



**NATGROWTH  
NATIONAL, AFRICA AND GLOBAL GROWTH,  
DEVELOPMENT AND INVESTMENT PROGRAMME**

**Submission to  
The Presidential  
Growth and Development Summit  
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***President Thabo Mbeki***

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# **NATGROWTH**

## **NATIONAL, AFRICA AND GLOBAL GROWTH AND INVESTMENT PROGRAMME**

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# NATGROWTH

## Submission to the Presidential Growth and Development Summit

### EXECUTIVE SUMMARY

**Natgrowth** is an independent professional initiative designed to facilitate Integrated and Sustainable Development, Growth, Employment, Empowerment and Investment Programmes and Projects in all sectors and spheres. This Submission to the **Presidential Growth and Development Summit (GDS)** is presented to interested stakeholders for input to the GDS, as a parallel process envisaged in Government's Position Paper. Several members of the **Nedlac** constituencies have requested the submission for input into the GDS process. The Submission seeks to **integrate and build** on the positions of government, labour, business and other social partners. Summaries of the government and labour papers are included with comments. The Business Paper refers to cooperation and implementation of practical projects in priority areas. The Community Submission deals with participation by the disabled and women in various initiatives. While certain parties have indicated a lack of confidence in the GDS, it is imperative that the GDS leads to ongoing practical implementation programmes, delivering concrete results with high impact towards its aims

- 1) **Natgrowth supports** the aims of Presidential Growth and Development Summit (**GDS**), Black Economic Empowerment (**BEE**), **Nedlac**, **Nepad**, the World Summit on Sustainable Development (**WSSD**) and related processes, focused on substantive, integrated and practical programmes and accelerated implementation processes with defined targets, timeframes, budgets and commitments
- 2) **Government's Position Paper** indicates the need for amplification in a number of key areas eg.
  - 2.1) **Detailed integrated implementation** programmes and projects need to be defined, with targets, timeframes and resources, related to overall Budgets of over R350b and goals such as the Gear target of 6% Growth and unemployment of 12%, requiring job creation for several million people
  - 2.2) **Joint Task Forces** are needed to drive the process to success, before and after the GDS, including all spheres of government, business, labour and stakeholders with defined roles and accountability
  - 2.3) **The scope and scale of the GDS priority** programmes need to incorporate all aspects of fiscal, monetary, micro-economic and industrial policy across sectors and spheres to have **maximum impact** and to avoid being limited to isolated initiatives eg. in terms of the 4 main GDS themes:
  - 2.4) **Investment: Public Infrastructure**, Cost Reduction and Productivity need to be integrated with fiscal budgets, monetary policy and micro-economic development programmes in all sectors
  - 2.5) **Skills, Equity and Education**: Skills development and **learnerships** could be **"massive"**, creating **several million jobs** for unemployed and youth, as part of an overall GDS programme
  - 2.6) **Job Creation: Expanded Public Works Programmes: Budget** provisions for job-creating infrastructure and public works need to be applied in **all sectors** rather than limited projects
  - 2.7) **Enterprise Promotion: a comprehensive programme** is overdue to strengthen smme development on a **large scale**, with effective delivery mechanisms, incentives and support
  - 2.8) **Action Partnerships** are needed to enhance cooperation in **all spheres and sectors** between government, business, labour and other social partners, not only at local levels
- 3) **Labour's Draft Position Paper** also indicates the need for amplification and integration with other positions, with differences open to debate on their merits. Some of the key areas include:
  - 3.1) **A range of strategic opportunities** are identified for **practical elaboration** within an integrated development programme for job creation, growth and investment in all sectors and spheres
  - 3.2) The **call to action** needs to be translated into **joint action programmes**, task forces, targets, timeframes, inputs and **accountability** by all public and private sector organisations

- 3.3) **Short-and long-term** processes need to be combined for sustained job creation. Public works, community service, infrastructure, smme's and skills development thus need to be integrated with **Fiscal, Monetary and Micro-economic** Strategies in overall development programme to broaden the base of growth, employment and investment and to overcome social and economic dualism
- 3.5) A **powerful funding framework** is possible with coordination between government, business and labour including budgetary funds, private investment, retirement funds and other sources of funding. Labour identifies a range of **growth** opportunities, which are needed to guide **retirement** fund investment; a major Black investment vehicle is now possible, as proposed by Natgrowth

**Natgrowth's main recommendations** include the following, with more detailed proposals in the report:

- 4) **National, Provincial and Local Growth and Development Joint Task Forces** are needed to **drive and deliver** accelerated implementation programmes and projects in all spheres and sectors. The Task Forces should be located in the Offices of the **Presidency, Premiers and Mayors**, with **broad representation** of Government, Business, Labour, Communities and other Stakeholders. The GDS needs to launch a **continuous process** with regular reporting, accountability and review.
- 5) **GDP Growth** may be effectively accelerated towards the GEAR target of **6%** through **pro-active fiscal, monetary, micro-economic and business strategies** for growth and development
- 6) **To reduce Unemployment** towards the target of 12% and full employment, Stats SA figures indicate that **4 – 8 million sustainable jobs** need to be created; this requires **major** integrated programmes including infrastructure, public works, skills, smme and social development
- 7) **Fiscal Strategies** include the **effective utilisation of National, Provincial and Local Budgets** of over **R350b** with enhanced performance management, capacity and cooperation between all spheres, as indicated in the Intergovernmental Fiscal Review. All **budgets** need to be geared for this purpose within an **Integrated Programme of Action**, including Infrastructure **R78b**, Education **R69b**, Social Development **R48.7b**, Protection **R58.5b**, Health **R39b**, Economic Clusters **R41b**, Transport and Communication **R15.5b**, Housing and Community Development **R16.7b**, Public Works **R4.5b**, the Skills Fund **R3.9b**, the Umsobomvu Fund **R1bn** and the BEE Fund **R10b**.
- 8) **Monetary Strategies** include early reduction of **repo and retail interest rates** for stronger growth, effectively balancing exchange rates, inflation and supply side economies of scale; the SA Reserve Bank's mandate is incorrectly interpreted as being limited to inflation, requiring clarification
- 9) **Micro-Economic and Business Strategies** include accelerated implementation of programmes for growth, development, employment and empowerment as well as cost efficiency, productivity and competitiveness in all sectors, taking into account employment & GDP patterns & sector initiatives
- 10) **The GDS Themes** need to be integrated across all government departments, spheres & sectors ie.
- 11) **Investment and Infrastructure** can be accelerated to 25%+ of GDP, through pro-active investment projects across all sectors including Public and Private, Domestic and Foreign, Direct and Portfolio investment, Retirement Funds, PPP's and Government Investment of R300bn over 3 years
- 12) **Skills Development, Equity and Education** resources can be mobilised on the **"massive"** scale required to reach several million unemployed and youth through more effective utilisation of the Skills Fund, Seta delivery processes & learnerships with committed cooperation between all sectors
- 13) **Job Creation: Public Works and Enterprise Promotion** programmes are proposed across all government departments, spheres and industry sectors, integrating budget resources with sector growth and development initiatives and private sector investment and capacity
- 14) **Action Partnerships** are needed at all levels; **Provincial and Local** Growth and Development Programmes need enhanced coordination and performance management, with to budgets of over **R200b**, combined with national departments, regional initiatives and private sector investment
- 15) **Implementation and Financing** programmes require pro-active drive by all stakeholders, with sound business planning, financing, project management and performance management processes. **Private sector capacity, resources and PPP's** should be actively leveraged in this process.
- 16) **Accelerated & Integrated Implementation** Programmes are needed for the **GDS, Nepad** and **Wssd** towards defined targets including poverty eradication, job creation, basic services, market access, trade and investment, economic integration and governance in a sustainable environment

## Natgrowth Profile

**Natgrowth** is an independent professional initiative, which aims to facilitate concrete and sustainable **Growth, Development, Employment, Empowerment and Investment Projects and Programmes** across industry sectors and regions in South Africa, Africa and beyond. Natgrowth is open to participation by all stakeholders committed to its objectives. **Natgrowth** was conceived as an **Ecodesa**: Economic Codesa in 1993 with ongoing programmes and projects on Growth and Development. The current programme was initiated in 2001, including World Summit parallel events, submissions and membership of the WSSD Multi-stakeholder Committee. (Refer [www.natgrowth.co.za](http://www.natgrowth.co.za)). **Natgrowth programmes and services** include:

- **Integrated Development Programmes** at National, Provincial, Local and Sector levels
- **Implementation Programmes** with clear targets, timeframes and management processes
- **Business Planning and Business Development** programmes and services
- **Financial Management and Budgeting** Programmes and Services
- **Project Management Services** including business planning, facilitation and implementation
- **Development and Investment Banking** including the raising and structuring of finance
- **Programmes and Workshops** aimed at facilitating concrete growth, development and investment
- **Management Services, Capacity and Skills Development** programmes and services including Business Planning, Business Management & Development, Financial Management & Budgeting, Human Resources, Information Technology, Marketing, Strategic Management, Small Business & Tourism

**Natgrowth Coordinators** include **Eric Stillerman** B Soc Sc BA Hons MA CA(SA), CEO; **Given Kakambi** BSc AccFin, AMD, MBA, Namibia; **Elaine Maroos** CTH, **Princess Mavundla** MBM, **Lisanias Mupambireyi** AMD, Zim; **Cynthia Dladla** CIT; **Artie Phatlane** Dip Ed, **Michael Masalesa** IAC. **Non-executive: Johan Coetzer** B Proc, B Juris; **Desmond Golding** MA LLM (London) Senior Manager SA Reserve Bank; **Chris Hart** B Com HDE Senior Economist ABSA; **Themba Kirro Kinana** ANC; **Dr Colin Lawrence** Phd UK

**Participants** in Natgrowth Programmes have been drawn from a wide range of Organisations including: ABSA, ACSA, AFD France, Afrox, ANC, ANCYL, Banking Council of SA, BHP Billiton, Black Business Council, British Consulate & Dfid, Canadian Alliance for Business in SA, Cue Marketing, CPPP, CSIR, DBSA, DTI, Ernst & Young, Eskom, Eskom Enterprises, Gensec, GTKF, Hollard, IDC, Iscor, Johnic Publishing, Majola & Assoc, Mazwai Securities, MIIU, Marketing Stars, Nafcoc, **National Government: Agriculture, Communication, DEAT, Dti, Finance, Home Affairs, Housing, Minerals & Energy, Protection, Public Enterprises, Public Works, Social Development; Provincial & Local Government: E Cape, Free State, Gauteng, Kwazulu-Natal, Mpumalanga, Limpopo, North West, N Cape, W Cape, Ekurhuleni, Emfuleni, Kungwini, Mogale City, Merafong, Polokwane, Johannesburg, Tshwane, Witbank Imbombo Youth Entrepreneurs; Nedcor, Nedlac Proudly South African, New Millennium Info Services, Old Mutual, Overberg Water, PMR, Project Intelligence, Proparco, Progress, Rand Water, Reed Exhibitions, Rotary Int, Sabc, Sabs, SA Business Guidebook, Sacob; Sandf; SA Post Office, SA Rai, SA Reserve Bank, Sayfcoc, Siemens, Thabo Mbeki Trust for the Disabled; Xpert Group, TISA; Transnet, Umgeni Water, Universal Services Agency, Umsobomvu Youth Fund, UN Students Movement, U S A Embassy, Women and Youth organisations, World Bank, WorldSpace France**

**Natgrowth Associates and Strategic Alliances** include:

**Management and Financial Services: Devgrowth** Strategic Management and Financial Services, established in 1993, provides management and financial consulting services, business planning, project implementation and capacity development services; **Maison** Management & Investment Services cc, (1989) t/a Natgrowth provides administration services

**Natgrowth Devbank** Development and Investment Banking initiated in 2000, provides development financing, capital raising and investment banking services; **Natvest**: The Black Sanlam, designed as a major Black financial institution, mobilising funds for investment.

**Business and Youth Development:** Ongoing interaction is maintained with **BSA, Nafcoc, BBC, Sacob Umsobomvu** Youth Fund, Ntsika, Khula and other business and youth development organisations.

**Education and Training: London School of Business SA** (International Campus: London School of University Studies cc), established in 1993, provides education, training and skills development programmes, including tuition for University of London Degrees, and Diplomas awarded by the Association of Business Executives London, recognised by the HSRC and in the process of accreditation with SAQA. London School provides infrastructure, expertise, research and development facilities.

## **Government's Position Paper on the Growth and Development Summit (GDS) "Accelerating the rate of growth and pace of development through partnership, prioritisation and active participation" Summary**

The **Purpose** of the **GDS** is to respond to the President's State of the Nation Address in 2002 to address the urgent challenges facing us in the economy and to build an enduring partnership in which all of us can lend a hand in building a prosperous South Africa. In 2003 the President restated the continuing task to push back the frontiers of poverty, to expand access to a better life for all and to put our shoulders to the wheel to accelerate the pace of change. The **Objectives** of the GDS are thus:

- **Building an enduring partnership** with a shared vision of growth and development strategy to frame sectoral and developmental agreements and lay a basis for partnerships in action: **partnership**
- **Addressing urgent challenges** – selecting the interventions with the greatest possible impact in the shortest possible time for accelerated investment, job creation, efficiency, social equity, and a fairer distribution of economic opportunities and rewards: **prioritisation**
- **Lending a hand** – securing commitment and active participation of all social partners in those areas identified for prioritised action in ways that build on lessons learnt from successful implementation of social, economic and development programmes: **active participation**

Against a **Background** of faltering international growth and uncertain prospects, SA has a stronger currency, robust investment growth and rising business confidence, with several conditions for improved economic performance – macro-economic stability, decent labour standards, institutions for social dialogue, sound public finances, robust legal and financial infrastructure, well developed transport, communications and logistical networks, open trade, surplus energy, rising schooling quality and dynamic higher education and research institutions. These conditions have been achieved as a result of public policy transformation, implementation programmes and services & civil society actions (Ref Intergovernmental Fiscal Review 2003).

**Challenges** include structural **unemployment, poverty** and vulnerability; and an **inadequate pace of investment, job creation, productive asset distribution and institutional development** to overcome the legacy of **disadvantage and marginalisation** that keeps millions out of the mainstream of economic opportunity and progress. The **2003 Budget Review** elaborates **Government's strategic programme of action** for accelerating growth and development, with **9 key elements** and a cross-cutting commitment to **job-creation** - reducing dependency on welfare and increasing normal economic participation, in collaboration with all social partners to broaden the base for sustainable employment opportunities in all sectors of the economy.

- **National Skills Development** Strategy focused on productivity & **learnerships** for the unemployed
- **Land Redistribution** & restitution with rural development investment & agricultural support services
- **Public Administration** reform for efficient, honest, modernised service delivery and accountability
- **Investment** in infrastructure, technology advancement & industrial expansion with the private sector
- **Crime reduction and combating corruption**
- **Access to financial services, small business** integration and further easing the household burden
- **Sustainable, broad-based, transparent Black Economic Empowerment**
- **Deepening democracy, peace, security, investment, trade & cooperation** internationally & in Nepal

**A Joint Programme of Action** is proposed under Four Agenda Headings for the GDS agreed at Nedlac: **Investment; Skills and equity; Job Creation and enterprise promotion; Local action partnerships**

- 1. Investment:** creating the conditions for growth and development; Priority initiatives to accelerate Investment in productive assets & services, social & economic infrastructure, especially in labour absorbing sectors
  - 1.1 Public Infrastructure Investment** Pace & Quality: **Joint task team** to address planning, design, project management, partnerships, contracts, coordination, urban, rural & industrial development, national, provincial & local collaboration, effective & accountable management & maintenance
  - 1.2 Reducing Input Costs** and Productivity Enhancement: **Focused review** for competitive advantage and job creation in industry including raw materials, transport, energy, communications, research, technology, trade, finance & other services
- 2. Skills and equity: Joint approaches** to accelerate job creation through effective implementation of the **National HR and Skills Development Strategies, improved delivery by the Setas**, including **Learnerships: massive** training of youth & unemployed in collaboration with the private sector and education providers; **Employment Equity, and BEE Codes and Charters**

3. **Job Creation and enterprise promotion** within the sustainable economic mainstream
  - 3.1 **Expanded Public Works Programmes: Budget** provides for **labour intensive infrastructure construction and public works projects for urban renewal, rural development, municipal infrastructure & service delivery and poverty relief** programmes under continuous review
  - 3.2 **Enterprise Promotion, Support & Empowerment: Strengthen smme** incentives & support, including access to finance, mentorship, incubation, public & private sector BEE procurement
4. **Local action: partnerships** to build vibrant communities:
 

**Enhance cooperation** between all spheres and sectors of government and social partners, through **vehicles such as Integrated Development Programmes, PPP's, Vuk'uzenzele** voluntary action and cooperatives for enhanced implementation in all areas, such as smme support, housing, health, welfare, community services, tourism, land, mineral rights etc. **Joint initiatives** to focus on

  - 4.1 **Develop implementation plans** with firm commitments & monitoring mechanisms, including the above themes: Investment, Skills & equity; Job creation & enterprise promotion
  - 4.2 **Information and Capacity:** Improve relevance, timeliness, accessibility & quality of information and capacity for use, eg. Government is committed to strengthen Multi-purpose Community Centres
5. **Way Forward**

Social partners to exchange of contributions and **proceed immediately** to develop a common **vision** and set of **priorities** at **Nedlac** and through **other parallel processes** to ensure that the views of other interested parties not formally represented at Nedlac also influence the outcome of the GDS process.
6. **Comments**
  - 6.1 **Detailed substantive and integrated implementation programmes and projects** need to be defined, with targets, timeframes and resourcing, with National, Provincial and Local Budget allocations. The process needs to be integrated throughout all spheres and sectors of government.
  - 6.2 **The scale of targets** needs to be defined in terms of overall social and economic objectives eg. the Gear target of 6% growth and the recently announced unemployment target of 12%, requiring "Massive" job creation to reach several million unemployed.
  - 6.2 **Joint Task Forces** are needed to drive the process before, during and after the GDS, including all spheres of government, business, labour and other stakeholders, with defined roles & commitments.
  - 6.3 **The scope needs to include** all aspects of fiscal, monetary, micro-economic and industrial policy affecting growth, development, employment, empowerment and investment. **The priorities** may be narrow, fragmented and of limited impact in isolation, rather than as part of an overall framework.
  - 6.4 **Investment: Public Infrastructure Investment,** Cost Reduction and Productivity Enhancement need to be based on growth and development programmes in all spheres and industry sectors
  - 6.5 **Skills and Equity:** the **roll-out of skills development and learnerships** could indeed be "**massive**", to reach several million unemployed and youth, as part of an integrated programme including **job creation, smme** development, improved delivery by the **Setas, Employment Equity** and **BEE in collaboration** with the private sector, labour and education providers
  - 6.6 **Job Creation: Expanded Public Works Programmes: Budget** provisions for labour intensive infrastructure construction and public works projects should form part of an integrated programme to maximise impact and sustainability across all spheres and departments
  - 6.7 **Enterprise Promotion: a comprehensive programme** is overdue to strengthen smme development on a large scale, with effective delivery mechanisms for incentives, support, access to finance, skills training, mentorship, incubation and procurement opportunities
  - 6.8 **Action Partnerships** are needed to enhance cooperation in **all spheres and sectors** between government and social partners, not only at local levels. **The Business** Paper focuses on cooperation and implementation of practical projects in priority areas supporting the GDS aims. The **Community** Submission focuses on participation by the disabled and women in various initiatives.



# Labour's Draft Position Paper for the Presidential Growth and Development Summit Summary

## Employment Creation and Investment

**Strategies to address soaring unemployment and low investment must be linked** within the restructuring of the economy towards job-creating growth.

### 1. Problem Statement

**1.1 Unemployment** as narrowly defined by Stats SA has worsened from 16% in 1995 to 30% of the labour force in 2002; increasing from 2m to over **4 m seeking work**, or some **7m** including those too discouraged to seek work - far higher than other middle-income ILO countries. **47% of Youth** under 30 are unemployed – 70% off the total in 2001. **Rural** people are also hardest hit. **Underemployment** is also reflected in **declining income** with 39% earning under R1000pm in 2001, and the share of the poorest 60% of households in national income falling from 17% to 15%. **High unemployment** also undermines social cohesion, with exclusion from social and economic participation eg. youth lacking income to start a family and rural-urban migration. It also **reduces domestic demand and production** in a vicious cycle of downsizing and job losses. **Strategies** to address unemployment must seek **two outcomes:**

**1.1.1 that the economy creates sustainable work at decent incomes for more people**

**1.1.2 short-run programmes to alleviate the effects of unemployment** through work and incomes

**1.2 Investment of 15.5% to GDP is lower** than other middle-income countries at 25% and **growth was lower** at 2.5% vs 3.9% from 1995 to 2000 (World Bank indicators). Investment fell to 14.7% GDP in 2001, well below the 20-25% required for growth, and is biased towards capital intensive sectors. Capital outflows have increased since 1994 (although net inflows increased in 2002)

### 2. Analysis

Two deep-seated structural problems underlie unemployment and stagnant investment: dualism and restructuring of the formal sector since the 1980's, aggravated by inefficient systems raising the cost of living. Markets alone will not bring about the structural changes to stimulate growth and mass employment.

**2.1 Economic and social dualism** have persisted since apartheid, despite improved services, with unequal patterns of ownership, control and access to opportunities for the marginalized. Education and skills alone will not improve employment significantly, with the increasing level of education of the unemployed. Employment strategy must include other measures to overcome dualism

**2.2 Restructuring of the formal sector** since the 1980's has seen large job losses. The roots include:

**2.2.1** Gold Mining downsizing – cushioned by platinum only in foreign exchange, not jobs

**2.2.2** Opening of the economy since 1989 – and later tariff cuts, resulting in import penetration and loss of productive capacity eg. in capital goods, clothing and consumer goods; foreign ownership has not generally added capacity or jobs; the largest mining and financial firms have moved offshore; increased exports eg. auto and arms also generally cut jobs to become more competitive

**2.2.3** Deregulation of agriculture led to a 17% fall in investment and very large job losses

**2.2.4** Commercialisation of parastatals and downsizing the public service led to a loss of over 200 000 jobs

Restructuring has improved competitiveness in some sectors, without defining job-creating growth sectors. Increasing unemployed has increased survivalist activities and micro-enterprises, aggravating dualism. The formal sector remains highly concentrated, despite a small black upper class in the state and big business.

**2.3 Inefficient benefit systems** and apartheid residential patterns on the outskirts of towns increase the cost of living for workers (eg. transport). **Basic service** costs are proportionately higher for those low income households who pay for education, electricity, water and healthcare (with public health service delays and the high cost of private medical aids increasing the costs of employment).

**2.4 The need for government intervention:** markets will not undo dualism and downsizing, as

**2.4.1** Formal sector markets exclude the poor due to affordability

**2.4.2** Apartheid shaped concentrated capital is moving offshore as part of International Mining & Finance

**2.4.3** Big Mining, Petro-chemical, maize and other groups enforce import-parity pricing rather than expanding production and employment

Overcoming dualism and restructuring the formal sector for **job-creating growth requires an active developmental state**, with carrots and sticks, in the context of mobile capital and globalisation.

### 3. Proposals

#### 3.1 Toward an integrated development strategy

**3.1.1 Strong prioritisation of job retention and creation** by main stakeholders, aimed at more and better jobs & full employment as a specific policy objective & priority aim of social & economic policy

**3.1.2 Strategies to restructure** the formal sector for more rapid, sustainable **job-creating growth**, with a broad developmental vision to direct measures to restructure output and ownership

**3.1.3 Strategies to overcome dualism** – including getting assets and skills to the marginalized and linking them to the formal sector; requiring review of the state’s social protection and infrastructure programmes to maximise employment.

**3.1.4 Restructure Inefficient systems** of housing, infrastructure and benefits to reduce the cost of living for workers; particularly locating low-income housing near city centres and industry, without reducing jobs or income.

**3.1.5 Short-term employment** programmes giving youth social cohesion, income support & basic skills

#### 3.2 Specific proposals

##### 3.2.1 Ensuring prioritisation

- 1) **All major employers** to include in **annual reports assessment** of direct & indirect **job creation**
- 2) **Government** annual analysis of **employment impact** of all programmes & policies by budget vote including the IDC and other parastatals
- 3) **All legislation** & regulations to include reports on the likely **employment & investment impact**

##### 3.2.2 Formal sector

We need to identify formal activities that can create jobs and align parties, with greater security to investors.

###### a. Formal industries that can create jobs

- 1) **Production to meet the needs of the poor** – relatively labour-intensive activities – light industry (food production and processing, clothing, basic consumer equipment), infrastructure and housing
- 2) **Expansion of industries** in addition to autos: eg. a. generic pharmaceuticals for SA and Africa; b. software and web design
- 3) **Services** for domestic and foreign use; both commercial and in the public sectors
  - a. Commercial eg. finance, tourism, call centres, education, health, transport & telecommunications
  - b. Public services eg. health, education, security, water, sanitation, public transport
- 4) **Production** downstream and upstream from gold, platinum and iron mines, petroleum & agriculture
- 5) **Construction** with a shift to labour intensive methods over capital intensive investment in general

###### b. Strategies to restructure the formal sector

- 1) **Sector Strategies** are critical as per the dti’s Integrated Manufacturing Strategy; with continuing & more effective **Sector Job Summits** agreed in 1998 (eg. chemicals, engineering, food and services tabled) with a. **joint policy** development rather than narrow interests; b. appropriate **mandating** structures and progressive & **innovative experts** who can give **strategic** direction to the process
- 2) **Dti’s supply-side measures for industry must be tied to employment creation**; be extended to domestic production and to all services; be more accessible and publicised
- 3) **Government and Public sector investment should include**
  - a. investment plans and targets for parastatals that support job-creating growth
  - b. ensure IDC, DBSA review and report on all policies & programmes, prioritising job creation
  - c. ensure government investment programmes do more to create jobs & stimulate growth
- 4) **Nedlac** parties should define and assess core outcomes **for Setas**

- 5) **The Financial Sector Summit** process is trying to channel investment from the private sector, including up to 15% of pension funds – toward developmental aims, once these are identified (In 2000, **Pension funds had R500b assets**; unit trusts R200b; long-term insurers R670b and banks R827b. Stats SA indicates over 80% households earned under R4 500 pm but received under 30% of pension income, while the top 10% households received 40% of pension income).
- 6) **Personal savings enhancement** measures agreed include access to basic transactions and savings services, requiring transformation of the postbank and more appropriate legislation.
- 7) **Competition policy** to align with development & industrial policy, including job retention
- 8) **Trade negotiations** to lead to net employment gains, local procurement and smmes
- 9) **Promote labour intensive construction methods**, with training in project management

### 3.2.3 Overcoming dualism

- 1) **Programmes to improve asset base of the poor** including
  - a. **Massive land reform and rural development** ensuring access to finance, agricultural extension services, technology, inputs and markets, using coops and public works programmes
  - b. **Infrastructure and housing** to improve livelihoods – close to industrial and retail sites, affordably and supporting productive activities
  - c. **Access to affordable finance** for new businesses, linked to skills, with cooperation between dti provincial and local governments to ensure greater awareness and effective delivery
  - d. **Massive support for coops** including legislation, procurement, public education including schools
  - e. **Systems to formalise informal work** - including labour legislation and full state support
- 2) **Skills Development Strategy to be reviewed** to ensure it contributes to employment opportunities much more urgently; in particular:
  - a. **Abet and life skills** provided affordably on a mass basis, especially for unemployed
  - b. **Learnerships:** Task Team to review and propose improvements to meet the target of 50 000 in the next 3 years without replacing existing jobs
  - c. **Public education** must be free and better geared to employment, including technology skills
- 3) **Smme's:** more to be done to integrate into the formal economy without displacing jobs; eg. increase & diversify local procurement rather than down-graded outsourcing and privatisation
  - a. **Urgently Implement agreed financial services restructuring** to increase access to finance
  - b. **Align procurement to Proudly SA** – pro-actively developing and favouring local suppliers
  - c. **Consumer coops** proposals to be developed by Nedlac task team on coops
  - d. **Public Transport** to townships and rural areas to be affordable and safe
  - e. **Telecommunications** strategy to ensure universal access to basic telephone services, with viable and unambiguous targets and measures of affordability for fixed-line and cell operators
- 4) **Social Services** to be redesigned on a less fragmented basis to maximise job creation in terms of the nature of products and services, pricing, procurement and government employment in delivery

### 3.2.4 Reducing the cost of living and by extension the cost of employment

- 1) **Rapid densification of housing** with changes in the subsidy-based housing policy; crucial steps:
  - a. Setting **targets for densification** in all new subsidised housing programmes
  - b. Framework for **expropriating urban land**, and **restructuring subsidies** for density housing
  - c. **Mass rehabilitated housing in CBD's** – should be a target investment for financial services
  - d. **Multi-income neighbourhoods** in suburbs near cbd's in empty lots and rezoning large lots
- 2) Clearer framework for **user fees:** free public general education, standardised affordable uniforms
  - a. **Water & electricity** – guidelines to ensure progressive, with redistribution between municipalities
  - b. Clear policy to **prevent evictions and cut-offs** – using less draconian measures
  - c. **Affordable commuter transport** including improved subsidies to public buses and rail
  - d. Improvements in public health towards a genuine **National Health Insurance** system

### 3.2.5 Short-term Measures

- 1) **Publicly funded public works and community service programmes** especially for youth to create 500 000 person-years positions with reasonable allowance; without displacing jobs; including
  - a. **Value-added for communities** in services such care for the ill, elderly, children; Abet and/or labour intensive public works and environmental projects
  - b. **Reasonably stable positions** especially for youth, for social integration and work experience
  - c. **Some form of certification** of training and experience with links to employers
  - d. **Some income relief** eg. 500 000 x say R800 pm = R5b is not beyond existing budget resources

Programmes under Department of Labour, funding decentralised by a separate agency outside government, with projects proposed and managed by reputable civil society organisations and local government

- 2) **Social security** system to ensure income relief for young unemployed not eligible for any systematic government support – most poor households do not receive grants. For this reason Cosatu supports a basic income grant
- 3) **Government and parastatal Procurement** to align more rapidly with Proudly SA
- 4) **Public sector Restructuring to ensure job creation** at least indirectly in the medium-term
- 5) **Formal employers** to institute more active labour market practices including
  - a. Ensuring **restructuring retains jobs** where possible in line with Nedlac Social Plan agreement
  - b. Publicising and utilising the **Workplace Challenge** programme
  - c. **Setas** to ensure lower level workers urgently get training in relevant life skills and if necessary Abet
- 6) **Explore ways to ensure a more stable exchange** rate favourable to manufactured exports and import sensitive sectors, which may lose jobs; explore measures to stabilise capital flows; use current opportunities to reduce forward position and foreign debt

### 4. Labour's commitments

In the context of an integrated development strategy geared to employment creation, labour will contribute:

- Continued strong engagement in the sector job summits, with currently 5 full-time policy analysts
- When a clear perspective for job creating growth is agreed, work to establish appropriate investment vehicles and guide pension fund investments in that direction
- Given a moratorium on retrenchments, support progressive restructuring and productivity increases, including skills development and work reorganisation
- Support public works, community service programmes and coops as above
- Continued proposals to address the challenge of casualisation and integration of the informal sector

### 5. Comments

**Labour's Draft Position Paper** indicates the need for substantive amplification and integration with the positions of government and the other social partners in due course, with differences open to debate on their merits. Some of the key areas for further elaboration towards a powerful programme of action include:

- 5.1 The **need for integrated development programmes** for job creation, growth and investment in all sectors and spheres; a wide range of strategic opportunities are identified for elaboration
- 5.2 The **call to action to accelerate implementation processes** with joint action programmes, task forces, targets, timeframes, inputs and accountability by all public and private sector organisations
- 5.3 **Integration of short-and long-term** processes for job creation including public works, community service, infrastructure, smme's, skills development and growth-oriented strategies
- 5.4 The need to incorporate **Fiscal, Monetary, Micro-economic and Industrial Strategy** in a viable integrated development programme for job-creation, growth and investment
- 5.5 A **powerful funding framework** is possible in integrating government, business and labour perspectives, including budgetary, private investment, retirement funds and other sources of funding
- 5.8 Labour indicates a wide range of **growth** opportunities, which it says are needed for **retirement fund** investment; a major Black Sanlam investment vehicle is possible, as proposed by Natgrowth

## A. STRATEGIC FRAMEWORK FOR GROWTH AND DEVELOPMENT

### 1. Towards and Beyond the Presidential Growth and Development Summit: The Call to Action

The **Presidential Growth and Development Summit (GDS)** aims to shift South Africa to higher levels of Growth and Development, with significant job creation, poverty eradication, empowerment, investment and a better life for all. The **PGDS** aims to mobilise all spheres of government, the private sector, labour, communities and other stakeholders to work in enduring partnerships to drive **Integrated Implementation Programmes and Projects with definite targets, timeframes and commitments.**

South Africa has achieved the fiscal objectives of the **GEAR** Strategy, reducing the deficit to 1.1% of GDP and national debt to under 50% of GDP, with improved tax collection and restricted expenditure. While growth has been steady at +/- 3%, despite the global slowdown, it has not impacted significantly on unemployment, poverty and development. **The priority** now is to **accelerate growth and development** towards the **Gear target of 6%** and **broad-based socio-economic** objectives, with effective and **coordinated Fiscal, Monetary, Micro-economic and Business strategies.** In summary:

**Fiscal Strategies** include the more **effective utilisation** of the **National Budget of R334bn** and **Local Budgets of R75b** for growth and delivery, with **integrated implementation programmes**, performance management and capacity building across all departments and spheres. Government has indicated the scope to enhance public investment, performance, coordination, capacity and service delivery at all levels

**Monetary Strategies** include a better balance between **lower repo and retail interest rates** for stronger Growth, with stable exchange rates and lower inflation through supply side economies of scale. **Real interest rates need to be reduced to international levels** to stimulate growth in the short term. The stronger Rand and reduced oil prices should correct inflation towards the target of 3-6% in due course.

**Micro-economic and Business Strategies** include the **accelerated implementation of a range of programmes** to stimulate growth, development, employment, empowerment, cost effectiveness and competitiveness in **all industry sectors**, including Agriculture, Minerals and Energy, Infrastructure, Manufacturing, Banking and Financial Services, ICT, Smme's, Skills Development, Education and Training, Tourism, Transport, Trade and Investment, Urban and Rural Development

### 2. Growth and Development Task Forces

In order to ensure successful implementation, it is recommended that **Growth and Development Task Forces** be set up at National, Provincial and Local Levels **to drive detailed integrated implementation programmes** with specific targets, timeframes, performance management and monitoring mechanisms. Due to the **critical and integrated** nature of the implementation process, the Task Forces need to be located in the **Offices of the Presidency, Premiers and Executive Mayors**, with **broad representation** of Government, the Private Sector, Labour, Communities and other stakeholders. The Task Forces would draw on existing resources including Ministers, DG's, MP's, MEC's, Intergovernmental Clusters and Nedlac as well as expertise and capacity within the private sector, labour and communities.

The Task Forces would **apply and transfer the required skills and capacity to unlock the funding and implementation processes** at all levels, including vital processes such as business planning, budgeting, financial management, project management, performance management and interdepartmental coordination. It is a sad reality that substantial funds remain under-utilized across many spheres, merely due to the lack of capacity to access the existing funds through the required procedures. The Task forces would address these and other obstacles directly and swiftly, while building capacity on the ground.

### 3. Growth and Development Targets

The potential is recognised to **increase GDP Growth** towards and beyond the GEAR target of **6%** across a broad base, in order to make a meaningful impact on unemployment and standards of living. It is recognised that **growth does not happen automatically**, despite sound fundamentals. Similarly growth does **not necessarily generate jobs**, broad-based development and a better life for all. Instead, it is necessary to implement a set of **pro-active economic strategies and programmes** geared towards defined growth and development targets for higher growth, broad development, investment and employment in all sectors. Government has for the first time set a target to **reduce unemployment to 12%**. **This** requires the **creation 4-8m sustainable jobs**, which it is planned to address through integrated **infrastructure, job creation, skills and smme development programmes.** Similar targets and strategies need be set for **poverty eradication** as a guide to **integrated social development programmes** building on and going beyond the UN Millennium targets and basic service delivery.

While these targets may seem daunting, **the key lies in the integration of targets and programmes across departments and spheres, utilising the national budget of R334bn and local budgets of R58bn**, together with **private sector growth, development and investment resources**. An integrated **framework for programmes and projects** is presented further below, based on the national budget including Infrastructure allocations of **R78b** and departmental budgets for Education **R69b**, Social Development **R48.7b**, Protection **R58.5b**, Health **R39b**, Economic Clusters **R41b**, Transport & Communication **R15.5b**, Housing & Community Development **R16.7b**, Public Works **R4.5b**, the Skills Fund **R3.9b**, Umsobomvu Fund **R1bn** and the new Black Economic Empowerment Fund **R10b**.

#### 4. Monetary Strategies for Growth and Development

The **SA Reserve Bank Mandate** is unfortunately perceived as **limited** to controlling inflation rather than a balanced mix of objectives. The strong **recovery** of the Rand is correcting inflation towards the target of 3-6%, making reduced interest rates long overdue. Monetary Strategies recommended include

- 4.1 **Clarifying the SA Reserve Bank mandate** in line with the Constitution and International Best Practice, to include a **flexible mix** of integrated strategies to **balance interest rates, exchange rates, growth and inflation with supply side economies of scale**
- 4.2 The **Repo rate is due for reduction** in terms of real global rates, which would stimulate **growth and economies of scale**, reducing underlying structural inflation towards the target range
- 4.3 **Retail Bank interest rates** also need to be reduced for increased competitiveness and growth
- 4.4 **The Banking and Financial Services Charter** needs to be accelerated to broaden **access**
- 4.5 **Continuing Systematic removal of exchange controls and the NOFB:** net open forward book – as supported by SA's stronger rating and the successful new bond issue
- 4.5 **Improving commodity prices and value-add** eg. through a proposed **International Commodities Exchange and various beneficiation initiatives**

#### 5. Fiscal Strategies for Growth and Development

**Fiscal Strategies** include more **effective use of the National and Provincial Budgets of R334bn and total Local Government Budgets of R75bn including R78bn** allocated for productive investment, to enhance growth, development, service delivery and economic impact in all departments and spheres. The budget indicates "underspending due to limited capacity", and the Minister's recent fiscal review indicates inadequate planning, financial management and coordination in certain areas, although progress has been made. While he has highlighted provincial and local spending on transport, public works and skills development, he has also questioned the overall effectiveness of state spending for development.

More substantive **Integrated Development Programmes** are proposed in all spheres of Government and the Public Sector to ensure effective utilisation and **re-allocation of resources and personnel** (42,9% of the budget) **towards productive economic activities**, as required by the Public Finance Management Act the RDP and GEAR. **Personnel** productivity and performance management are key to the effective use of resources. These programmes need to **build on and go beyond** the Medium-term Expenditure Framework, Parliamentary Budget Committees, the Intergovernmental Fiscal Commission, Nedlac and other forums.

Tax reductions of R15bn in 2002/3 and 2002/4 may have stimulatory effects, although biased towards the employed and companies. Tax incentives, while welcome, do not all appear to be highly effective and need to be thoroughly reviewed in alignment with growth and development objectives. For example, **direct employment incentives are generally more effective** (eg in the UK and EU) than indirect incentives, which are often cumbersome, open to abuse and biased towards capital investment rather than labour. Tax concessions on savings and retirement funds are also welcomed, although the **mobilisation of the major pension and provident fund industry** for productive investment remains a national priority.

The Tables below are adapted from the National, Provincial and Local Budgets by Department as a basis for programme development. The Intergovernmental Fiscal Review also provides a starting point for programme development, together with GDP and Employment surveys by the SA Reserve Bank, National Treasury, Stats SA and other sources. There is an urgent need for more timeous information eg Census 2001, as well as consolidated management reporting going beyond the existing budgets, for more effective decision-making.

**TABLE 1 BUDGET SUMMARY R bn**

- The Budget shows major resources Geared for Growth

	<u>2003/4</u>	<u>2002/3</u>	
Revenue	304.5	289.9	Improved tax collection
Expenditure	333.9	302.1	Available for delivery
Deficit	<u>29.6</u>	<u>12.2</u>	Revised May 2003
Deficit to GDP	2.4%	1.6%	Well below IMF norm of 3%
Budget to GDP	27.2%	26.6%	Major share of the economy
Growth est	3.3%	2.6%	Revised to 3% in 2002 and 2003
Inflation est	7.7%	9.6%	Linked to the Rand
GDP est	1235b	1124b	+10.9 % A Big Economy
Tax Reduction	15.0b	15.0b	Some stimulation for growth
Net Foreign Investment 6 mths	21.4b	30.0b	Including R8bn FDI

**TABLE 2 EXPENDITURE SUMMARY BY SPHERE R b**

- Provinces have the highest expenditure, to be used more effectively for growth & development
- Infrastructure Budget is now R78b, increasing to R100b in 2004/5

Rbn	<u>2003/4</u>	<u>%</u>	<u>2002/3</u>	<u>%</u>	
National	124.2	43.9%	98.8	38.8%	Increasing
Provincial +R5.9b Own rev	142.4	50.3%	136.9	53.8%	Under-utilised
Local + R46bn Own Rev	9.4	3.3 +16.5%	8.8	3.5 +16.5%	Under-resourced
Skills Levy / Other	3.9	1.4%	16.1	6.3%	2002: Soc security
Contingency / - Recoveries	3.0	1.1%	-6.0	-2.4%	
Total before Interest	282.9	100.0%	254.6	100.0%	+11.1%
Interest	<u>51.0</u>	<u>15.3%</u>	<u>47.5</u>	<u>15.7%</u>	Decreasing
Total	<u>333.9</u>	<u>115.3%</u>	<u>302.1</u>	<u>115.7%</u>	
Personnel	121.5	42.9%	110.6	43.4%	Reallocate
Other Current - interest	135.7	48.0%	125.4	49.3%	Re-allocate
Capital incl. contingency	<u>25.7</u>	<u>9.1%</u>	<u>18.6</u>	<u>7.3%</u>	Infrastructure78b
Total before Interest	<u>282.9</u>	<u>100.0%</u>	<u>254.6</u>	<u>100.0%</u>	+11.1%

**TABLE 3 PROVINCIAL AND LOCAL BUDGET SUMMARY R b**

- Substantial funds for social services, development and capital investment What is the problem?

<u>Provincial and Local Budgets</u>				<u>Provincial Expenditure</u>	
	<u>Local</u>	<u>Provinces</u>	<u>Total</u>		
E Cape	3.1	26.4	29.5	Education	59.2
Free State	1.7	10.7	12.4	Health	36.6
Gauteng	20.2	25.8	46.0	Welfare	37.3
KZN	8.5	32.2	40.7	Housing/Communities	6.1
Limpopo	1.0	21.0	22.0	Other	<u>25.7</u>
Mpumalanga	1.6	11.3	12.9	National Transfers	142.4
N Cape	0.8	3.8	4.6	Conditional	16.6
N West	1.5	12.9	14.4	Own Revenue	5.9
W Cape	<u>7.9</u>	<u>14.9</u>	<u>22.8</u>	Total Provincial	<u>164.9</u>
National Transfers	9.4	142.4	151.8	Personnel	84.9
Conditional	<u>2.6</u>	<u>16.6</u>	<u>19.2</u>	Current other	62.0
National Allocation	12.0	159.0	171.0	Capital	<u>18.0</u>
Own Revenue	46.3	5.9	52.2	Total Provincial	<u>164.9</u>
Total	<u>58.3</u>	<u>164.9</u>	<u>223.2</u>		51.5%
National			124.2		37.6%
Contingency			3.0		10.9%
Skills Levy/Other			<u>3.9</u>		<u>100.0%</u>
Total before Interest			<u>354.3</u>		
Interest			<u>51.0</u>		
Consolidated Total			<u>405.3</u>		

114.4% = 32.8% of GDP: A BIG BUDGET!

**TABLE 4 CONSOLIDATED BUDGET R b**

- **Huge Budgets of over R350b are available for Integrated Growth & Development Programmes**

<b>Consolidated Budget R b</b>		<b>National</b>	<b>Provincial</b>	<b>Total</b>	<b>%</b>	<b>Programme Priorities</b>
<b>SOCIAL SERVICES</b>	<b>Huge</b>	<b>26.1</b>	<b>148.6</b>	<b>174.7</b>	<b>49.2</b>	<b>STAND AND DELIVER!</b>
Arts, Culture & Sport	Low	1.1		1.1		Increase & Integrate
Education	<b>Huge</b>	9.9	59.2	69.1		Increase Effectiveness
Health	<b>Huge</b>	8.4	30.7	39.1		Improve Delivery
Housing & Community	High	4.8	11.9	16.7		<b>Concrete Projects</b>
Social Development	Huge	1.9	46.8	48.7		Remove red tape
<b>PROTECTION</b>	<b>Huge</b>	<b>56.6</b>	<b>1.9</b>	<b>58.5</b>	<b>16.5</b>	<b>TURN PRODUCTIVE</b>
Defence & Intelligence	High	22.5		22.5		Productive Peace Corps
Safety & Security	High	21.9	0.9	22.8		Prevention in Communities
Justice & Constitution	Med	4.5	0.6	5.1		Efficiency & Effectiveness
Correctional Services	High	7.7	0.4	8.1		Rehabilitation/Communities
<b>ECONOMIC</b>	<b>Med</b>	<b>26.6</b>	<b>14.4</b>	<b>41.0</b>	<b>11.5</b>	<b>INCREASE DELIVERY</b>
Agriculture	Med	1.1	5.6	6.7		Implement Programmes
Environment & Tourism	Low	1.4		1.4		Increase & Integrate
Labour	Low	1.3		1.3		Increase, Job Creation
Land	Low	1.6		1.6		Increase & Integrate
Minerals & Energy	Low	1.8		1.8		Increase & Integrate
Public Works	Med	4.5		4.5		Turn to Productive Projects
Science & Technology	Low	1.1		1.1		Increase & Integrate
Trade & Industry	Low	2.7		2.7		Increase & Integrate
Transport & Communic	Med	7.0	6.9	13.9		Efficiency & Effectiveness
Water & Forestry	Med	4.1	1.9	6.0		Integrate & Implement
<b>OTHER</b>		<b>21.8</b>		<b>21.8</b>	<b>6.2</b>	
Skills Development	Med	3.9		3.9		Unblock & Implement
Contingency		3.0		3.0		
<b>Administration/Other</b>	<b>High</b>	<b>14.9</b>		<b>14.9</b>		<b>Re-orient to Delivery</b>
<b>National &amp; Provincial</b>	<b>Huge</b>	<b>131.1</b>	<b>164.9</b>	<b>296.0</b>	<b>83.5</b>	Efficiency & Effectiveness
<b>Local Government</b>	<b>Med</b>			<b>58.3</b>	<b>16.5</b>	Efficiency & Effectiveness
<b>Total ex interest</b>	<b>Huge</b>			<b>354.3</b>	<b>100.0</b>	
<b>Interest</b>				<b>51.0</b>	<b>14.4</b>	
<b>TOTAL</b>				<b>405.3</b>	<b>114.4</b>	

- 5.1 **The Budgets** indicate the **major resources** available within all spheres and sectors of **government** to be channelled to growth, development, employment and investment, in addition to the substantial resources of **public enterprises and development finance** institutions. These resources provide a **powerful platform** for integrated growth and development programmes within and between all departments, spheres and public enterprises. Fiscal strategies and programmes in turn need to be related to the goals of job creation, patterns of employment, GDP and micro-economic strategies as set out in the sections below.
- 5.2 Building on the Intergovernmental Fiscal Review, the Public Finance Management Act, Public Service Policies and the Human Rights Commission report, some **guidelines** for effective utilisation of Budgets to enhance growth, development, employment, empowerment and investment in all spheres and departments, include the following, with due credit for achievements to date:
- 5.2.1 **Specific quantitative and qualitative targets** defined and monitored
  - 5.2.2 **Detailed business plans and implementation programmes**
  - 5.2.3 **Integrating budgets across related programmes** eg. infrastructure and job creation
  - 5.2.4 **Reviewing all categories** of expenditure and personnel for re-allocation to productive activities
  - 5.2.5 **Specific Performance Management systems** linked to remuneration and terms of service
  - 5.2.6 **Dramatic Improvements in Financial Management in cooperation with the private sector – to eliminate** audit qualifications, wastage, corruption, maladministration and ineffective spending
  - 5.2.7 **Re-allocating personnel activities** from administrative to productive operational activities
  - 5.2.8 **Enhancing inter-governmental coordination** to leverage synergies and remove obstacles
  - 5.2.9 **Removing obstacles** to enable access to available budgets
  - 5.2.10 **Specific short-term capacity building programmes** – focused on delivery outcomes
  - 5.2.11 **Using Public-Private Partnerships** to ensure that delivery targets and outcomes are achieved



5.2.12 **Reviewing roll-overs** to ensure that budgets are not lost and programmes are not disrupted

5.2.13 **Integrated Accountability Systems** including the Fiscal Commission and Joint Task Forces

## 6. Employment and Unemployment Patterns

**Table 5 Employment and Unemployment** (Labour Force Survey Statistics SA Sep 2002)

	<u>FEB 00</u>		<u>SEP 00</u>		<u>SEP 02</u>	
TOTAL EMPLOYED	11,9M	73,3%	11,7M	74,2%	11,0M	69,5%
OFFICIAL UNEMPLOYED	<u>4,3M</u>	<u>26,7%</u>	<u>4,0M</u>	<u>25,8%</u>	<u>4,8M</u>	<u>30,5%</u>
ECONOMICALLY ACTIVE	<u>16,2M</u>	<u>100%</u>	<u>15,7M</u>	<u>100%</u>	<u>15,8M</u>	<u>100%</u>
TOTAL EMPLOYED	11,9M	64,5%	11,7M	64,1%	11,0M	59,2%
EXPANDED UNEMPLOYED	<u>6,6M</u>	<u>35,5%</u>	<u>6,5M</u>	<u>35,9%</u>	<u>7,9M</u>	<u>41,8%</u>
TOTAL ECONOMICALLY ACTIVE	<u>18,5M</u>	<u>100%</u>	<u>18,2M</u>	<u>100%</u>	<u>18,9M</u>	<u>100%</u>

6.1 **Unemployment has reached crisis proportions** with some **7,9 million or 41,8%** of economically active people out of work in September 2002 compared to 6,5m in Sep 2000.

6.2 **Official unemployment** has increased from **16%** in 1995 to **30,5% or 4,8m people** of those actively seeking work in September 2002.

6.3 **Youth and rural people have the highest unemployment.** Youth under 30 years have unemployment of some 47% in 2001, comprising 70% of the unemployed

6.4 **The economy has lost jobs,** despite macro-economic stability and steady GDP growth. Labour's submission gives an account of the decline in employment due to restructuring of the formal economy, without generating new job creating growth sectors.

6.5 **Job Creation is clearly urgently needed on a large scale,** as a social and economic imperative in its own right, affecting **7.9m people** and their dependents.

6.6 **The GSD prioritises job creation** as the focal point of all social and economic policies, requiring a major shift in the scope and scale of programmes and delivery.

6.7 **Macro-economic** stability provides a basis **effective large-scale budget spending in all departments at National, Provincial and Local levels, geared to job creation.**

6.8 **Micro-economic** strategies provide a basis for stimulating **job-creating growth** across sectors, pro-actively driving and integrating sector initiatives to new levels of delivery

6.9 **All sectors** have job-creating potential, including **Services** as the largest and highest growth sector, as well as primary and secondary sectors, as indicated below.

**Table 6 Employment by Sector %** (Statistics SA Sep 2002)

	<u>FEB 00</u>		<u>SEP 00</u>		<u>SEP 02</u>		<u>CHANGE</u>
<b>PRIMARY/RESOURCES</b>	<b><u>2,8m</u></b>	<b><u>23,1%</u></b>	<b><u>2,2m</u></b>	<b><u>19,0%</u></b>	<b><u>1,8m</u></b>	<b><u>16,7%</u></b>	<b>-1,0m</b>
Agriculture	2,3m	19,2%	1,7m	14,5%	1,3m	12,2%	-1,0m
Mining	<u>0,5m</u>	<u>3,9%</u>	<u>0,5m</u>	<u>4,5%</u>	<u>0,5m</u>	<u>4,5%</u>	
<b>SECONDARY</b>	<b><u>2,2m</u></b>	<b><u>18,1%</u></b>	<b><u>2,4m</u></b>	<b><u>19,7%</u></b>	<b><u>2,3m</u></b>	<b><u>20,7%</u></b>	<b>+0,1m</b>
Manufacturing	1,5m	12,4%	1,6m	13,5%	1,6m	14,8%	+0,1m
Electricity	0,1m	0,7%	0,1m	0,7%	0,1m	0,7%	
Construction	<u>0,6m</u>	<u>5,0%</u>	<u>0,7m</u>	<u>5,5%</u>	<u>0,6m</u>	<u>5,2%</u>	
<b>TERTIARY/SERVICES</b>	<b><u>7,0m</u></b>	<b><u>58,8%</u></b>	<b><u>7,2m</u></b>	<b><u>61,3%</u></b>	<b><u>6,9m</u></b>	<b><u>62,6%</u></b>	<b>-0,1m</b>
Trade, Comm, Cater, Tourism	2,4m	20,5%	2,4m	20,7%	2,2m	19,7%	-0,2m
Transport & Communications	0,6m	4,6%	0,6m	4,7%	0,6m	5,0%	
Business, Fin, Prop Services	0,8m	7,0%	0,9m	7,9%	1,0m	9,3%	+0,2m
Community, Social, Govment	1,9m	16,0%	2,0m	17,0%	2,0m	18,6%	+0,1m
Private Households/other	<u>1,3m</u>	<u>10,7%</u>	<u>1,3m</u>	<u>11,0%</u>	<u>1,1m</u>	<u>10,0%</u>	<u>-0,2m</u>

**TOTAL**                                    **11,9m**    **100%**                                    **11,7m**    **100%**                                    **11,0m**    **100%**                                    **0,9m**

6.10 **Agriculture accounts for the loss of 1m jobs since Feb 2000** (more than the total of 0,9m), with wide fluctuations in output partly due to seasonal and weather variations. (See GDP Analysis in Table 7). **Agriculture and agro-industries** are major employers with potential to add more than 1m jobs with effective implementation of the integrated rural development programme and water management strategies for sustainability and security.

6.11 **Other sectors have been relatively stable** in the number of jobs with marginal increases in manufacturing, business & financial services, community, social and government services, and marginal decreases in trade, private and other employment. While service sectors are the largest employers, in total 0,1m jobs have been lost indicating that this sector is not an instant job creator. However, all sectors have potential to create significant jobs, integrating job creation with sector growth and development programmes.

**7. GDP Patterns**

**Table 7 GDP Growth by Sector** (Stats SA, Feb 2002; SARB Quarterly Bulletin Dec 2001)

<u>Real GDP Change</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>% GDP 2001</u>
<b><u>PRIMARY</u></b>	<b><u>2,0</u></b>	<b><u>-2,0</u></b>	<b><u>1,5</u></b>	<b><u>9,1%</u></b>
Agriculture	7,6	-1,7	4,0	3,9%
Mining	-2,3	-1,5	-0,6	5,2%
<b><u>SECONDARY</u></b>	<b><u>4,0</u></b>	<b><u>2,0</u></b>	<b><u>3,0</u></b>	<b><u>24,4%</u></b>
Manufacturing	5,1	3,6	4,0	18,3%
Electricity & Water	0,7	1,3	1,5	3,3%
Construction	2,7	5,5	2,1	2,8%
<b><u>TERTIARY</u></b>	<b><u>3,5</u></b>	<b><u>2,5</u></b>	<b><u>3,5</u></b>	<b><u>58,1%</u></b>
Trade, Comm, Catering, Tourism	4,5	3,3	2,5	12,5%
Transport & Communication	7,0	6,9	6,1	10,4%
Financial, Bus Services, Real Estate	4,8	4,5	3,7	17,8%
Community and Social	4,7	3,9	2,3	2,4%
Government services	-0,9	-0,5	0,8	12,6%
Other producers	1,9	1,6	1,5	2,4%
<b>TOTAL VALUE ADDED</b>	<b><u>3,6</u></b>	<b><u>2,9</u></b>	<b><u>3,0</u></b>	<b><u>91,6%</u></b>
Taxes less subsidies	2,8	2,4	2,6	8,4%
<b>GDP AT MARKET PRICES</b>	<b><u>3,5</u></b>	<b><u>2,8</u></b>	<b><u>3,0</u></b>	<b><u>100%</u></b>

7.1 **Agriculture** shows wide fluctuations, with major potential for increased contributions to GDP and employment, based on effective strategies and development programmes, including national and provincial departments of agriculture, water, dti, public works, the private sector and stakeholders.

7.2 **Mining** indicates a slower declining trend, balanced by the platinum sector. Mining has turnaround potential with new mining ventures, beneficiation programmes and increases in commodity prices. The Mining Charter is a starting point for growth, development and empowerment programmes.

7.3 **Manufacturing** showed strong growth as the largest GDP and export contributor, led by the auto sector, but not matched by jobs. The challenge is to stimulate job-creating growth and smme development, with active cooperation between dti, industry, labour, IDC and other stakeholders

7.4 **Construction and electricity** showed moderate growth, also not matched by job creation. Public sector infrastructure investment and PPP's hold great potential for job-creating growth cutting across all departments and spheres, including public works, housing, transport, agriculture, mining, education and health, with specific roles at provincial and local levels, supported by DBSA

7.5 **Service sectors** showed strong growth, as the largest contributors to GDP and employment, although also not matched by significant job creation. The potential lies in broadening the base of participation in the high growth sectors such as trade, commerce, tourism, catering, hotels, real estate, financial and business services as well as private household industries. This requires coordinated programmes in all spheres between dti, labour, education, Setas, tourism, other

government and service organisation, chambers of commerce, financial services, youth and smme support organisations, to roll out "massive" learnership, smme and other job creating programmes.

## 8. SA and Global Economic Perspectives

The **Global Economy** demonstrates the problems and opportunities inherent in the interdependent Global environment. The **War** on Iraq has been a major set back for peace, cooperation and recovery, with the diversion of resources from development. The speedy end of the war holds some hope for global recovery. South Africa's role in advancing **multi-lateral cooperation** for peace and development is supported, including implementation of WSSD, Nepad, UN, World Trade, World Bank, IMF and other initiatives.

The IMF has downgraded **global growth forecasts** to 3,2% from 3.7%, although higher than last year's 3% (Bus Day 15/4/03). Advanced economies forecasts have been cut from 2.5% to 1.9%, with a static EU and Japan and some signs of recovery in the post-war US. The **developed** economies are **struggling to recover** from the problems of excess, including overvalued stock markets and currencies, increasing debt and deficits as well as environmental degradation and poor governance. Many **developing countries** have, however, been achieving above average growth, including China, India and several African economies emerging from conflict. Strategies for the interdependent Global Economy depend on an integrated framework for sustainable growth, development and conflict management in which the mature countries can only sustain growth in synergy with the developing world as full and equal partners.

**South Africa's growth forecast** has been cut from 3.3 to 3%, due to the weak global economy and the stronger rand, with 40% of the economy export-related. In this context, South Africa and Africa need to focus on **domestic growth and development and public sector investment** as well as trade with the stronger developing regions. SA has benefited from "safe haven" status in terms of Tourism, Investment ratings, Gold, the Rand. While the Gold price and the Rand may not be sustained, SA is able to build on its status in terms of **future trade, investment and tourism** for growth and development.

**Net investment reached R30bn** in 2002, including FDI of R8bn, with the Bond market and the JSE offering good value as the best performing global market and with the automotive, tourism, property and other sectors attracting direct investment. Net Investment in the first half of 2003 reached **R21.4b**, although partly reversed. In the broader context, investment experts indicate that SA offers **sound underlying value**, if supported by more assertive growth, employment and marketing strategies.

**Chris Hart, Absa Senior Financial Economist** highlighted the following issues:

- **Macro-economic indicators are favourable for sustainable Growth**, lower inflation and interest rates, despite the global slowdown and effects of 9/11 and the war on Iraq
- **Micro-economic conditions require more pro-active integrated strategies** to stimulate Growth, Investment and Employment on a large scale and to reverse the low level of Investment, including: Increased Competition, Productivity and Incentives for Employment, Private enterprise and Investment, which follows opportunity not need; as well as addressing **Crime and HIV/Aids**.

**Desmond Golding, SA Reserve Bank Senior Manager** echoed many of the above sentiments with an emphasis on the **positive prospects** for national growth. The **US and EU** may turnaround soon but Japan is still sinking. Developing countries led by Asia, are outperforming Advanced Economies, off a lower base, despite higher debt and inflation: eg. real GDP growth 5,8% vs 3,9% in 2000; projected 4% vs 1,1% in 2001 and 4,4% vs 1.5% in 2002. Africa achieved 2,8 % in 2000 and projects 3,5% to 2002.

**Bill Lacey, Economic Consultant to Sacob** highlighted the following issues in August 2001: **Domestic and Foreign Investment** are driven by **Returns exceeding Risks and Costs** on a sustainable basis. This requires a "correct policy mix" to attract and retain investment and skills, including Strong Domestic Growth, Capacity, Security, Business Confidence and Favourable Government Policies eg. towards investors, regulation and Labour environment. **National Business Growth and Investment Projects** are needed to **engage organised business in the pro-active drive for growth and investment across sectors**.

**The World-Bank** Discussion Paper 2001/2: Policies to Promote Growth and Employment in South Africa includes general recommendations such as improving the **investment climate, education and training** to fill the skills gap, increasing **small business** success through better access to finance and skills, Accelerating **rural development** with infrastructure programmes, reducing the number and level of **trade tariffs and a rebate system** similar to the Motor industry to allow exporters access to lower cost inputs. In the Draft 2003/4 **World Development Report**, it is noted that global **foreign direct investment** flows have been increasing relative to debt, and that the success rate of World Bank programmes is

increasing which is encouraging for implementation of the Monterrey Consensus on **Financing for Development**. It is also noted that SA could benefit from **stronger World Bank representation**.

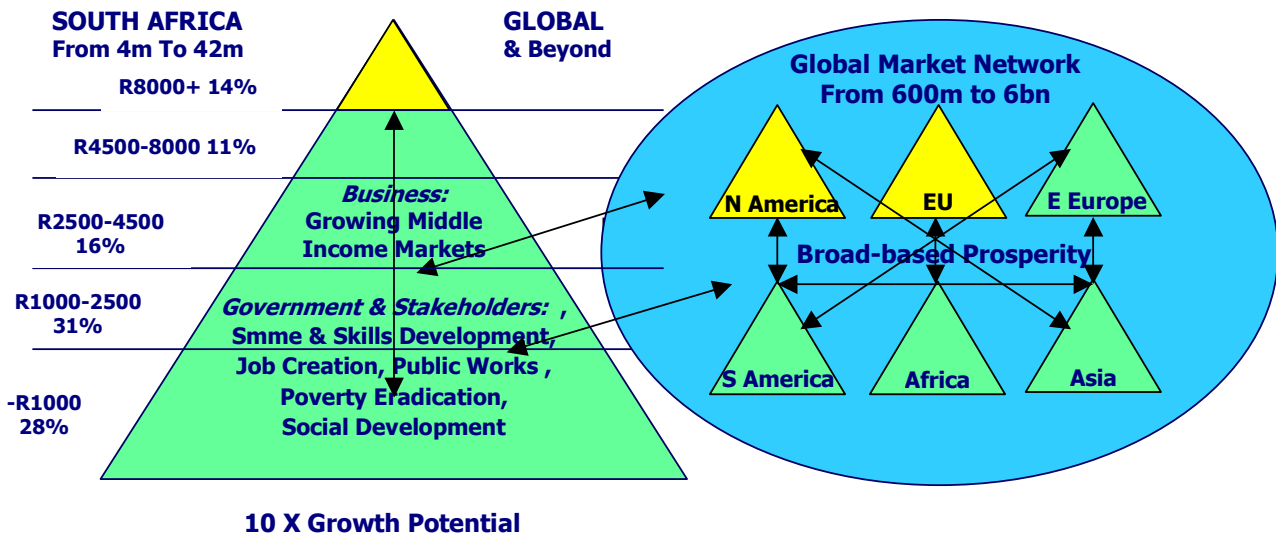
## 9. Micro-Economic and Business Strategies for Growth and Development

**Micro-economic and Business Strategies** include **accelerated implementation** of growth, development, employment, empowerment, cost effectiveness and competitiveness in all industry sectors, including sector initiatives such as Rural & Urban Development, Banking & Financial services, Minerals & Energy, Housing, ICT, Smme's, Social Development, Transport, Trade, Industry & Tourism. The **Dti's Strategy for Accelerating Growth and Development** aims at an integrated industrial strategy for stimulating employment and competitiveness in industrial and service sectors in a global context, including a focus on government's role. This strategy needs to be translated into **action programmes** within a **National Growth and Development Programme**, embracing the full spectrum of the public and private sectors, rather than focusing on specific sectors. While job creation may appear to be higher in service sectors such as tourism, commerce, trade and financial services, the potential for job creation cuts across all sectors, including agriculture, mining, construction, housing, infrastructure, manufacturing, transport and public services. There is a need to integrate initiatives such as **BEE**, the **National Skills Strategy**, **Setas, learnerships and education, smme's and job creation** within a broader **national programme of action**. This programme also needs to integrate with the restructuring of **public enterprises and competitiveness** processes in areas such as **energy, telecommunications and transport**.

**Business Strategies** need to be geared to the **major opportunities for Growth, Development and Investment** in the rapidly expanding markets in South Africa and Africa, enhancing economies of scale, scope and profitability. **Business** has a **pro-active role** to play in co-driving the integrated growth and development process, including delivery and financing of major projects, public-private partnerships, smme's, industry cooperatives, skills development, learnerships and job creation initiatives. Detailed **strategies** are proposed to enhance the role of business including **concrete commitments** and programmes at the levels of firms, industry associations and the proposed unified chambers of commerce.

## 10. The Pyramid of Growth and Development

In moving towards Integrated Programmes for Growth and Development, the "Pyramid of Growth" indicates the mutually re-enforcing growth and development potential in bridging the divide from an SA economy built around 4 m people to one of over 42 m and beyond into Africa with 650m and a global economy of 6 bn.



The opportunities, as applied in successful developed and developing economies, include:

- Growth potential is in excess of 6%pa** with a volume growth multiplier of **over 10 X** over the long-term in SA and Globally – this is key to accelerating growth as illustrated in China with >10% pa.
- Growth and Productivity** need to focus on increasing **Output Volume and Value** relative to inputs, as demonstrated by a number of high growth industries

- c. **Growth and Productivity** in both domestic and global markets are driven largely by **Management and Technology**, rather than by labour – which has a natural interest in sustained higher production
- d. **High Volume leads to Lower Unit Costs and Inflation** through supply-side **Economies of Scale** – this is the structural change needed for high growth with low inflation
- e. **Expanding Middle Income Markets** present the keys to viable **business growth** beyond restructuring towards **increasing employment, real wages, smme's, returns and investment** 28% of households earn below R1000pm and 31% earn up to R2500 comprising the key focus groups for government in terms of job creation and poverty eradication. 16% earn R2500-R4500 and 11% up to R8000, comprise emerging middle-income markets for business development. (Adapted from Stats SA 2000 & Labour Paper). More recent statistics are needed to assess current trends. While Labour indicates that inequality and unemployment are increasing, hence the focus of the GDS, GDP p capita is currently estimated at R29 400 and market surveys indicate that middle income groups are expanding.
- g. **Government** needs to focus on job creation, skills, smme development, poverty eradication and delivery in the **poorest sectors**, in Partnership with stakeholders
- j. **The Pro-active Drive by all Stakeholders** to Implement Integrated Business and Economic Growth and Development in all sectors and spheres is the *Santa Claus* needed for sustained broad-based Growth, Development, Employment, Empowerment and Investment

## B INTEGRATED GROWTH AND DEVELOPMENT PROGRAMMES

An Integrated Framework for Growth and Development Programmes is essential to drive the objectives of the GDS across all departments, spheres and industry sectors, in Partnership with all Stakeholders, and with clear targets, timeframes, resources and roles. The **4 GDS themes** provide a basis for programmes although they are essentially inter-related and need to be integrated across departments for maximum impact. A limited set of priorities with a narrow focus would lose the impact and resources offered by a coordinated cross-sector approach. The Budget, Intergovernmental Fiscal Review, GDP Sector and Employment analyses and Sector initiatives provide points of reference for an integrated framework. Potential priority programmes under the various themes include the following:

### Theme 1: Investment, Infrastructure, Public Works and Job Creation

- 11. **Investment:** As indicated in the Labour Paper, Investment is currently around **15,5%** of GDP (+/- R180b) compared to a target of **25%** (+/- R300b), generally associated with high growth. Within the context of GDS, investment needs to be geared to growth as well as sustainable job creation, enterprise development and broader based development. The World Bank, IMF and international investors indicate that the **key priorities** to attract investment are **higher growth**, reduced **unemployment** and more **assertive marketing** of the opportunities for expansion and real returns on both direct and portfolio investment (eg. the JSE is considered to be significantly undervalued on a global scale). Thus the **growth, development, investment and employment** objectives of the GDS may be **mutually reinforcing** within a pro-active integrated strategy, rather than a passive approach, which merely creates a "conducive environment". In this context, various types of investment may be associated with growth and development, including Public and Private Sector, Domestic and Foreign, Direct and Portfolio, Debt and Equity investment, which all require sustainable returns for acceptable levels of risk offered by a growing economy.
  - 11.1 **Investment in Infrastructure:** R300bn is allocated in the budget to infrastructure investment over 3 years, starting with **R78bn** in 2003/4. This will create a **large number of jobs** which could become **sustainable** by generating **productive** activities across departments and spheres in cooperation with Public Works, such as Agriculture, Water, Minerals and Energy, Transport and Communications, Housing and Community Development, Dti, Labour, Provincial and Local Government. The proposed **Joint Task Force** for infrastructure should thus be **broad-based**.
  - 11.2 **Investment by Public Enterprises and Development Finance Institutions** may also be enhanced from the substantial and viable existing base. eg. IDC, DBSA, Land Bank, Eskom, Transnet and Telkom could reach a combined investment level of over **R50bn**. The review of **mandates** for these institutions should include not only BEE criteria but also **sustainable job creation and enterprise development**, within a **broader scope and scale** of activities.

- 11.3 **Investment of R150b pa +** by the Private Sector is needed to meet the 25% target. The Private Investment market is valued at over R1 000bn, implying a 15% growth rate which is quite feasible based on an effective growth strategy driven by both business and government. Private investment is driven by actual and perceived sustainable returns and growth opportunities with acceptable risk as indicated. Investors have not been averse to investments such as government stocks, high growth equities or direct investment in growth sectors such as the motor industry and more recently in property. SA has in fact gained safe haven status and increased investment ratings in recent years, despite issues such as crime and the need for competitiveness in terms of input costs, taxation and regulations, which affect all countries. Many investment specialists such as Mobias believe SA offers significant value and needs only assertive marketing to attract major capital. Contrary to conventional wisdom, capital is not limited nor competitive: it flows to opportunities which meet acceptable risk – return criteria, whether in SA or elsewhere. Thus **pro-active** growth and development strategies, supported by effective public investment and a more pro-active domestic business community, could see **large sustained investment**, both domestic and international.
- 11.4 **Cost Reduction and Productivity:** Micro-economic strategies to reduce input costs in various sectors need to be accelerated eg. transport, energy, liquid fuels and telecommunications. As government is involved in all these sectors through regulation and as a beneficiary stakeholder, it needs to take a **serious decision in favour of consumers and the country** as a whole. The benefits of lower telephone, fuel and energy costs could be substantial in terms of reduced inflation, increased competitiveness and household standards of living. It is noted above that **productivity** is measured by output volume and value relative to inputs, which are driven more by management and technology than by labour. Increases in **output supply** in turn lead to **decreases in unit costs** and **inflation through economies of scale** (rather than attempting to reduce natural demand by high interest rates). This pattern has been observed in several growth industries and offers substantial potential benefits in terms of growth, wages, jobs and standards of living, for an economy which historically produced on a small scale under the isolation of apartheid.
12. **Public Works R4,5b** is a sector which has historically focused on the management of state assets rather than productive public investment programmes. Government's submission indicates the intention to reverse this trend with **Expanded Public Works Programmes**. The Budget provides for labour intensive infrastructure construction and public works projects for urban renewal, rural development, municipal infrastructure and service delivery and poverty relief programmes under continuous review. **Labour** also calls for "Publicly funded public works and community service programmes especially for youth to create 500 000 person-years positions with reasonable income allowances, adding value to communities and without displacing jobs". **Integrating Public Works with Infrastructure Investment** will significantly expand the scope and budgets available for job creation. Input was obtained from the Department (DPW) on Natgrowth programmes as follows:
- 12.1 **Nat Dep of Public Works** August 2001 Ricky Samuels DDG; June 2002 Lydia Bici DDG
- PW manages approximately 100 000 state-owned fixed properties estimated at **R120bn**
  - The Budget of **R4,5b** comprises R1bn+ capital works; R1.1 b maintenance; R1bn leasing properties to state departments; and R1bn on the APOPS Asset Procurement and Operating Partnership System
  - The **asset disposal** programme involves R1bn in properties (which could be increased)
  - The APOPS to date involves private sector management of certain maximum security prisons
  - Community-based **Public Works Programmes** spent **R378m** in 2001/2 on 981 projects, creating **22 619 jobs**, with 43% women and 42% youth (+/- R16 700 per job indicates the large potential)
  - The Independent Contractors **Development and Empowerment** Programmes are in place
- Comments:** Public Works has been a state property manager, maintaining the large portfolio of properties and prisons, inherited from the Apartheid era. It was suggested that State Departments should lease or manage their own properties, freeing up resources for more productive projects. Public Works **job-creation** projects can be expanded **dramatically** across departments. Labour proposes **500 000 jobs** @ R10 000 per job, costing **R5b or 1,5% of the one year's budget**.
- 12.2 **National Dept of Public Works Western Cape** Liziwe G Ramncwana Chief Director Nov 2002 **Public Works** is seen as having major potential in bridging the divide between advantaged and disadvantaged communities throughout SA, through **integrated development programmes and projects**, in cooperation with other departments, clusters and stakeholders at different levels. It was suggested that a Unit of **Growth and Development** should be established in the Office of the Presidency, with a **cluster** of Departments including: Agriculture, Land, Water Affairs and Forestry,

Finance, DEAT, Dti, Housing and all others relevant eg. Transport, Minerals & Energy, Public Enterprises, Public Administration, Local Government, Education, Labour, Protection etc.

13. **Agriculture R6,7b and Land Affairs R1,6b:** Agriculture is a major contributor to GDP and employment, which has however been in decline and has lost +/- 1m jobs over the past two years, as indicated in Tables 6 and 7. There is an urgent need to **accelerate implementation of the Integrated Rural Development Strategy** to maximise the growth, employment and empowerment potential of the sector. The strategy needs to be integrated with related departments and initiatives at national, provincial and local levels, such as land affairs, water and forestry management, public works, and dti programmes for agro-industries, smme's, cooperatives, trade and investment. A switch to **intensive farming** methods in cooperation with commercial farmers, would facilitate **access to land and finance** on a large scale, in addition to progress made on land restitution. The National Department has been represented on Natgrowth programmes and a wide range of projects have been presented at provincial and local levels, for follow-up.

13.1 **Agriculture and Agro-Industries** (Japie Smit Economist Nat Dep of Agriculture June 2002)

**The integrated Rural and Agricultural Growth and Development Strategic Plan** has been drafted by stakeholders on the initiative of the President. The Plan aims to increase Growth and reduce poverty substantially over the next 3 years. This includes re-allocation of Government expenditure, further funding, improved efficiencies and competitiveness, a unified partnership approach, education and research. Primary farming contributes 4 - 4,5% to GDP; the full Agro-food chain contributes 13,5% of GDP, 10% of exports and 11% of employment. SA has 50 000 commercial farmers, 240 000 small-scale farmers and 40% of the population depend on farming. The sector is however dependent on rainfall and extensive land, resulting in large swings in GDP.

13.2 **Potential projects include:**

- **Bringing Commercial Farmers and Cooperatives** together in joint ventures on the full value chain: land, skills, inputs, crop selection, increasing output yields, financing, r & d, technology (eg hydroponic), water management, processing, marketing, distribution, exports etc.
- **Medium-Technology Intensive Farming:** Cost- effective, land-effective, high-yield, value-added, export potential eg. Hydroponic farming have proven results and major further potential
- **Water Management:** Overcome dependence on rainfall: Pipelines, Irrigation, SADC integration, effective dams and catchments
- **Affordable Food Production** in urban and rural areas on a cost, land and water-effective basis
- **Agro-Industries:** Value-added food processing, packaging and branding
- **Cooperative Domestic and Global Marketing:** like the wine industry success story

14. **Water and Forestry R6b** need to be seen in the context of Agriculture and the Integrated Rural Development Programme (IRDP). While much has been done to improve water distribution and sanitation, the IRDP requires accelerated implementation to deliver its major potential for job creation, smme development, growth and development. **Water** management has a key role in overcoming dependency on weather and large land holdings. eg. by ensuring the efficient supply of water for high-yield intensive farming methods.

An integrated approach allows the combined budgets of **R14,3b** to be mobilised for major common programmes, in addition to Land Bank resources, Water Boards and private sector investment. (Rand Water, Umgeni Water, Overberg Water and St Gobain Pipelines have shared this view on Natgrowth Programmes). This approach would also provide a platform to facilitate projects such as:

- **Cooperatives and joint ventures** between smme's and the established commercial farming sector, enhancing **access to markets, finance, skills, technologies and inputs**
- Improved water management and distribution throughout **Southern Africa,**

15. **Minerals and Energy R1,8b:** These sectors have renewed growth, empowerment and employment potential with the BEE Charter and new mining, energy and beneficiation projects across a number of regions of SA and Africa. Government, Business, Labour and stakeholders all have key roles to play in stimulating growth, development and employment. While the budget is modest, it provides a base to drive coordinated new **job-creating initiatives**. The proposed mining royalty may contribute to BEE and job creation, in addition to ownership changes.

- 15.1 **Mining and beneficiation:** Mining contributes +/- 4,5% to GDP and 5,2% to employment with +/- 0,5m jobs. The sector declined over the past decade due partly to the squeeze between low

commodity prices and increasing costs, resulting in the loss of jobs. Momentum was regained with new mining and beneficiation projects, such as platinum linked to global trade and industry. The current strength of the **Rand** due to high interest rates, seriously threatens mine profitability, investment and jobs. This indicates the importance of a balanced approach to monetary policy, which currently requires reduced interest rates for higher growth and a more realistic Rand.

The Platinum sector displays the potential of linkages between mining, commodity prices, value-added (and environmentally friendly) products such as catalytic converters, the motor industry development programme (MIDP) and global trade. The challenge is to jointly devise **major new development programmes** on a similar scale, which enhance value-added production, beneficiation, job creation and enterprise development. The recent ARM Harmony merger points the way for BEE and Growth. Major existing and potential **Projects** in South Africa and Africa include

- **New Mining Exploration** to capitalise on untapped reserves
  - **Expand Beneficiation Projects:** Value-added end products eg.
  - **Further expansion of the Platinum catalytic converter success story;**
  - **De Beers Branding and Global Retailing Joint Venture with LVMH**
  - **Jewellery Manufacturing Cluster** to be accelerated
  - **Steel end Products:** Automotive, Components
  - **An International Commodities Exchange** could play an active role in market pricing processes
- 15.2 **Energy:** The energy sector is not as significant an employer as mining or manufacturing, but displays the stimulatory effects of productive investment on industrial development and standards of living. The sector displays a number of positive and negative features which need to be addressed in a comprehensive programme to enhance growth, development and employment.
- **Price reduction** is one of the objectives of micro-economic policy, aimed at reducing inflation and producer input costs and enhancing the competitiveness of industry and enterprise development.
  - **Eskom's electrification** programme is an acknowledged success, reaching +/-3m households in a short time, but has not yet resulted in significant job creation and smme development. Eskom has an active capital investment programme throughout SA and Africa, including renewable and hydro energy projects, with viable returns on investment, based on sound business principles, coupled with diversification, enterprise and sustainable development programmes, as indicated in a presentation by Dolly Mokgatle, as MD Eskom Transmission at the recent Natgrowth programme. Job retention and creation remain challenges which Eskom could address through certain of its core operations, diversification and enterprise development programmes.
  - **Sasol's** success in synthetic fuel and petro-chemicals world-wide, including a listing in New York, has yet to reach the consumer in terms of fuel prices and job creation opportunities. The sector has started to see the benefits of BEE, which need to be extended in a broader industry development programme, including **expanded upstream and downstream projects and lower prices.**
16. **Transport & Communication R13,9b** are major sectors making up 10.4% of GDP (Table 7), 5% of employment, with some 0.6m jobs (Table 6), high growth of 6-7% and significant potential for further growth, job creation, infrastructure and enterprise development.
- 16.1 **Transport Programmes** need to involve all stakeholders including DOT, Transnet, PPP's, Taxis, Contractors, Labour, Commuters and Communities. As a major infrastructure sector, transport serves the need for Efficient and Affordable Commuter and Commercial Transport throughout SADC and Africa by Road, Rail, Air and Sea. Major projects and efficiencies are possible to stimulate growth and employment, including:
- **Infrastructure Projects:** in Roads, Commercial & Commuter Rail, Public Transport, Ports, Facilities
  - **PPP's** can facilitate cooperation, delivery, financing, skills transfer and delivery
  - **Public Transport** - rejuvenate and synergise metro and intercity buses, taxis and trains
  - **Commercial Transport and Logistics** can improve efficiencies, pricing and economies of scale
  - **Motor Industry Expansion** - Economies of scale and financing packages can multiply the market
- 16.2 **Communications R2b & ICT** are recognized as key sectors facilitating growth and development, involving multiple stakeholders including DOC, Telkom, SNO, Cell Operators, the IT and Media



industries and Smme's. The **ICT Summit** in June 2002 highlighted many opportunities and challenges, which need to be translated into a coordinated Programme of Action.

Existing and potential projects include

- **Telecommunications infrastructure** extension including fixed, mobile and broad-band
- **Smme** Marketing, Distribution and Procurement opportunities
- **Mass Marketing of Affordable Computers** – project in planning by Natgrowth
- **The Blue IQ Innovation Hub** set up to nurture a Silicon Valley in SA
- **E-Learning** Roll-out: eg. Gauteng online
- **E-Government** Expansion and improvements in service delivery
- **Mass Market ICT** and related services – Refer projects by Universal Services Agency in under-served areas and by New Millennium Information Services in high demand urban townships
- **B2C E-Commerce** will expand with a broader market and faster access
- **B2B E-Commerce** will continue to grow
- **Call Centres** for global customer service are being initiated in SA, generating significant jobs
- **Convergence** of TV, Internet and Cellphones
- **Business IT systems** such as Networking, Enterprise Resource Planning, Electronic Data Interchange and Payment Systems will revive in due course
- **Software Development** will continue to grow world-wide as systems change, both in generic and specialised niche applications such as security systems
- **Project Management**, Support, Change Management, IT Education and Training Programmes
- **Africa:** Following MTN and MNet up Africa with other Electronic and Print Media

17. **Housing R6,5b and Community Development R10,2b; The Total of R16,7b** is a substantial budget utilised on an integrated basis for the efficient delivery of affordable and appropriate living environments, near to work opportunities, as stressed by Labour. While housing delivery has improved the current housing budget and subsidy system on its own is not reaching the extent of the demand. Public housing and township development programmes are needed to reach the full extent of the needs and opportunities of the market at different levels. This would include mixed-use developments and redevelopments with multi-income levels catered to by Public Private Partnerships. The middle-income segments offer attractive opportunities for private developers and financial institutions, which could unlock a major housing boom within viable communities.

**National Dept of Housing** Dick Von Broembsen Chief Director Policy Planning March 2002 acknowledged that **National and Provincial Budgets** are available for more effective delivery to address the housing backlog through **more extensive projects** eg.

- **increasing the number and scale** of housing developments with both public and private funding
- **broadening the scope of** township developments including viable middle-income housing
- **allowing Government** to play a direct role as developer, financier and labour provider
- **leveraging the resources** of the private sector, financial institutions and communities
- **partnerships** with private contractors, developers, banks, and joint ventures with small contractors
- **the Construction, Engineering and Supply sectors** can look forward Major **Infrastructure** projects throughout SA, SADC and Africa, with ready capacity to meet the demand and create jobs

## **Theme 2: Skills Development, Equity, Education and Job Creation**

Government's submission indicates that **Joint approaches** are needed to **accelerate job creation** through effective **implementation** of the National Human Resource and Skills Development Strategies, improved delivery by **Setas** with the **R3,9n** Skills Fund and **massive Learnerships** for youth and unemployed in collaboration with the private sector and education providers - a major sector which needs to be integrated with the skills development process.

### 18. **Labour, Skills Development and Equity**

**Labour R1,3b** has a small budget for major challenges, including responsibility for the **GDS, Job Creation, Skills Development, Employment Equity and Unemployment relief. Skills and Job creation are crucially related** and should not be seen as separate themes or initiatives.

- 18.1 **Coordinated budgets and programmes** are thus essential for maximum impact, across all related departments including education, dti, public works, agriculture, the Setas, the Umsobomvu

- Youth Fund, the National Development Agency and development finance institutions, with the strengthening of implementation mechanisms to enhance the scale and pace of delivery.
- 18.2 **The Skills Fund of R3,9b** needs to be unlocked and applied on a **dramatically more efficient and effective** basis through the **Setas**, in cooperation with the departments of education, labour, dti and others. The Seta process is considered to be unnecessarily complex for the urgent task of extending job related skills and learnerships on a massive scale. The process can be significantly streamlined. The goal of 50 000 learnerships in partnership with public and private enterprises is only a starting point in a process which could rapidly reach **several million** unemployed youth, without replacing existing jobs.
- 18.3 **Dti** is currently engaged in a project to identify **skills gaps** between the unemployed and the demands of industry, in cooperation with the Setas, NPI, education and research institutions. The skills gap is not considered to be as large as often assumed – many companies recruit matriculants and graduates who are trained rapidly in commercial and technological work-related skills.
19. **Education R69,1b** is the largest budget which can be geared towards more effective delivery of **work-related skills** for job creation and enterprise development, on a short- and long-term basis.
- 19.1 **The total education budget and system** needs to be reviewed for efficiency and effectiveness. The Department has been invited to present its strategies for the GDS in this context. In general, it is considered that **R69,1b** should be sufficient to deliver quality education, materials, facilities and work related skills to all learners on an affordable basis, moving towards the aim of universal free education – as in many comparable developing countries. This requires improvements in efficiency, innovative curricula, technologies and methods for effective utilisation of facilities and resources.
- 19.2 **Educational institutions** are broad-based national resources close to the people which can be used as **community service centres** to deliver a range of initiatives such as **learnerships, abet and skills development** programmes for youth, graduates, unemployed teachers and other groups, in partnership with the private sector and community based organisations.

### Theme 3: Job Creation, Enterprise Promotion and Poverty Eradication

**Job creation** is the over-riding theme of the GDS and cannot be pursued in isolation from the economy as a whole and other areas such as skills development, public works, investment and economic strategies.

20. **Trade and Industry (dti) R2,7b: Dti** is a key potential driver of economic growth, development, employment, enterprise, empowerment, trade and investment, in the context of a broader **National Growth and Development Programme**,
- 20.1 **Actual and potential Employment are highly significant** in direct dti related sectors. Trade, Commerce, Catering and Hotels employs some 2,2 m, 19,7% of the total in Table 6; Manufacturing employs 1,6m or 14,8%; Business, Financial and Real Estate Services employ 1m or 9,3% of the total. These are growing sectors, which have however not been adding significant jobs. The potential exists for far higher job creation and enterprise development on a coordinated basis.
- 20.2 **Dti's various initiatives and agencies** need to be coordinated across the entire spectrum of the public and private sectors for maximum effectiveness. These include the Integrated Manufacturing Strategy, the previous Strategy for Accelerating Growth, Development and Employment; the new Smme Development proposals, the BEE Strategy, Trade and Investment South Africa (TISA), the IDC and various related agencies at sector, provincial, regional and international levels.
- 20.3 **Labour's Strategies** to restructure the formal sector align with various proposals herein eg.
- **Sector Strategies** are critical as per the dti's Integrated Manufacturing Strategy; with continuing & more effective **Sector Job Summits** agreed in 1998 (eg. chemicals, engineering, food and services tabled) with a. **joint policy** development rather than narrow interests; b. appropriate **mandating** structures and progressive & **innovative experts** who can give **strategic** direction to the process
  - **Dti's supply-side measures for industry must be tied to employment creation;** be extended to domestic production and to all services; be more accessible and publicised
  - **Government and Public sector investment should include**
    - investment plans and targets for parastatals that support job-creating growth

- ensure IDC, DBSA review and report on all policies & programmes, prioritising job creation
  - ensure government investment programmes do more to create jobs & stimulate growth
- 20.4 The **Smme Development Proposals** are particularly relevant to the priority set by the GDS for enterprise promotion and job creation, as well as learnerships within industry. Government's submission indicates that implementation agencies and capacity need to be significantly strengthened for enterprise development, support, incentives, mentorship and access to finance.

It is suggested that the strategy be coordinated with existing capacity in the private and public sectors, such as Ntsika, Khula, IDC, DBSA, the Land Bank, NPI, Financial Institutions, Business Partners, Professional firms, commercial joint ventures and franchise operators, which have succeeded elsewhere. **Smme's** already comprise over 40% of jobs in SA compared to more than 80% in the USA. Opportunities abound in all sectors, particularly services. Business Viability, sustainability and management skills are key focus areas to enhance access to finance and success.

## 21. **Umsobomvu and Youth Development**

As youth comprise some **70%** of the **unemployed**, major programme and targets are needed to achieve "massive" job creation, through learnerships, enterprise development and other initiatives. A number of institutions can be mobilised such as Umsobomvu, the National Youth Council (NYC), established business development organisations and emerging youth business organisations.

- 21.1 **The Umsobomvu Youth Fund (UYF) R1b**, created from the proceeds of demutualisation, **needs to speed up the** release of funds for youth and enterprise development, in cooperation with the full range of delivery and support organisations, such as chambers of commerce (eg. Sayfcoc, EYC, Nafcoc, Fabcos, Sacob, BSA, AHI, affiliates and members), NYC, dti, smme development agencies, development finance institutions, the Setas, labour and community service centres, UYF presented a paper and sponsored a number of disadvantaged youth delegates on the recent Natgrowth programme. In discussion, it was acknowledged that the pace of implementation and cooperation can be significantly accelerated. Examples of Youth Business Development and Investment initiatives presented on Natgrowth Programmes include the following:

- 21.2 **SAYFCOC:** SA Youth Federated Chamber of Commerce November 2002 and March 2003  
Ephraim Mokgoseo Chair, Michael Masalesa, Artie Phatlane, Blondie Kgomongwe, Millie Rasekoala, associates and affiliates

**Sayfcoc** was established in 2001, as an affiliate of the SA and Junior International Chambers of Commerce. It provides business and economic development services for a range of youth organisations and smme's. Sayfcoc's Profile indicates its alignment with GDS as follows:

- **Vision and Mission:** to substantially reduce the +/- 50% unemployment among youth
- **Expanding smme's, learnerships, skills and job creation** throughout SA
- **Creating and sustaining a culture of entrepreneurship**
- **Facilitating Skills Development** through the Sector SETAS
- **Strategic Alliances** with SMME Business and Economic Development organisations
- **Strategic Alliance** with educational institutions for broad education, training & skills development
- **Maximising Opportunities and Linkages** as a door opener to diverse organisations in government, business, communities and other youth organisations

- 21.2 **EYC: Economic Youth Consortium** November 2002 and March 2003 Zama Qampi CEO

**EYC** is a Consortium of Youth Organisations and other investors targeting youth businesses and other businesses. EYC indicates that youth are potentially sophisticated entrepreneurs ready to enter and lead in the mainstream of the economy. A number of projects have been identified for which EYC is arranging investment, including:

- **Youth Smme's** and Job Creation projects and joint ventures
- **Mining** projects in jv's with mining houses in various provinces and sectors including Diamonds, Platinum, Cement and Granite
- **Agriculture:** Beef export, Oil, Cat fish, Fruit & vegetables
- **Manufacturing:** Beneficiation, Jewellery, Auto components, Pipe linings
- **Tourism:** various resorts and theme parks
- **Education & ITC:** Mass education and computer projects
- **Financial Services:** Enterprise financing; wholesale trade centres

- **Provincial Investment** Agency Projects
  - **Housing:** Nactu Housing Development Trust Initiative
- 22. Manufacturing**

**Manufacturing** is a major cluster of sectors, comprising 18% of GDP growing at 3,6% - 5% over the past 2 years, with 1.6m jobs or 14,8% of the total, enhanced by exports and diversification. The strength of the Rand is currently affecting competitiveness, indicating the need for a balanced monetary policy, taking into account that the PPI has declined towards the target rate. The dti's Integrated Manufacturing Strategy and sector initiatives provide a base for accelerated implementation of growth and development programmes within competitive global and domestic markets. The **cluster** and export council approaches also have potential if pursued assertively eg. in autos and agro-processing.

Key Success Factors include the strategic capability to capitalise on growth opportunities and to enhance productivity by adding Value and Volume, rather than by cutting wages or jobs. While restructuring often result in job losses, the challenge is to create a large number of **higher value jobs and smme's**, while bridging the **skills gap**. The historical **bias of incentives** towards capital investment needs to be corrected and direct job creation incentives considered. A selection of opportunities in existing and new industries, for manufacturing and distribution, includes the following:

- **Agro-processing:** Expansion opportunities abound for **domestic and global** markets in various provinces and sectors, with large potential to add value, volume, jobs, smme's and coops
- **Automotive:** Expansion potential on current 400 000 **vehicles** as well as **components**, with job creation through the new MIDP, Blue IQ Auto Cluster and Global marketing networks
- **Building Materials** – Potential expansion with major construction **projects due** to take off
- **Chemicals – Broadening the base** beyond established global players such as Sasol
- **Clothing, Textiles & Footwear** - AGOA is providing a renewed window of opportunity for new and established businesses to add value, volume, jobs and smme's
- **FMCG: Food, Beverage and Consumer** industries have mass market potential throughout Africa
- **Furniture, Household and Appliances** - lower interest rates should provide a lift to consumer durable spending, aiming at higher volumes and lower unit costs for affordable mass production
- **Industrial, Machinery and Equipment** - The Capital Equipment Cluster has demonstrated potential as world-class supplier, eg. in mining, processing and transport where we have expertise
- **Medical and Pharmaceutical** - Growth should be driven by the high demand for affordable healthcare, generic medicines, drugs and consumables, together with Government pressure on prices and the economies of scale possible
- **Paper, Packaging and Plastics** - SA has a number of world players who could diversify their markets into stronger growth emerging and niche markets, pending a global recovery
- **Other:** Avionics, Ceramics, Arts & Crafts, Electronics, IT Components, Fibre-optics, Bio-genetics.... The possibilities are endless

## **23. Trade and Services**

**Trade** Wholesale, Distribution, Retail and Commercial are major employers and growth sector. Further growth can be stimulated by **more aggressive expansion throughout SA, SADC and Africa** following Metro, MNet, MTN and others all the way to the Middle East. A sample of opportunities includes:

- **Domestic Trade and Commerce:** *Mass marketing and distribution*
  - **Joint ventures and franchising** with local distribution channels and Smme's
  - **New Commercial Centre** *Developments in township areas are long overdue*
- **Trade - Export:** Expand on the strong growth potential outside of commodities; eg.
  - **Export Councils and Trading Houses** play a major direct role in many countries (eg. Japan and Korea) and industries (such as Steel, Diamonds, Motor), through global marketing alliances
  - **Trade Agreements** have been set up to access the main markets on a more favourable basis including Europe, the USA, Asia and South America
- **Services:** Opportunities for Business Development and Expansion in Africa and globally including
  - **Business, financial, health, tourism** project management, ITC and government services
  - **Property, Facilities Management, Logistics & Outsourcing:** BEE & expansion opportunities

- **Professional services** can lead and facilitate and Lead Business development
- **Para-professional services** can be expanded in many sectors eg. para-legal, para-medical

### Other Cross-cutting Departments and Sectors

24. **Environment and Tourism R1.4b** is a relatively small budget, particularly as tourism contributes some **R69.8b** or +/- 6% of GDP and is considered a priority sector for growth and job creation. While tourism has grown to 6m visitors, coordinated initiatives are required to enhance the potential for **growth and job creation** through increased domestic and international tourism marketing and development. Implementation of the **WSSD** Johannesburg Programme of Action (JPI) can also be enhanced within the GDS. Some of the initiatives discussed on Natgrowth programmes include:

24.1 An **integrated** Tourism Growth and Development Programme at National, Provincial, Local and Nepad levels, including Deat, Dti, SA Tourism, the Tourism Business Council, Theta, Labour, Acsa and Transnet, to include coordinated **marketing, job creation, learnerships, smme and infrastructure** development programmes, including

- *More pro-active and aggressive direct marketing and PR campaigns*
- More extensive use of cost-competitive, attractive tourist packages
- *Further development of tourism attractions and facilities*
- Further development of tourism and hospitality skills: low cost, high yield
- *More extensive linkages to tourist spending opportunities*
- More extensive linkages to business activities and investment promotion
- More extensive internet marketing and selling activities

24.2 **Expansion** of the **MICE** (Meetings, Incentives, Conferences, Exhibitions), Business and Sports Events markets as demonstrated by the success of WSSD and the Cricket World Cup, generating major tourism flows, direct and indirect revenues, and placing SA on the international tourist map

24.3 **Expansion of domestic and international Eco-tourism**, including integrated Tourism, Environment, Education and Entrepreneurship programmes for school-learners and tourists.

24.4 **Poverty Eradication** Programmes, currently run by DEAT, need to be **expanded** in terms of GDS and **integrated** with other departments such as labour, public works, dti and social development.

24.6 **Accelerated implementation of the WSSD JPI and NSSD**: including the economic, social and environmental dimensions, which could be effectively integrated with the GDS Task Forces. SA can enhance its leadership role as custodian of the WSSD in coordination with related processes such as the **UN Millennium** Goals, the **WTO Doha** Development Round, the **Monterrey** Consensus on Financing for Development, and the development roles of the UN, World Bank and IMF.

24.7 **Environmental** priorities which need to be integrated with the GDS include

- ☐ **NEMA: National Environmental Management Act** – needs to be enforced
- ☐ **Conservation initiatives** including cross-boarder parks, eco-tourism marine resources & wetlands
- ☐ **Eco-efficiency** in Consumption and Production is on the agenda for mining, energy and chemicals
- ☐ **Sustainable Development** and Environmental issues to continue integration in sector processes
- ☐ **Strategic planning and Implementation** Programmes required at all levels
- ☐ **Corporate responsibility reporting** is improving with the General Reporting Initiative and King 2
- ☐ **Poverty eradication programmes** can be effectively linked with environmental upgrading
- ☐ **Bio-diversity** – SA Leads but also sustains high losses – implementation strategies are required
- ☐ **Urban and rural development programmes** need more substance for implementation
- ☐ **Provincial, local and community initiatives** to be integrated with National programmes

25. **Social Development R48,7b** is a major budget designed to meet the needs for social welfare, security and poverty eradication. The Social Development Summit in October 2002 acknowledged significant shortfalls in delivery and aimed to mobilise a number of lead projects and partnerships between the National Development Agency (NDA), Business, Community Based Organisations, NGO's and other stakeholders to begin to bridge the gaps.

It was proposed that an Integrated Development Programme be developed to maximise the capacity to deliver the large amount of available funds to the most needy sectors of society, including child grants, hiv/aids relief, viable and sustainable community, business and economic development projects. The NDA is due to present an update on the various initiatives, which are at the core of the GDS objectives for poverty eradication.

26. **Arts, Culture & Sport R1,1b** offer growth and employment opportunities with increasing Tourism, Trade and Export Potential, demonstrated in the hosting of major events. While these sectors essentially provide leisure and recreation, a comprehensive programme with sound business strategies and skills development is needed to create jobs and sustain viable enterprises.
27. **Science and Technology R1,1b** are cornerstones of the knowledge based global economy, as indicated in the dti's IMS and in Nepad. SA has a number of well established institutions such as the CSIR and the Technikons which could play a far more substantive role in growth and development, with an increasing focus on real economic applications and job opportunities.
28. **Health R39,1b** is a large budget designed to meet the major challenges in healthcare which impact on peoples lives as well as on employment, social and economic development. The department is due to present its strategies for enhanced delivery in the context of the GDS, which would include primary, secondary and tertiary healthcare services, programmes to combat HIV/Aids and other diseases as well as plans for an affordable national health insurance scheme.
29. **Protection Services R58,5b** comprise a major portion of the budget, a large part of which can be turned towards more productive economic activities, as acknowledged by participants from the SANDF and the Department of Correctional Services in Natgrowth programmes, eg. as follows:
- 29.1 **Defense R22,5b:** Aside from the issues of arms procurement and peace keeping initiatives, the SANDF is effectively a **peace-time** force which can be mobilised for social and economic growth and development programmes at no additional cost. Denel has already shifted towards industrial and technology based manufacturing activities. SANDF can initiate its own productive enterprises, engaging urban and rural unemployed youth and disadvantaged communities, as well as partnering with the private sector in a range of agricultural, infrastructure, industrial and service projects. SANDF can also assist other Departments such as Safety and Security, which may be short of capacity, with facilities, resources and secondment arrangements
- 29.2 **Safety and Security R22,8b:** Crime prevention and policing are acknowledged as key priorities, which have received increased budget allocations. The challenges concern the effectiveness of service delivery towards the desired outcomes of substantial crime reduction and a safe, secure and corruption free- society for all citizens as well as tourists and investors. The desired strategies, as demonstrated in other departments and in other countries, would seem to lie in a highly professional management approach with more effective systems of organisation, training, performance management, accountability and communication with stakeholders. Cooperation with other departments, as well as with the private sector and community organisations could assist in enhancing capacity and management systems.
- 29.3 **Justice and Constitutional Development R5.1b:** Similar problems and strategies apply to improving the effectiveness of the Justice system; ie. thorough professionalisation of the management and organisation of the department, in cooperation with related departments and stakeholders. The approach to judicial procedures and sentencing should also be coordinated with both Safety and Security and Correctional Services to ensure maximum efficiency.
- 29.4 **Correctional Services R8.1b:** Some 90% of expenditure relates to **incarceration** and administration, with less than 10% related to correction and **rehabilitation**. This approach perpetuates an overcrowded prison system with over 175 000 prisoners, as well as fuelling the high incidence of repeat offences, the culture of crime, hiv/aids and other diseases, while depriving offenders and society of re-entry and participation in society. The Minister has indicated the intention to re-allocate the priorities and spending towards rehabilitation. However, this process can be accelerated significantly, with some of the following measures, as applied in other countries:
- only some 15% of offenders are considered to be "serious" in requiring long-term incarceration;
  - the remainder may be classified in various degrees for intensive rehabilitation and productive activities within prisons, which can be adapted for this purpose; outside of prisons on parole, on electronic surveillance, within community centres, and on agreed working programmes with government and private sector organisations;
  - professional and administrative staff of the department have indicated the feasibility of this approach, which would require their own direct engagement with the prison system
  - sentencing would need to allow alternative forms of punishment, including community service.

- A pilot entrepreneurship programme for over 100 prisoners in three prisons, was run some time ago under the National Youth Council by Natgrowth associate London School. More programmes of this nature be initiated and followed-through as part of a comprehensive rehabilitation programme.

### 30. Cross-cutting Departments

Departments which cut across and are key to the success of GDS programmes and implementation processes include:

- 30.1 **National Treasury** is positioned to be a **central driver** of Growth and Development, with responsibility for overall Macro-economic Policy, including Fiscal and Budgetary processes, State Expenditure, Intergovernmental Cooperation, Financial Management and the PPP Unit
- 30.2 **Public Administration** has prime responsibility for **delivery** through enhanced management processes in all sectors, including performance management, accountability and capacity building
- 30.3 **Public Enterprises** operating in **key sectors** of the economy may be harnessed towards higher levels of growth, development and job creation, with major assets and budgetary resources
- 30.4 **Provincial and Local Government** covers over the **largest** portion of total budgets, offering potential for enhanced effectiveness, coordination and the channeling resources to development
- 30.5 **Home Affairs** could **enhance** investment, employment, social and economic activity through improved **procedures** eg. registration of grant beneficiaries and foreign investment applications
- 30.6 **Foreign Affairs** could stimulate a number of key GDS processes, through its involvement in areas such as **foreign trade and investment** as well as **Nepad** and **WSSD** implementation

### 31. Theme 4: Action Partnerships

**Action Partnerships** are needed to facilitate cooperation in **all spheres and sectors** between government and social partners, not only at local levels. **National, Provincial and Local Growth and Development Task Forces and Programmes of Action** are proposed to drive accelerated implementation programmes. The Task Forces should be located in or report directly to the Offices of the **Presidency, Premiers and Mayors**, to ensure broad engagement at the highest levels. The Task Forces could be effectively **driven by interdepartmental DG Committees and Cabinet Clusters**. It is considered that **fragmented initiatives with insufficient capacity and coordination would not do justice** to the overarching importance, scope and potential impact of the GDS.

As proposed by Government and Labour, the **Joint Task Forces** would include **broad representation** of Government, the Private Sector, Labour, Communities and other Stakeholders, supplemented by parliamentary committees, senior executives in the public and private sectors and development organisations as well as professional and technical specialists. Nedlac structures and resources need to be enhanced to facilitate this process effectively. The GDS needs to launch a **continuous** process with regular reporting, accountability and review. This would overcome the **pitfalls** of previous **summits**, which lacked coordinating structures with the capacity to drive agreed processes on a continuous basis.

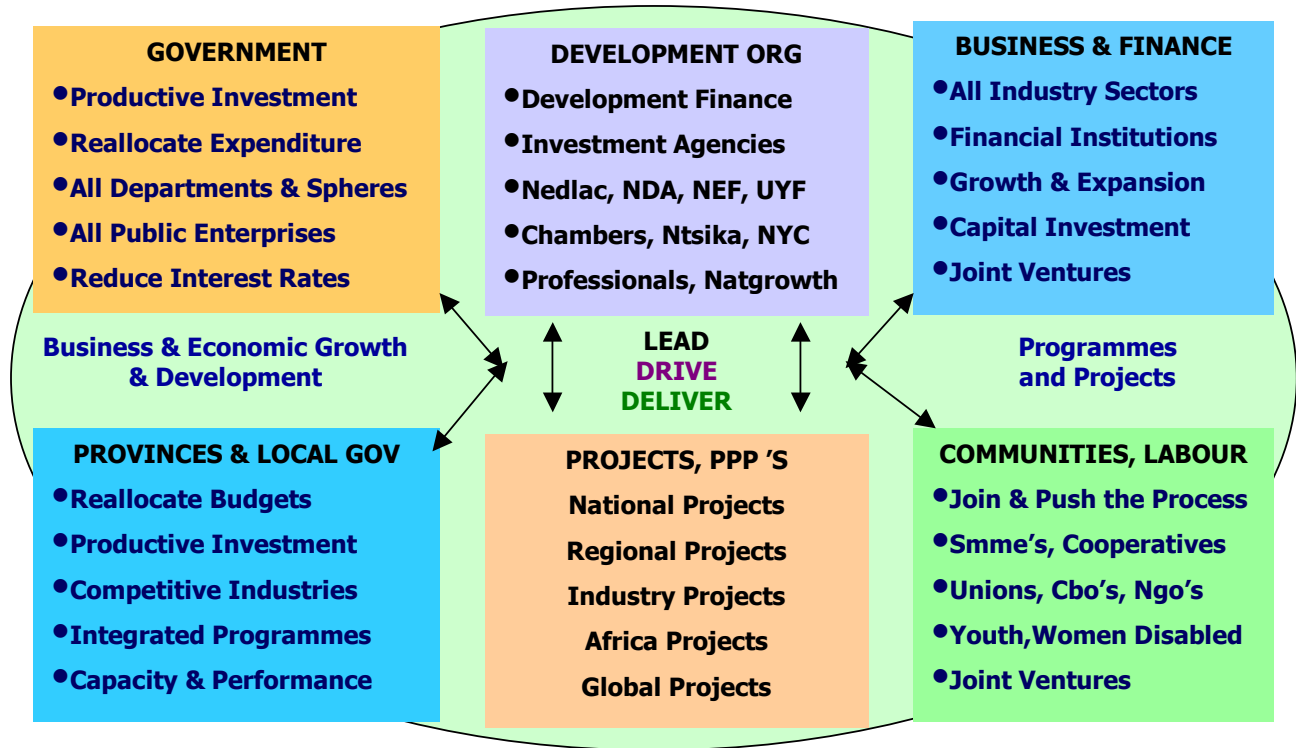
**IMPLEMENTATION PROCESSES** required include comprehensive Business Planning, Strategic Budgeting, Re-allocation of Personnel and other Expenditure from administrative to productive activities, Performance Management, Financial Management, Capacity Building and inter-departmental coordination. These processes are standard in well-managed companies, public enterprises and government departments. The Expertise is available and needs to be applied with urgency – the benefits would be rapid and widespread.

**PUBLIC PRIVATE PARTNERSHIPS** offer the potential to drive growth and investment projects within a workable integrated model, adding value while not detracting from the objectives of stakeholders. The **Private Sector** contribution includes Capital, Management, Entrepreneurship, Capacity, sustainable Business models and strategies in a global context, with the imperative to include Sme's. The **Public Sector** needs to retain its public policy objectives, including service delivery and employment. "**Privatisation**" should be seen within the context of such an integrated Model rather than as a panacea or demon in isolation. The National Treasury **PPP Unit** has a number of **active projects** across National and Provincial departments including the R5bn KwaZulu-Natal Luthuli Hospital, R7,5bn Gauteng Rapid Rail, the

R160m Chapman’s Peak restoration in W Cape. The PPP Unit should however **not stall on projects!** A **pro-active drive** for accelerated implementation and more extensive PPP’s, is necessary to enhance delivery, as indicated in the Government and Business submissions. Labour and communities would be more positively disposed if job retention and creation and community involvement were demonstrated.

**Pro-active Roles in Driving Growth and Development**

**All stakeholders have pro-active roles to play in driving, leading and delivering** growth and development programmes and projects, as indicated in the figure below. It is vital that each party does not wait for the others, but rather that **each takes the lead in driving** the process. Joint Task Teams and Development Organisations can play facilitating and coordinating role to form an effective national team. This includes Development Finance Institutions, Investment Agencies, Nedlac, Chambers of Commerce and professionals.



**Cross-cutting issues** raised in discussion on Natgrowth programmes which need to be addressed in the design and implementation of Programmes and Projects include:

- Ensuring a balance and synergies between **Domestic and Global/Export Growth**
- Ensuring a balance and synergies between **National and Regional/Local Growth**
- Ensuring the inclusion of **Marginalised Communities and Groups** in the Growth Process
- Facilitating **Partnerships** between **Smme's, cooperatives and established businesses**
- Maximising **Employment opportunities** to avoid the syndrome of "jobless growth"
- How to bring the **Private Sector on board through PPP's** eg. Pro-active Marketing of PPP's, Attractive Returns, Risk Minimisation, Calling for Proposals and effective project structuring
- The Role of the **Banks and the Financial Services** sector in promoting growth – see below
- Improving **Communication and cooperation** across departments and sectors

### 31. Provincial and Local Growth and Development Programmes

Growth, Development, Investment and Employment need to be driven aggressively in all Regions, across all Departments, in cooperation with the Private Sector and other stakeholders. The Intergovernmental Fiscal review indicates that considerable resources exist at **Provincial** level and progress has been made in a number of areas. The GDS should aim to shift this process to a significantly **higher level** of impact. At **Local** level, access to budget resources, implementation processes and coordination with the provinces



appear to be the main obstacles to economic growth and delivery, with wide variations between the major cities and smaller local authorities, and significant challenges ahead. A number of Provincial and Local Programmes and Projects are set out below for review and follow-up.

### PROVINCIAL PROFILES

(Source: SA Business Guidebook 2001/2; own table & emphasis)

Province	E Cape	Free State	Gauteng	KZN	Limpopo	Mpuma-langa	North Cape	North West	West Cape	Total
<b>Popul. 2001</b>	6.4m	2.7m	8,8m	9.4m	5.3m	3.1m	0.8m	3.7m	4.5m	<b>44.8m</b>
% of Total	14.3%	6.0%	19.6%	21.0%	11.8%	6.9%	1.8%	8.3%	10.0%	<b>100%</b>
<b>Area Sq km</b>	169.6	129.5	17.0	92.1	123.9	79.5	361.8	116.3	129.4	<b>1 219.1</b>
% of Total	13.9%	10.6%	1.4%	7.6%	10.2%	6.5%	29.7%	9.5%	10.6%	<b>100%</b>
<b>Ggp1999 bn</b>	52.7b	39.8b	269.1 b	93.2 b	33.9 b	43.7 b	12.6b	43.4 b	139.5b	<b>727.9b</b>
% of Total	7.2%	5.5%	37.0%	12.8%	4.7%	6.0%	1.7%	6.0%	19.2%	<b>100%</b>
Ggp p capita	R7 721	R13 743	R32 843	R10 240	R6 386	R14 341	R13 961	R11 772	R33 120	<b>R16 656</b>
<b>Economically active</b>										
1999m	1.8m	1.1m	4.0m	3.0m	1.3m	1.1m	0.3m	1.4m	1.8m	<b>15.8m</b>
% of Pop	27.4%	41.4%	50.9%	33.9%	23.8%	35.1%	38.0%	37.7%	44.2%	<b>36.1%</b>
<b>Budget</b>										
2003/4 R bn	26.4b	10.7b	25,8b	32.2b	21.0b	11.3b	3.8b	12.9b	14.9b	<b>142.4b</b>
<b>Key Industries &amp; Opportunities</b>										
<b>Agriculture</b>	√ fruit mohair wool sea forestry cattle	√various	√ various	√ fruit forestry sugar cattle	√ fruit nuts veg timber sugar	√ fruit sugar forestry tobacco wool	√ fruit karakul fishing sea products	√ fruit maize cotton tobacco livestock	√ fruit wine fishing	√
<b>Mining, Metals, Beneficiation, Energy</b>	√	√ Steel & Allied products	√ Alumin	√ Coal	√ Gold Platinum group other	√ Steel & vanadium coal power	√ Dia- monds asbestos mangan	√ Gold platinum chrome other		√
<b>Construction Infrastructure</b>	√	√	√	√	√	√	√	√	√	√
<b>Manufact- uring</b>	√ glass bricks ceramics plastics sanitary rubber	√ farm equip jewelery	√ various	√ alum product s paper plastic wood	√ various	√ various	√ various	√ benef- iciation	√ ships – repair contain- ers	√
Auto & comp.	√		√	√		√				√
Chemicals	√	√ petro	√	√ petro		√ petro			√ petro	√
Cloth & Text	√		√	√		√			√	√
Leather-wear	√	√						√		√
Electronics	√			√						√
Pharmaceut.	√	√	√							√
<b>Services</b>										
Trade	√	√	√	√	√	√	√	√	√	√
Fin & Business			√						√	√
ICT	√		√						√	√
Tourism	√	√	√	√	√	√	√	√	√	√
Transport & Logistics	√	√	√	√	√	√	√	√	√	√
Other	√	√	√	√	√	√	√	√	√	√

Some **common elements in Provincial and Local Growth and Development Programmes**, based on input from Gauteng and other provinces include:

- The need for **Pro-active Government leadership and commitment in driving** the process
- **Strategic Economic Analysis** of the Province, its cities and districts in National and Global Context
- **Integrated Strategic Development** Programmes with challenging targets and delivery timeframes
- **Innovative High-Impact Projects** with broad-based multiplier effects and competitive advantages
- **Public sector investment** to facilitate PPPs, private sector participation, economic activity & reduce risk

- **Business Planning, Project Evaluation and Structuring** based on factors such as **sustainable economic impact; investment attractiveness, business viability; and job creation** potential
- Attracting local and foreign **Private sector Investment, Financing** and Business Participation
- **Defined Management Teams** with bottom-line Accountability and Performance Contracts

Some common **Sector Opportunities and Challenges**, which need to be integrated and accelerated for broad based development across different regions are as follows. Government needs to take the lead in **Bridging the divide** between established sectors and the broader community through joint ventures and cooperative initiatives, including access to skills and finance. This applies to diverse sectors, including:

- 📖 **Agriculture, agro-industries and water management** to overcome drought problems
- 📖 **Mining and minerals beneficiation** adding value, volume and job creation
- 📖 **Manufacturing in diverse sectors** for the domestic and export markets
- 📖 **Tourism** including domestic and foreign eco-tourism, business, conferencing and cultural
- 📖 **Transport and Infrastructure** throughout SA, SADC and Africa
- 📖 **Services including Trade, ICT, Smme and Skills Development**
- 📖 Integrated Social Development, including Housing, Community Development and Public Works
- 📖 Wehab Sectors: Water & Sanitation, Energy, Healthcare, Agriculture & Food and Bio-diversity

## PROVINCIAL PROJECTS

### Eastern Cape

Arthur Nomnganga **Premier's Office**, Azwell Banda **ECSEC** March 2002

E Cape is second largest province with a population of **6,85m** (15,5% of SA), GGP of **R52,7bn** (7,5% of SA), with the **second lowest GGP per capita of R7 721** and 1,83m economically active (27,4% of population) – **the lowest rate of employment**. It has the **second largest budget of R26.4b** which needs to be more effectively managed and channelled to development. **Cities:** PE and East London developed around harbours; Umtata; Bisho (Capital); Grahamstown, Port Alfred, King Williamstown, Queenstown.

**Industry sectors and investment opportunities** include:

- **Auto Cluster:** EL and PE are the **hub** of the SA **auto industry** with VW, Delta/GM, DaimlerChrysler, Ford/Samcor and Goodyear Tyres, and exports of cars and components such as catalytic converters. **Opportunities** include:
  - **Expansion** of the high volume and value industry for export and domestic markets
  - **Supply** of further components, leather goods, seats, cat converters etc.
  - **Smmes, Labour** and Human Resource Development Strategy: **Skills** Development programmes
- **IDZ's and Coega** 3<sup>rd</sup> deep water port 20k from PE will make EC an ideal export centre for manufactured and value added goods. **Opportunities** include:
  - **Construction Phase:** Infrastructure, PPP's, Employment
  - **Sustainability: Auto** expansion, **Agro-industries, Mining & Beneficiation, Ship building, Intergovernmental synergies, attracting Service industries**
- **Tourism: Wild Coast SDI** Expansion of this world-class destination for
  - **Domestic and foreign tourist** markets
  - **MICE:** Meetings, Incentives, Conferences and Exhibitions
  - **Smme and community involvement**
- **Agriculture forestry and agro-processing opportunities:** livestock farming & leather, fruit, pineapples, chicory, dairy products, coffee, tea, tobacco, hemp, maize, sorghum and 60% of world mohair production, wool, aquaculture, proposed Irrigation Scheme, Smme and Community involvement
- **Manufacturing opportunities:**
  - **Chemicals**, pharmaceuticals, rubber & plastics
  - **Clothing**, footwear, leather & textiles,

- **Electrical** & electronic,
- **Glass**, bricks & ceramics, sanitary ware
- **Metals, mining** & quarrying, mechanical & beneficiation
- **Transport:** Proposed National Toll Road
- **Infrastructure, Housing and Community** development projects

**Threats** to be addressed through consultation processes include:

- **Environmental** issues
- **Labour:** union cooperation to remove barriers to employment
- **Skills:** low skills base to be addressed by HRDS

**Action: Proposed Workshops to develop strategies, business and project plans**

## Free State

**Economic Affairs and Tourism** Thembeka Nhlekwa Director, JJ Mavuso Deputy Director, Moipone Nkosi Senior Advisor, November 2002; **Social Development** Ms B Marshoff **MEC** and Delegation September 2002

An **Integrated Development and Implementation Programme** is proposed for Free State, designed to achieve the overall targets of Growth, Development, Investment, Employment and Poverty Eradication over a realistic timeframe. **Free State has many strengths and opportunities** on which to build towards a vision of broad-based prosperity, social and economic development within a well conserved environment. This will require coordinated effort, pro-active initiatives, enhanced capacity and partnerships between stakeholders.

**Economic Affairs and Tourism** can play a leadership role in facilitating the **IDP, coordinating the budget allocations** between different departments and clusters, with major potential impact beyond the department's own limited budget. **Social Development** can also extend its budget impact through more effective cooperation across departments.

A number of **projects in various sectors** are awaiting further planning, marketing, branding and implementation towards expansion and/or diversification of the economic base, including:

### **Agriculture and agro-industries: The Breadbasket Province**

- Maize and Milling, including mini-mills in various communities
- Livestock and Leatherwear
- Apple and Fruit Farming and Processing
- Wine Farming, Processing, Marketing and Exporting

### **Mining and minerals beneficiation: The Golden Province**

- Revitalisation of the core Mining industry
- A major Jewellery Industry initiative

### **Manufacturing**

- Clothing and Textiles
- Footwear and Leather
- Meat Processing
- Chemicals
- Pharmaceuticals and related Clinical Medical Trials

### **Investment and Export Promotion**

- **Expansion** of existing initiatives
- **Cooperation with TISA and the Private Sector**

### **Tourism, Transport and Environment**

- **More extensive Marketing** and Development of the diverse attractions for Domestic and Foreign Tourists in the Free State, including eco-tourism, tranquil resorts, water facilities and game parks
- **Optimising Strategic Advantages as a Central Gateway Province**, both within South Africa and linkages to Lesotho and the SADC region

## Gauteng

### Gauteng Economic Growth and Investment Programme Aug and Nov 2001

*Trevor Fowler MEC Development Planning & Local Gov; Oren Fuchs, Blue IQ GM Finance and Viability*

**Gauteng Department of Finance and Economic Affairs and Department of Labour Nov 2001**

**Gauteng** is seen as a key engine for national and regional growth, generating 38% of South Africa's GDP, 26% of SADC's GDP and 9% of Africa's GDP. By comparison, Kwazulu-Natal generates some 15% of National GDP followed by Western Cape at 14%. Gauteng comprises some 64% of national purchasing power, is an attractive market for the region and is seeking markets into SADC and Africa, with significant potential multiplier effects for investment and employment. Growth in **1998/1999** was only some **2%**, below the national average. The Provincial Government (GPG) decided in 1999 on 3 specific objectives over a five year period: **Increasing Growth** through Infrastructure Investment; **Good Governance** and **Service Delivery**. In 2000, GPG **Investment of R1bn generated 18 000 jobs** and the Growth rate was 3%, above the national average. **Foreign Investment of R1bn** was attracted generating **4 700 jobs**. For **2001/2** a further **R1,3bn** is expected, creating 3 500 jobs. Gauteng Economic Development Agency (**GEDA**) was amongst the Government institutions instrumental in this process.

**Gauteng Growth and Investment Strategy** focuses on creating a business environment for investors that is "innovative, stimulating, supportive and rewarding", identifying the potential of specific locations to attract global investment within the framework of Spatial Development Initiatives (SDI's).

- **Strategic Thrusts** include: **Services: IT and Tourism; Transport; & High Value Manufacturing**
- **Critical Success Factors for Implementation** include: **Partnerships** for Empowerment, Capacity Building, Skills Transfer and Smme's, with upfront involvement of the Community and labour
- **Smme Opportunities** include: Manufacturing Advice Centres, Mentorship, Township Tourism
- **Implementation Agencies include:** Blue IQ, Geda, Gauteng Tourism and the Gambling Board
- **Replication of Projects** is required in different districts and local areas
- **Skills Development**, Education, Training and Business Planning are necessary to give direction
- **Steel Products and Auto components** are opportunities for Smme's to be pursued with Iscor, Emfuleni Council, Blue IQ Auto Cluster and the Canadian Alliance for Business in SA
- **Infrastructure, Housing and Community** development projects
- **Tourism:** various projects eg. Africa Theme Park, Training and infrastructure upgrades

**Gauteng Blue IQ Initiative** is a driving vehicle to implement the Provincial Economic Development Strategy, comprising **R1,7bn** investment in **10 mega-projects**, unlocking economic potential in four vital sectors: Technology, Transport, High value-added Manufacturing and Tourism. The Province provides the infrastructure investment and framework, reducing the risks in attracting local and foreign investors, who have already shown interest. Blue IQ emerged from Gauteng's Economic, Trade and Industrial Strategy, seeking to enhance its competitive advantages in a global context including people, land, technology, infrastructure and enterprise, differentiating Gauteng. The strategic thrusts were "Smart" Industries; High value-added manufacturing; and Services: Tourism and Transport. Blue represents solid infrastructure and technology; IQ represents intellectual capital, knowledge, society and people. A unique approach by Government required innovativeness, fast-track results-driven delivery and a separate small professional management unit on performance contracts with financial accountability. **The 10 Mega Projects at various stages from planning to Investment Proposals and implementation, include:**

### High Value Manufacturing

1. **Auto Cluster** expansion in progress
2. **Wadeville-Alrode Corridor:** marketing & development phase
3. **ICT: Innovation Hub** – marketing and development phase;
4. **ICT: Gautengonline** schools computer education project in progress

### Tourism:

5. **Constitution Hill** – in progress
6. **Newtown Cultural Precinct**– in progress;

7. **Dinokeng; Cradle of Humankind** – development phase;
- Transport:**
8. **Gautrain** –consultation and proposal phase;
9. **Johannesburg International Airport IDZ** – development phase
10. **City Deep IDZ:** infrastructure development phase

#### **KwaZulu-Natal**

**Prof. Sipho Tshabala Advisor to the Premier Nov 2001**

- **KZN** comprises 9-10 million people with the third largest economy. **Strengths** include **Tourism, Transport, Manufacturing and Agriculture including cattle, sugar and forestry**
- **Weaknesses** include **unemployment, marginalized rural communities, HIV/Aids, the decline** and inefficiency of many cities and industries including **clothing, footwear, textiles & agriculture**
- **Challenges** include **reviving** existing industries with the participation of communities and youth
- **Opportunities** include:
  - **Tourism & Transport:** the MICE industry, R2bn Airport and Port expansion, Ship Building
  - **Improving Agriculture, Agro-processing** and land utilisation
  - **Reviving Clothing, Footwear and Textiles**, particularly in view of AGOA;
  - **Services:** IT, Education, Skills and Smme development;
  - **Mining and Industry:** Coal, Anthracite and Petrochemicals Projects
  - **Infrastructure, Housing and Community** development projects

**Action: A Working Group**, follow-up Workshops, Business Plans and Action Programmes are proposed

**Umgeni Water, KZN:** Umesh Natha, Strategic Planner, November 2002

- ☞ **A Coordinated IDP** is proposed to stimulate economic growth and development, and to bridge the divide between advantaged and disadvantaged areas, sectors and communities in KZN, including
  - **All Provincial Government Departments and the Premier's Office**
  - **All Local Authorities** – to be included in the Agenda for the **Kwanalogo** Imbizo early in 2003
  - **All Parastatals**
  - **The Private Sector:** Industry associations and business organisations
  - **Community Organisations**
  - **Labour and other stakeholders**
- ☞ **Umgeni Water** is active in a number of areas, which could assist in facilitating the IDP eg.
  - **Water, Sanitation and Agriculture** projects
  - **Community Development** projects
  - **Project Management** Services
  - **Financial Management** Services
  - **Local Government** projects

#### **Limpopo Province**

**SMME Support Centre** August 2001: Mr Albert Moloto; **NP Investment Initiative:** Nov 2001 Renier Bester, Owary Khan, June 02 Amos Shiburi; **Local Government and Housing** March 2002 Alfred Netshifhefhe; **Department of Transport MEC Rev Dr T S Farisani** Aug, Sept and Nov 2002

**Dep of Finance, Economic Development, Tourism & Environment.** Sep 2002 MEC Mufamadi March 2002 Modile Boshiello, KS Mashalane, Lehlegake Mothapo, Moses Modjajdji, Edward Mtlala, Moloto Nchabeleng, Reuben Leboho, S T Hlungwane, S Tlaka, Stanley Mathabatha; June 2002: Charles Shongwe, Owents Ntlemo, Zacharia Nemutanzela

**Limpopo** is one of the **poorest** provinces with the lowest Ggp p capita of R6 386, second lowest GGP of R33,9 bn, the **lowest employment** rate of 23,8% with the **fourth largest** population pf **5,5m** and budget of **R21bn** to be channled to economic development. Limpopo has however been achieving **one of the highest growth rates**, of +/- 6% over the past year. **The Economic Cluster**, including Finance, Economic Affairs and Tourism, Transport and Agriculture, is leading the process of growth and development, which could take the form of an **Integrated Implementation Programme**. A large number of **Projects** have been identified, which can be accelerated towards implementation, including:

- **Mining** has shown rapid growth recently, particularly in Platinum group metals, as well as gold, diamonds, phosphates and coal, with **Beneficiation** and related **Industrial** opportunities beckoning

- **Agriculture, agro-processing and water management** have further growth potential eg. citrus, nuts, tropical fruits: avocados, mangos, hydroponic farming, irrigation schemes etc. Cooperatives are useful to facilitate joint marketing, exporting, skills and smme's. **NPII** is seeking investment and value-added processing Major **R1bn sugar** project:
- **Tourism** opportunities include more effective marketing of the existing attractive facilities and packages
- **Transport and Trans-border trade** opportunities include a gateway to Africa by road, rail and air
- **Smme Support Centres** in 5 districts, to be **coordinated** with **Ntsika** accredited local centres and **Incubation project**, which should not wait for specific infrastructure to move ahead
- **Infrastructure, Housing and Community** development projects in planning
- **Communication** needs to be enhanced to facilitate action between all roleplayers, including government spheres, departments, investment agencies, parastatals, banks and the private sector.
- **The Premier** has announced a **R30m Marketing project for Limpopo**

**Action:** Working Groups, follow-up Workshops, Investment Conferences and Action Programmes are proposed for prioritisation, business planning, viability assessment and project management.

## Mpumalanga

**Mpumalanga Investment Initiative** August 2001: Mandla Sibiya and Paresch Pandya  
**Mpumalanga Youth Commission / Premiers Office** March 2002 Mxolisi Dladla Chairperson  
**Dep of Finance, Economic Affairs & Tourism** June 2002 JM Minisi Dep Dir, M Makgamatha Ass Dir

**Mpumalanga** has a population of some 3m with GGP of some R44bn, R10 1240 per capita and a Budget of R11.3b. **Opportunities abound** in expanding all key sectors, export trade and investment, requiring **pro-active business planning and investment promotion** including Smmes, Youth and Women eg.

- **Industries eg. Downstream manufacturing expansion eg.** Columbus Stainless Steel, Secunda Petrochemicals, Ngodwana Paper and Packaging Products; Forestry, Clothing, Textiles, Granite products
- **Agriculture and agro-processing eg.** Expanding the range of high value crops and processed foods eg. sugar, fruits, juices and related products based on excellent quality bananas, mangoes, oranges etc.
- **Tourism: Expanding** on the existing game and sightseeing attractions with integrated, value-added and well-marketed tourist packages, including a gateway to Swaziland and Mozambique
- **Maputo Corridor:** maximising the opportunities along the corridor to Maputo, eg. in terms of trade, commercial activities, tourist and property development
- **Transport facilities:** need to expand and speed up access to Mpumalanga by air road and rail
- **Infrastructure, Housing and Community** development projects to be accelerated
- **Action: A Working Group is proposed to pursue Business Plans and Action Programmes**

## Northern Cape

A number of delegates have attended Natgrowth Programmes and are due to present project proposals to bridge the divide between established industries such as mining and agriculture and poor communities

## North West

**Central District Municipality** Nov 2001 and June 2002 Clr MJ Kgomo  
**Dep of Economic Development & Tourism** March 2002 Frank Kakona Tlhomelang  
**Dep of Agr, Conserv & Entrepreneurial Development** March 2002 Neo Rampagane, Phindi Mokoena

**North West** has a population of 3.6m, GGP R43.4b and a budget of R12.9b, with high rates of poverty and unemployment and withdrawal of companies since 1994. **Progress** is being achieved towards **the goal of 5% Growth**. A large number of projects are at various stages of planning and implementation, including:

- **Mining** is over 40% of Gdp: The "Platinum Province", Gold, Diamonds, Granite, Marble, Cement and Beneficiation eg. Jewellery and Crafts.
- **Tourism:** Various resorts and theme parks as The Heritage Province with Game Reserves, Leisure, Gaming, Events, linking Hartebeespoort Dam, Sun City, Rustenburg, Taung, Mafeking and Botswana
- **Agriculture** and agri-business including hydroponic farming, fruit, maize, cotton, tobacco, wheat, beef, livestock, leather, Oil, Cat fish
- **Manufacturing:** Mining commodities, auto and components, Beneficiation, Jewellery, Pipe linings

- **Transport:** The new N4W R2,4bn project, various corridors and IDZ's pending eg. Mafikeng
  - **Infrastructure, Housing and Community** development projects
  - **Education & ITC:** Mass education and computer projects
  - **Financial Services:** Enterprise financing; wholesale trade centres
- Action: A Working Group,** follow-up Workshops, Business Plans and Action Programmes to be confirmed  
**Western Cape**

### National Dept of Public Works

Liziwe G Ramncwana Chief Director November 2002

Western Cape has a population of 4.2m, with the second largest GGP of R139.5b, or R33 120 per capita, and a budget of R14.9b. Strong growth and further potential are evident in tourism, property, agriculture and agro-processing with a revival in manufacturing. However, the typical features of **dualism** are present with high unemployment and poverty affecting large communities. Strategies for further growth and development and bridging the divide were discussed. The following potential initiatives and projects were proposed for the Western Cape for follow-up

### Economic Initiatives / Alternatives / Sector Focus Areas for the Western Cape

Expanding thriving sectors to the broader community through cooperative initiatives eg.

- Tourism and Eco-Tourism**
- Agriculture and Agro-industries**
- Manufacturing (eg Clothing and Textiles)**
- Bridging the divide lines been rich and poor**
- Integrated Development Programmes** for cooperation and cross-cutting issues

### Strategies

- **Alliances / Partnerships between stakeholders**
- **Re-allocation / redeployment of resources**
  - **Human**
  - **Financial**
  - **Infrastructure**
- **Community involvement**

### Identification of Economic Drivers in Decision-making

- **All players at different levels**
- **Establish a Minister and Unit of Growth and Development in the Office of the Presidency**
- **Suggested Cluster of Departments: National, Provincial and Local**
- **Environment Affairs and Tourism**
- **Trade and Industry**
- **Housing**
- **Agriculture**
- **Water Affairs and Forestry**
- **Finance**
- **Public Works**
- **All others relevant eg. Transport, Minerals and Energy, Public Enterprises, Public Administration, Local Government, Education, Labour, Protection etc.**

### Western Cape Chamber of Commerce

President, Chris Nissen June 2002, Director of Maritime Safety Association and other companies

**The Sea** is our 10<sup>th</sup> Province. **Maritime** industries are major and affect the broader economy. Growth must be properly managed to conserve marine resources. **Opportunities** include expansion of Tourism, Ports, Trade, ship-building and repairs, and related support industries

**Business and Government are both drivers** of growth and investment, including new and existing industries such as wine, fruit, clothing and textiles as well as local development

**Cape Empowerment Trust** was an example of empowerment through entrepreneurial drive, constant learning, adding value to acquisitions and funded by a listing on the JSE.

**Action: Cooperation is proposed to stimulate further growth and empowerment projects**

#### **LOCAL PROJECTS**

##### **Emfuleni Metro Council**

Mayor Clr Johnny Thabane and Clr Simon Mofokeng August 2001

- Emfuleni is in the Midvaal area, including Vereeniging, Vanderbijl Park and two rural areas
- The population is around 1,3 million and the unemployment rate is approximately 51%
- The main companies Iscor and Sasol have been shedding jobs over the past few years
- There is an urgent need for a combined programme of regeneration
- The Vaal Research Group is investigating several initiatives
- Economic Development and Industry opportunities as an SDI of Gauteng include the following
- **Industry:**
  - Building on the existing industries including steel, petrochemicals, equipment etc.
  - Downstream manufacturing activities in the above areas
  - Partnerships between major companies, Smme's and Government
  - Establishment of an Industrial Development Zone
  - Utilisation of the existing airport for more extensive freight and passenger services
- **Tourism, Leisure, Gaming and Entertainment**
  - A major marketing drive to increase the flow of visitors to the existing attractions, eg.
  - The Vaal River as an ideal local tourism, conference, sports and event destination
  - The Casino, Game Park and related entertainment facilities
- **Agriculture and Agro-industries**
  - Substantial land and water are available for conventional and new farming methods
  - Organic and hydroponic farming proposals are awaiting full business plans
  - Land and air transport facilities are available for rapid local and export market access
  - Agro-processing activities are suitable both for the urban and rural areas

**Action: A pro-active Strategic drive** is necessary to integrate and drive the various opportunities towards successful implementation; **A leaders summit** will engage the major companies and stakeholders; **Business Planning** should be pursued with urgency as one of the keys to **raising finance**.

##### **Ekhuruleni Metro Council**

Mayoral Committee representatives

- Ekhuruleni comprises the **major towns of the East Rand** with **established** urban mining, industrial, commercial and residential infrastructures
- **Blue IQ** Projects affecting Ekhuruleni include **Alrode Wadeville** Industrial Corridor, the **JIA** IDZ, and linkages to the City Deep IDZ

**Action: A Working Group** is proposed to develop **Business Plans and Action Programmes**, to engage the private sector and to realise the full potential of the existing infrastructure and projects.

##### **Johannesburg**

**Joburg 2030** was presented as the long-term vision of Joburg as a world-class city, supported by a series of short-, medium- and long-term strategies. Current initiatives include:

- A focus on **development nodes and delivery priorities**
- **Blue IQ** projects proceeding: JIA IDZ, City Deep IDZ, Wadeville-Alrode, Newtown, Constitution Hill
- **JDA:** Johannesburg Development Agency as a vehicle for development and investment
- **Central City Partnership:** eg. crime and grime projects to attract business and redevelopment
- **Alexandra** redevelopment: R1,7bn integrated presidential priority project proceeding
- **Soweto** Development Initiatives: infrastructure, specific projects and funding proposed
- An effective **integrated public transport system**



- Capitalising on the international Meetings, Incentives, Conferences and Exhibitions **(MICE) Market**
- Development of Joburg and Sandton as **major Commercial and Financial centres**
- Investments in Braamfontein – together with new private sector initiatives

### **Kangwini Council**

Mayor Clr Alfred Nkabinde August 2001 and 2002

The Mayor presented a brief outline of opportunities in the Kangwini/Bronkhorstspuit area including

- Mining and minerals beneficiation industries
- Tourism, game and leisure resorts
- Agriculture, agro-processing and water management

**Action:** The opportunities need to be **work-shopped and followed up** with integrated Business Plans

### **Merafong**

Mayor, City Manager and delegation Sep 2002

**Merafong**, including Careltonville indicates the need for a **more substantive Integrated Development Programme** 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, with the participation of all stakeholders**, include

- ☞ **revitalising mining** and related **beneficiation** industries in cooperation with the mining houses;
- ☞ development of **agriculture, hydroponic farming and agro-processing**;
- ☞ 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;
- ☞ development of the **tourism industry** including existing game parks and archaeological caves, as well as sports and recreational attractions

### **Tshwane**

August 2001: Mayor's representative

- A brief discussion was held on Tshwane/Pretoria, which is already involved in the major Blue IQ projects such as the **Innovation Hub** and the **Auto Cluster**
- **Further project opportunities and implementation processes** need to be **work-shopped** in order to have a real impact on economic growth, investment and employment in the region
- **Marketing of Tshwane** as a leading African City with its own distinct positioning is under discussion

## **32 Integrated Implementation Programmes**

**Integrated Implementation Programmes** are clearly vital to stimulate accelerated growth and development across sectors and regions. Some of the keys to the Implementation and Financing include

- **Coordinated action** to consolidate the initiatives of different departments, clusters and organisations
- **Substantive Development Programmes** with detailed targets, timeframes and budget allocations
- **Focused Capacity Enhancement** including effective Public Private Partnerships
- The availability of **Finance is not the limitation**, but rather the ability to offer attractive returns and growth with acceptable risk.
- **Project structures** may take a wide variety of forms ranging from pure private or public sector entities through strategic alliances, joint ventures and public private partnerships.

**Business Planning** is central to viability assessment and raising finance for investment. This is an area which needs capacity enhancement at various levels of government, smme's and support agencies. Key factors in the business planning process discussed include:

- **Clear Strategic Vision** within the broader environment and a sound strategic framework
- **Participative Processes** with broad ownership and creative input
- **Identifying Growth Potential and Market Trends:** at local, national and global levels
- **Industry Size, Structure and Potential Impact** on Growth and Employment
- **Competitive Advantages:** eg. Adding Value and Volume; Cost Economies; Niches; Innovation
- **Profitability and Viability:** The business model must show a sustainable attractive bottom-line

- **Employment Potential:** including incentives available to enhance job creation and skills
- **Infrastructure, Technology, Skills and Capacity Requirements**
- **Investment Requirements and Attractiveness:** Growth, Returns & Risks
- **Defining Participants and Roles:** Government/Public, Private, Smme's, Foreign etc.
- **Core management competencies** including marketing, financial, operational and technological
- **Comprehensive Project Structuring, Management and Implementation** processes

**Project Management** is a key implementation process which also requires capacity enhancement at various levels. A range of courses and services are available. Some the basic skills were outline by Natgrowth, Project Intelligence and The X-Pert Group, stressing the action steps to turn strategy into reality:

- **Collaborate with relevant stakeholders** to define and document a strategy, idea or purpose, understanding the reasons 'why' and the desired 'what'.
- **Allow stakeholders to influence the content**, because people support what they create.
- **Translate the strategy or idea into clear, realistic and practical chunks of work** (or projects) with clear priorities in terms of what to do first; who has to do what and by when
- **Obtain influential leader support in championing the cause.**
- **Empower the correct working team** with the above clear goals and the means to do it.
- **Apply good project management governance** during execution of the work – buy it, borrow it or build the capacity to do it. This includes tracking and monitoring progress as well as resolution of issues. Follow the nine knowledge areas of project management fully – scope and change, time, cost, quality, resources, risks, contracts, integration and communication.
- **Produce meaningful feedback** (reporting) to the right people at the right time so that progress can be communicated and decision-making can take place.
- **The leader must have the courage** to take tough decisions during implementation (delivery), focus on doing it right (quality) whilst creating excitement at the same time.
- **Complete the work** (there must be an end and formal closure before the next initiative begins), measure the results (were expectations met), celebrate the success and identify the lessons learned

**Financial Management** is an overriding priority for all implementation processes. Capacity building and independent audits are **urgently** required to avoid maladministration and to enhance prospects for success.

**Performance Management** is a key management tool which needs to be implemented in all departments to ensure delivery, with professional systems for defining, measuring and rewarding performance outcomes.

### 33. Investment and Financing

The keys to investment and financing lie in greater knowledge and application of the **general principles** of business financing, including the following:

- **Investment Capital** Flows to Projects and Business Opportunities with Attractive Returns, High Growth and Acceptable Risk, in the interest of ordinary pension funds and investors – a fact of life!
- **Investment Capital is not Limited for practical purposes** – funds can be raised for investment projects which exceed the cost of capital!
- **Investment Capital is not Geographically limited, but highly mobile** – it cannot and should not need to be forced or locked in!
- **Investment Capital Rewards Success** and Punishes failure
- **Partnerships** between established and emerging business can enhance credit worthiness
- **General and Financial Management** capacity are vital aspects of capital raising
- **Investment Incentives should not be the over-riding factors** to assessing project viability or funding - they may influence the project structuring, location etc. See the DTI List of Incentives available, mainly encouraging export manufacturing, labour utilisation and Smme's
- **Institutions are available** to assist in Business Planning, Viability Assessment, raising finance and project structuring and implementation, depending on an initial assessment of the project
- **Public and Private sector** organisations should thus be far more pro-active in identifying potential projects and engaging professionals with world-class local and global expertise and networks
- **Institutions in turn** should be far more pro-active in stimulating the investment process

#### **Development Finance Institutions (DFI's):**

**DFI's** play a major role in facilitating and financing growth and investment in SA and Africa. As finance is not the limitation, the scope and scale of DFI activities projects could be expanded to make an even greater

impact on GDP and employment by **more aggressive marketing and communication** with prospective public and private sector clients. The **Mandates** of the Dfi's are under **review** to include BEE and a broader development scope. It is also noted that the role of the World Bank could be expanded in SA.

**Action:** Working Groups to develop and implement more extensive marketing and expansion programmes

**The IDC: Industrial Development Corporation  
A Catalyst for Development in SA and Africa**

Jorge Maia SADC Dept Aug 01, Loshnee Naidoo Nov 02, Lindi Sishi Manager in CEO's Office March 2003

- ☞ The **IDC Mandate extends** to SADC and Africa, as a state-owned self-financing "policy-based development finance institution that can leverage and catalyse private sector investment for economic development". It is a company with an independent Board. **IDC's role in Africa** includes: Identifying, consulting and catalysing sound **investment opportunities**; assisting in **financing exports** of SA capital goods and services
- ☞ **Foreign Direct Investment (FDI)** into Africa is still very low, +/- \$11b in 1997 to +/- \$9b in 2000
- ☞ **Nepad** envisages continental and regional initiatives to re-position Africa globally. **Intra-African investment** and linkages are seen as key eg. diversification of exports and production, mineral beneficiation, development of ICT and capital goods sectors.
- ☞ **Sectoral Focus includes:** Manufacturing, Agro-industries, Mining, Mineral Beneficiation, Energy, Tourism, IT, Telecommunications, Selective franchising
- ☞ **Assets of +/- R26bn** generate substantial investments of +/- R6b pa and positive returns on investment.

**Financing criteria include:**

- Greenfields Projects, expansions and rehabilitations; Sizeable projects
- Economic merit (profitability and sustainability) and Development impact
- Fixed assets and portion of growth in working capital
- Reasonable equity contribution from owners/promoters and Security
- Environmental requirements

**Financial Products** include:

- **Equity:** minority investments 20-30% in SADC; maximum of 25% elsewhere in Africa
- **Loans:** generally 5-10 years tailored to cashflow requirements; competitively priced; US dollar loans: Libor-based; Euro loans: Euribor-based; Rand loans: Jibar-based
- **Quasi-equity** structured finance and project finance
- **Export Finance:** 85% of contract, requires 15% direct payment; linked to capital goods and related services; minimum 70% South African content; repayment up to 10 years.

**Operational Structure** includes sector-based business units including Agro-processing, Tourism, Chemicals, Metal-based Products, Textiles, Techo-industries, Mining and Beneficiation, Empowerment, Wood Paper other

The **Projects Division** focuses on larger projects eg.

- **Beneficiation:** export-focused, new technologies; base metals eg. copper aluminium; non-ferrous metals eg. magnesium, titanium; downstream products; petro-chemicals
- **Minerals, Mining and Energy:** leading role with partners, pre-feasibility to implementation services, risk capital for feasibilities, competitive project financing
- **Agriculture:** new crops, reduce water consumption, agro-processing and market development for specialised products, large rural development job creating projects

**The SADC Department** steers IDC's involvement in SADC and Africa: pro-actively **identifying investment opportunities, marketing** IDC's products and services, participating in regional policy and investment promotion forums, as a one-stop SADC/Africa contact and information centre.

**IDC's Africa Project portfolio** includes some 40 projects in 13 countries valued at over R6b

## Comments

The scale and scope of IDC investment and business development activities could be substantially enhanced. The IDC mandate may be extended to cover a broader range of activities, including BEE and Smme's.

### **DBSA: DEVELOPMENT BANK OF SOUTHERN AFRICA** **Infrastructure Development challenges and opportunities**

Dr Moraka Nakedi MAKHURA, DBSA Policy Unit March 2003

DBSA operates in South Africa and Africa, with a main focus is on infrastructure for local authority clients. Assets have increased to some R25bn, creating several thousand jobs. Serious infrastructure backlogs exist, particularly in rural areas. **Challenges and opportunities for Infrastructure Development were outlined as a key foundation for human and economic development, in the context of policy issues such as growth, job creation, poverty alleviation, and environmental sustainability.** Key areas include:

#### **Basic Physical Infrastructure**

- Water supply and waste treatment facilities
- Transport networks and facilities - Road, rail, sea, air
- Communications – Telecommunications networks
- Energy – Electricity generation and supply networks

#### **Social, Government and Enterprise Infrastructure**

- Social Infrastructure – Housing, health and education facilities
- Government Infrastructure – Government buildings and facilities
- Enterprise Infrastructure – Facilities for all types of manufacturing and commercial enterprises (micro, small, medium, large)
- Special Economic Infrastructure – e.g. tourism

#### **New Dimensions of the demand for infrastructure**

- Forces of **Unity** are pushing regional and economic integration
- Demand is no longer based on economic grounds only, but social justice despite limited affordability
- Rural development in most parts of Africa and SA - R4 b pa needed to revive 13 identified nodes - both hard infrastructure & soft - services, distribution, transportation, communication and marketing
- Other challenges: the care household economy, accountability, capacity, information & knowledge
- Greater need for private sector & community participation in infrastructure development
- Need for both private and development finance due to the risk nature

#### **Some Options for Delivery**

- Identify appropriate needs, prioritize and sequence the implementation.
- Build institutional capacity in local governments: Local Development Agency.
- Establish systems of partnerships to delivering infrastructure services.
- Package development (consumption) infrastructure with production services.
- Promote local (community) participation in infrastructure development.
- Establish synergy of private and public sector funding of infrastructure services.

**DBSA Plays a triple role:** • Lender • Advisor • Development Partner

**Infrastructure Focus areas:** Regional, Municipal, Rural, Social, Eco-tourism, Enterprise, Institutional

#### **Financing Profile:**

- Loans and Equity approved – R25.61 billion, Cumulative guarantees – R261 m,
- Technical Assistance grants – R91.7 million, Co-funding R3.28 for each R1.00 own investment
- 2001/2 Loan approvals - R477 million; loan agreements R3 421 million
- Employment opportunities – 42 000; Contribution to GDP - R8,9 billion
- Income flows accruing to low income households – R 1 102 million
- Households benefiting from new infrastructure projects – 620 000

#### **Key DBSA Initiatives to Accelerate Delivery**

- Establishment of Development Fund
- Focus on partnerships, leveraging and sharing knowledge on development and infrastructure

- Proposed local government resource center

**Comment:** Finance is not the limitation, but rather a flow of good projects and management capacity. As Pro-active Development Finance Institutions, IDC, DBSA and others should aim to **substantially increase their scope and impact** to the required level of growth and investment in SA, SADC and Africa.

### **THE ROLE OF BANKING AND FINANCIAL SERVICES IN ENHANCING GROWTH**

Cas Coovadia Banking Council of SA GM Transformation March 2003

The Banking and Financial Services Sector provides the fuel for economic growth, which needs acceleration:

#### **ROLE OF BANKING SECTOR IN SOCIO-ECONOMY – Core Functions are in place**

- Financing private sector growth
- Provision of financial services to government
- Infrastructure financing
- Facilitating savings
- Access to financial services
- Corporate social investment
- Black economic empowerment
- Financing across economy
- Internal transformation

#### **HOW THESE ROLES ARE ACHIEVED – Products and Services support Growth**

- Debt financing for enterprise development
- Banker to government
- Operating accounts
- Securing debt
- Financing of government infrastructure
- Programmes + PPP's
- Use of branch network and ATM for savings mobilisation
- SME financing, social payments, transfers
- Contributions to Business Trust and other individual projects
- Financing of BEE transactions
- "Charter" process for internal transformation

#### **PROBLEMS IN ACHIEVING ROLES**

- Identification of investments of national priority
- Cost of savings products
- SME financing by onset PDI's
- General costs related to access to financial services

#### **INITIATIVES TO DEAL WITH PROBLEMS**

- Ongoing integration with government to develop strategies for investment
  - Identification of Investments
  - Roles being defined eg. In terms Public and Private Sector
- Diversification of financial sector to broaden access
  - Reasons and benefits are clear
  - Regulatory environment being facilitated
- Isolation of impediments to SME financing to PDI's
  - Historical legacy needs to be overcome and Weaknesses need to be addressed

#### **CONCLUSIONS**

- Banking sector is critical to growth and development**
- Need to maintain certain imperatives for viability**
- Partnerships key to viable expansion eg. With retail sector, SA Post Office etc.**
- Roles being defined to share responsibilities and risks**
- Entire financial sector involved**
- "Charter" process nearing completion – with major potential for change**

**Banking Project:** Inputs by: Chris Hart Absa, Desmond Golding, Louis Venter SARB, Colin Young Old Mutual, Ron den Besten Gensec, Kathy Berman Ernst & Young, Collette Chan Nedcor, Danny Nicola GTKF

- **Banks and Financial Institutions leading and driving** the growth and investment process
- **Expansion of Markets, access and the range of Financial Services** and retail joint ventures

- **Expanding the range** of interlinked multiple products for bankable customers
- **International Commodities Exchange** to strengthen SA and Africa's market and pricing position
- **Consumer Bonds** as an attractive source of savings, finance and investment
- **Closer relationship management with Government** at all levels to enhance access to finance
- **Enhanced Competitiveness** in the banking sector and reduced retail interest rates
- **Action: A working group is proposed to follow-up on a series of projects**  
**Empowerment Structuring** (Refer also Black Business Council Summit June 2002)

**BEE Deals** were generally done through Special Purpose Vehicles (SPV'S) with Debt or Preference Share Funding using the Shares as security. They worked when Share prices went up (eg. Johnnic, MCell, MTN) but not when the prices went down - many had to sell the shares at a loss to repay debt: this has been the case since +/- 1999; BEE drying up. Other Options include: **Private Equity** - subject to normal Private Equity criteria; **Convertible Debentures and Share Options** – which remove the short-term risks from SPV's; **National Empowerment Fund**; and **National Investment Corporation** - See proposals below. **Chris Nissen**, Pres W Cape Ch of Com explained how the Cape Empowerment Trust was formed and listed on the JSE as an entrepreneurial empowerment vehicle to fund and add value to businesses.

**Empowerment Structuring: An Equity Investors Perspective:** Leon Liebenberg Gensec Private Equity

- **Private Equity / Venture Capital** requires equity related returns at acceptable levels of risk
- **Institutions invest** for various reasons including gaining significant exposure to new areas of business, attractive pricing, value-added through BEE, mileage for their own businesses
- **Mechanisms** include Direct investment, indirect SPV structures, direct SPV agreements, Newco structures, OPIC guaranteed structures facilitating government involvement, franchise structures, using combinations of Ordinary Shares, Preference Shares, Debentures and Loans
- **Strategic Considerations** include Government involvement, stimulating the economy, skills transfer
- **The Ideal Structure includes**
  - Direct access to cashflows which can service the funding structure
  - Access to normal banking facilities eg. asset based finance, overdraft etc.
  - All shareholders facilitate BEE, including vendor financing and buy-in pricing
  - Easy exit for financier
  - Skills transfer facilitated
  - BEE value added is measurable
  - BEE participants can realise value at some stage
  - Increase in production capacity and/or employment
  - Downside risk is shared
  - Corporate governance assured

## **Natgrowth Devbank Investment and Development Banking**

**Natgrowth Devbank** aims to stimulate broad-based Business and Economic Growth and Development Projects in cooperation with development finance institutions, banks and other financial institutions. The concept is to increase the level of development and investment funding on a pro-active market driven basis through a range of investment and financial services including:

- **Raising Finance and Investment** for business development projects including Equity, Loans, Structured Finance, Corporate Finance, Project Finance, BEE Finance, Property and Asset Finance
- **Investment Proposals** and Marketing Services
- **Business and Project Planning** and Implementation
- **Corporate Strategy and Financial Services**

### **Natvest: National Investment Corporation: The Black Sanlam**

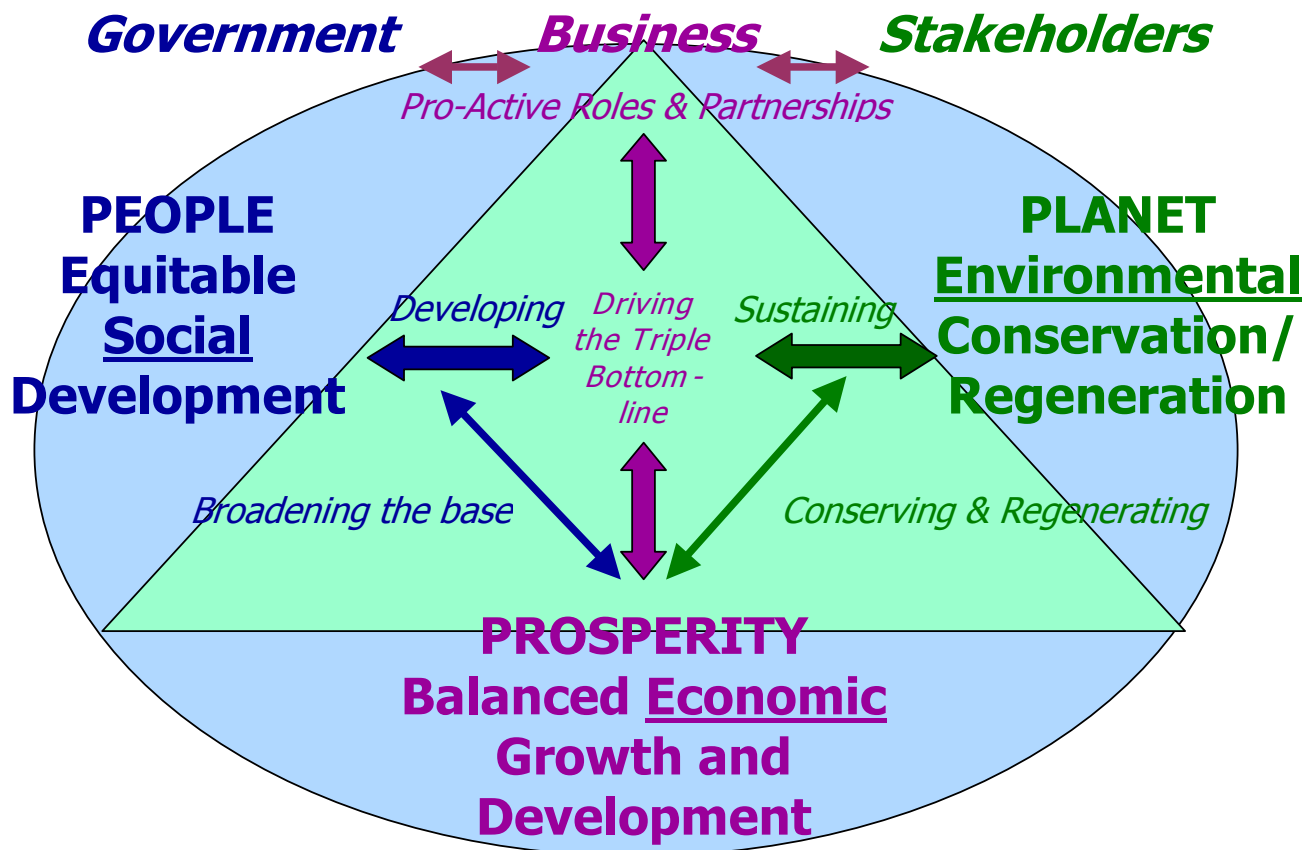
**Natvest** aims to establish a **Major Black controlled Financial Institution** on the following basis:

- ☞ **Pension and Provident Funds** make up a major part of the Financial Institutions which own the large portion of the JSE, property and other assets valued at R600 billion+
- ☞ **Retirement Funds are in fact owned by their members**, although workers are not generally aware of their ownership

- ☞ **Fund Members and Policy Holders still own their funds** - which is the key to setting up a major new National Investment Corporation
- ☞ **The Corporation would be a vehicle** for substantial growth, investment and empowerment. Risk and Asset Management could be professionally outsourced•
- ☞ **Coordinated initiative** to mobilise Pension and Provident Funds within an appropriate structure. Presented to **BEECom, Black Business Council, COSATU** and other Unions for further action

34 WSSD Implementation

## Vision and Framework for Sustainable Growth and Development



### World Summit on Sustainable Development - Outcomes

Natgrowth was a participant in the WSSD Multi-Stakeholder Consultative Committee and is engaged in a number of follow-up implementation processes. The Natgrowth WSSD Submission supported the full **Johannesburg Programme of Implementation (JPI)**, on a committed and democratic basis (ref [www.natgrowth.co.za](http://www.natgrowth.co.za)). The **outcomes** of the Summit provide an agreed platform for implementation, with a range of targets and time frameworks, which require the mobilisation of concrete action and resources at all levels. Various follow-up processes have been initiated, which need coordinated action. The **Nepad** Secretariat is engaged in detailed business planning towards implementation. While the Economic outlook is favourable in SA and several African countries, action programmes are needed to accelerate growth and development. The focus is now on **Integrated Programmes of Action** by all stakeholders.

The Summit achieved **multi-lateral commitment** to the aims of better life for all now and into the future, **integrating the pillars of People, Planet and Prosperity in a mutually reinforcing process**. Implementation needs **Integrated Programmes of Action** and resource mobilisation, to be driven Pro-actively and through Partnerships between Government, Business, Civil Society and other Stakeholders at all levels, local, regional, national and global. **With** the uncertainties and divides of the **Global Economy**, the

Vision for Sustainable Development highlights the challenges and potential for **synergistic global growth and development**, in which the mature developed countries realise their need for emerging markets in order to grow, as much as the developing world needs the advanced countries for trade and investment.

- **The Johannesburg Programme of Implementation** was agreed with certain general targets and timeframes, but **awaits concrete action**, with detailed timetables and resources, in order to achieve the goals of sustainable development, building on Agenda 21 at Rio 1992 and related agreements, as follows
- **The UN Millennium Goals** which aim to halve key poverty indicators by 2015, generated some practical initiatives, which need to be **expanded**, including the priority **Wehab** sectors: Water & Sanitation, Agriculture & Food, Energy, Education & Technology, Healthcare, Bio-diversity and Environment
- **The Doha Declaration** and the WTO Development Round which aim to eliminate unfair trade barriers were endorsed and the negotiations are proceeding positively. **SA** is playing a leading role internationally, in strengthening the bargaining power of the G77 Developing nations vis a vis Europe and the USA
- **The Monterrey Consensus** on Financing for Development was endorsed but similarly awaits concrete action, including meeting the target of 0.7 % of GDP in Overseas Development Aid (now .22%), Debt Relief and innovative new sources of finance and investment; no new sources of funding were agreed;
- **The Kyoto Protocol** on climate change and toxic emissions was partly ratified with the main exception of the USA and specific targets on renewable energy, which were substituted by voluntary initiatives;
- **Nepad and Africa** were endorsed as priorities, dependent on the effectiveness of implementation
- **Multi-lateral Democratic Governance** and participation by developing countries in key institutions such as the World Bank, IMF, WTO and UN Agencies were enhanced, with new strategic alliances including the G77, China and Europe, competing with other priorities on the international Agenda. Implementation requires bold leadership and **concrete integrated programmes of action** at all levels

**South Africa's Response Strategy to WSSD** was presented by Michelle Pressend of DEAT WSSD Implementation unit, including in summary:

- **An SA Strategy for International Action** including Africa and SADC, as chair of WSSD, the JPI Commission for Sustainable Development (**CSD**) due to meet in May 2003. The strategy builds on SA's role in the UN and multi-lateral forums, currently competing for resources with military spending
- **A National Strategy (NSSD)** integrating existing policies and initiatives within a common vision and institutional framework with targets, timeframes, resourcing, reporting and monitoring mechanisms
- **Improved Coordination** between **Government** Departments and **Stakeholder** Participation, integrating the 3 pillars: social, economic and environmental (as in King 2 on Corporate Governance)
- **The IRPS Cabinet Cluster** and **Interdepartmental Task Team** are driving WSSD follow-up, including social, economic, environmental departments as well as Provincial & Local Government, with **stakeholder participation** options being considered, towards longer term institutional arrangements
- **Natgrowth** recommends that National, Provincial and Local **Sustainable Growth and Development Task Forces** in the Offices of the President, Premiers and mayors, would be appropriate to drive NSSD and PGDS with stakeholder participation on a Nedlac-type representative and professional basis.

## 35 NEPAD Implementation

Nepad Secretariat Courtesy Presentation Nov 2002

**The Nepad Secretariat** is engaged in detailed business planning and initiating implementation processes across regions and sectors in Africa. Refl [www.nepad.org](http://www.nepad.org). **Progress** to date includes

- ☞ **Policy Framework approved** by the AU Summit of Heads of State and Government (HSIC) July 2001
- ☞ **Heads of State Implementation Committee** mandated by the AU Summit to manage the further development of the programme;
- ☞ **HSIC composed of three Heads of State** and Government from each of the AU regions met for the first time in October 2001;
- ☞ **The HSIC appoints a Steering Committee and Secretariat** to co-ordinate the preparation of detailed **implementable programmes** covering a limited number of priorities;
- ☞ **The detailed implementation programmes** covering all the areas prioritised by the HSIC were prepared with the support of the AU Secretariat, The African Development Bank, the United Nations Economic Commission for Africa and the regional economic community structures.



- ☞ **Inputs** were sourced also from the UN system, the Bretton Wood Institutions, the EU and the OECD;
- ☞ After endorsement by the OAU Summit in July 2001, the promoters of the programme made a presentation to the **G8 leaders** in Genoa in late July 2001;
- ☞ The **G8** responded to the invitation to build a new partnership with African leaders by appointing a task team of personal representatives to prepare a detailed response to NEPAD;
- ☞ The **G8 leaders** presented their response to the African leaders in the form of The G8 African Action Plan on 27 June 2002 in Kananaskis, Canada

### Current Focus

- ☞ Operationalising the African **Peer Review** Mechanism
- ☞ Further developing **Programmes of Action** and specific interventions for:
  - ☞ **Market Access, Industrialization, Intra-Africa Trade and Diversification of Exports;**
  - ☞ **Science and Technology,** and the establishment of Regional Centres of Excellence.
  - ☞ **Coordinating and facilitating implementation** of projects

### Way Forward

- ☞ **Complete business plans** with clear goals and time frames and prepare a plan for the next five years;
- ☞ **Facilitate implementation**
- ☞ **Accelerate Marketing and Communication**
- ☞ **Engage development partners and multilateral institutions**
- ☞ **Establish partnerships** with key African and international organisations in the NEPAD priority areas.
- ☞ **Call on international partners to commit** to a sustained involvement in a partnership with Africa to address poverty and marginalisation:
  - ☞ **To play an invaluable role as agents** for progressive change;
  - ☞ **To support the implementation** of NEPAD's objectives;
  - ☞ **To champion Africa as a destination for foreign direct investment** and private sector investment.

## NEPAD PROJECT EXAMPLES

### NEPAD Funding Commission

- ☞ Proposed alignment with Investment Advisory Council (IAC) & International Chamber of Commerce (ICC)
- ☞ To facilitate investment of funding by development partner agencies into infrastructure projects in Africa

### African Energy Fund

- ☞ Proposed fund to invest in energy and related projects in Africa;
- ☞ Primary aim to develop interconnections between African countries;
- ☞ First project identified:
  - ☞ Western Corridor Transmission Project (DRCANSA HV Tx Line)
  - ☞ Status: Feasibility study underway
  - ☞ Linked projects include telecommunications, centers of learning, smelters, roads, schools, clinics
  - ☞ Costs: Between US\$500 million and US\$ 1.6 million

### ICT Infrastructure Project Example: Marine Fibre Optic Cable

- ☞ Improved and additional intra-Africa connectivity and trade in communication services;
- ☞ Broadband state-of-the-art infrastructure for high volume multimedia communications;
- ☞ Global connectivity to African countries that otherwise may not have been able to do so individually.
- ☞ Cable landing points: Portugal, Spain, Canary Islands, Senegal, Cote d'Ivoire, Ghana, Benin, Nigeria, Cameroon, Gabon, Angola, South Africa, Reunion, Mauritius, India, Malaysia

### Initiative on Pharmaceutical Technology Transfer IPTT

- ☞ To contribute to generic pharmaceutical development in Africa to improve access to essential drugs at affordable prices for HIV, Tuberculosis, Malaria and related diseases;
- ☞ To establish a technological platform that will provide value-added benefit to countries by back integrating from importation of finished products to local manufacturing and research and development.

### Benefits:

- ☞ Foster national scientific and technological capacity;
- ☞ Create a focal point for a knowledge and skills oriented society, and for a transition into value-added manufacturing;
- ☞ Increase skilled employment and improve health-seeking behaviour;
- ☞ Enhance economic self-sufficiency;
- ☞ Provide long-term sustainable conditions for research and development for drugs for other neglected diseases.

## Current Status:

- Two manufacturing sites to be selected in each Uganda, Ethiopia, South Africa and West Africa;
- Uganda, Ethiopia, South Africa have identified project teams;
- Project costs per manufacturing site estimated to be US\$2 million;
- Supply of essential drugs to the public sector scheduled to commence end 2003

## **Expanded Okavango Upper Zambezi International Tourism Spatial Development Initiative**

- Integrated tourism strategy aimed at establishing a comprehensive coast-to-coast tourism and resource development zone, built around a core network of Transfrontier Conservation Areas.
- OUZIT will deliver 15 resorts of US\$100 million each by 2010. The project is expected to:
- Facilitate the development of projects that will attract more than 17 000 new tourists to Africa per day, which translates into approximately 6.5 million per annum;
- Create direct employment opportunities for 90 900 people; and
- Provide an estimated US\$1.1 billion in fiscal revenue.

## Status

- Phase I: Scoping study completed
- Official approval for Expanded OUZIT as a regional project
- Phase II: Identify Key Projects (2002-2003)
- Identify at least 3 new large scale investments in resort hubs
- Support capacity in the management and expansion of Gateway/Resort hubs in participating states
- Identify and engage high profile and active global investors
- Address bottlenecks
- Phase III: Project Rollout/Implementation (2003-2012). Estimated cost USD 5 Billion

## Integrated Project Approach: Example: **Great African Rift Development Strategy**

- Potential Key Sectors:** Agriculture and Agro-Processing Tourism Minerals
- Potential Outcomes:** Africa Integration Extreme Poverty Relief Infrastructure Development
- Electricity Grid •Rail/Road Network •Inland waterways •Liquid Fuels/Gas Grid •Telecommunications

## Comments on Nepad Implementation

- Integrated implementation programmes** and high impact projects are crucial
- Economic**, Political and Stakeholder processes need to run **in parallel**, rather than as pre-conditions
- Africa is happening** and will soon be seen as a single major region like the EU or USA
- SA is playing a leadership role** which it needs continue to drive for the maximum impact
- Substantial progress** has been made in several peace initiatives through intensive engagement
- Nepad and the AU** need to engage the more difficult countries and regions on an intensive basis
- Business and investment** are proceeding on an encouraging basis giving rise to **Afro-Optimism**

## **Africa Growth and Opportunities Act (AGOA)**

*Alan Tousignant & Retha du Randt, US Embassy*

- US Commitment to help Africa create its own wealth and prosperity
- Short-term Priorities: Economic development, Education, Crime, HIV/Aids
- Long-term Priorities: Open markets, US Exports, Global economic growth
- AGOA provides duty and quota free entry to the **\$10 trillion US market for >90% of products**
- Apparel made from US, African or LDC fabrics with special provisions and a visa system
- Market access benefits: 1800 other products added for Africa, with certificates of origin
- SA exports are rising** already and foreign investment expected in SA and Africa
- Support services for shipments, customs development and SME's
- Update:** Trade could grow exponentially, including more benefits and clarifications
- A new Free Trade Agreement** is under discussion

**Comments:** More **pro-Active** engagement and projects are needed to make Industries more aware of the opportunities. Some key industry sectors are excluded and further negotiation is necessary to maintain and improve market access. Delegates felt that Country criteria appear arbitrary and should be broadened.

## **UK and EU Initiatives in Africa** Ms Judi Leon Deputy UK Consul General

Britain and EU support for Nepad and readiness to present trade and investment proposals to interested parties, building on the existing strong base. She noted the very favourable trade agreement in place which

was already bearing fruit. **More pro-active projects** are needed to realise the full benefits and opportunities for trade and investment with the EU and UK.

## CONCLUSIONS

The Presidential Growth and Development Summit holds immense potential for South Africa to achieve the goals of a better life for all. The GDS will need to be followed-up on a continuing integrated basis through Task Forces including all spheres and sectors of Government, Business, Labour and other stakeholders.

## ANNEXURES

### OTHER PROJECTS

Other Projects discussed in Presentations at Natgrowth Programmes include the following:

**National DTI/TISA: Trade and Investment South Africa** March 2002 Vusi Mveli, Edwin Moloto, Desmond Hadebe, Gugulethu Mashifane, Mary Tstasi, Shereen Osman, Thulani Mpetsheni, Abiel Mohlahlo

TISA, the premier **agency for marketing SA** internationally, is instrumental in implementing the government's vision of a competitive outward-oriented economy. Its core business is to promote and facilitate the successful entry of foreign direct investment into the country and the growth of exports. SA offers a unique combination of "First world economic infra-structure and a huge emergent market economy" (p14). **Trading blocs** have been pursued to improve market access eg. the EU, AGOA with the US, SADC with 190 m people expecting growth of 3,5% pa; Nigeria, South-South partnerships and Mercosur via a free trade agreement with Brazil. Trade is growing at a rapid rate.

**Incentives** include: **Strategic Investment** Programme for assets over R50m; **Smme** 10% establishment grant; **Motor** Industry Development Programme – import credits against exports; **Critical Infrastructure** Fund 30% underwritten by DTI; **Skills** support: up to 50% of training for new investment or expansion; **R&D** Incentives; **17** Spatial Development Initiatives- SDI's and 6 SADC SDI's; 6 Industrial Development Zones - IDZ's including duty free imports, tax and other incentives, logistics networks etc. as well as **Export Marketing** Assistance and related Schemes. The **Export Credit Insurance Corp** has now been allocated **\$799m** for export credit and **\$166m** for investment guarantees. Foreign Direct Investment – **FDI** is still considered low with **R14,5bn** in 2000, with **R95bn** since 1994, with increases expected in 2001/2. TISA **markets industry sectors** as well as **investment destinations** (provinces cities and metro structures).

**TISA** identifies gaps by pro-active analysis, company targeting and feasibility studies and then markets through its world-wide offices and **one-stop-shop** investor services. TISA is organised around **industry** clusters eg.

- 1. Chemical**, Pharmaceutical & Biotechnology;
- 2. Information** and Communication Technologies;
- 3. Agro-processing;**
- 4. Clothing**, Textiles & Footwear;
- 5. Metals** and Minerals;
- 6. Mining, Minerals and Beneficiation;**
- 7. Automotive**

**Cooperation with Provinces** and regions is a challenge which needs to be addressed eg. by improving communication with Provincial Investment Promotion Agencies as well as Smme's. Other challenges include more extensive marketing, transport, logistics and processing of applications eg. by SARB and Home Affairs. Action: A Working Group is proposed to facilitate improved communication and marketing

### **Nat Dept of Communications UNIVERSAL SERVICES AGENCY (USA)** Aug/Sep 2002

USA is a significant Public Sector ICT Project to bridge the digital divide which holds great potential. USA was established by the National Department of Communications some 2 years ago.

**USA's Mandate and Vision** are to provide **universal access to telecommunications** services, particularly to un-served 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, the range of services, and reducing the physical distances to facilities.

**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

**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

**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

**Product 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

**Business Sustainability**

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 structure of the Tele-centre operators, as related to productivity, income generation and the level of support available. It is recommended that the above strategies be considered for further investigation, elaboration and implementation by USA

**National Dept of Correctional Services** June 2001 Gavin Davids, Wessie Morake and other Delegates

Turning prisons from overcrowded incarceration camps for repeat offenders into productive centres of **rehabilitation, reintegration, community service** and **productive enterprise** eg

- Significantly **reducing the prison population** from +/- 176 000 by transfers to **community service centres under electronic surveillance** - fewer than one third of offenders are maximum security
- **Farming and food production initiatives** for local communities have recently been announced
- **Other productive enterprises** and work in partnership with communities, public and private sectors
- **Re-allocation** of administration expenditure and personnel to support productive activities
- **Action: Feedback is awaited to set up a Working Group, business plan and series of projects**

**National Dept of Defence** Nov 2001 SANDF Andrew Mokonotu Deputy Director

Turning major financial and human resources towards productive enterprise. **Action: A series of Projects is proposed** to engage a large number of Defence Force personnel in peacetime enterprises, including industry, agriculture, public works and a wide range of other possible areas.

**National Dept of Home Affairs** Nov 2001 Terence Raseroka Deputy Director

**Improving efficiencies in investment and trade procedures**, in synergy with other national and provincial agencies. **Action: Feedback is awaited on proposed projects and initiatives.**

**Nedlac Proudly South African Campaign**

Martin Feinstein CEO and colleagues August 2001, November 2002

The Proudly SA Campaign aims to stimulate awareness and demand for the entire spectrum of products and services with a South African content of a least 50%, in both local and global markets. An initial Budget of R50 million focuses on marketing, to attract qualifying business members with a commitment to quality, fair labour practices and other national goals at a fee of 0,1% of sales, and then to stimulate consumer markets under the common brand. Some 700 companies have joined to date. Similar campaigns have been successful eg. Australia. Success will be judged by sustainable membership. Natgrowth proposes a **Proudly SA Growth and Investment Project** linking Proudly SA to the drive for Growth and Investment.

### ACSA's role in Tourism

Aug 2001 and September 2002 Siva Pillay Marketing & Business Development Manager

- ACSA manages the main airports in South Africa, as a profitable PPP company, presenting the face of South Africa to business and private tourists, and a wide range of commercial activities
- Overall Tourist inflows have shown an increase to over 6 million over the past few years
- However, the rate of growth has slowed and foreign tourist inflows are below 20% of total
- Despite slow growth, the **R2bn** Durban airport and **R500m** W Cape projects are going ahead
- ACSA thus engages with the tourism industry to promote the increased flow of tourists
- Tourism Marketing could be more effective to gain a greater share of the growing global industry eg.
  - greater emphasis on intermediaries such as tour operators and travel agents
  - more attractive, competitive and specialised tourist packages
  - expansion of the MICE market (Meetings, Incentives, Conferences and Exhibitions)
  - specialised charter flights and packages to better utilise available facilities
  - efficiencies required by Home Affairs and Customs in speeding up the flow of tourists and goods

### Business Growth and Investment Projects August 2001, November 2001 and March 2002

Inputs by: Chris Hart Absa, Desmond Golding SARB, Bill Lacey Sacob, Tisa/DTI Delegates, Mark Poonan and Adele Levin, SA Business Guidebook, Jorge Maia IDC

- Engagement of **organised business** in the pro-active drive for growth and investment across sectors in collaboration with Industry Associations, Export Councils TISA, DTI, IDC and other agencies
- **Action: Feedback is awaited to set up a Working Group and series of projects**

### Eskom: Capital Investments: Opportunities, Parallels and Learning

Ms. Dolly Mokgatle MD - Eskom, Transmission Division, March 2003

#### INTRODUCTION – ESKOM'S ROLE

- Eskom's commitment to development of Africa
- Redefine Political & Economic Identity
- Better utilization of the low cost energy
- The need to be a catalyst for change
- WSSD; NEPAD; WESTCOR – Western Corridor Power Grid

#### WHY WE INVEST

- Strengthening of infrastructure resulting in incremental electricity sales - Encouraging FDI
- Fulfillment of social-economic objectives in various sectors
- Alignment with Eskom Holdings objectives
- Optimising existing Eskom core capacity & competency for the region
- Bring about a reduction in operating expenditure
- Improve the reliability & security of supply

#### WSSD

- Eskom committed to sustainable development before the whole world
- Energy identified as necessary for the achievement of several sustainable development challenges.
- Eskom, a partner in WSSD and related activities

#### SUSTAINABLE ENERGY INITIATIVES

- Capital Investment / Infrastructure development
- Electrification
- Education

- Industry charters
- Partnerships (NEPAD & WESTCOR)
- Key research projects in support of sustainable development
- Extensive demand side management programme

#### **NEPAD – THE ROLE OF COMMITTED BUSINESS**

- Leverage the opportunities offered by Nepad
- Take ownership of the implementation of Nepad
- Establish links and create centralised focus points
- Demonstrate good governance and transparency
- Invest locally - Africa
- Leverage resources through partnerships

#### **WESTCOR – WESTERN POWER CORRIDOR**

The Dream: World's biggest electric power system with a renewable energy source; environmentally friendly and engineered to be at the lowest cost

#### **INVESTING IN CAPITAL FOR GROWTH**

- Vision: To invest in a major capital expansion programme in the most efficient, cost effective and economically sustainable manner.
- Objectives:
- To support the national growth anticipated over the next five years
- To refurbish, strengthen and grow the electricity system
- To deliver timeously on the growth requirements

### **CAPITAL INVESTMENT PLAN**

<b>Rm (2002)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Generation</b>	2 391	2 831	2 616	3 046	3 544
<b>Transmission</b>	1 622	3 242	668	590	525
<b>Distribution</b>	2 275	2 096	1 937	2 115	2 222
<b>Strategic Intent</b>	2 050	2 054	2 120	2 220	2 220
<b>Corporate</b>	143	170	100	909	651
<b>Demand Side Man</b>	356	376	398	417	443
<b>Total</b>	<b>8 837</b>	<b>10 769</b>	<b>7 839</b>	<b>9 297</b>	<b>9 605</b>

#### **ESKOM ACHIEVEMENTS**

##### **ELECTRIFICATION**

- 2.8 million homes electrified since 1993

##### **WSSD AND NEPAD**

- Eskom linked WSSD with NEPAD objectives
- Eskom launched the African Energy Fund in partnership with DBSA & IDC
- The Fund is a vehicle to develop energy and electricity infrastructure

##### **Multiplier Effects**

- Job creation through FDI in energy intensive manufacturing
- Small business development
- Change of life style
- Health benefits
- Improved security
- Improved education levels
- Rural development

#### **BEE**

- Invested R13.3bn over a five year period
- Spent R197m with women empowered enterprises in 2002
- Invested R 494m in the development and training of employees
- Special Programmes with the aim of accelerating development
- 2 010 bursaries granted
- 65 Eskom development Foundation projects

#### **ACTION PLANS AND CONCEPT PAPERS**

- Energy Infrastructure
- Transport Infrastructure
- ICT Infrastructure
- Mining Infrastructure
- Finance/SA Banking Council
- Human Resources
- Corporate Governance
- Ethics

#### **CHALLENGES**

- Investment Capital Raising
- Pre-investment Planning & Criteria
- Socio-Economic Responsibility
- Impact on Tariff
- Fulfilling Sustainability Parameters
- Stakeholder Management
- Operating in new territories
- Different rules and regulation environments

#### **LEARNINGS**

- Need good partnerships
- Must manage Risks
- Use local and international resources to mitigate against risk
- Create opportunities and incentives for skills development and project execution

#### **CONCLUSIONS**

- In closing we need to play our part in the delivery of the global energy priorities to increase access to energy, with a view to providing modern affordable energy services to people who currently do not have access.
- Diversify energy supply by developing cleaner and more efficient fuel technologies.
- Support for NEPAD
- The future... A Potential Integrated African Energy Grid

#### **Gauteng Blue IQ Projects**

Oren Fuchs GM Finance and Viability, Aug and Nov 2001

- 1) The Innovation Hub (R258 m allocated)** Located between the CSIR and University of Pretoria, as joint venture partners with Blue IQ. Focused on "smart" industries such as Information technology and Telecommunications. Facilities and investment potential include an IT incubator, R&D facilities, Information and back-office support centres, Venture Capital Funds, Business and Financial services. In aiming to be a "Smart Province" Gauteng will in addition seek to create knowledge workers, bridge the knowledge divide, broaden ICT awareness and the local ICT industry eg. Gautengonline.com: a government-funded education portal, 25 computers in all 2500 urban and rural schools, free internet access to learners, training for teachers, creating a new consumer market and access to employment opportunities.
- 2) Johannesburg International Airport Industrial Development Zone (IDZ)** - R110m invested to facilitate clustering of innovative export-oriented light manufacturing, avionics and related technology-based industries; benefiting from direct access to the high volume airfreight terminal, expedited customs, freight handling arrangements and IDZ bonded warehouse facilities.  
**Investment Potential** includes: Electronics, IT and telecom production and distribution; Air freight distribution and logistics; Plastics and packaging; Tourism and associated opportunities; Aerospace, avionics and related industries

- 3) **City Deep Container Depot IDZ (R60m)** Upgrade of existing key transport infrastructure into a world-class inter-modal transfer facility and gateway to national, regional and African markets; with expedited customs, warehousing and once stop investor facilities for the industrial park. Projected output is R50bn pa. **Investment potential** includes: industries locating near an inland port; time-sensitive manufacturing; logistics, freight and transport services
- 4) **Gauteng Rapid Rail Link (Additional R7,5b)** High Speed Train between JIA, Johannesburg, Sandton, Midrand and Tshwane/Pretoria enhancing these high growth areas through high speed mass transit, covering 79 km in 38 minutes. Construction is planned for 2003-2006 generating 62 000 temporary jobs and 40 000 sustainable jobs. Impact assessments and cooperation with Transnet/Metrorail need clarification. **Investment potential** includes: International Financing partners using build-operate-transfer and other PPP Models; Construction work and station developments; Feeder and distribution systems; Technology applications; Rolling stock, track and stations; and property development.
- 5) **Gauteng Automotive Cluster (R103m)** Enhancing the Rosslyn Autocluster to world-class export standards from its already thriving base, including further growth in associated businesses, an "urban port" logistics centre for the industry, facilitating exports and linkages through the region. **Investment potential** includes: Local procurement by international automotive industry; Technology and licensing agreements with local component manufacturing; Investment to address gaps in local supply chains; Cost-effective automotive engineering, design and testing; Research and Development projects
- 6) **Wadeville-Alrode Industrial Corridor (R72m)** Regeneration of the 15km manufacturing through investment in infrastructure and manufacturing advice centres, optimising transport links and industrial potential. **Investment potential** includes: Metal fabrication; Food and beverages; Containers; packaging; Plastics; Machinery; Chemicals; Logistics service providers; Transport, warehousing and distribution
- 7) **Cradle of Humankind World Heritage Site (R200m)** Development of world-class facilities to support the anticipated large influx of tourists as a must-see attraction, following declaration as a world heritage site in 1999. Located in the northwest including Sterkfontein caves and other paleo-anthropological sites. Anticipating 280-600 000 visitors pa, with multiple business and community spin-off opportunities. **Investment potential** includes: Establishment of visitor and tourism potential; Hospitality industry and conference services; Bulk infrastructure and roads; and Scientific research
- 8) **Constitution Hill (R357m)** Development of the Old Fort site into a significant 95 000 sq m tourist attraction with the Constitutional Court and commissions, legal professional offices, political and historical libraries and archives, information centres, retail shops and a residential component. Bulk construction has commenced. Partners include National Government, Johannesburg and prospective foreign donors. **Investment potential** includes: Cultural tourism initiatives, museums, heritage sites, archives, libraries, recreation; Commercial and housing developments; Hotels, restaurants and retail space
- 9) **Newtown Cultural Precinct (R238m)** Attracting further investment in cultural industries, enhancing existing museums and theatres with creative tourist oriented activities such as Jewellery, multi-media production, film-making and the arts. The Metro Market, Nelson Mandela Bridge and other construction work, generating significant retail trade and easy access to Newtown, as a key to the revival of the Johannesburg CBD. **Investment potential** includes: Cultural tourism, creative industries, informal enterprises and support services; Hotels, restaurants and retail space; Conversion of existing historical buildings for business use
- 10) **Dinokeng (Ecotourism/Game Park) (R140m)** Development of an "All of Africa in a day" eco-tourism resort with "Big Five" game reserves, lodges, conference centres, nature, historic and culture based activities, easily accessible to business and leisure tourists, on 180 000 hectares in a currently depressed area in the North East of Gauteng. **Investment potential** includes: Establishment of visitor and tourism facilities; Hospitality industry and conference facilities; Bulk infrastructure and roads

The **Impact of Blue IQ Projects** is targeted as follows over the next ten years:

- **Economic Growth:** Targeted to a new plane of 3-6% pa



- **Job Creation:** 100 000 short-term and sustainable jobs (Rail-link comprising the bulk)
- **Foreign Investment:** Interest already expressed from Singapore, Germany and Japan particularly in the Innovation Hub, IDZ's, Rail-link, Auto Cluster and Newtown
- **Tourism:** The four projects should boost tourist inflows, hospitality and related industries
- **Infrastructure: Industrial and Transport:** Road and Rail in strategic areas facilitating economic activity and mobility, the Nelson Mandela Bridge to Johannesburg CBD and links to the M1; the IDZ's including transforming Atlas Road into a double carriageway through to Kempton Park
- **Regional:** Blue IQ aims to put Gauteng on par with leading global economic centres, forming part of the New Africa Initiative and serving as a role model and gateway for Africa to the world. **Regional integration** will be enhanced eg. through the IDZ's giving the region enhanced access to global markets. The **Industrial** corridor will enhance opportunities for SADC economies to diversify their production and exports. The Innovation Hub will give access and capacity for innovation and knowledge based industries.
- **Return on Investment (ROI)** targets include **R100bn** in local and foreign **investment; 100 000 new jobs;** increasing economic **growth to 4-6%;** and world-class infrastructure
- **Economic Conclusions:** Blue IQ presents ten mega-projects with strategic impact on key sectors designed to enhance the economies of Gauteng, South Africa and SADC, reduce poverty and improve the quality of life. Blue IQ integrates various government departments, municipalities, the private sector and academic institutions, as a partnership of stakeholders striving together for growth, and enhancing the prospects of success.
- **Local Government and Districts** outside of the Blue IQ main centres: In answer to questions, further projects need to be generated along the lines of Blue IQ based on the economic conditions and investment potential in all districts and areas of local government.

### HIV/Aids

Dr Clive Evian MD Aids Management and Support August and Nov 2001

- Southern Africa is the HIV/Aids capital of the world with some estimates at 20% or more of the population being HIV positive
- South Africa has the single largest HIV positive population in the world, with over 4 million people
- Awareness is sadly lacking partly due to the slow onset of Aids symptoms over a number of years
- The problem is only really beginning, with Aids symptoms only starting to become apparent
- Statistics are inadequate due partly to ignorance and the reluctance to undergo testing
- Aids is devastating physically due to the fact that it destroys the body's immune system
- HIV as a virus does not have a likely cure, although vaccination is feasible
- A number of drugs can slow down or limit the effects, but are presently not affordable
- The social and economic effects are equally devastating, with the likely impacts on the economically active population, markets, communities, dependants.
- In effect HIV/Aids will wipe out gains in Economic Growth over the coming decades
- The environmental causes of the syndrome include the social and economic chaos in Southern Africa over the extended past, with extensive migration, lack of stable family lives and sexual promiscuity
- **Positive initiatives** would include:
  - **Unequivocal commitment** at all levels to address HIV/Aids affectively
  - **Organisations facilitating anonymous testing** to improve the base of information
  - **Awareness campaigns** about the basics of transmission and to change sexual behaviour
  - **Extended use of condoms** as an effective preventative
  - **Extending the productive lives** of HIV and Aids sufferers through broader acceptance
  - Extended initiatives to **bring down the cost of effective drugs**
  - Extended research and **development of effective vaccines**
  - **Progressive testing** and roll out of available drugs such as **Nevarapine**
  - **Social and Economic Growth and Development** to stabilise communities and family life

**Iscor Flat Steel Products** Nov 2001:  
PA Markstrom Business Development Manager

- **Iscor is a world-class steel producer** with 3,7m tons capacity, with only 1,6m tons used locally
- **1,1m tons** are available for **export** (in slow markets) and **downstream manufacturing** eg. Auto components in cooperation with Smme's – **to be followed-up** with the Auto Cluster, Canadian Alliance; Local councils such as Emfuleni; and Gauteng Department of Labour
- **Action:** Working Group, follow-up Workshops, Business Plans and Action Programmes are proposed

**Marketing Stars for Life**  
Martin Sweet Sep 2002, March 2003

The importance of developing **entrepreneurship**, positive **marketing experiences** and the fact that **“doing good is good business”** were highlighted, with examples eg. Cell C Taking young girls to work; Hollard Insurance Your Money Club.

**SABS: The Role of Standards in MAP and Global Competitiveness:** MG Kellerman SABS

Global trade requires conformity to international standards. Unfortunately, there is a confusing plethora of different standard setting bodies in different countries and regions. These tend to work in favour of certain countries and impose unnecessary costs on emerging countries. SABS works with the various bodies worldwide and serves as the secretariat for the African standard setting bodies. Immediate priorities as part of Nepad include: harmonising standards in SADC and Africa and **negotiating improved global recognition, harmonisation and market access.**

**Thabo Mbeki Development Trust for the Disabled** August 2001 Clarence Esau and Suzanne Daniels

- **The Trust raises funds** for organisations and projects for the disabled, comprising some 10% of the population or 4 million people
- **Targets** include raising R300 million and processing some 2000 applications in the next few years
- The **overall aims** include integration of the disabled with in the mainstream economy and society, so contributing significantly to economic growth and employment
- **Immediate priorities** include increasing awareness of the needs and capabilities of the Disabled, extending the Trust and its work, ensuring the effective implementation of projects and capacity building

**Other Projects discussed in Workshops**

**Bhp Billiton** March 2002 Joe Mollo: Major Mining projects proceeding

**Cabsa: Canadian Alliance for Business in SA** Nov 2001 Dominic Schofield and Luqman Ahmed

Cabsa is pursuing numerous business development and investment initiatives and will follow-up on projects in the automotive, agriculture, smme and cooperative banking sectors. Awareness of Cabsa is however limited. **Action: A Pro-active Working Group is proposed** to expand project and business opportunities

**CSIR Africa Business Development** Nov 2001 Mabatha Mphomane

CSIR also plays a significant role in commercialising technologies and facilitating business development in SA and Africa, including agri-business and mineral beneficiation, which could be expanded more broadly.

**Conlog** March 2002 D Miller active engagement payment systems throughout Africa

**Contred** Nov 2001 Jakes Fennie: active engagement in tyre supply throughout Africa

**Datapoint Multi-Media Systems** August 2001 Maura Maciver

**Education, Skills Development and Technology:** eg. Boston, Siemens and London School

**Education & Skills: Orhouelani** Education Centre, Voslorus Greeter Phahla; June 2002: Self-funded Pre-school for learning disabled has grown to over 200; ABET skills project is also growing. Smme/Skills project to focus on market-driven opportunities such as small farming, clothing, carpentry etc.

**Education & Skills: Vaal Area** June 2002: Salome Chirwa, Merriam Mulutsi, Paul Maboe will try to follow above examples to enhance viability and growth.

**Education, Communities, Skills and Smme Development Projects discussed:** eg. Thembelihle, Vucosa, Mandaba, Zakheni, Masemanyane, Sifisa, Maletswai, JJM, Curling Centre and Rotary International

**Eskom** Amazing Amanzi Systems: Aug 2002 Alternative Energy Systems

**Eskom Enterprises** August 2001 Cecil Ramonotsi, Consultant: Smme and Entrepreneurship projects within a R2bn operation with 24 non-regulated businesses and several joint ventures across the globe

**Food Processing Cooperatives:** Derrick Bradley, Absa Customer Relationship Manager

**Housing Projects,** Soweto June 2002 Rockafella: Mpumalanga Housing project for 4000 houses – obstacles to be investigated. Soweto Tourism projects to be pursued for WSSD.

**Itsoseng Young Women's Development** June 2002 Matseko Magalemele: projects in progress

**Knowledge Werx** June 2003 Les Strachan discussed online e-learning resources available

**New Millennium Information Services** March 2003 Joseph Seko: IT Centres in major Townships to be launched in Kagiso 2003.

**Public Sector Restructuring and Growth** was discussed by the Deputy DG, Malixole Gantsho

**Progress Magazine, Johnnic Publishing,** Karyn Richards Nov 2002

A new publication in the Johnnic stable, to be launched in January 2003 on a quarterly basis. While attending Natgrowth as observers, the opportunity was taken to learn about the state of the game and to strategise the publication towards its objectives, as follows:

- ☞ Vision: to sustain the momentum of the World Summit for Sustainable Development in Africa
- ☞ Mission: a catalyst for stimulating and extending concrete projects and initiatives
- ☞ Target Markets: leading decision-makers in business, government, ngo's and other organisations
- ☞ Strategies include: building a high powered network of readership and leadership; an authoritative source and showcase of leading edge initiatives; a must read with relevant value-adding information; building circulation and advertising revenue through exceptional value

**Professional Management Review Africa** Barbara Meyer-Wood CEO, November 2002

PMR is a leading and successful management publication, built on entrepreneurship, customer focus, a bias towards action, together with extensive planning, persistence and flexibility – to change and re-invent itself on a daily basis. As such PMR is looking to extend its reach and influence throughout Africa and aligns itself with likeminded initiatives to promote growth and development. This recipe for success serves as a beacon to entrepreneurs and facilitators of business development.

**Reed Exhibitions** June 2002 Jo Melville, Dev Naidoo, Aldean, Lynn to explore new opportunities contributing to growth eg. Public Sector, Agriculture, Provinces, Africa, Mobile/Permanent Exhibitions

**SA Post Office** June 2002: Frans Pale, Isaac Mokhatla, Sydney Jessop. **National Database** essential for delivery, with cooperation of Local Gov, Stats SA, Telkom, Eskom etc. **Internet cafes** to be explored  
**St Gobain Pipelines** Aug 2001 Fanus Le Roux Mervyn Murray-Smith, Derrick Hall

**Transnet / Metrorail:** March 2002 Billy Manamodi, Matlhodi Magoete; Aug 2002 Mafika Mkwanazi Group CEO, Domestic and Africa expansion projects

**World Bank:** Mats Karlson Sep 02: Reshaping the World Bank for broad based sustainable development

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

## NATGROWTH FEEDBACK FORM

**In order to facilitate follow-up and implementation please send us your feedback on the Draft Submission to the Presidential Growth and Development Summit To: [grow@natgrowth.co.za](mailto:grow@natgrowth.co.za); or [natgrowth@global.co.za](mailto:natgrowth@global.co.za); Fax 011-403-3237, Tel 011-403-5483**

Name \_\_\_\_\_ Designation \_\_\_\_\_

Organisation \_\_\_\_\_ Email \_\_\_\_\_

Tel \_\_\_\_\_ Fax \_\_\_\_\_ Cell \_\_\_\_\_

Comments on the Executive Summary

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Comments on the Draft Submission (Please tick if required):

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Areas of Cooperation and Follow-up

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Potential Projects

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Programmes and Services: Please tick and specify your interest as follows:

Cooperation and Follow-up on the GDS

Growth and Development Programmes

Integrated Development Programmes

Implementation Programmes and Services

Business Planning & Management Services

Financial Management & Budgeting Services

Financing and Investment Services

