basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

South African Economic Growth and Development Policies and Approaches

ABBREVIATIONS AND ACRONYMS

AIDC	Automotive Industry Development Centre	FIETA	Forest Industries Education and Training Authority	NPA	National Prosecuting Authority
APDP	Automotive Production and Development Programme	FRIDGE	Fund for Research into Industrial Development Growth and Equity	NRCS	National Regulator for Compulsory Specification
API	Active Pharmaceutical Ingredients	FSA	Food Safety Agency	NSF	National Skills Fund
AsgiSA	Accelerated and Shared Growth Initiative for South Africa	FSA	Forestry South Africa	NT	National Treasury
ATF	Aluminium Trifluoride	FTPP	Forestry, Timber, Pulp and Paper	NTB	Non-Tariff Barriers
B-BEE	Broad Based lack Economic Empowerment	GDP	Gross Domestic Product	NFTN	National Foundry Technology Network
BNDES	Brazil's *Banco Nacional de Desenvolvimento Econômico e Social*	GEAR	Growth, Employment and Redistribution	NTI	National Tooling Initiative
BPS	Business Process Services	GFCF	Gross Fixed Capital Formation	NTP	Nuclear Technology Products
BTX	Benzene, Toluene and Xylene	GW	Gig watt	OEMs	Original Equipment Manufactures
CAV	Centurion Aerospace Village	HF	Hydrogen Fluoride	PBMR	Pebble Bed Modular Reactor
CEF	Central Energy Fund	HRD	Human Resource Development	PFMA	Public Finance Management Act
CIACM	Competitiveness Improvement of Automotive Component Manufactures	HS	Harmonised System	PGM	Platinum Group Minerals
CIPC	Companies and Intellectual Property Commission	ICT	Information Communication Technologies Zone	PI	Production Incentive
CKD	Completely Knock Down	IDC	Industrial Development Corporation	PPP	Public Private Partnership
CMT	Cut, Make and Trim	IDTT	Inter-Departmental Task Team	PPPFA	Preferential Procurement Policy Framework Act
COC	Centre of Competence	IDZ	Industrial Development	PRASA	Passenger Rail Agency of South Africa

CSDP	Competitive Supplier Development Programme	IEE	Industrial Energy Efficiency	PSA	Proudly South African
CSID	Corporate Strategies and Industrial Development	IFPI	International Federation of the Phonographic Industry	RDP	Reconstruction and Development Programme
CSIR	Council for Scientific and Industrial Research	IPAP	Industrial Policy Action Plan	REFIT	Renewable Energy Feed in Tariff
CSP	Customised Sector Programme	IRP	Integrated Resource Plan	RIBS	Rigid Inflatable Boats
CTS	Concentrated Thermal Solar	ITAC	International Trade Administration Commission	ROV	Remotely Operated undersea Vehicles
CTCP	Clothing and Textiles Competitiveness Programme	ITED	International Trade and Economic Development	R&D	Research and Development
CTFL	Clothing Textiles, Leather and Footwear	JV	Joint Venture	QCTO	Quality Council for Trades and Occupations
DAC	Department of Arts and Culture	KAP	Key Action Programme	SADC	Southern African Development Community
DAFF	Department of Agriculture, Forestry and Fisheries	KDB	Korean Development Bank	SAFVCA	South African Fruit and Vegetable Canning Association
DBSA	Development Bank of Southern Africa	MACC	Mobilisation, Alignment, Capacity Building and Cooperation	SANAS	South African National Accreditation System
DFIs	Development Finance Institutions	MCEP	Manufacturing Competitiveness Enhancement programme	SANs	South African National Standards
DMR	Department of Mineral Resources	MerSETA	Manufacturing, Engineering and Related Services SETA	SAOSO	South African Organics Sector Organisation
DoC	Department of Communications	MHCV	Medium and Heavy Commercial Vehicles	SARS	South African Revenue Services
DoD	Department of Defence	MIDP	Motor Industry Development Programme	SAT	South African Tourism
DoE	Department of Energy	MNC	Multi-National Corporations	Seda	Small Enterprise Development Agency
DoH	Department of Health	MOA	Memorandum of Agreement	SETAs	Skills Education and Training Authorities of South Africa

DoHE&T	Department of Higher Education and Training	MoU	Memorandum of Understanding	SEZ	Special Economic Zone
DoJ	Department of Justice	MTBPS	Medium-Term Budget Policy Statement	SMEs	Small and Medium-sized Enterprises
DoL	Department of Labour	MTSF	The Medium Term Strategic Framework	SMMEs	Small, Medium and Micro-sized Enterprises
DoT	Department of Transport	MW	Megawatt	SOEs	State-Owned Enterprises
DPE	Department of Public Enterprises	NAAMSA	National Association of Automobile Manufacturers of South Africa	SPS	Sanitary and Phyto-sanitary Standards
DPW	Department of Public Works	NAMC	National Agricultural Marketing Council	SPX	Sequenced Packet Exchange
DST	Department of Science and Technology	NCSDP	National Craft Sector Development Programme	SQAM	Standards, Quality Assurance and Metrology
DTT	Digital Terrestrial Television	NCPC	National Cleaner Production Centre	SSAS	Sector-Specific Assistance Scheme
DWEA	Department of Water and Environmental Affairs	NDT	National Department of Tourism	SWH	Solar Water Heaters
EDD	Economic Development Department	NECSA	South African Nuclear Energy Corporation	TBT	Technical Barriers to Trade
EIA	Environment Impact Assessment	Nedlac	National Economic Development and Labour Council	TEO	The Enterprise Organisation
EIP	Enterprise Investment Programme	NEF	National Empowerment Fund	the dti	Department of Trade and Industry
EMIA	Export Marketing and Investment Assistance	NERSA	National Energy Regulator of South Africa	TISA	Trade and Investment South Africa
EPPMM	Electricity Prepayment Meter Manufacturing	NFVF	National Film and Video Foundation	TPA	Tonnes Per Annum
ERA	Enterprise Reference Architecture	NDP	National Development Plan	TNPA	The National Ports Authority
ESKOM	Electricity Supply Commission	NIPF	National Industrial Policy Framework	UNIDO	United Nations Industrial Development Organisation
EU	European Union	NIPP	National Industrial Participation Programme	UNFCCC	United Nations Framework Convention on Climate Change
EV	Electric Vehicle	NMISA	National Metrology Institute of South Africa	WTO	World Trade Organisation
		NNR	National Nuclear Regulator		

South African Economic Growth and Development Policies and Approaches

Policy	Objectives	Principles / Strategic Priorities	Programmes	Outcomes	Challenges
RDP 1994	1. create a strong, dynamic and balanced economy; 2. Develop human resource capacity of all South Africans; 3. Ensure that no one suffers racial or gender discrimination in hiring, promotion or training situations; 4. Develop a prosperous, balanced regional economy in Southern Africa; and 5. Democratise the state and society.	1. Policies needed to be all-encompassing, addressing all problems and challenges. Needed to reflect the needs of the people. 2. Provision of peace and security to all. 3. Build a strong nation which could then develop itself. 4. Linking of reconstruction and development are key aspects for the achievement of success in South Africa. 5. Strengthen the SA democracy, giving a voice to all.	1. Satisfying the basic needs of all through the implementation of programmes. 2. Develop human resources by focusing on education and training, literacy levels, arts and culture, sport and recreation and the development of the youth 3. Build the economy and the nation, through job creation and protection of worker's rights. 4. Democratize the state and society through implementation and upholding of the Constitution. 5. Implementation of the RDP objectives at all levels.	1. RDP was seen as achievable as the new government would remove division within power structures, allowing for easier and more effective action. 2. The policy was not just the property of the state, but those communities, unions, businesses and workers.	1. RDP ignored the gathering of new taxes, rather focusing, far too narrowly on fiscal prudence and the reallocation of existing revenues 2. The government suffered from lack of sufficiently skilled managers, while policy co-ordination and implementation methods used were not proven successful.
GEAR JUNE OF 1996	Strategy encompassed most of the social objectives of the RDP. Additional: 1. Implement a fiscal deficit reduction programme to counter inflation, free up resources and reduce the deficit to below 3% of GDP. 2. Form exchange rate policy to keep the exchange rate competitive, inflation below 6%, and removal of foreign exchange controls. 3. To achieve an average of economic growth rate of 4.2% per year by 2000, and the creation of 400 000 jobs per year.	1. Implement a fiscal deficit reduction programme to counter inflation; and 2. Form an exchange rate policy to keep the exchange rate competitive to: a. Strengthen the economic stabilization, increasing employment creation. b. Ensure the successful achievement of goals set out in the RDP, emphasizing the state's goal of utilizing and leveraging the SA economy. c. Endure the short-term pains in the achievement of long term success in both economic growth and social development.	RDP was a people-oriented socialist framework, GEAR was seen as a pathway to SA's economic salvation through: 1. The achievement of a higher growth rate, creating an economic environment conducive to private investment which would in turn result in greater job creation and the equitable redistribution of income. 2. Acceleration of reconstruction programmes, education and training. 3. job creation and protection of worker's rights and democratization of the state and society through implementation and upholding of the Constitution.	1. By the end of 2000, fiscal deficit, inflation and government consumption targets were all met, reporting figures of 2.2%, 5.4% and 18% respectively, bringing about greater macroeconomic stability, better reporting and increased accountability. 2. Management of public finances improved drastically under GEAR and the only success seen with regard to GDP was that the negative growth rate of the early nineties was reversed. 3. Tightening of the monetary policy, restructuring all government levels led to a reduction in government expenditure.	1. Private investment, job creation and GDP growth indicators were disappointing. 2. Low levels of economic growth and private investment were insufficient to contribute to the reduction in unemployment; 3. Achieved very little success with the distribution of wealth.

Policy	Objectives	Principles / Strategic Priorities	Programmes	Outcomes	Challenges
ASGISA 2006	Acknowledged the challenges of prolonged poverty driven by unemployment, and low earnings, and the jobless nature of economic growth. Its aim was to: 1. Reduce poverty by 2010, and halving unemployment by 2014 from the 28% in 2004 to 14%by 20122. 2. Recognized that the policies implemented to address these issues needed to be at the forefront of economic policy decision making.	Key binding constraints to implement the required interventions: 1. Volatility of the currency in spite of improved monetary and fiscal stance of SA is a threat to investment in tradable goods and services. 2. Cost, efficiency and capacity of the national logistics system resulted in the major backlogs with respect to infrastructure and investment. 3. Shortage of suitably skilled labour is one of the most serious challenges facing the successful economic and social development of the country 5. Regulatory environment and the burden placed on SMEs' mall and medium enterprises have hampered the development of business within SA, 6. Deficiencies in state organisation, capacity and leadership are a further constraint.	1. Infrastructure programmes in which government has committed itself to the ramping up of public sector investment. 2. Need for sector specific investment strategies have been acknowledged 3. Together with its sister programme, JIPSA, 3 year programme to address skills shortages and enhance policy implementation. 4. Identified that interventions were needed to bridge the gap with the second economy 5. Within macroeconomic intervention, strategies were to be put in place to reduce the volatility and overvaluation of the currency 6. Public administration issues: The formation and implementation of new institutional interventions is a costly exercise which can be avoided.	2007 annual report of the AsgiSA: 1. The country experienced four consecutive years of growth greater than 4.5%. 2. Employment has grown strongly, even though unemployment remains high. 3. The growth rate rise to an average of over 5% and increasing the rate of investment to over 20% of GDP from 15%. 4. Government's rate of investment has increased to over 10% annually and that of public enterprises to an even greater level. 5. Reducing unnecessary red tape, getting universities to commit to rapidly increasing their output of engineers over the next three years. 6. For 2006/07 the improvement in spending levels continued during the first and second quarters of 2007/08 ending 30 September 2007, with national departments spending 32.9% of their budgeted infrastructure spending.	While AsgiSA has achieved a certain level of success, the level of Implementation and future of the programme was uncertain as no official word came from the government regarding the fate of AsgiSA,
The Medium Term Strategic Frame work - 2009	The Medium Term Strategic Framework 2009 - 2014 (MTSF) objectives:: 1. Halve poverty and unemployment by 2014 2. Ensure a more equitable distribution of the benefits of economic growth and 3. reduce inequality 4. Improve the nation's health profile and skills base and ensure universal access to 5. basic services 6. Improve the safety of citizens by reducing incidents of crime and corruption 7. Build a nation free of all forms of racism, sexism, tribalism and xenophobia.	Key strategic priority areas included: 1. More inclusive economic growth, decent work and sustainable livelihoods; 2. economic and social infrastructure; 3. rural development, food security and land reform; 4. access to quality education 5. improved health care; 6. the fight against crime and corruption; 7. cohesive and sustainable communities; 8. creation of a better Africa and a better world; 9. sustainable resource management and use; 10. a developmental state including improvement of public services; 11. A skilled and capable workforce to support and inclusive growth path; 12. A responsive, accountable, effective and	1. Support employment creation in the following key sectors: infrastructure, the agricultural value chain, agro-processing and rural development, the mining value chain, the green economy, manufacturing sectors and tourism, and certain high-level services. 2. Strengthening competition policy 3. Procurement reform to support local procurement 4. Reform of broad-based BEE to support employment creation and broad-based equity and ensure alignment across all economic sectors 5. Stepping up skills development, 6. African regional development 7. Reducing cost drivers across the economy including directions for infrastructure and skills	1. Establish a credible institutional mechanism for skills planning 2. Increase access to programmes leading to intermediate and high level learning 3. Increase access to high-level occupationally directed programmes in needed areas 4. Decent employment through inclusive growth 5. A skilled and capable workforce to support an inclusive growth path 6. An efficient, competitive and responsive economic infrastructure network 7. Vibrant, equitable and sustainable rural communities with food security for all 8. Environmental assets and natural resources that is well protected and continually	1. Downturn of global economic 2. Bottlenecks and backlogs constrains economic growth and raises costs; 3. Low domestic savings and inadequate in the productive sectors of the economy; 4. economic concentration and price collusion in key parts of the economy raises costs and limits innovation; 5. an uncompetitive currency that limits employment growth and 6. Persistent balance-of-trade deficit funded with short-term capital inflows

Policy	Objectives	Principles / Strategic Priorities	Programmes	Outcomes	Challenges
		efficient local government system	8. Youth employment 9. Spatial development within South Africa		
New growth path (NGP) - 2010	Despite the various policies formulated by the government since the end of apartheid, The Government has recognized the need for a new and effective growth path: To help overcome these following structural challenges and contribute to the achievement of higher levels of economic growth: 1. Structural unemployment remains extremely high; 2. Poverty continues to afflict millions; 3. Oppression of workers continues; and 4. The inequalities are now deeper than ever before.	NGP leans on recommendations made in a 2008 growth report by the Commission on Growth and Development, which suggested that policymakers target five areas for long-term economic growth, namely: 1. Remaining open to the world economy and new ideas. 2. Maintaining macroeconomic stability. 3. Sustaining high rates of saving and investment (about 20% to 25% of national income versus the current 16%). 4. Allowing the markets to allocate resources. 5. Maintaining committed, credible, and capable government. The framework identifies investments in five key areas namely: 1. Energy, 2. Transport, 3. Communication, 4. Water and 5. Housing. Sustaining high levels of public investment in these areas will create jobs in construction, operation and maintenance of infrastructure	1. Green economy: expansions in construction and the production of technologies for solar, wind and biofuels is supported by the draft Energy 2. Agriculture: jobs will be created by addressing the high input costs and upscaling processing and export marketing. 3. Mining: calls for increased mineral extraction and improving infrastructure and skills development. 4. Manufacturing: re-industrialisation in the SA economy based on improving performance through innovation, skills development and reduced input costs in the economy. 5. Tourism and other high-level services: hold employment potential and the framework calls for SA to position itself as the higher education hub of the African continent.	Key pillars identified for this effective, long-term, sustainable and equitable strategy are that: 1. Government should fulfil the core state functions that are required for sustained economic growth, through supportive fiscal and monetary policies, and the provision of adequate infrastructure, social services and efficient regulation. 2. Diversification of the production structure to maximize employment creation in the short and medium term while laying the basis for long-run knowledge based growth. 3. Increasing equity and social mobility through the broader ownership of assets, access to skills for workers, a more merit-based access to quality education, and the discouragement of conspicuous consumption by the rich.	1. The economy has not created sufficient employment opportunities 2. Offers little in diagnosing the challenges facing the SA economy. 3. The proposed steps in the Framework to implemented, they will be overwhelmed by their unintended consequences. 4. Strong political statement made by the Framework makes it extremely difficult to engage constructively in a discussion 5. It recognises the challenges of an uncompetitive currency 6. Expanding on government's tools to address inflation. 7. Challenge on Inequalities and rural underdevelopment. 8. Creating more and better jobs must lie at the heart of any strategy to fight poverty

Industrial Policy Action Plan - IPAP 2 2011/12 – 213/14

Objectives

In January 2007, Cabinet adopted the National Industrial Policy Framework (NIPF), which sets out government's broad approach to industrialisation, with the following core objectives:

1. To facilitate diversification beyond our current reliance on traditional commodities and non-tradeable services, which requires the promotion of increased value-addition, characterised particularly by movement into non-traditional tradeable goods and services that compete in export markets and also against imports;
2. To ensure the long-term intensification of South Africa's industrialisation process and movement towards a knowledge economy;
3. To promote a more labour-absorbing industrialisation path, with the emphasis on tradeable labour-absorbing goods and services, and economic linkages that create employment;
4. To promote industrialisation, characterised by the increased participation of historically disadvantaged people and marginalised regions in the industrial economy; and
5. To contribute towards industrial development in Africa, with a strong emphasis on building the continent's productive capacity.

Context Issues

- IPAP 2013 is the 5th iteration of three year rolling action plan, aligned to the MTEF; and the last in a full year under the present administration. It is aligned to the vision of the NDP, the programtic perspectives of the NGP and is framed by the National Industrial Policy Framework (NIPF)
- SA's growth path hitherto characterised by consumption driven sectors growing 2 times that of productive sectors;
- Import intensive as opposed to domestic growth in the manufacturing sector
- High structural unemployment a constant, oscillating between 22,5% and 25% on narrow definition
- Extensive financialisation, but financial sector not supporting productive sector investment
- Macro policy has been unable to address challenge of volatile and (until recently) overvalued exchange rate

Underlying Principles and Outcomes

- IPAP predicated on need to bring about significant structural change in the economy; reverse the threat of deindustrialisation and strengthen diversified manufacturing base, especially in value adding, labour intensive strategic sectors.
- Predicated on state supporting, nurturing and defending industrial development. Seeks to assert state leadership in a context where state largely 'steers but does not row';

- Identifies a range of complementary interlocking policies that require alignment, and in some cases subordination to, Industrial Policy, such as aspects of macro policy, trade policy, dfi finance, skills policy, regional integration, technology and innovation etc;
- Predicated on stronger developmental conditionalities and reciprocal obligations from beneficiaries of state support in areas such as competitiveness upgrading; employment retention and creation, investment etc.
- IPAP is a product of the Economic Sectors and Employment Cluster: successive iterations set out Transversal & Sector Programmes and Action Plans with time-bound milestones and lead and supporting responsibility of departments and institutions
- Predicated on sound research, intensive stakeholder engagement; identification of market failures; 'self discovery' and learning by doing with the design of appropriate measures to address these
- Methodology proven to be an important tool for planning, management, monitoring & evaluation, oversight; stakeholder engagement and intra-government integration and co-ordination
- Demonstrable progress and results illustrate that industrial policy has and can work if it is based on these principles and is adequately resourced.
- Progress has been achieved in the face of extremely unfavourable domestic and global economic conditions.
- Consistently met with hostile, ideologically loaded and negative response from commercial media. Engagement and mobilisation through stakeholder engagement of labour and business integral to greater acceptance and support
- Progress achievements and new platforms created, establish a solid foundation upon which industrial policy can be deepened and extended to achieve wider industrial and economic development objectives.

IPAP Programmes

1. Public Procurement
2. Industrial Financing
3. Developmental trade policy
4. Regional integration
5. Skills for the economy
6. Innovation and Technology
7. Special Economic Zones (SEZ) and Industrial Development
8. Clothing, Textiles, Leather and Footwear
9. Automotives
10. Metal Fabrication, Capital and Rail Transport Equipment
11. Agro-Processing

12. Biofuels
1. Aquaculture
2. Plastics, pharmaceuticals, chemicals and cosmetics
3. Pharmaceuticals
4. Cosmetics
5. Forestry, Timber, Paper, Pulp and Furniture
6. Sawmilling sector
7. Furniture manufacturing
8. Business Process Services
9. Creative industries: Craft, Music and Film
10. Green Industries - Climate Change
11. Renewable Energy
12. Energy Efficiency
13. Downstream Mineral Beneficiation
14. Upstream Oil and Gas
15. Boatbuilding and Associated Services Industry
16. Nuclear Energy
17. Advanced Material
18. Aerospace and Defence
19. Electricity Prepayment Meter Manufacturing (EPPMM)
20. The South African Software Industry

IPAP Transversal achievements

Procurement

- Promulgation of the amended Regulations of PPPFA enabled the dti to Designate sectors/products for local procurement
- First wave : buses, rolling stock, power pylons, canned vegetables, clothing, textiles, leather and footwear, set top boxes, pharmaceuticals and furniture designated
- Second wave designations to include valves, manual and pneumatic actuators, electrical and telecommunication cables and components for solar water heaters
- Research stage: energy efficient lights, pre-payment meters, medical textiles, paper, plastic products, and building and construction materials
- SABS responsible for verification of local content
- High level co-commitments were made by business and labour in the Procurement Accord process led by the EDD. Notwithstanding a few notable exceptions and enormous potential progress has been limited

- Room for significant ramping up of localisation across spheres of government and SOE's outside of Designation and CSDP programmes enabled in the PPPFA

Industrial financing

- Significant and ongoing progress registered with respect to the IDC's capacity to finance IPAP and NGP sectors with R102bn, inclusive of R10bn Job Creation Fund; R25bn towards the Green Economy; R500 million energy efficiency fund R7.7 billion agricultural and forestry value chains and R6.1 billion to support companies in distress
- Through IDC funding approvals approximately 111 349 jobs were saved or created between 2009-2012
- The 12(i) Tax incentive supported large manufacturing investments worth R10.1 billion during 2012/13
- Manufacturing Competitiveness Enhancement programme (MCEP) launched in 2012. Reversed general trend of steady decline in incentive support (relative to GDP) Cross cutting capital investment; green technology; resource efficiency; competitiveness improvement; feasibility study and cluster support mechanism.
- In 2012, 149 applications to MCEP approved with commitment grants valued at R716m and 16 107 jobs retained. Majority of the approvals – Agro-processing and Metals sectors; remainder spread across Chemicals, Plastics and Electro-technical sectors
- But substantive long-term structural re-orientation of IDC and alignment of Development Finance Institutions (DFIs) remains critical

Customs fraud

- Ongoing research collaboration between DTI; FIC and Customs demonstrates illicit economy is a major problem
- Systematic engagement with SARS/Customs has contributed to scaled up policies and programmes
- SARS and DTI Customs Fraud Task Team established to combat fraud and illegal imports, especially in the textiles and clothing sector
- Customs progress includes;
  - a comprehensive Customs Modernisation Programme inclusive of a Reference Price System to indicate under invoicing;
  - a real time system with Electronic Case Management and inspection process replacing current manual stop and inspection programme and 1 500 additional personnel to strengthen trade facilitation with better enforcement
- Overall improvement in enforcement. For example SARS conducted 112 raids during 2012/13, 42 of which were in the clothing sector where 260 tonnes of goods were confiscated. Over a three year period, R1 billion worth of illegal or substandard goods have been confiscated.

- Notwithstanding progress further consolidation of pre and post border enforcement, including criminal prosecutions, with integrated action from departments and institutions

Trade measures

- Consolidation and realignment of International Trade Administration Commission (ITAC) to support industrial development imperatives reflected in completion of numerous applications for increases, rebates and reductions of duties across a range of sectors. Turnaround times remains a concern
- The technical infrastructure institutions have continued to re-align and re-prioritise activities - from trade facilitation paradigm to strategic support for manufacturing – by the development, accreditation and enforcement of standards and specifications
- SABS 'early warning' system to identify technical barriers to trade operational and effective
- Work on standards has enabled the growth of industries such as green industries and industrial energy efficiency. SABS and South African National Accreditation System (SANAS) have developed a range of enabling standards and accreditation programmes and increased testing capacity for various industries and products
- Further strengthening of all round trade measures ongoing

National Industrial Participation Programme (NIPP)

- The NIPP policy review completed and approved by Cabinet.
- Strengthens application and enables stronger alignment with other public procurement levers – Designation and CSDP.
- New Regulations to be tabled shortly.

•Competition Policy

- Competition Commission policies and programmes have become more strategically aligned with industrial policy reflected in wide variety of investigations and findings in the polymer; fertilizer; maize and wheat milling; steel; construction and food products industries

Skills

  - Skills shortage remains a critical constraint to industrial development.
  - Mapping of skills demand under the National Artisans Plan in progress.
  - Important demand side skills interventions such as the Monyetla Programme (BPS) and National Tooling Initiative (Metals) provide important learning's for applied interventions.

•Technology and Innovation

- o IDC and the dti approved an additional amount of R100 m to recapitalise the Technology Venture Capital Fund,
- o Amendments to Research & Development Incentives completed. In collaboration with IDC, increased support value of projects to R5m,
- o Commercialisation framework implemented through SPII using the Technology Venture Capital Fund.
- o Ongoing work, including review of policy and institutional framework, to enable stronger alignment and focus between DST and DTI in the research, development and commercialisation value chain.

Administered prices

- Transnet National Ports Authority (TNPA) committed to changing its pricing model in favour of the export of manufactured goods. Proposal to lower tariffs on tradable exports by 40% from 1 April 2013 reversing previous tariff structure which favoured commodity exports. Further work with TNPA in progress
- DTI influential in NERSA approving only a 8% increase in electricity tariffs versus the 16% proposed by Eskom. But annual above inflation increases combined with triple digit municipal premiums with hugely inconsistent and variable tariffs within and between municipalities and billing inconsistencies remains a major constraint
- Rail, port and road transport freight and logistics inefficiencies continue to be a significant problem and barrier to greater competitiveness for manufactured exports

Iron and Steel Value Chain

- Cabinet signed off on proposals of the Inter-Departmental Task Team (IDTT) on iron and steel. Work in progress includes :
    - o Finalisation of the Regulations, after public consultation, under the provision of the International Trade Administration Act and Second Hand Goods Act, to limit the unencumbered export of scrap metal and to support domestic producers. Export of scrap closely associated with highly deleterious cable and metal theft and masking of illegal export of precious metals. Work led by EDD
    - o Amendments to the Competition Act, to limit the abuse of dominant market position in key value chains especially iron and steel and plastics and polymers and to lower the cost of strategic inputs into manufacturing. Work led by EDD.
    - o Build competition in the iron and steel sector by the introduction of at least one more steel producer. Work led by the IDC is advanced to include a foreign investor; new technology and strong conditionality's to ensure developmental ore prices are passed through as a competitive advantage to manufacturing sector

Automotives

- Completion of the transition from the MIDP to the APDP;
- Exports exceeded $12bn with consolidation of platforms and economies of scale in a narrower range of vehicles
- Average annual growth in value added in auto's sector significantly outstripped overall economic performance between 1994 and 2011 by 1.5%. (Auto's 4.8% and GDP: 3,4%)
- Investment commitments worth over R15 bn, and AIS incentive currently sustaining 56 197 jobs;
- A number of OEM's have recently committed/opened assembly lines and increased production capacity in South Africa such as Toyota, BMW, First Auto Works, Beijing Auto Works and Mercedes Benz. Complemented by further investments in the supply chain, with the most recent being a R400 million expansion by Johnson Controls in the Zone East London Industrial Development (ELIDZ);
- Successful implementation of a 3 year Automotive Component Supplier Development Programme from 2010 to 2012. Benchmarking and improvement services delivered to 65 companies nationally;
- Finalised the Medium, Heavy and Commercial Vehicle Strategy and the Electric Vehicle Industry Road Map;
- Re-introduced the local manufacture of Mini-Buses

Clothing and Textiles

- Implementation of support measures has stabilised a sector in deep distress halting employment decline and factory closures
- Since inception the Clothing and Textiles Competitiveness Programme, (CTCP) approved R1.5bn with R800 million already disbursed to participating enterprises
- The CTCP supporting 429 companies, securing 49 888 jobs out of a total of 101 511 in the sector. 12 205 new permanent jobs have been created
- Designation of the clothing and textile sector has led to R225 million of public procurement in support of local manufacturers
- The footwear sector projects an increase in production from 52 million to 100 million in next 3 years. 32 000 people employed in the footwear and leather value chain
- Agreements between retailers (Foschini and Truworths) have committed to purchase 70% from domestic manufacturers. Illustrating potential for private sector local procurement in other sectors

Agro-processing

- Broad agreement reached by the Inter-Departmental Task Team on the design of a fiscal incentive for the bio-fuels industry. Effect a R8.9bn annual savings on the balance of trade. Projected to create 55 000 jobs and reduce CO_2 emissions by 498 000 tonnes.

- The dti and Foundation of African Business and Consumer Services (FABCOS) launched agro-processing investments worth R1.2 billion to assist in growing sustainable HDI-owned/controlled small, medium and micro enterprises and support the retailer/supplier development model with investments small scale milling and agro-processing
- Launched Agro-Competitiveness Investment Fund valued at R76 million and the Aquaculture Development and Enhancement Programme
- Launched the Emerging Organic Farmer/ Retailer Programme with Pick 'n Pay, Shoprite and Spar providing shelf space and support to emergent organic farmers and cooperatives
- New products and action plans developed including major companies - Astral (new feed mill) and Tiger Brands (new R1 billion investment)

Metal Fabrication, Capital and Transport Equipment

- Continuous SOC engagement on supplier development and localisation has led to embedding localisation policies and programmes at Eskom and Transnet with high localisation thresholds
- An Intra-Departmental Task Team Report on Iron Ore and Steel adopted by Cabinet, mandating the DMR, DTI and EDD to secure a developmental steel price; amending the Competition Act, measures to restrict exports of scrap metals and create competition in steel production
- The National Tooling Initiative created to increase and strengthen the human capacity and competitiveness of the tooling industry. R200 million provided by the NSF
- DTI instrumental in the opening of R1 bn Safal Steel metal coating plant
- National Foundry Technology Network established to facilitate the development of the foundry industry through appropriate skills training, technology transfer and diffusion of state-of-the-art technologies
- DTI facilitated an iron ore interim supply agreement in December 2012 between Sishen Iron Ore Company and Arcelor Mittal South Africa

Green industries

- Sector strategies for wind energy and solar power developed
- Secured minimum and ongoing increasing levels of local content in the Renewable Energy Independent Power Producer Programme (REIPP) and Designation of Solar Water Heaters
- Energy Efficiency Building Regulations became effective from November 2011 making the installation of solar water heaters in new buildings mandatory
- Significant investments with IDC support in solar water heater manufacture; wind tower production, solar PV structures and PV panel assembly. Includes DCD investment in wind-tower manufacture in Coega; Mainstream Renewable Power 138MW wind energy plant in Jefrreys Bay and Edison R1.2bn 30MW plant in Coega, with R1.4bn project to follow in Limpopo.

- An Energy Efficiency Training Centre has been established at the NCPC and a Radiation Training Facility has been established at NECSA

Business Process Services

- R1.1 billion worth of investment secured from the BPS Incentive Programme, and 4 500 jobs expected to be created over the next 3 years;
- A total of 3 233 recruits have been enrolled and trained under the Monyetla II Programme
- 2 120 of these have signed employment contracts with their respective host companies post the training against a target of 2100 (70%)
- South Africa has attracted a number of the world's biggest outsourcer companies such as Serco, Capita and WNS
- Shared services based in SA servicing clients in Africa are on the rise e.g. UTI, Ricoh, ABSA/Barclays Africa and Standard Bank Africa, creating more jobs in SA
- South Africa was named Offshoring Destination of the Year in 2012 at the National Outsourcing Association awards in the UK;

•Film industry

- A dedicated support programme developed for local and foreign film productions. R 293 million incentives provided in 2012.
- Film productions including Chronicle and Safe House, Mad Max, the 3D comic-book adventure Dredd and the TV drama Mary and Martha
- Twenty three films approved by the dti were premiered at the Durban International Film Festival in July 2012

IPAP Review and Prospects

- Overall have strengthened claims of manufacturing and its strategic importance, notwithstanding fact that IPAP implemented against background of global crisis and disproportionate impact of first wave of crisis on manufacturing (+ 200 000 of 1million jobs lost in 2009 in manufacturing)
- Greatest successes in sectors or areas where state intervened strongly: automotives and textile; clothing, leather and footwear sectors; business process services
- BUT complementary policies insufficiently informed by need to prioritise value added productive sectors
- Insufficient intra-governmental integration, coordination and alignment
- Industrial sector still often unable to assert its demands within business
- Patchy involvement of organised labour - where labour is involved often effective; e.g.: early warning on plant closures

- Several and important new policy platforms established – developmental trade policy, public procurement, better industrial financing, new cross-cutting incentives etc.
- Together with emerging opportunities creates much stronger foundation for deepening and extending industrial policy

- Beneficiation
  - Resource endowment constitutes single biggest opportunity for competitive advantage
  - the dti has launched a comprehensive research project that will develop a strategy to identify commercialisation opportunities in projects for forward beneficiation and backward supply chain development in key mineral value-chains
  - Key consideration is required alignment with amendments to Mineral Petroleum Resources Development Act (MPRDA) to secure developmental prices
- Infrastructure development
  - Government is committed to a massive up-scaling of infrastructure investment programmes under the Presidential Infrastructure Coordinating Committee (PICC);
  - This provides a challenge and opportunity for the localisation of a wide range of manufactured inputs into the infrastructure build – especially in the construction, metals, capital and rail transport equipment and renewable energy sectors, if requisite institutional architecture and programmes can be achieved
- Regional industrial integration and new export markets
  - Regional growth arguably the biggest stimulus to long-term growth in South Africa; to grow the exports base, including with respect to its value-added agricultural manufacturing exports (also to net food-importing countries in the far East and Gulf States)
  - A number of ongoing and scaled-up interventions are in the pipeline, from planning cross-border infrastructure to the effective realisation of up and downstream linkages in resource exploitation to the realisation of massive construction opportunities
  - Requires strengthening of value chains; firm structure and strategies; export market research, market and product identification, and an export promotion strategy including strategic domestic manufacturers and retailers
- Local procurement and supplier development
  - Lessons from the localisation through the CSDP in the Transnet and PRASA rail and rolling stock tenders plus those arising from the Designation process must be carried over to similar supplier development programmes involving other SOC and across the full gamut of state procurement at all three spheres of government
  - Significant unrealised and important opportunities to deepen localisation and supplier development in the private sector – retailers, mining and construction in a more structured way to ramp up localisation

- BRICS
  - South Africa's participation in the BRICS provides important opportunities to build its domestic manufacturing base, enhance value-added exports, promote technology sharing, support small business development and expand trade and investment opportunities;
  - Innovative proposals relating to the establishment of a BRICS-LED Development Bank and Business Council could contribute to enhanced financial support for domestic and sub-continental infrastructure and regional industrial integration

Industrial Development Challenges & Threats

- Slow recovery and continued vulnerability of the global economy particularly key traditional trading partners. Difficult process to re-align and build trade patterns
- Large current account deficits together with a huge manufacturing trade deficit. Danger that large infrastructure build can 'suck in' even greater imports
- No indications that the slowdown in public and private fixed investment expenditure growth in the recent period has improved;
- A volatile exchange rate
- On-going limited allocation of capital to productive sectors such as the relatively more labour-intensive and value-adding sectors of the economy
- Ongoing monopolistic provision and pricing of key inputs into manufacturing - steel, plastics and polymers
- A weak and mismatched skills system, which does not adequately respond to the needs of productive sectors
- Significantly, above-inflation increases for administered prices. High electricity prices eroding existing "competitive advantage" and at extreme could lead to deindustrialisation.. Prior to 2012 electricity price increases of between 75% and 90% from Eskom and up to 140% where municipal increases are factored in. Tariff regime differs widely within and between municipalities and billing inefficiencies and inconsistency is a problem. Adverse effects on manufacturing sector, especially vulnerable sectors
- The proposed carbon tax, taken together with steeply escalating administered prices, could result in a negative impact, additional shock and even collapse of key sectors – smelters and foundries
- On-going inefficiencies at ports and high cost and inefficiencies in the road and rail freight and logistics systems;
- Industrial Mineral "Super Cycle" past its peak. China's growth path over next decade likely to be less mineral intensive with consequent reduction in demand for primary commodity exports
- Failure to align the proposed Amendments of the MRPDA with Beneficiation Strategy & Programmes could limit beneficiation potential and competitive advantage for manufacturing in domestic economy

Conclusion

- Progress on IPAP demonstrates that industrial policy can and does work, if it is well resourced, rests on rigorous research and is the subject of extensive and robust stakeholder engagement;
- Strengthening and deepening industrial development will need to rest in great measure on securing concessional access to mineral feedstocks as a source of competitive advantage and value adding beneficiation
- Industrial policy and development should strengthen and deepen existing programmes; building capacity; increasing leverage of existing policy platforms; strengthening sector strategies and optimising new opportunities through BRICS; regional economic integration and new market development
- Need for much stronger intra-governmental integration to secure more timeous resolution of policy and programme bottlenecks
- Scaling up of Industrial Policy should include:
    - Work to assess impact of incentives and industrial financing across government departments and agencies and to redesign and strengthen, where appropriate, incentives to reflect priorities, stronger conditionalities, changing needs and conditions. New SEZ incentive strengthens the mix of incentives
    - The further strengthening of developmental trade policies that deploy trade measures in a selected and strategic manner, including tariffs, standards, quality assurance and accreditation
    - Assessment and strengthening of procurement levers to maximise impact across spheres of government and institutions and significant potential of private sector procurement/supplier development policies and practices
    - Fast tracking and strengthened work on competition and regulation policies and legislation that lowers costs of inputs of critical goods and services into manufacturing and other productive activities and goods and services that are consumed by poor and working class families
- Strengthening Industrial Policy cont;
    - Further consolidation and strengthening of integrated work on customs fraud and illegal imports
    - Strengthening of sector capacity:
    - Scale up “in house” training and capacity building and “external” programmes (CSID/Aporde etc) to include other institutions, business and labour
    - Strengthen sector methodology - identification, engagement and deeper firm level engagement with large, lead and dynamic firms to understand the opportunities, constraints and leverage possibilities, and
    - ‘Cascade’ learning from auto’s and CTFL to other sectors
- Stronger research, institutional architecture and integrated programmes to stimulate regional industrial growth and domestic exports, especially in key sectors and value chains

- A co-ordinated approach to releasing the infrastructure, transport and export bottlenecks and constraints which act as a barrier to economic and industrial growth and means/programmes to unlock localisation opportunities
- Rolling out a beneficiation strategy in a strategic and coordinated manner.

IPAP Constraints and Threats

- Escalating and ‘bunched up’ administered prices –electricity price increases.
- Monopolistic pricing of privately owned key intermediate inputs into the manufacturing sector.
- High port charges for the export of value-added goods, inefficiencies in rail and port freight logistics.
- Slow progress in addressing the skills deficit and mismatch in the economy.
- A significant slowdown has taken place in private sector investment
- South Africa recently experienced serious volatility and breakdown of labour relations in some sectors of the economy.

The importance of IPAP for the New Growth Path

Industrial policy and the IPAP form part of a larger set of inter-related policies and strategies, which make up government’s New Growth Path (NGP). The NGP provides a fuller articulation, integration and coherence of a range of policies and programmes. IPAP emphasises that sectors have differing characteristics and are important in an economy in their own right, as well as through the impact they have on other sectors, particularly via multiplier effects.

IPAP thus has a particular role to play in dynamising employment and growth in the economy, through its focus on value-adding sectors that embody a combination of relatively high employment and growth multipliers. As measured through backward linkages, manufacturing and other IPAP sectors pull through inputs from the primary sectors and other manufacturing and services sectors, and transform them into higher-value products, thereby stimulating employment along the entire value chain. They also provide an additional impetus to employment and growth through forward linkages to ‘downstream’ sectors, predominantly in services. It is in this sense that manufacturing and other IPAP sectors play the central dynamising role in the economy, through a combination of direct and indirect effects.

Conclusion

It is evident from the policies which have been implemented since 1994 in the form of the RDP, GEAR, AsgiSA, and the MTSF, that overcoming the legacies of Apartheid; unemployment, poverty and inequality, have been the driving forces behind the formulation of these policies. Results, however, show that the implementation of these policy measures has achieved little success in these areas, for unemployment and poverty is on the rise, while the inequality divide is now greater than ever before. Government and the decision-makers need to look at the new growth path policy to ensure that it is sufficiently different from the previous frameworks to mitigate the challenges encountered, while achieving the preset targets in areas related to social upliftment.

National Development Plan (NDP) 2030

The National Development Plan is a plan for the country to eliminate poverty and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the state and leaders working together to solve complex problems.

Economy and Employment (Summary) Chapter 3

Introduction

This plan provides a detailed and holistic approach to the task; covering education, infrastructure, rural development, health care and social protection, among other issues. But most critically, to eliminate poverty, South Africa has to raise employment. This can happen only if the economy grows faster and in ways that draw in the historically disadvantaged. This chapter principally deals with proposals to raise employment and economic growth. The key measures of economic success identified in the plan are that South Africa achieves average Gross Domestic Product (GDP) growth of over 5 percent, and that by 2030 GDP per capita is more than twice the present level, export growth has accelerated, income levels have risen above the poverty line for all, inequality has been substantially reduced, and unemployment has been reduced from 25 percent to 6 percent.

Key points

- To eliminate poverty and reduce inequality, South Africa has to raise levels of employment and, through productivity growth, the earnings of working people.
- South Africa needs faster growth and more inclusive growth. Key elements of this strategy include raising exports, improving skills development, lowering the costs of living for the poor, investing in a competitive infrastructure, reducing the regulatory burden on small businesses, facilitating private investment and improving the performance of the labour market to reduce tension and ease access to young, unskilled work seekers.
- Only through effective partnerships across society can a virtuous cycle of rising confidence, rising investment, higher employment, rising productivity and incomes be generated.
- South Africa requires both a capable and developmental state, able to act to redress historical inequities and a vibrant and thriving private sector able to investment, employ people and penetrate global markets.

Structural Features of the South African Economy

The economic challenge

South Africa is in a low growth, middle income trap. There are four key features of this trap that serve to reinforce each other. These are:

- Low levels of competition for goods and services.

- Large numbers of work seekers who cannot enter the labour market
- Low savings
- A poor skills profile.

Structural challenges specific to South Africa

Some structural challenges are specific to South Africa, including:

- High levels of inequality and a relatively small market.
- Skewed ownership and control. The corporate has changed since 1994. However, it remains highly concentrated. This poses a barrier to business entry and present forms of black economic empowerment (BEE) are not achieving all the desired objectives.
- Insufficient progress in advancing human development; whether in relation to education, health or safety.
- Extreme pressure on natural resources.
- An energy constraint that will act as a cap on growth and on options for industrialisation.
- Spatial misalignment whether in reference to the urban/rural divide or within urban areas, and binding constraints posed by poor physical planning and network infrastructure.
- Distance from main markets globally and limited market access.
- Implementation and coordination challenges.

There are also many favourable factors, such as growing middle strata, scientific capability and institutions, fiscal resources, capabilities in dynamic sectors that are growing globally, a strong minerals base in a context of a commodity boom, high education enrolments, being located in a high growth region, and the fact that many challenges that would influence our success lie within our power to fix.

Some of the implications for South Africa are set out below:

- Recognise the importance of investing in the engine of growth (rising outputs from tradable sectors), the sources of jobs (often domestically oriented and services firms) and the linkages between the two.
- Develop flexible human settlements, responsive to changing locations of work (such as available rental stock, and good and affordable public transport systems).
- To raise the chances of achieving continuous work opportunities, South Africa will require labour-matching services, transition support and easy access to retraining.
- In the earlier years, as the country expands access to employment on a mass scale, a large proportion of working people will receive low pay. It is essential to reduce the cost of living in relation to food, transport, education, health and other basic services.
- The environment must be conducive to taking advantage of opportunities that arise. Create an enabling platform that allows people to respond to opportunities.
- The long-term solution to skewed ownership and control is to grow the economy rapidly and focus on spreading opportunities for black people as it grows. Improving standards of education; better support for

entrepreneurs; and a focus on career mobility, workplace training and financial inclusion are ways to deal with these structural weaknesses. Government procurement, licensing and other forms of economic rents should help reduce racial patterns of ownership of wealth and income.

Summary of the Economic Plan

To pave the way for accelerated economic progress over the next 20 years, South Africa needs to make tough decisions that will involve compromise and trade-offs. Key proposals include:

- Raising exports while taking steps to prevent excessive overvaluation of the currency
- Improving skills development
- Breaking the disincentive to hire young, unskilled work seekers by incentivising the employment of young, unskilled work seekers
- Using fiscal policy to raise savings and investment and to reduce consumption
- Taking measures to increase competition in regulated sectors or broadening price regulation in sectors that are natural monopolies
- Lowering the costs of transport and logistics and investing in remedies to address spatial divides
- Strengthening the social wage to raise living standards of those out of work or in low paying jobs.

Key Elements for Employment Creation

- Creating an environment for sustainable employment and economic growth
- Promoting employment in labour absorbing industries
- Promoting exports and competitiveness
- Strengthening the capacity of the government to implement its economic policy
- Demonstrating strategic leadership among stakeholders to mobilise around a national vision
- Spatial dynamics and rural employment
- Achieving and sustaining a growth acceleration

Towards Faster Growth

The plan's central goals are expanding employment and entrepreneurial opportunities on the back of a growing, more inclusive economy. This will require deepening the productive base, whether in agriculture, mining, manufacturing or services. By 2030, South Africa should have a more diversified economy, with a higher global share of dynamic products, and greater depth and breadth of domestic linkages. It will need to intensify stimulation of local and foreign markets and strengthen conditions to promote labour-absorbing activities. Traded activities will act as a spur to growth, as will stimulation of domestic opportunities and the linkages between the two. It will take decisive action on the part of the state and the other social partners for the country to break out of the current path dependency.

Economic infrastructure – the foundation of social and economic development - Chapter 4

Introduction

South Africa needs to invest in a strong network of economic infrastructure designed to support the country's medium- and long-term economic and social objectives. This economic infrastructure is a precondition for providing basic services such as electricity, water, sanitation, telecommunications and public transport, and it needs to be robust and extensive enough to meet industrial, commercial and household needs.

Key points

- South Africa needs to maintain and expand its electricity, water, transport and telecommunications infrastructure in order to support economic growth and social development goals. Given the government's limited finances, private funding will need to be sourced for some of these investments.
- The role and effectiveness of sector regulators needs to be reviewed. In addition to issuing licences and setting tariffs, regulators need to place more emphasis on stimulating market competition and promoting affordable access to quality services. This will require capacity-building in regulatory institutions.
- Policy planning and decision-making often requires trade-offs between competing national goals. For instance, the need to diversify South Africa's energy mix to include more renewable energy sources, which tend to be variable in terms of production, should be balanced against the need to provide a reliable, more affordable electricity supply.

The Energy Sector: Empowering South Africa

The plan envisages that, by 2030, South Africa will have an energy sector that promotes:

- Economic growth and development through adequate investment in energy infrastructure. The sector should provide reliable and efficient energy service at competitive rates, while supporting economic growth through job creation.
- Social equity through expanded access to energy at affordable tariffs and through targeted, sustainable subsidies for needy households.
- Environmental sustainability through efforts to reduce pollution and mitigate the effects of climate change.

Water Resources and Services

Water supply and sanitation services, which depend on adequate management, are a priority for most South African communities. Their effective and sustainable management is essential for community health, development and cohesion, and continued economic activity.

By 2030, it is envisaged that effective management of water and the services derived from it will support a strong economy and a healthy environment. The country's development will reflect an understanding of available water resources and effective water planning that cuts across different economic sectors and spheres of government. All main urban and industrial centres will have a reliable water supply to meet their needs, while increasingly efficient agricultural water use will support productive rural communities. Natural water sources will be protected to prevent excessive extraction and pollution. Water will be recognised as a foundation for activities such as tourism and recreation, reinforcing the importance of its protection. Where rivers are shared with other countries, South Africa will ensure that it continues to respect its obligations.

Transport

By 2030, investments in the transport sector will:

- Bridge geographic distances affordably, foster reliably and safely so that all South Africans can access previously inaccessible economic opportunities, social spaces and services.
- Support economic development by allowing the transport of goods from points of production to where they are consumed. This will also facilitate regional and international trade.
- Promote a low-carbon economy by offering transport alternatives that minimise environmental harm.

The state will oversee a transport system that takes into consideration the realities of transport in South Africa and strives to serve the interests of society. It will provide basic infrastructure where needed.

Where independent service providers would best meet transport needs, the government will enable licensing within a framework of effective regulation.

Crucially, the state agents responsible for transport will have the competence, information gathering and planning facilities and the necessary leadership to achieve these goals.

Information and Communications Infrastructure

ICT is a critical enabler of economic activity in an increasingly networked world. As a sector, ICT may provide important direct opportunities for manufacturing, service provision and job creation, but their main contribution to economic development is to enhance communication and information flows that improve productivity and efficiency. For this reason, a country that seeks to be globally competitive must have an effective ICT system, as this “infostructure” provides the backbone to a modern economy and its connections to the global economy. The link between ICT's contribution to economic growth only takes effect when connectivity reaches a critical point, estimated to be 40 percent for voice communications (Röller & Waverman 2001) and 7 20 percent for broadband (Koutroumpis 2009).

The Role of Regulators

While some network industries (such as power generation and ICT services) lend themselves to competition, core components such as the electricity grid itself, gas and water pipelines, and railway lines tend to form natural monopolies. With high fixed costs and decreasing average costs of service provision as more customers join these networks, it is often difficult to stimulate meaningful competition or to encourage multiple market entrants. In such cases, effective economic regulation is essential.

An Integrated and Inclusive Rural Economy - Chapter 6

Introduction

Since 1994, the main challenge for rural development has been marginalisation of the poor. Combating this require changes in access to resources (land, water, education and skills), and improved rural infrastructure and other government services. Rural areas, however, are still characterised by great poverty and inequality, with many households trapped in a vicious cycle of poverty.

Key points

- Rural communities require greater social, economic and political opportunities to overcome poverty.
- To achieve this, agricultural development should introduce a land-reform and job-creation/livelihood strategy that ensures rural communities have jobs.
- Ensure quality access to basic services, health care, education and food security
- Plans for rural towns should be tailor-made according to the varying opportunities in each area. Intergovernmental relations should be addressed to improve rural governance.

What needs to be done?

- Agricultural development based on successful land reform, employment creation and strong environmental safeguards. To achieve this, irrigated agriculture and dry-land production should be expanded, with emphasis on smallholder farmers where possible. To this end, established agricultural industries must be enabling partners.
- Quality basic services, particularly education, health care and public transport. Well-functioning and supported communities enable people to seek economic opportunities. This allows them to develop their communities further through remittances and the transfer of skills, which will contribute to the local economy.
- In areas with greater economic potential, industries such as agro-processing, tourism, fisheries (in coastal areas) and small enterprise development should be developed with market support. Special focus to enhance skills and capabilities of rural women entrepreneurs with access to land and finance.

The strategy should ensure access to basic services, food security and the empowerment of farm workers. It should also recognise the wide range of opportunities present in rural areas and develop strategies tailored to local conditions. Institutional capacity is integral to success, especially in the reforms required to resolve contested relationships between traditional and constitutional institutions.