



**Economic Sector-Specific Interventions Working Committee of the Job Summit:  
Government Proposals**

## 1. Background

1.1 The South African economy is characterised by high levels of unemployment coupled with low levels of GDP growth. Between the third quarter of 2010 and the second quarter of 2017 over 4 million people entered the Labour Force. In addition, the labour participation rate increased as people not previously looking for work began to look for work. This resulted in unemployment rate remaining at more than 26% with youth unemployment at 52.4% and this is a cause for concern.

1.2 The NDP vision 2030 was introduced to chart the way forward to eliminate poverty and inequality in South Africa. The economic chapter which guides our economic vision sets specific targets for the country including accelerating GDP to grow by 5% in 2030; increasing the labour force participation rate from 54% in 2010 to 65% in 2030; creating 11 million additional jobs by 2030; reducing unemployment rate to 14% by 2020 and 6% by 2030; and increasing investment as percentage of GDP to 30% amongst others. These imperatives require cooperation amongst various stakeholders such as business, labour, community and academia under the government's leadership.

1.3 To achieve this coordination and cooperation, President Ramaphosa in his state of the nation address in February 2018, announced that he will convene a Job Summit before the end of the current financial year. Accordingly, the President appointed the Minister of Labour to coordinate the preparations for the Summit. The Department of Labour has led a process to craft the objectives of the Summit as well as the ToR to guide the process which is currently being consulted with the social partners and there is already on these.

1.4 The objective of the Summit is to identify solutions to job retention, job creation blockages and opportunities that each social partner can work on to stimulate more participation in the economy and job creation. The Summit also seeks to identify policy and regulatory uncertainties that impede job creation and

economic growth. In this regard, the Summit will endeavour to find solutions to resolve these policy and regulatory uncertainties.

## **2. The Structure of the Job Summit**

2.1 The Job Summit structure comprises of the Presidential Committee chaired by the President; the Technical Coordinating Committee chaired by the NEDLAC Executive Director; and five working Committees. The five working committees are Economic Sector Interventions; Small and Micro-enterprise Support; Education and Skills; Inclusive growth, Redistribution and Transformation; and Public Sector Interventions.

## **3. Purpose**

3.1 The purpose of the Government Caucus On Economic Sector Interventions Working Committee is to identify specific sectoral growth interventions and commitments that will result in increased investment, employment and exports.

The caucus is thus tasked to:

- Identify concrete sets of commitments from stakeholders to support economic diversification and increase investment, employment and exports;
- Consider commitments and contributions to be made by social partners;
- Identify immediate and medium to long term commitments;
- Identify, support and manage research and policy development work required for a successful implementation of agreed proposals;
- Identify blockages, develop and propose interventions to remove such blockages where they arise;
- Establish a work plan for the caucus guided by overall job summit timeframes;
- Keep adequate records and reports of each session; and
- Facilitate implementation and monitoring of the agreed commitments

- 3.2 These interventions are to be directed to youth, women and low-income families and communities; and high impact employment schemes. Interventions also need to support inclusive growth and transformation, as well as reduce income inequality.

## 4. Membership

- 4.1 The government caucus of the Economic Sector Interventions working Committee is chaired by **the dti** and constituted by several departments that include the Department of Trade and Industry; Department of Agriculture, Forestry and Fisheries; Department of Rural Development and Land Reform, Department of Tourism; National Treasury; Department of Environmental Affairs; Department of Planning, Monitoring and Evaluation; Department of Energy; Department of Telecommunication and Postal Services.

## 5. Roles and Responsibilities

- 5.1 The roles and responsibilities of members are set out in this section which also sets out the responsibilities of the Chairperson, and the Secretariat

Role	Responsibilities
<b>Chairperson (DG dti)</b>	<ul style="list-style-type: none"><li>• Chair government caucus</li><li>• Ensure that all meetings are scheduled and preparation of the agenda for each meeting is always ready, with the assistance of the Secretariat.</li><li>• Co-chairs the working group meetings with the social partners</li></ul>
<b>Members</b>	<ul style="list-style-type: none"><li>• Participate in all activities of the government caucus and Working Group.</li></ul>

	<ul style="list-style-type: none"> <li>• Develop proposals for adoption</li> </ul>
<b>Secretariat</b>	<ul style="list-style-type: none"> <li>• To assist the Chairperson and members of the task team</li> <li>• Draft agenda, minutes, resolutions, membership and attendance of and distribute this information to members in a timely manner where relevant.</li> <li>• Send out meeting invites on time.</li> <li>• Conduct manage and collate research, produce summaries and reports on studies, declarations, agreements as may be relevant.</li> <li>• Follow up on the implementation of resolutions and prepare progress reports.</li> </ul>

### Government Proposals on the Job Summit

The Economic Sector Intervention Working Committee, after extensive consultations, developed a list of proposals as government input into the Job Summit. The proposals are based on the agreed criteria for selecting input from different departments. The criteria include amongst others jobs, increase growth, exports including transformation and inclusive growth. The agreed proposals by government are clear in terms of government commitments to Job Summit and the expectations/commitments from the social partners. After considering all the input, the government caucus agreed to reduce the list of interventions to reasonable size (maximum of ten (10) proposals). The proposals not included in the top ten are appended as **Annex A** for further considerations during the negotiations by social partners.

### Economic Sector Intervention proposals per theme

#### THEME 1: LOCALIZATION AND SUPPLIER DEVELOPMENT

Local procurement is a key lever for industrialisation and re-industrialisation as it raises the aggregate domestic demand for local produced goods thereby increasing the share of productive sectors production and employment. In 2011, in terms of the amended

Preferential Procurement Policy Framework (PPPFA), the new regulations gave power to **the dti** to designate sectors and/or products for local procurement. A Review of the PPPFA took place in 2017 and came into effect 1 April 2017.

**Government:** To date, a total of 23 sectors/products have been designated for local production, with varying minimum local content thresholds – e.g. rail rolling stock, bus bodies, working vessels, steel conveyance pipes, valves and actuators, transformers, wheelie bins etc. The government commits to work on improving compliance with localisation policies such as the designation programme by government agencies and identifying more designation opportunities.

**Social Partners:** To commit to support the local manufacturing sector by procuring the designated products. Labour to commit to replicate the monitoring of compliance they are doing so well for the clothing and textiles industry to all the designated sectors; and government to assist with funding for this initiative.

**Business:** To commit to identifying products they commit to procure locally and integrate in their supply chain.

## **Pharmaceuticals**

**Government:** Reconsider more strategic tariff and local procurement practices to support local industry where cost saving is marginal.

Accelerated approval of existing Industry Task Group recommendations for regulatory landscape, including risk base assessments and multiple dossier submissions. Accelerating implementation of the South African Health Products Regulatory Authority (SAHPRA) to clear the backlog of medicine registrations. SAHPRA to also create an academy to develop future talent.

**Social Partners:** Local pharmaceutical companies to commit to local manufacturing through expansion initiatives and increased investment.

## **THEME 2: INDUSTRIAL FINANCE SUPPORT**

### **2.1 Development of funding partnerships for land restitution to support job creation**

Restitution post settlement support programme. The objective of the programme is to ensure that there is development in the form of productivity of the land and or economic development activities in the land restored to the rightful owners.

**Government:** The government commits to set aside approximately R1.2 billion for the 2019/2020 to 2020/21 financial years. The fund will be supporting the development of the land restored to the land claimants.

**Social Partners:** Government requests business to commit to match Rand for Rand of what government is committing. Successful implementation of this programme would result in new decent jobs created paying minimum and above minimum wage.

## **2.2 Jobs fund**

The government already has a jobs fund which could assist massively in creating the additional number of jobs we require. Government to offer to improve the Jobs Funds by reworking its architecture including the qualifying criteria, its size and architecture to attract additional jobs. The social partners commit to utilising the fund to create a certain number of jobs. The new job fund must take into account the following:

- Be blended with private sector
- Increase the scale of the fund
- Be targeted towards township/rural or industrial parks

## **THEME 3: PROMOTIONS OF SPECIAL ECONOMIC ZONES**

### **3.1. Industrial Parks**

South Africa has more than 200 Local Industrial Parks spread across all nine Provinces. In many cases, these Industrial Parks are situated adjacent to Townships and close to Informal Settlements. Over time, under-investment and maintenance of these Parks' infrastructure including security, has led to a fall in occupancy levels and the erosion of the benefit for firms of locating in an Industrial Park. In order to address some of these shortcomings, government has over the last 2 years invested approximately R300m in revitalizing the basic infrastructure of 10 Industrial Parks across South Africa.

The primary focus of Phase 1 of the programme has been to upgrade the basic security so as to encourage further investment by the Park's existing tenants. To provide a sense of the scale of these Industrial Parks, the Botshabelo, Phuthaditjaba (FS), Seshego, Nkowankowa (Limpopo), Isithebe (KZN), Komani, Vulindlela, Dimbaza, Queenindustria (EC), Mogwase (NW) Ekandustria, and Babelegi (Gauteng) Industrial Parks provide industrial space to over 670 enterprises which in turn provide direct employment to over 55,000 people primarily from each Industrial Park's surrounding Townships. Phase 1 has been completed in 7 of the IPs, while phase 2 is underway. The following industrial parks have received security upgrade: Botshabelo (FS), Seshego (Limpopo), Komani (EC), Isithebe (KZN), Vulindlela (EC), Babelegi (Gauteng).

**Government:** Government is committed to revitalise rural and township economies. In this regard, the government will finalise phase 2 of the industrial parks revitalisation programme before the end of the current financial year. We believe that the industrial

park revitalisation programme is a critical tool for the implementation of a change strategy that will change attitudes that define townships as a reservoir of labour and rather turns them into productive centres, capable of absorbing local labour. This further allows the circulation of township resources internally for the benefit of local communities and subsequently creates cohesion in the communities.

**Social Partners:** Business is expected to support township economic development by locating businesses within the industrial parks. Existing businesses within the parks are encouraged to expand their investments thereby employing more local township people.

### 3.2 Rural Economic Zones

Rural Economic Zones model (REZ). The model will result in the reversal of distorted and unsustainable human settlements and prosperity which will have a direct impact on job creation. The REZ will be implemented in line with the normative principles of spatial justice, sustainability and resilience. The REZ is a geographic region with the following:

- About 50,000 people constituted into a cluster
- Specific radius of so that a rural development center at the centre could be accessed easily.
- Base of agricultural produce, skills and economic opportunities arising from available resources
- Possibilities of organizing production infrastructure in a geographically defined hierarchical manner –namely Household Level Activity, Community Level Activity (VLA) and Ward Level Activity
- Possibility of skill resources existing organized at the above levels – Enterprises at community level, specialized groups/entrepreneurs at village cluster level and advanced skills at the zonal headquarters.
- Possibilities of creating a Nodal Centre in the form of a Micro Industrial Cluster (MIC) along with facilities like energy backup unit, raw material supply chain/ advanced facilities like packaging, quality control, training, design and plan support, marketing support, transportation besides environmentally mandatory structures like effluent treatment plants.
- A governance structure involving the stakeholders and having committees for planning, environmental monitoring, ensuring social connectivity
- Activities within REZ will include but not limited to Agricultural Production; Manufacturing; Mining; Tourism; Forestry and Fishing

Infrastructure Development (for Agricultural Support / Improving Settlement Quality). Types of Infrastructure will include: Roads; Water; Sanitation; Socio – Economic; Agricultural Related; Revitalisation of Rural Towns (Towns within Radius of Influence)

**Agri-Parks will be used as a building block for the Rural Economic Zones.** Government has already spent an amount of R117.5m on various Agri-Parks infrastructure up to 2017/18 and approx. R650m will also be spend on infrastructure in 2018/19 whilst R300m has been spent to support communities for agricultural implements and production inputs with another R300m to be spent on the same for 2018/19. **The 9 Rural Economic Zones will expand from the foundation of the 9 Agri-Parks viz.** Eastern Cape (Chris Hani District: Ncora); Free State (Xhariep); Gauteng (West Rand); KwaZulu-Natal (Ugu); Limpopo (Vhembe – Nwanedi); Mpumalanga (Nkangala- Bushbuckridge); Northern Cape (ZF Mgcawu- Kuruman); North West (Ngaka Modiri Molema- Springbokpan); Western Cape (Cape Winelands– Witzenburg).

**Government:** Government is committed to invest an amount of R1.2b between 2019/20 to 2020/21 financial years on infrastructure development. Further to this these areas have been profiled for key commodities, agro-processing opportunities, infrastructure requirements and other investment areas.

**Social Partners:** Government is requesting that social partners

- invest in infrastructure development in these nine sites,
- support local communities; emerging farmers and entrepreneurs on market linkages, branding, off take agreements, marketing and utilisation of networks and mentorship
- Invest in these nine sites.

## **THEME 4: SPECIFIC SECTOR GROWTH INTERVENTIONS AND COMMITMENTS THAT INCREASES INVESTMENT, EMPLOYMENT AND EXPORTS**

### **4.1 Agriculture**

In response to the challenges set by the NDP, the Department of Agriculture, Forestry and Fisheries (DAFF) in partnership with the Department of Rural Development and Land Reform (DRDLR) developed key initiatives through Operation Phakisa for Agriculture, Land Reform and Rural Development.

One of the key challenges the Agri, Land and Rural Phakisa seeks to address is the lack of coordination coupled with inefficiencies in government processes. Furthermore, although some of the labour intensive export orientated industries have expanded significantly, and have performed in line with the expectations of the NDP, overall growth has not been fast enough.

Enhanced market access and a general lack of investment in water infrastructure and the issuing of water licences (especially to new farmers who did not have access to water in the past), has hampered growth as well. Vast tracks of land remain under- or

unutilised, which also includes idle irrigation schemes in areas where land reform farms are located.

At the heart of the challenges, lies South Africa's increasing levels of inequality, with South Africa now being the most unequal society in the world with a Gini Coefficient of 0,65. Although there are pockets of growth, it seems as if rural economic transformation that is envisaged in the NDP has not kick-started. The challenges of the growing demand for food and the increasing rate of urbanisation have to be addressed in conjunction with the massive unemployment rate, rural poverty and a major imbalance in land ownership and lack of transformation in the sector.

The purpose of Operation Phakisa for Agriculture, Land Reform and Rural Development was to reach consensus among all stakeholders (*161 participants attended across private sector organisations, public institutions, labour unions and non-governmental organisations*) on the challenges and solutions which could unlock the potential of agriculture, and create one million jobs by 2030.

To this end, Operation Phakisa identified initiatives under seven (7) focus areas, they are:

- **Producer Support** initiatives are aimed at improving support mechanisms, which include the remodeling of development finance for producers and Land Reform beneficiaries, the deepening and expanding of training models, access to services, and an improvement of legislated services for doing business in the sector.
- **Land Reform** initiatives seek to improve delivery mechanisms, administrative systems, and tenure insecurity. Land Reform initiatives further seek to develop urban and peri-urban agriculture, and the link to producer support mechanisms.
- **Horticulture** initiatives seek to accelerate the participation of black producers across the horticulture value chain, improve water resource management for greater production outputs, and expanding domestic and exports markets through infrastructure development.
- **Grain** initiatives seek to formalise the integration of smallholder farmers in the grains value chain through SAFEX's (South African Futures Exchange) 10 ton BEE Grain contracts for smallholder farmers producing grain; and expand on the knowledge base of producers through both access to information, research and innovation.
- **Livestock** initiatives enables access to the commercial value chain through improving franchising opportunities, preferential shelf space, reduced feed and related input costs, agro-logistics, land, water, infrastructure and mechanisation. It further seeks to empower small farmers through innovative support programmes to produce livestock with the required quality and genetics to compete in the commercial value chain.

- **Rural Development** initiatives seek to strengthen coordination of planning, implementation, reporting, monitoring and evaluation of programmes across all spheres of government by establishing a Rural Development Agency, and improve basic services.
- **Labour initiatives** seek to address both human right violations, and the development of a skilled labour force.

The following key initiatives have been identified as critical in expanding growth within the Agricultural sector, further supporting Land Reform and Rural Economic Development.

### ➤ **Road Freight strategy, for Agriculture**

The cost of logistics is a key performance indicator of the efficacy of the agricultural value chain.

Road freight is the dominant means of transport in South Africa. The current situation in South Africa is that there are a number of highly effective road freight operations that are managed to world-class standards. However, our roads are moving more than 80% of all industrial cargoes overloading our road infrastructure, and in turn increasing post-harvest losses.

This initiative therefore seeks to promote national and regional trade integration and improve cross border transport efficiency to enhance the competitiveness of the Agricultural industry. The aim is therefore to develop an effective regulatory and institutional framework using international best practises, and improve the effectiveness of regulation and enforcement of quality standards. It further seeks to effect an efficient rail/road split, currently standing at 88%-12%, and to create an effective training and skills development programme in support thereof.

**Government:** Government commits to invest in infrastructure development and the regulatory framework.

**Social Partners:** Will be required to participate in the spatial mapping of road and freight plans, and ensure the promotion and compliance of regulatory requirements and quality standards.

### ➤ **Improving and expanding the Grain/Livestock Value Chain**

Field crops, such as grains, are an agricultural subsector that is climate-dependent and currently under pressure due to the impact of drought. Although the grain sector

contributes less than 1% to GDP, the sustainability of this subsector is critical for food security.

Climate change and increased mining in Mpumalanga will cause Mpumalanga to lose up to one million tons of grain in the future, while the Eastern Cape has an average of 300 000 hectares of underutilised arable land. South Africa is furthermore only self-sufficient with regards to maize and a net importer of others, including animal feed.

Alongside the grain industry, is a thriving livestock industry, as 75% of grains produced are used as feed. The increasing importance of the contribution of animal products to the Agricultural basket is above 40% and growing. Approximately 70% of SA's farm land can be used only for livestock production, however the productivity of the national herd is considered too low to satisfy expected growth in per capita consumption of meat.

This initiative is a Public Private Partnership between DAFF, NERPO, AFMA, GrainSA, and the Provincial Departments of Agriculture, with a focus on the Eastern Cape. The aim is to develop an integrated primary field crop and livestock value chain, which involves the scaling up of production output, storage, and processing facilities, alongside the commercialisation of smallholder livestock and grain producers. Project outputs include:

- Bring an additional 34 000 hectares under production;
- Construction of dipping tanks and livestock handling facilities at strategic points within communal areas;
- Contractual agreement with feedlot companies such as Karaan beef or utilisation of government owned feedlot facilities;
- Construction of grain storage facilities (silos) at key collection points;
- Rehabilitation of grazing land

Potential Impact in terms of jobs, are 16 900 jobs in the livestock industry, and 47 700 jobs in the grain industry, by 2030. In terms of growth, potential contribution to GDP is, R 6.6 billion for livestock and R1.5 billion in the grain industry, by 2030

**Government:** Government commits to invest in macro-economic infrastructure development, producer support (both financial and non-financial), and land acquisition.

**Social Partners:** Industry organisations of the grain and livestock industries (GrainSA, National Emerging Red-meat Producers Organisation (NERPO), Red-meat Producers Organisations (RPO) and the Grain Farmer Development Association (GFADA) are required to invest in partnerships with government to ensure access to markets for SMMEs with the sector, further participating in the training and capacity development of producers.

## ➤ **Trade Promotion, Retention and Optimisation (TradePRO)**

Fruit and Wine offers significant economic growth, and development opportunities through increased exports. Consistent growth in the global demand for fresh produce can potentially increase South Africa's horticultural trade from R54.4 billion to R90 billion by 2030. In a Public, Private, Partnership between DAFF, FruitSA, the Western Cape, Eastern Cape, Limpopo and Mpumalanga Provincial Departments of Agriculture, this initiative will seek to increase the production footprint of Fruit and Wine producers in the country. Interventions will address technical support to producers which will include the construction of on-farm irrigation dams to expand production by an estimated 50 155 ha; assist producers with SA-GAP and Global-GAP certification; and the development of local market infrastructure i.e. National Fresh Produce Markets including pack houses and cold storage facilities.

Potential Impact in terms of jobs will be 267 000 jobs by 2030, and in terms of growth (GDP contribution), R 35,6 billion in trade by 2030 (Fruit and vegetable export volumes 4.2 million tons and Wine export volumes 422 million litres 650 million litres).

**Government:** Government commits to invest in macro-economic infrastructure development, to invest in providing support towards trade related compliance requirements, producer support (both financial and non-financial), and land acquisition.

**Social Partners:** FruitSA and its associating industry organisations to invest, in partnership with government to ensure access to markets for SMMEs, support the training and capacity development of producers, further ensuring compliance to trade related sanitary and phytosanitary measures of trade partners.

## ➤ **East and West coast Rock Lobster value chain improvement project**

DAFF is in the process of allocating 15 year fishing rights to small-scale fishery, which will include East coast and west coast rock lobster species. There is an investment opportunity for Production and value chain improvement in these fisheries in KwaZulu-Natal, Eastern Cape, Western Cape and Northern Cape.

This would result to improvement in the market and further beneficiation by the investors and the small-scale fishery as a whole. This may include both local and international market with South Africa's lobsters being a preferred product over the competing countries.

This initiative, will contribute 35% of return on investment over the fishing rights term.

**Government:** Government commits to manage the allocation of the 15 year fishing rights to small-scale fishery.

**Social Partners:** FisheriesSA and its associating industry organisations to invest, in partnership with government to ensure access to markets for small-scale fishers, further ensuring compliance to the allocation processes.

➤ **Improving Biosecurity Capacity of DAFF to expand trade of Agricultural Products**

- Exploitation of global market opportunities for agricultural and food products is subject to compliance with international standards, such as sanitary and phytosanitary (SPS) measures that aims to provide the required protection against risks that threaten human, animal and plant health and life.
- The capacity of the Department of Agriculture, Forestry and Fisheries has deteriorated over the past 10 years, becoming one of the biggest risks in accessing and expanding export markets.
- This initiative seeks to improve the management of risks associated with animal diseases, plant pests, genetically modified organisms (GMOs) and registration of products used in agriculture, promote food safety and create an enabling environment for increased and sustainable agricultural production. This is essential for export driven economic growth through reciprocally balanced trade in agricultural products.

Potential Impact in terms of jobs is 1 612 jobs by 2022, without empirical evidence of how much, significant improvement in biosecurity measures and capacity is expected have a significant contribution to growth through improved market access both domestically and internationally.

**Government:** Government commits to invest improving the regulatory and governance systems pertaining to biosecurity matters, including infrastructure and human capacity requirements.

**Social Partners:** for industry to assist DAFF in refining system requirements, as well as information and awareness programmes around the compliance of both national and international market standards.

➤ **Agricultural Centres for entrepreneurial development**

Currently there are various public and private institutions providing some sort of training and service in the agricultural sector.

However, these are not aligned to needs nor integrated with each other. To eliminate the silos (avoid duplication and address gaps), this initiative aims to establish a strong

partnership between the public and private sectors to provide relevant training and services across the value chain.

An umbrella governing body will ensure that there is a seamless, integrated service delivery and skills plan across the sector. This approach would combine both requirements (skills needs, technical resources) and funding, to deliver a holistic solution.

This initiative seeks to establish decentralised Agricultural Centres via a public/private partnership agreement. These centres will provide services to farmers and ensure that they receive the correct advice and information, including access to finances and training by commodity specialists, complemented by government training agencies.

Potential impact: 44 agricultural centres by 2027; 16 226 certified learners per year; 685 696 learners certified by 2028; 617 126 trained learners be employed in the sector (across the agri-value chain) by 2030; 30 856 new businesses should be created by 2030.

**Government:** Government commits to provide financial support to industry to provide technical support to producers, and in addition part with industry to improving training services.

**Social Partners:** To provide technical support.

## 4.2 Mining Sector

### Beneficiation and Value Addition

As mineral resources are by nature non-renewable, Social Partners remain committed to ensuring increased value addition from extractive activities. This means supporting downstream value addition in terms of processing and manufacturing as well as side stream and upstream through encouraging greater localisation of mining goods and services procurement. Social partners will accelerate R&D, enterprise development and marketing efforts in the priority value chains with a special focus on new industries, titanium, platinum fuel cells, jewellery fabrication and plastics and polymers.

**Government** will develop a clear and enabling mechanism for increased uptake of the “beneficiation offset” provision of the Mining Charter. Government further commits to the pursuing the rationalisation and maximisation of incentives for R&D and innovation. Government will further launch a “Mandela Platinum Coin.”

**Business** commits to adhering to adoption of a unified codification of mining inputs and to pursuing partnerships, enterprise development and R&D that will support value addition.

**Labour** commits to leading the charge in change management that will see increased direct and indirect mining sector employment.

### 4.3 Energy sector

#### Investment in LPG

As part of the transition towards cleaner forms of energy it is important that the role of Liquefied Petroleum Gas (LPG) be enhanced. The Department aims to double the use of LPG in the country in the next 5 years.

**Government:** There is a need to finalise investment into the proposed terminals in Richards Bay and Coega. In this regard, the Department will work closely with Transnet, the Port Regulator and NERSA to remove any remaining impediments towards unlocking this necessary investment in energy infrastructure.

To support local manufacturing, the Department will work closely with the DTI to encourage local cylinder, gas appliance and component manufacturing. Investment in storage infrastructure of LPG in the inland market will be necessary and in this regard, the Department will work with other industry players and CEF to find an acceptable model for such investment.

The Department will amend the pricing framework for LPG this year in order to better enable imports of LPG into the country.

On safety, the Department will work together with the Department of Labour and COGTA to ensure that illegal LPG cylinder filling plants in the various municipalities are rooted out. The illegal exports of LPG cylinders which, is detrimental to sustainable investment in the industry, will also be dealt with.

**Social Partners:** For LPG imports to be sustainable, investment in gas carriers that carry a South African flag is necessary. This is an opportunity for private sector, particularly, new entrants to the sector. The Department will work closely with the Department of Transport and the South African Maritime Safety Authority to make this happen.

In order to implement the measures regarding safety, as highlighted above; the Department will require the cooperation and joint participation of all key stakeholders. In this regard, the LP Gas Safety Association and other industry stakeholders will be required to partner with Government to assist in the elimination of illegal LPG cylinder

filling plants and illegal exports of LPG cylinders. All social partners would be requested to assist in reporting such illegal activity.

## **4.4 Environment and natural resources**

### **Waste/recycling value-chain development**

#### **The Waste Problem**

As at 2016, South Africa produces ~114Mt of waste annually<sup>1</sup>, of which ~75% goes to landfill sites. The waste sector contributes 0.62%<sup>1</sup> to GDP and employs ~35,000 people in formal jobs.

The amount of waste disposed at landfills causes significant issues, both through cost the management of existing landfills and the creation of new ones, and through pollution of the environment through badly managed landfills and illegal dumping. At the same time, there are economic opportunities within the waste sector that we have not yet been maximised – the Phakisa aims to address both of these.

#### **Delivery Lab Aspirations**

Based on the context of the Chemicals and Waste economy, the lab participants jointly articulated their aspirations along four objectives:

- Grow the secondary resources economy through the creation of an enabling regulatory environment, with the target to double the overall recycling rate.
- Generate opportunities from chemical and waste resources for the creation of jobs/opportunities in new/existing markets specifically through enabling SMMEs.
- Invest in R&D innovation (including IP) and infrastructure to enhance the utilisation of local waste resources for new products, substances and services that will create jobs and enhance the production of environmentally friendly chemicals.
- Reduce waste to landfill by 75% of industrial waste and 50% of municipal waste through education and awareness, compliant society and application of cleaner production.
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#### **Lab Impact**

The Phakisa process is focused on identifying initiatives that will be implemented, and show impact, over a 5 year period. This was the criteria used when identifying and prioritising initiatives over the 5 weeks. Detailed action plans and business cases were

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<sup>1</sup> Based on 2012 National Waste Baseline, projected to 2016 based on GDP growth

developed for the 20 initiatives with the following estimated impact achieved by 2023, if implemented fully.

- Direct additional GDP contribution of ZAR 11.5 billion, increasing the total contribution of the waste economy from ZAR 24.3 billion to ZAR 35.8 billion.
- 127,000 new jobs
- 4,300 SMMEs, contributing to the majority of the direct job creation (70% targeted at youth, at least 30% targeted at women)
- ~20 million tonnes of waste diverted from landfill (increase from 24% diverted from landfills to 41%)

45,000 of the new jobs will be created directly in the waste economy, and 82,000 jobs will be created indirectly in related fields, e.g., in the transportation or the construction sector. The large majority of new jobs in the waste sector (41,000) will be created through 4,300 new SMMEs, according to the following:

- ~4,000 very small businesses with 5-20 employees (expected to contribute 87% of these jobs)
- ~110 small businesses with 21-50 employees (expected to contribute 8% of these jobs)
- ~23 medium-sized and ~200 micro businesses (expected to contribute the remaining 5%)

Almost all opportunities are targeted at new entrepreneurs, including previously informal workers, and are suitable for youth. 30-50% of new opportunities can be targeted at women.

These initiatives aim to increase the volume of waste diverted from landfill including recycling, exports and organic waste that is not formally recycled but remains at the origin (e.g., farms) from currently 28 million tonnes (24% of 114 million tonnes total waste generated) to 47 million tonnes (41%). The aim for recycling is to increase the overall volume of recycled waste from currently 14 million tonnes (12%) to 28 million tonnes (25% of same baseline). These numbers are based on the 2012 waste baseline, with a projection based on GDP growth and population growth and were aligned post-lab with CSIR. Where available actual waste data was used (e.g., amount of coal burn by Eskom).

A 10-year projection of the expected impact of initiatives is included in the detailed in the budget and impact reports (excel files) but is not directly reported on in this document to sharpen the focus on the 5 year implementation horizon.

## **Lab Workstreams**

Four workstreams collectively identified and detailed 18 (of the 20) initiatives driving the Phakisa objectives:

➤ **Bulk industrial waste**

Initiatives to maximise the utilisation and beneficiation of bulk industrial waste have been defined, with specific focus on biomass, ash, slag and gypsum from desulphurisation filters at power plants. With ~86,000 new jobs and ~ ZAR 7.4 billion GDP impact, over 50% of the total economic impact of this Phakisa can be achieved through these initiatives. 16 million tonnes of waste can be diverted from landfill.

➤ **Municipal waste**

Initiatives to maximise diversion of waste from landfill sites have been defined. Diversion can be achieved through re-use, recycle and recovery of various waste streams including organic, construction and demolition (C&D), e-waste and packaging waste (plastic, paper and glass). 36,000 jobs can be created with a positive GDP impact of ~ZAR 2.1 billion. 3.7 million Tonnes of waste can be diverted from landfill.

➤ **Waste minimisation**

Initiatives to reduce volume of waste ending up in landfill sites have been defined. They can be captured by improving product design, increasing quality in production practices and promoting waste prevention, covering packaging and food waste. These initiatives can create ~3,000 jobs, with a GDP impact of ~ZAR 1.3 billion, and avoided food losses of ~ZAR 1.2 billion contributing to food security. 0.5 Million tonnes of waste can be diverted from landfill.

➤ **Chemicals**

Initiatives with a two-fold benefit to increase SA's competitiveness in the chemicals industry and create a positive enabling business environment for SMMEs to foster inclusive growth have been identified. These initiatives can create ~1,000 jobs, with a positive GDP impact of ~ZAR 650 million. Emission of ~114,000 tonnes of ozone-depleting gas can be avoided.

## **THEME 5: POLICY AND REGULATORY CONSTRAINTS**

### **5.1 Regulatory reform to ensure ICT and Broadband rollout**

The current infrastructure market, particularly in relation to broadband, is characterised by fundamental market problems of ineffective competition, infrastructure sharing bottlenecks, unnecessary duplication of infrastructure, and inefficient use of scarce

resources. Multiple networks have been rolled out across the country, with deployment skewed towards urban areas where infrastructure duplication is prevalent. Competition, in particular in the mobile broadband market, is limited by the number of players that have access to scarce frequency spectrum resources. This market structure and the policy approach that has enabled it, increases the costs of broadband provision and thus limits broadband access by end users. It also results in infrastructure rollout that is skewed in favour of urban areas and higher income users.

Three key challenges have resulted in skewed network rollout in South Africa and if they persist these problems will perpetuate the digital divide, compromise the country's ability to meet its aggressive broadband targets set out in SA Connect, and will cause South Africa to miss the opportunity provided by broadband to improve the economy.

- An ineffective regulatory regime;
- A concentrated broadband infrastructure market; and
- High communications prices.

The Open Access Policy thrust is one which sees infrastructure as a strategic asset to be shared, on a profitable and regulated basis, in order for the country to meet its socio-economic objectives. It furthermore sees digital applications and services carried over shared networks as a key contributor to the expansion of the sector, the development of a knowledge economy and digital society.

In order to encourage infrastructure sharing and open access in a concentrated broadband infrastructure market, relevant principles need to be applied to operators that control critical resources or have significant market power to the extent that they can influence the functioning of the market. Market concentration has the associated outcomes of lack of retail competition, less choice for consumers, higher prices, insufficient competition and low quality of services provided, all of which are issues that this policy seeks to address. A policy driven approach, with participation of the market will be followed to address this problem.

## **Government Commitment**

### **Release of radio frequency spectrum**

The radio frequency spectrum is a vital national resource. The right to spectrum vests in the state since the radio frequency spectrum is a limited resource from which all sectors of society should benefit.

The radio frequency spectrum is divided into different bands, which are used by a variety of wireless communications services including - broadcasting, mobile cellular, satellite and public safety. Demand for spectrum is rapidly increasing resulting in supply

shortage. The radio frequency spectrum is divided into different bands, which are used by a variety of wireless communications services including - broadcasting, mobile cellular, satellite and public safety. Demand for spectrum is rapidly increasing resulting in supply shortage.

Minister of Telecommunications and Postal Services will seek Cabinet approval in due course relating to the release of radio frequency spectrum in line with the outcomes of the CSIR study.

### **Facilitation of the establishment of the Wireless Open Access Network**

The Wireless Open Access Network (WOAN) will consist of entities that are interested in participating. Participants may include, but not be limited to, current holders of electronic communications service (ECS) and electronic communications network service (ECNS) licenses, network vendors, infrastructure companies, private equity investors, SMME's, ISPs, OTT players and MVNO's. The participation of existing ECNS licensees will speed up the ability of the Wireless OAN to meet its coverage objective. Parties with retail businesses which participate in the network are likely to provide a natural incentive for the reduction of wholesale prices.

The regulator is responsible for the licensing of the Wireless OAN (including both ECNS and spectrum licences). The speedy licensing of the Wireless OAN is key to meeting the 2020 targets set out in South Africa Connect and the overall Vision 2030. Government is currently finalising the Electronic Communications Amendment Bill to ensure that there are legislative provisions for the creation and sustainability of the WOAN.

### **Institutional frameworks to support the creation of a digital economy and an inclusive information society**

South Africa stands out for its large digital economy potential – both as a leading hub for the African continent and especially for its ability to build world class digital businesses. However, the digital divide still persists, communications costs remain one of the highest compared to other comparator countries. The lack of coordination between different public entities and therefore duplication of resources and inefficient and ineffective regulation has hampered delivery of objectives set by Government.

### **Repurposing current regulators and evolve them into a consolidated regulator**

Effective regulation and governance of the sector is a crucial contributor to fostering investment, innovation and therefore social and economic transformation and growth. Regulation and governance of the ICT sector is currently spread across different entities including the DTPS, ICASA, zaDNA and USAASA. This has resulted in overlaps and duplication of roles and a lack of coordination between the different entities. Governance and regulation across the value chain of the Internet will be consolidated into one entity. The consolidated regulator will have sole responsibility for overseeing and promoting Internet governance, licensing and regulation of networks, services, spectrum and other scarce ICT resources, to achieve the objectives set in policy and law. This will include the related competition, consumer protection, regulatory and licensing responsibilities allocated currently to ICASA, the responsibilities of .zaDNA and those aspects of USAASA's current mandate related to regulation. Regulation of the postal sector will also be incorporated. The consolidated regulatory body will be given additional responsibilities to ensure holistic governance, administration and regulation across the Internet value chain.

The ultimate goal of this section of the White Paper is to ensure everyone, regardless of who they are, where they live or their social or economic standing, can benefit from the opportunities offered by ICTs. Achieving this will require both competitive private sector investment and appropriate relevant targeted public intervention to address market failure.

### **Repurposing the current USAASA and USAF into a Digital Development Fund**

Everyone, regardless of who they are, where they live or their social or economic standing, can benefit from the opportunities offered by ICTs. Achieving this will require both competitive private sector investment and appropriate relevant targeted public intervention to address market failure.

Government has considered how to address the challenges identified above with the existing universal service fund, while revising the approach to accommodate the new needs arising from convergence. The Digital Development Fund will be a distinct fund established by and accountable to the Minister of Telecommunications and Postal Services. It will provide support for both infrastructure and demand stimulation projects and programmes, including those relating to digital literacy and awareness, and will be funded through private sector levies, donor funding and new incremental state funding. It will thus serve as a "clearing house" and collection point for funding from different sources. Beneficiaries of the Fund may include players across the ICT value chain.

**Social Partners:** to work with government to implement the Open Access Policy framework which will enable competition, reduce cost to communicate and enable transformation and meaningful participation of black-owned enterprises and the entry of new innovative SMMEs.

## 5.2. Regulatory reform to increase tourism

Tourism is a high multiplier sector. International technical support can be leveraged to apply best practice to resolving some of the regulatory barriers to growth in the sector.

### Facilitating ease of access through Visas and Airlift

Government must very clearly articulate its position on the way forward regarding the challenges related to international tourists. **The Department of Home Affairs (DHA)** is expected to present its plans, progress and challenges in respect of (i.r.o):-

- E-visas and/or visas-on-arrival
- Recognition of other countries' or regions' visas (e.g. USA, Schengen)
- Online/automated visa application system;
- Planned new visa waiver arrangements and planned rescinding of visa waivers;
- Inclusion of parents' details in new passports of minors;
- Alternative approach i.r.o requirements for minors travelling. A suggestion here could include the use of electronic notification as an alternative;

In respect of security, electronic notification requirements could be instituted, similar to that used by the USA and being developed by the EU. This should be extended to all countries not required to hold visas, and could expedite decisions i.r.o visa waivers;

**DHA** should also furnish its challenges i.r.o of funding and technical constraints, especially where the private sector could make contributions.

Contributions from the “4<sup>th</sup> industrial revolution” should also be explored, e.g. mobile apps for remote biometric photographs, scanning of passports and **QR** codes associated with e-visas, online applications, electronic notification etc. The CSIR could lead such work;

Efficient arrivals procedures/process will pose a major challenge if we are to achieve step-changes in-out international arrivals – **DHA** should share plans/progress and challenges in this regard.

**Government commitment:** DHA is currently in the process of updating its business processes to integrate the current Home Affairs National Identification System (HANIS) with the new technology of Automated Biometric Identification System (ABIS). This is part of taking advantage of “4th industrial revolution” which will enable the department to run an end to end system that has the capability of remote biometric photographs, scanning of passports and QR codes associated with e-visas, online applications, electronic notification etc.

In as far as international tourists are concerned, DHA has a number of concessions (visa waivers) in place which aims to significantly reduce the hassles of applying for a visa to sojourn South Africa. Amongst those are the 10-year multiple entry visa issued to business persons and academics from the BRICS countries. This is already implemented.