

**The DA's Plan to
Unleash Enterprise,
Grow the Economy
and Create Jobs 2024**
Federal Policy Unit

A PARTY OF National Government.
RESCUING SOUTH AFRICA.





OUR ECONOMIC **KEY** PRIORITIES

- 1. Launching a Start-Up Nation: Where Small Business Takes Flight**
- 2. Saving and Spending Better**
- 3. Stopping Interference with the Reserve Bank**
- 4. Getting South Africans Working**
- 5. Creating Growth. Not Oligopolies**
- 6. Enhancing South Africa's Global Competitiveness**
- 7. Being Pro-Market, Not Pro-Business**



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South Africa's economy is in terminal decline. Only a clear alternative can change the trajectory. The DA's economic rescue plan focuses on the areas that will produce growth and jobs, namely: prioritising labour reform, stabilising the fiscus, creating competitive industries, boosting trade, and making it easier to start a business. The DA's plan aims to unleash enterprise, grow the economy, and create jobs.

Our track record in the Western Cape demonstrates that the DA is the party of jobs and growth. Unemployment is more than 10 percentage points lower than the national average unemployment rate, and over the last five years, four out of every five jobs in South Africa were created in the Western Cape. This can be replicated across the country, but this is only possible if citizens vote for the DA to implement its economic plan in government.

The DA's economic policy can create between 1 900 000 and 2 500 000 jobs. The breakdown is as follows:

Policy Area	Number of Jobs Created Over a 5-Year Period
Ease of Doing Business	350 000 - 400 000
Fiscal Policy	350 000 - 450 000
Labour Policy	700 000 - 1 000 000
Industrial Policy	400 000 - 500 000
Trade Policy	100 000 - 150 000
Total	1 900 000 - 2 500 000

Launching a Start-Up Nation: Where Small Business Takes Flight

The DA recognises the vital importance of small businesses and entrepreneurship in driving economic growth and development in South Africa. Small businesses are the backbone of an economy and play a significant role in driving innovation, fostering growth, and creating jobs. Global experience shows that job growth is dependent on a strong and growing SMME sector. The DA, therefore, aims to create optimal business conditions for launching new businesses by ensuring that the state minimises barriers to entry for SMMEs and that the regulatory environment supports small business creation and growth.

Enhancing the ease of doing business can create between 350 000 and 400 000 new jobs in the first full year after implementation. These initiatives involve setting up a comprehensive Business Starter Toolkit as well as increasing entrepreneurs' access to finance, through mechanisms such as promoting micro-lending by banks to support small businesses.

Objectives of the Small Business Policy

The DA will establish a conducive and thriving business environment by:

1. Removing import duties on critical business tools.
2. Establishing resources and facilities to support small business creation and growth.
3. Reforming the regulatory environment to create a conducive business environment.
4. Safeguarding the unemployed by providing additional business opportunities.

The DA has a bold solution to assist the growth and long-term success of small businesses:

OUR BOLD SOLUTION

Removing Import Duties on Selected Business Tools for Small Business Support

Removing import duties on essential business tools, such as single-cab bakkies (pickup trucks), can significantly support small businesses, entrepreneurship, and economic activity, especially in rural areas. Despite South Africa's strong automotive manufacturing sector, locally-made models are still more expensive than imported alternatives¹¹. However, current automotive industrial policies inflate cheaper imported alternatives through import duties of 25 percent, resulting in higher prices for consumers and widening the affordability gap for small businesses, especially in underserved communities. Furthermore, the cessation of production for some locally made bakkies, such as Nissan's NP200 half-ton bakkie, a key player in the affordability market, further compounds this issue, limiting options for businesses.

As such, the DA proposes removing import duties on cheaper bakkies. This move can encourage entrepreneurship and foster growth and prosperity within rural communities. The DA will also explore the possibility of lifting bans on second-hand vehicles to increase market competition, lower prices, and improve access to vehicles, especially for commercial purposes.

The DA further aims to support small business creation and growth by:

- **Accelerating the roll-out of 'One-Stop-Shops'** across the country to reduce the time and cost of opening a business. These 'opportunity centres' will assist entrepreneurs in registering a company name, lodging their documentation with the Companies Commission, and registering with SARS and the Department of Labour - all with a single online form and with a single registration fee. Applicants will be able to follow their registration through an online tracking system. Opportunity centres will also be used as portals to access small business support initiatives and disseminate information on government business tendering. To enhance effectiveness, a toll-free national call centre and advanced chatbot service will provide comprehensive assistance to small businesses, minimising the need for physical presence in most cases.
- **Developing a comprehensive Business Starter Toolkit**, which will serve as a valuable resource for aspiring entrepreneurs. The Toolkit aims to streamline the business start-up process and provide essential guidance and support. Inspired by the Small Business Administration's (SBA) "Business Smart Toolkit" in the United States, the DA will collaborate with industry experts and local business growth organisations to develop an extensive toolkit for local entrepreneurs. These toolkits will offer checklists, guides, templates, and tools for all stages of business, including a start-up checklist, legal and regulatory step-by-step navigators, business planning templates, finance resources, networking services, and digital tools such as accounting software and e-commerce platforms.
- **Developing municipal guidelines on business investment, which will support low-capacity municipalities in attracting and promoting local business investment.** These guidelines

will take into account available resources, infrastructure, and local economic conditions. To support low-capacity municipalities in attracting business investment, the guidelines will include recommendations on investing in infrastructure, streamlining permitting processes, offering financial incentives, providing business support services, revitalising commercial areas, and supporting entrepreneurship. Developing national guidelines will ensure that by-laws and regulations conform to national business development and economic growth policies and strategies.

- **Increasing access to funding for entrepreneurs to start or scale their businesses.** Drawing from the success of existing models such as the United Kingdom’s “Startup Loans” and South Korea’s credit guarantee schemes, these initiatives provide entrepreneurs with funding through low-interest loans, mentorship, and government-backed guarantees to reduce risk. The DA will explore similar approaches and seek funding avenues to support such efforts through public-private partnerships and development finance institutions.
- **Facilitating microfinance opportunities to support and promote the creation of small businesses.** Microfinance (microloans or microcredit) is a proven model for promoting inclusive economic growth (benefiting all segments of society) and poverty alleviation. By providing people with loans to start trades or businesses and offering savings accounts with accruing interest, microfinance empowers individuals to improve their financial standing.
- **Incentivising commercial banks and credit unions to expand their reach into underserved communities through targeted microfinance** programmes, supported by regulatory reforms and capacity-building initiatives. These incentives would include subsidies to offset operational costs, tax incentives for portfolio expansion, and credit guarantee schemes to mitigate lending risks.
- **Supporting SMMEs in securing alternative funding, outside traditional sources** like bank loans or venture capital, to leverage the Johannesburg Stock Exchange (JSE) for business growth and job creation. Listing SMMEs on stock exchanges can create jobs by creating access to capital for expansion, fostering growth, and stimulating demand for services, thereby contributing to economic development.
- **Creating support platforms** (e.g. online funding marketplace, SME investment forums, and opportunity awareness through the One-Stop-Shops and the Business Starter Toolkit) that connect SMEs with alternative funding sources.
- **Leveraging existing financial institutions and fintech platforms to deliver microfinance service opportunities for JSE listings.**
- **Introducing entrepreneurial education programmes in schools to instil an entrepreneurial mindset in our youth and also give them the right skills to succeed.** This initiative will be a joint effort by various line departments, including the Department of Basic Education (DBE), the Department of Small Business Development (DSBD) and the Department of Trade and Industry and Competition (DTIC). The blueprint of the curriculum will consist of various key business areas, such as business planning, financial literacy, market research, innovation, and ethics entrepreneurship.

A DA government will also work with industry partners, incubators and successful entrepreneurs to provide opportunities for students to apply what they have learned to real life by giving them industry exposure and mentoring opportunities. This initiative will first be piloted in select high schools nationwide to test its efficacy, with the long-term goal of extending it into the national high school curriculum.

The DA will further create a conducive business environment by:

- **Transitioning industrial policy towards a policy pyramid model.** The policy pyramid prioritises growth over oligopolies and creates a supportive business environment with clear regulations, vital infrastructure, and a culture of innovation. The industrial policy section of this paper provides more details on the policy pyramid.
- **Reforming the restrictive labour market that hinders small business growth and job creation.** The labour policy summary section of this paper provides more details on our labour reforms proposal.

Embracing the informal economy can drive inclusive growth, create jobs, and benefit the economy and society. The DA recognises it is economic activity happening organically in a country where economic activity is relatively scarce and aims to foster and support its job creation potential by:

- **Rolling out e-registration for informal trading permits to simplify applications.** In the City of Cape Town, the DA has simplified applications for informal trading permits through an e-registration system that makes it easy for small entrepreneurs to register their businesses and gain access to trading sites. This model would be replicable in other municipalities.
- **Establishing a system of differentiated tariffs to address issues relating to tariffs and 'rents' paid by informal traders,** reducing burdens on survivalists while levying reasonable charges on higher-economic-level enterprises.
- **Identifying trading spaces in middle-income and affluent areas where there is often a larger market.** These spaces include parking areas, streets, and pavements to be used at designated hours.
- **Providing functional trading spaces for informal entrepreneurs close to foot traffic.** These spaces should have access to water, sanitation, Wi-Fi, and other enabling infrastructure.
- **Ensuring that the impounding of the property of informal traders is a last resort as a sanction for serious offences,** as it can be fatal for micro and informal enterprises due to associated fines and recovery costs.
- **Encouraging entrepreneurs in the informal economy to formalise and increase the growth potential of their businesses by reducing costs and administrative burdens** associated with formalisation. Additionally, it raises awareness about tax amnesty for small businesses below a certain asset level and offers a simplified tax system where turnover tax replaces other taxes. This will involve launching information campaigns to inform informal entrepreneurs about tax amnesties available for small businesses and the benefits of formalisation.
- **Actively engage in and support small business incubation and development projects** that will enable small businesses to gain access to business infrastructure, enterprise supplier development links, and investor connections, such as the township-based tech hub, the Khayelitsha Bandwidth Barn. The hub not only provides office space for people to run their businesses, but it also provides a computer lab for the local community and teaches them technology and business skills. This is an example of an enabler for inclusive innovation.

The DA will also safeguard the unemployed and provide further business opportunities by:

- **Converting the Social Relief of Distress Grant (SRD Grant) into a Job Seekers Grant**

(JSG). Its purpose would be to assist recipients in actively seeking work opportunities and starting small businesses (e.g. selling fruits and vegetables). Such a venture could stimulate the local economy and would be especially helpful to rural areas and townships. Recipients of the JSG must provide evidence of their active job search activities to the Department of Social Development if they continue receiving the grant. The grant's continuation will only remain viable if there is economic growth and sufficient tax revenue to fund it. The DA opposes any tax increases to fund this expenditure and will identify savings and spending efficiencies in the public service sector to accommodate this expenditure.

Saving and Spending Better

The DA aims to place South Africa on a sustainable financial trajectory by reducing government debt and increasing domestic savings levels. This will reduce state spending on interest, thereby creating greater fiscal space for frontline service delivery and the prioritisation of government grants, which serve an important role in ensuring social safety net.

We estimate that our fiscal policy reforms can create between 350 000 and 450 000 new jobs. We aim to stimulate economic expansion by incorporating measures such as introducing a fiscal rule within our current expenditure framework, eliminating regressive race-based policies, and transforming the Social Relief of Distress (SRD) into a Job Seekers Grant. These policy reforms aim to attract essential investment and foster a labour-friendly environment that promotes job creation.

Objectives of the DA's Fiscal Policy

To ensure that the South African state has the fiscal space to deliver on its constitutional mandates, the DA's fiscal policy has the following three objectives:

- Reduce the national debt by introducing a fiscal rule that limits the amount of debt the government can leverage to cover its expenses.
- Increase financial literacy among households, as this will boost savings and investments.
- Continue prioritising government grants within the national budget.

OUR BOLD SOLUTION

Introducing a Fiscal Rule into the Expenditure Framework

The DA will introduce a strategic shift in fiscal policy by integrating a fiscal rule into the existing expenditure framework. Such a fiscal anchor will require that the debt figure equals the figure in the last budget, thereby establishing no net increase in debt.

The DA will target locking in the previous debt figure as the ceiling. While determining an optimal debt-to-GDP ratio is dependent on a multitude of factors, international experience demonstrates that tells us that 60 percent is a sensible maximum for developed economies and 40 percent for developing economies. As South Africa's current figure is over 70 percent, a feasible target may be to reduce this by 1 percent per year for a decade.

This approach is designed to ensure that increases in government spending do not exceed the economy's ability to sustainably support such spending. It will stabilise our fiscal environment, incentivise growth-friendly spending, and encourage a more forward-thinking approach to budget planning.

In relation to tax increases, the DA acknowledges that:

- Due to social, economic, and political considerations, the scope to cut taxes is limited. Instead, the DA will commit to **no further tax increases or the creation of new taxes**.

Bailouts have been a major drain on the fiscus, costing the taxpayer R281 billion over the past three years and crowding out fiscal space for government priorities. The DA will improve the state's fiscal position by:

- **Ending bailouts for SOEs.** Bailouts amount to massive subsidies for failing institutions, are a deep well of funding for corruption and serve as an incentive to run these enterprises badly. While there may be some economic pain associated with ending these bailouts, this will force the necessary reforms for failing SOEs and allow for the much-needed privatisation.

The DA will ensure that tax collection is optimised by:

Prioritising spending within the South African Revenue Service on resources such as improved ICT capacity, which will enable better compliance levels and enhance the efficiency of dispute resolution processes.

The DA will continue the payment of social grants in a fiscally responsible manner by:

- **Converting the Social Relief of Distress Grant (SRD Grant) into a Job Seekers Grant.** The conversion of these grants would require recipients to actively seek work opportunities or show evidence of intention to start a small business and provide evidence to the Department of Social Development to continue receiving the grant. The purpose of the grant would, therefore, be to assist recipients in their job searches, starting small businesses (e.g. selling fruits and vegetables), and meeting their basic needs.

The grant's continuation will only remain viable if there is economic growth and sufficient tax revenue to fund it. The DA opposes any tax increases to fund this expenditure and will instead identify savings and spending efficiencies in the public service sector to accommodate this expenditure.

- **Increasing the Child Support Grant** from R530 to R760, the same level as the official food poverty line.

South Africa's long-term prosperity will require increasing our national savings levels. The DA will achieve this by:

- **Making government bond offerings available on mobile phones** to increase their accessibility to the public, as done in Kenya's M-Akiba programme. To ensure credibility, these funds will be ring-fenced from the National Treasury and administered by the South African Reserve Bank (SARB). Infrastructure projects will be funded from these investments, and investors will be regularly updated on their progress.
- **Exploring privately administered pension options** with a government-mandated saving rate for all employees. This system would entail requiring all formally employed workers to save a predetermined percentage of their pre-tax income. This was done in Chile where employed workers were required by law to save 10 percent of their pre-tax income, which was automatically deducted by employers from payrolls.
- **Implementing widespread financial education and enabling programmes**, with an emphasis on campaigns targeted at the youth and unbanked.
- **Piloting a savings commitment device programme with selected government employees.** This will allow these employees to commit in advance to contributing a percentage of any future salary increases towards a savings programme. This would ensure that participating employees increase their savings levels alongside receiving higher salaries.
- **Ensuring financial literacy campaigns accompany all programmes or pilots.**

The DA recognises that race-based policies have no established positive outcome for economic prosperity under the Six Factor Model (6FM), and instead have led to the continual enrichment of a small group of politically connected elites. The DA will remove all race-based policies by:

- **Implementing a non-racial alternative to the Broad-Based Black Economic Empowerment (BBBEE) procurement system.** Our alternative to the BBBEE model will utilise the internationally recognised Sustainable Development Goals (SDGs) and reward businesses that contribute positively to the SDGs. We will achieve this by removing BBBEE from all procurement legislation and replacing it with a point system which recognises a business's contributions to the SDGs. These contributions will directly address the key drivers of poverty and inequality, which ensures that the benefits of this policy reach those who truly need it. More detail on this policy proposal can be found in the DA's Economic Justice Policy.

Stop Interfering with the Reserve Bank

The DA is committed to upholding the South African Reserve Bank's independence. The DA recognises that the state's role should be to support the reserve bank in its efforts to maintain macroeconomic stability, foster sustainable economic growth, and ensure the smooth functioning of the country's monetary system. Unlike the ANC, the DA advocates for fiscally responsible policies to stimulate economic growth, uplift vulnerable populations, and position South Africa on the global stage competitively.

Objectives of the DA's Monetary Policy

In pursuit of the DA's vision of ensuring economic stability and growth in South Africa, the DA's Monetary Policy has the following two objectives:

1. To restore stability and resilience in South Africa's monetary landscape to ensure economic stability and growth.
2. To reduce government-administered pricing in specific sectors.

The DA has a bold plan to address inflationary pressures:

OUR BOLD SOLUTION

Reducing the Number of Sectors Where Prices Are Administered.

The DA recognises the significant impact of administered prices on inflation dynamics and the effectiveness of monetary policy. Therefore, we will undertake a comprehensive review of regulatory frameworks governing administered prices, focusing on ensuring that prices align with economic fundamentals and promote efficiency. The review will include measures to transition to more cost-reflective tariffs, particularly in essential sectors such as electricity, transport, and telecommunications. We will work closely with relevant stakeholders, including SOEs and regulatory bodies, to implement necessary reforms to mitigate inflationary pressures and support price stability.

The DA will further support the monetary landscape to ensure economic stability and growth by:

- **Solidifying the SARB's independence from political influence.** We will steadfastly resist all attempts to expand the bank's mandate through legislative amendments that could compromise its independence or dilute its focus on monetary policy objectives. We will further ensure ongoing transparency in SARB decision-making processes and regular communication with the public. We will also build strong relationships with foreign and domestic stakeholders to cultivate understanding and support for the SARB's autonomy.

- **Supporting an inflation target with a tighter band of 2-4 percent**, and if needed for a period to test the price-setting effects of a point target of 3 percent - provided it is implemented within a credible and disciplined fiscal framework. While the benefits of a lower inflation target are recognised, its success depends on full fiscal alignment and commitment. This includes support from the National Treasury. Without credible fiscal discipline and policy coherence, such a shift would entail significant risks and uncertainties.
- **Promoting broader economic reforms.** The DA will collaborate with other government agencies to promote policy certainty and fiscal discipline, especially regarding administered prices and inflation targeting. Furthermore, we will support initiatives that enhance productivity, competitiveness, and investment attractiveness and advocate reforms that strengthen trust in the South African economy, fostering long-term stability. These reforms span labour, industrial, fiscal, and trade policy, as discussed throughout this document.
- **Avoiding repeated foreign exchange interventions**, such as aggressively purchasing forward foreign exchange contracts using foreign reserves to protect the rand. It will involve developing clear communications to explain the limitations of central bank foreign exchange interventions in stabilising the rand. It includes establishing transparent guidelines for foreign exchange interventions and outlining specific economic triggers and expected outcomes. Moreover, we will focus efforts on long-term solutions to combat currency depreciation, like lower inflation differentials with our major capital trading partners.
- **Embracing controlled flexibility and managing volatility.** This means allowing the rand to remain a free-floating currency for our small but highly open economy and developing communication plans to manage public expectations regarding rand fluctuations.

Getting South Africans Working

The DA believes that our labour policies must focus on growing jobs to provide unemployed South Africans with a pathway out of poverty. A job provides vastly more dignity and financial security to a person than a government grant. In addition, increased employment results in lower overall grant spending, which frees up the budget for funds to be allocated to critical services to the public and improve infrastructure. The DA recognises that the key goal of economic policy should, therefore, be to increase employment levels by making it easier for businesses to hire more individuals. The DA also notes that our excessively burdensome labour regulatory regime has resulted in lower levels of employment across the country.

Therefore, the DA's labour policy focuses on reforms that will make it as easy as possible for firms to employ new individuals so that they can develop their skills and move up the opportunity ladder. The DA's labour reform proposals will result in the creation of between 700 000 and 1 000 000 jobs.

Objectives of the DA's Labour Policy

In pursuit of the DA's vision for enhancing job creation and employment, the DA's Labour Policy has four main objectives:

1. Address the harmful effects of the minimum wage on employment.
2. Promote the principle of non-racialism in the labour market.
3. Improve the accountability of unions and the functioning of collective bargaining.
4. Utilise Special Economic Zones to test labour policy changes.

The DA has a bold plan to address the unemployment crisis and assist more South Africans to enter the job market through our innovative Youth Employment Opportunity Certificate:

OUR BOLD SOLUTION

The DA's Youth Employment Opportunity Certificate

A DA government will introduce a Youth Employment Opportunity Certificate. This certificate will empower young people to break free from the constraints of the minimum wage, giving them better chances of finding jobs. The goal is to make it easier for young people aged 18 to 35 to move from not having a job to having one by offering flexible employment terms.

The certificate will be valid for two years and will be implemented to give unemployed individuals who have not been employed for 12 months or more the right to exempt themselves from sectoral wage agreements. This policy will make it easier for employers to hire those who have been out of work for long periods of time.

The DA will address the harmful effects of the minimum wage on job creation and empower the unemployed by:

- **Leaving the existing minimum wage in place without increasing it further.** This will allow inflation to gradually erode its value, thereby progressively providing more opportunities for individuals to enter the labour market at wages they find acceptable.
- **Amending the National Economic Development and Labour Council Act to explicitly include job creation and poverty reduction as one of the council's objectives will ensure that these factors are appropriately considered** in decisions concerning labour legislation and policy.

Additional space should also be created at NEDLAC for other bodies to enter and expand the number and diversity of voices heard, including new trade unions and business bodies. A lack of physical space should not be considered an impediment to the expansion of representative bodies at NEDLAC, as online platforms can be utilised, and information can easily be distributed online to anyone who is interested.

The DA will promote the principle of non-racialism in the labour market and implement policies which uplift those who are currently disadvantaged by:

- **Removing racial targets or quotas in the Employment Equity and Preferential Procurement Acts** and instead measuring progress towards achieving the SDGs as an indicator of redress and development instead of race.

The DA will improve the accountability of unions and improve collective bargaining by:

- **Broadening the collective bargaining system** so that it is more representative of bargaining parties and exempting Small, Medium and Micro Enterprises (SMMEs) from the administrative extension of bargaining council agreements. Collective agreements extended throughout an entire industry, including small businesses, compel these enterprises to implement

the conditions contained in these agreements. This poses a financial challenge for small businesses as they struggle to match the economies of scale enjoyed by larger counterparts.

Additionally, these agreements frequently overlook the financial viability of smaller entities. Exempting SMMEs from these obligations will make it cheaper and easier for them to hire people while allowing for company-level flexibility.

- **Requiring unions to make a deposit to an appropriate independent body before embarking on a legal strike action.** Any damage caused during a strike must first be reimbursed out of the deposits, and unions that repeatedly engage in destructive strikes must be required to deposit larger sums of money.
- **Requiring unions to publish their audited financial statements** each year for public scrutiny.
- **Requiring union officials to disclose their earnings in their annual reports.**
- **Prevent non-tax-compliant unions from calling a strike.**

Before implementing national changes in labour policy, the DA will:

- **Use Special Economic Zones (SEZs) to test labour policy changes,** such as modification of tax and labour law policies within these zones. This will be done to determine whether policy changes are effective or if any unintended consequences may arise prior to being rolled out to the wider economy.

Creating Growth. Not Oligopolies

The DA recognises that unemployment and poverty can only be addressed if there is economic growth. This entails **getting the basics right**, including ensuring stable electricity and water supplies and effectively tackling crime.

Our industrial policy reforms can create between **400 000** and **500 000** jobs. We aim to achieve this by addressing the foundational elements of the policy pyramid—including safety and security, infrastructure, human capital, and the regulatory environment—rather than prioritising specific sectors at the top of the pyramid.

Objectives of the Industrial Policy

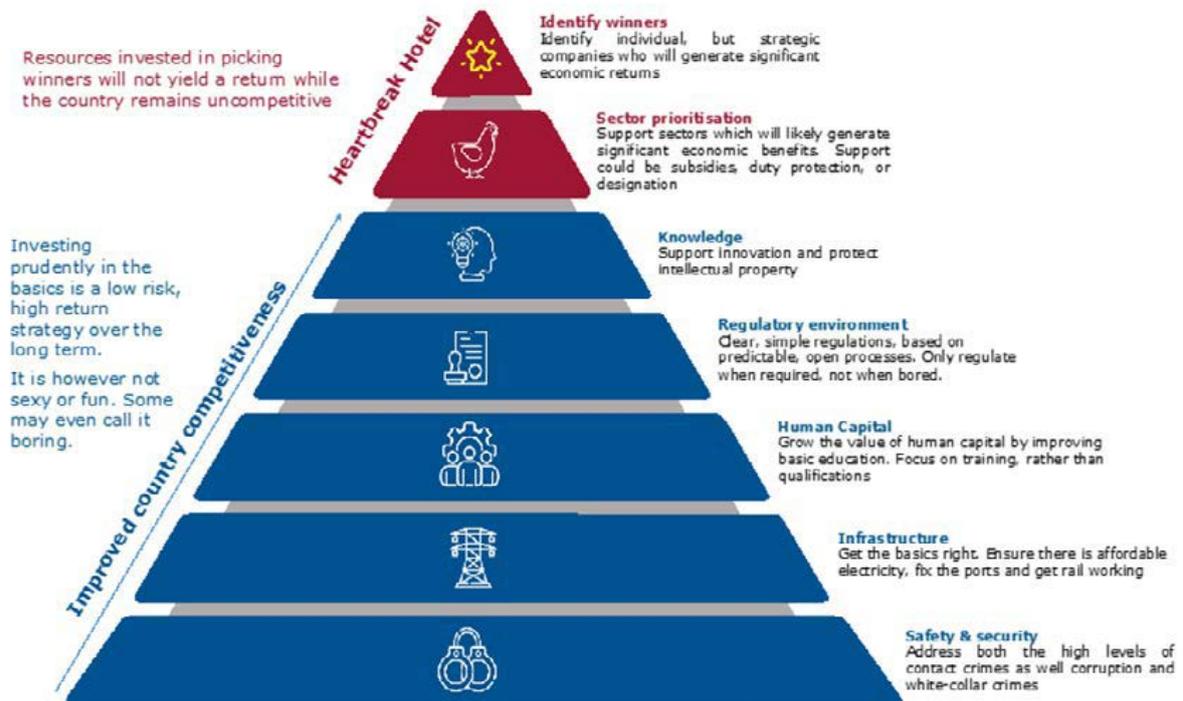
The DA will improve South Africa's existing industrial policy by focusing on the following seven objectives:

1. Get the basics right at the bottom levels of the policy pyramid.
2. End the utilisation of master plans and cancel reciprocal agreements.
3. Improve the effectiveness of industrial policy interventions.
4. Improve the development of new industrial policy.
5. Ensure that incentives and support for new industries are effective.
6. Improve the utilisation of subsidy and import duties.
7. Investigate and adjust interventions within the automotive sector.

The Industrial Policy Pyramid

The DA has adopted XA Trade Advisors' policy pyramid to consider the hierarchy of priorities when formulating industrial policy.

Figure 1: The Industrial Policy Pyramid



The bottom steps of the policy pyramid are the most important and must be where the government focuses its attention. By investing in safety and security, building and maintaining infrastructure, and ensuring quality education and training for citizens, South Africa's competitiveness will be improved, which will assist in making our exports more competitive in the global markets.

Any money sunk into the top of the pyramid while the bottom is not functional is destined to fail as it will be spent on compensating for the failures on the levels below. When resources are expended at the top steps of the pyramid without the bottom steps being sufficiently developed, the resources flow downhill to the bottom steps where it is required. This is seen in South Africa when private companies utilise funds to secure their own electricity, water and security, as the state is not providing adequate provision of these essential services.

The DA will, therefore, focus on getting the basics right in the policy pyramid by ensuring that laws are enforced, crime is reduced, infrastructure is built and repaired, and our education system is improved. To achieve these goals, the DA will utilise recommendations found within our Crime Prevention and Criminal Justice, Education, and Energy and Electricity Policies, amongst others.

While the DA believes that a focus on the bottom levels of the policy pyramid will yield better results than South Africa's existing industrial policy, the DA will still seek to reform existing industrial policy as follows:

OUR BOLD SOLUTION

Scrap Master Plans and Stop Interfering with Businesses

The DA will end all master plans and cancel reciprocal agreements. Instead, the private sector will be empowered to operate on its own terms by removing unhelpful and unnecessary government interventions. The DA recognises that master plans amount to central planning, where the government decides what the private sector should do. They also open the policymaking process to the influence of lobbying by large industry players.

When these master plans are coupled with reciprocal agreements, they only contract private businesses into behaviours that the government wants. There is little economic data to support that any of these plans are producing their intended positive outcomes.

The DA would seek to reduce industrial policy's control over the private sector and unleash businesses' ability to make their own decisions. Instead, the DA would focus its resources on improving service delivery issues at the bottom of the policy pyramid and not dictate how private industries should conduct their affairs.

The DA will improve the effectiveness of industrial policy interventions by:

- **Focusing its interventions on those which grow exports** rather than import replacement and localisation.
- **Targeting activities such as investment infrastructure and innovation**, and not specific sectors such as poultry, steel or textiles.

The DA will improve the development of new industrial policy by:

- **Focusing intently on process**, which will increase the chances of good outcomes and rapidly identify bad outcomes. This will involve basing our industrial policy on evidenced-based research, monitoring, and evaluation. The DA will ensure that the economic implications of policy decisions are studied prior to implementation and that the outcomes after implementation are examined to determine if the intended goals are being met.
- **Ensuring open and transparent engagement with the private sector.** Engagement will ensure that all voices and interests are heard in the policy-making process rather than a select few representatives. This will form part of the iterative policy-making process.

The DA will ensure effective incentives and support for new industries by:

- **Defining cut-off dates for any programme**, as no incentive or protectionist policy should be implemented in perpetuity. This will prevent these interventions from becoming baked into the operational model of certain industries.

- **Ensuring all industrial policy remains consistent over time**, as this will create a predictable business environment that encourages the private sector to increase its investment in the South African economy.
- **Reviewing all incentive programmes every five years** and ending poorly performing programmes quickly to avoid further losses.

The DA will improve the utilisation of subsidy and import duties by:

- **Reviewing all import duties every three years** to ensure that duties do not become part of the business model of the protected industry. The DA will further remove all import duties on tariff codes which do not protect any local industry and only subsidise activities which have a clear potential of providing spillovers.
- **Removing electricity subsidies** while South Africa continues to experience electricity shortages. Subsidising electricity during a national energy crisis makes no sense, as these subsidies distort the true value of this scarce resource and encourage its overconsumption.
- **Providing incentives only to emerging industries** rather than established industries which have benefitted from support over a prolonged period.

The DA will investigate and adjust the interventions within the automotive sector by:

- **Review all existing subsidies to determine if they remain relevant to the sector and the broader economy.** This review will also examine whether the support is producing the desired economic outcomes.
- **Exploring a lift on the ban on importing second-hand vehicles** while considering the establishment of an age limit on imported used vehicles. This would produce significantly more economic activity through the introduction of cheaper cars than the maintenance of expensive local production facilities. To minimise disruption to the market, import duties on second-hand cars will be kept at the same level as those on new vehicles.
- **Removing import duties on selected business tools**, such as single-cab bakkies, will support small businesses, entrepreneurship, and economic activity, especially in rural areas.
- **Reconsidering import duties on electric vehicles, as they are slowing the uptake of this technology in South Africa.** The DA will also consider introducing consumer subsidies to encourage the greater adoption of electric vehicles in our market.
- **Placing a greater policy focus on the retail arm of the automotive sector**, as it absorbs 77 percent of the labour in the sector. The retail sector has a greater ability to absorb unemployed individuals due to the lower skill levels it requires. Greater support provided to the automotive retail sector would result in increased employment levels across a wider range of skills than that of the manufacturing sector.

Enhancing South Africa's Global Competitiveness

The DA's trade policy is based on the reality that South Africa's global competitiveness will be secured by focusing on growing exports and strengthening our relationships with trading partners. The DA will, therefore, eliminate distortive localisation policies that raise costs for consumers unfairly, enhance naturally competitive local industries, and develop an export-orientated economy that prioritises competitiveness, innovation, and generating economic growth. By focusing on these crucial aspects, South Africa can better position itself to thrive in the global economy.

Implementing our trade policy reforms can create between 100 000 and 150 000 jobs. For example, implementing preferential trade agreements (PTAs) focused only on agricultural goods with the Far East would dramatically increase exports to those regions. South Africa is already a competitive producer of fruit, nuts, and berries. Signing PTAs focusing on these goods would result in significant gains in a very labour-intensive sector of the economy. In addition, improving the use of our existing trade agreements, such as the African Growth and Opportunity Act (AGOA) and SACU-EU Economic Partnership Agreement (SACU-EU EPA), will help attract more companies into the export net, which will consequently help them grow.

Objectives of the DA's Trade Policy

The DA will seek to enhance economic competition, increase employment and unleash enterprise by promoting an export-focused trade policy. To achieve these goals, the DA's trade policy will focus on the following five objectives:

1. Reform to ensure that South Africa can compete in global markets.
2. Strengthen South Africa's position in international trade.
3. Leverage trade agreements to the benefit of South Africa.
4. Unlock the potential of mining as a pillar of South Africa's export strategy.
5. Optimise the performance of Special Economic Zones (SEZs) in order to generate economic growth and create jobs.

The DA has a bold plan to establish an export-focused trade policy by:

OUR BOLD SOLUTION

Removing Designated Goods And Industries From Our Trade Policy Approach

The DA government would remove designated goods and industries from South Africa's trade policy approach to foster economic growth and job creation.

Transitioning away from import substitution priorities in trade policy is crucial for promoting a more diverse and competitive economic landscape. However, the government's current policy is to 'localise' the manufacturing sector by designating multiple products, such as processed vegetables, furniture, and solar photovoltaic components, for 100% local content.²² These plans harm the economy, hamper international trade relations, and ultimately impact the cost that consumers have to pay for manufactured goods. The focus should be on removing barriers to market entry and encouraging innovation and entrepreneurship. By prioritising the removal of designated goods and industries, South Africa can unlock potential for economic development across various sectors, supporting SMMEs and enhancing overall economic competitiveness.

Furthermore, the DA will reform trade policy to ensure that South Africa can compete in global markets by:

- **Streamlining International Trade Administration Commission of South Africa (ITAC) investigation processes** and supporting industries in leveraging rebates to bolster their international competitiveness and expand export markets. The DA will address the shortcomings of the ITAC by ensuring thorough reviews and adjustments to protectionist measures. Currently, there is a concerning trend where companies choose not to utilise duty change instruments when their use should be expanding.
- **Ensuring effective duty protection principles of competitiveness, innovation, and efficiency.** Duty protection should promote competitiveness, innovation, and efficiency rather than propping up inefficient monopolies. Favouring the downstream manufacturing sector over upstream industries can have significant benefits, particularly regarding job creation and economic value generated. For example, while the primary iron and steel sector employs fewer than 20 000 people in South Africa, the downstream metal fabricating industry employs over 200 000 individuals. This underscores the importance of prioritising downstream industries, which contribute more significantly to job creation and economic output.
- **Rectifying duty-free mechanisms**, which will encompass:
 - **Clearly articulating the tariff protection mechanisms.** The rules around what will and will not be protected must be clearly articulated so companies know where they stand.
 - **Ensuring that the process of assessing the merits of a duty change is non-political.** The greater the level of political interference, the greater the chances of a corrupted process.
 - **Ensuring the application process for a tariff or duty is transparent and predictable.** An applicant should know how long it will take to arrive at a decision and have access to the records making it.
 - **Providing duty protection for new activities and investments** (infant industries), where required.

- **Allowing businesses to be subject to market mechanisms for their survival and sustainability rather than permanent protection.** The DA will not provide protection for permanent infants. Business failures are an important part of the market system. If we keep protecting businesses that will never be competitive, we are diverting resources away from more productive activities.
- **Focusing on being more competitive and growing exports.** Protection, when given, should be provided for limited periods and should focus on finished goods, not intermediate or capital goods. A focus on exports is a focus on competitiveness because there is no protection outside South Africa's borders. Companies have to be good at what they do rather than spending their equity on lobbying politicians for ever-increasing amounts of protection.
- **Allowing export rebates and drawbacks to function as they should to help exporters be more competitive.** To bolster exporters' competitiveness, it is imperative to enable export rebates and drawbacks to operate unhindered, facilitating the claiming of refunds or exemptions on taxes, duties, or fees paid on inputs used in production. This measure reduces production costs and enhances the price competitiveness of exported products. By providing financial relief to exporters, governments can foster increased participation in international trade, resulting in higher export volumes and improved trade balances.
- **Removing all export duties.** Export duties, widely condemned by economists, discourage exporting activities. For example, South Africa's imposition of such duties on uncut diamonds and scrap metal failed to achieve the desired outcomes and proved economically inefficient.
- **Reviewing all import duties every three years to ensure that they do not become part of the protected industry's business model.** Most of ITAC's reports in the last decade note that increased duties should be reviewed after three years. This is only done by exception, meaning duties become embedded into the system. When this happens, beneficiary companies depend on tariff support and reduce investment in the business. When duties become embedded for long periods, they foster an uncompetitive environment.
- **Removing all import duties on products not made locally.** If the goal is to replace imports, protecting local manufacturing may seem logical, but it often leads to low innovation and competitiveness. Protecting monopolies like ArcelorMittal South Africa (AMSA) can be counterproductive; importing cheaper steel might benefit South Africa and foster downstream competitiveness.
- **Cancelling all reciprocal agreements relating to import duties and ceasing the requirement for such agreements in future tariff investigations.** Reciprocal agreements compel an applicant for a duty change to commit to specific behaviour over the three years after the duty has changed, such as job creation or requiring the applicant to commit to increasing capital expenditure, attracting foreign investment, or supporting the growth of small and medium-sized enterprises and other examples like infrastructure development projects or adopting new technologies. If they refuse to sign, the concession will not be given.

The DA will strengthen South Africa's position in international trade by:

- **Identifying intermediate goods which could make our manufacturers more competitive and find the countries producing those.** Sourcing these goods competitively can optimise production costs, improving our price competitiveness in the global market. This will also assist in fostering strategic partnerships with producers of key intermediate goods, which can lead to knowledge sharing and innovation and further propel our manufacturing sector forward.
- **Identifying the products we produce competitively and the markets that consume those products** in large and/or growing volumes. It is important to identify products produced competitively by South Africa and the markets where these products are currently in high

demand. By leveraging the strengths and competitive advantages of South Africa's domestic industries, the DA aims to facilitate increased export opportunities and promote international trade relations.

The DA will leverage trade agreements to the benefit of South Africa by:

- **Expanding economic cooperation and integration between the Southern African region and the European Union.** The Southern African Customs Union and European Union Economic Partnership Agreement (SACU-EU EPA) represents a pivotal trade agreement between the SACU member states (Botswana, Eswatini, Lesotho, Namibia, and South Africa) and the European Union (EU). Signed in 2016, this agreement aims to promote trade and development between the two regions by facilitating market access, enhancing cooperation, and fostering economic growth. The EPA seeks to modernise and deepen this relationship by addressing contemporary trade challenges and opportunities. The SACU-EU EPA presents significant economic opportunities for South Africa, particularly through preferential access to the European market. By championing this agreement, the DA will harness these opportunities to stimulate export growth, attract investment, and foster job creation, thereby driving economic development within the country.
- **Working with our trade partners to ensure trade agreements are beneficial to both parties.** For example, we will work with the United States of America (USA) to replace the African Growth Opportunity Act (AGOA) with a free trade agreement with the USA. An FTA will reduce or eliminate tariffs and other trade barriers on South African exports to the US market. This expanded access would translate to increased sales and profits for South African businesses, boosting economic growth and job creation and attracting more foreign investment from the US.
- **Ensuring adequate dispute resolution rules in the agreement and comfort that they will reliably be enforced.** Agreements like the Southern African Development Community (SADC) have yielded suboptimal outcomes, in large part because there is no mechanism to resolve disputes.
- **Avoiding agreements where the counterparty does not have a market economy.** Agreements with China, for example, are fraught with risk because of the massive subsidies they provide to their industries. These subsidies distort market competition and can disadvantage businesses operating in countries with market-based economies. Therefore, caution should be exercised to mitigate potential adverse effects on domestic industries and ensure fair and equitable trade relations
- **Giving preference to preferential trade agreements (PTAs) rather than free trade agreements (FTA), where the overlapping opportunities are limited.** This approach is beneficial for enhancing exports because PTAs offer tailored benefits and market access advantages to member countries, thus providing a more focused and targeted platform for promoting exports. By prioritising PTAs, countries can capitalise on specific market opportunities and gain competitive advantages in key sectors, ultimately facilitating export growth and boosting economic prosperity. For instance, The Far East is a good market for our agricultural products. South Africa is already a competitive producer of subtropical fruits, citrus, nuts, and berries. PTAs within this space could significantly boost a labour-intensive segment of the economy.

The DA will unlock the potential of mining as a pillar of South Africa's export strategy by:

- **Removing BBBEE equity requirements from mining policy** would boost investment in the sector, which currently falls short of its potential despite abundant mineral wealth underground. BBBEE policies contribute to the underutilisation of this strategic advantage. By removing barriers to entry, such as rigid equity ownership structures, the mining sector could become more agile and responsive to market dynamics, enabling it to capitalise on emerging opportunities and navigate challenges more effectively.

- **Ending the destructive debate around land expropriation without compensation through constructive dialogue and consensus-building among stakeholders.** Mining investors need policy certainty for decades into the future. If this is not forthcoming, investor appetite will continue to decline.
- **Improving chieftaincy-community relations within mining communities.** The rules which allow mining companies to give the community proceeds to the Chiefs in the region need to be amended. The DA recommends that these benefits should be placed into a trust and professionally managed. The distribution of proceeds from mining activities in chieftaincy-community relations is a complex issue, especially regarding equitable resource allocation and community empowerment. Traditionally, mining companies have directly provided benefits to local chiefs in some African regions, who then decide how to allocate them within their communities. However, this system has faced criticism for fostering corruption and neglecting the broader community's interests. The lack of transparency in managing these funds raises concerns about accountability, corruption, and the lack of economic benefit derived by communities.
- **Improving the mining sector's efficiency requires urgent attention to the mining cadastre system.** South Africa's current system, SAMRAD, established 16 years ago, faces significant inefficiencies, with a backlog of over 5 000 applications. A functional and transparent cadastre system is essential for monitoring exploration activities and attracting investment. Off-the-shelf cadastre systems are readily available solutions to streamline the application process and improve transparency, thus unlocking the full potential of the country's mineral resources.

The DA will optimise Special Economic Zones (SEZs) performance to generate economic growth and create jobs by:

- **Evaluating all existing SEZs.** Specific SEZs generating a net economic profit will be continued, and the lessons from those SEZs will be adopted as broader policy. The ones that deliver little value will be closed, and the assets will be sold off to defray costs. Special Economic Zones (SEZs) have the potential to provide economic benefits while the rest of the economy remains restricted by rules and regulations.

The following are opportunities that the DA will explore in government:

Example 1: A clothing manufacturing SEZ

Considering the significant loss of clothing companies and jobs in the textile industry, setting up a SEZ focused on the clothing sector makes sense. Such an SEZ will allow only producers of clothing and textiles into the area and would offer the following benefits:

1. A phasing down of the import duties on textiles;
2. A minimum wage which is locked in at the level it is now and cannot be raised;
3. An exemption from bargaining council sectoral determinations unless the company is a member of the bargaining council; and
4. Automatic work permits for any foreign owners and management of the clothing factories.

To limit the risk of every company wanting to relocate into the clothing SEZ, this SEZ would require all tenants to export at least 50 percent of their production outside of SACU to qualify for the benefits. It could also require a minimum level of new investment to qualify.

Example 2: A steel fabricating SEZ

Given the importance of our steel fabrication sector and the impact of the upstream protection on these companies, this could be an attractive option. Such an SEZ will be close to a functioning

port and would be export-focused. In this SEZ, all tenants would:

1. Pay no customs duties on imported steel;
2. As with clothing, the minimum wage would be locked in at its current level;
3. Receive an exemption from the bargaining council sectoral determinations;
4. Access subsidised port dues to compensate for the rent-seeking by the Portnet monopoly if/until the port is privatised; and
5. Receive automatic work permits for any foreign owners and management of the clothing factories

Be Pro-Market, Not Pro-Business

The DA believes that competition policy should solely focus on competition issues such as market concentration, market power, and protecting consumers' interests, while socio-economic or public interest goals should be left to industrial policy. This separation is necessary to ensure clarity, coherence, and effectiveness in addressing both competition and socio-economic goals without compromising on either.

The DA aims to lead South Africa towards a more competitive and dynamic economy by getting competition policy back on track by ensuring markets work well and competition policy benefits everyone.

Objectives of the DA's Competition Policy

In the pursuit of the DA's vision of creating a competitive market for business and protecting consumer interest, the competition policy has the following two objectives:

1. Streamline regulatory processes and enhance transparency in the business environment.
2. Enhance fair market competition and prevent price distortions.

OUR BOLD SOLUTION

Repealing the Public Interest Provisions From the Competition Act

The DA will remove the public interest provision from the Competition Act, as it is a political tool used by the ANC government to achieve industrial policy goals. The Commission best serves the public's interest if they are focused on addressing market concentration and its impact on pricing. The current inclusion of public interest considerations has led to a blurred focus, allowing subjective factors unrelated to competition to influence merger decisions. This not only undermines the fundamental purpose of competition policy but also introduces unpredictability and inefficiency into the regulatory process. By eliminating the public interest provision, competition policy can refocus on its core objective of ensuring competitive markets, fostering innovation, and protecting consumer interests (fair pricing and access to choices). This shift will enhance transparency, certainty, and coherence in competition regulation, ultimately benefiting businesses, consumers, and the economy.

The DA will further streamline the regulatory framework by:

- **Removing the Tribunal, Minister, and President from the merger approval process.** This would not only create certainty and predictability for businesses by eliminating unnecessary layers of review, promoting clarity in decision-making, enhancing efficiency, and boosting investor confidence, but would also mitigate the risk of political patronage influencing decisions. Such streamlining would facilitate smoother merger approval processes.
- **Setting a time limit for the merger approval regime.** The maximum timeframe should be 6 months, after which the merger will be deemed to be approved. If more time is required, the

relevant party should motivate for this at least a month before the expiry date.

- **Repealing the impending section 18A of the Act.** The national security test introduced through the yet-to-be-promulgated section 18A is dangerous since it confers excessive power on the President and his Committee. The added test of national security politicises foreign direct investments, thereby frustrating our goal of economic growth.
- **Resolving any conflicting goals of the Act.** To improve effectiveness, a review process is necessary to clearly separate competition objectives from broader socio-economic goals, ensuring the Act prioritises consumer welfare and market efficiency.

The DA will ensure fair market competition and prevent price distortions by:

- **Identifying and mitigating price abuses, especially where big companies dominate markets and use their power to unfairly control prices or limit competition.** We acknowledge that prices in markets often result from supply-demand imbalances and not necessarily unfair competitive practices. Moreover, the DA in government will refrain from interfering in pricing to prevent distorting market signals and causing inefficiencies.
- **Abolishing the localisation guidelines** that legalise cartel-like conduct in localisation initiatives, as they impose higher prices on consumers, remains an important objective of the Act.
- **Focusing on keeping the market free rather than using the Commission to alter its structure.** The Commission's mandate must be narrowed to consumer welfare, and all pricing provisions must be repealed.
- **Dismantling state monopolies on electricity, rail, water and ports to ensure that prices normalise.** The most problematic administered prices are within the State, often because SOEs are protected monopolies.
- **Refraining from offering duty protection or subsidies to monopolies,** as such measures only exacerbate existing issues within monopolistic industries (such as lack of competition, higher prices, and barriers to entry), which hinder competition and impede market efficiency.
 - **Refrain from implementing price controls, as they consistently lead to supply shortages.** The case of Eskom exemplifies this phenomenon, where the inability to recover costs through pricing, coupled with long-standing protection from competition, has perpetuated long-standing market inefficiencies.