

2/28/2011



economic
development
Economic Development Department
REPUBLIC OF SOUTH AFRICA

The New Growth Path and Tourism

February 2011



economic
development
Economic Development Department
REPUBLIC OF SOUTH AFRICA

Overview

- The challenge
- Key proposals
- Implications for tourism development

SONA 11 February 2011



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

- "We have declared 2011 a year of job creation through meaningful economic transformation and inclusive growth.
- "We have introduced a New Growth Path that will guide our work in achieving these goals, working within the premise that the creation of decent work is at the centre of our economic policies." ...
- "All government departments will align their programmes with the job creation imperative. The provincial and local spheres have been requested to do the same.
- "The programmes of the State Owned Enterprises and development finance institutions should also be more strongly aligned to the job creation agenda."

The challenge:



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

- | | |
|--|---|
| <ul style="list-style-type: none"> • Economic growth since 1994 has equalled the average for middle-income countries | <ul style="list-style-type: none"> • BUT <ul style="list-style-type: none"> – SA remains one of the most inequitable countries in the world – Unemployment is far higher than the norm – Apartheid left deep inequalities in asset ownership and access to education |
| <ul style="list-style-type: none"> • Emissions intensity is very high, mostly due to smelting and refining of mining products | |

Long-run trends

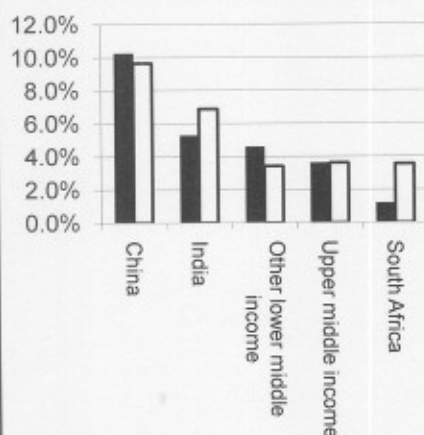


economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

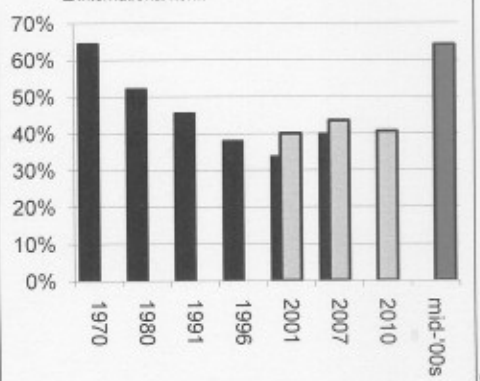
GDP growth

■ 1980 to 1994 □ 1994 to 2008



Share of adults with employment

■ Estimate based on Census/Community Survey
□ Labour Force Survey
■ International norm



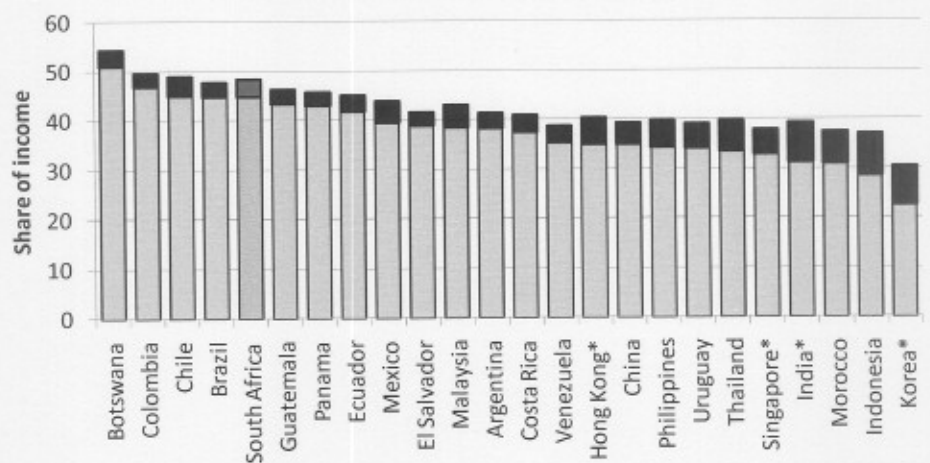
Income distribution compared to other countries



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

□ share of richest decile ■ share of poorest quintile



*not middle income

UNDP HDR 2008

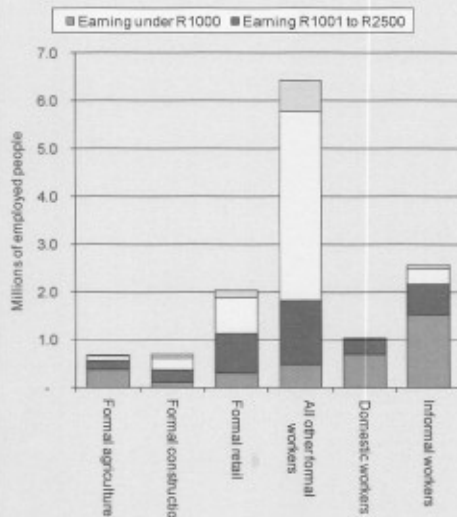
Low wages for many



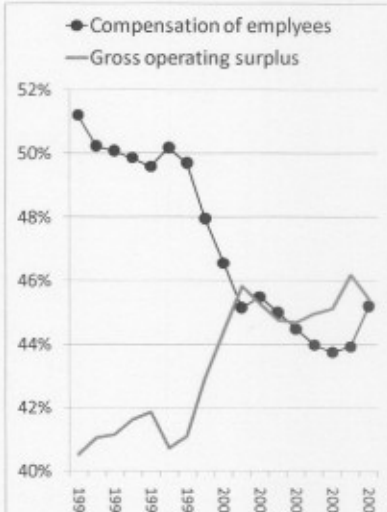
economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

Remuneration in 3rd Quarter 2008



Remuneration and profit as % of GDP



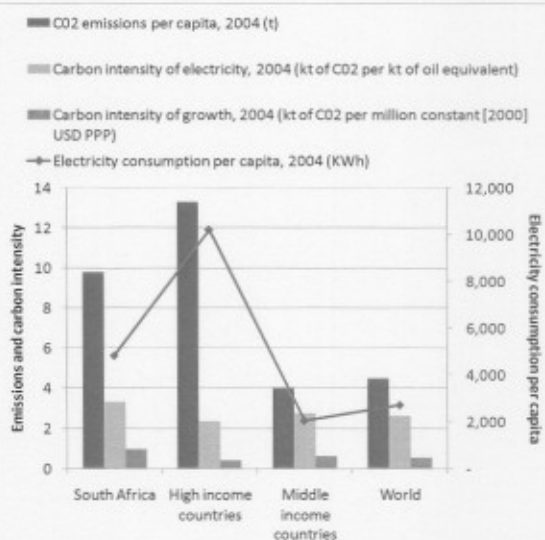
Emissions



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

- Emissions in SA are 2.5 times as high as normal for middle-income economies
- Mostly due to high electricity intensity of industry, so that electricity consumption per capita is twice the norm for middle-income economies
- 80% of electricity in SA is used by industry, mostly in the mining value chain, compared to half worldwide



The downturn



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

- The downturn from late 2008 wiped out over a million jobs, returning joblessness to levels of early '00s
- Also left a tighter fiscal situation
 - Steep drop in state revenue in 2008/9
 - State maintained commitment to counter-cyclical strategy, so rapid increase in deficit
 - Now face slower growth in spending
 - More difficult because last two years saw salary increases for public servants far above inflation

9

Why?



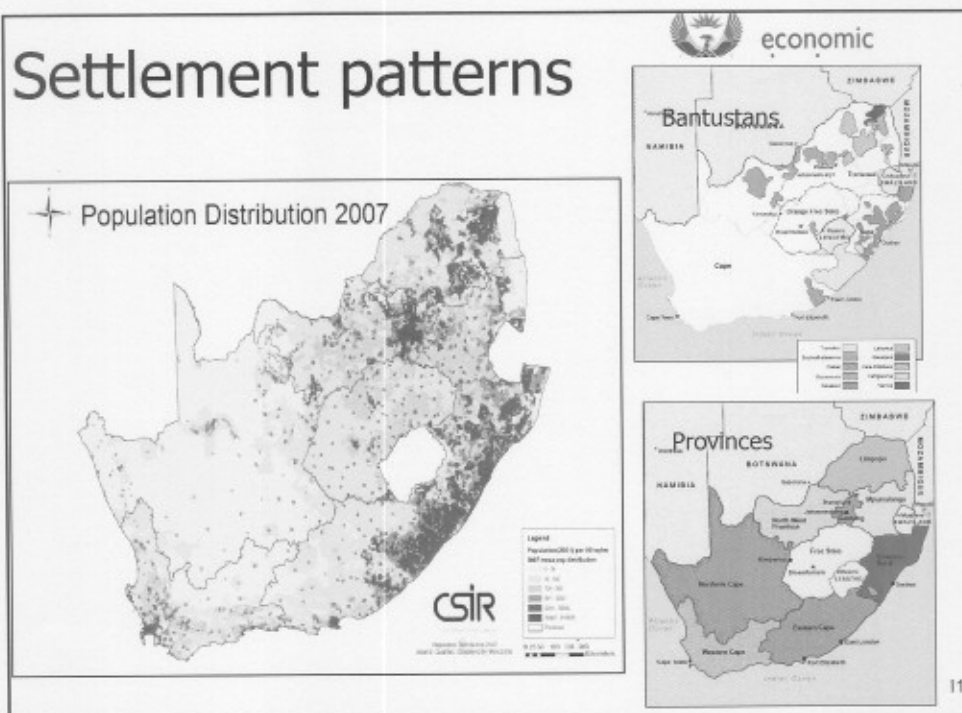
economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

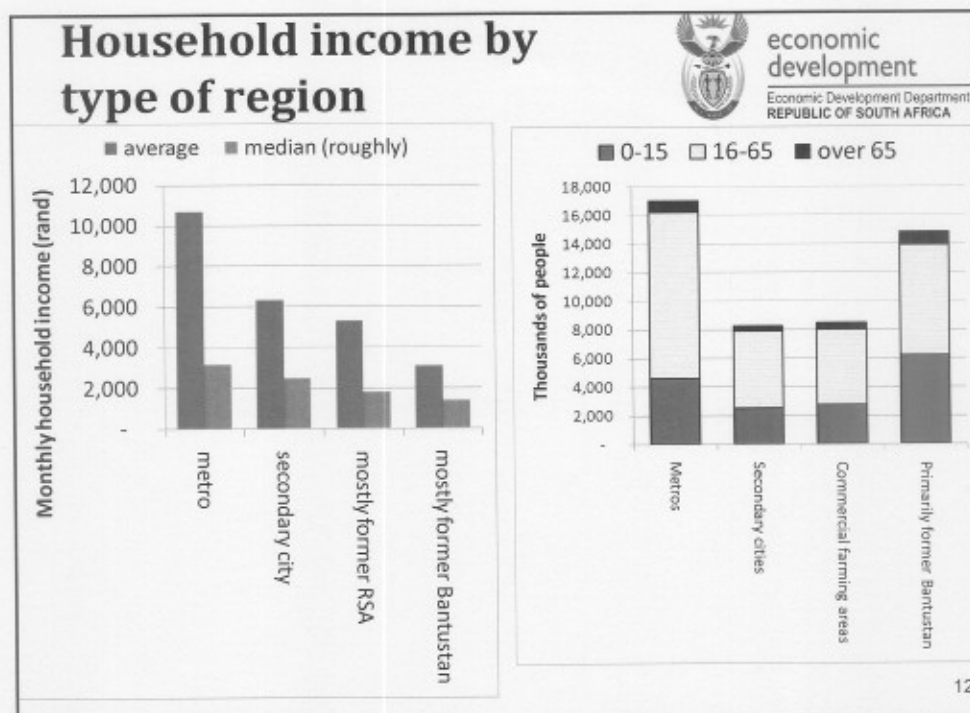
- Systems entrenched under apartheid that marginalise the majority especially in a mining-based economy
- These systems have reproduced despite democracy:
 - Highly inequitable access to assets, including land, and to education and skills development
 - Apartheid residential patterns leave many working people far from employment centres both nationally and within towns
- Production structures are not friendly to employment creation
 - Mining and agriculture have been shedding jobs for 30 years, yet mining still accounts for over half of total exports
 - Fastest growing sector has been finance, which does not generate much employment
 - Most new jobs in the '00s in services for households – retail, construction and business services

10

Settlement patterns



Household income by type of region



The New Growth Path



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

- Target: Create five million new jobs over the next ten years
- Fine-tune macro and micro policies to support more equitable and employment-intensive growth through:
 - Measures to make the economy as a whole more competitive, including the value of the currency, infrastructure, skills and wage goods
 - Systematically encouraging more labour-intensive and green activities with a greater focus on domestic and regional markets
 - Social dialogue and solidarity as central to change

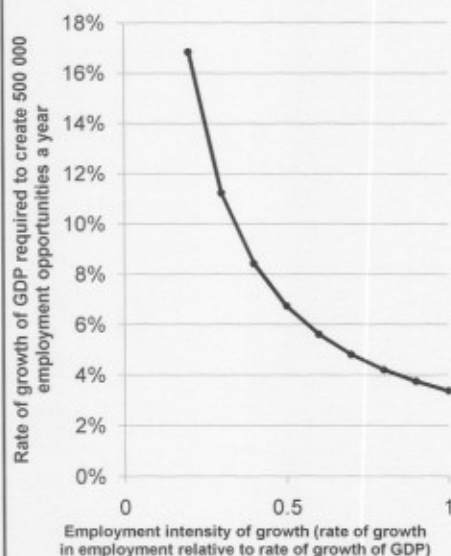
13

Employment intensity and growth

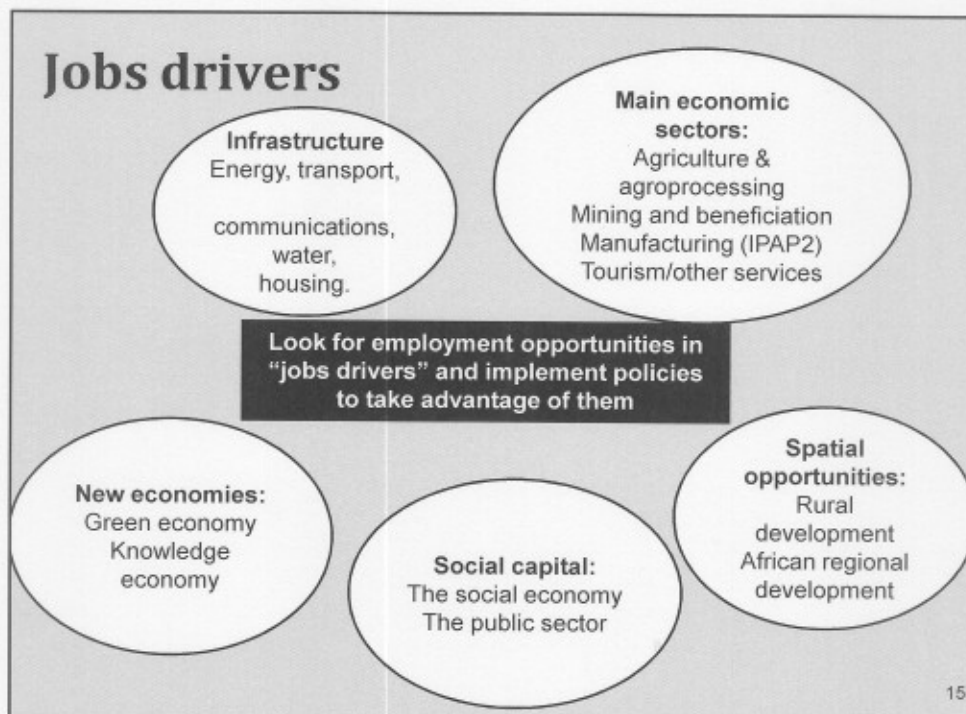


economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA



- To achieve jobs target requires growth AND greater employment intensity of growth (employment increase relative to GDP growth)
- Employment intensity of 0.2% would require a growth rate of over 15%; employment intensity of 0.8 would require a growth rate of 4%
- Debates about historic intensity of growth: 0.8 from 1996 (Census data) to the second quarter of 2010 (QLFS data); 0.5 from 2001 (LFS data) to the second quarter of 2010 (QLFS data); and .67 from 2002 (LFS data) to the second quarter of 2009 (QLFS data).



Innovations around "jobs drivers" include...



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

- Sustained high public investment in infrastructure with stronger local procurement
- Targets for smallholders in agriculture linked to restructured land reform
- Mining to incentivise output growth plus beneficiation at stage 4, not smelting and refining
- Increased emphasis on high-level services (tourism, culture, business, education, healthcare, software)
- Green economy as a major potential area for employment creation
- African regional development centred on driving improved infrastructure and economic value-chains

16

Policy drivers



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

- Macro-economic strategy: counter-cyclical/support a competitive rand
 - More relaxed monetary policy
 - Address inflationary pressures through fiscal policy and targeted micro-economic strategies

Microeconomic policy drivers

1. Address cost drivers and inflationary pressures across the economy
2. Active industrial policy based on increasing competitiveness and targeting sectors that can create employment directly and indirectly
3. Comprehensive rural development
4. Stronger competition policy
5. Stepping up education and skills development
6. Enterprise development
7. Reform of Broad-Based BEE
8. Reform labour policies to support productivity and improve protection for vulnerable workers
9. Technology policies geared to improving innovation in ways that support employment creation and small- and micro-enterprise
10. Developmental trade policies with a strong orientation to new growth centres
11. Investment to support African development

Micro-economic policy – priorities for 2011/12



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

- Address cost drivers and inflationary pressures across the economy
 - Steel and fertilisers
 - Rail and ports
 - Electricity
 - Maize and wheat production
- Skills: Reform of SETAs and work permit system
- Sectoral policies including improvements in mineral licencing, speeding up water licencing and land claims, improvements in tourist visas, dedicated IDC funding for green and agricultural projects
- Reform of Broad-Based BEE to increase incentives for supporting SMEs, skills development, local procurement and employment creation
- Anti-Red Tape Campaign to improve overall regulatory framework with initial focus on metros and secondary cities
- Mobilise and target investment in regional infrastructure building on DFI and SOE investments

Resource drivers



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

Resource drivers:

- state budgets (national, provincial and local)
- the resources of SOEs and DFIs
- universities and science council resources
- retirement funds
- the domestic private sector
- international investment
- donor funding
- community-owned financial institutions such as stokvels and co-ops.

- SoNA:
 - R9 billion in the Jobs Fund over the next 3 years – public employment schemes plus subsidies to private employers
 - R10 bn from the IDC in next 5 years for job-creating projects
 - R20 billion in investment subsidies
 - Comprehensive support for SMEs

19

Institutional drivers The developmental state



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

- Agile, responsive, learning
- Profound shift in culture – from compliance/process to delivery/outcomes
- Alignment around growth path – review budgets, programmes and procurement policies

1. The DFIs (IDC, DBSA, Land Bank, Khula, SAMAF, NEF)
2. The GEPP and the PIC, as crucial investment drivers
3. The SARB, within its Constitutional mandate
4. The infrastructure SOEs (Transnet and Eskom)
5. ITAC and Customs & Excise
6. The Competition Commission/Tribunal and other regulatory, standard-setting and accreditation bodies
7. The science councils, universities and Mintek

20

Institutional drivers outside the state



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

BUSINESS

- Business and markets vital – jobs, investment, entrepreneurship, technology
- Large companies linked to national-base
- Developmental state not simply hostage to market forces and vested interests: through careful alliances, clear purpose and leveraging its resource and regulatory capacity, can align market outcomes more clearly with development needs

LABOUR

- Resources include skills commitments, retirement funds, union investment vehicles, wage agreements, public service delivery
- Critical as voice for majority
- How to ensure adequate policy capacity?

SOCIAL DIALOGUE

- Messy, time-consuming – but crucial
- Given deep economic and social inequalities, risk that the society will simply exhaust itself on policy polarisation, while the developmental crisis grows
- Deepen dialogue at sector and workplace levels
- Strengthen institutions for social dialogue at all levels, with NEDLAC at apex
- Mobilise South Africans behind a vision

21



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

In other words...

**...a comprehensive response to the
structural crises of
poverty, unemployment and inequality...**

...based on solidarity across society

Tourism



**economic
development**

Economic Development Department
REPUBLIC OF SOUTH AFRICA

- The New Growth Path sees tourism as an important jobs driver – a sector that can create employment on a large scale
- Proposals:
 - Target 225 000 new employment opportunities by 2015
 - Strategy to focus on managing costs, assuring quality, upgrading infrastructure, and improving domestic and international logistics and ease of access
 - New Tourism Strategy as critical mechanism



24

Can we do it?



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

- There is no silver bullet – have to transform deep-rooted and complex systems
- Fragmentation of the state is a major problem
- A critical first step is unambiguous prioritisation
- Ensure every state agency reports on impact on employment creation (direct and indirect)
 - Development of information systems based on common model for impacts
 - Assess regulations more systematically in terms of impact on employment, growth, emissions and equity
- Will require tough decisions and open minds