

Economic Sectors, Employment and Infrastructure Development (ESEID) Cluster media briefing statement

8 Mar 2016

Ministers and Deputy Ministers

Directors-General

Members of the media

Ladies and gentlemen.

Good morning,

Welcome to a briefing by the Economic Sectors, Employment and Infrastructure Development Cluster.

In his State of the Nation Address on 11 February 2016, President Jacob Zuma outlined the economic challenges confronting South Africa. He also reported on government action regarding the implementation of the Nine-Point Plan to boost economic growth and create much-needed jobs.

In his Budget Speech on 24 February 2016, Finance Minister Pravin Gordhan outlined government's resourcing programme directed at, among other things, enhancing economic growth, creating jobs and encouraging the formation of small businesses. On infrastructure the programme includes the allocation of R15 billion over the medium term for the construction of the bulk-water and sanitation infrastructure under the Regional Bulk Infrastructure Grant Programme.

I am happy to elaborate further on progress we have made and provide the highlights of the Cluster's programme of action going forward.

Funding for skills development and higher education

The Minister of Finance announced that an additional R16.2 billion has been allocated for higher education over the next three years. R5.7 billion of this addresses the shortfall caused by keeping fees for the 2016 academic year at 2015 levels, and the carry-through costs over the MTEF period. R2.5 billion goes to the National Student Financial Aid Scheme (NSFAS) to clear outstanding student debt and R8 billion over the medium term to enable current students to complete their studies.

Our main challenge however remains the "missing middle". These are students, who are above the NSFAS threshold, but for whom university education is unaffordable. A process is underway to develop a new funding model to provide loans for this category of students.

The National Skills Fund has allocated R800 million towards funding undergraduate and postgraduate bursaries in scarce and critical skills through the National Student Financial Aid Scheme (NSFAS) and R245 million is allocated to the National Research Foundation (NRF) in

the 2016 academic year. This funding is directed at over 13 500 undergraduate and over 1 200 postgraduate students.

Progress in the implementation of the Nine-Point Plan

As part of government strategy to realise the goals of the National Development Plan, the Nine-Point Plan sets out immediate actions and priorities for growing and transforming the economy, creating jobs and attracting investment. It is premised on the understanding that economic growth and development require the collective effort of all partners.

Revitalisation of agriculture and agro-processing value chain

During the 2015/16 financial year, we introduced the Agri-Parks Programme, which is aimed at increasing the participation of smallholder farmers in the agricultural value chain. Whereas this was initially intended to benefit 27 districts, it has now been extended to all 44 districts because of the demand from the district municipalities. A total of 17 projects associated with the Agri-Parks Programme are at various stages of construction.

The Department of Rural Development and Land Reform, working with the dti, has agreed to align the Agri-hubs to the Special Economic Zones (SEZs). Six Agri-hubs were identified for alignment. These are Ncora in Chris Hani District Municipality (DM); Springbokpan in Ngaka Modiri Molema DM; Kameelpoort A in Nkangala DM; Bushbuckridge in Ehlanzeni DM; Bravlei in West Rand DM, and Witzenburg in Cape Winelands DM. In 2016/17 we will scale-up the infrastructure build programme to support industrialisation initiatives such as Agri-parks, industrial parks and SEZs.

Government supported 13 912 smallholder farmers during 2015. A total of 76 495 hectares (ha) were put under production, 5294 ha were rehabilitated for production and 1 504 ha of forests were planted in KwaZulu-Natal and the Eastern Cape. This initiative created 12 537 jobs. Going forward, we will expand support to farmers through the establishment of 88 Farmer Production Support units and bring new areas into production with commodities aligned to the Agriculture Policy Action Plan, and put 120 000 ha of land into productive use. In addition we will support 25 000 farmers focusing on commodities such as grain, fruit, vegetables and red meat. The programme will generate over 100 000 jobs over the next three years.

Our work with livestock farmers is moving us towards a more vibrant farming sector. The livestock improvement schemes Kaonafatso ya Dikgomo and Poultry Improvement Scheme support 5 000 cattle farmers and 2 000 poultry farmers. We will increase the beneficiaries to 12 000 farmers in 2016 / 17. We have introduced the Compulsory Community Service for Veterinarians to support animal welfare in order to increase the output for red and white meat farmers. We also provided training to 2 267 farmers and land restitution beneficiaries to the value of R45 million.

We, however, have to contend with drought, which has resulted in losses worth R16 billion across the sector. Government's response to the drought crisis now amounts to over a billion Rand. It includes the allocation of R528 million to smallholder farmers and at least

R130 million to support indebted commercial farmers by the Industrial Development Corporation and Land Bank. As the drought has a direct impact on the country's food security, we will import an estimated four million tons of maize to meet domestic needs. A total of R2.8 billion has been allocated over the medium term to Fetsa Tlala, a food security initiative.

The Department of Water and Sanitation has reprioritised R502 million to deliver water, protect springs and refurbish boreholes in response to drought conditions. Funds have also been provided for feed and support for livestock farmers, and disaster relief measures.

Effective implementation of a higher-impact Industrial Policy Action Plan

Our commitment to re-industrialise South Africa is beginning to bear fruit. We have provided policy certainty by timeously reviewing the Automotive Production Development Programme (APDP).

The success of the APDP is demonstrated by over R25 billion in private-sector investment which has been leveraged over the last five years. Investments of this scale are approved only after rigorous feasibility studies by private-sector investors, and these investments need to be profitable not just in the short-term but critically in the medium- and long-term. These partnerships are with the private sector, the IDC and state owned entities.

In the second half of 2015, major new investments were announced by Beijing Auto Works amounting to (R12 billion), BMW (R6 billion) and Volkswagen (R4,5 billion). This is an illustration of global multinationals' confidence in the South African economy and its advanced industrial capabilities.

Government has developed strong partnerships with the private-sector in renewable energy generation. These partnerships have unlocked private-sector investment in excess of R194 billion. Our insistence on local content within the Renewable Energy Independent Power Producer Programme (REIPPP) has ensured that contracts of over R21 billion have been allocated to local suppliers. A further R65 billion is expected to be contracted from local suppliers in the next two years.

To strengthen our potential in rail manufacturing, the African Union has designated South Africa as the rail production hub for the continent. The dti has partnered with Grindrod for the production of locomotives with 80% local content.

During the Forum on China-Africa Cooperation, China announced investments of US\$50 billion within the continent, of which South Africa will benefit from US\$10 billion for infrastructure, industrialisation and skills development programmes.

From inception of the Clothing and Textiles Competitiveness Programme in 2010 and March 2015, a total of R3.7 billion was approved to support private-sector investment. The programme has assisted in saving 68 000 jobs and 6900 new jobs were created. Also, 22 new factories in the leather and footwear sector have been opened. The sector has been successfully stabilised and is steadily regaining domestic market share and is growing

exports.

Going forward, we will upscale revitalisation of local industrial parks from four to 20 locations. All these industrial parks are located in former homelands or are adjacent to large townships. This intervention will unlock economic activities and link small township businesses into established domestic and global Original Equipment Manufacturers (OEMs) supply chains. It will also focus particularly on labour-intensive sectors such as clothing, textiles, footwear and agro-processing.

Unlocking the potential of small, medium and micro enterprises (SMMEs), cooperatives, and township and rural enterprises

For SMMEs, there is potential across the entire Nine-Point Plan. In September 2015 we launched the National Gazelles Programme. This is a multi-stakeholder platform that seeks to provide dedicated high-level support services to 40 high-potential SMMEs with the aim of serving as ambassadors of the small enterprise sector.

Twenty cooperatives in Gauteng, Mpumalanga, North West and KZN are participating in the SAB Women in Maize programme. This has been made possible by the overwhelming support from the private sector. The programme aims to empower women-owned cooperatives that are farming in maize and to increase inclusion of black women-owned cooperatives in SAB's supply chain; develop skills of women farmers; improve food security; and stimulate local economies by increasing procurement from local suppliers.

136 primary cooperatives received training on management, governance and bookkeeping. In addition, 14 co-operatives and SMMEs were funded and exposed to market opportunities. Ninety-three cooperatives have been approved for funding.

The department facilitated market access to 230 craft enterprises, 144 craft enterprises were provided with product development support; 102 craft enterprises participated in enterprise development programmes.

In its quest to ensure that small business services are made widely accessible, eighteen co-location points have been established.

The Cooperative Incentive Scheme continues to make an impact. Nineteen youth enterprises and 52 women-enterprises were supported through the Cooperatives Incentive Scheme. In addition, 65 women-enterprises were supported through the Black Business Supplier Development Programme. The department has revised the guidelines of the Shared Economic Infrastructure Facility in order to attract municipalities and to make the programme more accessible to its potential beneficiaries.

The roll out of red-tape reduction guidelines were conducted for 30 municipalities. The department has secured a partnership with the International Labour Organisation on monitoring the implementation of municipal Red Tape Reduction guidelines in four piloted municipalities situated in the Free State and KZN provinces.

The department launched the Finfind programme launched in October 2015 as part of promoting access to funding for SMMEs. Two incubators launched in December 2015, a jewellery incubator in the Northern Cape and a catering and baking incubator in Gauteng.

A total of 40 581 SMMEs and Co-operative Enterprises have been financed year through SEFA since the beginning of the financial year. 97% of SMMEs and co-operatives financed are in the informal and micro-enterprise sector.

We also launched the Informal Traders Upliftment Programme (ITUP) by exposing 1000 traders to a SETA accredited business management program. The ITUP will be upscaled to train and support 7 000 traders in 2016/17. 50% of these traders will be drawn from townships and 30% will be traders from rural towns.

Advancing beneficiation and adding value to our mineral wealth

Our major exports – platinum, gold, iron ore and coal – have seen a substantial decline in global demand and in prices. However, we are negotiating with a Chinese consortium to invest US\$3, 9 billion in metallurgical technology, processing, steel plant, mining construction and energy in Musina’s SEZ.

One area of real opportunity for South Africa is the exploitation of shale gas. Shale gas regulations were published in the second quarter of 2015/16. Exploration activities are scheduled to commence in the next financial year. This will lead to excellent prospects for beneficiation and add value to our mineral wealth.

Infrastructure funding has been approved for developing a 1.8 megawatts (MW) hydrogen fuel cell. Government is engaging leading fuel cell OEMs to establish manufacturing facilities in South Africa.

The Small Enterprise Development Agency has established a number of mineral beneficiation incubators in copper zinc and base metals; jewellery, aluminum fabrication and casting; stainless steel processing; and platinum jewellery. The NSF, Mining Qualifications Authority (MQA) and the IL Tari Goldsmith and Jewellery Design Academy of Italy are investing R30 million to train 20 South Africans. In addition the Department of Labour, together with the MQA, identified 1 000 learners for training in the mining sector.

Growing the oceans economy and tourism

Our work to grow the Ocean Economy is progressing and gaining momentum. Some of our major ports are already undergoing some construction to put in place infrastructure that will attract and support manufacturing and facilitate efficient operation of our ports. This will lead to an economic injection and increased job creation.

To this end, Transnet National Ports Authority (TNPA) has allocated R7 billion for new port facilities and already 200 jobs have been created in new port facilities and refurbishment and maintenance of existing ones over the last 12 months. Through the public-private partnership to establish Saldanha Bay as an oil and gas hub, an investment of R9.2 billion

has been realised, which will be utilised over the next 5 years. Work on the offshore supply base has already commenced which will see Saldanha Bay attracting oil rigs for maintenance and repair. This will also create secondary job opportunities for the surrounding communities.

With regard to manufacturing, the Boat- building sector has been revitalised, leading to 500 direct and 3000 indirect jobs. An amount of R353 million over the next three years has already been unlocked in the ports of Durban and Cape Town for boatbuilding infrastructure through incentives provided by Government. Further investments in boat-building (catamaran production, workboat ferries for the navy, two offshore mining vessels and tugboats for the ports authority) and a fuel storage facility amount to approximately R3.6 billion.

An amount of R80 million has been allocated in the 2016/17 financial year for the rehabilitation and maintenance of proclaimed harbours in Gansbaai, Saldanha Bay, Struisbaai, Gordons Bay and Lamberts Bay as well the establishment of three new harbours in Boegoebaai in Northern Cape, Port St Johns in Eastern Cape and Hibberdene in KwaZulu-Natal providing opportunities for local and rural economic development.

The aquaculture sector has unlocked investments of more than R400 million across ten aquaculture farms which are already in production. The community in Hamburg in the Eastern Cape has seen its first harvest of dusky kob (kabeljou - fish) and the Siyazama Aquaculture Cooperative in Hamburg has sold its first harvest of dusky kob to the Cape Town Fish Market at the V&A Waterfront in Cape Town.

The expansion of aquaculture projects to inland and other coastal areas in support of Small Medium and Micro Enterprises will create 3200 jobs and contribute R500 million to the GDP over the next year. With the fourteen licences issued for oil and gas exploration, drilling of two exploration wells for potential oil and gas finds will take place along the South African coast.

The investment in gas infrastructure has commenced and will contribute to the energy security. The first two bulk carrier vessels have been registered in Port Elizabeth, and a third tanker in Cape Town, providing opportunities for South African Cadets (trainees) boarding these vessels.

South Africa remains a favourite tourist destination with growing popularity of its coastal and marine tourism offerings and experiences. We will implement the blue flag beach quality assurance programme in 50 beaches along the coastline.

Resolving the energy challenge

The development of the energy sector is key to easing the constraints to growth. Through the Eskom maintenance programme, restoration of the Duvha unit, connection of Medupi Unit 6 and customers using electricity sparingly, there has been no load-shedding since September 2015.

Government has invested R83 billion in Eskom which is made up of the R60 billion that was converted from a guarantee into a grant plus R23 billion that was from the sale of Vodacom shares. This has enabled the utility to continue investing in Medupi and Kusile power stations. The energy sector education and training authority, in partnership with Medupi Leadership Initiative and Lephalale TVET College, is implementing energy and water-related skills programmes in which 300 learners have been targeted.

Through our Renewable Energy Independent Power Producer Programme (REIPPP), 6 376 MW have been procured of which 2 045 MW from 41 Independent Power Producers are already operational. The multiple bid windows of the Renewable Energy Independent Power Producer Programme has attracted an investment of R194 billion. The procurement of 2 400 MW of new coal-fired power generation capacity has been completed. We are also sourcing 2 600 MW of hydroelectric capacity from the Southern African Development Community region.

We will continue to implement the Solar Water Heater programme focusing on load reduction, the repair and replacement programme and the social programme. The load-reduction programme aims to retrofit approximately 200 000 electric geysers with solar water heaters annually. This will reduce electricity demand in the high consumption residential sector.

Through the social programme we will provide skills to emerging companies and local communities to participate in various aspects of the solar water heater roll-out programme that is targeting to install 38 000 units in the 2016/17 financial year. A pilot programme on training 300 learners on the installation and maintenance of solar geysers was initiated in Ekurhuleni Metropolitan Municipality. A further R36 million has been set aside to provide training to other beneficiaries in other municipalities.

The nuclear energy expansion programme remains part of the future energy mix. The procurement plan for 9 600 MW nuclear build programme will be implemented in the next decade at a pace informed by what the country can afford.

The National Skills Fund (NSF) has disbursed R96 million towards developing renewable energy training facilities at the Cape Peninsula University of Technology. This initiative seeks to respond to the country's adopted strategy to promote renewable energy production in order to supplement the current fossil fuel energy production.

The NSF has also set aside an amount of R204 million towards establishing work-integrated learning facilities for engineering students. The project aims to provide on-the-job training for mechanical and electrical engineering students in order to obtain registration as engineers.

Moderating workplace conflict

Government is in discussion with social partners regarding interventions aimed at moderating workplace conflict. Issues being considered include the Code of Good Practice for Collective Bargaining and Industrial Action and legislation to provide for expedited

resolution of disputes by a commissioner, thereby averting unnecessary strikes.

Regarding the modalities of introducing a National Minimum Wage, the social partners have agreed to explore ways of reducing pay differentials while maximising job creation efforts. This work seeks to create a labour market environment that is conducive to investment, economic growth, employment and decent work.

Cross-cutting areas to reform, boost and diversify the economy

The Nine-Point Plan consists of five cross-cutting areas that are aimed at creating an enabling environment or supporting the implementation of key interventions to boost the economy. These cross-cutters include broadband roll-out, water and sanitation, transport infrastructure and science, technology and innovation. Progress made in the implementation under these areas is indicated in the background document. I would like to highlight some of the key interventions that will be implemented under these sectors from 2016/17.

Broadband roll-out:

Government is committed to lowering the cost to communicate through policy interventions. This will include open access, rapid deployment of information and communications technologies (ICT) infrastructure and the finalisation of Spectrum Policy. We will deploy modern communication and ICT infrastructure to all 44 districts within the next five years. This connectivity should focus on modernisation of government communication infrastructure and providing connectivity for schools, hospitals and all government facilities.

Phase 1 will focus on eight districts covering 5 089 facilities.

Phase 2 will focus on connecting 35 211 government facilities.

As part of enabling citizens to participate in the Digital Society in an affordable manner, government is working together with metros of Tshwane, Ekurhuleni, Nelson Mandela Bay, Manguang, Cape Town and Johannesburg to roll out free WiFi. A total of R40 million has been allocated for the roll-out.

Water and sanitation:

The construction on phase 1 of the Vaal Gamagara Water Scheme, in Northern Cape, will commence in June 2016. It will benefit five municipalities and create more than 1 500 jobs. The process of finalising the designs for the construction of the uMzimvubu Dam, Eastern Cape, will be completed by end March 2016. The construction of Ntabelanga Dam, Bulk Distribution System, and Water Treatment Works, in the Eastern Cape. Raising of the Clanwilliam Dam wall in the Western Cape, to increase its capacity is expected to commence by the end of the financial year.

Transport infrastructure:

R1,1 billion has been allocated for the Moloto Road project.

On N2 Wild Coast road, the construction of the 410 km road between East London and Mtamvuna, is in the planning and design phase. In addition, the South African National Road Agency Limited has budgeted R2.5 billion for the construction of two main bridges at Msikaba and Mtentu.

Science, technology and innovation

Our investment in Sector Innovation Funds programme makes available public funding on a matching basis with the private sector to target research, development and innovation that enhances the competitiveness and growth of priority economic sectors.

The Department of Science and Technology will in the 2016/17 financial year finalise the Sovereign Innovation Fund, which is a public-private funding partnership aimed at commercialising innovations that are based on the ideas from public and private sectors.

Scaling up private sector participation

We are making it easier for investors to enter the country through the One-Stop Shop. An Inter-Ministerial Committee (IMC) on Investment was established to oversee our work to attract investors. The IMC will, amongst others, provide clarity and certainty on South Africa's economic policy, identify and package investment projects, promote partnership between government and the private sector, and coordinate the One-Stop Shop for investors.

The One-Stop Shop for investors offers the convenience of multiple services to those interested in conducting business in South Africa from a single point. It will identify bottlenecks, remove administrative barriers and reduce regulatory inefficiencies to make conducting business in the country easy.

Conclusion

In conclusion, we are confident that the Nine-Point Plan is correctly positioned towards growing and transforming the economy, creating jobs and attracting investment. We remain optimistic that the continued implementation will mitigate the current difficult economic situation. Government is doing all it can to attract more investors in order to turn the economy around, create employment, and reduce poverty and inequality. However, the success requires the collective effort of all partners.

Together we move South Africa forward!

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