered. Its other core activities include geology, exploration, ore reserve planning, rehabilitation and environmental management, and it also offers an assortment of other non-mining related activities, including the management of considerable investment funds, together with traditional support services (information systems, human resources, etc.) Percy Ntuthuko Khoza, CEO of Alexkor, explains the challenges and successes of this lucrative industry.

“The mining industry was interrupted by widespread strikes during the first half of 2014, resulting in a decline in activity in the first quarter (-22.8%) and second quarter (-3.0% decline). This was followed by positive growth during the second half of the year, with mining expanding by 3.9% in the third quarter and 15.2% in the fourth. The increased mining activity was due to higher production in the mining of other metal ores (including platinum) and other mining and quarrying (including diamonds).

“One of the main achievements in this era of transformation post-apartheid has been broad ownership of minerals and the provision of managerial possibilities for everyone, including previously disadvantaged people.

The important thing is that this has been based on expansion, not replacement of other races in the economy and society. Economy-wise, all the new development has been strongly affected by the 2007-2008 crisis, where many lost their investments. There is still a long way to go, but I've seen policymakers act in the correct way, so I'm optimistic.”

Investment partner of choice



Shanduka Group is an investment holding company seeking to pursue expansion into Africa, particularly in the energy, infrastructure and property sectors. Shanduka also facilitates access to financing, markets and advice for emerging entrepreneurs through its Shanduka Black Umbrellas initiative.

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Dr. Mzubanzi Bismark Tyobeka
CEO, NNR



Percy Ntuthuko Khoza,
CEO
Alexkor



Phuti Mahanyele
CEO
Shanduka Group

Alexkor is encouraging the government to invest in infrastructure that will drive investors to look at these complex deposits and fund the cost-effective technologies needed to exploit them. “We want to take advantage of these opportunities and position the company to collaborate with the private sector and further attract international investments,” Khoza says. “Despite certain difficulties over the years, there’s still a amount being invested in the sector and the opportunities are there. With further exploration of these opportunities forthcoming, Alexkor’s relationship with Eskom – supplying coal and taking over some less cost-effective mines – has already provided many opportunities. We view the UK market as an area where we could still raise funding and capitalise on knowledge and the learning curve in the energy field.

“For the bigger picture, Alexkor is looking at an intra-Africa perspective and forming a presence in other countries in the continent, as gem-quality diamonds are in high demand. There has been a lot of collaboration between countries in the Southern Africa Development Community in the mining space. We see a huge opportunity in the alluvial diamond sector in Zimbabwe, which Mozambique has also discovered downstream of the major Zimbabwean finds. Both countries are open to doing business with us and there are existing government-to-government frameworks that

allow us to work in those countries. Botswana is another.”

Meanwhile, with 125 years in 20 countries, construction giant Aveng has evolved exponentially in its character, capability and reach. Its origins lie in modest construction projects but the group now boasts expertise in steel, engineering, manufacturing, mining, concessions, public infrastructure and water treatment.

This South African consortium continues to make its mark across the globe. Aveng’s capability is underpinned by its broad footprint and diverse group of construction, infrastructure and engineering entities: Aveng Grinaker-LTA, McConnell Dowell, Aveng Engineering, Aveng Water, Aveng Manufacturing, Aveng Steel, and Aveng Mining.

Kobus Verster, CEO, takes up the story: “Our main objective is to expand in Africa, especially in Sub-Saharan and East Africa, and in Southeast Asia, not as contractors, but as localised companies. We have, for example, been in Singapore for 40 years. By developing a strong base in South Africa, we offer a complete package to our clients. Our focus is on long-term projects in energy projects, roads and railway. We have a solar Energy Plant in the Northern Cape and a wind farm in the Western Cape, and we would like to engage with serious investors in the UK.”

Matsietsi Mokholo, Acting Director General for the Department of Public Enterprises, an agency that has seven stable companies within its portfolio, including Eskom and Alexkor, sees a very bright future: “South Africa is growing in many ways as a country. We just started developing two major power projects. One is the BP gas station, the largest power station in the continent and the 4th largest in the world. That is a signal that we are investing. The government is taking the development of infrastructure seriously. Now we need to expand our partnerships. By continually seeking investment, it forces us as a country to continue growing. We are currently facing electricity challenges, because now electricity reaches places that have never had electricity before. So we need to learn from our mistakes and keep growing.”

Empowering others to strive for more

When it comes to South African businesses making an impact in the post-apartheid era, Invest in Africa Holdings Ltd (IIAH) stands proud as a beacon for others. Established in 2004 by partners Mandla Sibanda, Enver Asmal and Gabriel Reeder to



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The National Nuclear Regulator (NNR) is a world-class authority responsible for regulating nuclear safety over the siting, design, construction, operation and manufacture of component parts, as well as the decontamination and decommissioning of nuclear installations. It plays a leading role in many aspects of nuclear safety and security regulation in Africa.



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provide choice for those seeking credible investment partners, the high-powered firm boasts a combined commercial experience of more than 75 years in financing, mergers and acquisitions, private equity, engineering and infrastructure management. After starting out as an engineering consulting business that concentrated mainly on water and roads infrastructure, IAH then bought the assets for an airport-operating company. For five years it has been expanding into the energy sector, and now has an impressive engineering footprint in 12 African countries.

"We've become partners with a very substantial Saudi Arabian company called ACWA Power International," Sibanda says. "The first opportunity was a concentrated solar power plant. Being a fairly small enterprise, we just didn't have the balance sheet to invest in \$500 million projects, so we have focused on being the Southern African partner in the operation and maintenance of the new power plants."

The firm prides itself primarily on its technical and financial competence. It runs a successful graduate-training scheme, and offers engineers the practical skills they need to find employment. And, as Reeder points out, IAH is extremely proactive in its business dealings: "With ACWA, for example, we identified the project and conducted initial due diligence before approaching them with the project."

Links with the UK are also strong. "Our biggest partner is Mitchell Instruments, near Cambridge, who provides us with equipment, and we are also talking to a company that develops technology for milling mineral resources," Sibanda adds. "It is important that these technologies reach Africa - this is a significant market."

The partners are also keen to dispel any negative ideas about investing in Africa that the uninformed may harbour. IAH and companies like it have been nothing short of inspiring. As Reeder explains: "I believe South Africa's expansion has given a lot of credibility to doing business in Africa. If you look at the big South African companies that are out there doing business - MTN, Vodacom, Sasol and so on - people are looking and saying: 'Hey, if they are making money there so can we.'" MTN went into Nigeria when there were no global players looking at that market. That's why everyone else is now following suit."

Meanwhile, founded in 2001 as a private black-owned investment holding company, Shanduka Group has a diverse portfolio of listed and unlisted companies, with key holdings in the resources, food and drinks industries as well as in financial ser-

vices, and the energy, telecoms, property and industrial sectors. Outside South Africa, Shanduka has investments in South Africa, Mozambique, Mauritius, Ghana and Nigeria, and looks for new partners to provide funding and help the company grow.

As Group CEO Phuti Mahanyele states, "If you look at the transformation of South Africa over the past two decades, there are significant results. Black Economic Empowerment (BEE), for example, has received some negative press, but the reality is that, without it, companies such as Shanduka Group wouldn't exist. A large amount of capital - and time - has been spent addressing the issues that have affected South Africa for all this time. Changes don't happen overnight. People might think 20 years is a long time, but it isn't. South Africa is one of only 12 countries in the world where it is safe to drink tap water; it is ranked 34 out of 192 countries worldwide in terms of infrastructure. Still, the private sector needs to do more. A collaboration between both sides is necessary. "For greater growth to happen, we must accelerate business partnerships and global investments," she says. "We need investment in the energy sector, in infrastructure, in education and in health. All of these areas tend to be funded by the public sector. There is still a lot of room for the private sector to participate."

Having a wide portfolio buffers Shanduka against shocks. As Mahanyele says: "We are able to take the ups and downs in the economy as they take place - whether it is from the natural resources or the food and drink sector, we can deal with it. It has really helped us to be able to manage our portfolio. This is part of the reason we are not focused on one particular sector, because in times like this we rely on diversity."

Shanduka possesses the ability to understand, build and maintain relationships among its peers. "International entities are looking for partners that can help them understand local consumer needs, which we are able to do," the CEO states. "We get involved in the business so we engage with them in all the operational issues they face. We work very closely with our partners. When they come to South Africa, we talk to them about issues related to the local economy and what we need to do to deal with them effectively."

With investments having tripled over the past 10 years, Shanduka will stay focused on the sectors in which it has controlling or significant stakes. "It is important to keep growing in those sectors as we navigate our way forward," Mahanyele says.

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South Africa is tourism, naturally

Looking further afield to fully exploit its abundant and natural beauty

Tourism in South Africa is at the beginning of a boom period, consistently outperforming other sectors in the country, but also raising the ceiling for growth worldwide in this field.

With visitors drawn to the country for its exotic mix of natural landscapes and vibrant cities, the CEO of South African Tourism, Thulani Nzima sees no reason for the massive growth not to continue:

“By 2012, tourism in South Africa had already grown by 300% since before 1994 to a record 13.4 million. According to the latest figures, total arrivals in the country were 14.8 million in 2013.

“South Africa has outstanding culinary offerings and there is nothing to challenge our wine routes in Cape Town. However, while the beaches, landscapes and wildlife are well-known, we have some hugely attractive destinations that are completely undersold and under-explored, such as the Wild Coast of Eastern Cape, the Cradle of Humankind, and our eight World Heritage Sites. We have also launched Nelson Mandela-inspired tourist attractions. There is a route that takes you from Johannesburg to Drakenstein Prison on Robben Island, where, on his release, he finally tasted freedom.”

By leveraging the country’s bountiful human history, Nzima believes people will be drawn back to explore more and experience the famous South African hospitality that is everywhere. “We have one of the highest returns rates of any country, and for tourists from the UK specifically we have a 48% return rate. The warmth of our people gives us a competitive edge. South Africa has so many beautiful things to do that it is almost impossible to choose one out of all of them. So I would say, if I had one day in South Africa, I would wish to have one day more.”

Derek Hanekom, Minister of Tourism, tells us that the effect of tourism on the economy in terms of growth has been stunning, although the sector only makes up around 4% of GDP. As he explains, “From 1990 to 2013, the overall growth of the economy was 74%, while the overall growth of tourism was 200%. It has now established itself as a growth sector, and it is one of the key drivers for the New Growth Path. And it is growth that translates into a lot of jobs, which is of critical importance here in South Africa. In the last three years, the tourism sector in South Africa has grown at a rate of 7.4%, whereas global growth was 4.5%. So again, we have been growing faster than global growth in tourism.”



Derek Hanekom,
Minister of Tourism



Robben Island

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As Mthokozisi Radebe, CEO of the KwaZulu-Natal Sharks Board points out, the Rainbow Nation’s offer is much greater than it appears, especially in KwaZulu-Natal (KZN): “KZN is the only province where you can go for a business meeting in the morning, take part in a game of football during the day, go hiking in the afternoon and enjoy a sunset game drive in the evening, all in the same day.”

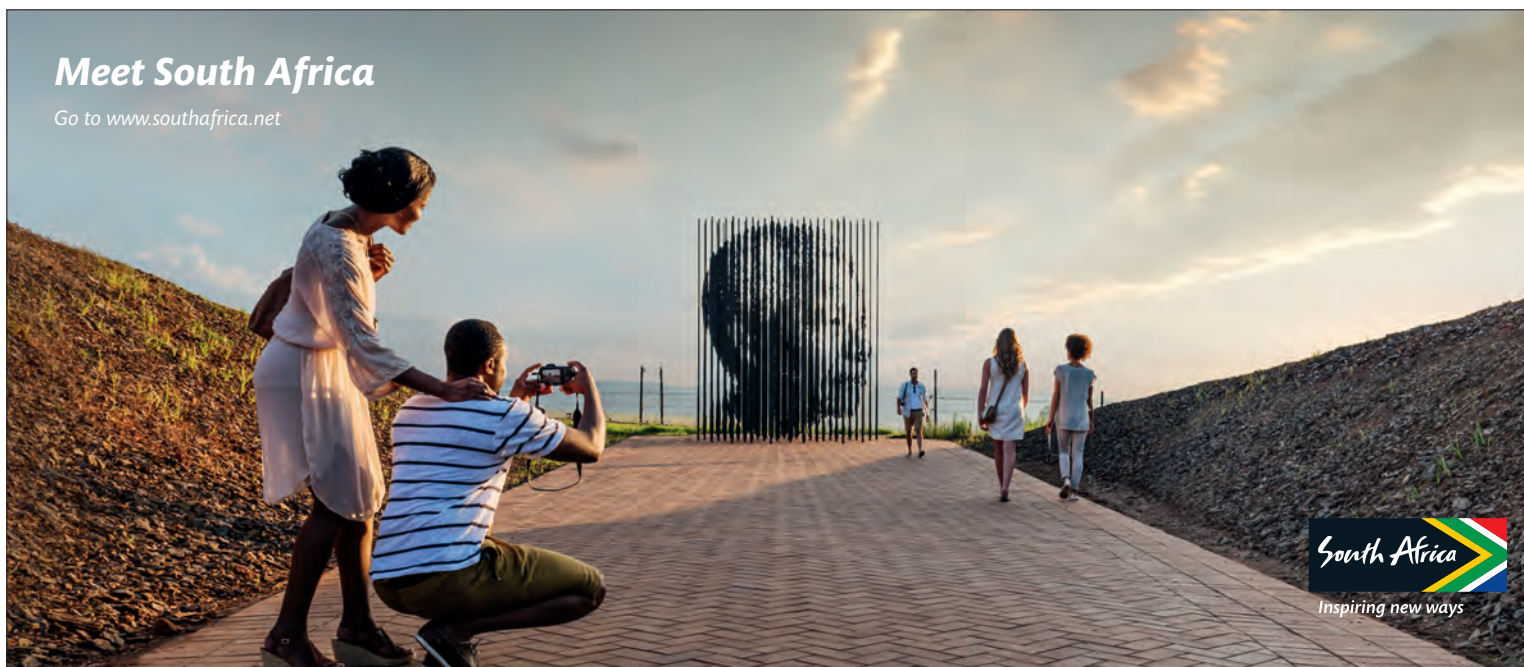
More than this, KZN Sharks Board has been keeping swimmers in the region safe from shark attacks for the best part of 50 years. With the technology they developed, it can also export their knowledge, showing the true entrepreneurial spirit of the nation. As Radebe says, “We are confident that our technology will change the face of tourism as we know it; that no place with a sea-front and sharks will be able to say no to such technology.”

This year-round offering is by no means exclusive to one region, as Kgositso Ramogopa, Executive Mayor of Tshwane points out: “Tourism in Tshwane has been referred to as a sleeping giant, but, as well as being the most affluent city in South Africa, with the “Big 5” just 50 minutes away, it also boasts some of the finest safari tours the country has to offer.”

This shows that not only does South Africa have commerce, manufacturing and energy resources, but something more: plentiful natural and human capital working in harmony, which will make it the envy of the world.

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