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## COUNTRY PROFILE AND EXPORT GUIDE



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# COUNTRY PROFILE AND EXPORT GUIDE

# SOUTH AFRICA

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# CONTENT

<b>Profile Export Guide</b> .....	<b>3</b>
<b>Outlook</b> .....	<b>3</b>
<b>Pestle analysis</b> .....	<b>4</b>
• <b>Political</b> .....	<b>4</b>
• <b>Economic</b> .....	<b>5</b>
• <b>Social</b> .....	<b>6</b>
• <b>Technology</b> .....	<b>7</b>
• <b>Legal</b> .....	<b>7</b>
• <b>Environment</b> .....	<b>9</b>
<b>Export Guide</b> .....	<b>9</b>
<b>Market Entry Options   Products &amp; Services</b> .....	<b>14</b>
<b>Import Requirements   Documents   Guarantees</b> .....	<b>17</b>
<b>Duties   Tariffs   Taxes   Jordanian Imports</b> .....	<b>19</b>
<b>Sanitary &amp; Phytosanitary Measures</b> .....	<b>20</b>
<b>Non-Tariff Barriers</b> .....	<b>20</b>
<b>Key Import Stakeholders</b> .....	<b>21</b>
<b>Import Infrastructure &amp; Logistics</b> .....	<b>22</b>
<b>Financial Sector</b> .....	<b>24</b>

## SOUTH AFRICA: PROFILE & EXPORT GUIDE



### OUTLOOK: 2015 - 2016

#### Doing Business Report, 2015

Overall Ranking (189 countries) 69

#### Global Competitiveness Report 2015-2016

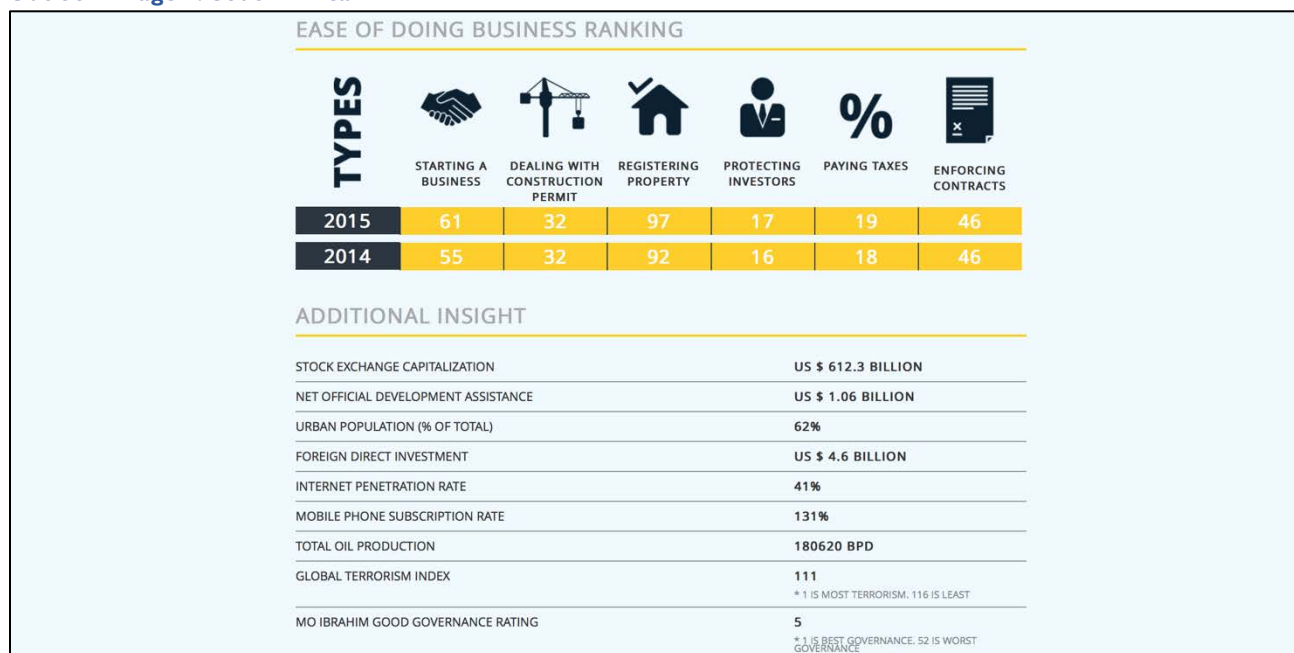
GCI score(1-7) Best 4.4

Overall Rank (Rank/140) 49

#### Transparency International Report - Corruption Perception Index, 2014

Overall Ranking 44  
0 (highly corrupt) to 100 (very clean)

### Outlook Image 1: South Africa



Source: <https://asokinsight.com/countries/south-africa/>

**Table 1: General outlook, 2015 - 2016**

<b>Socio-Economic Indicators</b>		<b>Sectoral/Technology Indicators</b>	
Population, Total	54 mn	Mobile cellular subscribers (per 100 people)	149.7
Urban population growth (annual %)	2.4	Internet users (per 100 people)	49
Life Expectancy at birth, total (years)	57(2013)	Gross enrollment ratio, primary, both sexes (%)	100.8 (2013)
Fertility rate, total(births/women)	2.4(2013)	Gross enrollment ratio, secondary, both sexes (%)	110.8 (2013)
GDP at market prices(current US\$)	350 bn	Agriculture, value added, % of GDP	2.5
GDP growth (annual %)	1.5	Industry, value added, % of GDP	29.5
FDI, net inflows (BoP current US\$)	5.7 bn	Services, value added, % of GDP	68
<b>Environmental Indicators</b>		<b>Trade Indicators</b>	
Energy use (Kg of oil equivalent per capita)	2,674 (2012)	Merchandise trade (% GDP)	60.8
CO <sub>2</sub> emissions (metric tons per capita)	9.3 (2011)	Exports of goods and services (% of GDP)	31.3
Electric power consumption (kwh/capita)	4,404.5 (2012)	Imports of goods and services (% of GDP)	33.1
		High-technology exports (% of manufactured exports)	5.5 (2013)

Source: World Development Indicators

## PESTLE ANALYSIS

### Political

Situated in the South of Sub-Saharan Africa, the Republic of South Africa is surrounded by Botswana, Zimbabwe, Mozambique and Namibia. South Africa has come a long way since the days of its apartheid system. Since 1994, the country has a multi-party parliamentary system, with executive powers handed to a state president and a ministerial cabinet. The first nonracial elections took place that same year, and the ruling African National Congress (ANC) has attempted to overcome this apartheid legacy through the leadership of Nelson Mandela, winner of the Nobel Peace Prize as a result of his struggle for justice marked by more than twenty years imprisonment. With this political milestone, people of color have assumed leading positions in various economic sectors and in government. Based on its economic history, South Africa can, ideally, be positioned to act as a launching pad into the surrounding countries comprising the Southern African Development Community (SADC) and a bridging country between the emerging markets of Central and South America on the one hand and the newly industrialized countries in the East. In the international arena, South Africa's success in hosting the 2010 FIFA World Cup, has

reflected the country's long path to development and has strengthened its position on the international map. Furthermore, it was admitted to the BRICS group of Brazil, Russia, India and China in 2011.

## Economic

According to outlook analysis for 2016<sup>1</sup>, the South African rand, in January 2016, hit record lows against the dollar and has lost about 30% of its value in the past six months. While this could have been good for South Africa's exports, it does not help that global prices of key South African exports such as iron ore and coal have fallen. Additionally, while this is more of a political than an economic problem, it is clear that global capital does not have confidence in President Jacob Zuma and his government's policies that's have led to slow growth, power shortages, labor unrest, drought, inflation and the political uncertainty that have led to credit rating downgrades. Alternatively, South Africa should be attractive to Jordan because the rand is at its cheapest level in 20 years. Jordan could, thus, take advantage of cheap assets in South Africa, and countries like Kenya could suffer because South Africa is proving to be a much cheaper travel destination than they are.

Invariably, a sustained record of macroeconomic prudence and a supportive global environment enabled South Africa's gross domestic product (GDP) to grow at a steady pace for the decade up to the global financial shock of 2008-2009. According to the World Bank,<sup>2</sup> South Africa is a *dual economy* and has one of the highest inequality rates in the world, perpetuating inequality and exclusion. The country had an income Gini of around 0.63 in 2013.<sup>3</sup> Today, the top decile of the population accounts for 58% of the country's income, while the bottom decile accounts for 0.5% and the bottom half less than 8%.<sup>4</sup> In the past, it is important to note that improvements in the public budget management system and efforts to restore the macro fundamentals by National Treasury played an essential role in South Africa tapping into international bond markets with reasonable sovereign risk spreads. In fact, the 2012 Open Budget Index prepared by the International Budget Partnership ranked South Africa second among 94 countries surveyed. However, between 2014 and January 2016, South Africa's ratings have, mostly, been downgraded citing the above-mentioned poor growth prospect, rising government debt as well as high deficits on the current account.

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<sup>1</sup> <http://www.howwemadeitinafrica.com/economists-share-their-2016-outlook-for-nigeria-kenya-and-south-africa/53106/>

<sup>2</sup> <http://www.worldbank.org/en/country/southafrica/overview>

<sup>3</sup> World Bank

<sup>4</sup> *ibid*

According to *Trending Economics*, the mineral rich South Africa is the world's biggest exporter of chromium and platinum (9 percent of total exports) and the second largest exporter of manganese (9 percent). Other exports include: iron ores (14 percent), motor vehicles and car parts (9 percent), machinery and mechanical appliances (7 percent), gold (7 percent), coal (6 percent) and diamonds (2 percent). Main export partners are: China (13 percent of total exports), the United States (8 percent), Japan (7 percent), Botswana (5 percent) and Germany (5 percent). Others include Namibia, the Netherlands and the UK. In 2012, South Africa had a R61.6bn deficit with Saudi Arabia, far surpassing that with Germany (R46.6bn) and China (R36.1bn).<sup>5</sup> The reason for this massive deficit with Saudi Arabia is that South Africa switched some of its oil imports from Iran after the US and Europe imposed sanctions on Iran due its nuclear development program. In 2015, South Africa continued its South Africa/Saudi Arabia Joint Economic Commission to strengthen economic ties, to attract foreign direct investment from Saudi Arabia into South Africa in targeted sectors and to promote sound business-to-business cooperation.<sup>6</sup> Main exports to Saudi Arabia are oranges, iron ore, ferro-manganese and machinery.

## **Social**

While South Africa has been praised internationally for its move away from an apartheid state into one that protects and encourages inclusivity and equality, the country's social fabric is still threatened by racial, gender, income, class, violence and poverty related challenges. Although it is moving towards a more competitive economy, the country still has one of the highest crime rates in the world. Despite these problems, South Africa still has a middle class of 4.3 million.

South Africa has 11 official languages with English spoken widely and the other official languages are: Afrikaans, Ndebele, Northern Sotho, Southern Sotho, Swazi, Tsonga, Tswana, Venda, Xhosa and Zulu. Most South Africans live in urban areas. Major cities include Johannesburg, Pretoria, Durban (a port on the central east coast), Cape Town, and Port Elizabeth, (an industrial and manufacturing city on the Eastern Cape coast). As a result of the legacy left by the white minority rule, there is a social crises in the form of racial segregation and an uneven distribution of resources and opportunities. Deeply rooted poverty, unemployment among the black majority, one of the highest crime rates in the world, rural /urban economic and social divide are other social challenges faced by the

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<sup>5</sup> <http://www.bdlive.co.za/business/trade/2013/03/10/south-africas-largest-foreign-trade-deficit-with-saudi-arabia>

<sup>6</sup> <http://www.fin24.com/Economy/SA-aims-to-strengthen-trade-with-Saudi-Arabia-20150503>

post-apartheid state. However considerable progress is being made, especially because of the work of the Truth and Reconciliation Commission between 1997 and 1999.

## **Technology**

While South Africa is pretty well advanced in terms of its ICT infrastructure, the country is being hobbled because of corruption, cost of communication and a lack of skills. In regard to corruption, while the South African Revenue Service (SARS) has leveraged ICT delivery, the State Information Technology Agency has not been delivering and was, in 2014, undergoing an audit of tenders over the past 10 years. Additionally, there have been constant changes in the executive management and boards of both South African State Informational Technology Agency [SITA] and the Technology Innovation Agency (TIA) which have not improved stability of these organizations. Lastly, state owned enterprises (SOEs) and companies (SOCs) are preventing the smooth implementation of the top-down broadband implementation with national government leadership. Invariably, South Africa's ICT sector is expected to show strong growth in the future, with South African enterprises looking to increase their ICT investments in improving their traditional ICT infrastructures. Supporting this belief, (i) A 2015 survey<sup>7</sup> of South African enterprises shows that overall ICT spending in South Africa is expected to increase in 2015 compared to 2014, with enterprises continuing to invest in hardware, software, and IT services in order to enhance their ICT infrastructure; (ii) Enterprises in South Africa are increasingly using green IT and virtualization technologies to reduce IT maintenance and support, and energy costs; and (iii) Rapidly expanding bandwidth capacities and the proliferation of data centers within the geography has established a solid platform for the development of cloud computing services in South Africa.

## **Legal**

After Apartheid ended in the early 1990's, South Africa entered into many Bilateral Investment Treaties (BITs) with many foreign countries which governed the foreign investment regime for foreign investors from those countries in South Africa (in terms of expropriation clauses and dispute resolutions). However, in 2013 South Africa unilaterally cancelled many of its BITs or expressed that the BITs would not be renewed (mainly with EU members) in order to make changes to the way in which those protections are ensured, whilst maintaining its right to implement policies to address the country's social and economic requirements and to redress the injustices of past through its affirmative action policies.

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<sup>7</sup> <http://www.prnewswire.com/news-releases/ict-investment-trends-in-south-africa-enterprise-ict-spending-patterns-through-to-the-end-of-2016---reportlinker-review-300159833.html>



This has resulted in the signing into law of the Protection of Investment Act of 2015 (though no official operation date has yet to be announced), which has significantly altered the protection which foreign investors in South Africa will receive in terms of compensation if their property is expropriated by the South African government and in terms of the settling of legal disputes between foreign investors and the South African government.

Under the old BITs, foreign investors were guaranteed to be compensated at "fair market value" if their property was expropriated, and had the first right of recourse to an international tribunal if there was a dispute concerning their foreign investment. Under this new legislation foreign investors are on the same level in terms of protection as domestic investors, and if their property is confiscated they are due to be compensated at a value which is considered a "fair and equitable" value by the South African government. In terms of dispute settlement, the foreign investor must exhaust all domestic remedies before they are entitled to take the matter to an international tribunal.

The changes made by the Protection of Investment Act of 2015 are extremely pertinent in light of the expropriation bill which was approved by the South African Parliament on February 25, 2016 (though has yet to be signed into law by President Jacob Zuma). The provisions of the expropriation bill will apply directly to foreign investors due to the passing of the Protection of Investment Act. These provisions detail how the South Africa government can now acquire any property it deems "in the public interest" without the property owner's consent, by paying compensation deemed "fair and equitable" by a South African government adjudicator. The definition of what constitutes "property" is very wide, and the risk exists that the compensation awarded will be disproportionate to the actual market value of the property. The third piece of relevant legislation is the regulation of land holdings bill, which President Jacob Zuma announced on February 18, 2016, would be voted on by the South African Parliament in 2016. The passing of this regulation of land holdings bill will mean that foreigners are not allowed to own agricultural land and would only be able to lease it. This would be highly detrimental to foreign investment within the agricultural sector. Furthermore, South Africa's Broad Based Black Economic Empowerment program (BBBEE), of which new codes were passed in April 2015, requires additional time and cost requirements for foreign investors (especially if they are involved in tender processes). The BBBEE program requires companies to set goals for transformation in different areas such as ownership, management control, skills development, enterprise development and socio-economic development. If a foreign company wants to participate in a tender process (private or public), they will be required to obtain a BBBEE scorecard in order to demonstrate how much they comply with BBBEE

requirements. Sectors such as financial services, mining, and petroleum have their own transformation codes in order to accelerate this process.

## Environment

The main environmental challenges facing South Africa include: water and air pollution, overgrazing, intensive pesticide use, soil erosion and climate change. Although several dams have been built, there still exists the challenge of insufficient freshwater and the high runoff rate of rivers leading to soil erosion. Overgrazing has its roots in the time when South Africa was an apartheid state. At that time, black farmers could not obtain government supported fertilizers and where settled in a manner that contributed to land degradation. Furthermore, the mining sector, being a major sector in the South African economy, has also produced several environmental issues, one of which is industrial waste. Furthermore, chemicals and acids used during mining leave harmful contaminants inside the soil and water table.

## EXPORT GUIDE | SOUTH AFRICA

**Introduction:** In its *Guide to Establishing a Presence in South Africa*, [Grant Thornton](#), a consultancy, strongly suggests that because sub Saharan Africa is South Africa’s second highest export market after Europe, one ought to launch an Africa strategy in that country. With the most efficient infrastructure network in Africa, South Africa is actually exporting just as much to the rest of Africa as China is. Therefore, in regard to Jordan, it may make business sense to not only secure strategic partnership with an export market that is growing at approximately 5.6%, but especially prepare for when Africa enters into its continental free trade agreement sometime before the end of this decade.

**Table 2: Product Exporters to South Africa – 2013/2014 | Specific [Jordanian] Sector**

No.	Specific Sector   Products	Export Partners	Percentage
1.	<b>Construction</b> Note that this includes Prefab Buildings, Transport Equipment, Machinery, Pipes, Stone, Marble and Granite	<b>China</b>	18
		Japan	17
		UK   U.S.	12   12
Please See: <a href="http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/8429/2013/">http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/8429/2013/</a>			
2.	<b>Leather &amp; Garments</b> Note that this includes clothing accessories, bovine, carpets, rugs, textile floor coverings plus embroideries and knitted Fabrics	<b>China</b>	48
		Brazil   India	25   22
		Pakistan   Mauritius	15   12
Please See: <a href="http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/8471/2013/">http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/8471/2013/</a>			

No.	Specific Sector   Products	Export Partners	Percentage
3.	<b>Furniture</b> Note that this includes wooden building products, carpentry, including doors, windows, wooden frames, and decoration works	<b>China</b>	61
		Malaysia	6.4
		Italy	4.9
Please See: <a href="http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/9403/2013/">http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/9403/2013/</a>			
4.	<b>Therapeutic &amp; Medical Supplies</b> Note that this includes veterinary products, disposables such as gloves & syringes and other medical Instruments	<b>United States</b>	31
		Germany	16
		China	8.3
Please See: <a href="http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/1001/2013/">http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/1001/2013/</a>			
5.	<b>Printing, Packaging &amp; Stationary</b> This list includes note pads, <i>et al</i>	<b>Finland</b>	64
		South Korea   China	16   16
		Germany	13
Please See: <a href="http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/4810/2013/">http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/4810/2013/</a>			
6.	<b>Engineering &amp; Electric</b> Note that this includes pumps, cranes, elevators, escalators, metal electrical home appliances, light fixtures, wiring and accessories	<b>China</b>	55
		India	13
		U.S.	8.7
Please See: <a href="http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/8543/2013/">http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/8543/2013/</a>			
7.	<b>Chemical &amp; Cosmetics</b> Note that this includes medical cosmetics, beauty products as well as other generic cosmetics	<b>India</b>	26
		Switzerland   Germany	18   13
		United States	10
Please See: <a href="http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/1001/2013/">http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/1001/2013/</a>			
8.	<b>Food Supplies, Agricultural &amp; Livestock</b> Note that this includes fruits, vegetables, food stuff, livestock, mineral water, alcoholic and soft drinks	<b>Thailand</b>	35
		U.K	30
		Indonesia   Brazil	25   24
Please See: <a href="http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/2714/2013/">http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/zaf/show/2714/2013/</a>			
9.	<b>Mining</b> Note that this mining sector specifically excludes petroleum – although this is South Africa’s main import but includes Asphalt, Phosphate and Potash	<b>UAE</b>	41
		France	29
		Malaysia	22

Please note that these facts and figures are collated from the **Observatory of Economic Complexity**. This site is a comprehensive way to attain specific details on international trade. For more information, please visit: [www.atlas.media.mit.edu/en/](http://www.atlas.media.mit.edu/en/)

**Table 3: Service Exporters to South Africa – 2013/2014 | Specific [Jordanian] Sector**

No.	Specific Sector   Services	Export Partners	Percentage
10.	Services: <b>Education</b>	Please see Note 1 Below	N/A
11.	Services: <b>Clean Technology</b>	Please see Note 2 Below	N/A
12.	Services: <b>Clinical Research Outsourcing</b>	Please see Note 3 Below	N/A

13.	Services: <b>Medical Tourism</b>	Please see Note 4 Below	N/A
14.	Services: <b>Architecture &amp; Engineering</b>	Please see Note 5 Below	N/A
15.	ICT: <b>Programming   Mainframe Computer</b>	China   Vietnam   Singapore	56   5.8   4.9
	ICT: <b>Consultancy, Data   Related Activities</b>	China   Poland   5.8	33   15
	ICT: <b>Computer Repair   Peripheral equipment</b>	China   Hungary   Germany	52   12   7.6

Please note that info on **ICT Sector Services** is collated from the **Observatory of Economic Complexity**. This site is a comprehensive way to attain specific details on international trade. For more information, please visit: [www.atlas.media.mit.edu/en/](http://www.atlas.media.mit.edu/en/)

### Note 1: Education Services Sector

According to South Africa's [Department of Education](#), that country has a 'high-cost, low-performance' education system that does not 'compare favorably with education systems in other African countries, or in similar developing economies.' In 2012, it was reported that the South African government [spends](#) approximately USD \$ 1,225 per child on primary education, and yet accomplishes less than Kenya with only USD \$ 258 per child or even Zimbabwe with even less – USD \$ 100 annually. It is not an issue of money since at 20% of GDP, the South African education system has the highest budget spending in the world. From this perspective, there are various opportunities for Jordan to intervene at especially the primary, secondary and vocational levels. It's also important to note that South Africa is still grappling with the inequality rife in the apartheid era.

### Note 2: Clean Technology [Solar & Wind] Services Sector

Starting in early 2015, although South Africa had experienced power outages in the past, the country started to have daily power outages – the worst stretch since 2008. Per [Bloomberg](#), South Africa has an aging fleet of conventional power plants that require extensive maintenance. Heavy rain can also disrupt the supply of coal and there are other logistical issues relating to diesel supplies at critical base-load power plants. From this perspective, Jordan has opportunities to do business with South Africa in:

1. **Wind Technology:** As per the [Wind Atlas for South Africa](#), South Africa requires capacity and skills development to effectively exploit wind power for electricity generation. With 62 registered businesses, the [South African Wind Energy Association](#) reports that overall in Africa, nearly 1 GW of new wind power was installed in 2014, and expects that for 2015/2016, the market will surpass earlier numbers – effectively competing with Latin America for the world's 4<sup>th</sup> major market after Asia, Europe and North America.
2. **Solar Energy:** Because of technology advancement and the drop in photovoltaic panels, South Africa is rapidly considering adding solar energy to their national grid. Eskom, the country's

energy giant is exploring solutions. Importantly, the country has a [Renewable Energy Independent Power Producer Procurement Program](#) – with a target of attracting the private sector and investors to contribute about 10,000 Gwh of renewable energy to the South African power grid.

### **Note 3: Clinical Research Outsourcing Service Sector**

Because South Africa spent almost USD \$ 270 million in 2013 on chemical testing equipment from the United States [25%], Germany [17%] and Belgium - Luxembourg [15%], South Africa probably depends on these countries when it comes to clinical research. Unlike other African countries, South Africa has a host of illustrious organizations dealing with clinical research: The South Africa Medical Research Council; the Medical Research Council; Triclinium is a contract research organization; South African National Clinical Trials provides information to the public, and the African Clinical Research Organization (ACRO) is a full service, black empowerment contract research organization. Its important to note that although organizations like Triclinium and ACRO do almost what Jordan's clinical research sector does, they could be deemed a strategic partner since the demand for clinical research in South Africa is still inelastic.

### **Note 4: Medical Tourism Service Sector**

South Africa's hospitals and clinics are currently vying to attract more international medical tourism patients from around the world even outside of Africa. Leveraging its vacation setting, the country boasts world-class medical institutions, highly skilled doctors, serene vacation settings and somewhat close proximity to markets. Its important to note that Europeans have been traveling to South Africa for medical tourism for a few years, and it seems as though price is not an issue as this is, supposedly, off set by available tourist attractions in South Africa.

### **Note 5: Architecture & Engineering Service Sector**

To have a full understanding of South Africa's architecture and engineering service sector, one needs an overall understanding of that country's infrastructure:

**Table 4: South Africa's Baseline Infrastructure**

Road	Rail	Sea	Air
<p>With a road network is about 747 000km - the longest road network in Africa work on the national road network may be keeping pace with demand. However, the country's provincial roads are in a state of disrepair, with a cumulative backlog for rehabilitation and maintenance for each province amounting to billions. Labor negotiations and industry strikes have hit the sector hard, causing many businesses to undergo major restructuring and retrenchments. Looking to the future, South Africa's economic growth hinges on a focused freight transport infrastructure overhaul.</p>	<p>South Africa's freight rail system degenerated significantly after investment was curtailed in the mid-80s. In 2012, Transnet, the railway company announced its seven-year Market Demand Strategy (MDS), a R336-billion plan to expand South Africa's rail, port and pipeline capacity to generate a significant increase in freight volumes, thereby reducing road congestion, greenhouse gas emissions and lowering transport costs for customers. Improving the country's 20 247km rail network is now a top government priority, and rail volumes are expected to grow to about 350 million tons by 2020.</p>	<p>South Africa has eight commercial ports: Richards Bay and Durban in Kwazulu Natal Province, East London, Port Elizabeth and the Port of Ngqura in the Eastern Cape, and Mossel Bay, Cape Town and Saldahna in the Western Cape. With approximately 96% of the country's exports conveyed by sea, these ports are important conduits for trade up Africa, and with Europe, Asia and the U.S. It is important to note that red tape and procrastination in decision-making have seen the deterioration of critical infrastructure. South Africa now has huge inefficiencies in increased costs, berthing delays, a flagging marine service, hampered cargo operations and woeful port security are a few of the inadequacies resulting in shipping lines looking for ports elsewhere. <i>Transnet</i>, South Africa's port authority, has allocated 9% of infrastructure investment to upgrading ports.</p>	<p>Air cargo remains a fairly small component of total freight transported in South Africa. Air cargo tonnage has grown to about 400 000 tons per annum, with the bulk, some 80%, being flown in the holds of scheduled passenger flights. The country's 10 airports handle more than 98% of the country commercial traffic. The airport assets supporting cargo at Airports Company South Africa (ACSA) are largely aging facilities, with the exception of King Shaka International, where the facilities are contemporary.</p>

Table: South African Infrastructure

A [OECD/World Bank study](#) suggests that South Africa’s engineering and architectural services are especially advanced especially because of their linkage with the infrastructure that supports that country’s developed mineral and energy sectors. This could present both an opportunity and challenge for Jordan: in regard to an opportunity, its important to note that South Africa’s procurement procedures are very professional and linked to integrity of the national professional accreditation system. At the same time, There is a challenge simply because these procedures, particularly for the very lucrative public sector engineering service work, are shaped by other public policy objectives such as *Black Empowerment*. Nonetheless, South Africa is currently exporting its professional architectural and engineering services and South Africans are currently targeting niche markets in African countries.

## Market Entry Options | Products & Services

**Table 5: Strategic Information to Keep in Mind | South Africa**

No.	Specific Sector   Products	Tactics   Techniques
1.	<b>Construction</b>	According to a <a href="#">PriceWaterhouseCoopers report</a> , South Africa’s cyclical construction industry is fraught with labor unrest, substantial delays in some of the country’s major construction projects and this is combined with setbacks in <a href="#">economic performance</a> . Nonetheless, the Government’s ongoing National Development Plan and its continued commitment to public infrastructure investment of R847bn over the next three years are positive signals for future growth in the industry.
2.	<b>Leather &amp; Garments</b>	<p><a href="#">South Africa’s</a> clothing and textile manufacturing industry has suffered a serious downturn over the last 10 to 15 years. This’ been partly due to challenging manufacturing conditions and costs, with the local industry unable to compete with the influx of cheaper clothing from China and other garment-producing countries, notably India and Bangladesh. China's share of clothing imports in South Africa was 67% by value and 81% by volume in 2013. The next largest source of imported clothing in South Africa was Mauritius, whose share of clothing goods was just 9% by value.</p> <p>However, opportunities remain for Jordan due to the fact that the domestic textile industry is burdened with high labor costs, low productivity and crippling tariffs of</p>

No.	Specific Sector   Products	Tactics   Techniques
		22% on imported fabrics. South Africa has also failed to keep pace with technology resulting in comparatively poor efficiency.
3.	<b>Furniture</b>	South Africa's <a href="#">local demand</a> for household products has diminished because disposable income is under pressure from higher electricity, transport and food prices. This has resulted in a heavy reliance on demand for furniture from abroad since the furniture manufacturing sector may not be able to provide quality products at the right pricing levels as the increasing costs of commercial transport and electricity make it hard for manufacturers to compete in both local and international markets.
4.	<b>Therapeutic &amp; Medical Supplies</b>	To <a href="#">penetrate</a> South Africa's market, one must understand industry players and dynamics of the regional markets. Importantly, the South African medical equipment and devices market is extremely diverse with over 600 suppliers ranging from large multinational subsidiaries, distributors and agents for disposable medical devices to major equipment and is valued at an estimated R10 billion. As an indication of the variability in size of suppliers, the South African Medical Devices Association (SAMED) membership of approximately 140 companies represents 80 per cent of this turnover.
5.	<b>Printing, Packaging &amp; Stationary</b>	Because of current growth rates, and also related to South Africa's newly elected government, each of these Jordanian sectors have the capacity to do business in South Africa.
6.	<b>Engineering &amp; Electric</b>	Like mentioned in <b>Note 5</b> above, South Africa's procurement procedures are professional and linked to integrity of the national professional accreditation system. At the same time, this' a challenge simply because these procedures, particularly for the very lucrative public sector engineering service work are shaped by other public policy objectives such as <i>Black Empowerment</i> .
	<b>Chemical &amp; Cosmetics</b>	South Africa continues to have a <a href="#">self-sufficient chemical manufacturing base</a> . However, the country still exports and imports goods as a way to strengthen trade relations with key countries, particularly the U.S., Germany and China. The country is also promoting development of the domestic pharmaceutical and cosmetics



No.	Specific Sector   Products	Tactics   Techniques
		<p>industry in part to bolster the domestic companies that provide raw materials to this sector. According to South Africa’s Department of Trade and Industry’s <a href="#">Cosmetics Sector Desk</a>, the country has a mix of multinational giants, entrepreneurial companies, and small, medium and large local brands. In spite of this, there are specific needs for the male market with additional need for men’s grooming, skincare, multifunctional products that focus on <i>wellness</i> and also <i>black hair care</i> products. At the same time, DTI reports challenges such as <i>ad valorem</i> tax policies, rising input costs and a critical skills deficit. Each of these could be deemed an opportunity for Jordan.</p>
	<p><b>Food Supplies, Agric.   Livestock</b></p>	<p>Livestock farming is South Africa’s largest agricultural sector. In its 2013 report, the South African Journal of Animal Science reports that <a href="#">livestock</a> are produced throughout South Africa, with numbers, breeds and species varying according to grazing, environment and production systems. Intensive production systems (feedlots, poultry, pigs) are also wide-spread owing to choices associated with optimal land use and vertical integration, but tend to congregate near metropolitan markets and feed suppliers. About 38,500 commercial farms and an estimated 2 million small-scale/communal farmers are involved with livestock.</p> <p>South Africa's agricultural sector is Africa’s primary dual economy, comprising well developed commercial farming, with established supply chains, and small-scale subsistence-based production – contributing a relatively small share of total GDP. Over the past 20 years, the agriculture sector has seen a move towards large-scale intensive farming, as well as a shift from the production of low-value food crops, such as wheat and milk, to high-value export products, including deciduous fruit, citrus and game. As a result, SA became a net food importer for the first time in 2008, emerging as the largest maize producer and exporter in Africa. According to the World Food Program, South Africa is also one of the world's largest producers of chicory roots (3rd), grapefruit (4th), green maize (5th), pears (8th), castor oil seed (10th), fiber crops (10th), and sisal (11th).</p>
	<p><b>Mining</b></p>	<p>According to South Africa’s Chamber of Mines, the country remains one of the world’s most valuable repositories, with an estimated worth of R20.3-trillion (\$2.5-trillion) and has the world’s fifth-largest mining sector in terms of GDP value. Mining creates one million jobs, accounts for about 18% of GDP, is a critical earner</p>

No.	Specific Sector   Products	Tactics   Techniques
		of foreign exchange at more than 50% and accounts for 20% of all investment in South Africa.

Aspects in Table 3 are taken from various sources, including PricewaterHouse Coopers, KPMG and Deloitte.

### Import Requirements | Documents | Guarantees, etc.

South Africa requires an import permit for many good and has import restrictions on beeswax and hive-frames, cheese, liqueurs, meats and animal products, military equipment, plants, rice, serums, vaccines and cultures of micro-organisms, tobacco and tobacco products, toys, resembling firearms, *et al.* South Africa has no current requirements for special documents. The following items are prohibited: Clothing, used, intended for resale, flypaper, footwear, used, intended for resale, fruit, honey, royal jelly, conserves sweetened with honey, *et al.* South Africa prohibits the transport of any food. South Africa's tariff valuation method is FOB (Free on Board), which means that the import duty and taxes payable are calculated exclusively on the value of the imported goods. However, some duties are based part in value and part in quantity. In addition to duty, imports are subject to sales tax (VAT). Certain luxury or non-essential items (e.g. perfume) may be subject to additional ad valorem duties, and some commodities may be subject to anti-dumping or countervailing duties.

### Brief Notes

1. In spite of remarkable progress since the end of apartheid in 1994, South Africa still has one of the world's highest unemployment and income inequality rates. Slow economic growth since 2008 has further aggravated unemployment, real disposable income is stagnant, and households are heavily indebted. As a result, banks are increasingly exposed to credit risk, while households and firms are vulnerable to a rise in interest rates.
2. These vulnerabilities became apparent in August 2014. African Bank, a boutique lender catering mainly to low-income households, was placed under curatorship after record losses from unsecured lending. Although its small size would have suggested no systemic implications, its problems are a reminder that asset quality can quickly deteriorate in a weak economy and even small institutions can entail systemic risk due to high interconnectedness.

3. The Republic of South Africa is an integral member of the Southern African Customs Union (SACU) - the world's oldest customs union, founded in 1910. Its members include Botswana, Lesotho, Namibia, South Africa, and Swaziland, and these five member states maintain a common external tariff, share customs revenues, and coordinate policies and decision-making on a wide range of trade issues.
4. Importers must be registered with the South African Revenue Service [SARS], and if they are working with clearing agents, these must be licensed. SGS and FedEx are examples of agents.
5. Imports into the Republic of South Africa are authorised through the ports/airports of Cape Town, Port Elizabeth, East London, Durban, ORTIA, Komatipoort, Mafikeng, Goodhouse Namaqualand district). Rietfontien (Gordonia district), Onseepkans, (Kenhardt district) and Nakop (Gordonia district) for large stock by rail or road and for small stock by rail only. Ramathlabama and Liebigs Drift (all stock). There are also a number of ports of entry from Lesotho and Swaziland.
6. National legislation allows an importer/agent seven (7) days, additional seven (7) days in which to make due entry for loose or break bulk cargo, imported by sea, air or rail i.e. fourteen (14) days or 28 days in the case of goods in a container depot, in which to clear goods from the time it has landed in South Africa. Goods not declared or cleared within this time period may be removed and detained in a State Warehouse. Certain goods will require an import permit, which must be produced at the time of clearance. Application for Import Permits must be made to the International Trade Administration Commission (ITAC).
7. South Africa has various agreements that provide for preferential market access into South Africa, and these include non-reciprocal bilateral agreements such as AGOA with the United States; non-reciprocal preferential dispensation for goods entering South Africa; reciprocal free or preferential trade agreements and the non-reciprocal Generalized System of Preference.

**For customs clearance, an importer requires the following documents:**

- a. Copies of the Bill of Lading and a declaration of Origin Form DA59.
- b. Bill of Entry (DA500) and Four copies and one original of Commercial Invoice
- c. One copy of the insurance certificate for sea freight and Three copies of the Packing List.
- d. South African Revenue Service offers a Single Administrative Document (SAD) to facilitate customs procedures. For restricted items, import licenses are necessary. These import licenses are only valid in respect to the goods of the class and country specified, and are only valid for that specific calendar year.

## Duties | Tariffs | Taxes | Jordanian Imports

Although tariff and non-tariff barrier affect trade, so does a country's transport network. Hence, in terms of transportation, South Africa's five modalities — road, rail, sea, pipeline and air — are the biggest and most efficient transport networks in Africa, servicing industries that span the continent, and the sector is seen by government as a crucial engine for economic growth and social development. However, South Africa must spend upwards of R1.5-trillion in maintenance backlogs. Please note that: (i) South Africa uses a Harmonized System [HS]; (ii) Duties are calculated *ad valorem* on the price in the country of export, in accordance with the GATT Customs Valuation Code; (iii) Import goods with a value of up to 500 ZAR are exempt of duty and VAT; (iv) Average Customs Duty (Excluding Agricultural Products) are 5.8%; (v) South Africa is working towards lowering the custom tariff rate on the following products: apparel, automobiles and some agriculture products; (vi) Customs duties can be made through banks.

**Table 6: South Africa's Taxes**

Duty Rates	Sales Tax	Minimum thresholds	Other taxes and customs fees
Duty rates in South Africa vary from 0% to 45%, with an average duty rate of 18.74%. Some goods are not subject to duty (e.g. laptops, electric guitars and other electronic products)	VAT applies to most imports at 14% of the sum of FOB value, any duty and excise payable, and a 10% upliftment of the FOB value	There is no minimum threshold in South Africa, i.e. duty, VAT and other taxes where applicable, are payable regardless of the import value	Anti-dumping and countervailing duties are levied: - on goods considered to be "dumped" in South Africa; and on subsidized imported goods. These goods are the subject of investigations into pricing and export incentives in the country of origin; the rate imposed will depend on the result of the investigations. These duties are either levied on an ad valorem basis (as a percentage of the value of the goods) or as a specific duty (as cents per unit)

*Table: Duty rates in South Africa*

**Image 1: South African tariffs on products Jordan can export**

Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty free in %	Max	Binding in %	AVG	Duty free in %	Max	Share in %	Duty free in %
Animal products	43.6	21.0	160	100	12.9	54.0	60	0.6	36.0
Dairy products	92.2	0	96	100	23.0	20.0	77	0.1	2.3
Fruit, vegetables, plants	26.4	22.1	99	100	9.3	35.4	55	0.4	33.6
Coffee, tea	67.3	20.8	170	100	9.0	45.8	49	0.3	47.4
Cereals & preparations	49.7	5.2	597	100	9.7	30.5	30	1.3	46.6
Oilseeds, fats & oils	47.6	6.1	81	100	7.9	16.9	20	1.0	10.2
Sugars and confectionery	73.4	0	105	100	5.4	62.5	37	0.2	25.0
Beverages & tobacco	119.2	5.0	597	100	17.7	9.4	45	0.7	2.9
Cotton	60.0	0	60	100	5.5	66.7	22	0.1	34.3
Other agricultural products	11.9	56.0	72	98.7	2.1	86.5	25	0.5	85.6
Fish & fish products	24.7	33.3	37	2.8	4.2	77.2	30	0.2	64.2
Minerals & metals	11.8	16.0	30	95.9	4.2	61.6	30	9.9	69.8
Petroleum	-	-	-	0	1.4	66.4	15	15.1	90.8
Chemicals	12.3	7.1	37	99.6	2.9	78.4	22	11.8	75.5
Wood, paper, etc.	10.9	12.1	30	100	7.7	40.6	30	3.2	42.2
Textiles	22.2	4.0	30	99.2	18.0	13.5	> 1000	2.3	16.6
Clothing	45.0	0	45	100	37.9	2.6	40	1.5	0.9
Leather, footwear, etc.	20.9	0	30	97.9	13.7	34.6	45	2.6	25.6
Non-electrical machinery	9.2	39.9	30	100	1.5	90.4	30	17.1	88.0
Electrical machinery	17.4	5.4	30	99.6	5.2	62.4	25	10.7	76.6
Transport equipment	18.4	17.2	50	100	6.1	67.1	32	14.4	33.5
Manufactures, n.e.s.	12.7	25.0	30	96.1	3.4	80.5	30	5.8	94.3

Source: [The World Trade Organization](#):

## Sanitary & Phytosanitary Measures | South Africa

As a member of the Southern Africa Development Community (SADC), South Africa is committed to removing non-tariff barriers in order to improve trade between countries. To this, it follows the standards for agriculture, livestock, and food safety set out by the World Trade Organization Agreement on the Application of Sanitary and Phyto-sanitary Measures.

## Non-Tariff Barriers | South Africa

It is on record that South Africa has been *accused* of unfair trading practices. These are frustrating a diversified intra-regional trade in both the SADC region and elsewhere. For instance, as at January 2016, the United States is on the verge of suspending South Africa's African Growth and Opportunity Act (AGOA) benefits because South Africa is being protectionist against American chicken. This could stem from the fact that many members of the governing African National Congress pivot more towards ties with China and Russia – citing 'bullying' from countries in the West. Alternatively, South Africa has in place a number of non-tariff barriers where some agricultural products from the region cannot enter

their market for one reason or another. For instance, Zambian beans cannot enter into South Africa. Also, Zambian grapes cannot be sold in South Africa because they are ‘affected’ by a ‘certain disease.’ However, it just seems as though South African companies, which were dominant in a number of SADC countries, tend to favor South African products. As an example, South African Breweries promotes the sale of Castle Lager all over the region, but does not promote other beer brands in South Africa even if it now owns the breweries that produce these beers such as the Zambian lager, *Mosi*.

Please note that **Table 3** above lays out what can be considered major non-tariff barriers to the specific sector exports from Jordan into the Republic of South Africa. However, it is important to note that because of its overall history and position as an advanced African economy, one must take special note of the barriers to entry:

1. Large firms in South Africa have market power – and this is exerted both unilaterally or through coordination with others. [Recent work](#) of the South African competition authorities highlights the scope of their reach – with cartels that operate across southern Africa in cement, concrete products and fertilizer.
2. In tandem with (1) above, the OECD [reports](#) that South Africa’s network industries are dominated by state-owned firms, with legal barriers to entry in some cases and inbuilt advantage for the near-monopoly incumbents. As a result, product market regulation in energy, transport and communications is more restrictive than in almost all OECD countries, hampering productivity.

But perhaps what might be the biggest barrier to entering South Africa may be how the [Financial Times](#) aptly surmised it: The [South African] economy is creaking, the ruling African National Congress (ANC) is mired in scandal and students are protesting over inequality. While South Africa’s economy had almost tripled in size since 1994, 85 per cent of black South Africans remained in lower income categories, while 87 per cent of whites enjoyed middle to upper-class status. Few argue that the pace of change has been mixed, and painfully slow in many areas.

### **Key Import Stakeholders | South Africa**

The South African government established the Industrial Development Zones (IDZ) program to attract foreign direct investment and exports. In 2007, there was a review of this program in order to address challenges and the special economic zones policy was established. The review also came in light of

national and international developments such as the National Industrial Policy Framework, the Growth Act on the local front and the formation of the BRICs on the international front.

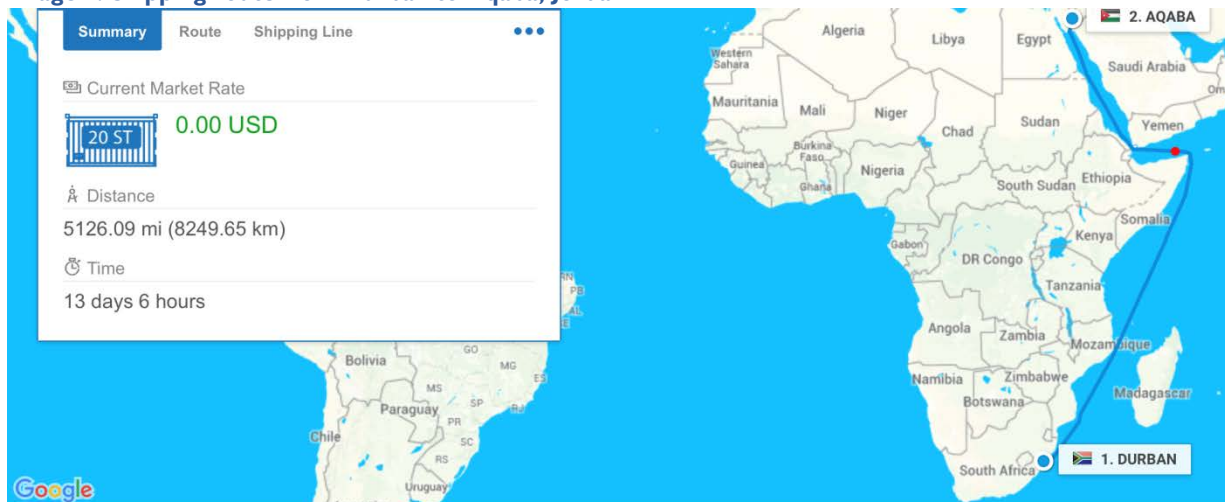
According to the Department of Trade and Industry <sup>8</sup>.The objectives of the SEZs were to;

- Expand the strategic industrialization focus to cover diverse regional development needs and context;
- Provide a clear, predictable and systemic planning framework for the development of a wider array of SEZs to support industrial policy objectives, the IPAP and the NGP;
- Clarify and strengthen governance arrangements, expand the range and quality of support measure beyond provision of infrastructure; and
- Provide a framework for a predictable financing framework to enable long term planning.

The National Industrial Policy Framework reflects South Africa's stance on industrial development. The New Growth Path was a bold plan announced in 2010 to create 5 million jobs and reduce unemployment from 25% to 15% over the next 10 years. This economic plan also addressed regulatory reforms and integration with other African countries. Sectors covered included infrastructure, agriculture, mining, the "green" economy, manufacturing and tourism.

## Import Infrastructure & Logistics | South Africa

Image 2: Shipping route from Durban to Aqaba, Jordan



<sup>8</sup> [http://www.thedti.gov.za/industrial\\_development/sez.jsp](http://www.thedti.gov.za/industrial_development/sez.jsp)

**Table 7: Sample shipping path and costs - Jordan to South Africa**

<b>Scheduled Route</b>	Aqaba Terminal Jordan ---> Jebel Ali Terminal 2 U. A. E. ---> Pier I South Africa ---> Cape Town Container Terminal South Africa					
<b>Mode of Transport</b>	Ocean > Ocean > Ocean					
<b>Place of Receipt</b>	Aqaba , Jordan	<b>Rate Validity</b>	From 01-Mar-2016 to 31-May-2016			
<b>Place of Delivery</b>	Cape Town , South Africa	<b>Service Mode</b>	CY/CY			
<b>Last Acceptance Date</b>	01-Mar-2016	<b>Commodity</b>	FAK			
<b>Transit Time</b>	44 day(s)					
<b>Surcharge Name</b>	<b>Basis</b>	<b>Currency</b>	<b>20DRY</b>	<b>40DRY</b>	<b>40HDRY</b>	<b>Surcharge Type</b>
Basic Ocean Freight	Container	USD	1332	2141	2141	Freight
Congestion Fee Destination	Container	USD	0	0	0	Freight
Congestion Fee Origin	Container	USD	0	0	0	Freight
Peak Season Surcharge	Container	USD	0	0	0	Freight
Export Service	Container	JOD	15	20	20	Origin
Documentation Fee Origin	Bill of Lading	JOD	12	12	12	Origin
Documentation fee - Destination	Bill of Lading	ZAR	320	320	320	Destination
Terminal Handling Service - Destination	Container	ZAR	1471	2172	2172	Destination
Import Service	Container	ZAR	525	800	800	Destination

**Please note that the following about this shipping sample above:**

1. It is garnered from a reputable shipping company and is accurate for the dates mentioned above
2. This sample quote is not valid for hazardous cargo, unless otherwise specified and only applies to the weight and type of cargo declared. At time of booking, acceptance of hazardous cargo is subject to the acceptance policy of involved ports & vessels.
3. Transit time, scheduled routing and/or mode of transport, if provided in this quotation, are indicative only and the Carrier does not undertake that the Goods shall arrive or be available at the Port of Discharge or the Place of Delivery (as applicable) at any particular time nor that it shall be carried by the scheduled routing or the mode of transport indicated.
4. An invoice for the service is issued based on information received on Shipping Instruction provided; exchange rates are indicative and may therefore differ from invoiced exchange rates.
5. Please note that the total per surcharge type (freight, origin & destination) outlined herein are for guidance only and shall in no way prejudice the responsibility of the Merchant for payment of Freight and other charges in accordance with the terms and conditions of the governing Bill of Lading, including in particular but without limitation



## FINANCIAL SECTOR | SOUTH AFRICA

In terms of total trade volumes, South Africa ranks as having the highest out of 48 Sub-Saharan African states with monetary volumes of USD197.8bn. In monetary terms, exports amounted to USD100.3bn in 2015, compared to the USD97.5bn of imports in 2015. This amounted to a slim trade surplus of USD2.8bn, which is positive for South Africa's overall openness to international trade.

However, South Africa's general trade environment experienced a disappointing 2015, given that both exports and imports experienced declines in revenue of 4.5% and 6.8% respectively. This is due to the generally negative economic environment which has prevailed in South Africa over 2015, especially given the global slump in commodities prices and Chinese economic slowdown (both which have impacted heavily on the country's economy as South Africa's largest exporting partner is China and it has a mainly commodity-reliant economy). This negative position has been further exacerbated by the load-shedding problem, various strike actions, as well as policy uncertainty in the South African political environment (for example the sudden removal of the South African Finance Minister Nhlanhla Nene by President Jacob Zuma in December 2015). This has resulted in subdued GDP forecasts (in real terms) for South Africa of 1% in 2016, with growth due to pick up in 2017 at 1.9% followed by more improved growth rates of 2.2% to 2.7% in the period of 2018 - 2020.

In terms of how this will impact international trade in South Africa in the medium term, the currency depreciation experienced by the falling South African Rand, has not resulted in an improved trade balance in the short-term (as import volumes did not fall immediately in response to higher import prices and export volumes also did not immediately benefit from cheaper prices).

### **Also, note the following:**

- I. Relatively high capital buffers as well as sound regulation and supervision have helped mitigate the risks. Banks and insurers are well capitalized and profitable. The South African Reserve Bank (SARB) is a proactive supervisor, with a high level of compliance with international standards on effective banking supervision. The SARB's decisive action in placing African Bank under curatorship limited contagion. Its proposed bail-in of senior unsecured creditors to share in the burden of resolution is also welcome and a step in the right direction of reducing the "too big to fail premium" for the large banks.

2. Overall, financial sector risks and vulnerabilities are elevated but manageable. Stress tests (ST) confirm the capital resiliency of banks and insurance companies to severe shocks but illustrate a vulnerability to liquidity shortfalls. Some banks have difficulty meeting Basel's requirement to hold enough high quality liquid assets (HQLA) to survive a stress scenario lasting 30 days without assistance from the SARB. They face even bigger challenges meeting a more stringent requirement to hold a minimum amount of stable funding over a one-year horizon. Although these requirements will be gradually phased in, African Bank's experience highlights the importance of ensuring the large banks maintain adequate liquidity.
3. Given significant downside risks to the economy, strong regulation and supervision are essential to ensure financial sector resilience. The outlook for lackluster growth amid an uncertain global environment requires intensifying scrutiny on asset quality. Remaining gaps in the supervisory and regulatory framework should also be closed. The FSAP recommends the following actions: Reduce systemic liquidity risk by introducing deposit insurance and variable net asset value (NAV) for MMFs. Most banking assets are domestic, although banks have net foreign assets and an expanding presence in Africa. The system is dominated by four large banks (ABSA, FirstRand, Nedbank and Standard), a mid-sized investment bank (Investec), and two smaller banks (African Bank and Capitec) specializing in unsecured lending to low income households. Close to 95% of banking assets are domestic. The four largest banks have 46 foreign subsidiaries, of which 39 are in Africa. The size of these subsidiaries is significant in some host countries (e.g., Lesotho, Namibia and Swaziland), but the combined African exposure accounts for only 2% of banking assets.
4. Domestic deposits are the largest source of funding (87%), with 60% of the deposits coming from NBFIs and corporations with maturities of six months or less. The loan to deposit ratio is above 120%. Banks' foreign currency liabilities are relatively small at 6.5% of total liabilities. The financial sector has a high degree of concentration and interconnectedness.
5. The top five banks hold 90.5% of banking assets, the top five insurers account for 74% of the long-term insurance market, and the seven largest fund managers control 60% of unit trust assets. All major banks are affiliated with insurance companies through holding companies or direct ownership. Bank-affiliated insurers underwrite a substantial proportion of private pension assets, and some banks also own fund managers that offer unit trusts