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Doing Business in KwaZulu-Natal

Trade & Investment KwaZulu-Natal
YOUR KNOWLEDGE PARTNER IN BUSINESS

South Africa
KWAZULU-NATAL
Zulu Kingdom. Exceptional

CONTENTS

1 INTRODUCING TRADE & INVESTMENT KWAZULU-NATAL

Our Mandate

Trade and Investment KwaZulu-Natal is a South African trade and inward investment promotion agency, established to promote the province of KwaZulu-Natal as an investment destination and to facilitate trade by assisting local companies to access international markets. The organisation identifies, develops and packages investment opportunities in KwaZulu-Natal; provides a professional service to all clientele; brands and markets KwaZulu-Natal as an investment destination; retains and expands trade and export activities and links opportunities to the developmental needs of the KwaZulu-Natal community.

Trade & Investment KwaZulu-Natal is a South African trade and inward investment promotion agency, established to:

- Promote, brand and market the province of KwaZulu-Natal as an investment destination
- Facilitate trade by assisting local companies to access international markets
- Identify, develop and package investment opportunities in KwaZulu-Natal
- Provide a professional service to all clientele
- Retain and expand trade and export activities
- Link opportunities to the developmental needs of the KwaZulu-Natal community

Our Vision

To contribute to economic development by promoting the Province of KwaZulu-Natal as the premier investment destination and the leader in export trade.

Our Mission

- Identify and package investment opportunities in KwaZulu-Natal;
- Brand and market KwaZulu-Natal as an investment destination;
- Link opportunities to the developmental needs of the KwaZulu-Natal community;
- Ensure easy access to investment and export trade opportunities.

Our Objectives:

Trade & Investment KwaZulu-Natal's business objectives include:

Shareholder:

- Promoting and facilitating investment as a means of increasing growth in Trade & Investment KwaZulu-Natal's contribution to fixed investment throughout the province; and
- Export market development.

Client:

- Facilitating investor after-care and retention;
- Packaging and facilitating large (>R50 million) investment sector opportunities;
- Facilitating capacity-building, thereby increasing the number of export-ready traders in KwaZulu-Natal;
- Facilitating market development so as to increase Trade & Investment KwaZulu-Natal's contribution to the value of exports; and
- Increasing awareness of Trade & Investment KwaZulu-Natal's services both locally and internationally.

Internal Process:

- Advocating for the creation of an environment conducive to trade and investment in KwaZulu-Natal through government intervention, strategic alliances and partnerships.

Organisation - Learning and Growth:

- Strengthening Trade & Investment KwaZulu-Natal's knowledge management capabilities so as to provide an effective and efficient service;
- Attaining compliance with WAIPA, MIGA, and UNCTAD best practices;
- Developing highly motivated staff and enhancing staff competencies in terms of delivering service excellence in trade and investment services; and
- Attaining compliance with Corporate Governance standards.

Our Export Development and Promotion Services

Export Training:

Trade & Investment KwaZulu-Natal has tailored training and employs a team of export specialists with international business experience and international business contacts to provide export training and export capability assessment and assistance with export planning.

Export Registration

Assist KwaZulu-Natal companies to register as exporters with the South African Revenue Services.

Lead Generation

Linking KwaZulu-Natal Companies with potential buyers and also assistance with information on possible distributors KwaZulu-Natal companies can use for their products to enter a specific market.

Export Advisory Services

On-the-ground support and advisory services for existing and emerging KwaZulu-Natal exporters with the following:

- Introductions to government and private sector contacts;
- Tariff implications for certain products;
- Trade agreements compliance requirements;

- Advice on the suitability of products and services;
- Assistance with identifying potential business partners and customers;
- Assistance with the identification of domestic suppliers of products and services; and
- Export supply chain advice.

Export Incentives

Assistance with accessing Department of Trade and Industry Export Incentives; and assistance with business matching linked to incentives.

Trade Missions

Outbound Trade Missions

Through experience, Trade & Investment KwaZulu-Natal is able to assist KwaZulu-Natal exporters to directly establish contacts in targeted markets. Trade & Investment KwaZulu-Natal often leads Export outward selling business missions and provide on-the-ground support for KwaZulu-Natal Exporters during and assist in following up export opportunities, and offers pre-Export business mission preparation including country and market briefings. Trade & Investment KwaZulu-Natal also assists with in-market meetings arranged with potential customers and business partners for KwaZulu-Natal Exporters.

Inbound Trade Missions

Trade & Investment KwaZulu-Natal regularly hosts inbound trade missions which provide an ideal, cost-effective way of meeting international companies and representatives from industry. Inbound trade missions can range from a small number of companies from a specific industry sector to large multi-disciplined delegations. Trade & Investment KwaZulu-Natal arranges firm's site visits and one-on-one meetings to encourage business discussions with the delegations.

International Trade Exhibitions

Trade & Investment KwaZulu-Natal co-ordinates the participation of KwaZulu-Natal Exporters in international trade exhibitions in priority markets, providing exporters with a cost-effective international platform to promote their products and services.

2 SOUTH AFRICA AS AN INVESTMENT DESTINATION

South Africa today is one of the most sophisticated emerging markets globally. The unique combination of a highly developed first world economic infrastructure and a huge emergent market economy has given rise to a strong entrepreneurial and dynamic investment environment. South Africa has achieved a level of macro-economic stability not seen in the country for 40 years. These advances create opportunities for real increases in expenditure and social services and reduce the cost and risk for all investors, so laying the foundation for increased investment and economic growth.

Introducing the Province of KwaZulu-Natal, South Africa

KwaZulu-Natal is South Africa's second largest economy, contributing on average, 16.4% (1995-2008) to the country's GDP. The province is strategically positioned by being home to two of Africa's busiest and largest ports, Durban and Richards Bay. It also boasts the third highest export propensity and the second highest level of industrialisation in the country.

South Africa is one of the worlds top business destinations and is strongly supported by well developed infrastructure, is equipped with every convenience and delivers high levels of service expected by the business world.

South Africa is rated among the top 10 in the world in the category of investor protection and good fiscal governance. The World Bank has rated South Africa among the top 35 countries for ease of doing business. South Africa is also regarded as one of the least costly areas in which to establish a business (Doing Business Report 2012).
KwaZulu-Natal is a major role player in both manufacturing and transport and logistics sectors in South Africa and is a premier domestic and international tourist destination.

With two of Africa's busiest ports and world-class road and rail infrastructure, KwaZulu-Natal enjoys the strategic and competitive advantage of being a global gateway for trade into Southern Africa and to the world. Its strategic location and highly developed industrial sector ensure a competitive edge for both local and foreign investors and unique advantages for local exports.

Investment in KwaZulu-Natal continues to emerge as a major contributor to South Africa's growing economy and its favourable business environment has made the province a sound investment destination for investors from around the world.

Location

Situated on the eastern seaboard of South Africa, KwaZulu-Natal has direct access to both the Indian and Pacific Ocean rims. The regions strategic geographical position on world trade routes provides effortless access to major global markets, such as South America, Europe and Far East.

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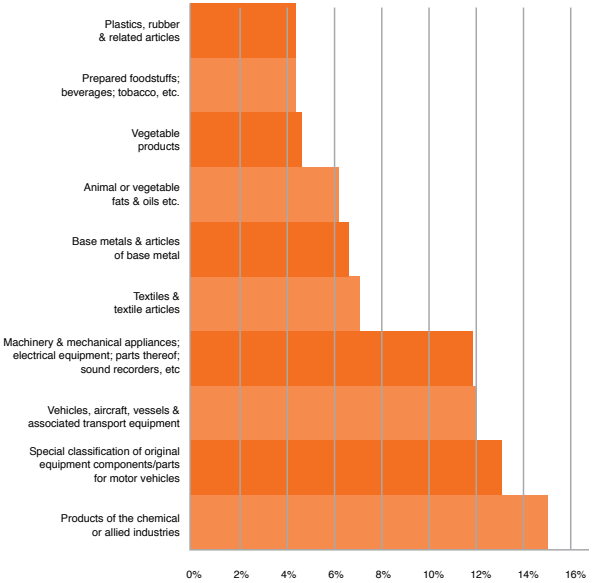
Economic Overview

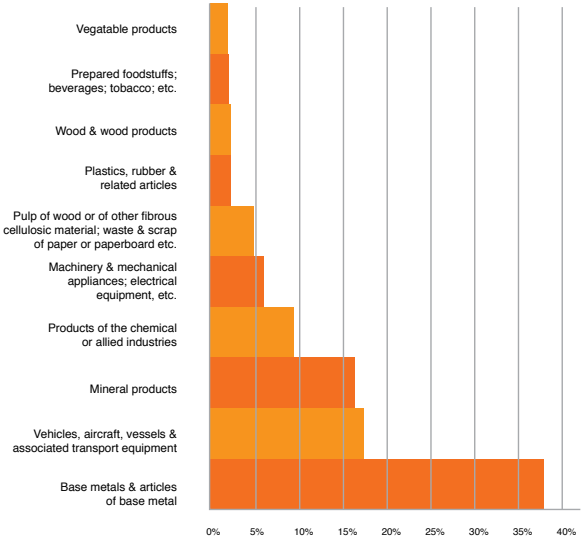
The province of KwaZulu-Natal is South Africa's second largest economy contributing 15.8% (2010) to the country's economy and is deemed to be one of South Africa's leading economic and business hubs. According to statistics South Africa's 2011 mid-year population estimates, the province of KwaZulu-Natal is the second most populous province following the Gauteng Province.

Capital City	Pietermaritzburg
Main Cities and Towns	Durban, Ladysmith, Newcastle, Port Shepstone and Richards Bay
Provincial Head	Premier Dr Zweli Mkhize
Population	10.3-million (Census – 2011)
Economically Active Population	3.2-million (Q3:2012)
Unemployment Rate	21.3% (Q3:2012)
Area	94 361 km²
GDPR	R313.0-billion (US$43.2-billion)
GDPR Growth	3.6% (2011)
Per Capital GDPR	R30 392 (US$4 190) (2011)
CPI	5.9% (Nov:2012)
Exports	R77.4-billion (US$10.7-billion) (2011)
Main Ports	Port of Durban Port of Richards Bay, King Shaka International Airport

Imports



Exports



Source: Quantec 2012

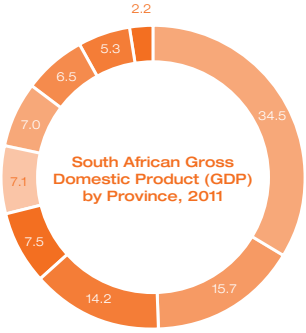
Main Export and Import Partners

Destination markets		Source markets	
2007	2011	2007	2011
US (12.1)	USA (8.3)	Japan (18.7)	China (16.2)
Japan (11.6)	Japan (6.7)	China (12.3)	Japan (14.7)
UK (6.3)	China (6.1)	Germany (7.3)	Germany (5.9)
Netherlands (5.4)	UK (4.8)	Australia (7.2)	USA (5.8)
Germany (3.6)	India (4.4)	USA (6.4)	Australia (5.5)
India (3.2)	Korea Republic (3.8)	Argentina (5.4)	Thailand (5.2)
Spain (2.9)	Netherlands (3.8)	UK (4.3)	Argentina (4.6)
Belgium (2.8)	Malaysia (3.3)	France (4.0)	France (3.3)
Korea Republic (2.5)	Zambia (3.2)	Thailand (4.0)	Brazil (3.2)
Nigeria (2.5)	Germany (3.1)	India (2.9)	UK (3.1)
Top ten share of total			
52.9%	47.5%	72.5%	67.6%

Source: Quantec 2012
Exchange Rate R/$ 7,322 (2010) 7,2531 (2011)

Economic activities in KwaZulu-Natal are primarily centered in the Durban Metropolitan Area and in Pietermaritzburg, with significant concentrations in the lower Umfolozi Area (city of Umhlathuze – Richards Bay and Empangeni, the Klip River District (Ladysmith/Emnambithi) and the Newcastle/Madadeni Region.

South African Gross Domestic Product (GDP) by Province, 2010



34.5% Gauteng

15.7% KwaZulu-Natal

14.2% Western Cape

7.5% Eastern Cape

7.1% Limpopo

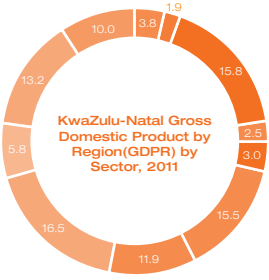
7.0% Mpumalanga

6.5% North West

5.3% Free State

2.2% Nothern Cape

Source: Statistics South Africa (2012)



3.8% Agriculture, forestry and fishing

1.9% Mining & quarrying

15.8% Manufacturing

2.5% Electricity, gas & water

3.0% Construction

15.5% Wholesale, retail & motor trade; catering & accommodation

11.9% Transport, storage & communication

16.5% Finance, real estate & business services

5.8% Personal services

13.3% General government services

10.0% Net taxes on products

Source: Statistics South Africa (2012)

Economic Sectors

Major economic sectors in KwaZulu-Natal include manufacturing (chemical, textiles, pulp and paper products), finance and real estate, wholesale and retail trade, hotels, transport and communications, and agriculture and forestry.

Manufacturing

This is a major contributing economic sector in KwaZulu-Natal, generating 15.0% of provincial employment and contributing an average of 19.2% to the GDPR between 2006 and 2010. The sector has suffered declines recently, contributing 15.8% to the provincial GDPR in 2011. The national Department of Trade and Industry is continuously introducing new and refined incentives to ensure this stalwart sector maintains its important share, not only in KwaZulu-Natal, but across the entire country. KwaZulu-Natal's manufacturing sector is also the second largest in the country, making the region an ideal destination to locate manufacturing businesses, whilst enjoying government incentives and support from the well established sector.

The factors that drive the success of the manufacturing sectors contribution to KwaZulu-Natal's GDPR include:

- Easy access to raw materials, timber, minerals and water;
- Excellent infrastructure and logistics;
- Readily available skilled and semi skilled labour force;
- Two of Africa's largest ports (Durban and Richards Bay); and
- Attractive investment incentive schemes.

Key sub sectors include aluminium, mineral processing, motor vehicle manufacturing, pulp and paper products, chemical and petro-chemicals, and food and beverages.

Construction and Real Estate

Economic growth in KwaZulu-Natal, coupled with prioritisation of infrastructure development by both the national and provincial government, has resulted in major upgrade projects occurring in city centres around KwaZulu-Natal.

The construction sector is experiencing sustained growth and is well positioned to respond to increased demand for real estate.

Housing, office, shopping mall and resort development projects are on the increase, creating fertile investment opportunities for mainstream construction and downstream supply services.

Due to the growth in this industry, exciting opportunities exist for the suppliers of cement, concrete, doors, window frames, furniture and roofing, as well as services in civil engineering and construction project management.

In KwaZulu-Natal, the construction, real estate and financial sectors collectively contribute just above 20.0% to GDPR in total, with high potential for growth.

The property market activity is presently at its lowest levels; however this downward trend in the residential property market is set to create increased opportunities for property developers, real estate agents and law firms within the conveyance business industry when demand rebounds.

Large property development projects that are poised for the rebound are progressing in the province.

Tourism

Tourism is a key driver of the KwaZulu-Natal economy. The province's tourism attractions are structured around exceptional experiences centering on KwaZulu-Natal's warmth, heritage, adventure, trade gateway status, it's 'Zuluness', fun family orientation and beaches. Widely known by tourists as the 'Zulu Kingdom', KwaZulu-Natal is a tapestry of warm, sub tropical coastal areas, inclusive of beaches enjoying Blue Flag status, big 5 game reserves, two World Heritage Sites – the uKhahlamba - Drakensberg Park and the iSimangaliso Wetland Park - authentic cultural routes and well known battlefields.

The province enjoys a dominant share of the domestic tourism market and a steadily growing share of South Africa's international market, attracting some 1.0-million foreign visitors and 9.0-million domestic tourists annually. Tourism's contribution to KwaZulu-Natal's GDPR is some R6,2-billion. Sector growth is underpinned by innovative tourism marketing, new and existing tourism product development and well-established tourism sector service industry.

Infrastructure

The incomparable trade and transport infrastructure in KwaZulu-Natal includes two of South Africa's largest ports, strategically situated in Durban and Richards Bay - South Africa's premier container facility and the countries busiest deep-water bulk and break-bulk port. The province also boasts world class road, rail and air network, respectively.

A range of prime commercial and greenfield industrial sites are readily available in close proximity to the ports, with easy access to all major trade transportation routes. In addition, the King Shaka International Airport and Dube TradePort, further enhance KwaZulu-Natal's access to international markets.

KwaZulu-Natal is also amongst the best watered regions in the country, with ample water resources from well-established storage dams, supplemented by natural lakes. Investors are assured of excellent quality water for industrial use at comparatively low tariffs.

Information Communication Technology

Advanced information communication technology creates easy access to the global telecommunications highway, with high-speed international links and world class mobile telecommunications networks. The province is also home to some of the medium to high technology industries, specialising in product of motor vehicles, electrical machinery, chemicals and transport equipment.

The South African Department of Communications participates in the NEPAD ICT broadband infrastructure Network for Africa, which includes the Eastern Africa Submarine Cable System (EASSy) project. The 9 900km-long EASSy cable links South Africa to Sudan and provides for landing stations in countries along the eastern African coast. The cable, with a 25 year lifespan, connects adjacent land-locked countries. In August 2010, with upgraded design, the cable entered commercial operation ahead of schedule and about 10% below its budgeted cost of US$300-million. The landing point for the EASSy cable in South Africa is Mtunzini in KwaZulu-Natal. Sentech, a State owned telecommunications company responsible for implementation of the EASSy cable in South Africa, was also responsible for implementing the satellite back up infrastructure for the 2010 FIFA World Cup in South Africa. The company also built a second uplink requirement.

Furniture

The agriculture and forestry industries contribute about 4% to the provincial GDPR. In particular, forestry has had a positive spin off on the export of wood and wood products from KwaZulu-Natal, constituting an average of 11.7%, between 2007 and 2011, of the province's total exports.

The high availability of raw material, coupled with significant growth in other sectors, such as construction and tourism, creates attractive opportunities for investors in the furniture industry as the demand for furniture design, manufacture, refurbishment and supplies escalates.

In recognition of the potential growth of this sector, the Provincial Government of KwaZulu-Natal, in partnership with private sector role players, has established a KwaZulu-Natal furniture industry cluster. The objectives of the cluster are to organise the provincial furniture industry and create a platform for the strategic co-ordination of investment and trade opportunities both locally and internationally.

The cluster also provides a platform for furniture, wood and wood products industry players to liaise with key provincial government contacts, particularly the Department of Economic Development. More information may be obtained from:
www.kznfurniture.co.za

Services

KwaZulu-Natal's public and private health care facilities compare with the best in the world. The province has 71 public hospitals, 18 community health centres and 645 primary health care centres, 26.5% of which are located in Durban and surrounds. Primary health care is available free of charge for the indigent at all Government Hospitals. The province also has 93 private hospitals and many medical centres.

The South African Medical device industry association (SAMED) represents some 140 member companies, including multi-national enterprises, local manufacturers, distributors and agents, and approximately 85% of the value of the market. Opportunities abound in this sector as it is estimated that more than 80% of locally- consumed products are currently imported.

It is envisaged that the mooted National Health Insurance will increase competition within the health provision sector, giving rise to consumer benefits.

Clothing and Textiles

The clothing and textile industry, well established in KwaZulu-Natal, had battled in recent years as a result of the influx of products of clothing and textiles from other countries. However, it is envisaged that this sector could be revived as the country and the province seek to drastically reduce high rates of unemployment plaguing the social fabric.

As competitors in this environment are likely to move their production lines towards high-technology sectors, the local clothing and textile sector is likely to benefit from such a move, so improving its global competitiveness.

Although having lost its leading employer position in recent years, the industry remains important as it is the second largest employer within the province's manufacturing sector.

Automotive

KwaZulu-Natal is host to five Original Equipment Manufacturers (OEM's), including Toyota South Africa. Toyota's facility, south of Durban, is one of the most technologically advanced Toyota facilities in the world, capable of producing some 220 000 units a year.

Smaller operators, such as the MAN Truck assembly plant in Pinetown and Volvo's assembly plant in Umbogintwini are also wholly-owned subsidiaries of multi-national corporations. Two major construction, mining and agricultural equipment manufacturers are also located in KwaZulu-Natal, namely Desmond Vehicles, which manufacturers agricultural and construction equipment, built to withstand African terrain, and Bell Equipment, a globally competitive producer of Articulated Dump Trucks, exporting to companies in Europe and Africa.

The KwaZulu-Natal component industry is a mature and multi-tiered supplier base to these OEM's here and elsewhere in the country. Some 48 component manufacturers are located in KwaZulu-Natal. This component industry has strong connections to technology sources at a global level, with a

number of firms being wholly-owned subsidiaries of multi-national corporations.

South Africa's strong export growth has been increasingly attributed to Toyota's contribution and while the industry experienced problems due to a drop in global demand in 2009, and a devastating earthquake and tsunami in Japan in 2011, Toyota maintained its position as one of the largest exporters of South African-produced vehicles.

Some 63.6% of enterprises in the KwaZulu-Natal automotive industry earn a turnover of R100-million or above, while more than 60.9% of companies employ more than 250 employees.

KwaZulu-Natal's automotive components industry has also experienced reasonable financial returns during the last several years, with average Return On Investment (ROI) and operating profitability levels revealing a comparatively strong performance, relative to such manufacturers in other parts of the country and central Europe. Such returns have encouraged reasonably high levels of capital investment in the industry, with KwaZulu-Natal's automotive component manufacturers investing more than 5% of their sales in new capital equipment in three of the four years between 2004 and 2007, resulting in average annual expenditure equivalent to almost exactly 5% of sales. KwaZulu-Natal is also home to a number of after-market focused automotive component manufactures, principally due to its importance as a market and the size of its vehicle park, which has significantly positive implications for the aftermarket.

Agriculture

KwaZulu-Natal's agriculture is diverse and is reflected in the patterns of its topography. About 4% of KwaZulu-Natal's value added Gross Domestic Product results from agriculture and 3.6% of the province's workers are employed in this sector. Reliable rainfall and fertile soils have contributed to the regions agricultural sector being extremely productive and displaying specialist capability in various farming types. A total of 6,5 million hectares of land are used for farming in KwaZulu-Natal, of which 82% is suitable for livestock production and 18% regarded as arable land.

KwaZulu-Natal's Gross Value Added (GVA) from agriculture was some R12-billion in 2011, with an estimated potential of some R18 billion per annum.

Government policies and regulations have long favoured and encouraged foreign investment in this sector. This is a priority investment sector with investment friendly legislation, incentives and legal protection for foreign investment.

The agro-processing sector is one which promotes the increased participation of historically disadvantaged groups and involvement of marginalised regions in the mainstream economy.

Key provincial players include Tongaat Hulett, Illovo, Unilever, Rainbow Chickens, Pioneer Foods, AFGRI Premier Foods, Tiger Brands, Katope, Sovereign Foods, Nestle, Clover, Mondi and Sappi, Primary reasons for further investment in the agro-processing sector include:

- Supportive regulatory frameworks are in place;
- Government prioritisation of the sector as a key economic driver;
- High growth in demand for agro processed products locally and for export;
- Under-utilised and unutilised land of some 437 507ha identified within the province;
- High export growth potential in sub-sectors, such as fragrances and flavours, meat and animal products, tea and tea products, nuts and the like;
- Favourable climatic conditions and a variety of bio-climates for primary production of raw materials. This and KwaZulu-Natal's topography allows for the production of almost any crop;
- The advantages of relatively high rainfall, moderate to sub tropical temperatures, access to markets, export facilities and growing economy;
- Having a strategic gateway position to the eastern seaboard;
- Good infrastructure in place, such as the Dube Trade Port, home to King Shaka International Airport;
- Access to leading import markets through trade agreements;

- Supportive institutions, such as Cedara, the Technology Innovation Agency, University of KwaZulu-Natal, Agricultural Research Trust and the CSIR;
- Diversification opportunities in infant industries or under achievers in dynamic markets;
- Potential to increase KwaZulu-Natal's production of fruit and vegetables – currently at 6% of South Africa's total and valued at R1.08-billion;
- The existence of processing and packaging facilities throughout the province, with the potential for growth and rehabilitation in certain instances; and
- High competitiveness ability in products with great world demand.

Sub-sectors with potential include new fibres, new fuels, indigenous tea, vegetables, aquaculture, floriculture and new fruits. Growing industries include wine and fresh fruit.

KwaZulu-Natal Topography

Northern KwaZulu–Natal

The northern part of KwaZulu-Natal encompasses the province's district municipalities of Amajuba, uMkhanyakude, Zululand and parts of the uMzinyathi District. The economy is concentrated around the Newcastle-Madadeni-Osizweni axis, Mtubatuba, Dundee, Greytown, Vryheid and Ulundi.

The Newcastle-Madadeni-Osizweni axis remains the economic centre of this region. This district is well known for its coal mining and manufacturing activities, with roughly 90% of the region's manufacturing output concentrated in Newcastle. Social services and household activities represent a significant portion of the local economy.

Business opportunities exist in the development of small scale coal mines and the further exploration into re-opening closed down colliers. Tourism has also thrived in this area, giving rise to further investment opportunities, in sectors such as the development and upgrade of basic infrastructure, tour operation business services and tourist information centres. The Durban N2 Corridor to Maputo continues to drive economic growth in tourism within the area.

Agriculturists and herbalists could explore opportunities found in the northern and western mountain edges of the region, which is rich in medicinal plants. This represents an opportunity for both investors and exporters since there is significant global growth in the use of natural herbal products.

Western KwaZulu-Natal

This area is home to KwaZulu-Natal's capital city, Pietermaritzburg, and is situated approximately 75km from Durban.

Tourism, manufacturing and agriculture are dominant sectors in this area with manufacturing primarily focused on shoes, leather goods, aluminum products, chemicals, food and furniture.

Commercial farming is run mainly form Pietermaritzburg while subsistence farming is practiced in most parts of rural uMgungundlovu and uThukela districts. Commercial farming in the region is dominated by sugar cane, fruit, animal products, stock farming and forestry. Subsistence farming is dominantly in maize production.

Southern KwaZulu-Natal

This region is the economic powerhouse of KwaZulu-Natal.

Located about 600km South East of Johannesburg, 600km south of the Tropic of Capricorn and bordered by the Indian Ocean, this area, which comprises the eThekwini (Greater Durban) Municipality and the Ugu District Municipality, is well placed for trade and investment.

The region incorporates the Durban Metropolitan Area and the smaller towns of Port Shepstone, Pennington, Margate and Hibberdene.

In Durban, at least 80% of all households have access to basic services (water, sanitation, electricity and refuse removal), business coverage is 100%. Durban is also home to one of the busiest ports in Africa.

Investment sectors in the region include automotive components and assembly, business process outsourcing, information and communication technology, infrastructure, tourism, chemicals and industrial chemicals, and food and beverages.

The Inkosi Albert Luthuli ICC Complex continues hosting major national and international conferences.

Eastern KwaZulu-Natal

This is the second most populated region in KwaZulu-Natal after the Southern Region. Inclusive of the Municipal Districts of uThungulu and Ilembe, the region is home to the port of Richards Bay and King Shaka International Airport. The towns of Richards Bay, Ballito and Empangeni are the

economic centres of the region. Whilst Richards Bay is highly industrialised due to the presence of the harbour, 80% of the broader region remains rural. There is a growing focus on spreading the economic benefits arising from Richards Bay to the under developed areas within the region.

The advent of a world class freight and passenger logistics platform, Dube TradePort, which is home to King Shaka International Airport, has created a highly competitive business operating environment capable of attracting a diverse range of investors, operators, users and tenants. The development will further stimulate exports and other airport related activities. Manufacturing and agriculture, inclusive of sugar cane, vegetables, tunnel farming, flowers, nurseries and paper, tourism and natural resources, such as forestry and mining, are key sectors of the economy of this region.

Authentic Zulu culture is well preserved in this region, presenting innovative opportunities for tourism and manufacturing. There is a growing global demand for Zulu handcrafts and cultural tourism products from this region. Investors in tourism products are also set to benefit from increased infrastructure development in the region.

3 INVESTING IN KWAZULU-NATAL

South Africa improves its global competitiveness ranking to 50th in the World Economic Forum's Global Competitiveness Report for the year 2011/12, after slipping to 54th in 2010 / 2011. In 2012/2013, the country maintained it's position as the best place in the world to get business credit. It was also the 10th best country in investor protection.

The country's strengths lie in its outstanding performance in financial market development, the accountability of private institutions and the effectiveness of its competition policies. The World Bank's Doing Business Report 2012 has also set the country's rankings to 35th from a revised 36th in 2011. The best improvement was recorded with regard to the ease of starting a business, a result of the introduction of the new Companies Act which has simplified the company registration procedure.

Reasons to Invest in KwaZulu-Natal

- In close proximity, and within easy access of South Africa's two largest ports – Durban and Richards Bay and King Shaka International Airport;
- A large labour pool;
- Diverse culture;
- Gateway to other African countries;
- Low land and building costs;
- World-class transport and telecommunications infrastructure;
- Advocacy and lobbying for investor incentives; and
- Idyllic climate.

Some Investment Opportunities

- Aluminium conversion and fabricated products;
- Automotive parts and components;
- Beneficiation and value-addition of resources;

- Electronics;
- Business process outsourcing;
- Engineering;
- Petro-chemicals;
- Chemicals;
- Wood products;
- Food processing; and
- Clothing, textiles, leather and footwear.

Operating in KwaZulu-Natal

Requirements for Starting a Business

Type of Business Establishments:

A business may be conducted by individuals, partnerships (including limited partnerships), trusts, close corporations, South African companies, or branches of foreign companies.

A South African company may be public ("Limited") or private ("(Proprietary) Limited"). Both types are governed by the South African Companies Act. While there is no minimum equity capital requirement for companies, the private company is the most common vehicle for operating a business in South Africa. It requires a minimum of one member and director and there need not be any South African resident directors or shareholders.

A subsidiary of a foreign company is regarded as a South African company. The legal liability of the parent company is limited to the amount of share capital committed (together with any guarantees provided to any individual creditors). A branch of a foreign company is regarded as an 'external company' if it establishes a place of business or owns immovable property in South Africa and must register as such. The legal liabilities

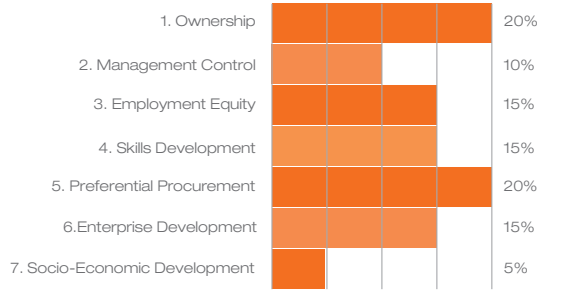
of a branch are not limited to the extent of its South African assets. Both a South African company and a branch operation are subject to the provisions of the Companies Act. A branch is obliged to lodge a certified copy of the founding documents of the foreign company with the Registrar of Companies, as well as a sworn translation in English where appropriate. It need not have a South African resident director, but it must appoint a local manager. Two primary requirements for a branch are: (i) an annual audit and (ii) financial statements being lodged with the Registrar of Companies (financial statements must also be lodged for the company as a whole. An exemption, which is renewable every two years, may be obtained in certain circumstances).

Locally registered private companies are also required to be audited, but are not required to lodge their Annual Financial Statements with the Registrar of Companies.

Banking:
South Africa has adopted anti-money laundering laws to assist in complying with its international obligations to fight organised crime and terrorism. The latest legislation detailing money laundering controls include the Financial Intelligence Centre Act, No. 38 of 2001 (FICA). Customer identification is a crucial element of any effective money laundering control system. Since 1 July 2003, banks are required to obtain certain information and supporting documentation for new customers before accounts may be opened.

Broad-Based Black Economic Empowerment:
Broad-Based Black Economic Empowerment (B-BBEE) is a South African Government initiative to promote economic transformation in order to enable meaningful participation in the economy by Black people, defined as Africans, Coloureds (including Chinese) and Indians.

The B-BBEE compliance standard and environment is, however, voluntary and self-regulatory. However, organisations transacting with Government must demonstrate their B-BBEE credentials, based on measurable indicators and targets



across seven score-card elements. These elements include: The private sector, NGO's and others are encouraged to apply B-BBEE Codes of Good Practice when transacting, so aligning business imperatives with Government's B-BBEE objectives. To do this, an enterprise should obtain a certified B-BBEE status through an accredited verification agency.

Taxation:
South African residents are taxed on their world-wide income. Non-South African residents are taxed on their South African sourced income only. A company will be a South African resident if it is incorporated in South Africa or if it has its place of effective management in South Africa.

An individual will be a South African resident is he/she is ordinarily a resident here or is physically present here for a specified number of days over a five year period. Any person who is deemed to be a resident of another state through the application of a double tax agreement will not be treated as a South African resident.

To avoid double tax, South Africa has double tax agreements with many of its trading partners. Accordingly, a foreign resident will be taxable in South Africa only if it conducts business through a permanent establishment in South Africa (note there are a few exceptions, such as withholding taxes).

Tax Rates – Since 1 April 2012, South Africa has implemented a dividends tax on companies' shareholders, to replace the historic secondary tax on subsidiaries (STC). The dividends tax is levied at 15%, is a withholding tax, and applies to resident and non-resident companies in respect of shares listed on the JSE. Dividends tax does not apply to South African companies' retirement funds or other exempt persons.

South African branches of foreign companies are taxed at a rate of 28%. No STC is imposed on the remittance of branch profits. Capital gains earned by companies are effectively taxed at 14% for South African companies and 16,5% for branches of foreign companies. Individuals are taxed on a sliding scale with the highest marginal rate being 40%.

Capital gains on the disposal of assets are levied at the rate of 13.3% for individuals and special trusts, 18.6% for companies, and 26.7% for other trusts. There are certain exemptions, such as a R2-million gain/loss on disposal of a primary residence, most personal use assets, such as motor vehicles, furniture and appliances, and retirement benefits and proceeds from long-term insurance policies.

Other Taxes – Businesses must register as an employer with the South African Revenue Service and Pay As You Earn (PAYE) must be withheld on a monthly basis from remuneration paid to employees.

Social Security taxes are also collected through the PAYE system. Value-Added Tax (VAT) is levied at a rate of 14% on taxable supplies made by vendors. Customs and excise taxes are also payable. Securities Transfer Tax of 0,25% is levied on the transfer of shares, but is not levies on the new issue of shares.

Exchange Control:
The Financial Surveillance Department (formerly the Exchange Control Department) of the South African Reserve Bank imposes exchange controls on South African residents in terms of the Exchange Control Regulations (1961), issued under the Currency and Exchanges Act (1933). The South African government remains committed to the gradual relaxation of exchange controls, but the existing exchange controls are strictly enforced, particularly in the current uncertain financial environment.

Investment in New South African Entity

There is no restriction on the amount that a non-resident may invest in the capital of an entity. However, funds must be transferred to South Africa from a non-resident source to take up ordinary share capital in a company, member's contribution in a close corporation, as a donation to a trust or into a capital account of a partnership. Proof of this inward transfer of the funds must be given to the entity's banker to retain in an exchange control file. An Authorised Dealer is required to endorse the share certificates "non-resident".

If the investment is to be acquired by any method other than the transfer of funds, e.g. the transfer of capital equipment or stock, Reserve Bank approval would be needed. Such approval is normally granted subject to the bank endorsing the import documentation “no exchange to be provided”.

The investment must be an arm’s length transaction. There may be no direct or indirect South African interest whatsoever in the foreign investing entity. The foreign investor may not be a front for a South African resident. The bank would require a letter on the letterhead of the foreign investing entity, confirming that there is no South African interest whatsoever, direct or indirect, in that entity. The letter must also state whether the entity, or its ultimate shareholder, is quoted on a foreign stock exchange. If the foreign investor is an individual, a letter would be required from the individual, together with a copy of his/her passport, confirming either that he/she has never been a permanent resident of South Africa or, if a former resident, advising when his/her emigration was placed on record with the Reserve Bank and which Authorised Dealer attended to the Exchange Control formalities.

The acquisition of preference share capital would need Exchange Control approval as the Reserve Bank regards preference shares as loans.

Any foreign loans, whether from a shareholder or a third party, require Exchange Control approval.

Residence and Immigration:

The South African Department of Home Affairs (DHA) is the relevant department of state responsible for the implementation, control and management of the policy and legislation regarding to persons who wish to work in South Africa or settle permanently. Day-to-day administration of these policies is carried out by the various regional and district

offices, located in most cities and towns of South Africa. In KwaZulu-Natal, there are 10 regional offices, 13 district offices and 35 permit service centres. There are various categories of temporary work permits and permanent residence permits, including:

Temporary Residence Permits

- General work permits;
- Exceptional skills permits;
- Inter-company transfer permits;
- Corporate permits;
- Quota permits; and
- Business permits (self employed permits).

Permanent Residence Permits

- Foreigner with five years continuous work permit status;
- Worker with permanent employment offer;
- Person possessing extra-ordinary skills or qualifications; and
- Person who wishes to establish or invest in an existing business.

Investment Incentive Programmes:

South Africa offers various attractive investment incentives, targeted at specific sectors or types of business activities. These incentives are administered by the national Department of Trade and Industry (dti). In KwaZulu-Natal, Trade & Investment KwaZulu-Natal – the official investment promotion agency for the province – offers facilitation services between investors and traders with the dti for the purposes of accessing these incentives and any other services that may be required.

There are also other region or municipality-specific trade and investment promotion agencies in the province, which offer similar services to Trade & Investment KwaZulu-Natal, normally to investors and traders within their areas of jurisdiction.

Section 12i Income Tax Allowance (ITAI)

The newly launched Section 12i Income Tax Allowance incentive is designed to support Greenfield Investments (industrial projects that utilise only new and unused manufacturing assets), as well as Brownfield investments (expansions or upgrades of existing industrial projects). The incentive offers support for both capital investment and training. The objectives of the incentive programme are to support:

- Investment in manufacturing assets to improve the productivity of the South African manufacturing sector; and

- Training of personnel to improve labour productivity and the skills profile of the labour force.

The Incentive Offers:

- R900-million in the case of any Greenfield project with preferred status;
- R550-million in the case of any other Greenfield project;
- R550-million in the case of any Brownfield project with a preferred status;
- R350-million in the case of any other Brownfield project;
- An additional training allowance of R36 000 per employee may deducted from taxable income; and
- A maximum total additional training allowance per project, amounting to R20-million, in the case of a qualifying project, and R30-million in the case of a preferred project.

To qualify the investment must be:

- A Greenfield project (new project);
- A Brownfield project (expansion or upgrade); or
- Classified under 'Major Division 3: Manufacturing'.

The project should

- Upgrade an industry within South Africa (via an innovative process, cleaner production technology or improved energy efficiency);
- Provide general business linkages within South Africa;
- Acquire goods and services from Small, Medium and Micro Enterprises (SMMEs);
- Create direct employment within South Africa; and
- In the case of a Greenfield project, be located within an Industrial Development Zone (IDZ).

Research and Development Tax Incentive Programme:

The Research and Development Tax Incentive Programme was introduced in November 2006 in terms of Section11 (d) of the Income Tax Act. It is administered by the Department of Science and Technology in conjunction with SARS to encourage innovation, scientific and technological research and development (R&D) by taxpayers/companies in South Africa.

The incentive is two-fold. Firstly, it consists of a deduction of 150% in respect of eligible expenditure on eligible scientific or technological R&D undertaken by taxpayers within South Africa. Secondly, it allows for the accelerated depreciation

of assets for the purpose of scientific and technological R&D over three years, at a rate of 50:30:20, starting from the year of assessment in which the asset is first brought to use. Taxpayers can claim for eligible scientific or technological R&D expenditure on salaries and wages, materials, buildings, machinery, equipment and contracted R&D. Expenditure on the following activities is deductible:

- Exploration and prospecting;
- Management of internal business processes;
- Management trade marks;
- Social sciences or humanities; and
- Market research, sales or marketing promotion.

Industrial Development Zone Programme

An Industrial Development Zone (IDZ) is a purpose-built industrial estate linked to an international airport or seaport, which contains a controlled customs secured area. A controlled customs secured area is exempt from VAT and import duty on machinery and assets. The aim of an IDZ is to provide demand driven infrastructure, generate suitable local and foreign investment and improve international competitiveness.

The IDZ also comprises industries and service areas that are designed to:

- Provide a location for the establishment of strategic investments;
- Promote and develop links between domestic and zone based industries to optimise the use of existing infrastructure, generate employment and create technology transfers;
- Enable the exploitation of resource –intensive industries;
- Allow for the smooth operation of investors' plants within the IDZ;

- Attract advanced foreign production and technology methods in order to gain experience in global manufacturing and production networks; and
- Provide world class industrial infrastructure.

There are currently four Industrial Development Zones in South Africa, all strategically positioned close to an international seaport or airport. These are:

- The Richards Bay Industrial Development Zone (RBIDZ) in KwaZulu-Natal;
- The Coega, and the East London Industrial Development Zones in the Eastern Cape; and
- The OR Tambo International Airport (designated) Industrial Development Zone in Gauteng.

The Richards Bay Industrial Development Zone (RBIDZ):
The Richards Bay Industrial Development Zone (RBIDZ) is a purpose-built and secure industrial estate in Northern KwaZulu-Natal. It is linked to an international seaport of Richards Bay, tailored for manufacturing and storage goods to boost beneficiation, investment, economic growth and, most importantly, the development of skills and employment. The RBIDZ aims to encourage the international competitiveness through tax and duty-free incentives on importation of production-related raw materials and inputs, as well as world class infrastructure, especially designed to attract tenants.

The RBIDZ also offers:

- Suitability for export –oriented production;
- Dedicated customs support services to expedite excise inspection and clearing;
- A zero rate of VAT on supplies procured from South African sources;

- Import status for finished goods which are sold into South Africa;
- Reduced taxation and exemption for some activities/ products; and
- Access to the latest information technology for global communications.

Critical Infrastructure Programme:

The Critical infrastructure Programme provides subsidised support for the economic infrastructure required for committed productive investments, including new projects or the expansion of existing projects. It also assists companies with top up grant providing funding ranging between 10% and 30% of the qualifying development costs.

The scheme aims to:

- Improve the competitiveness of South African Industries;
- Achieve economic growth and create employment; and
- Support industrial development with strategic economic advantages for South Africa, achieving a geographical spread of economic activities within the country and prioritising rural and economically depressed areas.

Private sector enterprises, private/public partners, industrial development project operators, strategic incentive programme applicants and investors in strategic economic projects are eligible for the Critical Infrastructure Programme Scheme.

Entities may claim for:

- Costs incurred directly in the installation, construction and erection of infrastructure;
- Remuneration costs incurred by the applicant for payment of employees undertaking project work;
- Costs of materials directly consumed during installation, construction and erection of the infrastructure; and
- The cost of new capital items, e.g. test equipment.

Automotive Production and Development Programme:

The new Automotive Production and Development Programme (APDP) which will replace the Motor Industry Development Programme (MIDP) in 2013, aims to stimulate growth in the automotive vehicle production industry to 1,2-million vehicles per annum by 2020 with an associated deepening of the components industry .

This would provide an opportunity to increase the local content of domestically assembled vehicles.

The APDP has four key elements:

- A tariff reduction freeze from 2013 to 2020;
- Production incentives;
- A local assembly allowance; and
- An automotive investment allowance.

Enterprise Investment Programme:

The Enterprise Investment Programme (EIP) is an incentive grant which comprises the Manufacturing Investment Programme (MIP) and Tourism Support Programme (TSP). The incentive is accessible to both local and foreign owned entities intending to locate their projects in South Africa.

The MIP is a cash grant for locally-based manufacturers who wish to establish a new production facility, expand an existing facility or upgrade an existing facility in manufacturing industries. Qualifying investment costs would comprise machinery, equipment, land and buildings and commercial vehicles. The TSP is an investment incentive grant that is payable over a period of two to three years to support the development of tourism enterprises, and in so doing, stimulate job creation and encourage the geographical spread of tourism investment. Tourism related activities supported by the grant include accommodation, recreation/entertainment and cultural services, and tour operator and passenger transport services.

Foreign Investment Grant:

The Foreign Investment Grant (FIG) is designed for international companies investing in plant, new machinery and equipment in South Africa. The grant compensates investors for the transportation of new machinery and equipment in South Africa.

Business Process Outsourcing and Off-shoring Investment Incentive:

The Business Process Outsourcing and Off-shoring Investment Incentive (BPO&OII) comprises an investment grant and a training and skills support grant towards the cost of company-specific training. The incentive is offered to local and foreign investors who establish projects that aim to serve offshore clients.

Technology and Human Resources for Industry Programme:

The Technology and Human Resources for Industry

Programme (THRIP) is a partnership programme funded by the dti and managed by the National Research Foundation (NRF). On a cost-sharing basis with industry, the THRIP supports science, engineering and technology research collaborations focused on addressing the technology needs of participating firms and encouraging the development and mobility of research personnel and students among participating organisations.

Support Programme for Industrial Innovation:

The Support Programme for Industrial Innovation (SPII) is a support programme of the dti, managed by the Industrial Development Corporation. The SPII is designed to promote technology development in South African Industry through the provision of financial assistance for the development of innovative products and/or process. The programme for industrial innovation specifically focuses on the development phase, which begins at the conclusion of basic research and ends when a pre-production prototype has been produced.

Small Enterprise Development Agency Technology Programme:

The Small Enterprise Development Agency (SEDA)Technology Programme (SEDATP) is a special ring fenced programme of the dti, housed within SEDA. It was created to provide a broad array of business incubation, technology transfer, and quality and standards services and support to small enterprises.

As part of the Government's strategy to consolidate small enterprise support activities since April 2006, the activities of the Godisa Trust, the National Technology Transfer Centre, the three business incubators of the dti, the Technology Advisory Centre, the technology-transfer activities of the Technology for Women in Business Programme and the support programmes for small enterprises of the South African Quality Institute were merged into a single programme, the SEDATP.

This programme seeks to stimulate economic growth and development through facilitating technological innovation and increasing the accessibility to, and utility of, technologies and technical support for small enterprises, whilst improving the sustainability and international competitiveness of small enterprises supported through the programme.

The SEDATP is therefore responsible for the provision of both financial and non financial technology transfers, business incubation and quality support services for small enterprises.

Foreign Film and Television Product Incentive:

The incentive aims to encourage and attract large-budget films and television productions and post-production work that will contribute towards employment creation, enhancement of international profile, and increase the country's creative and technical skills base. Incentive benefits are calculated on projects value:

- Shooting on location in South Africa, the incentive will be calculated as 20% of the Qualifying South African Production Expenditure (QSAPE). No cap will apply for this incentive.
- Shooting on location in South Africa and conducting post-production with a Qualifying South African Post-Production Expenditure (QSAPPE) of R1.5-million in South Africa, the incentive will be calculated at 22.5% of QSAPE and QSAPPE (an additional 2.5%, cumulative 22.5%)

South African Film, Television Production and Co-Production Incentive:

This incentive is to support the local film industry and to contribute towards employment opportunities in South Africa. The rebate is calculated as 35% of the first R6-million of QSAPE and 25% of the QSAPE on amounts above R6-million.

Clothing and Textile Competitiveness Programme:

The purpose of this programme is to build capacity in clothing and textile manufacturers and in other areas of the apparel value chain in South Africa to effectively supply their customers, such as major retailers, government and niche markets, locally and internationally. The programme aims to grow South African based clothing, textiles, footwear and leather goods manufactures to be globally competitive. Such competitiveness encompasses issues of cost, quality, flexibility, adaptability and the capability to innovate. These interventions will include activities on people, equipment, materials and processes. The applicable investment grant is as follows:

- The incentive programme provides investment support to both local and foreign owned entities by offering a cost-sharing grant incentive of 75% of project costs on cluster projects and 65% of project cost for company-level projects. These incentives will not cover costs pertaining to machinery, equipment, commercial vehicles, land or building in an existing clothing and production facility;
- The company level grant will support the competitiveness improvement initiatives of such companies through the provision of 65:35 cost-sharing grants between the Clothing and Textile Competitiveness Programme grant and the company, respectively. Grant support for each company will be limited to accumulative ceiling of R2,5-million over the five year period of the programme implementation; and
- The cluster grant will support the development of such clusters through the provision of respective 75:25 cost-sharing grants between the Clothing and Textile Competitiveness Programme grant and the cluster participants. Grant support for each approved partnership will be limited to cumulative ceiling of R25-million over the five-year period of the programme implementation.

The programme will run for a period of five years, starting April 2009.

Production Incentive:

The Production Incentive (PI) is aimed at structurally changing the clothing, textiles, footwear, leather and leather goods manufacturing industries by providing funding assistance for these sectors to invest in competitiveness improvement interventions. The production incentive consists of two components, namely an upgrade grant facility and an interest subsidy for working capital facility. The PI is a market neutral incentive offered to the sub-sectors listed below, resulting in an incentive benefit equal to 10% for the year ending March 2011 of a company's Manufacturing Value-Addition. The Production

Incentive will run for a period of five years. The Production Incentive is available to:

- Clothing manufacturers;
- Textiles manufacturers;
- Cut, Make and Trim operators;
- Footwear manufacturers;
- Leather goods manufacturers; and
- Leather processors (specifically for leather goods and footwear industries).

The PI specifically excludes any leather and leather goods manufactured for the automotive sector. The above two programmes (CTCP and PI) are administered by the Industrial Development Corporation of South Africa.

Export Marketing and Investment Assistance Scheme:

The export Marketing and Investment Assistance (EMIA) Scheme partially compensates exporters and investors for costs incurred in respect of activities aimed at developing export markets and assists with the facilitation of investments in South Africa. The Scheme provides assistance in the form of air travel expenses, freight-fowarding costs relating to display materials, subsistence allowances and exhibition space and booth rental costs. Eligible applicants for the scheme include:

- South African-based manufacturers of products, including Small, Medium and Micro Enterprises, Previously Disadvantaged Individuals and other businesses;
- South African export trading houses;
- South African commission agents, representing at least three SMMEs or PDI owned businesses; and
- South African export councils, industry associations and Joint Action Groups (JAGs) representing at least five South African entities.

Entities/divisions/subsidiaries forming part of a group, Joint Venture or partnership quality for EMIA Scheme assistance at the discretion the Scheme.

Policy Advocacy

Economies continuously implement necessary regulations in relation to trade and investment.

While these may seem counter-productive at times, they are mainly designed to protect the well-being of the consumers of goods and services produced by investors and traders.

As such, it is important that investors and traders are aware of their existence and comply accordingly.

To the extent that such regulations will continue to prevail in the province, Trade & Investment KwaZulu-Natal will strive to facilitate speedier compliance with these regulations, in collaboration with relevant implementation bodies.

Against this background, Trade & Investment KwaZulu-Natal has structured strategic agreements and relationships with key agencies, municipalities and government departments to remove unnecessary bureaucracy and speed-up processes in order to fast track investments in this province.

It is important for investors planning to invest in KwaZulu-Natal to:

- Take note of the national and provincial policy environments for encouraging investment and communicate with Trade & Investment KwaZulu-Natal for clarity and the supply of such information;
- Review the incentives available from government and apply those for which they may be eligible;
- Take note of labour legislation and, in particular, the Labour Relations Act, Basic Conditions of Employment Act and the implications for doing business in the

province, and awareness of labour movements and the available bargaining councils;

- Seek to contribute to Broad-Based Black Economic Empowerment, in terms of the Broad-Based Black Economic Empowerment score card;
- Familiarise themselves with the planning and environmental regulations applicable to the areas in which they tend to operate to ensure compliance thereto, or otherwise seek assistance or advice from the provincial Department of Agriculture and Environmental Affairs;
- Ensure that work permits for non-South African citizens to be employed in the enterprise are secured prior to their arrival;
- Ensure compliance with South African customs and excise regulations and the protocols for payment and shipping;
- Fulfil the tax obligations of companies in terms of South African Law and observe property owner responsibilities (where relevant) in terms of South African law;
- Be aware of the limited constitutional powers of provincial and local government with respect to materially incentivising investment, whilst being assured of their co-operation with such powers; and
- Communicate with the Trade & Investment KwaZulu-Natal official who is assisting you with any of the above and also seek advice on any other matters.

In the process of facilitating investment in the province, Trade & Investment KwaZulu-Natal will:

- Continually strive to live up to its vision and mission, as outlined in its annual strategic documents, and shall

proactively assist investors with referral services where needed;

- Assist potential investors within KwaZulu-Natal with any relevant information and liaison services required in respect of ensuring investor adherence to protocol;
- Strive to achieve KwaZulu-Natal and South Africa's competitiveness in attracting Foreign Direct Investment (FDI) in a global context and, in particular, to seek to achieve policy and incentive comparability to other successful middle income countries with regard to attracting investment;
- Regularly review its own activities and programmes in line with international best practice and being mindful of new issues continually emerging on the horizon as a result of global innovation, communication and competition;
- Actively advocate for a conducive investment environment for investors; and
- Sign/enter into Memorandums of Understanding with both national and provincial parastatals in order to reduce the number of days and bureaucracy in the accessing of goods and services offered to investors by such parastatals.

Land Acquisition in KwaZulu–Natal

Very few restrictions currently apply the purchase of property by non-residents, although procedures and requirements do exist, which must be complied within certain circumstances.

Entities registered outside South Africa intending to purchase property here must be registered and appoint a South African resident public officer for a local company whose shares are owned by a non-resident. Should a non-resident plan to purchase property in South Africa with the intention of residing here for longer periods, he/she must apply for permanent residency in accordance with given requirements and procedures.

A land requisition challenge in South Africa relates to the conclusion of Environmental Impact Assessments (EIAs).

The South African Department of Environmental Affairs is striving to ensure sustainable development here and the country is already renowned for the preservations of its existing World Heritage Sites, 25% of which are located in KwaZulu-Natal, and other natural areas which may not be converted into industrial or similar sites.

This approach preserves the natural beauty of KwaZulu-Natal as a unique place to live, work and invest.

Purchasing Property in South Africa as a Foreigner – non-residents purchasing property in South Africa may borrow up to 50% of the purchase price in South Africa, with the balance being brought in by the purchaser, transferred from a recognised foreign bank to one in South Africa.

The borrowed amount is at the discretion of the commercial bank offering the loan.

A non-resident must open a 'non-resident' account at a South African commercial bank to facilitate loan repayments. This account would be funded from abroad or from rental monies received, subject to the bank holding the account being provided with a copy of any rental agreement.

Non-residents with valid South African work permits are seen as residents for the duration of their work permits and are not subject to borrowing restrictions placed on non-residents without work permits.

Acquiring and disposing of privately-owned land - Investors face an array of possibilities when selecting land for development in South Africa. Private, state, provincial, municipal and parastatal landholdings are all potentially available for commercial development – each with its own application process. Details of these processes are determined and administered by the municipality concerned. Commercial real estate is well developed in South Africa, with private holdings in both urban and outlying areas. The availability of industrially-zoned and serviced land varies by location. However, the Kwa-Zulu-Natal PDA exists to assist investors with applications for the rezoning of land, should the need arise.

Acquiring state owned land - The purchase or lease of estate land is subject to tender. Two scenarios exist for the acquisition of such land:

- Application by an investor or developer for the use of a particular plot of state land; and
- A response by an investor to an invitation by the Government for bids to develop land.

Major Infrastructure and Investment Projects

South Africa is considered to be one of the most sophisticated and promising emerging markets in the world, with the cost

of doing business comparing favorably with other emerging world markets. The country and the province of KwaZulu-Natal, in particular, offer competitive investment advantages and opportunities, enhancing this region's status as a preferred investment destination. Ongoing infrastructure projects in the provinces and country are undoubtedly paving an increasingly competitive path for further investments in KwaZulu-Natal, South Africa and the continent at large.

Durban Port Upgrade

The Durban Container Terminal (DCT) is the biggest and busiest in the Southern Hemisphere and currently handles 64% of the country's sea-borne container traffic.

Transnet is implementing an ambitious expansion project at the terminal, comprising 30 individual work packages and aimed at increasing the DCT's container-handling capacity from 2,3-million Twenty foot Equivalent Units (TEUs) to its full capacity of 2,9-million TEUs. An additional project is underway to re-engineer the terminal through configuration and equipment replacement, which will result in 920 000 TEUs of additional capacity. Valued at more than R11-billion, the project forms part of an overall R110.5-billion five-year capital expenditure programme.

Ingula Pumped-storage Scheme

The R16.6-billion Ingula pumped-storage scheme, located within the Drakensberg Mountains will comprise an upper dam (Bedford) and a lower dam (Baamhoek). The upper dam site is located in the Free State and the lower one in KwaZulu-Natal. The escarpment forms the border between the two provinces. The distance between the two reservoirs will be 4.6 km, with an elevation difference of some 470 m.

The dams will be connected by way of underground waterways and powerhouse complex, which will house four 333 MW

pump turbines with a total capacity of 1 332 MW, a machine hall, a transformer hall and associated tunnels, shafts and caverns. Twin waterways, consisting of part-concrete and part steel-lined headrace tunnels, pressure tunnels and shafts, will link the upper reservoir with the pump/turbines. Steel-lined extended draft tubes and a single concrete-lined tailrace tunnel will connect the pump/turbines to the lower reservoir. The upper reservoir will be a concrete-faced rock-fill embankment dam 41m high, with total capacity of 22.6-million cubic metres and an active water storage volume of 19.3-million cubic metres. The lower dam will be of roller-compacted concrete, 39m high, with total capacity of 26.3-million cubic metres and an active storage volume of 21.9-million cubic metres. The upper reservoir will store enough water to generate electricity continuously, using all four units for 16 hours. Pumping the water back from the lower reservoir will take about 21 hours, giving an overall efficiency of 76% for the scheme.

Dube TradePort Development

Dube TradePort, home to King Shaka International Airport, is the single largest infrastructural investment project in KwaZulu-Natal and is a Greenfield airport-related development.

The project provides a world-class freight and passenger logistics platform for the province.

The developed aeronautical infrastructure is supported by the surrounding Dube TradePort which comprises a trade zone, which is linked to the airport's airfreight component, Dube City, which will serve as an urban hub comprising hotels, conference facilities and a business environment, as well as an integrated agricultural export zone, which includes land for the cultivation of high-value farming products and facilities designed to promote agricultural production and export.

Mooi-Mgeni Transfer Scheme Phase Two

This project will supplement the yield of the Mgeni water system, one of three systems supplying water to about 6.3-million people living in KwaZulu-Natal municipalities of eThekwini Metro, uMgungundlovu and uMsunduzi.

The District Municipalities of Sisonke, Ugu and Ilembe are indirect beneficiaries of the project.

The R2.2-billion project comprises the construction of the Spring Grove Dam and associated transfer system (a pump-station and a pipeline) in the Midlands town of Rosetta, on the Mooi River, and a conveyance system to transfer water to the Mgeni River catchment.

Once constructed, the new system will augment the current yield of the Mgeni system by an additional 60-million cubic metres of water a year, while addressing water delivery backlogs and improving the security of supply in the region.

Port of Richards Bay Refurbishment

The Port of Richards Bay, South Africa's largest bulk-port comprises a dry-bulk terminal, a multi-purpose terminal and a privately operated coal terminal. Other private operators within the port include several wood chip export terminals and a bulk liquid terminal. The port also has extensive rail and conveyor systems servicing berths from nearby factories and plants.

Since the onset of the global economic crisis, volumes at the Port of Richards Bay's multi-purpose terminal have fallen by between 25% and 30%. However, to create capacity for future growth, Transnet Port Terminals is forging ahead with a project to refurbish worn equipment. Refurbishment involves replacing worn parts on the 42 km of conveyor belts, ship loaders and unloaders and dust extractor units. The port's two tipplers have already been refurbished.

Richards Bay Industrial Development Zone (RBIDZ)

The RBIDZ is a purpose-built and secure industrial estate on the north eastern coast of KwaZulu-Natal, adjacent the deep-water Richards Bay Harbour, one of two major ports in KwaZulu-Natal, handling some 57% of South Africa's sea-borne cargo.

The RBIDZ encourages international competitiveness through tax and duty-free incentives, world-class infrastructure and electricity rates that are ranked amongst the lowest in the world.

Industry-types that are expected to reap maximum benefits by being located within the RBIDZ include: export-orientated

businesses, users of raw materials, heavy energy users (electricity, gas, coal and bio-mass).

A particular focus of the RBIDZ is the downstream benefit to primary products already being manufactured in the region for export. The RBIDZ is, therefore, aimed at adding value to the manufacturing sector in KwaZulu-Natal and enhancing the province's existing export potential, whilst contributing to the growth of small and medium sized local enterprises.

Camden-Mbewu Power Transmission Line

This project will see the construction of a 765 kV power transmission line from a proposed sub-station near the Camden coal-fired power station in Ermelo, in eastern Mpumalanga, to the Mbewu (Theta) sub-station, to be built near Empangeni, in northern KwaZulu-Natal.

In addition and where required, it is proposed that access roads adjacent the power-line will be constructed and maintained.
To link the new power-line into the grid, other electrical infrastructure is required at the take-off (Camden sub-station) and end-point (Mbewu sub-station). Such infrastructure requirements will occur within the footprint of both sub-stations.

SmartXchange

Based in Durban, SmartXchange is a technology innovation node and serves as a dynamic, young business incubation centre, established to promote and support the province's vision of becoming one of South Africa's technological hubs.

Automotive Supplier Park

The park will provide for a low-cost, single location to house automotive component manufacturers and suppliers.

The park site is envisaged to be located in close proximity to key assembly plants and the Durban Harbour, enhancing supply chain management to both local and international markets.

4 INTERNATIONAL TRADE

South Africa's inward trade with the rest of the world recovered substantially in 2011, adding to the gains realised in 2010, after plunging 25.7% in 2009. KwaZulu-Natal's recovery was amongst the most remarkable in the country, at 27%. The province was the third largest importer.

South Africa's Imports by Province and Value, 2009-2011

	Trade (R billions)			Growth rate	
Province	2009	2010	2011	2010	2011
Total South Africa	542.4	586.0	726.2	8.0%	23.9%
Gauteng	322.2	367.4	445.9	14.0%	21.4%
Western Cape	117.2	105.3	140.3	-10.1%	33.2%
KwaZulu-Natal	60.0	69.6	88.4	16.0%	27.0%
Eastern Cape	31.1	30.5	35.8	-1.9%	17.5%
North West	3.8	4.6	5.4	21.7%	17.1%
Free State	2.4	2.6	3.3	9.0%	30.5%
Limpopo	1.5	2.8	3.2	90.6%	14.5%
Mpumalanga	3.8	2.6	3.1	-30.0%	16.6%
Northern Cape	0.5	0.6	0.7	27.3%	17.8%

Source: Quantec (2012)

South Africa's outward trade recovered more slowly than inward trade, 19% versus 24%, widening the country's trade deficit from R6-billion in 2010 to a massive R34.7-billion in 2011.

South Africa's Exports by Province and Value, 2009-2011

	Trade (R billions)			Growth rate	
Province	2009	2010	2011	2010	2011
Total South Africa	507.7	580.0	691.5	14.3%	19.2%
Gauteng	338.0	392.3	470.2	16.1%	19.9%
KwaZulu-Natal	56.7	63.5	77.4	11.9%	21.8%
Western Cape	52.5	51.1	54.7	-2.8%	7.1%
Eastern Cape	25.7	29.8	34.2	15.7%	14.9%
North West	13.1	15.5	19.1	18.3%	23.1%
Limpopo	10.5	13.3	15.2	27.4%	14.3%
Mpumalanga	7.6	10.9	12.4	43.2%	14.6%
Northern Cape	0.7	1.0	5.2	39.8%	447.2%
Free State	2.8	2.7	3.0	-4.1%	9.6%

Source: Quantec (2012)

KwaZulu-Natal also widened the negative trade gap from -R6.1-billion in 2010 to -R11-billion in 2011. However, the province remained the second largest exporter after Gauteng, contributing 11.2% to the country's outward trade.

This is possibly because of the strategic location of the province as home to one of Africa's busiest ports, Durban, and the propensity of companies in the province to import machinery and automotive parts for assembly in the province, resulting from the Rand's strength in 2010.

5 BASIC REQUIREMENTS FOR TRADING AT INTERNATIONAL LEVEL

According to the World Trade Organisation's International Trade Centre (WTOITC), quality is a prerequisite for successful international market access and is necessary to increase revenue from export.

However, meeting the technical requirements in the international market-place has proved challenging. ITC research indicates that some 70% of problems faced by exporters due to non-tariff measures are in the area of technical barriers to trade and sanitary and phytosanitary measures.

Exporters in developing countries experience four main challenges to overcoming technical barriers to trade and in accessing new markets:

- Obtaining information about mandatory technical requirements and voluntary standards applicable in the importing country
- Adapting products to meet these requirements
- Demonstrating that products meet the relevant requirements
- Obtaining the necessary support from the national quality infrastructure which, in many developing countries, is inadequate.

The International Organisation for Standardisation (ISO) is responsible for developing international standards for all industrial sectors, as well as a variety of cross-sector, horizontal themes. The full range of technical fields may be viewed from the listing of International Standards. Users may access bibliographic information on each standard and, in many cases, a brief abstract. The online ISO Standards listing integrates both the ISO catalogue of published standards and the ISO technical programme of standards under development.

6 LIVING IN KWAZULU-NATAL

KwaZulu-Natal represents a microcosm of the economic and social conditions of South Africa as a whole. In an idyllic climate that lends itself to an enviable, relaxed lifestyle, the business-friendly environment includes cutting-edge financial institutions, providing specialised and professional business services in all fields. Combined with its abundant natural resources and diverse cultures, KwaZulu-Natal offers a world-class business destination, where doing business is a pleasure.

Housing and Accommodation

Most homes in KwaZulu-Natal are sold or leased through a licensed real estate agent. A list of estate agents per geographic area may be found on www.propertywebsa.co.za or www.myproperty.co.za.

Education

KwaZulu-Natal has two universities, including the country's largest university, the University of KwaZulu-Natal, which spans five campuses, one in Pietermaritzburg, and the remainder in the greater Durban area. There are several technical colleges, the flagship being the Durban University of Technology. There also exists a large number of smaller training institutions offering career training. Elementary, primary and secondary schools may be found throughout every urban neighbourhood in KwaZulu-Natal, some of which fall within South Africa's Best Schools category. For further information, see www.kzneducation.gov.za.

Health and Welfare

Throughout South Africa, both public and private healthcare is offered. Many corporate employers offer a subscription or partially subsidised subscription to a medical insurance or medical aid fund. Primary healthcare is available free of charge

at all government hospitals. For more information you may visit the KwaZulu-Natal Health Department website: www.kznhealth.gov.za.

Leisure

Residents of KwaZulu-Natal have ready access to mountains, beaches, historical battlefields, game reserves, country meanders, arts and crafts and interesting culture. Sport enthusiasts will be spoilt for choice in terms of facilities. The province is also home to award-winning golf courses, blue flag beaches and a host of musical and cultural festivals and events.

7 EXPORT COUNCILS AND INDUSTRY ASSOCIATION CONTACTS

	Contacts	Web Addresses
Automotive Industry Export Council (AIEC)	Tel: +27 12 323 2980 Fax: +27 12 326 3232 norman@naamsa.co.za	www.naamsa.co.za
Boat Builders Business Council (SABBC)	Tel: +27 21 447 2541 Fax: +27 21 447 6456 Cell: +27 82 975 1156 veda@sabbex.co.za info@sabbex.co.za	www.sabbex.co.za
Capital Equipment Export Council (SACEEC)	Tel: +27 11 849 7388 Fax: +27 11 849 7388 Cell: +27 82 337 2932 osiriscon@icon.co.za	www.saceec.co.za
Cosmetic Export Council (SACEC)	Tel:+27 11 793 1144 max@sacec.co.za	www.sacec.org.za
Electrotechnical Export Council (SAEEC)	Tel: +27 11 315 0209 Fax: +27 86 661 1327 director@saeec.org.za info@saeec.org.za	www.saeec.org.za
Flower Industry Council (ASSO Flowers)	Tel: +27 11 692 4237 Cell: +27 82 852 7258 Fax: +27 11 693 7051 Fax: +27 86 658 9310 jacduif@telkomsa.net info@saflower.co.za	www.saflower.co.za
Fresh Produce Exporters Forum/Fruit South Africa (FPEF)	Tel: +27 21 526 0474 Fax: +27 21 526 0479 stuart@fpef.co.za michelle@fpef.co.za miranda@fpef.co.za	www.fpef.co.za
International Steel Fabricators (ISF)	Tel: +27 11 726 6111 Cell: +27 82 339 3393 Fax: +27 11 482 9644 neels@isf.co.za director@isf.co.za	www.isf.co.za

Steel Tube Export Council SA (STEASA)	Tel :+27 11 823 2377 Fax: +27 11 823 2377 astpm@astpm.co.za	www.astpm.co.za
Wines of South Africa(WOSA)	Tel: +27 21 883 3860 Fax: +27 21 883 3861 su@wosa.co.za dalene@wosa.co.za	www.wosa.co.za
SA Wire Business Council	Tel:+27 11 453 0921 Tel:+27 11 453 5629 Fax:+27 11 453 9653 dries@sawa.co.za sawa@sawa.co.za	www.sawa.co.za
Aerospace Maritime & Defence Industries Association (AMD)	Tel: +27 12 420 1540 Cell:+27 83 640 8120 Fax:+27 12 347 6350 Fax:+27 12 347 6406 info@amd.co.za magda@amd.org.za	www.amd.org.za
Aluminium Federation of South Africa (AFSA)	Tel: +27 11 455 5553 Tel: +27 11 453 3339 Fax: +27 11 455 5554 afsa@afsa.org.za rentiam@afsa.org.za brian.penfold@hulamin.co.za	www.afsa.org.za
Federation of Civil Engineering Contractors (SAFCEC)	Tel: +27 11 409 0900 Fax: +27 11 450 1715 export@safcec.or.za	www.safcec.org.za
Association of Consulting Engineers (SAACE)		www.saace.co.za

Iron & Steel Institute (SAISI)	Tel: +27 12 320 2450 Fax: +27 12 320 1150 PeterD@saisi.co.za	www.saisi.co.za
Rail Road Association (RRA)	Tel: +27 11 761 2434 Cell: +27 82 494 0516 Cell: +27 82 574 2505 Cell: +27 79 857 5374 Fax: +27 86 685 5042 Jit-rra@mweb.co.za Owl_lodge@absamail.co.za Admin-rra@mweb.co.za	www.rra.co.za
Stainless Steel Development Association (SASSDA)	Tel: +27 86 172 7732 Tel: +27 11 883 0119 Cell: +27 82 946 8782 Fax: +27 86 639 4268 Lesley@sassda.co.za Palani@telkomsa.net	www.sassda.co.za
Plastics Federation of South Africa	Tel: +27 11 314 4021 Fax: +27 86 515 7005 David.hughes@plasfed.co.za Dianne.blumberg@plasfed.co.za	
Business Process Enabling South Africa (BPeSA)	Tel: +27 11 783 3177 Cell: +27 84 722 2266 Fax: +27 11 783 5347 mfanu@bpesa.org.za	www.bpesa.org.za
Milk Producers Organization (MPO)	Tel: +27 12 843 5600 Fax: +27 12 804 4809/11 info@mpo.co.za	www.mpo.co.za

Appendix

Reference websites:

www.absa.co.za
www.ports.co.za/durban-harbour.php
www.researchchannel.co.za
www.statssa.gov.za
www.kznhealth.gov.za
www.tikzn.co.za
www.quantec.co.za
www.transnet.co.za
www.reservebank.co.za
www.dbnautocluster.org.za
www.sars.co.za
www.kzneducation.gov.za
www.thedti.gov.za
www.kznfurniture.co.za
www.dubetradeport.co.za
www.rbct.co.za
www.eskom.co.za
www.gcis.gov.za
www.whoownswhom.co.za

Disclaimer:

This document was printed in March 2013

Durban City Hall

Notes

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