



NATGROWTH

NATIONAL, AFRICA AND GLOBAL GROWTH PROGRAMME

REPORT

On the

UN World Summit on Sustainable Development - WSSD

Global Forum Side Event, Nasrec, Johannesburg 20-23 August 2002

WSSD Parallel Event, Sandton, 2-5 Sep 2002 Reg no 264

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EXECUTIVE SUMMARY

The Natgrowth WSSD Events addressed a wide range of key issues, strategies and projects for **accelerating economic growth** as a vital pillar of sustainable development. A submission was made to the WSSD supporting the full Programme of Implementation on an urgent, committed and democratic basis. The outcome reflected overall commitments and certain targets, with exceptions such as renewable energy.

The **priority** now is concrete **implementation and financing processes** at all levels. The follow-up programme "**Growing beyond the Summits**" is planned for various centres in South Africa, Africa and beyond. Natgrowth will be **following up** on project structuring and implementation with National, Provincial and Local Governments, business organisations, development finance institutions and other stakeholders.

1. SUBMISSION TO THE WORLD SUMMIT

In its Submission to the World Summit Secretariat and its planned follow-up processes, Natgrowth:

- 1.1 Supports **urgent accelerated implementation** of the WSSD Programme of Action, Agenda 21 and related commitments, in compliance with **international law, democratic governance and sufficient consensus**, including the Millennium Goals, the Doha Declaration and WTO Development Round, the Monterrey Consensus on Financing for Development and the Rome World Food Summit Declaration, to achieve the goals of sustainable development, economic growth, poverty reduction, social equity and environmental conservation in a mutually reinforcing manner
- 1.2 Supports **international democratisation** at the **highest levels** of economic, financial, political and development institutions, including the UN, World Bank, IMF and WTO, with full and effective participation in decision making, sharing of resources and benefits in the global economy.
- 1.3 Supports **urgent integrated Strategies for accelerated implementation** of the WSSD at **Global, Regional, National, Provincial and Local** levels, including concrete commitments and partnerships, with definite targets, time frameworks, the strengthening of relevant institutions, financial, technical, capacity building and other forms of support
- 1.4 Supports the establishment of a **World Solidarity Fund** to ensure the achievement of the goals of poverty eradication and sustainable development, financed from existing and new sources of funds, including Overseas Development Aid, International Fiscal Revenues and innovative possible Investment Instruments such as Global Development Bonds
- 1.5 Supports **Peace, Good Political, Economic and Corporate Governance**, Democracy, the Rule of Law and Human Rights at International, Regional and National Levels, **in both the Developed and Developing worlds**, through urgent engagement by democratic institutions, such as the UN, as an integral **parallel process**, and **not as a pre-condition** for sustainable development

- 1.6 Supports the **Rio Principle of Common but Differentiated Responsibilities** in the implementation of Agenda 21, the WSSD Plan of Implementation and related agreements as well as the principles of **democratic majority rule** and **sufficient consensus** in international institutions
- 1.7 Notes the **urgency of the need for Accelerated and Balanced Economic Growth** and Development in both the developed and developing worlds at all levels, the widening global divides between rich and poor, deepening conditions of poverty, hunger and disease in many regions of the world, the damaging effects of trade subsidies and declining ODA and investment flows, as reflected *inter alia* in the UN Social and Economic Survey 2002, the World Bank Development Indicators 2002 and the World Bank Development Report 2003
- 1.8 Notes the **interdependence** of the Global Economy, with both negative implications and positive potential for both developed and developing regions and that the global economy may quadruple to \$140 trillion with 9 billion people over the next 50 years with the potential to **significantly reduce poverty or deepen the divides** (World Bank Dev Report 2003)
- 1.9 Notes that the **developed world needs the developing world** for sustainable growth beyond its mature domestic markets, **as much as the developing world needs** trade, investment and support from the developed nations, and that **synergistic win-win** strategies are vital
- 1.10 Notes that **balanced Global expansion** from the **Developed regions**, comprising some **10%** of the world's population, **to the Developing regions** comprising some **90%**, offers **Economic Growth and Development potential of some 9-10 times** rather than the pedestrian rates currently experienced of 2-3% per annum
- 1.11 Calls for the **WSSD Plan of Implementation to be enhanced significantly to the level of a "Marshall Plan" or new "Global Deal"; ie. a Quantum Leap Breakthrough for Accelerated Global Reconstruction, Economic Growth and Development**, with the necessary international commitments, resources and institutional framework for cooperation at international, regional, national and local levels, as also highlighted in the recommendations of the World Bank Development Report 2003.
- 1.12 Proposes **Pro-active integrated Strategies to accelerate balanced sustainable economic growth and development** at Global, Regional, National, Provincial and Local levels, highlighting **the exponential growth potential and win-win synergies** possible between developed and developing regions from a cooperative approach in a global economy of **6bn** people.
- 1.13 Calls for a **dedicated and strengthened institutional framework and plan of action to focus on Economic Growth at international, regional, national and local levels**, in cooperation with institutions such as ECOSOC, UNDP, World Bank, IMF, WTO, Regional Development Agencies, Governments, Business, Labour and other stakeholders
- 1.14 Proposes at **Global and Regional Levels**, the development and implementation of new economic strategies to realise the **exponential and synergistic growth potential** of an expanding global market of **over 6 billion people**, with win-win benefits deriving from full participation in the global economy and from regional cooperation
- 1.15 Emphasises the **Pro-active roles of the Public and Private Sectors** and other stakeholders in driving the process of sustainable economic growth and development at all levels.
- 1.16 Notes that **Development Institutions** indicate an increased level of commitment to the WSSD and related processes, as evident from inputs by Mats Carlsson of the **World Bank**, Pierre Jacquet of Agence Francais de Developpement, Jean-Pierre Sevrino CEO of Proparco and delegates from **DBSA**
- 1.17 Notes that the **WSSD Programme of Implementation** reflects overall multi-lateral commitments and certain targets, with some exceptions such as renewable energy and that the **priority is concrete implementation** and financing processes at all levels.
- 1.18 Announces the Natgrowth follow-up programme "**Growing beyond the Summits**", planned for various regions in 2002/3 and related **project implementation and financing processes**, and calls on Governments, Business Organisations, Development Agencies, Finance Institutions and other stakeholders for participation and cooperation.

2. NATIONAL AND AFRICA ECONOMIC GROWTH AND DEVELOPMENT

- 2.1 **National, Provincial, Local and Sectoral Strategies** for Sustainable Development need to be integrated with economic growth and development strategies and enhanced implementation processes. Natgrowth has identified significant potential for accelerating economic growth and development, in a range of case studies, through more effective integrated Macro- and Micro-Economic policies, business and economic strategies, programmes, projects, partnerships, capacity building and performance management techniques, including the following:
- 2.2 **Enhanced Fiscal Strategies and Public Sector Management** processes are needed including Revenue Collection, Deficit and Debt Management, as demonstrated by South Africa, as well as more effective Expenditure Management, Productive Investment, raising Domestic and Foreign Investment, Performance Management, Business Planning, Budgeting and Service Delivery
- 2.3 **Improved Monetary Strategies** and International Coordination are needed to stabilise currencies and capital flows, as well as supply-side and technology-driven improvements in productivity, with enhanced volumes, added value and lower unit costs arising from economies of scale
- 2.4 **Improved Micro-economic strategies** are needed to enhance productivity, competitiveness, cost reduction, international market access and investment attractiveness across sectors
- 2.5 **Emphasis is made on the Pro-active Leadership roles of all Stakeholders** and the benefits of Partnerships in the Economic Growth Process, including Governments, Parastatals, the Private Sector, Labour, Smme's, Ngo's and other stakeholders
- 2.6 **Accelerated and focused capacity building** are needed, including entrepreneurship, business planning, management and technological skills in the economic growth and development processes
- 2.7 **Concrete programmes of implementation**, time-bound targets and resources are crucial
- 2.8 **Business viability and sustainability** are key to attracting substantial investment in enterprises and projects, on a sound basis, offering market-related returns and risk minimisation. Contrary to conventional wisdom, for practical purposes, investment capital is not limited or competitive – investment flows to opportunities offering returns above the cost of capital, commensurate with risk.
- 2.9 **Strategic business management** principles are important for effective business, economic and project planning *across sectors in the domestic and global contexts*, including identification of Vision and Mission, Strategic Analysis, Industry and Competitor Analysis, Value Chains, Core Competencies, Competitive Advantages, Industry Clusters, Strategy Development, Strategy Implementation. Organisation, Management and Technology Processes
- 2.10 **Partnerships** of various types may be structured for optimum mutual benefit and synergies, including Public-Private Partnerships, international partnerships, joint ventures, smme partnerships with established enterprises, outsourcing, franchising, technology and licensing agreements
- 2.11 **Enhancing Financial Markets and Institutional Development** are important for attracting and maintaining a healthy flow of sustained domestic and global investment. Many countries do not have well developed financial markets and institutions which could facilitate significant increases in economic activity, through access to standard facilities such as consumer credit, housing finance, small business finance, project finance, venture capital, stock exchange equity and debt instruments
- 2.12 In the case of **Africa, Nepad** is directly supported in WSSD as a Regional Strategy for Sustainable Development, with a strong emphasis on economic development. However, the implementation and financing of Nepad remain key priorities. The above proposals are recommended as being directly applicable to Nepad, including integrated programmes of implementation and concrete high impact projects, coordinated at Global, Africa and National Levels.
- 2.13 In **South Africa**, a number of policies comprise a National Strategy for Sustainable Development, including the RDP and GEAR, together with a various strategies at regional and sectoral levels. While Macro-economic management has generally been successful, as indicated below, the key challenges are to develop and implement effective programmes to substantially increase the levels of sustainable economic growth, investment and employment.

- 2.13.1 South Africa's **Macro-economic Management** has been successful, reducing the fiscal deficit from 9% to an exemplary 1,4% of GDP. Inflation was reduced towards the target of 6% in 2001, but has increased to over 10% due to currency declines impacting on costs, and excessive increases in food, oil and other prices. **Excessive** Reserve Bank and retail **interest rates** have been misdirected at reducing demand, hampering growth while not reducing structural cost-push inflation
- 2.13.2 **Growth** increased in the second quarter of 2002 to 3,1% with improved exports and agriculture. However, sustained high Growth and Employment remain elusive and the currency remains undervalued, with exchange controls undermining confidence.
- 2.13.3 A **more effective solution** lies in a multi-pronged fiscal and monetary strategy to achieve sustained high levels growth, with supply-side and technology-driven improvements in productivity, enhanced volumes, value and lower unit costs, reducing structural inflation. Growth is also recognised as the key to sustained investment and currency stability.
- 2.14 The **Presidential Growth Summit** is planned to address the needs for accelerating Growth and Employment, with a focus on implementation and performance management within all spheres of government and on partnerships with the private sector and other stakeholders.
- 2.15 **South Africa demonstrates that standard Macro-economic Fiscal and Monetary policies are not sufficient for economic growth.** Instead, *more pro-active strategies and implementation programmes* are needed to drive growth, investment and employment at all levels.
- 2.16 *The recommendations above* apply, including the importance of **Government as a major role player** in the economy, capable of driving the economic growth process, with a National Budget of some R303bn comprising some 30% of GDP of R1 000 bn. This requires a shift from the perception that government's role is an ideological issue, when all governments have an inherent role in economic management, even in the most developed free market economies. Public sector investment, reallocation of expenditure to productive programmes, performance management and PPP's present positive ways forward to enhance growth, investment and employment at all levels

3. PROVINCIAL ECONOMIC GROWTH AND DEVELOPMENT PROJECTS

- 3.1 *At Provincial Level, implementation programmes have been identified as the key priority.* While the Provinces have identified economic development strategies and projects to varying degrees, the slow pace of implementation is generally attributed to a lack of capacity, although staffing is often at a high level. **Accelerated capacity building in key focus areas** is a more realistic strategy.
- 3.2 It is suggested that the *real issue is the identification of the role of Government as a pro-active leader and driver of economic growth*, rather than a passive facilitator. Government does not need to have all the delivery capacity in-house, as it is able to outsource a high level of available professional and technical expertise as well as physical delivery capacity.
- 3.3 *The Provinces* are **beginning to play a more pro-active role** to different degrees with corresponding levels of success. Gauteng Province's Blue IQ initiative is an example of a focused business-like programme of action in which Government plays the lead role in developing strategies, identifying key projects in key sectors, investing in infrastructure and attracting private investment. Various Provinces are beginning to show **positive results** in terms of growth and employment.
- 3.4 Natgrowth **recommends a pro-active, integrated and coordinated approach** including all spheres of government and the private sector, and is attempting to facilitate this process through the various provinces and departments.
- 3.5 A **Summary of Provincial initiatives** is contained in the Report on www.natgrowth.co.za, including *Eastern Cape, Free State, Gauteng, KZN, Limpopo, Mpumalanga, Northern Cape, North West and Western Cape*. Specific Departments attending the WSSD Events included Free State MEC Social Development; Limpopo MEC and Dep of Finance, Economic Affairs, Tourism and Environment; Limpopo MEC and Dep of Transport; Mpumalanga Office of the Premier and Dep of Agriculture and Environment; Northern Cape MEC and Dept of Social Development and Dept of Housing; North West Dep of Local Government.
- 3.6 It is intended that sustainable economic growth and development projects and implementation programmes will be **followed up in all the Provinces.**

4. LOCAL PROJECTS

- 4.1 *At Local level, **access to budgetary resources, implementation processes and coordination with the provinces** appear to be the main obstacles to economic growth, with wide variations between the major cities and smaller local authorities, and significant challenges ahead.*
- 4.2 ***The major cities** appear to have begun overcoming the obstacles in cooperation with their respective provinces eg. Johannesburg and Pretoria are integral parts of the Gauteng Blue IQ initiative, while Durban and Cape Town have generated momentum in high growth sectors such as tourism, agro-processing and a revival of trade and industry, capitalising on AGOA and the EU Free Trade agreement. Institutions such as DBSA and the Municipal Infrastructure Investment Unit (MIIU) have played key roles in financial structuring, together with private sector participation. It is recommended that these models be rolled out through all local areas and departments.*
- 4.3 ***Smaller local authorities** suffer an unnecessary shortage of resources and implementation capacity, while suffering the highest rates of poverty, unemployment and marginalization. Smaller local authorities should be able to access a fair share of budgetary resources, investment and implementation capacity in cooperation with the Provinces and Government Departments.*
- 4.4 It is recommended that an **integrated cooperative programme of action** with definite targets and timeframes is necessary to enhance the allocation of budgetary resources and implementation capacity of smaller local authorities to drive economic growth, employment and investment. The programme of action will require firm Governmental Commitments as well as effective Partnerships between the Public and Private Sectors, Development Agencies and other stakeholders.
- 4.5 Natgrowth has been invited to assist the **Gauteng Association of Local Authorities (GALA)** in developing more effective Integrated and Local Economic Development Programmes and Projects, including municipalities such as *Merafang, Kungwini, Disobotla, Ekhuruleni, Emfuleni and Polokwane, as well as Johannesburg, Tshwane and North West Central District Council.* A number of previous **Local initiatives** are summarised in www.natgrowth.co.za.
- 4.6 ***Merafang** was discussed as a pilot project, indicating the need for a **more substantive Integrated Development Programme** to unlock investment funds, in order to turn around the declining regional economy as a result of the decline of the core mining industry. Potential areas for investigation within the broader vision for **Gauteng and North West Provinces**, and with the participation of **all stakeholders**, include*
- 4.6.1 **Revitalising** the **mining** industry and the development of related **beneficiation** industries in cooperation with the mining houses;
- 4.6.2 Development of **agriculture, hydroponic farming and agro-processing**;
- 4.6.3 Development of **manufacturing and distribution industries** along the N12 Highway, as well as a possible airport and IDZ, as a strategic logistics gateway in all directions;
- 4.6.4 Development of the **tourism industry** including existing game parks and archaeological caves, as well as sports and recreational attractions
- 4.6.5 Development of the **necessary infrastructure** by the Public and Private sectors to support economic and community development, such as access roads, water and environmental upgrading
- 4.7 **The City of Johannesburg 2030 Vision** was discussed with the Corporate Planning Unit, in the light of the WSSD, with a view to the accelerated implementation of short- and medium term initiatives towards the long-term vision, with the participation of all stakeholders, including
- 4.7.1 Implementing an effective **integrated public transport system** in cooperation with Transnet/Metrorail, the Taxi Industry and the City Council Bus Services;
- 4.7.2 Capitalising on the momentum of **Tourism**, including Business, Cultural and Eco-tourism, and the large global **MICE Market** for Meetings, Incentives, Conferences and Exhibitions
- 4.7.3 Stimulating the development of Johannesburg and Sandton as major centres **for Financial, Commodity and Trading Markets**, such as the recently announced trade centre;
- 4.7.4 Accelerating investment in the **Blue IQ** projects, including Newtown, City Deep, Wadeville-Alrode, the CBD, Braamfontein, the Gautrain Rapid Rail – together with new private sector initiatives;
- 4.7.5 Integrating the development initiatives in **Alexandra, Soweto** and other regions
- 4.7.6 Enhanced **Marketing, Promotion and Branding** of the City as a World Class Africa City and Gateway to Africa and the Southern Hemisphere, with its very large emerging markets
- 4.7.7 Systematic improvements on issues such as **safety and security, service delivery, telecommunications, skills development, sector performance** and the urban **environment**

5. SECTOR PROJECTS

- 5.1 *At Sector Level*, while both the Public and Private Sectors are engaged in specific economic sectors, and forums exist for cooperation, such as Nedlac and industry associations, the drive and impetus for growth are often lacking and growth and restructuring processes are haphazard, with exceptions such as the automotive and tourism sectors. (see www.natgrowth.co.za).
- 5.2 Various *sector initiatives* have recently been emerging such as in agriculture, water, energy, mining, environment, information and telecommunications, banking and financial services, trade and industry. A significant Public Sector ICT Project to bridge the digital divide is one example which holds great potential. The business models and drivers of these initiatives have yet to be fully articulated and coordinated for sustainable growth.
- 5.3 It is recommended that *sector initiatives be coordinated within a National Growth Programme*, with definite targets and timeframes and be driven by the Public and Private sectors and other stakeholders. The Public Sector is able to channel substantial departmental budgetary resources to productive activities investment. The Private Sector is able to marshal substantial investment resources to attractive growth projects.

6. UNIVERSAL SERVICES AGENCY (USA) ICT PROJECT

- 6.1 **USA** is a significant Public Sector ICT Project designed to bridge the digital divide, which holds great potential. USA was established by the National Department of Communications some two years ago.
- 6.2 **USA's Mandate and Vision** are to provide **universal access to telecommunications** services, particularly to un-serviced communities, in order to facilitate empowerment and participation in economic development activities. The specific targets vary over time, eg. in terms of increasing tele-density and the range of services, and reducing the physical distances to facilities.
- 6.3 **USA appears to operate two types of Tele-centres**, based on initial assessments of the needs of different communities, ie.
- **Standard Tele-centres** which comprise a range of facilities and resources, supported by USA over a longer period of time
 - **Min-Tele-centres** which are operated on a smaller smme basis with fewer resources, supported by USA over a shorter period of time
- 6.4 **The Business Models** in both cases appear to require further development, building on a number of core strengths such as infrastructure and access to expertise. A number of **challenges** were apparent for the sustainable development of the tele-centres towards achieving USA's vision eg.
- **Resources** for expansion
 - **Income** generation for sustainability
 - **Remuneration** of staff

A number of **strategies** were discussed for investigation, including

- 6.5 **Marketing and Expansion including:**
- More effective communication to communities and youth in and out of school as the primary target market on an affordable basis
 - Reaching broader markets such as government, companies, schools and other organisations on a more viable commercial basis
- 6.6 **Product and Service Extension including:**
- Core ICT services such as telephones, fax, scanning, internet, photocopying
 - Related services such as printing, design and typesetting
 - Broader services such as ICT, Computers and other Training, such as in business skills, designed to empower people for self-employment and smme development
- 6.7 **Potential partnerships** including
- Schools and Companies, eg. cyberlabs
 - Banks and Financial Institutions to improve access and the roll-out of financial services
 - Telkom, Mobile Operators and the SA Post Office eg. to provide more affordable access, possible multiple franchises, marketing, training and Public Information Terminals
 - Eskom for lower cost energy supplies in the rural areas
 - Equipment providers

- 6.8 **Business Sustainability and Management Skills**
- Improvements appear to be needed in **Business Management, Marketing and Financial Management Skills** among the Tele-centre operators, for which a **business management training programme** is proposed;
 - Improvements appear to be needed in the **remuneration and funding** structure of the Tele-centre operators, as related to productivity, income generation and the level of support
 - It is recommended that the above strategies be considered for further investigation, elaboration and **implementation** by USA

7. Banking and Financial Services

7.1 The GM Transformation of the Banking Council of SA, Cas Coovadia indicated that the industry is committed to **broadening access to financial services** on a viable and sustainable basis. The committee of CEO's will be meeting every week until a viable set of innovative strategies and implementation processes is in effect. The Community Reinvestment Bill is also under discussion.

7.2 **Other strategies** for growth and potential projects in financial services and investment were discussed by Desmond Golding of the SA Reserve Bank, Chris Hart of ABSA and Andile Mazwai of Mazwai Securities; and Martin Sweet, Consultant to Hollard Insurance

7.3 **The Natvest:** National Investment Corporation "Black Sanlam" Project was discussed by Natgrowth

8. **Other Projects** discussed for follow-up included:

8.1 **Energy: eg. Eskom** Amazing Amanzi Systems demonstrated an alternative Energy System and **Eskom Enterprises** discussed investments of over R2bn in non-core businesses throughout Africa

8.2 **Water and Sanitation: Rand Water** programmes for expansion of access to water and sanitation; **Overberg Water** community projects in the Western Cape

8.3 **Education and Technology:** Various roll-out programmes were discussed including

- **Siemens** Technology Institute training of multi-skilled IT professionals; Ref Lennox Tshwete
- **Boston** technology-based learning centres; Ref Ari Katz
- **Natgrowth's** plan for the mass distribution and financing of low cost PC's; Ref Eric Stillerman
- **WorldSpace's** satellite technology for broad-based education delivery; Ref Pierre Casadebaig
- Interactive **business simulation** and performance management system; Ref Martin Sweet
- **London School SA's** focused business management and capacity building programmes;
- Strategies to unlock the large scale **National Skills Fund** of R3,5bn; Ref Eric Stillerman

8.4 **Agriculture and Agro-processing:** the need for accelerated implementation of the integrated rural development strategy, with the cooperation of the National and Provincial Departments of Agriculture, the Private Sector, small farming cooperatives, the Land Bank and other stakeholders

8.5 **Tourism and Transport:** Siva Pillay of Acsa presented a review of the tourism market and a number of exciting airport development and upgrading projects reaching throughout Africa.

8.6 **Tourism, Water and Project Finance** strategies and projects in various world regions were discussed by Anne Thomson and Marsha Wulff of Kilpatrick Thomson International, Consultants

8.7 **Public Enterprises Restructuring and Development** was discussed by the Deputy DG, Malixole Gantsho, indicating that this very large sector of the economy presents multiple opportunities for growth and development, including enhanced competitiveness, investment, empowerment, outsourcing and expansion throughout Africa.

8.8 **National Productivity Institute** projects to link productivity with sustainable development

8.9 **Communities, Skills and Smme Development:** A number of initiatives were discussed including, eg. Thembelihle, Vucosa, Mandaba, Zakheni, Masemanyane, Sifisa, Maletswai, JJM, Curling Centre and Rotary International's world-wide membership network interested in partnership projects