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Economic Development Department
REPUBLIC OF SOUTH AFRICA

Analysis of the impact of the SONA on programmes & activities and responses in meeting SONA expectations

Focus of SONA in Relationship to the work of EDD



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- **NDP and NGP**
- **PICC Infrastructure**
- **Infrastructre Bill**
- **Supporting Industrialisation**
- **Green economy**
- **Youth employment**
- **SMME**
- **Outcome 4 – Decent employment through inclusive growth**
- **Financial implications**



The NDP and the NGP

- In January, the President pointed out that: “Some of the key programmes of the National Development Plan are already being implemented. These include the New Growth Path framework with its major infrastructure development programme, as well as the state-led industrial policy.”
- In the words of the NDP: “...the New Growth Path is government's key programme to take country onto a higher growth trajectory... The proposals in this chapter are largely consistent with these policies. They do, however, cover a longer time frame and the emphasis on catalysts and action steps may differ in some respects.” (p 117)
- Above all, both plans target jobs AND growth by creating an appropriate environment based on a developmental state
- But the NDP provides a broad framework and vision for ALL state actions, while the NGP focuses on the economy and laying the basis for change in the medium term



Infrastructure

- The NGP sets a goal of 5 million new jobs by 2020; and identifies structural problems in the economy to be overcome and points to opportunities in specific sectors and markets or “job drivers”
- The first jobs driver is infrastructure; laying the basis for higher growth, inclusivity and job creation
- The PICC developed a single common National Infrastructure Pan that monitors and centrally drive implementation of infrastructure project, identify who is responsible and hold them accountable



PICC Projects Highlighted in SONA

1. Mokolo & Crocodile River Water Augmentation Scheme
2. De Hoop dam
3. Majuba Rail coal line
4. Durban-Free State-Gauteng logistics and industrial corridor (City Deep) inland terminal in Gauteng, expansion of Pier 2 in Durban Port, and acquiring land for the dig out port
5. Ngqura Port development
6. Mzimvubu Dam
7. Mthatha airport development



Continued....

- 8. Monitor the provision of basic services in North-West
- 9. Public transport system in Cape Town, Nelson Mandela Bay, Rustenburg, eThekweni, Tshwane to integrate different modes of transport – bus, taxi and train
- 10. Develop electricity transmission lines and promote renewable energy in wind, solar and small hydro technologies
- 11. 100% broad band internet penetration by 2020
- 12. School and University Build Programme



The EDD and the PICC

- The EDD supports the PICC
 - Through Secretariat work (convening meetings, managing SIP launches, following up on decisions, etc)
 - With technical assistance, especially to establish a strong monitoring and evaluation system that reaches down to project level
 - In developing key policy frameworks, for instance on skills, local procurement and user fees



Infrastructure Bill

- The SONA stated that the Infrastructure Bill has been published for comments.
- The EDD will receive comments on the bill and will finalise a submission to Parliament for approval
- **The Bill aims to reduce delays in planning and implementing major infrastructure projects above all by ensuring alignment across the spheres of the state**
- **The challenge is to ensure adequate participation by communities without permitting small groups to delay action for years**



Cleaning up procurement

- The President also committed to “...cracking down on corruption, tender fraud and price fixing in the infrastructure programme.”
- He referred to “a substantial dossier of information on improper conduct by large construction companies ... subject of formal processes of the competition commission and other law enforcement authorities.”
- The investigation by the Competition Commission has been underway since 2011
- Going forward, EDD is working with the PICC to develop improved procurement and contracting processes to avoid any kind of a repeat



Supporting industrialisation

- The President said: *“The past two years have demonstrated that where the state intervenes strongly and consistently, it can turn around key industries that face external or internal threats as has happened in our manufacturing sector.” (p 6)*
- Since the NGP was adopted, the economy has created 603 000 new jobs and grown at around 3% a year



Challenges for 2013

- But we have much more to do given the high rates of joblessness entrenched in our economy in the 1980s
- Growing concern that the core productive sectors – agriculture, mining, manufacturing, construction and high-level services – are falling behind
 - Agriculture, mining, manufacturing and construction contributed 29% of value added in first 9 months of 2012, down from 30% in 2010 and 36% in 1994
 - Financial and business services plus trade contributed 37%, up from 35% in 2010 and 30% in 1994
 - Share of community and personal services, utilities and logistics is stable
- New risks:
 - Recession in Europe and slow growth in the US and Japan, leading to problems in export industries
 - Workplace conflict and violence especially in mining



EDD and the productive sectors

- Assist in unblocking key actions and improving coordination across the state in relation to the productive sectors – manufacturing, mining, agriculture and high-level services
- Supporting a Technical Implementation Forum for the productive sectors (possibly located in the Cluster) that can ensure stronger capacity and resourcing to drive growth in the productive sectors
- Lessons can be drawn from IPAP: each jobs driver to have a clear action plan monitored every month and from PICC: integration across departments with high-level leadership and a coherent technical team to monitor progress and deal with problems as they arise



Industrial financing

- The IDC has begun to play a central role in diversifying the economy and growing the productive sectors
- Its loans now leverage 6,5% of total investment and over 10% of new jobs
- A few examples:
 - Revival of the bus and taxi industry based in large part on the IDC's new programme to support heavy vehicle production combined with local procurement by municipalities in particular
 - Support for poultry production in the Free State, linked to tariff protection to end dumping by other countries
 - Support for biofuels and soya crushing, which create markets for small farmers and improved rural livelihoods, as well as reducing import dependence



Local procurement

- Local procurement is critical to ensure that government spending has maximum counter-cyclical impact, to deep industrialisation and to create decent work
- EDD works with the DTI on designation of sectors
- Backed up by the Local Procurement Accord, which has encouraged business to review its procurement practices
- PICC is setting targets for local procurement in the infrastructure programme
- IDC has set up localisation capacity to identify opportunities for localisation in all infrastructure projects



Support for SMMEs

- The President said: *“Government has several programmes of supporting small business. A key project for the Presidency currently is to get government departments to pay SMMEs within 30 days. Departments are required to submit monthly reports so that we can monitor progress in this regard. We have taken a decision that accounting officers who fail to execute this directive, should face consequences.” (Page 7)*
- **Sefa** continues to play a central role as the national financing agency for SMMEs
- EDD has established a partnership with SAICA to support SMMEs while providing internships for new black accountants
- EDD is working with NT and other departments to ensure 30 days payment across the state



Social dialogue

- The President referred to the October 2012 Social Accord that improved conditions in the mining belt
- Social dialogue is increasingly important in ensuring social cohesion and mobilisation around developmental aims, while promoting stakeholder support for employment creation and growth
- The Accords reached so far have been evaluated and provide the basis for on-going collaboration in the critical areas of education and skills, local procurement and greening the economy, infrastructure development, improving housing in the mining belt, and strengthening the collective bargaining system



The Green Economy

- Monitor progress on contracts signed for renewable energy which includes 28 projects in wind, solar and small hydro technologies
- Monitor progress on the spending from the Green Fund
- Monitor the roll out of solar water geysers
- Monitor progress on households connected to the national grid



Solar Water Heaters

- The President said: *“We have rolled out 315 000 solar water geysers as of January this year, most of which were given to poor households, many of whom had never had running hot water before.” (Page 5)*
- EDD is working on the roll out of solar water heaters with the IDC, the DOE and others
- Financing provided by the National Treasury
- Improves livelihoods for many families, especially women and children, while reducing pressure on the national grid and lowering emissions
- On track to reach target of a million by 2014



Youth Employment

- The President focused on the fact that: *“Our country, like many others, has a crisis of youth unemployment. Last May I asked constituencies at NEDLAC to discuss youth employment incentives... agreement has been reached on key principles.”*
- EDD has facilitated engagement with the NEDLAC constituencies and agreement should be signed in the near future
- This will be a major focus for 2013



Core youth interventions

- Establishment of youth brigades to give youth a chance to serve their communities, provide some work experience and training, integrate youth into a social movement, build social cohesion and earn a stipend
- Improved and expanded education and training
- Targeted incentive schemes that do not displace older workers but address additional costs of employing and training young people
- Support for youth-owned SMMEs and co-ops
- Improving the transition from school to work
- Stakeholders will develop a joint action plan to ensure constructive collaboration around these pillars

Outcome 4: Decent Employment through inclusive growth



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- Some of the strategies considered to promote employment creation includes:
 - Agreement with social partners to promote the goal of inclusive growth, employment creation and increase in the number of decent jobs.
 - Support movement towards a greater balance between primary, secondary and tertiary sectors through increased financing for industrial development and SMME support.
 - Counter-cyclical fiscal policy by implementing the expanded public works programme and the work of the PICC.
 - Improve state procurement practices designed to foster local production.
 - Develop sector and spatial programmes to support growth of labour intensive industries and the green economy
 - Promote competitiveness and trade for decent work provides policy oversight and direction on the Competition Commission, Competition Tribunal and the International Trade Administration Commission, to reduce anti-competitive practices in the economy through investigation and prosecution of offenders in key sectors
- The above interventions will be monitored by reviewing relevant statistics and construction reports, their impacts will be reviewed and strategies revised if necessary



Financial implications

INTERVENTION	MTEF ALLOCATIONS (2013/14 – 2015/16)	SPENDING PLAN
PICC technical team	R 15.2m	Target specialist staff, IT, Monitoring and evaluation, publication and conferences
Industrialization (IDC)	R108m	Transfer from departmental budget to focus on special projects
SMME support (sefa)	R1.25bn	Recapitalization of sefa (small enterprise finance agency)
Green economy	R15.2m	Develop plans to support the green economy
Outcome 4	R9.1m	Mainly as Compensation to Employees to carry out the programmes related to Outcomes 4



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