**Economic Sectors, Employment and Infrastructure Development Cluster**

27 September 2016

Ministers and Deputy Ministers                         
Directors-General  
Members of the media  
Ladies and gentlemen

Welcome to a media briefing by the Economic Cluster on the Medium-term Strategic Framework (MTSF) first quarter progress report. The MTSF is Government’s five-year plan (2014-2019) towards achieving the National Development Plan (NDP) and is implemented to realise 14 outcomes. The Cluster is responsible for five outcomes:

* Outcome 4: Decent employment through inclusive economic growth
* Outcome 5:  A skilled and capable workforce to support an inclusive growth path
* Outcome 6: An efficient, competitive and responsive economic infrastructure network
* Outcome 7: Comprehensive Rural Development
* Outcome 10: Protect and Enhance our Environmental Assets and Natural Resources

The implementation of the outcomes impacts positively thereby achieving the objectives of the Nine-Point Plan i.e. growing and transforming the economy, creating jobs and attracting investment. Every day of implementation takes the country a step closer toward realising the long term goal of overcoming the triple challenge of unemployment, poverty and inequality. We strive to create an environment for citizens to flourish, enter new jobs and benefit from the new investments we have attracted in partnership with organised labour and business.

**Economic context**  
The South African economy rebounded strongly in the quarter April to June 2016, growing by 3.3 percent quarter-on-quarter. Although the global economic environment remains challenging, the strong growth in South Africa’s mining and manufacturing sectors is heartening.

The better than expected GDP growth of 3.3 percent has raised our expectation of full-year growth for South Africa. Consequently, the Reserve Bank has revised its growth forecast and it now believes that the economy will grow by about 0.4 percent for the year. It is encouraging that the productive sectors in which the Economic Cluster has been actively involved provided the main impetus for growth; with mining growing by 11.8 percent and manufacturing expanding by 8.1 percent. The severe drought conditions in certain parts of the country have impacted negatively on our Agricultural sector but the Cluster is mindful that a number of domestic and global weather forecasters are predicting slightly better rainfall conditions for the upcoming growing/planting season.

Employment has been fairly subdued and the economy has not been growing fast enough to absorb new entrants into employment. The Economic Cluster is determined to advance the momentum of the next quarters through the accelerated implementation of the Nine-Point Plan to stimulate the domestic economy and advance our productive sectors.

Confidence levels as reflected by declines in business and among consumers remains fragile, although the Barclays Purchasing Managers’ Index (PMI) remained above the critical 50 points level since March 2016. The threat of a possible credit ratings downgrade continues to remain a concern. The NDP provides interventions to mitigate these challenges in the short to medium term. These include attention to fiscal and monetary policy, protecting key sectors with long term prospects, re-orientation of trade to emerging markets as well as strengthening the partnership with our social partners, namely, business, civil society and labour. Much more can be achieved if there are stronger partnerships between government, the private sector, organised labour and civil society. As a nation we have shown that there is nothing impossible when we all pull together.   
We have noted with concern the continuous socio-economic impact of drought and the average dam levels decreasing weekly. As part of the mitigation efforts, several water restrictions were gazetted, including in provinces other than those that were hardest hit by the drought. The strict implementation of drought operating rules is currently being effected at all dams and this includes restrictions from the larger supply systems. In addition, we are also increasing the water mix, especially ground water utilization and more than 7 487 boreholes are now operational across the country.

**Upadate on progress**:   
OUTCOME 4: DECENT EMPLOYMENT THROUGH INCLUSIVE ECONOMIC GROWTH  
Encouraging private sector investment  
South Africa remains a sound investment destination, it offers potential investors lucrative investment opportunities. The country is a gateway to Africa, it possesses advanced technologies and manufacturing capabilities. It also has a stable and sound financial sector with sophisticated services industry.

Government’s investment incentives have leveraged substantial private-sector investments in the quarter under review. These investments of R15.4 billion from leading automotive assemblers such as Toyota and Ford and a number of other projects approved for the 12i Tax Allowance Incentive, demonstrate the measure of confidence that global manufacturers have in the South African economy. The announced investments will result in the creation of 4 675 new jobs.

Similarly, Government under the auspices of the Inter Ministerial Committee (IMC) on investment has identified 40 priority investment projects in critical sectors such as agro-processing and Agri-Parks, energy and infrastructure, manufacturing and services and have the ability to crowd-in further investment. We have begun to accelerate the implementation of ten of these projects to release massive benefits in job creation, skills development, better public infrastructure and economic opportunities.   
Overall the tourism arrival figures are far better than they were last year. This may be partially as a result of the interventions of the Inter-Ministerial Committee on Migration. The Departments of Home Affairs and Tourism have been working together to ease the regulations to support increased arrivals of tourists to our beautiful country. The Department of Home Affairs has introduced new technology such as biometrics at some ports of entry to ensure ease of passage for tourists. The efforts of SA Tourism to market and promote South Africa have also contributed to increased tourist arrivals. SA Tourism has offices in key markets.

Implementation of a Higher-Impact Industrial Policy Action Plan   
The NDP requires that we re-position the South African economy to take full advantage of positive changes and opportunities in the world economy so that we can create and increase employment through inclusive growth. The Cluster is stimulating the country’s labour-intensive sectors through various incentive programmes that attract investors and businesses that will have a higher impact on jobs.

The Industrial Development Corporation (IDC) approved R700m to fund the job drivers. Through the IDC’s support, 441 jobs were created across the automotive and transport equipment; clothing and textiles; heavy manufacturing; and machinery and equipment sectors.

The Industrial Development Corporation (IDC) funding approvals for 2015/16 were R14.5 billion. The funding approvals for black empowered companies including black industrialists were R 4.9 billion. The funds to youth empowered enterprises were R 970 billion. The jobs supported through IDC funding was 15 272 in FY 2015/2016.

The Black Industrialists Programme administered by the Department of Trade and Industry, which aims to create 100 black industrialists over the medium term, approved four applications valued at R500 million in the agro-processing, plastic and pharmaceuticals, electrical equipment and metals sector. Stakeholder campaigns have been rolled out to inform potential applicants of the programme and provide support in the development of their business plans.

In the quarter under review measures were introduced to support the steel industry through the challenging global conditions. The initiatives include an increase in customs duties across a range of steel products. The rebate for applications for flat rolled steel for corrugated roofing and flat rolled steel for appliances are in progress. In addition, the pricing methodology for flat steel will be implemented and monitored by the Steel Committee under the auspices of the International Trade Administration Commission.

Unlocking the Potential of SMMEs, Cooperatives, Township and Rural Enterprises  
To promote more inclusive growth we are creating an environment for small businesses to grow and flourish. The NDP prescribes interventions to help unleash the economic potential in under-developed areas. A key aspect of this is to unlock the potential of SMMEs, cooperatives, township and rural enterprises to take the economy to a new level of growth.

280 rural enterprises, 181 township enterprises and 147 existing SMMEs were assisted with skills and start-up support so that they can run their own businesses successfully. The Black Business Supplier Development Programme (BBSDP) supported a further 130 SMMEs which in turn supported 2 116 jobs. The Small Enterprise Finance Agency (Sefa) in partnership with Coca-Cola has committed an additional R120 million to support SMMEs in townships.

Cooperatives are an embodiment of the NDP in action. The Cooperative Incentive Scheme helped 44 Co-operatives build their initial asset base and further supported 65 co-operatives through capacity building programmes.

Part of efforts to create decent employment opportunities for our people include the revitalisation of industrial parks in townships. The revitalisation of the Botshabelo Industrial Park was completed in June 2016. The first phase of the revitalisation of Seshego Industrial Park which included security, fencing and electricity upgrades has been completed while construction of the Makhado/Musina Industrial Park is in progress. SMMEs and local communities will benefit greatly from jobs, improved infrastructure and economic opportunities unlocked by the revitalised industrial parks.

In the past few months, the value of the innovative approaches on competition by the Economic Development Department was demonstrated through the Coca-Cola bottling plant merger and the acquisition of SAB Miller by the world’s largest brewer, AB InBev. The Ministry of Economic Development negotiated agreements that have very significant BEE components.

Between the two transactions, a sum of R1,8 billion will be set aside to promote economic activity by small-scale black farmers, black-owned retail outlets and other businesses that bring historically-disadvantaged South Africans into the economy. For example, AB InBev will make more than R600 million available to develop a local supply-chain that will include 800 new small-scale black farmers. In addition to this funding, Coca-Cola agreed to set aside 20 percent of the equity in the Group for black South Africans and to ensure a similar percentage of shares are set aside for BEE partners in Appletiser. It will also enable spaza shop owners to use 10 percent of fridge and cooler space paid for by Coca-Cola, to stock rival products particularly from small soft-drink bottlers, some of which are owned by black South Africans. In the AB InBev deal similarly, the black-owned beer brand, Soweto Gold, will now be entitled to be stocked in SAB Miller owned fridges and display units at taverns. Incidentally, Soweto Gold is also supported by the IDC.

In April 2016 Cabinet approved the Integrated Urban Development Framework (IUDF) which seeks to give effect to the vision espoused in the NDP of creating resource-efficient cities and towns that are socially integrated, economically inclusive and globally competitive. More than 60 percent of South Africans live in urban areas, and this figure is projected to increase to 70 percent and 80 percent by 2030 and 2050 respectively. The IUDF Implementation Plan seeks to strengthen the role of municipalities as investment hubs while promoting inclusive economic agenda. In this regard, strategic interventions will be implemented in the 97 identified municipalities in the next 18 months. It is therefore envisaged that the interplay between people, economy and places will enable South African cities and towns to reap the Urban Dividend.

OUTCOME 5: A SKILLED AND CAPABLE WORKFORCE TO SUPPORT AN INCLUSIVE GROWTH PATH  
Skills needed to grow the economy  
The NDP requires that we give attention to occupationally-directed programmes in critical areas needed to grow the economy. Artisans possess specialized skills that are sought after by industry; and also have the opportunity to become entrepreneurs.

As part of the skills needed to grow the economy 4 749 new Artisans have been certificated by the National Artisan Moderation Body in the quarter. A further 24 324 workplace based learning opportunities were taken up.

To provide a continuous supply of artisans to the local economy, the Thabazimbi campus site for the Waterberg TVET College officially opened on 30 June 2016. There are another two campus sites at 60 percent completion. Protocols for the secondment of sector specialist to work in TVET colleges have been developed and 329 lecturers have thus far undergone workplace exposure to strengthen the quality of training.

OUTCOME 6: AN EFFICIENT, COMPETITIVE AND RESPONSIVE ECONOMIC INFRASTRUCTURE NETWORK  
Ensuring a reliable energy supply  
The NDP requires that South Africa has a reliable energy supply to ensure energy security and enable economic growth. Good progress has been made in this area.

The implementation of the Five-Point Plan to resolve the country’s energy challenges has helped turnaround our energy situation and avert load shedding in the foreseeable future. The country has not applied load shedding since August 2015.  
A reliable energy supply requires development and maintenance of infrastructure. Eskom accelerated the delivery of the build programme with Medupi unit 6 and Ingula units two and four reaching commercial operation. These have added a 1 386 MW to the grid. Medupi unit five and the remaining two Ingula units were successfully synchronised to the grid. All the units have been consistently providing electricity to grid and are on track for commercial operation in the next year.

The additional capacity has provided Eskom with the necessary space to carry out its maintenance programme whilst meeting electricity demands. In the first quarter, Eskom recorded excess capacity of up to a massive 14 000 MW during peak hours. These improvements confirm that the revised maintenance strategy is yielding positive results. We have restored South Africa’s contribution as a primary electricity provider for the SADC region. The rollout of the renewable energy projects through the Independent Power Producer Programme has assisted to diversify our energy mix.

Integrated Energy Centres (IeC) are being built to provide products such as paraffin, diesel, petrol, gas and gas burner stoves that serve the energy needs of communities. In the quarter, 49 314 additional households have access to electricity after being connected to grid while 600 households were connected to off grid technology in the rural areas.

**Logistics and transport infrastructure**  
In terms of the accelerated roll-out of Integrated Rapid Public Transport Networks (IRPTN), currently four cities (Johannesburg, Tshwane, George and Cape Town) are operating, carrying 130 000 passenger trips. An additional five cities are expected to commence services in 2017.

Through the S’hamba Sonke Programme government is working to maintaining the provincial road networks. Successful roads projects completed over the quarter included 155 392 m2 of pothole patching completed; 767 kilometres of roads have been re-sealed with 10 355 kilometres of roads re-gravelled; and 76 350 kilometres have been bladed. The S’hamba Sonke Programme while giving new life to South Africa’s roads and improving access to socio- economic facilities is also providing job opportunities to rural communities.

**Information and communications infrastructure**  
The state-owned companies and the private sector continue to invest, with R26 billion set to be spent in 2016 on upgrading telecommunications infrastructure and networks. Working with Provincial Departments of Education, Vodacom, MTN and Cell C we have connected additional 456 rural schools to ICT infrastructure including Wi-Fi. Investments by the private sector in rolling out the 4G networks totalled R23.5 billion in 2015 and R26 billion to be spent in 2016. Sentech has also spent R150 million to upgrade its infrastructure.

The establishment of a dedicated broadband war room is aimed at fast-tracking the roll-out of access to high-speed Internet for all citizens within the next four years. The NDP vision for broadband is that by 2020 all citizens should have access to affordable broadband. In an effort to supplement the initiatives of municipalities in the roll-out of broadband, funds were reprioritised to support free Wi-Fi programmes in six municipalities.

**Investments in science and innovation**  
Our investments in science and innovation have attracted significant international interest and foreign investment in research infrastructure. The construction of the Meerkat array, the precursor to the SKA is proceeding well. The recent decision by the National Science Foundation of the USA to declare HERA (Hydrogen Epoch of Reionisation Array) a project of the SKA and to expand HERA through an investment of $9.5 million is a welcome affirmation of the research and development capabilities of South Africa. The recently refurbished Kuntuse observatory dish in Ghana is now fully rotational due to the work of both the South African and Ghanaian engineers and scientists. This is further evidence of the growing influence of science innovation and technology in Africa.

Bulk water resources  
Progress has been made to optimise institutional arrangements within the Water Sector to enhance efficiencies and drive investments. The consolidation of Regional Water Utilities has progressed while the establishment of Water Catchment Agencies for the Berg-Olifants, Orange and Mzimvubu-Tsitsikamma has been gazetted. The public participation processes on the Water Pricing Strategy as well as the Norms and Standards for Water Pricing were concluded as part of a landmark achievement. This will see the country moving closer towards uniform standards for pricing of water and sanitation services, across the country.

Over the quarter, 123 new water use license applications were received of which 76 were finalised within the targeted turnaround times. 24 000 households gained access to piped water during the first quarter. In addition, eleven Accelerated Community Water Infrastructure Projects were implemented and 223 rain water harvesting tanks were distributed for various household usage.

The period under review, saw the Pongolapoort Bulk Water Scheme completed in KZN, the KSD waste water treatment works completed in the Eastern Cape and the Kalahari East to Mier pipeline completed in the Northern Cape. 2 154 households benefitted by the replacement of the bucket toilet systems with dignified and adequate sanitation.

OUTCOME 7: COMPREHENSIVE RURAL DEVELOPMENT  
Revitalising agriculture, the agro-processing value chain and land reform  
Over the period we have made good progress in increasing the number of smallholder farmers, bringing under-utilised land into production and in the rehabilitation of land.

17 456 hectares of strategically located land was acquired and allocated. 44 588 hectares of land was allocated to smallholder producers in this quarter. 9 155 smallholder producers were supported through various initiatives schemes.

In the quarter, 1 134 hectares of underutilized land was brought into production. We have also empowered previously disadvantaged farm workers and farm dwellers to become smallholder producers by providing them with access to productive arable land. In doing so we have changed their living conditions of many of our citizens, ensured security of tenure and facilitated their ability to earn an income.

The “One Household - One Hectare programme” has assisted 620 households to obtain security of tenure on land to enable them to grow their own food and participate in the local economy. A further 22 youth cooperatives will benefit from the Fortune 40 Programme, which trains young people in agricultural activities across the value chain.

102 additional land reform farms are currently under the Recapitalisation and Development Programme.  A further thirteen sites have been approved for implementing the Strengthening of Relative Rights for People Working the Land (50/50) Programme.

107 740 hectares of land is in rehabilitation under the “Working for/on” Programmes.13 394 hectares of land have been rehabilitated in the Land Care Programme. It is intended that this land will be returned to production in the near future.

Support to agriculture extends to the revitalisation of 16 irrigation schemes that will benefit 664 farmers and helping 265 resource-poor farmers access water for production. We issued 76 water use licences to previously disadvantaged individuals to be used for irrigation. A further 216 hectares of land was irrigated.

Good progress has been made in the establishment of Agri-Parks. Two Agri-Parks are fully operational in Ncora in the Eastern Cape and Springbokpan in the North West Provinces. Six other Agri-Parks are at the construction phase. Together with the famers and private sector we will unlock markets and export opportunities for Agri-Parks.

OUTCOME 10: PROTECT AND ENHANCE OUR ENVIRONMENTAL ASSETS AND NATURAL RESOURCES  
Environmental protection  
Government also drives public employment programmes to create work opportunities, build infrastructure and deliver services in communities. The Expanded Public Works programme (EPWP) created 189 150 work opportunities in the quarter in all four EPWP sectors. The programme has also exceeded the target of employment of women in the programme. 68.3 percent work opportunities for women were created while 1.9 per cent were created for people with disabilities.

**Conclusion**  
Overall there has been noteworthy progress over the quarter towards achieving the NDP targets as reflected in MTSF 2014-2019 outcomes.

Over the coming months, the Economic Cluster’s immediate priorities include:

* Expediting full implementation of the 30 percent set asides to unlock the potential of SMMEs, cooperatives, township and rural enterprises;
* Fast tracking the implementation of ten of the 40 priority investment projects;
* Coordinating the implementation of the quick win interventions that will be identified through the agriculture, land reform and rural development Phakisa.
* Scaling-up of successful oceans economy projects and expand coastal and marine tourism to create more jobs;
* Completing the Integrated Energy Plan to provide certainty on electricity pricing and investment in generation capacity;
* To deploy locally developed technologies;
* Prioritising water savings and putting measures in place to minimise water losses; and
* Continue to support labour intensive sectors to create employment.

We request all South Africans to play their part by being active in initiatives that create jobs, promote investment, and build a more inclusive economy. Together, let’s move South Africa forward.

I thank you

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