

# DELIVERY AGREEMENT

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For Outcome 4: Decent employment  
through inclusive growth

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20 October 2010

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## INTRODUCTION

Government has agreed on 12 outcomes as a key focus of work between now and 2014. Each outcome has a limited number of measurable high-impact priority outputs and sub-outputs with targets. In turn, each output is linked to a set of activities that will help achieve the targets and contribute to the outcome. Each of the 12 outcomes has a delivery agreement which in most cases involve all spheres of government and a range of partners outside government. Combined, these agreements reflect government's delivery and implementation plans for its foremost priorities.

This delivery agreement is a negotiated charter which reflects the commitment of the key partners involved in the direct delivery process to working together to undertake activities effectively and on time to produce the mutually agreed-upon outputs which in turn will contribute to achieving the outcome of decent work through inclusive growth.

The delivery agreement provides detail to the outputs, targets, indicators and key activities to achieve outcome 4, identifies required inputs and clarifies the roles and responsibilities of the various delivery partners. It spells out who will do what, by when and with what resources. The outcomes apply to the whole of government and are long term. While the delivery agreement may contain longer term outputs and targets, it also includes outputs and associated targets that are realisable in the next 4 years.

It also considers other critical factor impacting on the achievement of outcome 4 , such as the legislative and regulatory regime, policy framework, the institutional environment and decision-making processes, the resources needed and re-allocation of resources where appropriate.

This delivery agreement will be reviewed annually in the light of learning by doing and monitoring and evaluation (M&E) findings. Accordingly it will be refined over time and become more inclusive of the relevant delivery partners.

## 1. CONTEXT AND HIGH LEVEL PROBLEM STATEMENT

South Africa continues to experience high levels of unemployment compared to other countries at the same level of development. This contributes to high levels of poverty and inequitable distribution of income. In addition, the economy faces a number of structural constraints that impact on its ability to generate growth and support employment creation in the long-term. Addressing the unemployment

challenge and the structural constraints of our economy will require active investment and interventions by the state to create an enabling environment to stimulate inclusive growth and support the creation of decent employment on a large scale.

Over the MTSF period the Cluster will track the following key outcomes which form part of the National Objectives and will inform Cluster's interventions contained in this Delivery Agreement. These include:

1. **Income and equality**
  - a. Increased average income and reduced levels of poverty
  - b. Increased socio-economic equality for all sectors of the population
2. **Labour Absorption and Employment**
  - a. Decent employment i.e. accelerating employment creation.
  - b. Higher rates of labour absorption, meaning that more of the working-age population has jobs
3. **GDP Growth**
  - a. High rates of employment generating growth indicating economic expansion
4. **Diversification of the Economy**
  - a. Movement towards a greater balance between primary, secondary and tertiary sectors

There are a number of policy interventions that have either been developed or are currently being developed to address the structural imbalances that have resulted in high levels of unemployment, poverty and inequality. These policies define the interventions contained in this delivery agreement and will continue to shape government response in addressing the developmental challenges. Principal amongst these are the Developmental Growth Path, IPAP and the Ten Year Innovation Strategy.

The Industrial Policy Action Plan begins to identify areas where employment could be leveraged and Key Action Plans (KAPs) to achieve the positive employment outcomes. Another key policy that informed the Cluster's Delivery Agreement is the Ten Year Innovation Plan which spells out critical intervention to drive South Africa's transformation towards the knowledge-based economy

## 2. IDENTIFICATION OF DELIVERY PARTNERS

Delivering on the creation of decent work through inclusive growth will require cooperation amongst government departments, state agencies and stronger participation of social partners in the development and implementation of government policies. While the core participants will be government departments, collaboration with business and labour will be crucial. As the delivery agreement is refined and further improved, the role of social partners in the achievement of the outcome will be managed by social pacts.

The Public Sector Delivery Partners are highlighted in the table below.

Chairing Department	Coordinating Departments	Supporting Departments	State Entities
DRDLR	DTI, NT & EDD	DST, DPE, DAFF, NDT, DMR, DOL, DOC, DOE, DEA, DWA, NPC, DPW, Higher Education, DIRCO, COGTA, DoT, Provincial and Local Government	IDC, SARB, ITAC Competition Com, Khula, SEDA, Samaf, Eskom, Transnet, TIA, CSIR, FFC, SA Tourism, DBSA

The implementation forum will also ensure cohesion between Outcome 4 and the following outcomes

- Outcome 5: A skilled and capable workforce to support an inclusive growth path
- Outcome 6: An efficient, competitive and responsive economic infrastructure network
- Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all
- Outcome 10: Environmental assets and natural resources that is well protected and continually enhanced

## 3: LINKING OUTPUTS TO OUTCOME 4: WHAT WILL BE DONE DIFFERENTLY

Creation of decent employment opportunities is an outcome of most, if not all government initiatives. This agreement focuses on the fundamental outputs that would need to be achieved in the current administration period, to promote employment creation and increase the number of decent jobs, stimulate inclusive growth and further diversify the economy towards more employment generating and higher value added activities. The table below provides a summary of the main outputs, with a more complete table attached at the end of this document.

Output	What's new
<b>Output 1: Faster and sustainable inclusive growth</b>	
<b>Sub-output 1: The Developmental Growth Path</b>	Align economic policies toward stronger focus on employment creation and equity, with stringent re-prioritisation and monitoring
<b>Sub-output 2: Measurement of Income Distribution</b>	StatsSA to fast-track re-introduction of income data in household surveys
<b>Sub-output 3: Stable and competitive exchange rate</b>	Policy package to reduce volatility and ensure more competitive exchange rate
<b>Sub-output 4: Increased private savings</b>	Improve conditions for savings by private households and companies
<b>Sub-output 5: Monetary policy approach that supports balanced and sustained growth</b>	Improve communication//engagement strategy on monetary policy by the SARB
	Frequent interactions between the Minister of Finance and the Governor of the Reserve Bank and regular updates on monetary policy issues to Cabinet
	Increased coordination on factors that drive inflation
<b>Sub-output 6: Counter-cyclical fiscal policy</b>	Framework takes into account new global and national conditions and is sensitive to cyclical requirements
	Budget aligned with MTSF and developmental growth path aims
	Publishing 5-year debt projections
	Monitoring the impact of fiscal policy on expenditure growth, government savings, employment, inequality and inflation, with annual report to Cluster

Output	What's new
<b>Sub-output 7: Agreement with social partners to promote the goal of decent work through inclusive growth and strengthened implementation of the Framework Response to the International Economic Crisis</b>	Agreement to be based on Developmental Growth Path and support its implementation and drive implementation of the Framework Agreement with some improvements while enhancing ongoing monitoring of recovery with early-warning systems
<b>Output 2: More labour absorbing growth</b>	
<b>Sub-output 1: Increased financing for industrial development</b>	A multi-pronged strategy to achieve a step-up in investment into labour-absorbing sectors and saving existing jobs, based on mobilisation of private and public savings
<b>Sub-output 2: Improved state procurement practices designed to foster local production</b>	Procurement regulations reformed to support local production and employment.
	Agreement on changes in procurement legislation
<b>Sub-output 3: Sector strategies to support growth of labour-intensive industries</b>	Diversification of the economy into industries that can support employment, starting with labour-absorbing sectors in IPAP2 (agro processing, tourism, BPS, biofuels, clothing, forestry): implement KAPs
	Proposals for expanding employment in agriculture, especially through step up in (a) number of formal small-scale producers based on integration of land reform with other support measures and (b) existing micro producers experiencing qualitative improvement in output
	Develop standardised approach to sector strategies that establishes common methodology across the state for (a) identifying constraints on employment-creating growth, (b) ensuring alignment of budgets and government institutions, and (c) working with stakeholders
	Identify all labour-absorbing sectors and monitor their development

<b>Output</b>	<b>What's new</b>
<b>Sub-output 4: Spatial Programmes</b>	Growth in EPWP falls under DPW, but Cluster to identify distressed areas for targeting CPW programmes, in collaboration with CRDP where relevant
	Long-run spatial scenarios on settlements and economic activity to assess impact of different policy interventions
<b>Sub-Output 5: Green Economy</b>	Develop an appropriate regulatory framework to enable the development of sector action plans and related green markets and industries plus an implementation plan
<b>Output 3: Multi-pronged strategy to reduce youth unemployment</b>	Development of strategy based on review of legislative environment; identifying desired scale, with budgets, of youth brigades and other public employment schemes for youth; conducting an assessment of the impact of a wage subsidy, including a trial; improving education performance and skills development targeting schools in poorest 40% of communities; improving employment services for youth; establishing monitoring system
<b>Output 4: Increased competitiveness, to raise net exports, grow trade as a share of world trade and improve its composition</b>	IPAP 2 contains specific programmes, including improved marketing; financing options and market diversification
	Unpack the medium to high tech sectors and the growth potential for these sectors.
	Coordinate with the infrastructure cluster on provision of infrastructure that facilitates exports
<b>Sub-output 3: Increased R&amp;D Expenditure to support growth and development</b>	DST to implement strategy with monitoring of R&D expenditure on annual basis
<b>Output 5: Improved cost structure in the economy</b>	Identification of main areas of concern (food, transport, intermediate goods, infrastructure, skills development, etc.)
	Introduction of regulatory impact assessment



Output	What's new
<b>Output 6: Improved support to small business and cooperatives</b>	
<b>Sub-output 1: Reduced constraints and improved support to SMMEs and co-ops</b>	High-level task team to review all programmes with a view to identifying areas that require strengthening and improved co-ordination
<b>Sub-output 2: Improved integration of 2nd economy activities into the mainstream economy</b>	The task team will review the current 2 <sup>nd</sup> economy developed by the Presidency and develop an implementation strategy.
<b>Output 7: Implementation of the expanded public works programme</b>	Ongoing monitoring and evaluation of expansion according to EPWP II targets in terms of impact on employment and social cohesion

#### 4. ACTIONS NEEDED TO ACHIEVE EACH OUTPUT

This section focuses on new actions to achieve the fundamental outputs required in the current administration period to promote employment creation; increase the number of decent jobs; stimulate inclusive growth; and further diversify the economy towards more employment generating and higher value added activities. In each area, government departments are already pursuing important policies and programmes. This delivery agreement does not review existing activities which are detailed in departmental reports and the Estimates of National Expenditure. This document identifies new initiatives that aim primarily to review existing programmes and identify gaps and areas that require reform or reprioritisation above all to ensure more sustained, equitable and employment-creating growth. On that basis, departments will be expected to wind down lower priority programmes while scaling up new activities.

##### 4.1 OUTPUT 1: FASTER AND SUSTAINABLE INCLUSIVE GROWTH

###### **Problem Statement**

South Africa has experienced somewhat lower rates of growth than comparable economies over the past ten years and its per capita GDP growth leaves it ranked amongst middle-income developing countries. Levels of unemployment and income inequality are among the highest in the world.

## Sub-outputs

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### SUB-OUTPUT 1: THE DEVELOPMENTAL GROWTH PATH

The Developmental Growth Path will define the nature of the South African jobs and equity challenge, setting it in the global context and the structural constraints on the South African economy. On this basis, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework.

The work will take place in two phases:

- Phase 1 – development and agreement of the framework for the growth path
- Phase 2 – development of the detailed implementation plan

**Timeline: Submission of the framework by August 2010; thereafter on-going monitoring of implementation and impact on employment, equity and growth, with quarterly feedback to the Cluster.**

**Lead Department: EDD**

**Supporting Departments: Economic Cluster**

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### SUB-OUTPUT 2: MEASUREMENT OF INCOME DISTRIBUTION

Statistics South Africa has stopped collecting income data in the Quarterly Labour Force Survey and the General Household Survey (GHS). It is crucial to engage with them to fast-track the process of reinstating these elements of the surveys in order to monitor progress on the target on income distribution. The process will include:

- Agreement with Statistics South Africa to reintroduce at least annual income data in QLFS and GHS from 2011
- Analysis of data and report to Cluster on an annual basis thereafter

**Timeline: December 2010, analysis of data on-going from date of publication**

**Lead departments: NPC/EDD**

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### SUB-OUTPUT 3: STABLE AND COMPETITIVE EXCHANGE RATE

The real exchange rate is an outcome of a range of macro and microeconomic factors affecting relative prices in the economy, including fiscal and monetary policies, tariffs, competition, productivity growth and relative wage rates. Once agreed, the Developmental Growth Path and future Cabinet decisions will lay the basis for a broad agreement on policy options to affect the exchange rate. On that basis, various options for ensuring a competitive exchange rate and managing volatility will be identified and costed, and specific proposals will be made to Cabinet. The process will include:

- Development of proposals for assessing and addressing the competitiveness and volatility of the exchange rate
- Further investigation and discussions on appropriate instruments including, among other things, implications of explicit budgeting for reserves and approaches to mitigate exchange rate volatility for small firms
- Monitoring progress on that basis between 2011 and 2014.

**Timeline: January 2011 for proposals with quarterly reports on progress thereafter**

**Lead department: NT**

**Supporting departments/institutions: EDD, DTI, DAFF, DMR, DPE**

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### SUB-OUTPUT 4: INCREASED PRIVATE SAVINGS

The level of South Africa's domestic private savings is relatively low. International experience demonstrates, however, that only countries with a relatively robust savings rate, relative to GDP, experience sustained growth. The process will have two phases:

- Development of proposals after reviewing a range of options. The proposals will focus on the factors causing the decline in household and company savings, and measures to support a higher savings rate, including institutional and systemic reforms, as well as tax and other incentives.
- Implementation of the strategy and monitoring of the impact in terms of changes in the savings rate and other, possibly unanticipated, costs and benefits. Implementation will include extensive consultation with stakeholders where relevant.

**Timeline: January 2011 for proposals and implementation and on-going monitoring through 2014**

**Lead department: NT**

**Supporting department: EDD**

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## SUB-OUTPUT 5: MONETARY POLICY APPROACH THAT SUPPORTS BALANCED AND SUSTAINED GROWTH

Monetary policy plays a crucial role in managing inflation, supporting financial sustainability and a competitive exchange rate. Government has a commitment to a counter-cyclical monetary policy that aims to keep inflation at low and stable levels, whilst at the same time taking account of factors that affect the attainment of balanced and sustainable growth such as external shocks to prices, the output gap, credit extension, employment as well as the stability and competitiveness of the exchange rate. If monetary policy is complemented by an appropriate fiscal policy and micro-economic interventions to address inflation persistence and price spikes as they arise, a more accommodating stance may be possible. Activities in this area will include:

- Improved communication/engagement strategy on monetary policy by the SARB
- Frequent interactions between the Minister of Finance and the Governor of the Reserve Bank and regular updates on monetary policy issues to Cabinet
- Increased coordination of microeconomic factors that drive inflation

**Timeline: On-going (focus on implementing existing policies with improved monitoring)**

**Lead department: NT**

**Supporting departments: EDD, DoE, DoT, DTI**

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## SUB-OUTPUT 6: COUNTER CYCLICAL FISCAL POLICY

Government is committed to a counter-cyclical fiscal policy. The space for this stance depends in part on monetary policy and other measures to control inflation and maintain investment. In moving the fiscal position back to long-run sustainability, we must also take the opportunity to restructure expenditure away from inefficient and wasteful programmes towards those that will provide the services intended in the most efficient manner possible. Government will sustain capital expenditure as these investments are more likely to support employment and inclusive growth as the economy recovers than expenditures on wages and goods and services.

National Treasury will provide better communication on the implications of counter-cyclical fiscal policy within government and the general public. This will also entail a more forward-looking, early communication and discussion of budget priorities within government. Annual reviews will be conducted in line with the MTSF in allocating resources into priorities areas that will increase the impact on unemployment and addressing inequalities. Activities include:

- Developing an appropriate and credible framework for fiscal sustainability
- Aligning budget with MTSF objectives
- Publishing 5-year debt projections

- Monitoring the impact of fiscal policy on expenditure growth, government savings, employment, inequality and inflation, with annual report to Cluster

**Timeline: On-going as part of the budget process**

**Lead department: NT**

**Supporting departments: MINCOMBUD**

**SUB-OUTPUT 7: AGREEMENT WITH SOCIAL PARTNERS TO (A) PROMOTE THE GOAL OF DECENT WORK THROUGH INCLUSIVE GROWTH AND (B) STRENGTHEN IMPLEMENTATION OF THE FRAMEWORK RESPONSE:**

Achieving the goal of decent employment through inclusive growth will require increased participation and contribution of social partners in the development, implementation and monitoring of policies and programmes. The New Growth Path will entail a new set of trade offs for all social partners and between long term and short term costs and benefits. The successful implementation of the New Growth Path will require creating consensus and mobilizing social partners towards the common aim. Work will be done to negotiate economic development pacts at national, industry, and firm level. The nature of these pacts will depend on the outcomes of the New Growth Path, after which a clear, costed implementation plan will be developed following a legislative and regulatory review. Initially work will rely on existing institutions and structures such as Nedlac and further structures developed in line with the implementation plan.

The Framework Response is an agreement between government, business and labour which contains agreements to minimize the impact of the global economic crisis on the economy. Recent economic data has shown that the economic recovery is fragile. Therefore, implementation of agreements contained in the Framework Response need to be maintained and prioritised. The institutional arrangements in place through Nedlac, the Framework Leadership task Team and constituency caucuses will remain in place. No further resources will be required initially, rather a more focused utilization of the existing ones. Activities include:

- In the short to medium term, implementation will focus on accelerated uptake of the training layoff scheme and the funds for distressed firms as administered by the IDC.
- Further work will be done to ensure greater awareness of available facilities amongst other stakeholders in labour and business; this work is underway in the form of road shows conducted by the IDC and other government agencies.
- A review of the extent of coordination in the delivery mechanisms and the accessibility of the funds and facility to the public.

Quarterly overview of key domestic and global economic developments in order to identify both threats to the recovery and opportunities for accelerating it as soon as possible.

**Timelines:**

**Agreement on the goal of decent work through inclusive growth: July 2011**

**Strengthening the implementation of the framework response: ongoing**

**Lead Department: EDD**

**Supporting departments: DOL, DTI, NT**

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## 4.2 OUTPUT 2: MORE LABOUR ABSORBING GROWTH

### **Problem Statement**

The South African economy has developed on a growth path that has made insufficient progress in creating jobs, and reducing inequality. Furthermore, challenges relating to climate change demand an integrated response. Faced with these challenges, the developmental growth path is intended to enhance the labour-absorbing capacity of the economy, to build a lower carbon-emission economy and to find ways to connect knowledge and innovation to the challenge of jobs and growth. The creation of a more labour-absorbing economy will require increased coordination of macroeconomic and microeconomic interventions as outlined in the growth path (output 1).

In this regard, a lot of work has been done - among government departments and in consultation with the private sector - to develop an Industrial Policy Action Plan (IPAP II). This identifies sectoral and cross-cutting interventions aimed at stimulating growth and labour absorption in specific sectors and deploying specific support measures (financial or non-financial) including procurement. The fundamental imperative is to ensure the effective implementation of IPAP II which will require enhanced resourcing of key interventions as well as improved coordination among key departments and social partners.

One aspect of the decent work goal is to address quality of employment issues. These relate to the effective use of tools and the development of new measures to address vulnerability in the labour market. The Department of Labour has done substantial work in this area.

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### **SUB-OUTPUT 1: FINANCING FOR INDUSTRIAL DEVELOPMENT**

Industrial financing is a key component in supporting the development of more labour absorbing sectors. The cost of finance however remains high by international standards. A strategy will be developed after a review of options to make industrial financing for labour-absorbing sectors more affordable. It will explore in particular access to domestic savings, the role of DFIs, and other sources of financing for developmental ends as well as improved financial intermediation within the private sector. Once the strategy is approved, implementation will be monitored in terms of the impact on employment creation, investment relative to GDP and the sustainability of new activities.

**Timeline: Strategy to be proposed by December 2010, with clear targets and actions; monitoring and evaluation on-going thereafter.**

**Lead Department: EDD**

**Supporting departments: NT, DTI**

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#### **SUB-OUTPUT 2: IMPROVED STATE PROCUREMENT PRACTICES:**

State procurement represents an important lever for the state to develop industrial capabilities and support local production, stimulate local demand, address external account constraints and increase employment. The key components to be addressed are (a) the regulatory framework, (b) capacity for strategic procurement in key state institutions, (c) comprehensive upgrading of suppliers and (d) ongoing monitoring of outcomes and impact.

The legal framework for preferential procurement will be improved through a two-stage process. First, the current process of amending regulations to the Preferential Procurement Policy Framework Act (PPPFA) will be fast-tracked. Second, a broader review and overhaul of the procurement legislation itself will follow suit. The core requirements of both stages are:

- a) To ensure a mechanism to designate large and repeated fleet procurements.
- b) To align discretionary points with B-BBEE Codes and local procurement so that only suppliers that meet the minimum threshold for local content will be considered for preference points as informed by their B-BBEE status.
- c) The current procurement legislation will be reviewed to give effect to the proposed changes. This will include the PPPFA.
- d) Develop mechanisms, including a course and systems, to improve procurement capacity in SOEs and major departments to provide strategic support to domestic suppliers.

#### **Timelines:**

**Agreement on amendments to procurement regulations by December 2010; agreement on changes in legislation by March 2011; and development of training and systems to improve procurement by December 2011, with implementation plan to identify key actions thereafter.**

**Lead department: NT**

**Supporting departments/institutions: DTI, EDD, DPE, DoT, IDC**

**Strategy on building the capacity for strategic procurement in key state institutions and monitoring of impact: ongoing.**

**Lead department: EDD**

**Supporting departments / institutions: NT, DTI, DPE, DOT, IDC**

### SUB-OUTPUT 3: SECTOR STRATEGIES TO SUPPORT GROWTH OF LABOUR INTENSIVE INDUSTRIES

The Industrial Policy Action Plan II (IPAP II) identifies a range of sectors in which growth and employment opportunities could be leveraged. Commitment from different departments must be secured through this process in order to ensure that interventions contained in IPAP II are implemented. In addition, the programmes will be reviewed to ensure they maximise employment creation and link appropriately with rural-development strategies.

Business Process Services and Tourism have been consistently identified as part of priority sectors given their ability to absorb more labour and the growth potential that exist within these sectors. Activities in this area include:

- A review of the Business Process Services Government Support and Assistance Programme will be undertaken to assess the success of the programme and devise and/or strengthen existing interventions to ensure that SA's position as a Tier II player is entrenched.
- On tourism, the National Tourism Sector strategy will be finalised which contain interventions to increase the sector's contribution to GDP and increase employment.

In the agro-processing and forestry sector, KAPs have been developed and are contained in the IPAPII. The focus in these sectors will be on accelerating implementation of KAPs to address constraints identified, stimulate employment, including impact on rural development. Activities in these areas will include

- Facilitating investments to increase competition and improve competitiveness of agro-processing sub-sectors that have potential for growth and employment creation.
- The National Food Control Agency will be established to consolidate fragmented legislation into a single food safety act.
- Regulatory requirements will be improved to support the development of marine aquaculture zones.
- A strategy and policy on organic food sector will be developed to meet domestic demand and begin to develop export capabilities.
- On the milling industry, the focus will be on developing small scale milling to enhance competition within this sub-sector
- An integrated approach will be developed to fast-track the issuing of water licenses to increase afforestation.



The agricultural sector is one of the sectors that will require increased focus, given the sector's potential to create jobs particularly in rural areas and respond to the issues of food security and prices. Further work will be undertaken to:

- Identify the potential for employment creation and improvements in livelihoods on a large scale through smallholder schemes, improved production for existing smallholders and peri-urban horticultural production;
- Address factors leading to higher cost of inputs for commercial farmers, including logistics, fertiliser and seed; and
- Develop proposals to support organisation of farm workers as part of the decent work agenda and revise AgriBEE to support BBBEE including ESOPs and mentoring of smallholders by commercial farmers.

The strategy and implementation plan for cultural and creative industries will be developed to create sustainable decent jobs and contribute towards the creation of sustainable economic opportunities for rural communities. Cooperation between the Department of Arts and Culture, Department of Trade and Industry and Department of Communication will be strengthened to improve efficiency in the implementation of the strategy. Interventions to support the music, video and film industries will be strengthened to enhance employment creation in these industries.

For more effective sector strategies to enhance employment creation and equity, improved methodologies for identifying and addressing constraints on growth and consulting with stakeholders are crucial. A standard methodology to achieve this aim will be established for use by all departments engaging with sectors.

For monitoring purposes, it is important to identify additional labour-absorbing sectors and monitor their growth in terms of (a) employment creation, (b) output, (c) investment and (d) exports.

**Timeline: Implement KAPs as per IPAP II**

**Lead department: DTI**

**Supporting departments: EDD, NT, DAFF, DST, DMR, DEA, DOL, NDT, DWA**

**Timeline: Develop proposals for expanding employment in agriculture linked to land reform and other measures by December 2010, with clear targets and mechanisms for monitoring progress; quarterly reports on implementation thereafter**

**Lead department: DAFF**

**Supporting departments: EDD, DRDLR, DTI, NT, DEA, DOL**

**Timeline: Identify labour-absorbing sectors and monitor their development: Initial proposal by September 2010; on-going monitoring on that basis, with bi-annual reports to the Cluster**

**Lead department: EDD**

**Supporting departments: Economic Cluster**

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#### SUB-OUTPUT 4: SPATIAL PROGRAMMES

Government should target economic plans to distressed areas and regions. For this purpose, a systematic identification of locations with high joblessness and poverty will be undertaken and communicated for use in targeting CWP and other programmes in the short run. In addition, a spatial perspective will be developed that identifies likely scenarios for settlement patterns and economic activities.

**Timeline: Identify distressed areas for targeting CPW by November 2010; spatial perspective by February 2011**

**Lead department: EDD**

**Supporting departments: NPC, COGTA, DRDLR, DPW**

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#### SUB-OUTPUT 5: GREEN ECONOMY

The increased need to respond to climate change has opened new opportunities to employment creation while responding decisively on carbon emissions and seeking to improve efficiencies in the economy. Rather than a zero-sum game, policy work underway in the state seeks to build coherence between the climate change imperative and the creation of decent work and support of sustainable livelihoods. The policy work on the green economy will form a part of the New Growth Path. A detailed implementation plan will be developed after the approval of the policy and aligned with other work on energy, the environment, macro and microeconomic policies including innovation and investment plans.

The review of current regulatory and institutional frameworks will culminate in proposals of the appropriate regulatory framework to enable the development of sector action plans and related green markets and industries. The implementation of the green economy strategy has a number of crosscutting roles and responsibilities and will thus require work on ensuring coherence and coordination within the state and between social partners. The implementation plan will also address crucial issues of skills and funding, drawing from a variety of potential sources including the fiscus, international funds, business and industry, PPP arrangements and other possible measures.

**Timeline: January 2011**

**Lead Department: EDD**

**Supporting departments: DEA, NT, DTI, DST**

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#### 4.3 OUTPUT 3: MULTI-PRONGED STRATEGY TO REDUCE YOUTH UNEMPLOYMENT

The problem of youth unemployment in South Africa is acute and worsened significantly during 2009. Employment of 18 to 24 year olds fell by 13.2 per cent (208 000) compared with an overall decline of 6.3 per cent. Half of all 18 to 24 year olds are unemployed, accounting for about 30 per cent of total unemployment. National Treasury estimates that the average probability of an 18 to 24 year old of finding a job is just 25 per cent while the youth find jobs at a much slower rate than older unemployed individuals. Including those aged 25 to 29 years old adds another million to the unemployed.

The unemployed youth tend to be relatively less skilled and inexperienced. Almost 86 per cent of unemployed youths have either some secondary education or completed high school while two-thirds have never worked. Inexperience is a particular drag on employment prospects and helps to explain much of the implicit age discrimination in the South African labour market. Activities in this area will include:

- Reviewing the legislative environment
- Identifying the desirable scope, with budgets, of youth brigades and other forms of public employment
- Conducting an assessment of the potential youth wage subsidy including an experiment
- Improving education performance and skills development in the schooling and further education system
- Improving the public employment services available to the youth to aid matching of skills, job search, career guidance and counselling, skills development and job placement
- Establishing a monitoring system with regular reports on progress.
- Strengthen relationships with the NYDA and other youth services agencies.

**Timeline: January 2011 (yearly milestones to be provided by the implementation plan)**

**Lead Departments: EDD, DoL, DHET**

**Supporting departments: NT, DTI, DST, DFMV, DRDLR, DPW, COGTA.**

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#### 4.4 OUTPUT 4: INCREASED COMPETITIVENESS, TO RAISE NET EXPORTS, GROW TRADE AS A SHARE OF WORLD TRADE AND IMPROVE ITS COMPOSITION

##### **Problem Statement**

The growth and diversification of South African exports has been weak, with over half of all exports derived from the mining value chain. In order to stabilise growth it is important to diversify exports including into higher value added activities and to improve overall competitiveness.

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## SUB-OUTPUT 1: SUPPORT FOR EXPORTS AND IMPORT COMPETING SECTORS.

A suite of interventions have been identified in the IPAPII targeted at enhancing the competitiveness of import competing sectors, particularly those linked to the build programme. The metal fabrication, capital equipment and transport equipment cluster of sectors has been identified as a key component to be leveraged to increase the competitiveness of the manufacturing sector and reduce the import leakage from the build programme and begin to develop export capabilities. Changes in the procurement highlighted under output 2 will be crucial for the promotion of this cluster of sectors. Activities in this area include:

- Improvement of the competitive financing programme for suppliers into the public CAPEX programme.
- The pharmaceuticals sector will also be stimulated particularly the production of anti-retroviral production to increase security of supply and reduce cost over the medium to long term.
- Finalisation of the Set Top Box Manufacturing Strategy.
- Assessment of all the main export sectors including constraints to growth of high-tech sectors. Developmental trade policies will be pursued through the selective use of tariffs to support sectors that have the potential to create jobs and/or retain decent jobs, and potential significant import replacement.
- A review of complementary programmes put in place by companies in protected sectors for productivity improvements.
- Implement work place challenge programmes to improve productivity.

**Timeline: Implement KAPs as per IPAP II**

**Lead department: DTI**

**Supporting departments: EDD, NT, DAFF, DST, DMR, DEA, DOL**

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## SUB-OUTPUT 2: INCREASED SHARE OF WORLD TRADE

Meeting the export growth target will require increased coordination on the implementation of the export strategy focused on key high growth economies, supporting the IPAP II priorities. Almost a quarter of exports go to Asia, yet the bulk of these exports are commodities. In this case the value and volume of exports are at an optimal peak. The challenge would be to diversify our basket of exports to products higher up in the value chain, notably manufactured goods and services. Investment into infrastructure and logistics to support increased trade activities both inter and intra regional trade is crucial.

Activities to be undertaken in this area include:

- Improving the coordination of South African communication and marketing strategy
- Improvement of financing options through strengthening credit guarantee mechanisms to support exporters.
- Determination of a long term strategy and the alignment of work to support targeted long term trade relations.
- Design a market diversification strategy, including the development of medium to high-tech exports.
- Unpack the medium to high tech sectors and the growth potential for these sectors.
- The market diversification strategy should furthermore be complimented by a product diversification.
- Coordinate with the infrastructure cluster on provision of infrastructure that facilitates exports

**Timeline: January 2014**

**Lead department: DTI**

**Supporting department: DIRCO, EDD, DST**

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### SUB-OUTPUT 3: INCREASED R&D TO SUPPORT GROWTH AND DEVELOPMENT

Increasing R&D is important for long-term sustained growth. In addition, there is a need to increase the R&D intensity of existing sectors of the economy, and aligning this work to the priority sectors as outlined in IPAPII and the New Growth Path. Substantial work has been done in this regard and the key activities will be aligned with the broader policy framework and implementation.

Increased R&D is possible through three major avenues:- government, private sector (including state-owned enterprises), and international funding. Taking into account the development status of South Africa and the current pressures on the private sector, government funding of R&D will continue to play the leading strategic role in strengthening the development of the National System of Innovation. Increased government funding will be deployed to support the key policy building blocks:

Some additional key activities to be undertaken within the context of Outcome 4 include:-

- The introduction of a comprehensive portfolio of Centres of Competence as joint government, research agencies, universities, and business initiatives
- Partnership with organised business, to identify and address barriers for increased private sector R&D funding
- Identification and development of plans to address barriers for increasing international sources of R&D funding

- Support for new industrial development opportunities in support of the green economy
- Develop monitoring mechanism and assess progress on R&D expenditure on the annual basis

**Timeline: Dec 2014 (yearly milestones will be provided in the implementation plan)**

**Lead: DST**

**Supporting departments: EDD, DTI, NT, DHET**

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## 4.5 OUTPUT 5: IMPROVED COST STRUCTURE IN THE ECONOMY

### **Problem Statement**

The economy is currently characterised by high cost structures arising among others from a combination of concentrated market structures, issues around infrastructure quality and financing, bottlenecks in skills and education, rising healthcare costs, above-inflation increases in administered prices, cyclical spikes in food prices, unnecessary inefficiency in regulations in some cases, and inefficient cities as a result of apartheid settlement patterns.

### **Sub-outputs**

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#### SUB-OUTPUT 1: INTERVENTIONS TO PROMOTE APPROPRIATE COST STRUCTURE

A review of the main drivers of high and inappropriate cost structures will be done and proposals developed to establish a more efficient economy. Specifically the study will assess the impact on overall economic efficiency of:

- Infrastructure and skills bottlenecks
- Administered prices
- Healthcare costs
- The cost and quality of commuter transport
- The cost of food
- Inefficient regulations or implementation systems.

In each case, the study will assess factors behind above-inflation increases in prices or other cost factors and if possible develop costed proposals for addressing them. In the area of telecommunications, the following actions will be undertaken, including:

- Completing the Local Loop Unbundling (LLU) and issuing policy directives to achieve this.

In addition, the system of regulatory impact assessments will be fast tracked and a campaign to cut red tape will be initiated.

**Timeline for the regulatory impact assessment: January 2011 and development of a strategy to address cost structures: July 2011, with an implementation plan**

**Lead department: EDD**

**Supporting: DAFF, NT, DPE, DTI, DOH, DOT, DHET, DPSA, Presidency**

**Timeline for the LLU process completion: Dec 2011**

**Lead department: DoC**

**Supporting departments: EDD, DTI, NT**

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#### 4.6 OUTPUT 6: IMPROVED SUPPORT TO SMALL BUSINESS AND COOPERATIVES

##### **Problem Statement**

SMMEs and co-operatives present an important vehicle to address the challenges of job creation, economic growth and equity. Realising the potential of small enterprises to growth and employment will require support to improve both the supply side factors such as finance and technical support, together with finding ways to strengthen market opportunities for small enterprises including cooperatives. Significant attention has been given to improve the institutional structure and regional foot print of institutions that provide business development support to small enterprises.

While there has been significant coverage of small enterprises through existing institutions, small enterprise support and financing has not been adequately effective. There is a need to improve access to finance, the quality of support services and market access for small enterprises.

##### **Sub-outputs**

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#### SUB-OUTPUT 1: REDUCED CONSTRAINTS AND IMPROVED SUPPORT TO SMMEs AND CO-OPS

Set up the committee consisting of EDD, DTI, DAFF and NT to review the work that has been undertaken, and develop employment and output targets for SMMEs and co-ops. Specifically the committee should review the structures and practices of Khula, SAMAF and provincial agencies to support SMMEs against needs.

With regard to market access, actions will be undertaken to increase demand for small enterprise products and facilitate their integration into the mainstream economic value chain through the implementation of the targeted procurement for small enterprises including the ten products approved by Cabinet. Further actions will be taken to assist small enterprises to showcase their products through national and international pavilions.

The strategy to support co-operative development will be more strongly linked to growth of the social economy as a whole, with closer work with social partners to grow the co-op movements.

Finally, progress has been made to reduce regulatory compliance cost for small enterprises (tax policy) but further actions are required to reduce regulatory burden for small enterprises. Work undertaken by COGTA on Red Tape Reduction will be improved, and the proposal for fast-tracking RIA will also assist in this regard. The Ministerial Determination on Small Business will be reviewed.

**Timeline: January 2011 (yearly milestones to be provided in the implementation plan); annual reporting on contribution of SMMEs to GDP and employment.**

**Lead Department: DTI**

**Supporting department: EDD, NT, DOL**

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#### SUB-OUTPUT 2: IMPROVED INTEGRATION OF 2ND ECONOMY ACTIVITIES INTO THE MAINSTREAM ECONOMY

The task team will review the current 2<sup>nd</sup> economy work developed by the Presidency and develop the implementation strategy to improve integration of the 2<sup>nd</sup> economy activities into the mainstream economy.

**Timeline: January 2011**

**Lead department: EDD**

**Supporting departments: DTI, DPW, COGTA, NT, Presidency, DAFF, DRDLR**

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#### 4.7 OUTPUT 7: IMPLEMENTATION OF THE EXPANDED PUBLIC WORKS PROGRAMME

##### **Problem Statement**

The delivery of public services through the use of labour-intensive methods provides an opportunity to create additional work. Expansion of the public works programme needs to be accelerated further to create opportunities for the transfer of income to the unemployed through the provision of work to alleviate poverty.

##### **Sub-outputs**

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#### SUB-OUTPUT 1: EXPANSION OF THE SCOPE AND DURATION OF PUBLIC EMPLOYMENT OPPORTUNITIES (EPWP)

##### Employment Conditions

Employment conditions for beneficiaries on EPWP programmes are currently governed by The Ministerial Determination for Special Public Works Programmes and the accompanying Code of Good Practice for Special Public Works Programmes which were gazetted by DOL in 2002, after negotiations



with stakeholders. The Ministerial Determination sets special conditions of employment for workers employed on public works programmes.

Work has been undertaken to propose amendments to some of the employment conditions in order to facilitate scaling up of the EPWP and increasing the impact on beneficiaries. The following amendments have been proposed with regards to:

- The rate of pay: establish a minimum EPWP wage rate of R60 to be adjusted annually with inflation
- Duration of employment: Allow for longer periods of employment so that programmes can offer longer term employment and more predictable income streams

The DOL facilitated a review of the Ministerial Determination including proposed amendments to some of the conditions of employment. The outcome of the review has been submitted to the Employment Conditions Commission and its recommendations have been submitted to the Minister of Labour for promulgation. These will be promulgated together with the reviewed Code of Good Practice.

#### Full-Time Equivalent Targets (FTE) and Fiscal Incentives

The setting of annual work opportunities as well as FTE targets for public bodies together with the introduction of fiscal incentives will lead to improved labour intensity through encouraging longer duration employment and thus higher FTE reporting.

The fiscal incentive once accessed by the public body has to be used for funding new EPWP projects or expanding existing EPWP projects which will lead to the creation of additional work opportunities. The payment of the fiscal incentive will promote increased labour-intensity which in turn will lead to improved cost effectiveness and affordability of EPWP programmes

At the national government level the overall co-ordination of the programme will continue to be done by the EPWP Unit in Department of Public Works (DPW). The DPW will also co-ordinate the infrastructure sector. The environmental and social sectors will be coordinated by the Department of Environmental Affairs (DEA) and the Department of Social Development (DSD) respectively. The Non-state sector will be coordinated by the National Department of Public Works with the Independent Development Trust (IDT) as an intermediary. The Community Works Programme (CWP) component is coordinated by the Department of Cooperative Governance and Traditional Affairs (COGTA). Implementation will be overseen by the Expanded MinMEC which will include national departments highlighted above.

As was the case in the first phase of the EPWP funds for the EPWP programmes will be allocated to national departments, provinces and municipalities through the normal budgeting process. However in the second phase, those public bodies that are performing well will be able to access additional funds through the EPWP wage incentive for which R 4.2 billion has been made available for the MTEF commencing in the 2009/10 financial year. Based on a R50 per day wage incentive, this would be sufficient to cover the costs of an additional 365 000 full time equivalents over the MTEF.

**Timelines: January 2011**

**Lead department: DPW**

**Support departments: Provincial and local Public Works Departments, DoL, NT, EDD, DHET**

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#### SUB-OUTPUT 2: EXPANSION OF EMPLOYMENT IN THE SOCIAL SECTOR

Within the social sector a list of programmes has been identified in which opportunities to expand EPWP exist. These programmes have the potential to also contribute to sub-output 1 and include, school nutrition, construction and maintenance of schools, adult education, teacher aids in special schools, administrative support at schools, directly observed therapy, voluntary counselling and testing, nutrition advisers, community health workers, community development workers.

Discussion with Ministers of Social Development, Education and Health will be accelerated to secure commitment with regards to the targets and the budget required to achieve the targets. While the expansion of these programmes is targeted towards improving service delivery, their employment potential cannot be ignored. There are no required legislative changes to implement the proposals.

The Minister of Public Works will together with the Ministers of Social Development, Basic Education and Health form part of the EPWP social sector MinMEC. The EPWP Social Sector MinMEC will be responsible to oversee the implementation of the programme and will subsequently report progress to the Implementation Forum.

**Timelines: January 2011**

**Lead department: DPW**

**Support departments: DSD, DoL, NT, EDD, DHET**

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#### SUB-OUTPUT 3: EXPANSION OF EMPLOYMENT IN THE INFRASTRUCTURE SECTOR

A list of programmes has been identified to increase labour intensity of government infrastructure development programme. The programmes that will be implemented include:

- a. Expansion of implementation of maintenance programmes like Zibambele that have high labour-intensity to other Provinces and Municipalities where there is scope for implementation. The current Zibambele model will be documented and packaged in guidelines to help new public bodies that would like to implement the programme.
- b. Expansion of the Vuk'uphile Contractor Development programme to be implemented by more public bodies. The Vuk'uphile Contractor Development programme has shown a high labour-intensity on projects where it has been implemented.

The DORA specifies conditions for the implementation of labour-intensive projects funded from conditional grants. In addition, conditions for accessing and utilising the EPWP fiscal incentive are also stipulated. No additional resources will be required to implement the proposals.

Implementing a comprehensive auditing function on the adherence to EPWP DORA conditions will be implemented.

A national forum led by the Department of Public Works and National Treasury will be explored to oversee the spending of infrastructure development budget at provincial and local spheres and monitoring the employment outcomes.

Technical support to Provincial and Municipal departments by the national Department of Public Works to enable the use of labour-intensive methods will be intensified. The technical support provided will include assistance in the following areas: identification of projects amenable to labour-intensive methods, design of projects to promote the use of labour-intensive methods and implementation support using labour-intensive methods.

**Timelines: January 2011**

**Lead department: DPW**

**Support departments: NT, Provincial and Local Departments, DoL, NT, EDD, DHET**

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#### SUB-OUTPUT 4: EXPANSION OF EMPLOYMENT IN THE ENVIRONMENTAL SECTOR

National Sector Departments must utilise the EPWP incentive allocation to expand job creation outputs and achieve set targets. Sector departments must implement measures to expand job creation outputs, increase labour intensity and lower cost per job with the incentive.

EPWP Environmental Sector Ministers forum should be established to monitor performance of key national programmes against targets

**Timeline: January 2011**

**Lead Department: DEA**

**Supporting: DPW, Provincial and Local government departments, DoL, NT, EDD, DHET, DoE, DAFF, DWA**

#### 5, INDICATORS, BASELINES AND TARGETS FOR OUTCOME

[Please refer to Annexure A](#)

#### 7. RISKS, CONSTRAINTS AND MITIGATION STRATEGIES

Achieving the employment and growth targets largely depend on the global economic environment. The economic outlook in the current administration period is still weak. The risk of a double-dip recession has increased given the sluggish performance of most developed countries and increased need for fiscal consolidation. Poor growth performance will have significant impact on government revenues, which may reduce resources required to achieve some certain targets outlined in the agreement. Continued investment into economic infrastructure will provide a buffer for the economy and lay a strong foundation for the economy's competitiveness going forward.

**8. GOVERNANCE AND REPORTING ARRANGEMENTS**

The current Economic Sectors and Employment Cluster will be the Implementation Forum to oversee the implementation of agreements. For output 7, the expanded Public Works MinMEC will oversee the implementation of the programmes and the Implementation Forum will receive progress. Any policy related matter on EPWP will be facilitated by the Implementation Forum. Additional sub-structures will be established and to some extent existing structures (eg the Economic Development MinMEC) will be used to ensure increased cooperation and implementation of the Agreement.

**9. SIGNATORIES**

Name: \_\_\_\_\_ Date: \_\_\_\_\_ 2010

Minister of Economic Development

Name: \_\_\_\_\_ Date: \_\_\_\_\_ 2010

Minister of Trade and Industry

Name: \_\_\_\_\_ Date: \_\_\_\_\_ 2010

Minister of Finance

## **DEPARTMENT OF RURAL DEVELOPMENT**

As the key partner in the Delivery Agreement, DRDLR's contribution will be as follows:

### **Output 1, Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework. DRDLR will contribute by developing and implementing policy interventions to support the development of vibrant rural economies. This should ensure that the latent economic potential in rural areas is fully realised into real economic activities that promote the integration of rural economies into mainstream value chain.

### **Output 2, Sub-output 3: Sector Strategies to support growth of labour intensive sectors**

Significant economic challenges remain in rural areas and these include few economic assets, limited economic activities, inadequate infrastructure, widespread poverty and high unemployment. Without targeted interventions to reduce disparities and historical inequalities, inclusive growth is unachievable. In regard, DTI, EDD and DRDLR will cooperative to develop interventions to support the development of light industries within rural areas. This will build on the work that has been undertaken in IPAP 2.

### **Output 2, Sub-output 4: Spatial Programme**

Government should target economic plans to distressed areas and regions. For this purpose, a systematic identification of locations with high joblessness and poverty will be undertaken and communicated for use in targeting CWP and other programmes in the short run. In addition, a spatial perspective will be developed that identifies likely scenarios for settlement patterns and economic activities. In this regard, DRDLR will implement its Comprehensive Rural Development Programme in distressed regions to alleviate poverty and provide employment opportunities.

### **Output 3: Multi-pronged strategy to reduce youth unemployment**

The unemployed youth tend to be relatively less skilled and inexperienced. Almost 86 per cent of unemployed youths have either some secondary education or completed high school while two-thirds have never worked. Inexperience is a particular drag on employment prospects and helps to explain much of the implicit age discrimination in the South African labour market. Activities in this area will include:

- Reviewing the legislative environment
- Identifying the desirable scope, with budgets, of youth brigades and other forms of public employment

- Conducting an assessment of the potential youth wage subsidy including an experiment
- Improving education performance and skills development in the schooling and further education system
- Improving the public employment services available to the youth to aid matching of skills, job search, career guidance and counselling, skills development and job placement
- Establishing a monitoring system with regular reports on progress.
- Strengthen relationships with the NYDA and other youth services agencies.

DRDLR will participate in the development of the multi-pronged strategy and develop programmes to support youth employment in rural areas.

**Output 6: Sub-output: Reduced constraints and improved support to SMMEs and Co-ops**

SMMEs and co-operatives present an important vehicle to address the challenges of job creation, economic growth and equity. Realising the potential of small enterprises to growth and employment will require support to improve both the supply side factors such as finance and technical support, together with finding ways to strengthen market opportunities for small enterprises including cooperatives. DRDLR will participate in supporting the development of cooperatives in rural areas to advance the outcome of creating vibrant rural communities.

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**MR GUGILE NKWINTI, MP**

**MINISTER OF RURAL DEVELOPMENT AND LAND REFORM**

**DATE: \_\_/\_\_/\_\_\_\_\_**

## **DEPARTMENT OF SCIENCE AND TECHNOLOGY**

### **Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework. DST's contribution will include development and implementation of interventions that enhance research, development, technological and innovation capabilities in South Africa and to play the key role in building a knowledge economy.

### **Summary of commitments – 2010 to 2014**

I hereby pledge to drive the following ten measurable commitments over the next four years to support the achievement of Outcome 4.

1. As part of the effort to provide more effective support to small businesses and co-operatives (output 6), I hereby commit to facilitate a minimum increase of 10% annually in the number of small and medium-enterprises receiving technology support through the Technology Stations programme. (2009 baseline: 4,990 technological services offered to 1,594 small and medium enterprises). This increase will be facilitated through existing resources available to the department. Additional resources for further scaling-up the programme will be motivated through the Medium-Term Expenditure Framework (MTEF) processes.
2. Over the next four years, to provide Technology Assistance Packages (TAP's) to a minimum of 100 qualifying local manufacturing companies. This is a new programme of the DST, initiated in 2009/10, in support of broader efforts to use large-scale public procurement to support local companies. TAP's are tailor-made to a company and enhance their capabilities in order to successfully secure contracts under public procurement supply contracts.

3. To finalise by the end of 2010 a strategy to effectively increase R&D spending in South Africa. The strategy will have a strong focus on specific opportunities for increasing R&D spending which are able to advance long-term growth opportunities.
4. To pilot a minimum of 4 novel technology-based interventions over the next four years which have the potential to create long-term sustainable job opportunities, particularly in rural communities.
5. To introduce, by 2011, a research and development incentive for small manufacturing firms who wish to increase spending on research and development.
6. To introduce a portfolio of research, development, and technology initiatives over the next four years that support the development of high potential green economy industrial sectors aligned to the green economy strategy currently under development.
7. Support a portfolio consisting of a minimum of eight large long-term R&D-led industrial development opportunities over the next four years. These include the development of a titanium industry, growing our space industry, bio-composites, fuel cells, civilian unmanned aerial systems, and electronics industries.
8. To continue efforts to provide the necessary support that will enable South Africa to nurture and grow medium to high technology sectors of the economy. This will include the effective functioning of new institutional platforms such as the Technology Innovation Agency (TIA) and the National Intellectual Management Property Office (NIPMO). By 30 June 2011, I will be in a position to provide firmer indications of the specific output measures that will be achieved through TIA.
9. Finally, to support key partner departments in building stronger research, development, innovation, and technology transfer capabilities that are required to maintain and grow key labour-absorbing sectors of the economy including agriculture, aquaculture, forestry, minerals processing, and post-harvest beneficiation and exports.



10. Finally, to support key partner departments in building stronger research, development, innovation, and technology transfer capabilities that are required to maintain and grow key labour-absorbing sectors of the economy including agriculture, aquaculture, forestry, minerals processing, and post-harvest beneficiation and exports.

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**MRS NALEDI PANDOR**

**MINISTER OF SCIENCE AND TECHNOLOGY**

**DATE:** \_\_/\_\_/\_\_\_\_\_

## **DEPARTMENT OF PUBLIC WORKS**

As the key partner in the Delivery Agreement, DPW's contribution will be as follows:

### **Output 1, Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework. DPW will contribute in the development and assessment of the public sector employment job drivers.

### **Output 3: A multipronged strategy to reduce youth unemployment**

Output Three seeks to address the challenge of youth unemployment in South Africa. The problem of youth unemployment in South Africa is acute and worsened significantly during 2009. Employment of 18 to 24 year olds fell by 13.2 per cent (208 000) compared with an overall decline of 6.3 per cent. Half of all 18 to 24 year olds are unemployed, accounting for about 30 per cent of total unemployment. National Treasury estimates that the average probability of an 18 to 24 year old of finding a job is just 25 per cent while the youth find jobs at a much slower rate than older unemployed individuals. Including those aged 25 to 29 years old adds another million to the unemployed.

The unemployed youth tend to be relatively less skilled and inexperienced. Almost 86 per cent of unemployed youths have either some secondary education or completed high school while two-thirds have never worked. Inexperience is a particular drag on employment prospects and helps to explain much of the implicit age discrimination in the South African labour market. Activities in this area will include:

- Reviewing the legislative environment
- Identifying the desirable scope, with budgets, of youth brigades and other forms of public employment
- Conducting an assessment of the potential youth wage subsidy including an experiment
- Improving education performance and skills development in the schooling and further education system
- Improving the public employment services available to the youth to aid matching of skills, job search, career guidance and counselling, skills development and job placement
- Establishing a monitoring system with regular reports on progress.
- Strengthen relationships with the NYDA and other youth services agencies.

Work in this area will be led by the Economic Development Department working closely with Department of Higher Education and Training, and Department of Labour. DPW as a supporting department will contribute through the development, monitoring and evaluation of youth public employment schemes.

**Output 6, Sub-output Two: Improved integration of 2nd economy activities into the mainstream economy**

DPW will also support in Sub-output Two, Improved integration of 2nd economy activities into the mainstream economy, of Outcome Six (Improved support to small business and cooperatives). Work in this regard will involve the review of the current 2<sup>nd</sup> economy work developed by the Presidency and the development the implementation strategy to improve integration of the 2<sup>nd</sup> economy activities into the mainstream economy.

**Output 7: Implementation of the expanded public works programme**

DPW will lead Outcome Seven; Implementation of the Expanded Public Works Programme, of which there are several sub-outputs including

Sub-output 1: Expansion of the scope and duration of public employment opportunities- lead

Sub-output 2: Expansion of employment in the social sector-Support, DSD Lead

Sub-output 3: Expansion of employment in the infrastructure sector –Lead

Sub-output 4: Expansion of employment in the environmental sector –Support, DEA Lead

DPW will need to establish an Expanded MinMEC to facilitate improved coordination in the implementation of EPWP 2. This will also need to include the Ministers of Social Development, Environment, and Education.

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**GEOFF DOIDGE, MP**

**MINISTER OF PUBLIC WORKS**

**DATE:** \_\_/\_\_/\_\_\_\_

## **DEPARTMENT OF LABOUR**

As the key partner in the Delivery Agreement, DoL's contribution will be as follows.

### **Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework. DOL's contribution in this regard will include development and implementation of interventions to improve labour market policies and employment outcomes.

### **Sub-output 7: Agreement with social partners to (a) promote the goal of decent work through inclusive growth and (b) strengthen implementation of the Framework Response**

Achieving the goal of decent employment through inclusive growth will require increased participation and contribution of social partners in the development, implementation and monitoring of policies and programmes. The New Growth Path will entail a new set of trade offs for all social partners and between long term and short term costs and benefits. The successful implementation of the New Growth Path will require creating consensus and mobilizing social partners towards the common aim. Work will be done to negotiate economic development pacts at national, industry, and firm level. The nature of these pacts will depend on the outcomes of the New Growth Path, after which a clear, costed implementation plan will be developed following a legislative and regulatory review. Initially work will rely on existing institutions and structures such as Nedlac and further structures developed in line with the implementation plan. DOL will support EDD in negotiations with social partners on their contribution to the goal of decent employment through inclusive growth. DOL will also support EDD to represent government in the Framework Response Leadership Task Team and report progress on implementation

### **Sub-output 2: Sector strategies to support growth of labour intensive sectors**

For more effective sector strategies to enhance employment creation and equity, improved methodologies for identifying and addressing constraints on growth and consulting with stakeholders are crucial. A standard methodology to achieve this aim will be established for use by all departments engaging with sectors. For monitoring purposes, it is important to identify additional labour-absorbing sectors and monitor their growth in terms of (a) employment creation, (b) output, (c) investment and (d) exports. DOL will participate in the identification of labour intensive sectors to increase employment intensity in the economy.

### **Output 3: Multi-pronged strategy to reduce youth unemployment**

The unemployed youth tend to be relatively less skilled and inexperienced. Almost 86 per cent of unemployed youths have either some secondary education or completed high school while two-thirds have never worked. Inexperience is a particular drag on employment prospects and helps to explain much of the implicit age discrimination in the South African labour market. Activities in this area will include:

- Reviewing the legislative environment
- Identifying the desirable scope, with budgets, of youth brigades and other forms of public employment
- Conducting an assessment of the potential youth wage subsidy including an experiment
- Improving education performance and skills development in the schooling and further education system
- Improving the public employment services available to the youth to aid matching of skills, job search, career guidance and counseling, skills development and job placement
- Establishing a monitoring system with regular reports on progress.
- Strengthen relationships with the NYDA and other youth services agencies.

DOL will participate in the development of the multi-pronged strategy and review current labour market programmes to support youth employment. DOL will also improve public employment services available to youth to aid matching of skills, job search, career guidance, skills development, job placement.

#### **Sub-output 1: Expansion of the scope and duration of public employment**

The delivery of public services through the use of labour-intensive methods provides an opportunity to create additional work. Expansion of the public works programme needs to be accelerated further to create opportunities for the transfer of income to the unemployed through the provision of work to alleviate poverty. In this regard DOL will:

- a) Amend and gazette the Ministerial Determination for Special Public Works Programmes, and
- b) Monitor placements in the EPWP

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**MR MEMBATHISI MDLADLANA, MP**

**MINISTER OF LABOUR**

**DATE:** \_\_\_ / \_\_\_ / \_\_\_\_\_

## **DEPARTMENT OF HIGHER EDUCATION AND TRAINING**

As the key partner in the Delivery Agreement, DHET's contribution will be as follows:

### **Output 1, Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework.

DHET will also contribute to the development of the Developmental growth path; in the general development of skills to support the growth path and particularly with the growth of the knowledge economy as a key jobs driver.

### **Output 3: "Multi-pronged strategy to reduce youth unemployment"**

DHET will alongside EDD and the Department of Labour lead the Output Three, "Multi-pronged strategy to reduce youth unemployment"

The problem of youth unemployment in South Africa is acute and worsened significantly during 2009. Employment of 18 to 24 year olds fell by 13.2 per cent (208 000) compared with an overall decline of 6.3 per cent. Half of all 18 to 24 year olds are unemployed, accounting for about 30 per cent of total unemployment. National Treasury estimates that the average probability of an 18 to 24 year old of finding a job is just 25 per cent while the youth find jobs at a much slower rate than older unemployed individuals. Including those aged 25 to 29 years old adds another million to the unemployed.

The unemployed youth tend to be relatively less skilled and inexperienced. Almost 86 per cent of unemployed youths have either some secondary education or completed high school while two-thirds have never worked. Inexperience is a particular drag on employment prospects and helps to explain much of the implicit age discrimination in the South African labour market. DHET will take the lead in a series of interventions meant to increase the skills set and employability of unemployed youth. This will also include improving the capacity in FET Colleges which forms part of Outcome 5. These activities will include;

- Improving education performance and skills development in the schooling and further education system
- Improving training and skills services in public employment schemes

#### **Output 4, Sub-output 4; “Increased R&D to support growth and development”**

DHET will support Sub-output Four, “Increased R&D to support growth and development” of Output Four “Increased competitiveness, to raise net exports, grow trade as a share of world trade and improve its composition”.

Increasing R&D is important for long-term sustained growth. In addition, there is a need to increase the R&D intensity of existing sectors of the economy, and aligning this work to the priority sectors as outlined in IPAPII and the Developmental Growth Path. Substantial work has been done in this regard and the key activities will be aligned with the broader policy framework and implementation.

Increased R&D is possible through three major avenues: - government, private sector (including state-owned enterprises), and international funding. Taking into account the development status of South Africa and the current pressures on the private sector, government funding of R&D will continue to play the leading strategic role in strengthening the development of the National System of Innovation. Increased government funding will be deployed to support the key policy building blocks:

DHET will alongside EDD, DTI and NT support DST in the;

- The introduction of a comprehensive portfolio of Centres of Competence as joint government, research agencies, universities, and business initiatives
- Partnership with organised business, to identify and address barriers for increased private sector R&D funding
- Identification and development of plans to address barriers for increasing international sources of R&D funding
- Support for new industrial development opportunities in support of the green economy
- Develop monitoring mechanism and assess progress on R&D expenditure on the annual basis

This will be aligned with Outcome 3 output of increasing human capital to support growth in the knowledge economy.

#### **Output 5, Sub-output 1: “Interventions to promote appropriate cost structure”.**

DHET will play a supporting role in Output 5: “improved cost structure in the economy,” through Sub-output one, “Interventions to promote appropriate cost structure”.

The South African economy is currently characterised by high cost structures arising among others from a combination of concentrated market structures, issues around infrastructure quality and financing, bottlenecks in skills and education, rising healthcare costs, above-inflation increases in administered prices, cyclical spikes in food prices, unnecessary inefficiency in regulations in some cases, and inefficient cities as a result of apartheid settlement patterns.

Work on Sub-Output Five will focus on a review of the main drivers of high and inappropriate cost structures will be done and proposals developed to establish a more efficient economy. Specifically the study will assess the impact on overall economic efficiency of:

- Infrastructure and skills bottlenecks
- Administered prices
- Healthcare costs
- The cost and quality of commuter transport
- The cost of food
- Inefficient regulations or implementation systems.

In each case, the study will assess factors behind above-inflation increases in prices or other cost factors and if possible develop costed proposals for addressing them, and DHET shall lead the work with regards to education and skills cost structures in the economy.

**Output 7: “implementation of the expanded public works programme (EPWP)”**

The delivery of public services through the use of labour-intensive methods provides an opportunity to create additional work. Expansion of the public works programme needs to be accelerated further to create opportunities for the transfer of income to the unemployed through the provision of work to alleviate poverty. Hence the importance of Output Seven “implementation of the expanded public works programme (EPWP)” of Outcome Four.

While overall co-ordination of the programme will continue to be done by the EPWP Unit in the Department of Public Works (“DPW”) at the national government level, the environmental sectors will be coordinated by DEA, the infrastructure by DPW, the social by the Department of Social Development (“DSD”). DHET will work with these departments to explore, develop and implement training opportunities in the context of these interventions.

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**BLADE NZIMANDE, MP**

**MINISTER OF HIGHER EDUCATION AND TRAINING**

**DATE: \_\_/\_\_/\_\_\_\_**



**DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES**

**Output 1, Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework. DAFF will Develop and implement interventions to support the developmental growth path to improve employment in the agricultural sector.

**Output 2, Sub-Output 3: Sector Strategies to support growth of labour intensive sectors**

In this regard, a lot of work has been done - among government departments and in consultation with the private sector - to develop an Industrial Policy Action Plan (IPAP II). This identifies sectoral and cross-cutting interventions aimed at stimulating growth and labour absorption in specific sectors and deploying specific support measures (financial or non-financial) including procurement. The fundamental imperative is to ensure the effective implementation of IPAP II which will require enhanced resourcing of key interventions as well as improved coordination among key departments and social partners. DAFF contribution will include:

- a) Develop and finalise the agricultural production strategy to improve output and employment in the sector
- b) Support the implementation of the Key Action Plans in IPAP2 for the agro-processing industry
- c) Implement the afforestation plan to meet the identified targets

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**MS TINA JOEMAT PETERSSON**

**MINISTER OF AGRICULTURE, FORESTRY AND FISHERIES**

**DATE:** \_\_ / \_\_ / \_\_\_\_\_

**DEPARTMENT OF MINERAL RESOURCES**

As the key partner in the Delivery Agreement, DMR’s contribution will be as follows:

**Output 1, Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework. DMR will contribute by developing policy interventions to support the growth of the mining sector including increased domestic beneficiation of commodities to increase employment and investment growth in line with the Developmental Growth Path.

**Output 2, Sub-output 3: Sector strategies to support growth of labour intensive sectors**

The South African economy has developed on a growth path that has made insufficient progress in creating jobs, and reducing inequality. Furthermore, challenges relating to climate change demand an integrated response. Faced with these challenges, the developmental growth path is intended to enhance the labour-absorbing capacity of the economy, to build a lower carbon-emission economy and to find ways to connect knowledge and innovation to the challenge of jobs and growth. The contribution of DMR will be to finalise the Beneficiation strategy and consultations with key stakeholders in line with IPAP commitments

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**SUSAN SHABANGU, MP**

**MINISTER OF MINERAL RESOURCES**

**DATE: \_\_ / \_\_ / \_\_\_\_\_**

## **DEPARTMENT OF COMMUNICATION**

As the key partner in the Delivery Agreement, DoC's contribution will be as follows.

### **Output 1, Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework. The Growth Path identifies the knowledge economy as a key jobs driver. DOC will work on the development and assessment of interventions in support of the knowledge economy as a jobs driver. DOC will also implement interventions to increase the uptake and usage of ICTs in the economy to improve efficiencies and support inclusive growth.

### **Output 2, Sub-output 3: Sector Strategies to support growth of labour intensive sectors**

In this regard, a lot of work has been done - among government departments and in consultation with the private sector - to develop an Industrial Policy Action Plan (IPAP II). This identifies sectoral and cross-cutting interventions aimed at stimulating growth and labour absorption in specific sectors and deploying specific support measures (financial or non-financial) including procurement. The fundamental imperative is to ensure the effective implementation of IPAP II which will require enhanced resourcing of key interventions as well as improved coordination among key departments and social partners.

In the Business Process Services, DOC will investigate the possibility of introducing the telecommunications developmental pricing to support the growth of Business process services.

### **Output 4, Sub-output 1: support for exports and import competing sectors**

A suite of interventions have been identified in the IPAP targeted at enhancing the competitiveness of import competing sectors, particularly those linked to the build programme. The metal fabrication, capital equipment and transport equipment cluster of sectors has been identified as a key component to be leveraged to increase the competitiveness of the manufacturing sector and reduce the import leakage from the build programme and begin to develop export capabilities. DOC will finalise the Set Top Box Manufacturing Sector Development Strategy to ensure maximum benefits flow to local manufacturers and the procurement stimulates local industrial development in the electronics industry.

### **Output 5, Sub-output 1: Interventions to support appropriate cost structure**

A review of the main drivers of high and inappropriate cost structures will be done and proposals developed to establish a more efficient economy. Specifically the study will assess the impact on overall economic efficiency of:

- Infrastructure and skills bottlenecks
- Administered prices
- Healthcare costs
- The cost and quality of commuter transport
- The cost of food
- Inefficient regulations or implementation systems

In this regard, DOC will:

- Complete the Local Loop Unbundling (LLU) and issuing policy directives to achieve this.
- Develop and implement policy directives to accelerate the reduction in telecommunication cost

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**GENERAL SIPHIWE NYANDA, MP**

**MINISTER OF COMMUNICATION**

**DATE: \_\_ / \_\_ / \_\_\_\_**

**NATIONAL DEPARTMENT OF TOURISM**

As the key partner in the Delivery Agreement, NDT’s contribution will be as follows:

**Output 1, Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework. NDT will Develop and implement interventions to support the developmental growth path to improve employment in the tourism sector.

**Output 2, Sub-output 3: Sector Strategies to support growth of labour intensive sectors**

In this regard, a lot of work has been done - among government departments and in consultation with the private sector - to develop an Industrial Policy Action Plan (IPAP II). This identifies sectoral and cross-cutting interventions aimed at stimulating growth and labour absorption in specific sectors and deploying specific support measures (financial or non-financial) including procurement. The fundamental imperative is to ensure the effective implementation of IPAP II which will require enhanced resourcing of key interventions as well as improved coordination among key departments and social partners. NDT will finalise the National Tourism Sector Strategy which accelerate growth and increase employment in the sector

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**MR MARTHINUS VAN SCHALKWYK, MP**

**MINISTER OF TOURISM**

**DATE: \_\_/\_\_/\_\_\_\_\_**

## **DEPARTMENT OF ENVIRONMENTAL AFFAIRS**

As the key partner in the Delivery Agreement, DoE's contribution will be as follows:

### **Output 2, Sub-output 5 Green Economy**

The Economic Development Department working closely with the DEA and supported by the National Treasury, Department of Trade and Industry and Science and Technology will lead Sub-output Five of Output Two; the Green Economy. Rather than a zero-sum game, this output recognizes that the increased need to respond to climate change opens new opportunities for employment creation while responding decisively on carbon emissions and seeking to improve efficiencies in the economy. The Green Economy strategy and other policy work underway in the state seeks to build coherence between the climate change imperative and the creation of decent work and support of sustainable livelihoods. The policy work on the green economy will form part of the Developmental Growth Path. A detailed implementation plan will be developed after the approval of the policy and aligned with other work on energy, environment, macro and microeconomic policies including innovation and investment plans.

The review of current regulatory and institutional frameworks will culminate in proposals of the appropriate regulatory framework to enable the development of sector action plans and related green markets and industries. The implementation of the green economy strategy has a number of crosscutting roles and responsibilities and will thus require work on ensuring coherence and coordination within the state and between social partners. The implementation plan will also address crucial issues of skills and funding, drawing from a variety of potential sources including the fiscus, international funds, business and industry, PPP arrangements and other possible measures.

### **Output 7 Implementation of the expanded public works programme**

The delivery of public services through the use of labour-intensive methods provides an opportunity to create additional work. Expansion of the public works programme needs to be accelerated further to create opportunities for the transfer of income to the unemployed through the provision of work to alleviate poverty. Hence the importance of Output Seven "implementation of the expanded public works programme (**EPWP**)" of Outcome Four.

While overall co-ordination of the programme will continue to be done by the EPWP Unit in the Department of Public Works ("**DPW**") at the national government level, the environmental sectors will be coordinated by **DEA**, the infrastructure by DPW, the social by the Department of Social Development ("**DSD**").

Thus the Department of Environmental Affairs ("**DEA**") will lead sub-output four "Expansion of employment in the environment sector". DEA will use the EPWP incentive allocation to expand job

creation outputs and achieve set targets. DEA will implement measures to increase labour intensity and lower cost per job with the incentive.

EPWP Environmental Sector Ministers forum should be established to monitor performance of key national programmes against targets.

DEA will be supported by DPW, Provincial and Local government departments, DoL, NT, EDD, DHET, DoE, DWA and DAFF in attaining this output.

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**BUYELWA SONJICA, MP**

**MINISTER OF WATER AND ENVIRONMENTAL AFFAIRS**

**DATE: \_\_/\_\_/\_\_\_\_**

**DEPARTMENT OF ARTS AND CULTURE**

As the key partner in the Delivery Agreement, DAC’s contribution will be as follows;

**Output 1, Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework. DAC will develop and implement interventions to support the developmental growth path to improve employment in the cultural industries.

**Output 2, Sub-output 3: Sector Strategies to support growth of labour intensive sectors**

In this regard, a lot of work has been done - among government departments and in consultation with the private sector - to develop an Industrial Policy Action Plan (IPAP II). This identifies sectoral and cross-cutting interventions aimed at stimulating growth and labour absorption in specific sectors and deploying specific support measures (financial or non-financial) including procurement. The fundamental imperative is to ensure the effective implementation of IPAP II which will require enhanced resourcing of key interventions as well as improved coordination among key departments and social partners. DAC will support the implementation of Key Action Plans (KAPs) contained in IPAP 2 to support the growth of cultural industries. This will include implementing training and skills development programmes and improving capital investments in the film industry.

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**LULU XINGWANA**

**MINISTER OF ARTS AND CULTURE**

**DATE:** \_\_/\_\_/\_\_\_\_\_



## **DEPARTMENT OF ENERGY**

As the key partner in the Delivery Agreement, DoE's contribution will be as follows:

### **Output 1, Sub-output 1: The Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework. The Department of Energy will work with the Economic Development Department in developing and assessing proposals for the Energy Infrastructure as a jobs driver in the Developmental Growth Path, Sub-output one of output one: faster and sustainable inclusive growth.

### **Output 5, Sub-output 1: "Interventions to promote appropriate cost structure".**

Department of Energy will work with EDD, DAFF, NT, DPE, DTI, DOT, DHET, DPSA and the Presidency on Output Five; improved cost structure in the economy and specifically Sub-output one; "Interventions to promote appropriate cost structure".

A review of the main drivers of high and inappropriate cost structures will be done and proposals developed to establish a more efficient economy. Specifically the study will assess the impact on overall economic efficiency of:

- Infrastructure and skills bottlenecks
- Administered prices
- Healthcare costs
- The cost and quality of commuter transport
- The cost of food
- Inefficient regulations or implementation systems.

In each case, the study will assess factors behind above-inflation increases in prices or other cost factors and if possible develop costed proposals for addressing them. The DoE will lead the review of energy and electricity costs as a cost driver in the economy.

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**DIPUO PETERS, MP**

**MINISTER OF ENERGY**

**DATE: \_\_\_ / \_\_\_ / \_\_\_\_\_**

## **DEPARTMENT INTERNATIONAL RELATIONS AND COOPERATION**

As the key partner in the Delivery Agreement, DIRCO's contribution will be as follows:

### **Output 1, Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework. Dirco will assist in the development of the regional integration jobs driver. This is focused in exploring regional opportunities to facilitate economic development within the African Region.

### **Output 4, Sub-output 2: "Increased share of world trade"**

The Department of International Relations and Cooperation ("**Dirco**") will be crucial in the attainment of Sub-output two, "increased share of world trade" of Output Four "Increased competitiveness, to raise net exports, grow trade as a share of world trade and improve its composition"

The Sup-output will be led by the Department of Trade and Industry ("**the dti**") and DIRCO will support alongside the Economic Development Department ("**EDD**") and the Department of Science and Technology ("**DST**").

Meeting the export growth target will require increased coordination on the implementation of the export strategy focused on key high growth economies, supporting the IPAP II priorities. Almost a quarter of exports go to Asia, yet the bulk of these exports are commodities. In this case the value and volume of exports are at an optimal peak. The challenge would be to diversify our basket of exports to products higher up in the value chain, notably manufactured goods and services. Investment into infrastructure and logistics to support increased trade activities both inter and intra regional trade is crucial.

Specific areas that DIRCO will contribute are;

- Improving the coordination of South African communication and marketing strategy
- Determination of a long term strategy and the alignment of work to support targeted long term trade relations.
- Design a market diversification strategy, including the development of medium to high-tech exports.

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**MAITE NKOANA-MASHABANE, MP**

**MINISTER OF INTERNATIONAL RELATIONS AND COOPERATION**

**DATE: \_\_ / \_\_ / \_\_\_\_**

## **DEPARTMENT OF PUBLIC ENTERPRISES**

As the key partner in the Delivery Agreement, DPE's contribution will be as follows:

### **Output 1, Sub-output 3 "Stable and competitive exchange rate"**

The Department of Public Enterprises ("**DPE**") will support the National Treasury ("**NT**") in sub-output three "Stable and competitive exchange rate" under the first output of Outcome Four; "faster and sustainable inclusive growth".

The real exchange rate is an outcome of a range of macro and microeconomic factors affecting relative prices in the economy, including fiscal and monetary policies, tariffs, competition, productivity growth and relative wage rates. Once agreed, the Developmental Growth Path and future Cabinet decisions will lay the basis for a broad agreement on policy options to affect the exchange rate. On that basis, various options for ensuring a competitive exchange rate and managing volatility will be identified and costed, and specific proposals will be made to Cabinet. The process will include:

- Development of proposals for assessing and addressing the competitiveness and volatility of the exchange rate
- Further investigation and discussions on appropriate instruments including, among other things, implications of explicit budgeting for reserves and approaches to mitigate exchange rate volatility for small firms
- Monitoring progress on that basis between 2011 and 2014.

The Department of Public Enterprises along with EDD, DTI, DAFF and DMR will support in the assessment of proposals and monitoring of implementation of measures to address the competitiveness and volatility of the exchange rate.

### **Output 2, Sub-output 2, "Improved state procurement practices".**

DPE will also contribute to Output 2: "More labour absorbing growth" through its supporting role in Sub-output two, "improved state procurement practices".

State procurement represents an important lever for the state to develop industrial capabilities and support local production, stimulate local demand, address external account constraints and increase employment. The key components to be addressed are (a) the regulatory framework, (b) capacity for strategic procurement in key state institutions, (c) comprehensive upgrading of suppliers and (d) ongoing monitoring of outcomes and impact.

The legal framework for preferential procurement will be improved through a two-stage process. First, the current process of amending regulations to the Preferential Procurement Policy Framework Act

(PPPFA) will be fast-tracked. Second, a broader review and overhaul of the procurement legislation itself will follow suit. The core requirements of both stages are:

- e) To ensure a mechanism to designate large and repeated fleet procurements.
- f) To align discretionary points with B-BBEE Codes and local procurement so that only suppliers that meet the minimum threshold for local content will be considered for preference points as informed by their B-BBEE status.
- g) The current procurement legislation will be reviewed to give effect to the proposed changes. This will include the PPPFA.
- h) Develop mechanisms, including a course and systems, to improve procurement capacity in SOEs and major departments to provide strategic support to domestic suppliers.

DPE's support will be crucial in this sub-output through its administration of State Owned Enterprises. DPE will thus be crucial with regards to information and intelligence to ensure optimal alignment of the discretionary points with B-BBEE Codes and local procurement so that only suppliers that meet the minimum threshold for local content will be considered for preference points as informed by their B-BBEE status. DPE will also assist in the selection of fleets for procurement and further procurement legislation reviews.

#### **Output 5, Sub-output 1: "Interventions to promote appropriate cost structure"**

DPE will play a supporting role in Output 5: "improved cost structure in the economy," through Sub-output one, "Interventions to promote appropriate cost structure".

The South African economy is currently characterised by high cost structures arising among others from a combination of concentrated market structures, issues around infrastructure quality and financing, bottlenecks in skills and education, rising healthcare costs, above-inflation increases in administered prices, cyclical spikes in food prices, unnecessary inefficiency in regulations in some cases, and inefficient cities as a result of apartheid settlement patterns.

Work on Output Five will focus on a review of the main drivers of high and inappropriate cost structures will be done and proposals developed to establish a more efficient economy. Specifically the study will assess the impact on overall economic efficiency of:

- Infrastructure and skills bottlenecks
- Administered prices
- Healthcare costs
- The cost and quality of commuter transport
- The cost of food
- Inefficient regulations or implementation systems.

In each case, the study will assess factors behind above-inflation increases in prices or other cost factors and if possible develop costed proposals for addressing them.

DPE through its oversight role over the SOEs will assist in the review particularly as concerns energy and transport costs.

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**BARBARA HOGAN, MP**

**MINISTER OF PUBLIC ENTERPRISES**

**DATE: \_\_/\_\_/\_\_\_\_**

**DEPARTMENT OF DEFENCE AND MILITARY VETERANS**

As the key partner in the Delivery Agreement, DDMV’s contribution will be as follows:

**Output 3: “Multi-pronged strategy to reduce youth unemployment.”**

The problem of youth unemployment in South Africa is acute and worsened significantly during 2009. Employment of 18 to 24 year olds fell by 13.2 per cent (208 000) compared with an overall decline of 6.3 per cent. Half of all 18 to 24 year olds are unemployed, accounting for about 30 per cent of total unemployment. National Treasury estimates that the average probability of an 18 to 24 year old of finding a job is just 25 per cent while the youth find jobs at a much slower rate than older unemployed individuals. Including those aged 25 to 29 years old adds another million to the unemployed.

The unemployed youth tend to be relatively less skilled and inexperienced. Almost 86 per cent of unemployed youths have either some secondary education or completed high school while two-thirds have never worked. Inexperience is a particular drag on employment prospects and helps to explain much of the implicit age discrimination in the South African labour market. DDMV will support DHET, EDD and DoL in Output Three, “Multi-pronged strategy to reduce youth unemployment.”

DDMV will work with EDD, DHET and DoL to develop public employment scheme targeted at unemployed youth. This will be aligned with the National Youth Programme as developed with EDD as one of the prongs of the youth unemployment intervention.

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**LINDIWE SISULU, MP**

**MINISTER OF DEFENCE AND MILITARY VETERANS**

**DATE:** \_\_/\_\_/\_\_\_\_



## **DEPARTMENT OF HEALTH**

As the key partner in the Delivery Agreement, DoH's contribution will be as follows:

### **Output 1, Sub-output 1: Developmental Growth Path**

Work on the developmental growth path is being led by EDD, it will provide a policy framework in terms of a growth path that identifies the jobs drivers - that is, where jobs can be created - as well as key policy drivers, meaning the policy tools available to support employment growth across the economy, as well as identify trade-offs and choices that have to be considered. It will also identify the resource needs, both financial and non-financial resources for implementation and the institutional issues. Finally, it will include an assessment of the spatial dimension of the growth path based on aligning the provincial and local strategies to the growth path framework.

The Department of Health will work with the Economic Development Department in developing and assessing proposals for the Health Sector knowledge economy opportunities for the Developmental Growth Path.

### **Outcome 5, Sub-output 1: "Interventions to promote appropriate cost structure".**

Department of Health will work with EDD, DAFF, NT, DPE, DTI, DOT, DHET, DPSA and the Presidency on Output Five; improved cost structure in the economy and specifically Sub-output one; "Interventions to promote appropriate cost structure".

A review of the main drivers of high and inappropriate cost structures will be done and proposals developed to establish a more efficient economy. Specifically the study will assess the impact on overall economic efficiency of:

- Infrastructure and skills bottlenecks
- Administered prices
- Healthcare costs
- The cost and quality of commuter transport
- The cost of food
- Inefficient regulations or implementation systems.

In each case, the study will assess factors behind above-inflation increases in prices or other cost factors and if possible develop costed proposals for addressing them. The DoH will lead the review of healthcare costs as a cost driver in the economy.

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**AARON MOTSOLEDI, MP**

**MINISTER OF HEALTH**

**DATE: \_\_/\_\_/\_\_\_\_**

## ANNEXURE A: INDICATORS, BASELINES AND TARGETS FOR OUTCOME

Output	Sub-output	Baseline	Target	Outcomes
1. Faster and sustainable inclusive growth	1.1 Developmental Growth Path	6.1m unemployed or too discouraged to seek work	A mechanism will be developed to evaluate employment creation	- 4.5% average growth between 2010 and 2014
	1.2 Measurement of income distribution	No income data in household surveys	Re-introduction and evaluation of income data in household surveys	- Share of income the bottom 40% of the population increased to at least 6.4%
	1.3 Stable and competitive exchange rate	- February 2010 volatility index  - Reserves covered 6.5 months of imports in February 2010	Establishing appropriate currency range and volatility index and instruments to achieve this	- Gini coefficient reduced from .66 to .59
	1.4 Increased private (household and company) savings	Net private savings 2,8% of GDP in Q1 2010	6% of GDP by Q42014	- Labour absorption rate increased from 41.5% to 45
	1.5 Monetary policy approach that support balanced and sustained growth	- CPI inflation of 5.7% in February 2010	- CPI within target range set by government  - Regular assessment by Cluster of impact of interest rate on economy, employment and equity	
	1.6 Counter-cyclical fiscal policy	- Budget deficit for 2009/10 was 6.7% of GDP  - Debt to GDP ratio of 28.2% in 2009/10	- Budget deficit of 4.2% of GDP  - Debt to GDP ratio of 44% by 2015/16  - Regular assessment of impact of fiscal policy on expenditure, economy, employment and equity	
	1.7 (a) Agreement with social partners to promote the goal of decent through inclusive growth	No sector and workplace agreement with social partners	10 sector and workplace agreements in 2010/11, 20 in 2011/12, 30 in 2012/13	
	1.7(b) Strengthened implementation of the framework response	4,500 persons enrolled in training layoff scheme ( R1 billion approved (April 2010)	10 000 in training layoff scheme by February 2011 and R2 billion approved	

<b>Output</b>	<b>Sub-output</b>	<b>Baseline</b>	<b>Target</b>	<b>Outcomes</b>
2. More labour absorbing growth	2.1 Increased industrial financing	<ul style="list-style-type: none"> <li>- Inadequate financing directed to priority sectors</li> </ul>	<ul style="list-style-type: none"> <li>- Below market interest rates offered by DFIs</li> <li>- Increased finance into priority labour-absorbing or export sectors</li> <li>- Invest UIF R2 billion with the Industrial Development Corporation (IDC) to support employers embarking in job creation initiatives for the next two years</li> <li>- Agreement on GEPP investments through IDC and DBSA</li> </ul>	<ul style="list-style-type: none"> <li>- Labour absorption rate increased to 45%</li> <li>- 390 000 direct jobs created through the implementation of IPAP II</li> </ul>
	2.2 Improved state procurement practices	<ul style="list-style-type: none"> <li>- Build programme import leakage of 40%</li> <li>- Current PPPFA legislation and regulation</li> <li>- BBBEE Codes do not strongly support local production</li> </ul>	<ul style="list-style-type: none"> <li>- Reduce import leakage to 30%</li> <li>- Amended PPPFA</li> <li>- Amended BBBEE Codes</li> <li>- Improved capacity in state procurement system</li> </ul>	

Output	Sub-output	Baseline	Target	Outcomes
	2.3 Sector strategies to support growth of labour absorbing sectors	<ul style="list-style-type: none"> <li>- IPAP II KAPs</li> <li>- Review of BPO</li> <li>- Draft Tourism strategy</li> </ul>	<ul style="list-style-type: none"> <li>- IPAP II KAPs implemented</li> <li>- BPO Review completed</li> <li>- Tourism strategy complete and implemented</li> <li>- Agricultural strategy developed with targets for employment, upgrading farmworker conditions, enhancing food production and broadening BEE</li> <li>- New labour absorbing sectors identified and strategy developed</li> </ul>	
	2.4 Spatial programmes			
	2.5 Green economy	<ul style="list-style-type: none"> <li>- No policy and legislative framework</li> </ul>	<ul style="list-style-type: none"> <li>-Legislative framework developed and implemented</li> </ul>	
3. Youth unemployment reduced	3.1 Multi-pronged strategy to reduce unemployment	<ul style="list-style-type: none"> <li>- Narrow unemployment rate of 39% for youth aged 16 to 29</li> <li>- Narrow unemployment rate for African women aged 16 to 29 of 59%, and 48% for African men in age group (3<sup>rd</sup> Quarter 2009)</li> </ul>	<ul style="list-style-type: none"> <li>- Improvement in indicators especially for African youth</li> <li>- At least a million youth participate in youth brigades or other public employment schemes</li> <li>- Systematic expansion in FET enrolment</li> <li>- At least 70% youth job seekers registered on DoL Public Employment Services system referred to employment, training opportunities or carrier guidance within 30 days</li> </ul>	Youth unemployment significantly reduced from current levels
4. Increased competitiveness, to raise net exports,	4.1 Support for exports and import competing sectors	Key action programmes (KAPs) have been developed and form	<ul style="list-style-type: none"> <li>• All KAPs implemented as per IPAP II</li> </ul>	- Increased competitiveness

Output	Sub-output	Baseline	Target	Outcomes
grow trade as a share of world trade and improve its composition		part of the IPAP II	<ul style="list-style-type: none"> <li>120 companies assisted through workplace challenge programme to improve their competitiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Diversified exports</li> <li>New knowledge-based, companies, industries and sectors</li> <li>Increased R&amp;D intensity of the economy</li> <li>Increased share of high and medium-tech exports</li> </ul>
	4.2 Increased share of world trade from current levels, including through growing of exports, particularly of high value added products	- R88,8 bn of high value added exports in 2008/09	- R91,6 bn by 2014	
	4.3 R&D to support growth and development	R&D expenditure (0.93% of GDP in 2008)	<ul style="list-style-type: none"> <li>R&amp;D expenditure (1.5% of GDP by 2014)</li> <li>Mechanism to monitor R&amp;D expenditure in place by 2011</li> </ul>	
5. Appropriate cost structure	5.1 Interventions to promote appropriate cost structure	<ul style="list-style-type: none"> <li>Import-parity pricing increases cost of intermediate inputs</li> <li>High cost of living for working people related to food, administered prices and transport costs</li> <li>Bottlenecks around infrastructure and skills</li> <li>Regulatory costs</li> <li>High telecommunication cost</li> </ul>	<ul style="list-style-type: none"> <li>Shift to cost-plus pricing for substantial share of intermediate inputs</li> <li>Measures in place to reduce the cost of living for working people and ensure administered prices do not rise faster than CPI except for electricity and water</li> <li>On-going improvements in infrastructure and skills</li> <li>Reduced regulatory delays and inefficiency</li> <li>30% reduction in the cost to communicate</li> </ul>	<ul style="list-style-type: none"> <li>Improved pricing in the economy</li> <li>Reduced cost of doing business</li> </ul>
6. Improved support to small business and cooperatives	6.1 Reduced constraints and improved support to SMMEs	<ul style="list-style-type: none"> <li>SMMEs and co-ops have small share of total GDP and employment by international standards</li> <li>Financing and support mechanisms splintered</li> <li>Government procurement not targeted well</li> </ul>	<ul style="list-style-type: none"> <li>Increased share of SMMEs and co-ops in GDP and employment</li> <li>Consolidation of financing and support mechanisms with regular performance review</li> <li>10 products proposal approved and implemented</li> <li>Review the current</li> </ul>	Competitive SMME sector that is integrated to the mainstream economy value chains

Output	Sub-output	Baseline	Target	Outcomes
			Ministerial determination for Small Business	
	6.2 Improved integration of 2 <sup>nd</sup> economy activities into the mainstream economy	<ul style="list-style-type: none"> <li>- 50 000 work opportunities created through the community works programme in 2009/10</li> <li>2<sup>nd</sup> Economy Strategy developed but not implemented</li> </ul>	<ul style="list-style-type: none"> <li>- 640,000 work opportunities through Community Works Programme by 2014, targeted largely at poorest quintile of wards</li> <li>- Implementation of 2<sup>nd</sup> Economy Strategy underway</li> </ul>	
7. Expansion of EPWP	7.1 Expansion of the scope and duration of public employment opportunities	<ul style="list-style-type: none"> <li>- Infrastructure sector duration of employment in phase 22 – 88 days</li> <li>- Environment sector duration in phase 22 – 132 days</li> <li>- 10 000 work opportunities through non-state sector in 2009/10</li> </ul>	<ul style="list-style-type: none"> <li>- Average 100 days employment per year</li> <li>- 328,000 work opportunities through non-state sector by 2014</li> <li>- Publish a determination on EPWP conditions of employment</li> </ul>	<ul style="list-style-type: none"> <li>- Employment targets of EPWP II achieved</li> <li>- 1,500,00 work opportunities reported in 2014 to contribute to halving unemployment</li> </ul>
	7.2 Expansion of employment in the social sector	Phase 1 contribution 187,957 work opportunities	- 750,000 work opportunities by 2014	
	7.3 Expansion of employment in infrastructure sector	Phase 1 contribution of 1,069,849 work opportunities	- 2,374,000 work opportunities by 2014	
	7.4 Expansion of employment in the environment	Phase 1 contribution of 488,254 work opportunities	1,156,000 work opportunities by 2014	