

# GROWING OPPORTUNITIES IN SOUTH AFRICA



ACTION PLAN MARCH 2016 - MARCH 2017

# ECONOMIC DIPLOMACY IN SOUTH AFRICA

Denmark has a long standing relationship with South Africa, dating back to Danish support and development assistance to the democratisation efforts in South Africa. Relations now increasingly focus on trade and commercial cooperation, underpinned by strategic public-private sector cooperation. The solid Danish-South African partnership creates a strong platform for developing Danish business opportunities.

We consider that by developing our commercial relations with South Africa, a win-win situation is created, which can stimulate growth and create jobs in both Denmark and South Africa.

The Embassy in Pretoria has a consistent focus on promoting Danish private sector interests and strives to create synergy in our work. The Trade Department offers a full range of services to Danish companies, supported by a visa section handling business visas within four days, by the political section providing the relevant macro-economic analyses, by the strategic sector cooperation team, which builds partnerships within key sectors, and by management who prioritises building networks and opening doors to public and private decision makers.

The Embassy works in close cooperation with businesses and private sector organisations in both Denmark and South Africa, with relevant sector Ministries and public authorities in Denmark and South Africa, and we leverage cooperation within the EU and among Nordic colleagues as much as possible.



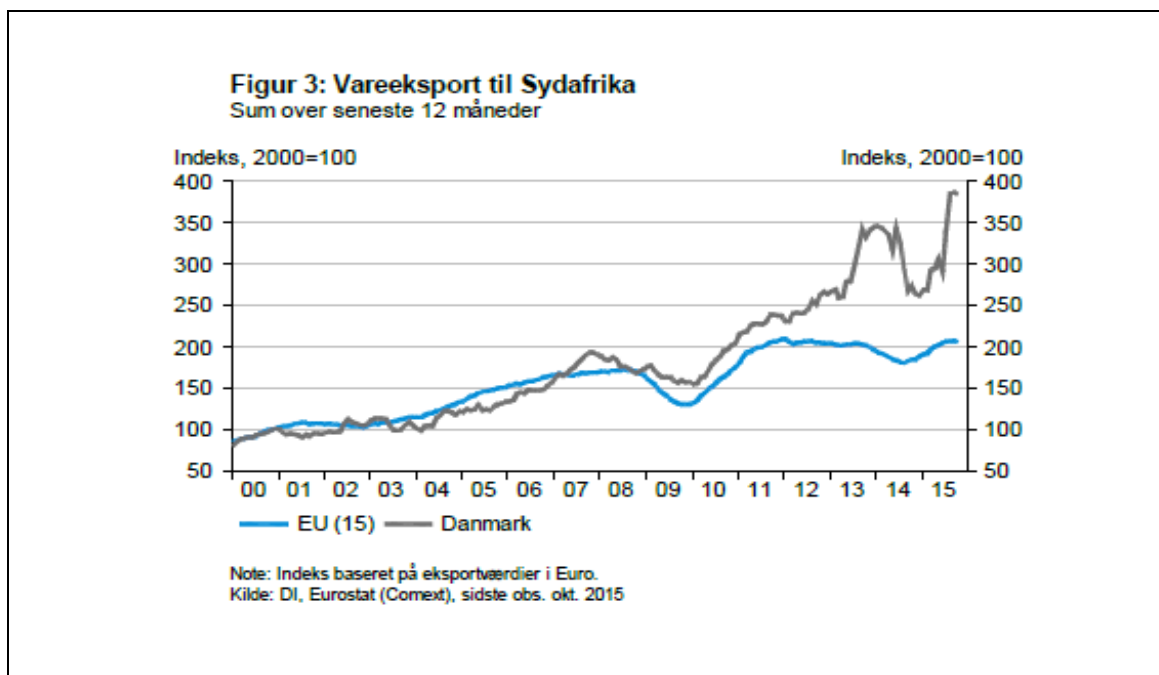
## A MARKET WITH HUGE POTENTIAL

South Africa has experienced rapid change over the past decades, and is today one of the most interesting emerging economies. Ranked by the World Bank as an "upper middle-income country", South Africa is one of the largest economies in Africa and a member of the BRICS (Brazil, Russia, India, China and South Africa). Over the last decade, South Africa's GDP per capita has risen significantly and is now the same as China's at \$13,000 according to the World Bank.

The country is characterized by political stability, established democratic institutions and a world-class financial sector. South Africa continuously ranks well on the World Economic Forum's Global Competitiveness Report and on the World Bank's Ease of Doing Business Index.

Not only is South Africa itself an important emerging economy, it is also the gateway to Sub-Saharan markets, where its well-developed infrastructure allows for transportation into Africa. Home to 4.5 per cent of the continent's population, South Africa produces a quarter of Sub-Saharan Africa's GDP and holds a significant proportion of the World's mineral resources.

The Danish Government in 2012 launched a growth market strategy for South Africa, aiming at increasing exports with 50% over a five year period. Initiatives in the strategy have been implemented in close cooperation between the Danish Government, the Embassy in Pretoria and Danish public and private companies and organisations.



South Africa came out of the financial crisis relatively well, but has recently experienced lower growth rates compared to its less developed neighbours, and is facing a number of structural challenges. In spite of the lower than projected growth rates, Danish export to South Africa has risen from 1748 million DKK in 2012 to 2555.7 million DKK in 2015 – an increase of 46% – and has consistently grown more than EU exports over the period. More importantly, there is scope for increased growth.



The challenges and development trends in South Africa translate into opportunities for Danish companies in a number of sectors, where Denmark has know-how, innovative models and products and long-term experience.



## ACTION PLAN FOR GROWTH

This action plan sets out how the Embassy in Pretoria will provide service to Danish companies and seek to optimise the opportunities in the South African market within the following priority sectors, where Danish companies match South African priorities well.

While prioritising our efforts, the Embassy is naturally still delivering quality services on demand in other sectors with Danish interests.

- **ENERGY AND ENERGY EFFICIENCY.** South Africa is pursuing an ambitious and successful strategy for renewable energy and is increasingly seeking to increase energy efficiency in light of continuing energy shortages. Denmark will continue to assist in South Africa's green transition.
- **WATER.** To make water supply meet the future water demand, South Africa has to make substantial investments in water resource management and water use efficiency. Strategic government sector cooperation will assist the South African Government in finding solutions and pave the way for Danish know-how and solutions.
- **HEALTH.** A professional private health sector is already providing extensive services to South Africans, and plans for implementing the National Health Initiative require sustainable and efficient health solutions, which Danish companies can deliver.

- **FOOD AND AGRICULTURE.** The global dining boom including food safety and security is of increased importance in South Africa, where the agricultural sector provides much needed jobs. Higher production costs as well as land reform initiatives call for innovative solutions and farming models.
- **DESIGN, FURNITURE AND FASHION.** South African design culture has started to flourish and Cape Town's licensing as World Design Capital 2014 put South Africa on the map as a market of interest for Nordic design products and innovative solutions.

The Embassy is further pursuing opportunities in the synergies between the sectors; in particular the water – energy - food nexus holds a huge potential, as Denmark offers many integrated and sustainable solutions.

Acknowledging the importance of other sectors, incl. the maritime and the minerals and mining sector, the Embassy will monitor and seek to identify opportunities in these sectors, with a view to developing potential future activities.

### **CROSS-CUTTING INITIATIVES**

To increase the coherence and effectiveness of the efforts to promote Danish business, the following will be initiated:

- A Growth Council of high level Danish business stakeholders representing the major sectors will be established to act as a consultative forum for the embassy's commercial activities.
- An Economic Forum will be established, as part of the high level bilateral consultations between Denmark and South Africa, allowing for direct interaction between the Embassy and the South African Department of Trade and Industry on private regulatory frameworks.
- An annual business match-making reception will be held at the Residence, creating Danish-South African business networks in key sectors.
- Arranging a string of seminars in cooperation with Nordic colleagues on the business climate in South Africa, with a focus on Black Economic Empowerment (B-BBEE) rules. Further seek to identify and disseminate lessons learned on B-BBEE.
- Engagement and mobilization of IFU, EKF and other financial institutions on identifying financing modalities in strategic priority sectors.
- Cooperation with Danish Innovation Networks on creating private- public partnerships in solutions and technology adaptation in strategic priority sectors and facilitating strategic cooperation between research institutions.
- Negotiating a MoU on strengthened cooperation on research and innovation underscoring the priority sectors.
- Branding Denmark in Angola - creating new business opportunities in an interesting emerging market and leveraging special Angolan expertise at the Embassy. Danish companies within the energy and water sector will be invited to join an export promotion event in Luanda in September.
- More strategic cooperation with selected companies, using a Framework Agreement. The Embassy aim to sign several agreements in this period.

# ENERGY AND ENERGY EFFICIENCY

South Africa is currently one of the world's most attractive countries for investing in renewable energy. Government is aiming at a 42% reduction in carbon emissions by 2020 and 30% clean energy in the national energy mix by 2025. This is impressive, especially taking into consideration that South Africa is a country that is historically dominated by coal power.

South Africa is experiencing energy shortages, which is raising costs of electricity and putting a strain on the country's growth performance. There is therefore a growing focus on the need for increased energy efficiency, and vast reinvestments into its energy infrastructure are underway. Since 2011, renewable energy projects totalling almost 7000 MW under four bid windows have been approved, and the intention is to procure an additional 6,300 MW in future tenders focusing on wind, solar, bioenergy and hydro-power.

The Danish footprint on the energy market in South Africa is substantial. Danish wind energy technologies counts for 40% of the South African market and the biggest bioenergy power station are powered by Danish technologies. Denmark has provided decades of support to the introduction of renewable energy in South Africa, including developing the regulatory framework, erecting pilot wind farms and mapping South African wind resources for the comprehensive Wind Atlas (WASA).

For South Africa to resolve its electricity shortages, provide energy security for its citizens and pursue its ambitious targets on renewable energy, world-class solutions within wind, solar, biogas and energy efficiency are needed. And this creates potential for Danish developers, sub-suppliers, and service providers, which are among the leaders in the field. Danish companies can also enjoy a well-established government-to-government cooperation as a platform for developing export opportunities.



## **INITIATIVES**

To take advantage of the opportunities in the energy sector, the following initiatives will be pursued:

- Strategic Sector Cooperation with the energy authorities in South Africa will target capacity building, grid connection, energy efficiency and support to climate change goals, promoting Danish know-how and experience.
- National bio-energy promotion tour in South Africa and workshop in Denmark focusing on Danish competencies in cooperation with Agro Business Park.
- Cementing the dominating Danish profile and seeking to introduce new Danish subcontractors in the wind energy sector, companies will be invited to participate in the Danish pavilion at the annual Windaba wind energy conference organised by Danish Wind Export Association.
- Mapping of opportunities between program cooperation in energy efficiency and Danish business interests, in consultation with Danish and South African companies and stakeholders.
- Seminar focusing on the water/energy sector in the Western Cape. Danish solutions focusing on the top 20 water/energy industrial consumers.
- Explore other ESCO opportunities. The embassy is currently looking at an opportunity in Free State that could provide a good platform for introducing Danish energy saving technology. The embassy plan to explore ESCO in other contexts and provinces.

# WATER

South Africa is a water scarce country and faces many structural challenges; the need for maintenance of infrastructure, reducing pollution and inefficiency (almost 40% of water is lost) and addressing a shortage of skills in water resource management at local levels. As it is a constitutional right to have access to potable water for the country's 53 million citizens, government is planning to invest heavily in water-related infrastructure investments (approx. DKK 54 billion over the next three years alone). There are therefore ample opportunities for Danish companies providing smart solutions to manage water resources, including water and waste water treatment, groundwater mapping and management, urban water services, water conservation and demand management.

Furthermore, in water intensive industries, such as the mining and agricultural sector, there is potential for introducing new ways to minimize water consumption and increase energy efficiency. But also the hospitality sector and major retail malls are in need of more efficient management of water and energy resources.

Denmark and South Africa have decided to enter into a new strategic partnership in the water sector. While seeking to alleviate South African challenges in the water sector, there will be opportunities to promote Danish excellence in the field.

## INITIATIVES

Promoting Danish know-how, products and services in the water sector will be pursued with the following initiatives:

- Based on the recent MoU between the Danish ministry for Environment and Food and the South African Ministry of Water and Sanitation, a water sector cooperation programme will be launched. Focus will be on 1) Urban water services 2) Ground water 3) Water efficiency in industries.
- Demonstration projects in focus areas within urban water, ground water and water efficiency in industries.
- Exhibiting Danish competences at the most important South African water conference, WISA, at a Danish pavilion and by arranging an expert seminar for public and private stakeholders in the sector in cooperation with Confederation of Danish Industry.
- Conducting a innovation workshop on water and waste water treatment with South African and Danish public sector research institutions and private sector companies.
- Demonstrating Danish know-how at a study tour to Denmark by key South African stakeholders within the water sector.
- Establishing a Water Club for Danish companies with interests in the South African water sector, providing markets insights, setting up seminars with relevant decision-makers and providing different marketing opportunities.
- The embassy will explore opportunities in the water – energy – food nexus with a special focus on efficiency.



# HEALTH

South Africa's pharmaceutical market is the single largest on the African continent. South Africa spent 8.9% of total GDP on healthcare expenditure in 2013, and health care spending is projected to increase with 30% from 2014-2018, to a total of \$39 billion. The Danish export of medical drugs is the fourth largest export to South Africa, and Danish exports of pharmaceutical products to South Africa have increased with 27% from DKK 234,7 million in 2014 to DKK 298,8 million in 2015.

South Africa is experiencing a demographic development with an increase in lifestyle related diseases. The South African Department of Health has set out a Strategic Plan for 2014-2019 focusing on strengthening the health care system, partly achieved by engaging in public-private partnerships. Furthermore, the goal is to progressively improve TB prevention and cure, a reduction in maternal, infant and child mortality and a significantly reduced prevalence of non-communicable diseases.

Danish companies have highly qualified skills within these areas, and following the release of a recent White Paper on the country's National Health Insurance (NHI) scheme in 2015, South Africa's government is moving closer to introducing universal healthcare coverage for its citizens. In line with previous budgets, the focus remains on the refurbishment of over 800 health care facilities in the 11 districts and plans are underway to build 200 more by 2019.

There are good opportunities for increased export of Danish healthcare products and welfare technology solutions and potential for Danish companies with skills in the sector to contribute with solutions to some of the health challenges South Africa is facing.

The Trade Council in Pretoria is a core member of the Global Industry Team (GIT) for Health as well as Key Account Manager (KAM) for a Danish pharmaceutical company.

## INITIATIVES

To pursue the opportunities in the health sector, the Embassy will do the following:

- Commission a study on the South African Health sector to identify opportunities for Danish companies as well as mapping of relevant stakeholder and overview of current medicines policy and regulatory framework
- Further development of the Health Club for Danish companies with interests in the South African health sector, providing markets insights, setting up seminars with relevant decision-makers and providing different marketing opportunities.
- Pursuing increased market shares for pharmaceutical companies through long-term framework agreements.
- Organising a Health Export Promotion to South Africa in cooperation with the Confederation of Danish Industry.
- Facilitating high level stakeholder meetings on the Danish Model for universal Healthcare.

## FOOD AND AGRICULTURE

The agro-industrial sector of South Africa is highly developed, dominated by large commercial farms that supply the bulk of the food processing industries of South Africa. Due to the country's varied climate, the country is able to grow many different crops, wheat and maize being the largest. As only 12% of South Africa's surface area can currently be used for crop production, new technologies improving land usage and durability of crops are of great interest. Livestock farming is by far the largest agricultural sector contributing to almost 50% of the agricultural output and expecting an overall 7% growth rate. Animal improvement in forms of livestock enhancement, utilisation of enzymes and genetic expertise will have an increasing role.

A dependence and overuse of synthetic fertilisers, pesticides and herbicides has decreased soil fertility and caused pollution in much of South Africa. Also drought is a recurrent problem. As a result, sustainable farming and water-efficient solutions are becoming highly relevant.

With a fast growing population, South Africa has challenges meeting the local demand. As a result the country is increasingly reliant on imports. The country is importing a considerable part of its staple foods, including rice, wheat and poultry. Imports of dairy products have also exceeded exports, but the dairy sector is expected to grow. With a growing middle class, food consumption changes from staple grain crops to more diverse diets. Organic food production is also slowly increasing with the change in consumption patterns.

The South African agro-industry sector presents great opportunities for Danish companies offering expertise and introducing new processes, equipment and technologies.



**INITIATIVES**

Opportunities in the food and agricultural sector will be advanced with the following initiatives:

- Strengthened government- to – government dialogue and cooperation based on a MoU for collaboration in the agricultural sector.
- Visit to Denmark by the South African Minister for Agriculture and show-casing of Danish competences within agriculture, skills development, aquaculture and biogas.
- Increased cooperation between Veterinary Authorities in Denmark and South Africa.
- Identification of financing opportunities for projects in the nexus between agriculture, water and energy, in cooperation with IFU and EKF.
- Mapping of concrete opportunities in the food and agriculture market with a view to intensifying export promotion in the area. Special focus on the nexus between water, energy and agriculture.
- Danish food promotion tour.

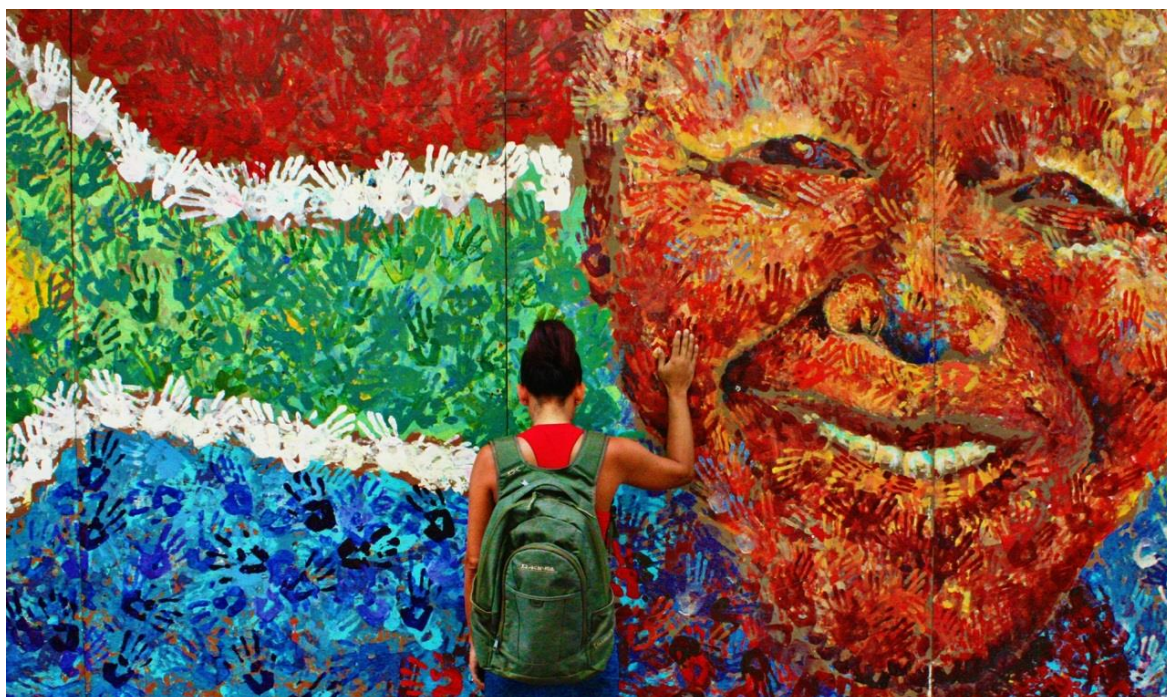
## DESIGN, FURNITURE AND FASHION

It is a very exciting time for the South African design and fashion industry. A growing middle class - from 1.7 million in 2004 to 4.2 million by 2012 - has a spending power estimated at 200 DKK billion a year. Additionally, South Africa is home to almost one third of all USD millionaires in Africa. This, combined with increased urbanisation, translates into an overall increase in consumption and especially an increase in demand for luxury products, including high-end real estate, furniture, fashion and luxury items. The increased demand is underlined by the April 2016 opening of South Africa's biggest mall, Mall of Africa, close to Johannesburg and Pretoria. South Africa is already a major player in the global mall industry, ranking number 6 globally in terms of number of malls.

In terms of trade, Danish exports within the textile, clothing and leather industries reached DKK 28.3 million over the period November 2014-October 2015, up from DKK 12.8 million in 2012. The furniture industry has also seen an increase of exports from DKK 45.1 million in 2012 to DKK 48.2 million within the period November 2014-October 2015.

The Danish Embassy in Pretoria has recently experienced an increasing interest in Danish design, which is also reflected in the number of Danish design companies present in the South African market in both residential interiors, clothing or architecture. On the whole, the South African design culture has started to flourish the last number of years. Cape Town's licensing as World Design Capital 2014 put South Africa on the map as a market of interest for European design products and innovative solutions. The potential for introducing further Danish design products and solutions to the South African market is considerable.

A closer cooperation with the city of Johannesburg in terms of sustainable living could also be of great interest. Denmark has special competences – both in the public and private sector. With increased urbanization sustainable cities is also getting higher on the South African agenda both in terms of architecture and management of resources.





## **INITIATIVES**

Seeking to promote Danish Design, Furniture and Fashion, the following will be initiated:

- An export promotion is planned for February 2017 in Cape Town parallel with Design Indaba - Africa's largest and most important design event. The export promotion is expected to be organised by the Danish Agency of Culture in cooperation with the Danish Design Centre and the Danish Embassy in Pretoria
- Market visit for design companies, architects and designers to Johannesburg and Cape Town parallel to either DECOREX in August 2016 or Design Indaba February 2017.
- Explore further the possibility for a closer city-to-city cooperation between Johannesburg and a major Danish city. The aim being to assist South Africa in its aspiration to build a sustainable and liveable city and promote Danish competences within architecture and sustainable city planning for the city of Johannesburg.

# THE TRADE COUNCIL IN PRETORIA

The Trade Council is the governmental export and investment promotion organisation under the Ministry of Foreign Affairs of Denmark. The Trade Team's objective is to promote Danish trade in South Africa as well as attracting South African investments in Denmark. Via meetings, analyses, reports, partner searches, personal consultation and much more, Danish companies are assisted in entering the South African market or expanding their existing commercial activities. The Embassy assists large corporations as well as small and medium sized enterprises (SMEs). Our trade advisors have in-depth knowledge of several sectors and can also assist with Global Public Affairs through our extensive political and commercial network.

The Trade Council provides expert advice and consultancy services at an hourly rate. You can always contact the Trade Council free of charge and ask for initial advice. Some services are completely free of charge. The Trade Council supports small and medium sized enterprises through a number of programs.

## **SME PROGRAMS**

- **Export Start:** The Export Start program supports your company on export issues through counselling in your target market. The program is typically used for market reports, partner search, meeting programs as such. 50-100 hours of consultancy.
- **Vitus:** Vitus is the Trade Council's "elite program" for Danish companies who have the ability and determination to expand globally in the most efficient manner. The program includes competence development, workshops, development of an Go-To-Market plan and close cooperation with an designated Trade Advisor over a 12 month period. The program is aimed at creating direct export results for the participating companies. 265 hours of consultancy.
- **Strategic Business Alliance:** The Strategic Alliances program is directed at groups of companies that are able to delivery systems solutions on export markets. 100-400 hours of consultancy.
- **Regional Key Account:** The purpose of the Regional Key Account program is to provide exporting companies with an opportunity to continue their collaboration with the Trade Council after finishing an Export Start or Vitus program. The Regional Key Account program also offers full flexibility for the company as it can be used in more than one market. 100-200 hours of consultancy per year (2 years max.)
- **Market Visit:** Market Visit targets a group of companies, with mutual interest that are looking for a new market opportunity. 25 hours of consultancy.

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