

ECONOMIC DEVELOPMENT DEPARTMENT

ANNUAL REPORT 2009/10





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President JG Zuma, Address on the occasion of his inauguration, 9 May 2009

For as long as there are South Africans who die from preventable disease
For as long as there are workers who struggle to feed their families and who battle to find work
For as long as there are communities without clean water, decent shelter or proper sanitation
For as long as there are rural dwellers unable to make a decent living from the land on which they live
For as long as there are women who are subjected to discrimination, exploitation or abuse
For as long as there are children who do not have the means nor the opportunity to receive a decent education
We shall not rest, and we dare not falter, in our drive to eradicate poverty.

FOREWORD BY

**MINISTER
EBRAHIM PATEL**



**DEPUTY MINISTER
GWEN MAHLANGU-NKABINDE**



We are proud to present to you the first Annual Report of the Economic Development Department (EDD). The Report tells the story of the setting up of a new Department of government and the work and activities we undertook between May 2009 and March 2010. The Report also tells the story of individuals whose struggles mirror the daily battles of our people against poverty and unemployment. A team from EDD visited seven South Africans and recorded their stories here so that their experiences can inspire us to work harder to make a positive difference in their lives.

We developed a Strategic Plan that outlines the objectives we seek to achieve through economic policy-making, economic planning, coordination and social dialogue. The Strategic Plan defines EDD's contribution to the Economic Cluster of Ministers. As part of these efforts, we have been developing a new developmental growth path for the country, focusing on ways to make the economy more labour-absorbing, green and knowledge-intensive.

This new work in government was prompted by a realisation that the growth that we had between 1994 and 2008 did not yield sufficient jobs. And in the recession that followed, more than a million jobs were lost. One third of the adult population is currently unemployed. This administration has promised to do things differently and EDD's proposals on the new growth path is part of that undertaking. Our efforts are underpinned by a commitment to the creation of decent work opportunities and sustainable livelihoods, which enjoys the highest priority within government.

The establishment of the Department occupied much of the time of the small team that constituted EDD in our first year. But as the report demonstrates, a great deal was achieved in this period. I trust you will enjoy reading this report and look forward to engaging with you in striving to improve the quality of life and work of ordinary South Africans.

President NR Mandela, Acceptance address in receiving the Decent Work Research Prize, 15 June 2007

The principles of decent work exemplify our common values, our shared respect for dialogue and our concerns about the plight of our impoverished fellow citizens.

Decent work is based on the efforts of personal dignity, on democracies that deliver for people, and economic growth that expands opportunities for productive jobs and enterprise development. Decent work also underpins the principle that the purpose of creating work and wealth is to eradicate poverty.



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OVERVIEW BY THE DIRECTOR-GENERAL



The Economic Development Department (EDD) is a new department, formed after the 2009 general elections to strengthen government capacity to implement the electoral mandate, in particular in relation to the transformation of the economy. The transformation of the economy requires a pro-employment growth path that addresses the structural constraints to absorbing large numbers of people into the economy and the creation of decent work.

The Ministry of Economic Development was established in May 2009 when President Zuma announced a restructured national executive following his inauguration. No infrastructure was in place, no staff and no resources. The Ministry established its headquarters on the campus of the Department of Trade and Industry (the dti).

The Ministry participated in the National Macro-Organisation of the State (NMOS) process, a project led by the Department of Public Service and Administration (the dpsa) and the National Treasury. Accordingly, EDD was established, a budget for the short and medium term secured and an organisational structure finalised. This process is outlined in more detail in this Report.

I was appointed in February 2010 and joined a small but able team which was tasked with establishing the department, including corporate governance processes, and the staffing of the department, beginning with the most senior managers and their immediate support staff. There was also a need to establish line function capacity in order to take forward the programmes of the department.

This Annual Report reflects considerable achievements in taking forward the work of the Department, not only in the corporate services sphere but also in the line function work of the Department. I would like to place on record our sincere appreciation for the assistance that has been given by the dti to date in accommodating EDD and lending corporate management expertise and support.

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CHAPTER 1. ESTABLISHMENT OF THE DEPARTMENT

President JG Zuma, Announcement of the Cabinet, 10 May 2009

Cabinet... has been reorganised to achieve better alignment between the structure, our electoral mandate... and the developmental challenges that need to receive immediate attention from government... [a] new department of Economic Development has been established to focus on economic policy making.



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Introduction

This chapter outlines the steps taken to establish the new Department. It was a challenging and time-consuming area of work for Ministry and later Department officials during the period under review. There were seven workstreams described below. It entailed:

- putting a basic infrastructure in place and appointing a staff team to oversee the establishment phase and address the immediate needs in the Ministry
- developing a Strategic Plan
- researching and creating an organisational structure to give effect to that plan
- securing an interim budget and a medium-term budget
- recruiting staff for the new department
- introducing administrative and procurement systems and, finally
- transferring agencies and aligning functions within government.

Many of these workstreams ran simultaneously.

Workstream 1: Basic infrastructure and Ministry staff

The Minister of Economic Development, Mr Ebrahim Patel, and the Deputy Minister of Economic Development, Ms Gwen Mahlangu-Nkabinde, were appointed by President Zuma on 10 May 2009. The Minister and Deputy Minister formed part of a new and strengthened executive, which included new portfolios, split portfolios and reconfigured portfolios. The Economic Development Department (EDD), which was subsequently established on 7 July 2009, was a completely new department and did not inherit any staff from an existing government department.

As it was a new Ministry, it was necessary for the Minister and Deputy Minister to establish a basic infrastructure and staff support immediately after taking office. The Minister and Deputy Minister secured accommodation on the dti campus in Pretoria. An office layout for a suite of offices was determined using a combination of available offices and new offices that were developed on unutilised space. A process of rapidly procuring furniture, telephones and office equipment was undertaken. The domain name www.economic.gov.za was secured and email addresses created for new staff. Basic office supplies were purchased for the new Ministry.

As Ministers and Deputy Ministers have Parliamentary and Cabinet duties in Cape Town, the Minister and Deputy Minister secured a second set of office accommodation in the



Parliamentary precinct at 120 Plein Street. Office equipment, stationery, telephones, IT equipment and other essentials were procured for the Cape Town offices.

EDD participated in the Facilities Management Forum for the dti campus, which is managed through a Public Private Partnership (PPP). The forum provides a platform where issues related to facilities, accommodation and security may be raised, and practical solutions formulated in response to these issues. The forum convenes once every month.

Over the following months, the medium-term accommodation needs of EDD were identified and discussions held with the dti. Agreement was reached that EDD would occupy a building once it became vacant and that additional interim facilities would be identified.

Within five weeks of the Minister's appointment he headhunted and appointed an Establishment Manager, Anton Roskam, on contract for the remainder of the financial year, to set up operations in the Ministry and Department. In order to ensure proper functioning of the office of the Ministry, key positions, as provided for in the Ministerial Handbook, were filled on contract and on secondment. The Private Secretary to the Minister was appointed followed by the Administrative Secretary, the Parliamentary Liaison Officer and the Media Liaison Officer. The Deputy Minister appointed a Head of Office, Lehlohonolo Sempe. EDD thereafter embarked on a recruitment process to formally advertise and fill further positions in the Ministry.

Workstream 2: Developing a Strategic Plan for EDD

Officials in EDD began work on the Department's Strategic Plan in June 2009. A first draft was completed in July 2009 and consulted upon within government. Several further versions of the document were completed following these consultations and a final draft was completed in September 2009. The draft informed the organisational structure and the medium term expenditure framework (MTEF) budget of the Department.

The EDD Strategic Plan was tabled in Parliament on 3 March 2010 as required by Parliament in accordance with the Money Bills Amendment Procedure and Related Matters Act, 2009. The Strategic Plan was presented to the Portfolio Committee on Economic Development on 5 March.

The Strategic Plan contains a set of actions directed at one overriding outcome: to increase the number of decent work opportunities in the economy. This outcome requires: a pro-employment growth path that absorbs larger numbers of people into the economy; a low-carbon growth strategy; and the utilisation of knowledge and innovation towards the goals of decent work and economic growth.

The Strategic Plan sets out the work-plan (in the areas of policy development, economic planning and coordination) to develop a bold economic vision. It aims to put our economy on a new growth path and to inspire and mobilise society. This employment-led growth path requires carefully-considered policy initiatives as well as better implementation of economic programmes. It requires a strong, effective, responsive and democratic developmental state that works closely with both business and organised labour, drawing the resources and talents of South Africa's people into a national consensus.

President JG Zuma, State of the Nation Address, 3 June 2009

The creation of decent work will be at the centre of our economic policies and will influence our investment attraction and job-creation initiatives. In line with our undertakings, we have to forge ahead to promote a more inclusive economy.

Workstream 3: Developing an organisational structure to give effect to the Strategic Plan

After President Zuma announced a reconfigured national Cabinet on 10 May 2009, a project was designed and implemented to effect the changes. This project was called the National Macro-organisation of the State project (NMOS) and was completed within six months, with active EDD involvement.

The first major step was the proclamation of the new Department by the President on 7 July 2009 in accordance with the Public Service Act, 1994.

Thereafter work began on the organisational structure of the Department. Extensive engagements were held with the dpsa, whose officials advised on the structure based on the Strategic Plan. A customised structure in government was developed, with greater emphasis on senior specialist staff and fewer junior support staff. The initial structure with dpsa support was completed by 19 August 2009 and consulted with the Minister for the Public Service and Administration who concurred with the structure on 25 September 2009. This structure was used as the basis to develop the staff baseline costs for the three-year medium term expenditure framework which was submitted to National Treasury in December 2009.

The organisational structure has four line-function branches:

- Economic Policy Development
- Economic Planning and Coordination
- Spatial and Sector Economic Development
- Economic Development and Dialogue

To reduce the number of programmes and subprogrammes, it was decided to merge the Economic Planning and Coordination and the Spatial and Sector Economic Development programmes initially.

Workstream 4: Interim budget and MTEF budget

The National Treasury allocated a budget of R29 million to EDD for the 2009/10 financial year. This funding was administered by the dti on behalf of the EDD, and the DG of the dti remained the accounting officer for the funds. Therefore this report does not have audited financial statements attached; instead the management accounts may be found in chapter 10. With effect from the new financial year of 2010/11, EDD will be required to table its own financial statements.

During the period under review, the Establishment Manager oversaw EDD's day-to-day finances. EDD spent just over half of the interim allocation, the under-spending attributable mainly to very low staff numbers during the establishment phase as a result of the need to first secure an agreed staff structure and job evaluation (see workstreams 3 and 5).

As part of the NMOS process, the Establishment Manager engaged with the National Treasury to secure a budget for the EDD for the three-year MTEF period. Based on the draft Strategic Plan and draft organisational structure, a budget was determined for each of three years, with line-item expenditure projected for staffing, general goods and services and capital expenditure. This became the basis for proposed baseline expenditure for the MTEF. The final budget for EDD, tabled by the Minister of Finance in February 2010 was R100 million for 2010/11, R130 million for 2011/12, and R150 million for 2012/13. (These figures exclude transfers to agencies responsible to EDD.) Compensation for employees, based on a partially-funded and phased-in filling of the organisational establishment, was approximately R60 million, R80 million and R90 million respectively.

Workstream 5: Staffing

The appointment of staff in a new department involved eight processes, described in more detail elsewhere in this Chapter, namely:

- drafting a Strategic Plan setting out the scope of work of the new department
- developing a detailed staff structure to give effect to the Strategic Plan and obtaining approval thereof by the Minister of Economic Development and the Minister of Public Service and Administration
- submitting a request for funds through the Medium-term Expenditure Framework to appoint the required number of staff in each of three years
- developing a plan to sequence appointments in the light of budget funds that was finally approved
- undertaking job evaluations for all departmental staff positions (which include constituting job evaluation panels)
- advertising the posts
- short-listing candidates and where necessary, head-hunting additional candidates, conducting interviews and undertaking prescribed assessments of candidates, and
- formal appointment of candidates through Ministerial or Cabinet approval where required.

Thirteen senior and critical posts on the structure were identified and the Establishment Manager worked with the dpsa to develop their job descriptions and evaluate the jobs on the Equate job evaluation system. On 15 January 2010, a job evaluation panel chaired by the dpsa recommended job gradings for these posts to the Minister of Economic Development. The Minister approved the gradings and the posts were advertised on 31 January 2010. The posts included five Deputy Director-General positions and eight Chief Director positions.

The Director-General of Public Service and Administration, Professor Richard M Levin, was transferred to the Economic Development Department with effect from 1 February 2010. One of the Director-General's immediate priorities was the development and implementation of a recruitment plan, which included the process of shortlisting, assessing and interviewing for the posts advertised on 31 January 2010. Candidates completed a rigorous series of projects, partly take-home and partly under exam conditions. The process was still underway at the end of the period under review and has enabled the Department to appoint its first permanent staff at the start of the new financial year.

Workstream 6: Administrative and procurement systems

During the 2009/10 financial year, while in the establishment phase, EDD adopted the dti's corporate service policies and procedures, including those that govern Supply Chain Management. Initially, all procurement was facilitated by staff in the Minister's office, including the procurement of office equipment, stationery, crockery and cutlery. The Accommodation Management Division at the dti and its Ministry assisted with the provision of office furniture and workstations.

EDD administrative staff were incorporated onto the internal procurement system. This included registering them on the Logis system in order to facilitate and initiate all procurement of goods and services for the department. EDD officials were thereafter responsible for the sourcing of quotations for goods and services, drafting the necessary submissions for internal approval, and capturing all approvals on the Logis system. The dti processed purchase-orders on behalf of EDD and assisted EDD with the receiving of goods, storage of these goods, where required, and processing payments to suppliers upon receipt of invoices.

A correspondence management system was developed and put in place during the course of the 2009/10 financial year. This system categorises correspondence received in the Ministry and supports the day-to-day management of correspondence. A formal channel of receiving correspondence was created (ministry@economic.gov.za) which was posted on the Government Communications and Information System (GCIS) website.

During the last quarter of the 2009/10 financial year, EDD engaged with representatives of the National Archivist to seek advice and guidance on the process of drafting a filing system which adequately complies with all relevant legislative obligations prescribed by the National Archivist and the National Intelligence Agency. The National Archivist provided a prototype filing system. The file plan was adapted to suit the needs of the Ministry of Economic Development for implementation in the next financial year.

Workstream 7: Transfer of agencies and alignment of functions within government

EDD is responsible for developing economic policy with a broad, cross-cutting focus so that macro- and micro-economic policy reinforce each other and are both aligned to the electoral mandate. The Department is also responsible for economic development planning and works collegially with other departments to ensure coordination around a programme that places decent work at the centre of government's economic policies. The Minister for Economic Development met with Ministers in the economic cluster to

discuss the mandate of EDD and the way in which the departments would work together.

The Minister also held consultations with colleagues regarding the agencies that should report to EDD in view of its mandate. Following these discussions, it was agreed that six agencies should be transferred from the dti to EDD: three regulatory bodies (the Competition Commission, the Competition Tribunal and the International Trade Administration Commission (ITAC)) and three development finance institutions (the Industrial Development Corporation (IDC), Khula Enterprise Finance Limited (Khula) and the South African Micro-finance Apex Fund (Samaf)).

A Committee on the Transfer of Functions was established consisting of senior officials from EDD and the dti. The Committee met with all the agencies and discussed the legal implications of the transfers and procedures required, including the transfer of shares, staffing matters, shareholder compacts, approval of business plans of the agencies, MTEF budgets and the dti's continued access to the institutions being transferred. Key legal requirements included the transfer of oversight of the agencies in terms of the Public Service Act and the transfer of the legislation governing the agencies in terms of section 97 of the Constitution.

On 10 December 2009, the Minister for the Public Service and Administration determined, in terms of section 3(4)(b) of the Public Service Act, 1994, that the oversight functions relating to these entities be transferred from the dti to EDD with effect from 1 April 2010, subject to the transfer of the relevant legislation from the Minister of Trade and Industry to the Minister of Economic Development in terms of section 97 of the Constitution of the Republic of South Africa, 1996.

The Minister held meetings with the agencies to prepare for a smooth transition from dti to EDD management. A Memorandum of Understanding was concluded with the dti. EDD worked with the agencies on their budget allocations. All of the agencies, with the exception of the IDC, receive transfers from the budget of EDD. The Establishment Manager worked with the National Treasury to finalise these allocations based on the submissions received from the agencies.

In terms of a section 97 proclamation the President transfers the administration of legislation, or any power or function entrusted by legislation, from one member of Cabinet to another. The section 97 proclamation relating to the Industrial Development Corporation Act 22 of 1940 and the Competition Act 89 of 1998 was signed on 18 February 2010 and came into effect on 1 April 2010. A section 97 proclamation in relation to the International Trade Administration Act 71 of 2002 was processed after the start of the new financial year and was published in the Government Gazette on 23 July 2010.



ALICE MPATULI, RETRENCHED WORKER WHO STARTED HER OWN SMALL BUSINESS, GAUTENG

When clothing manufacturing firm CJ Corporated shut down in 2008, Alice Mpatuli lost her job of 27 years. The former machinist bounced back, however, and set up her own cut-make-and-trim operation in central Johannesburg. The company, Boicello Clothing, now employs ten full-time staff and fills orders for clients such as Standard Bank, Absa and Netcare.

Starting up a new business presented numerous challenges to the 50-year-old entrepreneur from Soweto. Rent in the central business district was high. Work was sporadic and days went by without orders. Though she could afford to rent six old machines, she could not employ any full-time staff.

Mpatuli was fortunate to receive a long-term, interest free loan of R84 000 loan from an acquaintance. She used the capital to buy new machines and was soon able to employ ten permanent employees. Having consolidated her business, she now accepts regular monthly orders from an intermediate corporate clothing company.

Yet challenges remain. Mpatuli would like to buy her office equipment and machines, which she still rents. She could also use more working capital to buy fabrics.

While she tackles her capital constraints, the businesswoman has taken steps to improve her entrepreneurial skills and marketing. Mpatuli recently attended a workshop held by the Small Enterprise Development Agency on entrepreneurship. Further, EDD is engaging Khula to see how the finance institution might be able to support her initiative.

CHAPTER 2. RESPONDING TO THE RECESSION

President JG Zuma, State of the Nation Address, 3 June 2009

It is more important now than ever that we work in partnership on a common programme to respond to this crisis. We take as our starting point the Framework for South Africa's Response to the International Economic Crisis, concluded by government, labour and business in February this year. We must act now to minimise the impact of the downturn on those most vulnerable.

Introduction

In 2008 the world was plunged into recession as the crisis in the US financial system spread rapidly to the real economy and across national economic boundaries. Between the fourth quarter of 2008 and the fourth quarter of 2009, the South African economy shed 870 000 jobs. In the same period, 518 000 individuals joined the ranks of discouraged work seekers. The recession was the first in South Africa since 1994. The crisis eroded faith in economic orthodoxy and fuelled questions about the balance between markets and regulation as well as the role of the state.

In this context, social dialogue was extremely important for three reasons: it enabled people to share ideas and experiences; it facilitated inclusive decision-making to forge a joint vision; and, it enabled joint action in that the social partners made commitments to undertake agreed tasks to realise their shared vision.

In December 2008, the social partners that constitute the Presidential Economic Joint Working Group, namely organised labour, business and government, met to consider how South Africans should respond collectively to the more difficult economic conditions in the country induced by the economic crisis. Following these discussions, the *Framework for South Africa's Response to the International Economic Crisis* was endorsed at a special Presidential Economic Joint Working Group meeting on 18 February 2009 at Tuynhuys in Cape Town.

From February to April 2009, the country's focus was on the general election. The new administration entered office in May 2009, just as official statistics confirmed that the economy was in recession.

This chapter records the steps that the government took from May 2009 in response to the global economic crisis on the South African economy. These actions are reviewed in 12 workstreams.



Workstream 1: Creating a framework for regular dialogue

In May 2009, the first Cabinet Lekgotla discussed the impact of the economic crisis on South Africa. In his State of the Nation address in June, President Zuma committed the new administration to using the Framework as the basis for the country's response to the recession.

In July, the Minister of Economic Development was requested to convene and chair the Leadership Team of business, labour, community and government representatives that was created in the Framework.

The Leadership Team comprised of the social partners has met regularly. The Team has discussed practical ways to ensure the implementation of actions to address the recession and to monitor progress. The Leadership Task Team met on twelve occasions between July 2009 and 31 March 2010 on the following days: 3 July; 17 July; 31 July; 5 August (with the President); 21 August; 4 September; 18 September; 6 October; 5 November; 1 December; 3 December (with the President); and, 31 March 2010.

A system of dialogue was developed, using Nedlac's capacity, to consider work in each area of the Framework, including investment issues, sectors in distress, employment responses and social support systems for communities. There were a number of meetings and engagements with the International Labour Organisation (ILO), and existing state institutions were mobilised to respond to the crisis.

Members of the Leadership Task Team included Bobby Godsell, Jerry Vilikazi, Lorraine Lotter, Michael Spicer and Tanya Cohen (from Business); Bheki Ntshalintshali, Frans Baleni, Irvin Jim, Dennis George, Manene Samela and Isaac Ramputa (from Labour); and Lulama Nare, Solly Mapaila, Collette Caine and Mike Ka Toni (from Community). Government delegates included officials from the Presidency, Department of Labour, the dti and EDD.

Workstream 2: Establishing new tools for the response to the recession

The first challenge for the Leadership Team was that South Africa did not have adequate tools to respond to the employment challenges of the recession, nor new budget resources available when the economy officially moved into recession.

A number of new instruments were introduced following discussions by the Leadership Team, aimed at responding effectively to the crisis. These new instruments were put together within a short period of time but were established as long-term facilities for immediate use to respond to the recession and employment loss associated with it as well as in future similar crises.

The first instrument was a National Jobs Fund to finance a Training Layoff Scheme to support companies experiencing weakening demand for their products, by providing an alternative to retrenchments. A sum of R2,4 million was drawn from the Unemployment Insurance Fund and the National Skills Fund to pay allowances to workers on special

training schemes. A further R500 million was committed by a consortium of SETAs to pay for the costs of funding the training offered under the scheme. Rules were established for the administration of the Fund, and the CCMA agreed to review whether companies met the criteria applicable to the Fund.

The second instrument was a Fund for companies in distress as a result of the crisis. The funding could be used to finance a business's working capital requirements and operations expenses; guarantee loans or overdrafts; finance capital expenditure to improve a company's viability; or fund equity where a company was considered to be under-capitalised. The money was made available by the Industrial Development Corporation (IDC), which also administered the Fund.

The third instrument was a development bond placed by the IDC with the UIF. For this measure, R2 billion was made available to the IDC at a significant discount to the market rate in order to reduce the cost of capital for companies that would create or save jobs.

In addition, a series of Distressed Sector Proposals were developed to support distressed economic sectors, including the automobile, clothing and textiles, capital equipment and metal fabrication sectors.

A range of measures to combat customs fraud were also introduced. This stemmed from the recognition that illegal imports contributed to job losses.

The Competition Commission launched investigations into collusive practices on food prices in order to provide relief to families whose incomes were under pressure as a result of the recession.

The private sector launched a debt mediation programme aimed at over-indebted consumers.

Workstream 3: Coordinating inputs from government departments

Many departments and agencies contributed to the country's response to the global economic crisis. The Leadership Team has overseen 18 areas of work that have required collaboration by different parts of government.

Such measures include support for the broadly expansionary fiscal stance coordinated by the National Treasury and the reduction of interest rates by the SA Reserve Bank.

The infrastructure departments of government and Cabinet agreed to maintain the R787 billion infrastructure investment programme as a central pillar of the response to the recession.

The Department of Labour, the CCMA, the SETAs and EDD worked together to establish, pilot and launch the Training Layoff Scheme.

EDD engaged with the Department of Public



Works to strengthen the employment yield of the Expanded Public Works Programme.

The IDC administered the fund for companies in distress. EDD developed conditionalities for state support, which the IDC applied in its negotiations with companies in distress.

The National Treasury, the dti and EDD developed a new regulatory framework to boost local production by leveraging public sector procurement. The details of this work are due to be finalised shortly by Cabinet.

The dti and the International Trade Administration Commission (ITAC) worked with EDD to further develop trade remedies, while SARS and the National Treasury played a key role in combating customs fraud.

EDD worked with the Department of Labour and social partners to refine the frameworks for social plans.

The UIF made a R2 billion loan to the IDC for support to distressed companies.

EDD engaged with the Department of Social Development on social assistance, including the extension of Child Grants and the Social Relief of Distress Fund.

EDD worked with the Competition Commission to focus more of its investigations on key sectors of the economy and the Commission conducted investigations into food prices through ten parts of the food supply-chain.

EDD worked with the dpsa to investigate ways in which public sector employment could make a contribution to employment creation.

EDD worked with the Department of Environmental Affairs to promote green jobs as part of the response to the crisis.

Workstream 4: Managing implementation of the Training Layoff Scheme

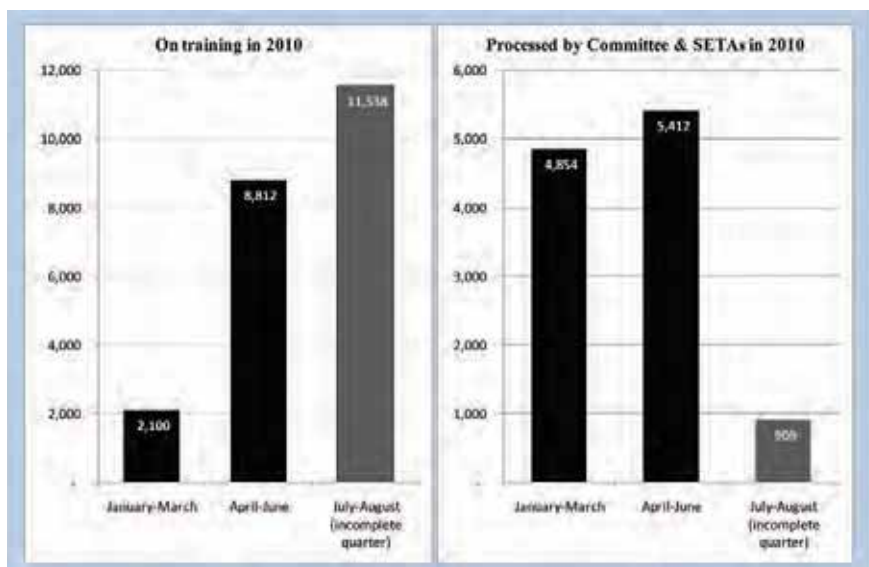
The Training Layoff Scheme provides a new facility for companies and trade unions to place workers on a training layoff as an alternative to retrenchment. During this training period, the scheme pays an allowance of 50% of an employee's salary up to a maximum of R6 239 per person and the workers undergo training, facilitated by the relevant SETA. The CCMA has trained 250 staff members and commissioners to assist in facilitating companies to participate in the scheme. Training focuses on skills that are useful to companies and to industries but also includes training in generic skills such as communication, adult basic literacy and numeracy, and basic ICT skills.

The Training Layoff Scheme was developed together with the Department of Labour, the CCMA and the SETAs.

The work of EDD related to the Training Layoff Scheme involved the following 12 areas:

- Developing the concept of the Training Layoff Scheme within government and engaging in dialogue with social partners on the proposed Scheme
- Identifying sources of funding, discussing these with affected Ministries and Departments as well as the board of the UIF and securing agreements on the total funding that would be committed
- Engaging business and labour on the commitments that the scheme entails for each of those constituencies, which includes the payment of social benefits (business) and the acceptance of a layoff at reduced wages (labour)
- Facilitating dialogue on the rules that should govern the scheme and ensuring that these were developed and finalised together with the Department of Labour
- Setting up a social partner and government team to oversee applications to the Fund
- Working with the CCMA to develop systems for it to manage workplace dialogue on applications to the Fund and ensuring training of CCMA Commissioners
- Coordinating work to produce a promotional brochure and to publicise the scheme with the Department of Labour
- Meeting SETAs to request that they commit funds for the training component and discussing practical implementation modalities with SETAs
- Holding workshops to publicise the scheme among potential users
- Participating in the Project Evaluation Committee for the scheme
- Engaging with SETAs, the CCMA, UIF, Department of Labour, trade unions and companies as required to assist with implementation issues, and
- Monitoring take-up levels for the scheme and reporting these to the Leadership Team, the Minister and the President.

A pilot for the Training Layoff Scheme was established for the last three months of 2009 and successfully concluded. The scheme was then launched in January 2010 and progress is reflected in the table below:

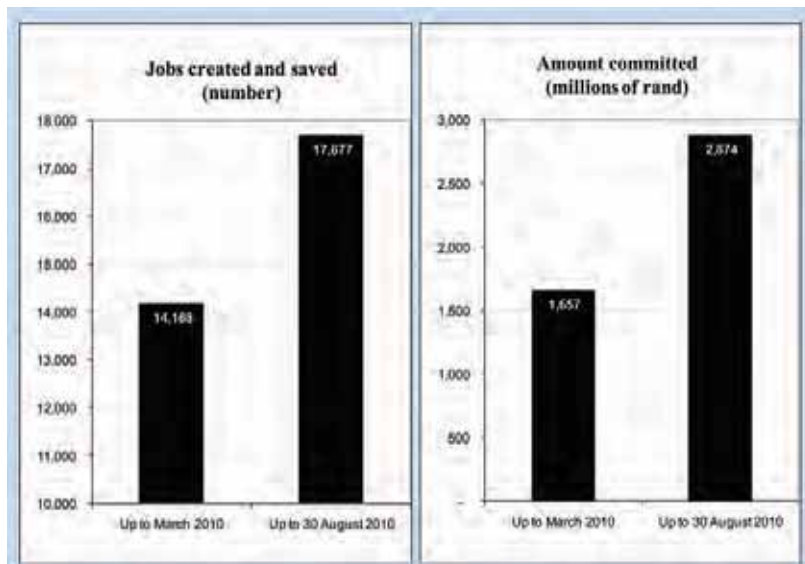


At the time of this Report's publication, a total of 6,083 workers had been placed on the Training Layoff Scheme instead of being retrenched.

Workstream 5: IDC fund to assist distressed companies

The IDC Fund was a new facility developed to address the impact of the recession on companies who either had experienced difficulties with access to credit or saw a collapse of their market. It was targeted at companies that had been commercially viable in the past but whose financial performance had been negatively affected by the economic downturn. Despite this focus, startup companies that had not yet achieved a record of profitability were not excluded from accessing the Fund.

By 31 March 2010, the IDC fund to assist companies in distress had approved payments of R1,142 billion to 27 companies in South Africa, saving or creating 11 711 jobs. By 30 August 2010 the IDC Fund had approved payments of R2,874 billion saving and creating 17,677 jobs, as shown in the table below. Sectors receiving support included agro-industries, forestry and wood products, metal products, automotives (and components), textiles and clothing, and transport services.



EDD worked closely with the IDC to ensure that the Fund was publicised as rapidly as possible. This included convening workshops with sectors in distress to highlight the fund to stakeholders, developing an information pamphlet and making presentations to trade unions to provide information on the fund.

Certain conditionalities were imposed on firms receiving state support. These included: appropriate restraint in executive pay during the assistance period; a moratorium on retrenchments for the duration of the assistance period unless they were essential for the firm's survival; a commitment to local procurement; and a commitment to social dialogue and compliance with labour standards.



Workstream 6: Development Bond to increase employment

Through the work on the Framework, EDD and the Department of Labour helped to develop a unique partnership between the IDC and UIF in which the IDC successfully raised R2 billion through a development bond placed with the UIF and registered with the JSE. Qualifying businesses who receive debt funding through this instrument will do so at fixed preferential rates.

The IDC and UIF Private Placement Bond was launched on 14 April 2010 by Minister Patel, Mr Geoffrey Quena, the CEO of the IDC and Mr Boas Seruwe, the Commissioner of the UIF.

This partnership will enable the IDC to invest in opportunities that support job creation, entrepreneurship and development specifically in areas where there is market failure. The Fund will specifically be applied to job creating and job saving transactions and the IDC will report to the UIF and EDD on a bi-annual basis on agreed key performance areas including actual and estimated jobs saved and created, and cost per jobs saved and created.

The preparatory work for this Fund was completed during the period under review and implementation took place in the following financial year. From the date of implementation (April 2010) to 30 August 2010, the UIF Fund has approved R104 million and saved or created 736 jobs at a cost of R142 000 per job. Projects allocated funds came out of a range of sectors including the following: agriculture and agro-processing; clothing and textiles; chemicals, rubber, plastics and non-metallic minerals; motor vehicles, parts and accessories; and tourism, trade and catering.



Workstream 7: Customs fraud and trade related issues

Government dedicated capacity to focus on illegal imports, with particular attention to the clothing sector initially, as provided for in the Framework. SARS was allocated an additional R20 million to give effect to commitments made in the Framework.

EDD facilitated dialogue between industry representatives and SARS to identify the biggest challenges in this area, ensure that intelligence was made available to SARS and that information on unit prices of goods was made available by the industry to government.

Numerous raids by SARS as well as investigations against fraud were undertaken. By December 2009, SARS had seized over 750 tons of clothing and textiles smuggled into the country from raids in a nationwide enforcement initiative. The value of the goods seized was estimated to be over R90 million.

In February 2010, SARS conducted raids at 21 warehouses and 30 shops and agents. The value of the clothing, textiles and leather goods detained was estimated by SARS to be over R50 million from those raids.

ITAC has worked closely with EDD to respond effectively to the economic crisis. It has revised its timeframes for investigations from 12 to 9 months with regard to trade remedies; 12 to six months for normal tariff investigations; and four months in the case of tariff investigations for vulnerable sectors.

ITAC investigations resulted in an increase in the tariffs on 35 items in the clothing and textile sector. This measure aimed at increasing the price competitiveness of local producers. Government also decreased the effective rate of tariffs through a new rebate on duties in a number of textile products. It also increased the dollar based reference price for wheat and wheat flour to provide support to the agricultural sector.

In December 2009, ITAC recommended the inclusion of dumper trucks in the Motor Industry Development Programme (MIDP). In addition, it approved the extension of the validity period of the Import Rebate Credit Certificates and Productive Asset Allowance certificates issued in terms of the MIDP programme to counter the effect of the crisis on the automotive sector.

Workstream 8: Food prices

The Competition Commission investigated ten parts of the food supply chain. These parts include staple foods such as bread, mealie meal, wheat flour, dairy, poultry and cooking oil. The Commission's investigations in the food supply chain resulted in a number of cases being referred to the Competition Tribunal. These referrals include a wheat milling case where the Competition Commission found that companies were engaged in price fixing and dividing markets. In addition to referrals to the Tribunal, the Competition Commission has imposed fines such as a R195 million penalty against Pioneer for its role in a bread cartel.

The Commission has also investigated key inputs, namely fertilizer, grain silos and tinsplate, and has also reviewed the activities of supermarkets. In successful cases relating to fertilizers and animal feed, Sasol Chemical Industries admitted that it contravened the Competition Act and was fined R251 million.

Workstream 9: Construction supply chain

The Competition Commission has conducted an extensive investigation into the construction supply chain which has resulted in a number of admissions by companies and applications for leniency. This work is critical since collusive practices in key supply areas to the infrastructure programme have contributed to high prices and reduced their economic impact.

The Competition Commission pursued investigations in the following parts of the construction supply chain: construction materials and infrastructure including cement, reinforcing steel, concrete pipes and culverts, plastic pipes, long steel, wire and wire products, wire rods, reinforcing mesh, mining roof bolts, clay stock brick and cement brick, hoses and water meters, scrap metals, and contracts for infrastructure and tenders for specific projects.

It referred a number of cases to the Competition Tribunal including wire and wire products, long steel products, mesh wire, mining roof bolts, concrete pipes and culverts, plastic pipes, scrap metal and steel mesh.



Workstream 10: Engagement with the banks

The Minister of Economic Development met with the CEOs of the four major banks on 13 July 2009 to address concerns regarding the flow of credit to the real economy and households.

The banking sector reported on their initiatives aimed at addressing these concerns. The banks agreed to consider a range of measures, which include increasing bridging loans, debt rescheduling, debt factoring, converting debt to equity, inter-bank lending guarantees and national debt mediation. A task team was set up, including the DFIs, the dti, National Treasury and banking representatives to pursue discussions.

The financial sector announced a National Debt Mediation Association initiative to assist indebted consumers by providing rules, processes and standards to address debt restructuring. In addition, the social partners agreed to launch a national awareness campaign to provide indebted consumers with information to make informed decisions about debt. The National Credit Regulator agreed to employ a person to drive the campaign.

The banks and DFIs have also been working together to assist companies in distress. This work included identifying early signs of distress in companies, sharing information where possible to enable appropriate and timely intervention, co-operating to restructure companies' finances and putting in extra funding as required to ensure the success of an entity and cooperating to prevent foreclosure or liquidations and subsequent job loss in specific cases.

Workstream 11: Social assistance

The Framework committed government to address the social impact of the recession, including through expanding the social security net to the most vulnerable in the society.

Government acted on both Old Age Pensions and Child Support Grants.

The Child Support Grant was extended so that children under the age of 16 would qualify to access Child Support Grants. This change means that 2.1 million additional children will benefit from the extension, at a cost of R6 billion to the state.

The equalisation of the Old Age Pension will affect 450 000 old age pensioners.

Workstream 12: Expanded Public Works Programme

One of the most rapid responses to a recession is the expansion of public works programmes. Using the existing Expanded Public Works Programme (EPWP), government funded the rolling out of public works across the country.

The social partners met with the Minister of Public Works to enhance the employment impact of the EPWP. The Minister of Public Works reported that the EPWP created 625 859 work opportunities from 1 April 2009 to 31 March 2010. Of these participants, 35% were women and 37% were defined as “youth”. There is scope to improve the EPWP jobs programme and this is the subject of further engagement under the Framework with relevant government departments.

ey d t e crisis

The social partners agreed to focus discussions on a policy framework to address the structural constraints to job creation, a new growth path for South Africa, and how to ensure that the employment intensity of the economy is increased. There was broad consensus on the need for a common vision built around the forthcoming growth path.



RICHARD MATSOMELA, AUTO WORKER WHO BENEFITTED FROM TRAINING LAYOFF SCHEME, GAUTENG

The spectre of retrenchment loomed when the global recession forced BMW's car manufacturing plant in Rosslyn in Tshwane to consider laying off workers. Fewer car orders in the economic downturn put pressure on the multinational company, raising concerns among workers like Richard Matsomela that his job at the Rosslyn factory was on the line.

Job loss would have spelled financial hardship for the 36-year old father who supports three young children and his young sister together with his working wife.

Yet Matsomela was one of the 1 100 BMW workers who held on to their jobs by going onto a government-sponsored training programme. This programme, the Training Layoff Scheme, was a measure agreed to by the government, organised business, organised labour and the community in February 2009 in response to the global economic crisis.

In terms of the programme, BMW and the metalworkers union NUMSA applied jointly to the Commission for Conciliation, Mediation and Arbitration for some workers to go onto an accredited training scheme. The workers on the programme would receive 50% of their salary and go onto training layoff, accessing training through MERSETA, the industry's training body. Under the scheme, BMW continued to pay workers' social security contributions.

Matsomela went on training layoff with 33 colleagues at the Business Habit Learnership Course. He later reported that it was particularly informative given that he had run his own small business before.

Nicolaas van Rensburg who coordinated the Training Layoff Scheme for BMW noted that morale in the plant had been raised significantly as a result of the training.

CHAPTER 3. DEVELOPING DIALOGUE

Minister brahim Pate , n ut at the Ne t conomy ia o ue, 23 March 2010

In January this year, I went to the World Economic Forum in Davos, Switzerland where government ministers and heads of state meet with business leaders annually. It is a meeting of the powerful. What was striking about Davos this year is that there was more of a reflective mood than there ordinarily is. There were fewer pat answers. There was a greater exploration and searching because no one country felt it was guaranteed sustained economic growth over the next many years. Last year, the Economist magazine captured similar sentiments. In a remarkable conversation about the future of economics as a profession, this journal concluded that there are some deep challenges that the profession faces. To put it bluntly, the economists got it wrong in many cases. We are seeing in many different ways, the beginning of a reflection and in many cases these challenge economic orthodoxy... As South Africans we must be comfortable enough at this moment to find answers to our problems, answers that work for us.

Introduction

South Africa s strong history of political and social dialogue has shown that dialogue is a key instrument to enhance governance. EDD has worked with government departments and its social partners to strengthen social dialogue, focus it more on pressing challenges and expand it through new initiatives. This Chapter sets out seven workstreams of dialogue.

Workstream 1: The Leadership Team s work in response to the recession

The role of the Leadership Team has been outlined in the previous chapter. This forum provided a platform for government, business, labour and community sectors to engage on a regular basis, finding ways to work together to mitigate the impact of the global economic crisis on the South African people.

The experience showed that constituencies could speed up processes of decision-making, accept commitments on behalf of their constituents, develop problem-solving approaches to the recession and share a common vision in their response to the crisis.

Preparing for the meetings required a high degree of coordination among all of the stakeholders. This demand was especially high for the task teams responsible for implementing projects and reporting to the Leadership Team. EDD, through the leadership of Minister Patel, convened the government constituency.

The secretariat s performance constituted a further factor essential to the success of the process. In particular, the secretariat had to ensure that meetings were well prepared, agendas were sent out in time and minutes were available. EDD worked closely with Nedlac to prepare for meetings.

Workstream 2: Policy platform on the global economic crisis

On 9 September 2009, Minister Patel and Finance Minister Pravin Gordhan co-hosted a policy platform on the Global Economic Crisis: Causes, Impact and Consequences Issues for Policy-makers. The platform was convened to stimulate fresh thinking on South Africa's economic development challenges. It worked in partnership with other parts of government to promote coordinated governance and engage with a diversity of policy-makers.

The platform attracted members of Cabinet, parliamentarians, trade unionists and business leaders and was held at Parliament.

The policy platform also provided policy-makers with the opportunity to engage international speakers and hear about related debates in other parts of the world. Specifically, Michel Aglietta (University of Paris) and Gabriel Palma (Cambridge University) addressed the forum. These speakers have written extensively on issues of global growth, financial markets, de-industrialisation and aspects of the economic history of Latin America and East Asia.

The session provided information on the impact of the financial crisis on developing country economies, the systemic weaknesses in global governance that facilitated the rapid spread of a crisis in the US to all parts of the world, the growth of the financial sector in the modern economy and the impact thereof on the real economy and jobs.

Workstream 3: Kwazulu-Natal Policy Platform on Rural Development

The Minister co-hosted a policy platform on rural development with Minister of Rural Development and Land Reform Gugile Nkwinti and KwaZulu-Natal Premier Dr Zweli Mkhize, on 13 September 2009 in Durban. Other key attendants included MEC for Economic Development and Tourism Mike Mabuyakhulu and MEC for Agriculture Lydia Johnson.

Three international experts on rural and agricultural issues from the London School of Economics shared the results of their research on agriculture, rural development and employment at the policy platform. The presenters were John Sender, Carlos Oya and Chris Cramer.

EDD collaborated with the Department of Rural Development and Land Reform out of a common commitment to rural economic development, one of the five key priorities of this government. The two departments share complementary roles pursuing economic development and rural development. Further, the Province of KwaZulu-Natal has achieved a great deal in innovation and economic development, including in the area of cooperatives development. Their work has important implications for the elaboration of a rural development strategy, not only in the province but also nationally.

Workstream 4: Policy Platform on Income Inequality

The Policy Platform on Income Inequality, which was hosted in Parliament on 8 October 2009, provided an opportunity to engage with the issue of rising income inequality. The session was attended by parliamentarians and social partners.

Haroon Borhat, a leading economist based at the University of Cape Town and Moazam Mahmood, a senior technical advisor from the International Labour Organisation, were invited to share their research findings. The research by Professor Borhat examined the period 1995-2005 using data from Income and Expenditure Surveys. Key findings included:

- A decline in the level of poverty measured by the number of persons who live on less than R322 per month. This decreased from 52.5% of households in 2000 to 49% of households in 2005. The main reason given for the decline was government's social grants programme for the poor. The trajectory of change has been in the right direction but challenges remain. Specifically, poverty is concentrated among African and female-headed households and the number of households living in conditions of poverty remained very high during the period covered.
- Growing income inequality, which refers to the gap in incomes between the rich and poor. Income inequality, as measured by the Gini coefficient, increased from 0.64 in 1995 to 0.69 in 2005.

It was acknowledged that while social transfers can play an important role in reducing inequality and poverty, a more sustainable solution requires a different developmental growth path in the society. It is by drawing more people into productive and decent work that we can make a long-term impact on reducing income inequalities. The findings advance a compelling case for analysing the composition of growth that would benefit the majority of South Africans. Other policy elements that were discussed included rural development, wage policies and executive remuneration policies.

Workstream 5: Next Economy National Dialogue

EDD extended the economic debate into the public arena by launching a series of policy platforms entitled *Working together we can do more*. The Department linked up with key partners in the media - the *Cape Times* in Cape Town, the *Pretoria News* in Pretoria, and the *Mercury* in Durban to facilitate this initiative. Additionally, Minister Patel invited key stakeholders, including members of the public, to the first of these discussions, in association with the Editor of the *Cape Times* and the SA New Economics Network Chairperson.



Through this initiative, national stakeholders, elected public representatives, key economic actors and the public were drawn into important debates on the nation's economic future. Participants took advantage of the opportunity to provide their own ideas for policy suggestions to the Department in the spirit of participatory democracy.

The first platform in the series led by Minister Patel was entitled *Let's Get it Done*. The General Secretary of the Congress of South African Trade Unions (COSATU), Zwelinzima Mavi, and the Chairman of Business Leadership South Africa, Bobby Godsell, made formal responses to Minister Patel's presentation before the convenors opened the discussion to the floor. The platform took place on the evening of EDD's Budget Vote debate in the National Assembly on 23 March 2010 and was held in the parliamentary precinct.

Both Mr Mavi and Mr Godsell voiced support for the *Let's Get it Done* initiative, with Godsell arguing that honest, tough and constructive discussion would lay the basis of a shared vision of development. Mr Mavi set out key issues covering decent work, education and development that his constituency sought to have addressed in government's new growth path.

Workstream 6: Engagement at Nedlac

Nedlac remains South Africa's premier institution of social dialogue, a role it has held since its establishment in 1995. Officials from the Department have worked closely with the Nedlac Secretariat in the Leadership Team for the Framework Response to the International Economic Crisis and in various other task teams, to ensure successful implementation of the Framework Agreement. The Department has also taken part in meetings of Nedlac's Executive Council and its officials began to attend chamber meetings as part of the government constituency.

The Minister also addressed Nedlac's annual summit, where participants debated a range of economic concerns. Minister Patel's presentation concerned the Framework agreement and its implementation by the social partners. The summit took place on 12 September 2009 in Johannesburg. The Deputy Minister of Economic Development Gwen Mahlangu-Nkabinde was part of a strong government delegation at the Summit. At the event, participants discussed several issues, including South Africa's economic outlook, financial stimuli for companies in distress, by-laws that hamper trading by small, medium and micro enterprises (SMMEs), informal traders and hawkers, the need to transform the financial sector and review the mandates of state-owned enterprises, and the concern that many South Africans remains dependent on social assistance.

Workstream 7: Ministerial roundtable with the pharmaceutical industry

On 2 December 2009, Minister Patel convened a meeting of Ministers and social partners at the Union Buildings in Pretoria to discuss the South African pharmaceutical industry. The Ministers of Finance, Health and Science and Technology took part in the discussion. Business and labour requested government to accelerate its implementation of industrial policy and public procurement to support the local production of certain medicines. Government requested the sector to provide proposals that combined the need for local

production with lowering the cost of medicines in order to increase access by South Africans to health-care. This engagement has led to further work between Department officials and pharmaceutical industry representatives to consider a sectoral agreement. Such an agreement would address issues of procurement, security of supply, boosting local investment and job creation.



| Item | Quantity | Unit | Notes |
|--------------|----------|--------|-------|
| Oil | 1 | Quart | |
| Water | 1 | Gallon | |
| Wash | 1 | Gallon | |
| Brake | 1 | Quart | |
| Power | 1 | Quart | |
| Antifreeze | 1 | Quart | |
| Transmission | 1 | Quart | |
| Steering | 1 | Quart | |
| Chassis | 1 | Quart | |
| Wax | 1 | Quart | |
| Grease | 1 | Quart | |
| Brake | 1 | Quart | |
| Power | 1 | Quart | |
| Antifreeze | 1 | Quart | |
| Transmission | 1 | Quart | |
| Steering | 1 | Quart | |
| Chassis | 1 | Quart | |
| Wax | 1 | Quart | |
| Grease | 1 | Quart | |

JOEY JOHNSON, MECHANIC IN INFORMAL ECONOMY, EASTERN CAPE

For the past 18 years, Joey Johnson has run a small mechanic business out of his RDP home in Kwanoxolo, Port Elizabeth. Only recently, with support from the Economic Development Department, has he registered the company and begun to draft a business plan, an initial step towards seeking financing for the enterprise.

The 48-year-old started up his home-based business after the Overnight Express, a courier company, closed shop in 1992 and he lost his job. Johnson had spent four years at the company working as a mechanic's apprentice. He moved into his current house in late 2000.

The mechanic enterprise provides jobs for three other people who have worked there for the past ten years.

While Johnson has a long list of customers who come to his home in Kwanoxolo to get their cars repaired, work is irregular. He specialises in fixing Volkswagen, Toyota and taxis. He takes home anything between R2 500 and R3 500 per month as a result of variable demand. On this salary, Johnson supports his unemployed daughter and two grandchildren.

Johnson sometimes has to turn down work because he lacks the necessary tools for the job. His weak financial position also means he cannot always afford to buy spare parts for his customers' vehicles. Competition is stiff in his area, with three other informal mechanics in his neighbourhood. According to Joey, these mechanics are prepared to undercut his rates and work for very little money.

Johnson is very eager to develop his business and move forward in life. The first step would be to build a proper workshop where his customers' vehicles can be safely kept overnight. He also wants to buy all the necessary tools but does not know how to get a loan. Johnson has attended Small Enterprise Development Agency training workshops, where he learned to draft a business plan. He plans to submit the finalised business plan to Khula in the hope of receiving a loan to support his enterprise.

CHAPTER 4. THE NEW GROWTH PATH

Minister brahim Pate, ud et ote Address, 23 March 2010

We face a massive employment challenge: for the past few decades, the economy has not created enough jobs for those South Africans able and willing to work. This resulted in unemployment levels that were among the highest in the world. This has been compounded by the recession caused by the most serious economic crisis that the world has faced in 70 years...

Faced with these realities and the challenges of very high inequality and deep levels of poverty, we are working on ways to improve the employment performance of the economy and create many more decent work opportunities and better social outcomes. We call this the development of a new growth path.

Introduction

The South African economy's overall expansion between 1994 and 2008 approached 4%, more or less the same as other upper-middle income countries. Despite improved growth, the economy remained one of the most inequitable in the world. Deep inequalities were associated with extraordinarily high levels of joblessness. The position was worst for young people, largely because too few jobs were created to absorb the large numbers of new entrants to the labour market.

The economy failed to create decent employment opportunities for many of our people over the past three decades. Amongst the employed, many workers had poorly paid, insecure jobs. The informal sector, agriculture and domestic work contributed a third of all employment, but two thirds of working people earning under R1000 a month. Moreover, one in five employed African women was a domestic worker.

In addition to high unemployment, there are fundamental bottlenecks and imbalances in the economy. The domestic challenges we face require a new growth path, to shift to more labour-absorbing economic growth.

The global context has changed in significant ways, from the impact of the global economic crisis, to the rise of China, India and Brazil, new commitments internationally to address climate change and the development of new technologies. These create new opportunities for domestic policy.

EDD has coordinated government work on a new growth path. The following three workstreams sum up the work to date.

Workstream 1: Research and policy work

Research towards the new growth path commenced in 2009. A framework for the growth path was developed, the approach was adopted of identifying key jobs drivers in the economy, i.e. sectors with a high employment potential. Research was undertaken in these areas and initial estimates on the numbers of jobs that could be realised were made.

Research and policy coverage of other

1. The employment performance of the economy in the past three decades and the jobs deficit
2. The extent of poverty, inequality and unemployment
3. The new global context and the opportunities that it presents for South Africa
4. The impact of the recession on jobs and industrial output
5. Key constraints to growth and development, including the systemic constraints, bottlenecks and institutional weaknesses
6. The impact of the exchange rate and the interest rate on economic performance
7. The experience internationally of the green economy and opportunities in South Africa to grow the number of green jobs
8. The impact of energy prices on economic performance and jobs
9. The skills development challenge and its impact on growth and development
10. Competition policy and economic concentration
11. Addressing the challenge of de-industrialisation, growing the manufacturing sector, the role of industrial policy in growth and development and the Industrial Policy Action Plan
12. The role of small business and the need to improve the performance of public small-business promotion institutions
13. The infrastructure programme and the role of local procurement
14. Agriculture, rural development and agro-processing: the potential for growth and employment in the food sector
15. Beneficiation, the mining sector and key constraints to be addressed
16. The role of the knowledge-based sectors to jobs and development
17. Tourism and business services and the linkages to other policy areas
18. The social economy globally and its contribution to employment
19. The contribution of African economic integration to South Africa's economic and social goals
20. Sources of funding for development, including the role of a development bond and
21. The spatial patterns of growth and the need for a new approach

EDD consolidated this research into a draft Growth Path document, which included the key jobs drivers (where can jobs be created), policy drivers (what policy supports are required), resource drivers (new sources of funding and increasing the level of savings) and institutional drivers (public entities, business, labour and other civil society actors as well as the commitments each need to make to shift the economy to greater growth and decent work outcomes).

Workstream 2: Workshops and policy sessions

Following the broad conceptual work on the growth path, EDD hosted a number of Departmental workshops and consultations to draw in external expertise and tap into the work that has been done elsewhere.

On 3 August 2009 a departmental policy workshop was held, to identify a research and policy agenda on aspects of the Growth Path.



A policy session was held on 9 November 2009 to review the results of the research, identify the key jobs drivers in the growth path and some of the key micro-economic reforms that needed to be considered.

A policy workshop was held on 3 December 2009 to review the results of the research, identify key macro-economic as well as industrial policy measures to be considered to raise the long-term level of jobs growth in the economy.

A workshop focusing on the exchange rate was held on 7 December, which identified a range of interventions used by governments across the world to address exchange-rate competitiveness challenges.

On 21 December 2009 and 23 February 2010, EDD held workshops with the IDC on the Growth Path, which identified areas of data and research, and considered the outcome of IDC work on sources of new job growth

In addition to the formal workshops, a number of informal discussions were held with local and international economists, business leaders, trade unionists and public commentators.

Workstream 3: Processes in the Economic Cluster and within government

The Department worked closely with the Economic Cluster in developing key issues in the growth path.

This included presentations to the Cluster in November 2009 and the Cabinet Lekgotla in January 2010.

Consultations at Ministerial or at the level of senior officials were held with the relevant departments. The consultation process was intended to secure additional data from these departments and to obtain their comments on the work done. Departments consulted included Agriculture, Forestry and Fisheries; Higher Education and Training; National Treasury; Labour; the dti; Health; Public Enterprises; Public Service and Administration; Public Works; Mineral Resources; Science and Technology; Energy; Tourism; Rural Development and Land Affairs; Social Development and Transport as well as the National Planning Commission secretariat and the Presidency. Some of these consultations stretched into the following financial year.

EDD drew actively on the extensive policy and knowledge bases in different government departments, on past policy initiatives (including work on the Reconstruction and Development Programme and on Asgisa) and on the work done internationally by various institutions (such as the ILO) and growth panels.

EDD also drew actively on contributions by provinces made during a series of provincial engagements and meetings.

Some of the identified bottlenecks and imbalances in the economy:

1. A small and limited domestic market constrained by poverty, inequality and high levels of unemployment.
2. Dependence on the minerals value chain, including smelting and refining, which consume large amounts of electricity, leading to high emissions intensity.
3. A persistent balance-of-trade deficit funded with short-term capital inflows, attracted largely by interest rates that were high by international standards.
4. Both investment and domestic savings remained below the levels required for sustained growth.
5. Backlogs in logistics, energy infrastructure and skills, which constrained development and raised costs across the economy.
6. Continued economic concentration and collusion in key sectors, permitting rent-seeking at the expense of consumers and industrial development.





NELIE KOK, MEMBER OF FARMING COOPERATIVE, NORTHERN CAPE

When a group of farmers in the Eksteenskuil area of the Northern Cape formed a cooperative in 2003, they were able to join in a profitable venture to export raisins to Europe. For years, the cooperative was the only exporter of Fairtrade raisins in the world. Nelie Kok chairs this collective of now 82 members, himself a farmer on Keimoes, an island in the Lower Orange River.

Kok's position as leader of a farming collective has taken him far from his first job: working in wholesale for Metro Cash & Carry. He later became an electrician and then taught maths and electrical skills for nine years in a technical school in Upington. Kok's next big career shift occurred in 1993, when he purchased his brother-in-law's 15 hectares of land and became a farmer.

Exporting raisins has been a critical trade opportunity for the farmers who, for historical reasons, own small plots of land and lack the capital to irrigate their farms. In the 1950s, the apartheid government identified the area as a "coloured reserve" and divided previously white-owned land into plots between 0.5 to 15 hectares in size.

When Kok became a farmer, most other farmers in the area grew peas, lentils, raisins, cotton and lucerne. Cotton became unprofitable when tariff liberalisation in that period meant stiff import competition from China.

Several of these small-scale farmers pulled together to form a farmers' association in 1994. This group became a co-op nine years later when its members began to work with Fairtrade, an organisation dedicated to supporting sustainable and equitable small-scale production.

With the social premium that Fairtrade pays its members, the farmers have set up an administrative office, bought irrigation pumps and tractors. They have also given back to the community, purchasing school supplies, establishing a women's project and providing first-aid training.

Kok believes that more investment could help the cooperative's members improve their small yields, opening up more land to grade production, improving water distribution and dams among other things. The cooperative is working with the Department of Agriculture, Forestry and Fisheries to explore options for its future development.

CHAPTER 5. PROVINCIAL COORDINATION

Minister Gen Mahan Nabinde, ud et ote s eech, 23 March 2010

Our economy exhibits a high dependence on mineral commodities, and the entire economy relies on the strength of a single province, Gauteng. Just imagine what would happen if the economy of that province would collapse. I am sure the entire country would have a problem. Now, it is important for us to unlock the potential in other provinces.

Introduction

Successful integrated economic governance requires stronger coordination between the three spheres of government. This chapter outlines the Department's work with the provinces through MinMecs, bilateral engagements and visits. Two broad workstreams are reported on, setting out thirteen activities.

Each provincial government includes a portfolio responsible for the economic development function combined, in some instances, with other functions, such as environmental affairs and tourism. Some municipalities have economic development portfolios. Moreover, metropolitan areas (the metros) have substantial resources for economic development (see research below). Economic development agencies in national and provincial government contribute in different ways to economic development throughout the country. The challenge for government and its agencies is how to work together creatively and effectively and how to coordinate the initiatives of multiple roleplayers to maximise their impact.

The MinMec structure is one such instrument for achieving this coordination. The Economic Development MinMec now consists of the national Ministers and Deputy Ministers of Economic Development and Trade and Industry, the provincial economic development MECs, metro mayors, SALGA representatives and the heads of development and regulatory agencies. EDD has worked with the dti to bring SALGA and metros into the Minmec structure on a consistent basis since 2009.

The MinMec allows actors to exchange views and information regarding their shared mandate of economic development. They can also discuss their experiences in implementation. In this way, participants strengthen cooperation and coordination across the three spheres of government and can improve service delivery.

The Minister and Deputy Minister also engage in bilaterals with provincial and local government principals to better understand the challenges facing those spheres.

Workstream 1: MinMec

Activity 1: Economic Development MinMec 11 August 2009

On 11 August 2009, the Ministers of Economic Development, Ebrahim Patel,





Trade and Industry, Rob Davies, Deputy Ministers Gwen Mahlangu-Nkabinde, Thandi Tobias-Pokolo and Maria Ntuli and the MECs responsible for economic development in the Eastern Cape, Free State, KwaZulu-Natal, Gauteng, Limpopo and Western Cape and their respective heads of department held the first MinMec meeting of the new administration.

Minister Patel made a presentation on the role of EDD and priorities emerging out of the May 2009 Cabinet Lekgotla. He briefed the MinMec on the implementation of the Framework for South Africa's response to the global economic crisis. The meeting reflected on the impact of the recession on the economy, particularly provincial job losses and declines in industrial capacity country-wide. It noted the initiative by KwaZulu-Natal to canvass a stakeholder response to the economic crisis through the provincial Road to Recovery Summit. An end-of-term MinMec report for 2004-09 was tabled for discussion.

Minister Davies presented the dti's work in various sectors, including: auto; clothing and textiles; capital goods, metal fabrication and transport equipment; and agro-processing. He also briefed the MinMec on the work being done in industrial financing and SMME development. A cooperative development agency was mooted.

In the MinMec, Ministers and MECs also identified the need for a policy discussion on spatial development. The MinMec agreed to create a platform to discuss the concept of green jobs and innovation and technology. EDD and the dti agreed to develop a proposal on a shared research platform with the provinces.

The MECs tabled their provincial priorities, challenges and opportunities. The meeting agreed to convene an economic development symposium. The participants issued a request for heads of departments to meet beforehand to discuss the functioning of economic development agencies in their provinces.

Activity 2: The Economic Cluster Research Forum

EDD co-hosted a research forum on 30 September 2009 to encourage greater research cooperation amongst provincial and national economic development departments.

The meeting enabled participants to identify several common problems and share solutions and best practice. Four common problems emerged out of discussion between the research and policy branches of economic development departments in the forum. The first was drafting research agendas and formulating effective and efficient research processes.

Another common challenge was knowledge management. Participants expressed difficulty in collating and accessing existing research, particularly when employees had left the organisation.

A third common difficulty was quality assurance. The challenges have been to ensure that service providers deliver quality work to government departments



and that officials do not process substandard work. The forum participants undertook to assist each other in avoiding poor quality consultancy work by rating work done by service providers and sharing their assessments with each other.

Finally, similar problems exist around coordination. Researchers working independently of one another, in silos, resulted in many instances in duplication and resource waste. The forum agreed to use the dti website as the temporary home of the cluster's economic research to prevent further duplication. Forum participants also noted that they could improve coordination in subscriptions to economic journals and data banks.

Activity 3: Research on resources available for economic development

In preparation for the Symposium on Economic Development on 16 November 2009, EDD conducted a survey of resources deployed by the different spheres of government on core economic development activities. The survey showed that in the financial year 2009-10 there was approximately R16.4 billion available in the budgets of national, provincial and metro economic development departments and agencies.

At national level, this included the budgets of the dti (R5.4 billion) and the Department of Science and Technology (R4.2 billion). At provincial department level, R4.6 billion was allocated to economic development and R2.1 billion in the metro departments. The budgets of national agencies, such as the DBSA, IDC, Transnet and Eskom were not included although they have substantial economic development resources.

The survey also assessed human capacity for economic development. The provincial departments and their external agencies together employed approximately 4500 staff on core economic development activities. The average level of staffing was 492 per province, with wide variation between them.

Activity 4: Technical MinMec 12 October 2009

A heads of department meeting was convened in line with a resolution of the 11 August 2009 MinMec. The meeting considered the seven topics that were proposed for the symposium: recession and responses; tourism and economic development; rural economic development; the pro-employment growth path; policy discussions on industrial development zones; learning from practice; and intergovernmental coordination. The heads of department also took provincial submissions into consideration.

Activity 5: MinMec Symposium 16-17 November 2010

A MinMec economic development symposium was held over 16-17 November 2009 in Pretoria. Approximately 120 participants attended, including four government Ministers, two Deputy Ministers, nine provincial MECs, and officials from national and provincial departments, other state entities, SALGA and business and labour representatives.

The meeting agreed that employment must become a more important objective of government policy and that overcoming the recession was





an immediate priority. This analysis pointed to the need for a combination of cyclical and structural responses.

Participants at the symposium agreed that it would be useful to develop a project assessment tool. This instrument could help to identify the likely impact of different types of economic projects prior to resources being committed to them, and also in impact evaluation after their implementation.

An EDD survey found that the constrained capacity of the provinces to deliver effective economic programmes was one of the biggest obstacles to more effective performance. Some departments had significant vacancies, partly because of skill shortages. Potential solutions identified in the meeting included twinning arrangements, peer review mechanisms and cooperation with local universities.

One of the plenary sessions of the symposium addressed the government's response to the recession (outlined in Chapter 2 of this report). Another plenary session concerned rural economic development, and concluded that rural employment and economic development can be improved through expanding agriculture, agro-processing and broader rural development programmes.

The symposium reflected on the ways in which government can increase the employment impact of infrastructure programmes. Infrastructure remains one of the main constraints on growth and is often inadequately planned and maintained. Appropriate infrastructure can crowd in investment and create the physical platform for growth and human development.

One of the commissions considered ways to develop a stronger partnership between national and provincial governments on industrial policy. The main task for the skills development commission was to explore the skills challenges facing the economy and the adequacy of existing policies. The persistent skills shortage is one of the constraints to better economic performance, employment generation and investment attraction.

The SMME commission focussed on improving coordination of government support for small firms, ranging from legislation to policies and programmes. Support programmes are concentrated in the major cities and need to be extended elsewhere. The commission questioned whether government is getting adequate return for its investment in small business support.

The commission on provincial and local economic development agencies discussed whether there were too many agencies in some provinces. Some agencies have struggled because of unclear mandates. Further, poor monitoring arrangements mean that problems are not detected early enough to be resolved. There is evidence that agencies duplicate their efforts because their mandates overlap.

The symposium agreed that the provinces and national government should collaborate on research to avoid commissioning ad-hoc studies with little long-term value, paying the same consultants several times to do very similar research. The outcomes of the

Economic Cluster Research Forum set out above, were broadly endorsed.

The symposium, the first of its kind at MinMec level, laid a solid basis for a strengthened model of cooperative governance.

Workstream 2: Minister s and Deputy Minister s provincial engagements

Activity 1: Roadmap to KwaZulu Natal Economic Recovery Conference

The conference, hosted by the Premier of KwaZulu-Natal, Dr Zweli Mkhize and MEC Michael Mabuyakhulu, took place on 6 August 2009. It was the first provincial Summit held after the 2009 general elections and brought together social partners, government and researchers to consider the impact of the recession on KZN and to develop a plan to ensure employment recovery.

Minister Patel, in his address to the conference, said that economic growth was an important but not sufficient goal. The Minister cited improvement of infrastructure, expansion of public works programmes, broad-based industrialisation and sector policies and support for SMMEs and cooperatives as key strategies both to counteract the effects of the downturn and to place the economy on a labour-absorbing growth path. The address also outlined the steps taken by the social partners to implement the Framework Agreement.

The Conference developed a detailed set of proposals covering specific sectors and laid the basis for the province s response to job losses.

Activity 2: Gauteng Economic Recovery Summit

As part of its response to the global economic crisis, the Gauteng province has developed the *Gute esp set t e c ic Crisis r e r*, proposing an infrastructure-led recovery approach, as well as the *Gute pl y e t Gr t d e el p e t Str te y* for long-term sustainable development. The province staged a summit on 12 November 2009 to commit to a comprehensive and collective response to the economic downturn.

The Minister of Economic Development was interviewed by a team from the province, to report on government s work on the new growth path and to identify progress made with the implementation of the Framework response to the recession. This led to a video-packaged address to the Summit and a visit by the Deputy Minister early in 2010 to the province.

Activity 3: Fact-finding visit to Gauteng Province

As part of EDD s outreach programme, Deputy Minister Mahlangu-Nkabinde visited Gauteng on 14 January 2010. The visit highlighted opportunities to improve alignment of provincial and national economic development policies and





reduce the number of provincial development agencies. It was noted that agencies budgets were heavily weighted for compensation of employees, leaving little allocation for development. Provincial representatives said that Gauteng sought to transform the infrastructure mix to accelerate economic growth, improve the skills-base of the province and build an advanced public transport system.

Activity 4: Fact-finding visit to the Free State

Deputy Minister Mahlangu-Nkabinde visited the Free State on 13 January 2010. The meetings focused on the challenges faced by the province, which included insufficient numbers of value-adding activities to generate decent jobs. The province noted there was insufficient capacity to process raw materials that originated locally. The Free State has experienced difficulty creating economic linkages with the surrounding provinces (Gauteng, Western Cape, Eastern Cape and Northern Cape). The province believed it could potentially play a role in bulk storage and redistribution, which would also create jobs in the secondary and tertiary sectors and reduce migration to neighbouring provinces.

Activity 5: Fact-finding visit to Limpopo

Deputy Minister Mahlangu-Nkabinde visited Limpopo on 15 January 2010. Challenges identified in Limpopo include traffic congestion at the Musina/Beit Bridge border post. The province acknowledged the need to expand its manufacturing and services. The road infrastructure was under strain due to the large flow of goods from Gauteng to neighbouring countries as well as the high volumes of coal transported to Eskom's thermal power generating plants by road. There were concerns that Transnet is increasing capacity for rail transport too slowly.

Limpopo also found that the lack of markets is stifling SMME and cooperative development. Public and private sectors tend not to procure from them. The province also lacks adequate financial services due to a lack of basic infrastructure. A proposed solution is the creation of cooperative banks in remote areas but the province noted difficulties in obtaining banking licences. It was reported that successful land claims have in some instances caused game farming and agricultural land to become disused.

Some of the lessons learnt from the Limpopo visit include the need to find creative ways for SMMEs to market their products and to promote local production by leveraging public procurement by all spheres of Government. Practical innovation and competitiveness programmes for SMMEs should be developed and implemented.

Activity 6: Fact-finding visit to Mpumalanga

The Deputy Minister visited Mpumalanga in February 2010 and heard that the province has a high level of unemployed adults and a small number of skilled workers. Mining activities were not sufficient to absorb the unemployed. There are few value-adding industries with a high employment yield. The road infrastructure is under severe pressure caused in part by increased road transportation of coal to thermal power stations in the

province. Coffee from the province has struggled to penetrate the highly competitive coffee market.

Observations from the visit to the province include the need to encourage consumers to support local products which will boost production and jobs. A call was made that import tariffs be reviewed to make local industry more competitive. Strategies are needed to encourage other spheres of government to create local value-adding industries that are labour intensive.

Activity 7: Fact-finding visit to the North West Province

In a visit to the North West Province in February 2020, Deputy Minister Mahlangu-Nkabinde noted the high levels of de-industrialisation linked to the high cost of doing business in the province, compared to Gauteng. A number of challenges were identified, ranging from illegal gambling especially in communities around mining operations, to the status of provincial projects that were under pressure due to lack of viable markets and lack of management skills.

The Deputy Minister addressed the problem of too many provincial development agencies that were not well coordinated.

Activity 8: Eastern Cape Economic Outlook Conference 4 February 2010

The Eastern Cape hosted a stakeholders conference on 4 February 2010 to address the economic outlook for the province. The meeting was preceded by engagement with business and labour at local level. The Eastern Cape MEC had addressed the Minmec Symposium during 2009 on key challenges faced by the province and the elements of a plan that was being developed to address these. A team of officials was sent to Pretoria to interact with the Minister of Economic Development and this resulted in a video address by Minister Patel to the Conference. This was followed up in the new financial year with further engagements with the province.





DENISE CLASSE, FROM FISHING FACTORY WORKER TO LIVING FROM SOCIAL GRANTS, WANTING A DECENT JOB, WESTERN CAPE

When the North Bay Fishing factory closed in 2006, Denise Classe was one of 62 employees who faced an uncertain future in the small coastal community of Doringbaai on the Cape West Coast. The factory had provided one of the two main employment opportunities in Doringbaai, the other being work with the municipality.

The lobster factory, owned by the Oceania group, had been around since 1913. When Claase began working at the factory in the mid-1980s, she followed in the footsteps of several other family members. Her grandmother worked at North Bay, as did her mother, father, two of her five brothers and her husband.

The 41-year-old mother of three earned R19.95 per hour. Some weeks, if she worked a full five-day week, she could earn about R900 for the week. In other weeks, when there was less work available, she earned about R300 or R400 a week. The household income ranged between R600 and R1800 a week, from which they supported eight people.

In 2006, the factory owners decided to shut down operations. Employees could accept retrenchment or take jobs 30 km away at a sister company in Lamberts Bay. Most of the workers chose retrenchment since working in Lamberts Bay posed severe challenges.

Claase and her husband turned to seasonal farm working to earn a living. They picked tomatoes and potatoes, not making as much money as before, until the work dried up in early 2007. Her husband sought out casual work the following year and in 2009, the family began to receive relief through state social grants.

The family now lives off of three child grants, and Denise and her seven dependents (five children and two brothers who are unemployed) live off R750 a month. She spends about R300 on a food hamper, which sustains the family for two-and-a-half weeks. In 2010, her husband of nearly 16 years passed away.

et Claase s employment prospects may improve. The Department of Public Works has promised to sponsor the community with R5 million and has given them rights to an old factory in the area which they plan to turn into an abalone or fishing farm farm. At first the factory will only employ 15 people. It plans to employ 50 people after six months and keep growing from there. If this does not work, she dreams of setting up her own coffee shop on the beach close to the harbour.

CHAPTER 6. PARLIAMENT

Minister Patel, Presidency Budget Debate, 24 June 2009

Is South Africa and the rest of Africa destined to be the modern day hewers of wood or drawers of water Or can we build a different vision for South Africa and indeed the African continent, as a major industrial economy with strong supply linkages across our borders, an economy based on innovation, skills, science and technology and fair labour standards, and driven by strong domestic demand in our economies

The development agenda for South Africa contains the seeds of a new growth path for the African continent.

As we engage with the powerful economies of China, India, Brazil, the EU and the US, we need to reflect on how we can leverage more and better jobs from these economic relationships. Our trade and investment can and must be structured to maximise the local employment dividend.

Introduction

The separation of executive, judicial and legislative powers as enshrined in our Constitution lies at the heart of our system of parliamentary democracy. In terms of the Constitution, the legislature plays a critical role overseeing the work of the Executive and, accordingly, members of the national Executive must account to both Houses of Parliament and their committees. This chapter outlines the Minister's and Deputy Minister's key engagements in Parliament in the year under review, in four workstreams that include addresses to the National Assembly, briefings to Parliamentary Committees, replies to Parliamentary questions and compliance with tabling requirements. In addition to this report, the Minister and Deputy Minister, as Members of Parliament, attend sittings of the National Assembly regularly, interact with individual MPs and attend meetings of the study groups of the majority party.

Workstream 1: Addresses to the National Assembly

During the period under review, there were three key addresses by Minister Patel to the National Assembly: during the Presidency Budget Debate in June 2009, a statement on the recession in August 2009 and the Budget Debate in March 2010.

Presidency Budget Debate 24 June 2009

Minister Patel participated in the Presidency Budget Debate on 24 June 2009 and spoke on international economic relations. He noted that the past three decades saw a deep integration of economies across the globe, not always to South Africa's advantage, and that this integration had profoundly changed our world.

The Minister stressed that South Africa's agenda is also an African agenda. Developing the economies of Africa is fundamental for South Africa to meet its national economic goals.

He highlighted Africa's vast endowment in human and natural resources, environmental diversity and cultural richness. Over 60% of the continent's population of one billion people are under 25 years of age. This youthful segment is a huge resource and represents the present and future labour force that needs productive and decent work.

The Minister informed parliament of the Global Jobs Pact adopted by the International Labour Organisation, which provides for measures to achieve the following: accelerating employment creation, job recovery and sustaining enterprises; building social protection systems and protecting people; strengthening respect for international labour standards; using social dialogue and collective bargaining; identifying priorities and stimulating action; and shaping a fair and sustainable globalisation.

The Minister noted that the emerging outcome at the World Trade Organisation does not adequately address South Africa's industrialisation agenda, and in its current form would cause steep job losses in our economy. He indicated that the government would enter into discussions with the EU regarding the proposed economic partnership agreements.

The Minister said that South Africa has called for major reforms to international financial institutions, principally the IMF and World Bank. Their governance structures need a revamp and the voice of the developing world needs to be strengthened. South Africa has called for the mandates of these institutions to be reviewed to ensure that they better reflect development goals, including decent work outcomes.

Statement in the National Assembly on the global economic crisis 20 August 2009

In terms of rule 106 of the National Assembly Rules, a Cabinet member may make a factual or policy statement relating to government policy, any executive action or other similar matter of which the Assembly should be informed. Due to the keen interest in the progress in responding to the international economic crisis, the Minister of Economic Development addressed the National Assembly on 20 August 2009. He noted that the international economic crisis and the local recession threatened to wipe out a number of years of economic gains. We need to use the crisis as an opportunity to mobilise the nation around a programme to defend the economy and to further strengthen it and to defend jobs, he said.

The Minister stressed that what started as a financial crisis has rapidly become a crisis in the productive sector of the economy, affecting employment particularly hard. "International experience has shown that financial crises leave large employment and social damage in their wake even when economies recover, he said. In this context, government had stepped up efforts to address the impact of the global crisis on the economy and citizens.



St te e t t e l b l e c ic crisis u ust

The Framework [for South Africa's Response to the International Economic Crisis] recognises the social partners' collective responsibility to work together to withstand the crisis and ensure that the poor and the most vulnerable are protected as far as possible from the impact of the crisis. Noting the country's well-developed and advanced system of social dialogue, a strong institution in the form of Nedlac and a tradition of working together as constituents to address the social challenges, it seeks to draw on these strengths in developing and adjusting South Africa's response to the crisis and implementing its various commitments. In addition, the framework recognises the importance of ensuring that the economy is ready to take advantage of the next upturn and that the benefits of such growth are shared by all our people.

The Minister informed parliament of the key areas of work completed under the Framework, including the National Jobs Fund to finance a new training layoff scheme, the IDC Fund for companies in distress, action to combat illegal imports, competition investigations on food prices, sector-level initiatives to address vulnerable industries and efforts to address over-indebtedness in the context of the recession.

The Minister reported on engagements with the MECs of six provinces, namely, KwaZulu-Natal, Gauteng, Western Cape, Eastern Cape, Free State and Limpopo, regarding the package, as well as efforts to draw more South Africans, through community structures and NGOs, into the partnership to respond to the recession.

Budget Vote speech 23 March 2010

Minister Patel in his first Budget Vote address to the National Assembly drew attention to the conditions of ordinary South Africans, those without jobs as well as the working poor and struggling small enterprises. The Minister announced the programmes of the Department outlined in its Strategic Plan and the ways in which EDD would engage the agencies reporting to it from 1 April 2010.

Minister Ibrahim Patel, Budget Vote Speech, 23 March 2010

EDD's budget allocation is R418 million, which covers the work of the Department and certain entities that report to it. We propose the distribution of the Budget as follows:

- R18,2 million for policy development work
- R25,8 million for economic planning and coordination
- R11,2 million for economic development and dialogue
- R44,8 million for administration, the Ministry and capital expenditure
- R152 million for small business funding, through transfers to Khula and SAMAF
- R102 million for the competition authorities to strengthen their work and
- R64 million for trade administration, to ITAC.

The Minister emphasised the green economy and the knowledge economy as key drivers within the Growth Path. He described EDD's role in the development of national, sector and spatial plans that would feed into the work of Cabinet, the National Planning Commission and provincial and local government. Social Dialogue, including the establishment of knowledge networks, would also form a significant part of EDD's work, he said. In this presentation, the Minister also announced members of the Economic Advisory Panel (see Chapter 7).

Deputy Minister Mahlangu-Nkabinde addressed parliament on the importance of human capital as a country's strongest asset. Investing in people ensures a high rate of return in invention, discovery and innovation, she said. This has a multiplier effect. Not only do individual innovators benefit, but others also benefit through job creation and the opening up of internal and external markets. The Deputy Minister cited the examples of Asian nations such as Japan, South Korea, Malaysia and Singapore.

Deputy Minister Mahlangu-Nkabinde said that the decline of agriculture in South Africa is a major threat to the growth and development of the economy. Agro-processes must be brought closer to agricultural communities to enable them to add value to the food they produce. The Deputy Minister expressed concern at the country's high volume of agricultural imports. South Africans did not support South African products sufficiently, she concluded.

Deputy Minister Gen Mahlanu Nkabinde, Auditor General Sisonke, 23 March 2010

In conclusion, [I would like to quote] Nelson Mandela's last words to a joint sitting of Parliament on the 10th May 2004:

Our democracy must bring its material fruits to all, particularly the poor, marginalised and vulnerable. Our belief in the common good ultimately translates in to a deep concern for those that suffer want and deprivation of any kind.

Workstream 2: Briefings to Committees

Briefing on EDD's mandate

On 19 June 2009, the Minister of Economic Development briefed the Portfolio Committee on Economic Development on the mandate of the department and its relationship with other departments and government entities. The Minister informed members that EDD would focus on promoting economic policy development, coordination and coherence across all spheres of government through provincial, rural and economic development. He advised the department had been created to ensure that the focus and outcomes of South Africa's economic policies were directed at reducing income inequalities, creating decent work and achieving balanced broad-based industrialisation.

Members welcomed the Minister's presentation and the creation of the new department. It became evident that committee members had high hopes that the new department would help change South Africa's growth trajectory and help departments to minimize the silo approach to planning and implementation of government policies and programmes.

Briefing on South Africa's response to the global economic crisis

On 28 August 2009, Minister Patel briefed a joint meeting of Portfolio and Select Committees on Economic Development and the Portfolio Committee on Trade and Industry on South Africa's response to the global economic crisis.

The Minister said that the genesis of the crisis lay in a range of policies over the past 30 years and a series of complex and interconnected factors, including: gross imbalances and inequities in the global economic system, increased financialisation of economies, ineffectual regulation in key economies and poor business practices.

The presentation sketched the main events of the early stages of the crisis and the consequences for the world economy, including the sharp drop in the price of oil and many minerals, a substantial decline in aggregate demand, the slowdown and closure of many factories, a big reduction of credit to companies, unemployment affecting an estimated 50 million workers globally, a deepening of rural poverty and loss of homes and property. In response, the US, China and several European countries announced stimulus measures.

The presentation outlined the impact of the crisis in South Africa and informed the Committees on the details of the country's response, the Framework Agreement, entered into by social partners on 19 February 2009. The Minister noted the six key elements of the Framework Agreement: the maintenance of high levels of investment, an expansionary macroeconomic policy, stronger industrial and trade policy measures, employment interventions, social measures and efforts to address the global roots of crisis.

The Minister indicated that there were tentative signs of economic recovery but warned that these were based on stimulus packages and that employment improvements would lag economic recovery. The crisis challenged economic orthodoxies and although global financial regulation was taking shape, many global imbalances had not been resolved. The Minister said that the crisis was not a short-term problem that would disappear in six months and that government would act with resolve to protect jobs and the economy. The Committees welcomed the interventions by EDD and its coordination of the implementation of the Framework Agreement.

Presentation of the EDD's Medium Term Strategic Plan

On 5 March 2010, the Minister of Economic Development presented the *Medium Term Strategic Plan* to the Portfolio Committee on Economic Development. EDD's plan was well received. The presentation focused on EDD's mandate, aims and focus as well as programmes, subprogrammes, outputs and activities. It also referred to the agencies for which EDD would be responsible with effect from 1 April 2010.

The committee discussions covered synergies amongst cluster departments on macro- and micro-economic issues, how EDD would handle vested interests in various departments when dealing with the new Growth Path, challenges of rural development and alignment of provincial economic development plans with those of the national Economic Development Department.

Briefing on Vote 27 in the 2010 *Sti tes ti l pe diture*

On 16 March 2010, the Director-General briefed the Portfolio Committee on Economic Development on the budget of the department over the MTSF period, reflected in the chapter on vote 27 in the 2010 *Sti tes ti l pe diture*. The budget was broadly welcomed and attention drawn to strengthening the social economy.

Workstream 3: Parliamentary questions

Between June 2009 and March 2010, the Minister received 38 questions, eight of which required oral reply and 30 of which were for written reply. During the period under review, the Economic Cluster responded to questions for oral reply on 16 September and 4 November 2009. Questions were answered within the prescribed time-frames.

The nature of questions varied from policy to budget and management issues.

Policy-related questions included questions on the impact of the economic crisis, the uptake of the training lay-off scheme, plans to increase capacity in the manufacturing sector, use of temporary employment services or brokers, the impact of wage demands on the economy, steps to address job creation, skills development and poverty alleviation, assessments of the impact of the electricity price increase, and the extent and nature of interaction with the Department of Rural Development and Land Reform.

Budget questions included queries on expenditure on accommodation and travelling by staff and amounts spent on renovating the official residences. Management-related questions included queries on the signing of performance agreements by senior managers of the department and adherence to the Occupational Health and Safety Act of 1993.

Workstream 4: Tabling of documents, reports and other papers

Ministers are required by law and regulations to table reports and other documents in Parliament, as a mechanism by which departments account to the legislative branch of government on their activities. The required documentation includes, among other things, strategic plans, annual reports, international agreements and green and white papers.

EDD tabled its *ediu er Str te ic Pl t* on 3 March 2010, the date which was set by Parliament according to the Money Bills Amendment and Related Matters Act, 2009. The Act also requires Executive Members to table strategic plans of all entities reporting to them. The Minister requested the Speaker to delay the tabling of the strategic plans of the six agencies (that would report to EDD as from 1 April 2010) to give EDD an opportunity to engage with the agencies on their strategic plans and to ensure the alignment of the agencies plans with government's strategic objectives. These reports were subsequently tabled.



SAM KHOTLE, STARTED AT UNIVERSITY, NOW A PETROL ATTENDANT

At the Tsela Filling Station in Botshabelo works an ambitious young petrol attendant who studies marketing and social theory and dreams of starting up his own catering business. This is Sam Khotle, a 28-year-old who had to abandon his studies at the University of the Free State out of financial hardship in 2005.

When Khotle completed high school in 2001, he set his sights on a university industrial psychology degree. He took a bridging course at the Hillside View College in Bloemfontein in 2002, later moving to Thaba Nchu College to complete the programme. He began working at the petrol station while he waited to enrol in the local university.

After Khotle left his studies, he registered on the Department of Labour's database of unemployed adults. He went back to the filling station and has been there since 2007, earning roughly R2 300 a month or R13.30 per hour.

Khotle lives with his father, a police sergeant, and mother, an ex-factory worker who lost her job when the factory closed several years ago, and two siblings in Botshabelo.

Yet he has not given up hope of pursuing further studies. He is currently registered with IMA Academy in Pretoria for a two-year distance education course in marketing and with the University of the Witwatersrand for a short course in social theory.

Khotle would like to start a catering business but lacks the finances, knowledge and skills to do so. He has not received any training in entrepreneurship and does not know how to draw up a business plan. Khotle remains hopeful that some form of government assistance will be forthcoming.

CHAPTER 7. POLICY DEVELOPMENT AND COHERENCE

President JG Zuma, Presidency ud et ote ebate, 2 June 2009

The Economic Development portfolio will have a strong domestic focus and will address, amongst others, matters of macro and micro-economic development planning.

Introduction

A central purpose of the new Department is to focus on both policy development and the integration of government actions that affect economic development. This Chapter describes a number of activities that involve either policy development or coordination in which the Ministry or Department were active. Some activities are described in other parts of this Report.

The following thirteen workstreams address the commitments at Cabinet level, its committees and clusters, and in Presidential Councils; policy work undertaken on energy, the exchange rate, competition policy, the social economy, the green economy and finance for industrial development (including the development bond); and drawing in external economic expertise.

Workstream 1: Cabinet and its committees

Both Minister Patel and Deputy Minister Mahlangu-Nkabinde serve on Cabinet Committees that meet fortnightly to process the work of government and Minister Patel is a member of Cabinet.

The Department provided information to the Minister and Deputy Minister as required on matters coming before Cabinet.

Minister Patel attended a total of 15 meetings of Cabinet, two Cabinet Makgotla and 33 meetings of Cabinet Committees during the financial year. Deputy Minister Mahlangu-Nkabinde attended two meetings of Cabinet by invitation, two Cabinet Makgotla and a further 15 meetings of Cabinet Committees during the financial year.

Workstream 2: Inter Ministerial Committees (IMC)

Cabinet has established various sub-structures in order to ensure that work between departments is effectively coordinated and integrated.

During the period under review, the Ministry took part in meetings of the Inter-Ministerial Committees (IMCs) on

- Energy
- the future of the Pebble Bed Modular Reactor (PBMR)

- Broadband policy
- Aerospace
- Anti-poverty strategy.

The results of IMC work is fed through the Cabinet process.

Workstream 3: Cluster work in government

The Ministry participated in the Ministerial Clusters including the Economic Sectors and Employment Cluster, Infrastructure Cluster and International Cooperation, Trade and Security Cluster.

EDD coordinated the Economic Sectors and Employment FOSAD Cluster together with the dti from May 2009 until September 2009, when the Cluster leadership configurations were finalised and the Department of Rural Development and Land Reform was appointed to chair the cluster. Minister Patel's adviser, Neil Coleman, participated in the FOSAD DG forum during 2009 and the Director-General, Professor Levin, did so during 2010.

Workstream 4: Presidential Councils and bodies

The Minister serves on three Councils chaired by the President or Deputy President, that deal with policy issues.

The Department and Ministry provide support and assistance to the Minister in the performance of these public duties in order to contribute to integrated governance on economic development matters. The entities are the

- Broad-Based Black Economic Empowerment (BBBEE) Council chaired by the President, whose inaugural meeting was held on 4 February 2010
- Human Resource Development (HRD) Council chaired by the Deputy President, whose inaugural meeting was held on 30 March 2010
- National Energy Advisory Council chaired by the Deputy President.

Workstream 5: The new growth path

EDD's main policy work has been geared to the development of a new growth path, and details of that work are set out in Chapter 4.

In addition, work conducted using external expertise are also set out in Chapter 3, which details the Policy Platforms convened by the Department, among others on income inequality, rural development and the global economic crisis. These details are not repeated here.

Workstream 6: Energy and economic development

During the second half of 2009, the National Energy Regulator of South Africa (NERSA) received Eskom's Revenue Application requesting an average price increase of 45

over the period 2010/11 to 2012/13. At the same time, the Department of Energy worked on an Integrated Resource Plan on electricity (IRP).

The Department has undertaken research on the economic impact of energy prices and shared this within government through the IMC on Energy. The research covered among others, an examination of the factors underlying Eskom's costing model as well as the impact of the proposed price increase on employment, competitiveness, industrial sectors, large energy users and the economy as a whole.

The work of the Department contributed to both the IRP and the discussion on electricity tariffs.

Workstream 7: Evaluating the impact of the exchange rate on economic development

One of the early challenges faced by EDD was the impact of the exchange rate on competitiveness. EDD undertook research and held policy discussions on the impact of the exchange rate on the economy, specifically examining how the competitiveness and volatility of the exchange rate affected the real economy and jobs and the range of responses internationally to exchange rate appreciation.

The work included discussions with social partners, international economic and financial agencies and local and international researchers.

By the time this Report was finalised, there was broad consensus that the local currency needs to be both more competitive and stable.

Workstream 8: Promotion of the social economy

The Department highlighted the potential of the social economy in promoting employment, drawing on local and international experience. The work undertaken included a major policy input to an African Conference on Cooperatives and the Social economy, initial work on the problems of cooperatives in South Africa and the development of a workplan to promote the social economy.

Minister Patel addressed the ILO Cooperatives/ Social Economy Conference, subtitled 'The Social Economy - Africa's Response to the Global Crisis', which was held in Johannesburg in October 2009. The Minister indicated that the social economy can be a leading force for modernising economies and expanding economic development provided that its expansion is part of a more coherent development plan. Rural cooperatives are an essential element of many African economies. He tabled eight steps for the ILO to consider in order to actively promote the social economy.

Eight steps to strengthen the social economy and cooperatives – resolutions made to the Conference

1. Raise awareness about the size and importance of the social economy and measure total employment, output, economic value-add, anti-poverty impact and contribution to decreasing income inequalities.
2. Provide better and more technical services to the social economy, including training in business skills and the direct provision of pooled services.
3. Build more linkages between different parts of the social economy, between financial institutions, manufacturing enterprises and distribution cooperatives but also within supply-chains.
4. Secure better public-sector support for the social economy.
5. Globalise the social economy by more actively sharing resources, market know-how access, suppliers, technical capacities, technologies and policy innovations across national boundaries.
6. Strengthen the commitment to social values and positive social outcomes.
7. Brand and market the social economy's products more effectively.
8. View the economic crisis as an opportunity and a mandate to build the social economy.

These steps informed the 2010 International Labour Conference (ILC) resolution concerning employment. In particular, the resolution advocates strengthening the ILC's work on cooperatives and social economy as important areas of employment creation. Furthermore, these steps inform the ideas shaping the agenda of the upcoming launch of the ILO Interregional Academy on Social and Solidarity Economy and the 2nd African Decent Work Symposium.

Deputy Minister Mahlangu-Nkabinde met with officials from the dti and prepared a document on cooperatives setting out areas of concern. The 1984 legislation on cooperatives has not been repealed, which has meant that cooperatives operate under two different regulatory regimes. There were 21 000 cooperatives registered on the CIPRO database but only 2600 could be verified and accounted for. There was also a lack of information on cooperatives' contribution to the GDP. The registrar's accountability was not clear, while her or his powers should be amended to include conflict resolution, enforcement and inspection. Further, the Deputy Minister observed that there were no provincial registrars, the Act is silent on recourse for non-compliance and service providers are not accredited.

The proposed new growth path contains a specific pillar on the social economy.

Workstream 9: Strengthening competition policy

EDD has worked actively on competition policy during the period under review, drawing on the resources of the Competition Commission. The Chief Economist of the Commission, Dr Simon Roberts, was seconded to the Department for some months to assist with the development of policies that addressed key constraints in the economy.

On 3 September 2009, the Minister addressed delegates from the heads of competition authorities from the Common Market for East and Southern Africa, Malawi, Mauritius,

Namibia, Tanzania, the United Kingdom, Zambia and Zimbabwe, representatives from Southern African Development Community, the United Nations Conference on Trade and Development and government officials on the occasion of the Competition Authorities' Ten Year Anniversary.

In this address, Minister Patel recalled that in 1994 the largest four conglomerates in the economy controlled entities that accounted for 76.5% of the capitalisation of the Johannesburg Stock Exchange. The largest conglomerate, the Anglo-American Corporation, accounted for 43.3% of the stock exchange's capitalisation alone. Rewards depended not on effort or entrepreneurship but on corporate influence and power built up over time, he said. The development outcomes turned on the decisions of a few corporations. This was not a healthy situation and had to change.

Minister Patel said the imposition of conditionalities (for example, explicitly protecting employment) on mergers, the selection of economic and commercial activities that the competition authorities investigate, and greater coordination with other agencies, would allow them to give more weight and consideration to public interest concerns as well as the employment impact of proposed transactions.

Minister Ibrahim Patel, Competition Authorities Tenth Anniversary, 3 September 2009

Effective dynamic rivalry is about competing on continuously improving product and service offerings. Managers must work hard for their rewards, including addressing the training and technology needs of the workplace. Workers must take advantage of the opportunities for up-skilling, and be active participants in taking business forward in delivering quality products and service.

By comparison, anti-competitive conduct undermines this, seeking profits from narrow and backward-looking strategies based on inherited positions of market power. Such conduct ultimately implies lower levels of output, investment and employment.

The competition authorities have an important role to play to foster the dynamic competitiveness that we seek. But they can and at times do more than only promote competition in the expectation that this will be sufficient to result in employment benefits.

Workstream 10: The green economy and economic development

EDD's work on the green economy focused on identifying new industrial opportunities in the green economy and estimating the employment potential of the green economy in South Africa.

This required a review of green economy measures and successes in a number of countries.

With rising pressure for economic recovery from the recession to be sustainable, EDD also worked to advance the green aims agreed to by the social partners in the *Recovery Strategic Response to the Global Financial Crisis*.

The Department's research on the green economy has focused on assessing the green goods and services sectors with attention to their job creation and local industrial



development potential. The IDC's study into the potential of green generation has yielded exciting preliminary results.

Workstream 11: Using development bonds to drive industrialisation

EDD has identified the need to strengthen the industrial financing system in South Africa in order to drive broad-based industrialisation.

The work undertaken included discussions with the dti during the finalisation of the Industrial Policy Action Plan (IPAP2), which considered the industrial financing model in South Africa compared to other, more successful industrialisers such as Brazil.

The Ministry held discussions with foreign investors and domestic institutions on financing gaps. It facilitated discussions that led to the launch on 14 April 2010 of a R2 billion development bond by the IDC, taken up fully by the Unemployment Insurance Fund, to promote employment creation in industry.

Workstream 12: Industrial Policy Action Plan (IPAP 2)

The dti led government's work on the finalisation of an Industrial Policy Action Plan (IPAP 2). EDD played a supportive role: it contributed to the discussion of sectors, developed proposals on procurement and highlighted the challenges of industrial financing. Both the Ministry and the Department took part in a number of policy sessions during 2009 that informed the final document, which was approved and released in February 2010.

Subsequent to its release, EDD and dti have worked together on implementation of specific areas of IPAP 2.

Workstream 13: Drawing in external economic expertise to strengthen government

EDD identified economic research and policy capacity in a number of places within and outside the state, such as in research institutions, policy units, government departments and entities as well as universities, companies and trade unions.

The Minister appointed an Economic Development Advisory Panel to advise the Department on economic matters affecting South Africa's development and the creation of decent work as well as to help it identify important international, regional and national trends. The Minister announced the members of the Panel in his Budget note speech on 23 March 2010. By 1 July 2010, the members were



Mr Goolam Ballim

Standard Bank Group: Chief Economist

Goolam Ballim has been the Group Chief Economist at Standard Bank, which is headquartered in South Africa, since 2004. Ballim heads a research team that focuses on analysing macroeconomic policy, markets and political economy issues in Africa and leading emerging economies.



Dr. Johan van Zyl

President and CEO of Toyota South Africa

Dr. Johan van Zyl is a business economist by training and joined Toyota South Africa in 1993 as a Director. In January 2002, he was promoted to the position of President and Chief Operating Officer. He became President and CEO of Toyota SA Motors in August 2002.



Professor Evance Kalula

Deputy Dean, UCT

Professor Evance Kalula is the director of the Institute of Development and Labour Law and deputy dean in the Faculty of Law at the University of Cape Town. He chairs the South African Employment Conditions Commission, a statutory body responsible for setting sectoral conditions of employment and wages and is the President-Elect of the International Industrial Relations Association (IIRA).



Dr Olive Shisana

CEO: Human Sciences Research Council (HSRC)

Dr Olive Shisana is the CEO of the South African Human Sciences Research Council, the country's premier public social science research institute. She has served in government and international organisations and chairs the Ministerial Advisory Panel on National Health Insurance.



Mr Geoffrey Qhena

CEO: Industrial Development Corporation (IDC)

Geoffrey Qhena is the CEO of the Industrial Development Corporation (IDC), the leading development finance institution in South Africa.



Dr Michael Power
Strategist: Investec

Michael Power joined Investec Asset Management as a Strategist in December 2002. He has extensive international banking experience spanning Africa, the Middle East and Europe.



Dr Simon Roberts
Chief Economist: Competition Commission

Simon Roberts joined the Competition Commission of South Africa in November 2006 as Chief Economist and Manager of the Policy Research Division. He is a former Visiting Associate Professor, School of Economic and Business Sciences, and Honorary Associate Professor, School of Law, at the University of the Witwatersrand.



Professor Joseph Stiglitz
Economics Professor: Columbia University

Professor Joseph Stiglitz is a recipient of the Nobel Prize in Economic Sciences (2001). He is also the former Senior Vice President and Chief Economist of the World Bank.



Dr Neva Makgetla
Dr. Neva Makgetla joined the advisory panel when she was lead economist in the development planning division of the Development Bank of Southern Africa. She has since become a deputy director-general at EDD.



Professor Haroon Borat
Professor of Economics, University of Cape Town

Dr Borat is professor of Economics at UCT and the Director of the Development Policy Research Unit (DPRU). In 2009 Haroon Borat has been awarded a Tier 1 Research Chair under the NRF: South African Research Chairs Initiative (SARChI). Specifically, it is a Chair within the theme of Economic Growth, Poverty and Inequality.



SBONGILE MCHUNU, FACTORY WORKER, KWAZULU-NATAL

At 4:30 am each day, Sbongile Mchunu rises to go to work with her two adult children at a textile factory in KwaZulu Natal. They travel by bus from Ntuzuma to Mobeni and return after 6 pm. Mchunu is nearly 60 and her children are in their 30s, but while she has a permanent job, they suffer the uncertainty of temporary employment.

Mchunu's children did not plan to follow in their mother's footsteps. Her daughter studied nursing after matric but her school, which was unlicensed, shut down. After high school, her son studied motor mechanical engineering. He left school to find a job.

Now, the three family members work at Frame Manchester Manufacturers, a company that makes bed linen for sale in large retail chains. Sbongile Mchunu, who has been working as a machinist for 30 years, joined Frame in 1995.

Mchunu earns R677 per week before deductions, leaving her with R400 after provident fund contributions and other payments. She used to be a single breadwinner, supporting her two children and three grandchildren. Now her income is supplemented by her daughter's weekly wages of R511 and her son's pay of R426.

The family welcomes the extra income but are uncertain that it will last: Mchunu's children are part of the group of temporary employees that the factory employs. In 2007, the company employed 336 full-time workers but retrenchments in a poor business environment took this figure down to 140. When orders began to improve in late 2009, the company hired 300 workers on a temporary basis.

In this challenging environment, Mchunu says she would like to establish her own sewing business. She hopes it will improve her own income and create job opportunities for unemployed women.

CHAPTER 8. INTERNATIONAL WORK

Minister Patel, Presidency Address, 2 June 2009

The past three decades have seen a deep integration of economies across the globe. This integration, although not always on our own terms, has profoundly changed our world. Within this new world there have been deep challenges: challenges about the outcomes of integration, about the unequal power relations and about policy frameworks. However, there have also been opportunities for economic development and to promote international co-operation.

Introduction

During the period under review, the Department's work on international matters largely focused on policy development, particularly on regional economic integration. In addition, bilateral meetings were held with Ministerial counterparts on bilateral visits to SA, ambassadors from a number of countries and representatives of international economic institutions and organisations. The Minister launched the Employment Creation Fund during the European Union/ South African bilateral Summit. The Ministry was present at two sessions of the World Economic Forum at which discussions were held with counterparts, international investors and policy experts. This Chapter briefly describes the main activities, in the following five workstreams.

Workstream 1: Bilateral meetings with Ministerial counterparts

China: A key engagement in the period under review involved the People's Republic of China. On 29 May 2009, the Minister met with a Chinese delegation led by Mr. Jiang Tao, the Vice Minister of China's Ministry of Commerce. The purpose of the delegation was to promote trade, investment and economic relations with South Africa, meet with South African government counterparts and to attend a bilateral trade forum. The Minister raised concerns regarding the structure, composition and balance of trade between China and South Africa. This matter was further pursued in engagements with Chinese policy-makers over the course of the year, including at the World Economic Forum and in presentations on Africa/ China strategic partnerships at academic institutions. This work, together with inputs from the dti, contributed significantly to the content of the Strategic Partnership Framework signed between the two countries during the state visit that took place in the new financial year.

Australia: Minister Patel and Minister Davies met with the Australian Trade Minister Simon Crean on 5 February 2010 to exchange experiences, consider the impact of skills strategies on economic development and consider ways to strengthen economic cooperation.

Hungary: Minister Patel met with the Hungarian State Secretary for Economic Development Zoltan Mester, and a senior Hungarian delegation on 26 November 2009 where he signed an Economic Cooperation Agreement with Hungary. Meetings took place between business representatives of both countries in this period where further investment between the two countries was encouraged.

Workstream 2: Discussions with foreign government representatives

United Arab Emirates (UAE): The Minister met with the representative of the government of the UAE on 12 March 2010. In that month, a South African business delegation went to the UAE to conduct a trade seminar. In his keynote message to the seminar, Minister Patel began to lay the foundations for the IDC to play an active role in expanding agro-processing and green economy industries in South Africa in cooperation with the UAE. He invited development finance institutions from the UAE to partner with the IDC in order to help realise the industrialisation goals of both countries. The trip also paved the way for the Minister's subsequent visit to his counterpart in the UAE.

Korea and Malaysia: Deputy Minister Mahlangu-Nkabinde held bilaterals with the embassies of Korea and Malaysia and discussed SMME development with them in particular, drawing on the lessons of their successful strategies.

Other countries: The Deputy Minister addressed Independence Day celebrations of the Republics of Ireland and Trinidad and Tobago and engaged with the Turkish Business Forum. The Deputy Minister held a bilateral engagement with the Embassy of Peru and meetings with the embassies of Slovakia, Japan and Italy to strengthen relations between South Africa and those countries. The Minister met with Ambassadors and senior diplomats representing China, Italy, the United Kingdom and Egypt.

Workstream 3: Engagements with multilateral organisations

During the period under review, meetings were held with a number of multilateral institutions and with private international organisations:

International Monetary Fund (IMF): three meetings were held with the IMF, one of which was part of an Article IV consultation. On 3 November 2009, the Minister met with Ms. Antoinette Sayeh, Director: African Department, Mr. Abebe Selassie, Division Chief, African Department, and Mr. Alfredo Cuevas, Senior Resident Representative: South Africa. On 7 December 2009, he met with: Mr. Abebe Selassie, Division Chief (Mission Chief), Mr. Rodney Ramcharan, Senior Economist, Ms. Burcu Aydin, Economist, Mr. Zaijin Zhan, Economist and Mr. Alfredo Cuevas, Senior Resident Representative, South Africa. On 9 March 2010, Minister Patel met with the head of the IMF, Mr Dominique Strauss-Kahn to discuss the global economic situation and its impact on domestic economies.

UNDP: The Ministry met with a delegation from the UNDP led by Dr. Agostinho Zacarias, the UNDP Country Head and Head of the UN Systems in South Africa, on 6 January 2010. Dr. Zacarias indicated that the UNDP was eager to partner with the Economic Development Department as part of its strategy that seeks to deliver greater coherence, alignment and value addition to its engagements with middle-income countries such as South Africa. EDD's interactions with the UNDP have focused on support in policy, research and modelling. They laid the basis for a meeting with the new UNDP Administrator, Ms Helen Clarke in the following financial year.

World Bank: The Minister met with the World Bank during the period covered in this report, including with the Africa Region Chief Economist, Shantayanan Devarajan.

International Labour Organisation (ILO): Meetings were held with ILO representatives in South Africa and Switzerland. These included a meeting with the Director General of the ILO, Mr Juan Somavia, as well as meetings with local officials and visiting delegations.

World Economic Forum: Minister Patel attended World Economic Forum meetings in Cape Town, South Africa in June 2009 and Davos, Switzerland in January 2010. He participated among others in sessions that addressed:

- Drivers of Competitiveness
- Exploring China's New Silk Road
- Celebrating Africa's Champions
- Business Solutions to Rural Poverty
- Rethinking Africa's Growth Strategy
- South Africa in 2010 and beyond - South Africa's domestic priorities and its contribution to the global agenda
- Creating jobs and strengthening social welfare
- A brainstorming session entitled 'The Global Agenda: The View from Davos'
- New models of collaboration for Economic Development.

Other: In addition to the above, the Department and Ministry engaged representatives of global asset management companies, foreign investors and global trade union representatives. These included a US delegation of union and community representatives led by actor and activist Danny Glover where the possibility of tapping into US retirement funds for a future development bond was explored.

Workstream 4: Launch of Employment Creation Fund at SA-EU Summit, 11 September 2009

The Ministers of Economic Development and Trade and Industry launched the Employment Creation Fund on 11 September 2009 at the SA-EU Summit. The fund is an agreement entered into by the Economic Cluster (ESEC) and European Commission to the value of 100 million and the Department for International Development (DFID) to the value of £18 million, for a period of three years. The specific purpose of the Fund is to assist the Economic Cluster departments to deliver on their Programme of Action (PoA). The fund aims to contribute towards the creation of more quality jobs for the economically marginalised, a more enabling business environment, increased capacity and skills development in the productive sectors of the economy.

Subsequently, EDD convened a meeting of social partners and representatives of the EU and UK to brief social partners on the Fund.

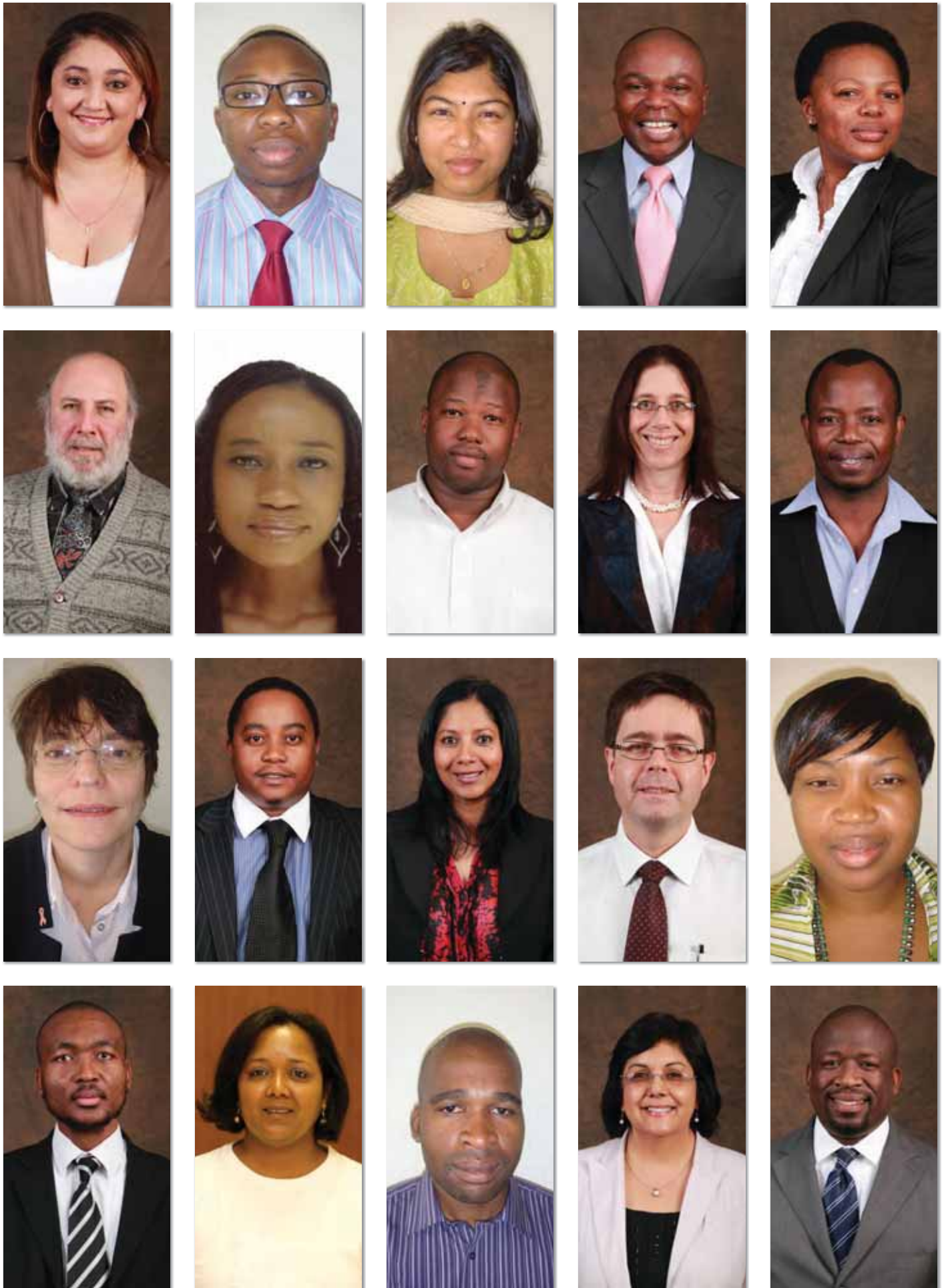
Workstream 5: Development of policy

The Department developed a work and research programme on trade and investment. This included an examination of the structure of trade with China and with the rest of the African continent.

The Ministry participated in the Inter Ministerial Committee on Trade.

The main insights in this policy area are being incorporated in the detailed work of the new growth path.

EDD STAFF 2010



CHAPTER 9. STAKEHOLDER ENGAGEMENT AND COMMUNITY OUTREACH

Deputy Minister Mahan Nabinde, Foreword, Strategic Plan 2010/11 – 2012/13

A constant dialogue between business, labour, community, government and in particular the Economic Development Department is to be encouraged in order to create a foundation that will address our current economic development gap.

Introduction

The Minister, Deputy Minister and the Department held engagements with business and labour groupings, met with individual businesses, addressed functions and received delegations. There were also formal engagements between EDD and organised civil society groupings as well as local communities. Previous sections of this Report contain details of some of these engagements, such as the meetings of the Leadership Team on the economic crisis, the discussions at the policy platforms and meetings with provincial business and labour groupings which were part of provincial Summits. This Chapter contains details of additional meetings and discussions.

Engagements

Minister Patel addressed Business Unity South Africa (BUSA) on 13 August 2009. The Minister's address dealt with the recession, the country's future after the recession and the importance of social dialogue. He said that the downturn was not a single-quarter dip but a sustained contraction of the economy and particularly of the manufacturing sector. Industrial output declined to 2004 levels, he said, and sales had dropped 6.7% in one year. The Minister also outlined the measures contained in the Framework agreement.

Minister Ibrahim Patel, Some characteristics of the Developmental State, Address to BUSA, 13 August 2009

1. The relationship between the state and the market is renegotiated so that markets serve national development needs
2. It recognises the value of a strategic, longer-term vision
3. Implementation is effective
4. Goals are well-defined
5. Resource allocation is focused
6. Monitoring and evaluation are integral to its performance
7. It is a learning state that develops a meaningful feedback loop and adjusts its actions in the light of experience

Minister Patel met with, or addressed meetings of, inter alia, SETAs, clothing employers, Parmalat, the Frame Group, SASOL, Business Leadership SA executives, Toyota, Namaqua Sands, the Saldanha municipality as well as business and labour in the area, the Olifantsrivier Black Economic Empowerment Forum, bargaining councils, Cosatu, Fedusa, Sactwu, various youth organisations and the National Youth Development Agency, the labour constituency at Nedlac, the Progressive Business Forum, Sekunjalo, Trata, Goldman Sachs, NAACAM, Cevian Capital, Morgan Stanley and Capital World Investors.

Deputy Minister Mahlangu-Nkabinde engaged with several business representatives and associations. The Deputy Minister met with SASOL on their cooperative model and addressed the Peermont Group and Nestlé SA. Various businesses and business organisations approached the Deputy Minister to establish partnerships, including Italiterre Airport City: Africa, NAFCOG, the Syringa Institute (green economy), Babelegi Industrial (manufacturing), Sibiya Trailers (manufacturing) and African Power Solutions (renewable energy).

Deputy Minister Mahlangu-Nkabinde engaged with government departments on behalf of the Hammanskraal community on matters of anti-drug campaigns, ICT connectivity in schools, infrastructure, criminality at the Hammanskraal Magistrate's Court and land claims.

The Deputy Minister engaged the embassies of 12 countries, enlisting support for the Tshwaraganang Orphanage. The embassies included amongst others, Brazil, Slovakia, Italy, Mexico and Japan. GijimaAst donated ablution facilities for the aged in Hammanskraal.

The Deputy Minister met with several organisations working closely with Hammanskraal community members, such as the National Youth Development Agency, a number of churches and the SA National Civics Organisation. She also engaged the Tribal Council of Matjaneng and addressed the community at Hammanskraal on 16 Days of Activism. The Deputy Minister met with members of the Universities of Pretoria, Stellenbosch and Limpopo. Thirty-five students from Ga-Rankuwa gained admission to the University of Stellenbosch as a result of the Department's engagement with that university. Limpopo University was engaged to assist the surrounding schools with Mathematics and Science tuition.

On 13 March 2010, Ministers Patel and Davies visited Atlantis in the Western Cape in response to signals of industrial decline there. They visited the Tedex factory and later addressed a meeting of business and labour in the area. The visit led to the revival of the Atlantis Development Task Team, which draws on organised labour, community and business constituencies. EDD also engaged with development finance institutions to ascertain how they could provide support to the community.

President Zuma launched the Presidential Hotline on 7 October 2009 after committing to greater responsiveness and efficiency by government departments, municipalities and agencies. In the reporting period, 17 hotline calls were referred to EDD for resolution. Many of these related to other government departments, municipalities or agencies and callers were referred to the appropriate institution while in other cases, EDD stepped in to resolve the problems directly.

EDD STAFF 2010



CHAPTER 10. FINANCIAL MANAGEMENT

As an entirely new department formed after the 2009 elections, there was no budget in place for EDD in May 2009 and the dti established a division within their financial systems for EDD. EDD was allocated a budget of R29 million for the remainder of the financial year and the dti was reimbursed for the expenditure it had already incurred. It was agreed with National Treasury that the dti Director General would be the Accounting Officer for EDD's funds for the 2009/10 financial year. All aspects of financial management were coordinated by the Office of the CFO in the dti. EDD expended R16,654 million in the establishment phase.

EDD's transactions are reflected in the dti's Annual Financial Statements. Below is a summary of the management accounts for EDD for 2009/10.

Management Accounts for 2009/10

| Economic classification | Adjusted Budget 2009/10 R'000 | Expenditure and variance 2009/10 | | | |
|---------------------------|-------------------------------------|----------------------------------|----------------------|-------------------|---------------|
| | | Budget R'000 | Expenditure R'000 | Variance R'000 | % Variance |
| Compensation of employees | 12,644 | 12,644 | 7,865 | 4,779 | 37.79% |
| Goods and services | 10,355 | 10,355 | 6,349 | 4,006 | 38.69% |
| Capital assets | 6,001 | 6,001 | 2,439 | 3,562 | 59.35% |
| Total | 29,000 | 29,000 | 16,654 | 12,346 | 42.57% |

Note to management accounts:

In addition to expenditure of R16.654 million incurred and paid for during the 2009/10 financial year, commitments were made for expenditure on capital assets amounting to R1.107 million. The total of expenditure and commitments for 2009/10 was R17.761 million or 61.24% of the adjusted budget allocation.

Commitments represent goods or services that have been ordered, but not delivered and paid for at the reporting date. This amount of R1.107 million is not recognised in the statement of financial position as a liability or as expenditure for 2009/10 because the annual financial statements are prepared on a cash basis of accounting, but are however included as part of the disclosure notes.

Our thanks to Minister Rob Davies and his team for the support rendered to EDD and to the leadership of business, labour and community organisations for their cooperation on the implementation of anti-recession measures.

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