REPUBLIC OF SOUTH AFRICA

PRESIDENTIAL JOBS SUMMIT

FRAMEWORK AGREEMENT
4 October 2018

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SECTION ONE

STATEMENT OF JOINT PURPOSE

The NEDLAC Social Partners have worked tirelessly over the past 3 months to identify solutions to job retention and job creation blockages and opportunities that each social partner (government, business, labour, community) can work on to stimulate greater participation in the economy.

In undertaking this work social partners were mindful of the importance of ensuring that commitments are clear and precise, that they strengthen existing initiatives and develop new ones; and that they take into account the challenges faced by each social partner. This includes finding solutions to unlock the bottlenecks identified in job creation including where relevant addressing policy and regulatory uncertainty to unlock inclusive growth and employment.

In undertaking this work, the NEDLAC Social Partners, recognise that there is a need for visible changes in the lives of our people as well as the economy. The Jobs Summit must lay the basis for more responsive and effective collaboration to deliver on the promise of a better economy for all South Africans.

These commitments include clear statements on the time scale for implementation and envisaged employment impact. A monitoring and evaluation framework that ensures accountability amongst partners and to the wider community will support this implementation. They will in turn inform other significant initiatives being implemented by government including, notably, the Investment Summit.

ECONOMIC CONTEXT

1 Overview

Since 2014, economic growth in South Africa has slowed down and become more volatile. At the same time, we have not qualitatively reduced the joblessness and inequality that emerged before democracy. These twin burdens are the main blockage to sustained economic progress.

From 2014 to 2017, the GDP grew 1,1% year, below population growth and down from 2,5% between 2010 and 2014. In the first half of 2018, the economy shrank 0,8%, and the country entered a technical recession. Slow GDP growth from 2014 brought stagnant net employment outside of agriculture, and some key industries lost jobs. From 2014 to 2017, formal non-agricultural employment remained virtually unchanged. In contrast, it grew 1,2% a year from 2010 to 2014. In the second quarter of 2018, employment in larger formal companies shrank by close to 70 000.

Mining and formal manufacturing have been particularly hard hit. Mining employment peaked in 2012, at the end of the international metals price boom that started a decade earlier. Since then, it has lost 80 000 jobs, or a fifth of its total employment. From mid-2010 to mid-2018, formal manufacturing as a whole lost 85 000 jobs. That equalled 5% of its total employment. The recent job losses followed the destruction of almost 250 000 manufacturing jobs between 2008 and 2010 as a result of the global financial crisis.

The slowdown in the past few years worsened South Africa's persistently high joblessness and inequality. These ills originated under apartheid but we have failed to improve them qualitatively since 1994. From the 1980s, only 40% of working-age people have been employed, compared to the international norm of 60%. As a result, the unemployment rate has hovered around 25% even when the economy has grown well. That is far above the global benchmark of about 5%.

South Africa ranks as amongst the most unequal countries in the world. In 2014/5, the richest 10% of households got 53% of total household income. They owned 67% of all financial assets outside of pensions and 56% of housing stock. In 2015, over 700 000 companies registered for income tax, but just 841 of them accounted for two thirds of taxable income. Of countries that report a Gini coefficient, South Africa invariably ranks amongst the most unequal two or three in the world.

1.1 Strengths and weaknesses

A combination of global and domestic challenges caused the slowdown after 2014.

Internationally, the prices of metals and coal – South Africa's main exports – fell sharply when the commodity boom ended in 2011. They have only partially recovered since then. At the same time, international capital flows to emerging markets have become increasingly volatile and in recent years tended to decline.

At home, South Africa has grappled with the effects of three big economic developments:

- The fall in metals prices and downsizing in gold with the end of the commodity boom;
- The lingering effects of the 2008/9 global financial crisis on heavy manufacturing which coincided with the start of large price increases for coal-fuelled electricity, leading to stagnation in heavy manufacturing – long a centrepiece of South African industry; and
- The effects of climate change on agriculture, as two droughts since 2015 have contributed disproportionately to the slowdown.

Meanwhile, the failure to achieve a step change in inequality and joblessness has led to increasingly fierce contestation over economic decisions.

South Africa can build on major strengths in addressing these challenges.

In many industries, our businesses have world-class organisations and skills. Our companies compete with the world's best in mining and some capital goods production, auto assembly, heavy chemicals, fruit and wine production, pharmaceuticals, tourism and a range of high-end services and products. Our universities and health services provide us with some of the world's top graduates and researchers. Our export infrastructure, especially for mining products and autos, also ranks high internationally.

South Africa has a stable democracy. Our strong civil society, press and judiciary mean that transparency and the rule of law remain robust by global standards. Our tax system enables social programmes to counter the worst impacts of poverty. Our institutions have demonstrated their resilience over the past few years. Our democracy is bolstered by the extraordinary history of collaboration and compromise between different groups in the face of deep inequalities and disagreements.

Valuing our strengths does not mean that we can ignore areas where we must improve.

Long-standing inequalities stress our democratic institutions and make it harder to agree on common priorities. That in itself tends to hold down investment. No democracy can maintain the strategies and governance required for growth unless most citizens see tangible benefits. Economic inequalities are rooted in high levels of joblessness; profoundly inequitable pay and workplace organisation; and unequal access to quality education and economic assets.

The restricted small business sector is a major contributor to high joblessness. Just 6% of South African adults are self-employed or employers, compared to an average of almost 20% in other upper-middle-income countries. This reality arose because apartheid largely destroyed small black-owned business. Boosting employment to normal levels requires that we work together to rebuild the market and financial systems, infrastructure and resources required for a vibrant small-business sector.

Apartheid also implanted deeply inequitable pay scales as well as work organisations in the formal economy. Studies have shown repeatedly that wage scales in South Africa rank amongst the most unequal in the world. Statistically, wage inequality contributes more than joblessness to inequality between households.

Poor quality general education for much of South Africa's youth causes skills shortages and limits economic opportunities for school leavers. There are shortages of university graduates, associate professionals and artisans. These shortfalls constrain innovation and growth. They also reinforce workplace and income inequalities by inflating pay for qualified workers.

Finally, historically South Africa's economic strengths have lain in the mining value chain and after 1994 in auto and finance. These industries have boosted exports and growth. None of them, however, directly creates jobs on a large scale or provides many opportunities for new producers.

This Jobs Summit commitment carries with it the recognition, by all NEDLAC constituencies, that we can only address the weaknesses in our economy if all the economic stakeholders become far more innovative. That, in turn, requires that we accept and manage higher levels of risk and adopt a longer-term perspective. If we continue to avoid the risks and costs of real change in the economy, we will have to live with the certainty of slow and unstable growth and rising political and social conflict.

2 Principles and strategies underpinning this process

This framework document does not focus on the pillars of South Africa's economic strategy: rather its focus is to ensure far more consistent, large-scale and vigorous implementation.

Constituencies recognise though that to succeed there is also a need to address the pillars of our growth strategy some of which may fall outside the scope of the Jobs Summit. These include:

Ensuring sound and responsive government that prioritises inclusive growth. As part of this Jobs Summit process NEDLAC Social Partners have provided joint commitment to uprooting corruption in all its forms. In addition, this emphasises the importance of making governance for the economy more responsive to stakeholder needs so as to avoid unnecessary and often unintended blockages. All spheres and agencies of the state should ensure adequate consultation and planning around economic decisions. They must also make sure that implementation systems are efficient and have enough resources.

Investment promotion and upgrading industrial capacity. We are united behind the national investment drive. South Africa continues to target an investment rate of 25% of the GDP; the current level is just under 20%. This will be linked to stronger industrial financing and incentives; continual improvements in infrastructure; and increasingly supportive and predictable regulatory systems. We are also committed to supporting small and medium enterprises to build their capacity and leverage national, regional and global value chains.

Further, this sectoral approach is strongly reflected in the agreements realised through this summit. Social partners acknowledge that faster **and** more dynamic growth of the *agriculture*, *mining*, *manufacturing* and associated *services* sectors is a critical requirement for placing South Africa's economy on a 'job-rich' growth trajectory.

Holistic support for township and rural enterprise. Township and rural enterprises require not only resources, but also appropriate marketing and procurement systems, industrial and retail sites, reliable municipal infrastructure, and in some cases skills development and mentoring. Many actual and potential farmers need better access to land and water. Strategies to expand economic opportunities must address all of these shortfalls in a holistic fashion, with scaled up resources and support from all of the NEDLAC constituencies.

Increased workplace equality. Workplace collaboration is required to reduce the wage and skills gap while improving productivity, which can be identified in more worker-friendly ways through collaborative problem-solving methods, amongst others. This recognises that specific needs vary by workplace, with areas for improvement ranging from work re-organisation to enhance career mobility and create more opportunities for semi-skilled and skilled workers; to greater transparency around pay in large organisations; to continued support for joint ownership by workers and communities; to upgrading supervisory, communication and mediation practices. As the Fourth Industrial Revolution unrolls, we will have to ensure that it also benefits workers and helps overcome the digital divide.

Upgrading skills and education. An equitable economy cannot emerge without quality basic education that provides all school leavers with the skills they need to get a job or become self-employed. In particular, we urgently need to address the low quality of many no-fee schools as well as continuing to expand opportunities for post-school skills development. This is seen as particularly critical in the context of the changing nature of work and the importance of ensuring that South Africans are equipped to take advantage of the opportunities created by the "4^{th} Industrial Revolution."

Infrastructure development. We have committed to improving the quality and affordability of South Africa's national and local infrastructure. To that end, we must ensure the financial and operational sustainability of state-owned companies; bolster capacity in municipalities for investment, maintenance and billing; and ensure that operators maintain the necessary investment without imposing excessive costs on economic producers.

Maintaining and strengthening the social safety net. Given high joblessness and deep inequality, social cohesion requires that government set a floor on poverty for all of our people. South Africa has one of the world's largest systems of government support for low-income households and communities. As the economy becomes more inclusive, fewer households should depend on social grants and services. Still, for the foreseeable future the state must continue to ensure that growth benefits more of our people.

Moreover, social partners agree that it is imperative to create the conditions for concrete and massive job creation while simultaneously defending existing jobs and industrial capabilities. *This must include more innovative, worker-friendly measures to assist firms facing challenges*. In addition, social partners commit to strengthen the effectiveness and uptake of interventions to assist firms and industries which are already in distress.

Social partners recognise that developments in the global economy provide both risks and opportunities to local firms, their workers and communities. Mitigating the risks while *taking maximum advantage of the opportunities associated with sustainable development, the 'just transition' and the 4th industrial revolution* to create large numbers of decent jobs for the youth especially, is essential.

Consequently, social partners have developed a comprehensive package of sectoral and enabling interventions. A raft of enabling interventions have been agreed which will provide a solid economic foundation for the *agriculture*, *mining*, *manufacturing* and associated *services* sectors to grow and develop.

While some elements of this implicit strategy fall outside the scope of the Jobs Summit, it effectively shaped the workstreams of the Jobs Summit, which were:

- Economic sector-specific interventions;
- Small, medium and micro enterprises support;
- Education and skills;
- Inclusive growth, transformation and inequality; and
- Public and social programmes, labour market and anti-corruption.

3 Taking forward wider emerging imperatives

Social Partners recognise though that the implementation of this agreement is not sufficient on its own to address the crisis of unemployment. Social Partners have therefore agreed that beyond the agreements outlined in this Framework Agreement, there is a need to ensure that an additional process is followed to **consider those issues that could not be adequately addressed, within the limited timeframe of the Jobs Summit.** The implementation of this process forms part of the monitoring and evaluation mechanism as discussed below. The final list of issues will be defined in a month of the signing of the agreement together with the timeframe of the conclusion of each item but will not extend beyond seven (7) months.

This phased approach is based on the recognition by Social Partners that the collaborative approach that has been followed within this process should be used as a platform for further engagement on macro-economic issues and other catalytic actions which could be taken to address the triple challenges of unemployment, poverty and inequality.

4 Protecting Jobs

Social Partners agreed that the unemployment crisis necessitates the Jobs Summit to focus not only on the creation of jobs but also on the imperative to address the crisis of job losses and retrenchments. Doing so will require boldness, resolve, innovation, collaboration and creativity.

Government has reiterated that there will be no retrenchments in the public sector and it has committed to addressing the imperative of filling all critical vacancies in the Public Sector.

Business agrees that everything possible must be done to avoid retrenchments in the Private Sector. It recognises that there are routes back to health for struggling companies which do not require the retrenchment of workers, and that these options should be followed in the spirit of the Jobs Summit. It also recognises that companies bear the primary responsibility for initiating and implementing actions to avoid job losses.

Social Partners acknowledged that struggling companies stand a better chance of recovery - without retrenchments - if sufficient actions are taken timeously, and therefore encourage companies to act proactively where whenever there is a risk of retrenchment. Social Partners also note that even companies considering retrenchments can combat retrenchments, if other opportunities are fully and meaningfully explored and implemented.

The following illustrative actions have been identified, amongst many others, as tools to avoid retrenchments, all of which must be considered:

- The Training Layoff Scheme (TLS), which will shortly be improved and revived, as a first port-of-call by companies in crisis
- Distressed firm/ sector funding and business turnaround finance and expertise from the public and private sectors
- Engagements with Productivity SA and appropriate international development partners to develop and implement comprehensive interventions designed to divert firms to sustainable growth paths
- Implementation of executive salary sacrifices and the foregoing of dividends
- Transfer of affected employees to other jobs in the employer's business or group
- Training or re-skilling employees for other available positions
- Following of transparent processes by management in which all appropriate information is shared with workers to maximise collaborative engagement on solutions. Such solutions may relate to identifying and creating new sustainable growth paths, as well as collaboration between management and workers to seek assistance from creditors, customers and other stakeholders to solve company challenges

- Involvement of the CCMA to support the job retention solution finding

In addition to the actions noted above, the Social Partners agree on the need to pursue additional mechanisms to prevent retrenchments. These include:

- Within two (2) months of the Jobs Summit, Business and Government will establish Rapid Response Teams (RRTs) of experts to assist businesses in crisis during this current economic climate. The services of these RRTs will be structured in a manner that is affordable for companies in crisis. Their mandate will be the avoidance of job losses. This task will be undertaken with interventions such as leveraging supply side, demand side and trade interventions.
- The modalities of the RRTs will be defined in more detail after one (1) month of the Jobs Summit through a process convened by the Presidency.
- Business will explore how to leverage mutual assistance amongst companies – such as a match-making programme in which struggling companies with a deficit of orders can be linked to companies with an excess of orders for sub-contracting opportunities
- Government will work with the Private Sector to remove policy and regulatory barriers to investment and boost employment
- Social Partners agreed to develop shop-floor programmes that will assist workers to identify firms at risk for proactive engagement

Presidential Jobs Committee will receive reports on the state of retrenchments from the CCMA as part of its quarterly meetings

5 Agreement on joint monitoring framework

Social partners agreed that one of the deficiencies of previous summits and agreements has been the failure to monitor implementation, and, to take remedial action where insufficient progress was being made,

Social partners also agreed to establish a mechanism to deal with the list of issues not concluded during the first phase.

Social partners therefore agreed to:

- Establish a Presidential Jobs Committee which will receive progress report on a quarterly basis on the implementation of the action plans; monitor the status of employment and unemployment in the country and take remedial action where required.
- Establish a joint technical committee of the Presidential Jobs Committee which would undertake the following actions:

- Develop a monitoring and evaluation framework based on the outcomes anticipated from the action plans within one month of signing the agreement.
- Ensure sustained collaboration amongst social partners, particularly in relation to improving outcomes and unlocking challenges
- Ensure that progress reports are made available on the NEDLAC website

This **process will both ensure that there can be effective monitoring of the intended results of the Jobs Summit** (as set out in the Action Plans) and enhance the success of these interventions. This mechanism will also ensure that there is the capacity to adapt, reform and/or scale up projects and policies if required to achieve better results and inclusive growth. Realising the intended outcomes may also require a review of assumptions and may suggest the need for additional interventions to be implemented (including those discussed as part of the wider emerging priorities (section 4) and may also include additional interventions.

SECTION TWO: COMMITMENTS TO INCREASE ACCESS TO EMPLOYMENT

1 Economic Sector Specific Interventions

The selection of economic enablers is based on multiple analyses of the South African economy and robust debate amongst social partners of the challenges South Africa faces. Social partners accept that South Africa must boost domestic demand, focus industrial finance, provide policy certainty, drastically improve regulatory efficiency, upgrade infrastructure (including municipal infrastructure), grow exports, and strengthen support measures for firms and workers in distress.

South Africa's economy has not created sufficient jobs to sustainably reduce unemployment. This is, in large part, caused by the relatively slower growth of the *agriculture, mining* and *manufacturing* sectors compared to South Africa's *services* sectors. Social partners agree that it is imperative to secure substantially faster growth of the agriculture, mining and manufacturing sectors as these sectors are key drivers of exports and investment and can play an important role in reducing South Africa's exceptionally high levels of inequality.

In addition, social partners recognise that many of the economic enablers, which have been committed to, are supportive of the growth of firms, co-operatives, SMMEs and worker enterprises across all sectors of the economy and are therefore likely to lead to a broad-based improvement in the business environment and conditions for entrepreneurial development.

1.1 Procurement Interventions

1.1.1 Boosting domestic demand

<u>Programme Description</u>
Social partners agree that localisation of procurement spend contributes to increased local demand but recognise that the potential for implementing an overarching local procurement commitment is different for different constituencies. Social partners have therefore agreed on constituency approaches to the localisation of procurement.

Government Procurement
<u>Interventions</u>
Designation of certain locally produced goods for preferential procurement by organs of state is intended to boost local demand. Social partners agreed that

current 'designation' processes are too slow and cumbersome to be effective. In addition, enforcement of compliance needs to be improved.

Social partners **agreed to strengthen, expand and fast-track additional local procurement of goods and services by Government** through the implementation of the following measures:

- Implementation of a set timeframe of 60 days for concluding the designation analysis,
- Establishment of a standing list of industry experts to support the designation analysis and to play an advisory role in terms of the percentage local content to be set for designated products,
- Implementation of a set timeframe of 30 days for the National Treasury to finalise and issue the circular for designated products; once the final agreed upon circular has been received by NT from the dti.
- The dti to improve the capacity of the South African Bureau of Standards (SABS) to certify local content and to consider allowing firms' external auditors to verify local content, and
- Establishment of a hotline to receive and deal with complaints on fraudulent claims of local content, claims that a tender specification is flawed, and claims that designations are being ignored or circumvented.

Other social partners will support Government's designation intervention through implementing the following measures:

- Organised labour commits to train its affiliates on the successful SACTWU tender monitoring system in partnership with Proudly SA, and to proactively identify opportunities for new designations

- Proudly SA working with the dti, National Treasury, provincial Treasuries and SALGA will roll out a nation-wide series of workshops and establish public sector procurement fora to educate procurement officials in the public sector including all municipalities on the localisation regulations. This with the intention of improving compliance by public sector procurement officials.

- The Auditor-General of SA will specifically include the auditing of Departments' procurement practices in its audit scope; this with the intention of enforcing compliance by public sector procurement officials.

- Organised labour, Community and Business to support and communicate the details of the hotline to its members and constituency for tenders that seek to bypass local procurement regulations.

Private sector procurement

Interventions

Social partners noted the complexity of company level procurement and that individual firms can have very different needs for products and therefore may require different approaches to local procurement.

Nevertheless, **social partners agreed that a concerted and more visible public exercise to highlight the importance of local procurement is imperative**. Social partners therefore commit to the following measures:

- The dti will assist Business to – over the next 12-months – secure structured interactions with at least 500 corporates to discuss new opportunities for local procurement.
- Business will strengthen its support for *inter alia* Proudly SA's Buy Local Campaign.
- Business will list locally produced goods on Proudly SA's on-line purchasing portal where appropriate.
- Business supported by Proudly SA will explore the creation of a b2b transparent procurement platform where firms can list their tenders and procurement requirements to allow more firms and especially Black firms to compete for their procurement.
- Business will encourage SA corporates to procure SA-produced goods into export markets where appropriate.
- Business will encourage SA corporates to embark on good corporate citizenship campaigns highlighting support for localisation and compliance with import requirements and payment of import tariffs.
- Government will request its State-owned Companies, such as SAA to provide complimentary advertising space on in-flight entertainment consoles and magazines for Proudly SA's buy local campaign advertisements.
- Business at company and sector level will review the list of designated products with a view to using it to inform purchasing decisions relating to the same products from local suppliers provided that products are cost competitive for similar quality levels and it makes business sense to do so.
- Working at a sectoral and company level with Government to improve the efficiency and effectiveness of designation of local products for procurement by all organs of state. This commitment includes working with government to
    - Ensure that tender specifications for designated products achieve the intended objective; that is to ensure that preference is given to locally produced goods and supporting a mechanism for reporting specifications which will not achieve the intended objective
    - Identify products that should be designated

- Working at sectoral and company level with government to identify imported products that are purchased in large enough volumes to warrant exploration of local production.
- Strengthening understanding of value chains with a view to increasing opportunities for local producers
- Strengthen support for supplier development (see agreements under support for SMMEs) and inclusion in company supply chains
- Convene high-level sectoral engagements to explore additional mechanisms for stimulating local demand.

1.1.2 Local Procurement: Sector specific level interventions

Manufacturing Circle

Programme Description

The Manufacturing Circle is committed to advance the reputation of South African manufactured products.

Interventions:

The Manufacturing Circle will do this by:

- Promoting preferential procurement for locally manufactured and beneficiated products that are competitively priced,
- Initiating a process to encourage its members to review their procurement budgets to identify the potential for increased expenditure from local producers with a view to setting 5-year company targets, and
- Partnering with Proudly SA and other relevant institutions in multi-faceted *buy local* campaigns.

Agriculture/Agro-Processing Value-chain

Programme Description

The firms in this value-chain have agreed to promote local procurement.

Interventions:

- Promote local procurement of office furniture across the agro-processing and agri-business sectors, and
- Investigate the feasibility of making commitments for local procurement of fencing, tools, implements, irrigation fittings, protective clothing, paper & packaging, certain chemicals, and corporate clothing.

Local procurement: Company specific level interventions

A number of corporates have made a number of commitments to local procurement initiatives as an integral part of their operational strategies. Some of these also include commitments to enterprise development to build suppliers as part of their localisation strategies. It is anticipated in the coming months that more companies will follow the lead of the following firms which have made commitments to this agreement:

- Adcock Ingram
- Anglo Gold Ashanti
- Clientele
- Coca Cola Beverages SA
- Edcon
- First Rand
- Lixil
- Mondi
- Nandos
- Nestle
- SAB/InBev
- SAPPI
- Sasol
- Standard Bank
- Tsogo Sun

1.1.3 Identify and pursue import replacement opportunities

Programme description

A key intervention in promoting more effective connections to the global value chain is to ensure that customs fraud and illicit trade is prohibited. Agreement has been reached on interventions to address this issue. At the same time, it is essential that import surges are identified at an early stage in order to take early remedial action. It is also important to understand the major contributors to the current high trade imbalances, particularly in some sectors, and to develop interventions to respond effectively to this phenomenon, which have made a significant contribution to deindustrialisation.

Intervention

- The Manufacturing Circle is exploring the development of an 'Import Tracker', which will provide intelligence and early warning of import surges.
- This intervention will highlight trends and concerns and allow appropriate action to be taken where required (for example linked to anti-dumping).

1.2 Growing and Deepening SA Exports

1.2.1 Adopting a more aggressive approach to increasing exports

Programme description

Since 1994, South Africa has concluded a number of preferential trade agreements with trading blocs and individual countries. Exploitation of the opportunities presented by these agreements has not been optimized and it is proposed that increased energy be put into identifying focus areas that should be vigorously pursued. In addition, the relationship between dti industrial policy and trade policy could be implemented in a more synergistic way.

In order to fully exploit the opportunities presented by trade agreements there is a need to address challenges that have been encountered in pursuing export opportunities including: Lack of seamless transport networks to ports of export; High levels of inefficiency at the ports; and, Delays in customs clearance.

In addition to the above, insufficient dissemination of information on trade agreement opportunities reaches prospective exporters at company level. Similarly, the trade negotiation process is difficult to access and understand particularly at individual company given the complexity of the agreements and the number of parties that need to be involved in assessing and analysing the information to formulate a position.

Coupled with the above-mentioned imperative there is also a need to address the lack of detailed knowledge, about export markets, of many local producers and brands (outside of South Africa's traditional export intensive sectors), and by the dti sector desks. Local industries may struggle to adopt an offensive position with regards to export opportunities because they do not have sufficient knowledge about the opportunities which exist to pursue or maximise them. There is a need to deepen exposure to market intelligence for local producers.

The Social Partners also recognised the importance that infrastructure challenges – such as poor rail and road networks, and blockages at ports – also impact the ability of South African industries to maximise their export opportunities, and the Social Partners agreed these problems must be resolved with urgency.

<u>Interventions</u>

Social Partners therefore agreed that:

- Engagements between the dti sector desks must be institutionalized so that they happen on a regular basis and that specific agreed actions are pursued;
- The development of an IT trading platform would be undertaken in a collaboration between the dti and the Manufacturing Circle to assist local industries and manufacturers to identify opportunities and risks from trade agreements, and to help improve their ability to shape future agreements in the interest of national industrial capacities and priorities;
- The dti will establish a broad-based export forum between industries that are not covered by export councils to discuss ways to pursue a more aggressive export agenda and to address challenges that are being experienced;
- The Social Partners, led by the dti, will explore the establishment of "export bridges" for identified products;
- Business will identify goods that could benefit from an arrangement with the national carrier to provide them with a fast response to demand to secure market share or where the product is perishable;

- Government will establish an airfreight export forum to explore the potential for boosting export of perishable products or goods that require this fast response;
- Government will establish a forum to address infrastructure blockages to exports; and,
- Explore market intelligence synergies amongst social partners.

1.3 Focussing industrial financing to transform and upgrade the economy

Programme Description

Social partners acknowledge the importance of the *financial services* sector. Black-owned and relatively new firms without a long track-record, experience real challenges in accessing finance. In *manufacturing* these challenges are compounded by the provision of finance with repayment terms which are too short for firms in the sector where break-even is often reached only in year 8 and onwards. In *agriculture*, Government has mainly driven land reform. The magnitude and nature of the challenges, which Government faces in meeting its land reform and agricultural development targets, has created the imperative for private-sector partnerships.

Addressing these challenges requires for much broader private-sector involvement in the availability of development finance. Consequently, social partners have agreed to the following industrial financing interventions:

1.3.1 Financial Sector

Building on the Financial Sector Code

Interventions

- The financial Sector, through the Financial Sector Code, commits to invest R100bn (over 5 years) in Black enterprises and firms empowered at Level 6 and above within the industrial sector. The Financial Sector Transformation Council and the dti are currently developing the Guidelines for the disbursement of this funding. Disbursement of the funding will begin once the Guidelines have been finalised;

- The Financial sector and Government commit to work towards a single point of entry for enterprises needing to access industrial finance through the creation of an appropriate institutional arrangement; and,

- The Financial Sector and Government commit to work towards a single due diligence standard, which is accepted by multiple financiers.

Better-priced industrial finance

Interventions

- In addition, the Financial Sector and Government commit to develop an 'interest make-up' facility through which the industrial sector can access finance at preferential rates, which will be funded by Government.

- The Financial Sector and Government commit to develop interventions to 'de-risk' catalytic industrial projects.

'Patient' industrial finance

Interventions

- In addition, the Financial Sector and Government commit to implement a guarantee facility to extend the term of financing provided to industrial projects, which will be funded by Government.

Financial Sector provides industrial finance for enterprise and supplier development

Interventions

- Financial Sector to create sectoral/industry Enterprise and Supplier Development Funds; and,

- Government commits to expand Local Industrial Parks, SEZs, ICT Hubs and Agri-parks to provide economic infrastructure for enterprises and to develop mutually beneficial partnerships with Business' supplier development initiatives.

1.3.2 Private and Public sector Collaboration

Intervention

- Convene an Infrastructure Funding Task Team to develop infrastructure projects to crowd-in private-sector.

1.3.3 Public sector financing

Distressed Firm Fund

Interventions

- Government will continue to support the IDC commitments towards distressed firm funding as part of its overall funding support;
- In the effort to save struggling companies, Labour and Government commit to engage Productivity SA and international development partners to develop a shopfloor programme to assist in identifying firms at risk, and to implement comprehensive interventions designed to divert firms to sustainable growth; and,
- Companies in distress may use these measures in combination with other initiatives.

1.4 Sectoral Interventions

1.4.1 Agriculture and agro-processing value chain

Fruit Value Chain

Programme description

Fruit and Wine offers significant economic growth, and development opportunities through increased exports. Consistent growth in the global demand for fresh produce can potentially increase South Africa's horticultural trade from R54.4 billion to R90 billion by 2030. Government aims to expand the existing Public, Private Partnership initiatives it is having with FruitSA and Wine producers. The purpose of this initiative is to increase the production footprint of Fruit and Wine production in the country.

Interventions

- Government technical support will be offered to producers including:
  - Construction of on-farm irrigation dams to expand production by an estimated 50 155 ha;
  - Assistance to producers with SA-GAP and Global-GAP certification; and,
  - Development of local market infrastructure i.e. National Fresh Produce Markets including pack houses and cold storage facilities.
- Following the Jobs Summit a working committee on road to rail will be established including representatives from the horticultural industry and will investigate the feasibility of revitalising transport lines to link key production areas to export hubs.

Supporting projects

These projects are outlined below, and the Social Partners encourage the development and roll-out of similar initiatives elsewhere:

Westfalia Fruit are entering into arrangements with local communities who have received rights in the Magwa and Tshivase tea plantations, as well as the Morobeng community to establish avocado orchards.

The Morceaux project in Ceres is also looking to expand joint operations between a commercial farmer and the Morceaux Boerdery Farmworker Trust by purchasing an additional farm for vegetable production and transferring ownership of farmworker housing to beneficiaries of the trust. The joint venture also seeks to expand its footprint in the value chain by buying additional shares for the farmworker trust in Ceres Fruit Growers who market their fruit as TruCape, thereby increasing the farmworker trust's footprint and ownership in the value chain.

Distell already procures the maximum amount of locally available apple juice concentrate, and in order to meet market demand for downstream products have to import substantial volumes of juice concentrate.

A significant opportunity exists to substitute these imports with incremental apple juice concentrate by developing the local apple farming and processing industry. Through this, potential exists for a large number of jobs to be created, both in new orchards and in the agro-processing parts of the value chain. The same model can also be extended to grapes and wine.

Interventions

- New Hectares under black ownership with a focus on black women ownership;
- Redirected expenditure to Black owned and black women owned processors / producers / farmers;
- Creation of sustainable Black owned enterprises including downstream enterprise development in the value chain which would be linked to current taverner enterprise development initiative; and,
- Localisation and import substitution.

Factors critical to enable success

- Reducing the costs associated with the application for water use authorisations;
- Extend the maximum 300-day turnaround time embedded in the one-environmental system for mining to agricultural industry; and,
- Blended finance models and open channels of communication with key Government departments.

Western Gauteng agri-industrial cluster

Programme Description

A key driver of the low employment in agriculture has been the predominance of lower labour intensity crops (such as maize). A number of mining companies have legacy land holdings, which collectively account for hundreds of thousands of hectares. Much of it is being sub-optimally utilised. In addition, some mining companies are pumping large quantities of water from underground into rivers, water which can potentially be used for agriculture. The fact that some accessible gold reserves are running out poses further risk of additional unemployment.

As part of the Mining Phakisa, a coalition of key stakeholders has been built to leverage the assets made available by Sibanye-Stillwater to build a large-scale agri-industrial cluster in the West Rand. This includes the Gauteng Infrastructure Financing Agency (GIFA), the local municipalities, Development Finance and the Public Investment Corporation (PIC). The PIC is playing a leading role in structuring, establishing and acting as the anchor investor in a focused fund to support the development of the program. It is estimated that this project will leverage between R15bn and R30bn of investment through the form of both equity and debt. A Memorandum of Understanding was signed in September 2018 to implement the project. The objectives of the program are to:

- Make West-Rand into the agri-industrial hub of Gauteng that drives continuous technical, commercial, institutional and developmental innovation;
- Build a sustainable post mining economy and development framework;
- Promote the export of high value, relatively labour-intensive agricultural produce, with a particular focus on downstream value addition;
- Create jobs with agriculture skills transfer;
- Promote Black Economic Empowerment/Transformation including entrepreneurs and industrialists; and,
- Facilitate comprehensive local socio-economic development
- Facilitate and promote community participation.

<u>Interventions</u>

- A corporate structure to house the program is being established, with particular focus on making the structure replicable in other mining areas and inclusive of key stakeholders;
- Sibanye has also made specialist resources available to develop a post-mining water strategy and a small task team involving the DPME and the Department of Water and Sanitation has been set up in this regard;
- As part of kick-starting a post mining economy, Sibanye-Stillwater has committed to make available at a nominal cost 30 000 hectares of prime land for agricultural development in the West Rand;
- Sibanye presently pumps 300 million litres of water from underground and a significant portion of this water will be made available to the project (based on Department of Water and Sanitation's down-stream requirements);
- Sibanye has also made available for this project 20 000 hectares of warehousing space, as well as training facilities and hostels for 3 000 people (with associated kitchen facilities); and,
- In addition, Sibanye and Goldfields have committed to the establishment of a Technical Vocation, Education and Training College as part of their social and labour plan commitments.

Improving and expanding the Grain/Livestock Value Chain

<u>Programme Description</u>

Field crops, such as grains, are an agricultural subsector that is climate-dependent and under pressure due to the impact of drought. The sustainability of this sector is critical in terms of food security. South Africa is only self-sufficient with regards to maize but a net importer of others, including animal feed. Alongside the grain industry, is a thriving livestock industry: the increasing importance of the contribution of animal products to the Agricultural basket is above 40% and growing.

<u>Interventions</u>

Social partners agreed to grow the industry on a Public Private Partnership basis. The initiatives will focus on:

- Expansion of grain production by Black farmers through partnerships between commercial farmers and government;

- Expansion of feedlots through successful Beefmaster partnerships;
- A partnership programme will be developed to prevent outbreak of Foot and Mouth Disease;
- As far as the demand-side management for grains is concerned, International Trade Administration Commission (ITAC), SARS and National Treasury have committed to working to improve the turn-around time to gazette the import tariffs on wheat from when global price variations trigger the capability;
- Likewise, business and government commit to working on processes to streamline contract management for the Crop Estimate Committee so as to allow it to deliver timeous information that will assist supply side management and exports;
- Business and Government have also agreed to identify key areas where capacity constraints have hampered the effective execution of statutory duties and services related to business processes and trade. These include product standard certifications and inspection, biosecurity inspectorates, toxicologists and veterinary services; and,
- Once these bottlenecks are identified, Business and Government will approach the most affected parties to explore the opportunity of seconding capacity from the private sector or by co-funding to create additional capacity.

<u>Factors critical to enable success</u>

- That there is continued support for public-private partnerships by Business and Government Departments and agencies;
- The success of projects (highlighted below) will be vital to stimulate Jobs Fund support for similar, future projects; and,
- Additional resources may be required for biosecurity and demand-side management.

<u>Supporting projects</u>

The following project has been identified that could increase production, create jobs and empower communities through inclusion and transformation in the value chain. These projects are outlined below, and the Social Partners encourage the development and roll-out of similar initiatives elsewhere:

Sernick Emerging Farmers Support programme

The Sernick Emerging Farmers Support programme is an example of a public-private partnership that can give effect to the aim of this proposal. A company within the red meat value chain, Sernick, is launching a project to train and incorporate 120 emerging red meat producers into its value chains, thereby providing emerging farmers with training and skills development, access to critical infrastructure such as feedlots and genetic improvement of breeding stock. The project is jointly funded by Sernick, the Land Bank and the Jobs Fund.

1.4.2 Blended finance models for agricultural support

Programme Description

Emerging farmers, many of whom received rights in land through the land reform programmes and are now looking to enter the commercial sector, experience considerable challenges to access finance. This initiative seeks to improve the lived situation by using government funding to leverage private sector capital and extend finance to emerging farmers.

Interventions

- The Land Bank as the financial administrators, commercial banks, and Department of Agriculture Forestry and Fisheries (DAFF), Department of Rural Development and Land Reform (DRDLR), and Provincial Departments of Agriculture (PDA). will develop blended financial instruments using public and private funds: this will consist of a public sector grant component from DAFF and DRDLR, and a loan component from the Land Bank and commercial banks, referred to as a 'soft loan'.
    - The Land Bank and DAFF has signed an MoU, with R 100m transferred to Land Bank, and more than R500m over the MTEF period. Eighteen (18) projects have been assessed by the Land Bank already.

- Agbiz and Banking Association of South Africa (BASA) have also developed a blended finance model designed specifically to make additional funds available to speed up the land redistribution programme. The proposal is based on the National Development Plan, and the model is designed to assist potential redistribution beneficiaries to access capital to acquire land. The model will involve the following:
    - Commercial farmers would partner with potential beneficiaries, approach a commercial bank to obtain 50% funding from a commercial bank and this would be matched by 50% grant money from a grant allocation committee.
    - The private sector can supply capital up to R1 billion per annum to double up on the available funds for land redistribution, dependent on beneficiary approval by the grant allocation committee (using predetermined criteria), and dependent on the number of willing participants.

Factors critical to enable success

- For the blended development finance model: sufficient uptake by bankable emerging farmers is required.
- For the BASA/Agbiz model: The active participation of commercial farmers in the financing of land reform and establishment of a viable Black commercial farming sector are critical success factors. Commercial farmers can offer commercial acumen and skills to enable the financing process. They will be responsible for originating commercially viable land acquisition transactions, with possible concomitant operational funding solutions. Incentives will be identified (such as access to grants, tax incentives, B-BBEE ratings and

recognition), which should be guaranteed by Government and communicated to all parties involved.
- The retention of competition between lenders: Farmers would need the right to choose or select partner beneficiaries ensuring that the process is demand driven; selection must be apolitical and voluntary. Normal commercial lending criteria principles will apply. Freedom of choice of financier is endorsed.

1.4.3 Agri-Parks

Programme Description
The Agri-Parks concept seeks to establish farmer production support units in underdeveloped areas as well as establish rural agro-processing hubs.

Interventions
- Government will prioritise the establishment of 9 Agri-Parks and circulated the draft business plans to Business;
- The DRDLR is in the process of finalising the Agri-Park policy, which will determine critical information such as the make-up of the governing entity, possible incentives and the developmental prerequisites for shareholding arrangements and investment opportunities;
- Business has undertaken to review all 9 business plans and highlight additional information which need to be included in the business plans to enable potential investors to assess the investment opportunities; and,
- The dti will commission a strategic research partner to assist with the refinement of the 9 business plans.

Factors critical to enable success
- The framework policy for the Agri-Parks must be published.
- Government will refine the 9 business plans to enable potential investors to make informed decisions.

1.4.4 Smart Villages: Farm Worker Housing, Land Ownership and Agropreneurship

Programme Description
This is an integrated project aimed at securing land and the development of agropreneurship among farm workers. Smart Villages involves both the provision of housing and the development of agri-business on the land.

Interventions
- Finalisation of donation of land by Pro-Agri Group farmers (or other interested producers) or the procurement of land by DRDLR for the establishment of Smart Villages; and,
- Implement of pilots at 18 identified sites.

Factors critical to enable success

- The provision of services to the smart villages by municipalities,
- Government funding for infrastructure and construction of the villages
- BBBEE recognition for farmers who voluntarily donate land for villages.

1.4.5 Acceleration of productive land reform

Programme Description

Social Partners agreed on the importance of an affordable and accessible dispute resolution mechanism whereby beneficiaries can raise grievances related to slow delivery and maladministration in the land reform programme.

Interventions

- Government is in the process of formulating a policy on land redistribution with the aim of publishing a draft redistribution policy and Bill for public comment
- Social partners will liaise with Government and provide their inputs into the legal reform process with specific reference to the function, scope and powers of the District Land Reform Committees and the relationship of these committees to effective and accelerated land reform (based on input made in this process).
- Government and Business agree in principle to explore the possibility of co-operating on a technical level to ensure that the electronic platform - e-cadastre -- incorporates additional sources of land-based information in the future.
- Business and Government agreed to a further process to look at the rationalisation of institutions.
- Social Partners will explore the possibility of introducing Land Reform Ombudsman.

Factors critical to enable success

- The degree to which Social Partners are able to engage with Government in dedicated platforms will be vital to ensure that the proposals are meaningfully considered in future policy creation and legislative processes.
- The finalisation of the Electronic Deeds Registration Bill by Parliament
- The effective functioning of the e-cadastre to improve monitoring and evaluation of land reform: all land-based information, including ownership, water rights and land claims will be overlaid on a single, electronic GIS platform available to the public to improve transparency in land reform transactions.

1.4.6 Revitalizing Forestry-dependant livelihoods at eSikhawini in KZN

Programme Description

When a mine reaches the end of viable economic production, the mine is closed. Closed mines can continue to impact negatively on the environment including acid mine drainage, heavy metal contamination, decreased soil fertility, surface instability and airborne dust. Closure of a mine also has a devastating impact on the local community where the mine has been the only economic opportunity. Consequently, it is essential that the principles of sustainable development are implemented and the negative impacts on both the community and the environment are ameliorated.

By establishing a new forestry industry on end of mine land, opportunities are created for communities. The planting of eucalyptus trees not only prevent acid mine drainage into catchment areas but enable the community members to grow, own and sell feedstock material to the timber, pulping and or biomass industries. Biomass can also be used for the production of hybrid fuel rods, which are a direct replacement for coal that is a fuel used in boilers. The fuel rods are manufactured using 90% coal fines and 10% biomass as a binder.

1.4.7 Metals, Machinery and Mining Equipment

Upstream Mining Equipment

Programme description

South Africa's mining sector continues to play an important role in the economy and is a critical source of demand for a range of manufacturing sectors. The Mining Phakisa held in 2015 led to a number of initiatives which sought to encourage stronger procurement relationships between the mining and mining equipment sector. These initiatives have enjoyed important early successes including:

- A comprehensive assessment of mining procurement;
- Analysis of the opportunities to maximise mines' procurement from local manufacturers and secure import replacement;
- Projects to upgrade mining supply-chains;
- Development of the Mandela Mining Precinct with an initial set of 6 key R&D projects; and,
- Development of a mining equipment Export Roadmap.

Interventions

Social Partners agreed to:

- Continue supporting the Mandela Mining Precinct, especially in developing capacity to drive supplier development and competitiveness;
- Intensively pursue the export market opportunities identified in the Export Roadmap, including targeted export promotion activities especially on the African continent;
- Develop partnerships and seek commitment from the Mining Companies to assign resources and grant access to data in order to upgrade the mining supply-chain so as to improve the mining sector's competitiveness; and,
- Transform domestic manufacturers in order to enable Mining Companies to achieve the targets set in Mining Charter III.

Downstream Metals and Machinery

Programme description

The *downstream metals* and *machinery* sectors have experienced a significant increase in company closures, leading to the hollowing out of industrial capabilities mainly due to rising import penetration especially during the mining 'super-cycle'. In addition, the rapid and significant increases in electricity prices have severely undermined the competitiveness of especially the energy-intensive subsectors including toolmakers and foundries. This has been exacerbated by the export of scrap metal which has undermined Government efforts to ensure the availability of scrap metal to local value-adding industries and led to the stripping of South Africa's infrastructure as a result of theft.

Interventions

Social Partners agreed that in **order to develop and deepen South Africa's industrial capabilities in the downstream metals and machinery value-chains**:

- Government will expeditiously finalise an export tax on scrap metal;
- Government has finalised the Framework for Short-term Negotiated Pricing Agreements and will now expedite the implementation thereof;
- Business, Labour and Government will partner to communicate available incentives, especially the availability of the Steel Downstream Competitiveness Fund;
- Business, Labour and Government will develop a regional strategy for the sector to take advantage of the growth of the mining sector on the African continent;
- Support the strengthening of Technical Vocational Education and Training (TVET) interventions to improve the supply of specialised, sector-specific skills to the sector as agreed in the Education & Skills WC; and,
- Implement a regional strategy to realise growing SADC (excluding SA) demand and to support the creation of a network of institutions for skills and technology sharing. Noting that South Africa is well positioned to supply growing regional markets, however, has been losing competitiveness in key markets like Zambia.

Supporting projects

A sector strategy for improving competitiveness of machinery and equipment should also seek to leverage, and maximise the impact of existing initiatives such as:

- The SACEEC School of Excellence's collaborations with the National Tooling Initiative Programme and GGDA to train and provide proper skills to artisans;
- Existing industry clusters and association bodies including VAMCOSA (valves), SAPSDA (pumps), SAPC (pumps), SAMPEC (mineral processing), and MEMSA (underground equipment);
- Proper implementation of Government's developmental and structural transformation tools including the dti Cluster Programme, procurement policies (NIPP, CSDP & PPPFA), development finance institutions, as well as technology support and benchmarking (TLUI); and,
- Regional mining vision – regional local content, regional development fund, logistics and infant industry protection.

Factors critical to enable success

- A supply of technical and artisanal skills.
- The establishment of testing facilities and innovation hubs to ensure adherence to quality and technical standards.
- Offering electricity prices for heavy industry at developmental prices.
- Utilising development finance through the introduction of a grant/rebate system to assist in the expansion and upgrading of current capabilities.
- Optimisation of local procurement prioritising value-addition and beneficiation through thorough monitoring and evaluation at the firm-level,
- Availability and pricing of scrap metal to domestic processors.
- Increased uptake of Government's incentives (e.g. Steel Downstream Competitiveness Fund at the IDC).

1.4.8 Clothing, Textiles, Leather & Footwear Value-chain

Programme description

Social Partners in the sector have been working towards agreement on a Retail-Clothing, Textiles, Leather and Footwear Masterplan, in order to grow employment in this labour-intensive sector.

Interventions

- Social Partners support the process towards the finalisation of the Retail-Clothing, Textiles, Leather and Footwear Masterplan 2030 (R-CTLF);
- The Masterplan contemplates increased uptake of locally produced goods by domestic retailers. The modalities are being finalised by industry stakeholders at present but will include a number of interventions, amongst others;
- Social Partners agreed that the CTCP should be continued until new incentives are developed to support the R-CTLF 2030 Masterplan;
- Cooperative value chain engagement will lead to greater value chain synergies and increased local sourcing and,
- Social Partners agreed that SARS will work intensively to combat illegal imports.

Supporting Projects

Organised Labour, through one of its members, commits to open a union-owned clothing factory in the Eastern Cape during the 2019/ 2020 financial year, which shall initially create 100 jobs, and in this way help to play a role in the re-industrialisation of a province which suffers from widespread poverty and unemployment.

1.4.9 Automotive Value-chain

Programme Description

The automotive sector is currently engaged with Government in developed a Masterplan 2035 which include the following developmental objectives:

i. Grow domestic vehicle production to 1% of global output;
ii. Increase local content in South African assembled vehicles to up to 60%;
iii. Double total employment in the automotive value chain;
iv. Improve automotive industry competitiveness levels to that of leading international competitors;
v. Transformation of the South African automotive industry through the employment of Black South Africans, upskilling of Black employees, empowerment of dealerships and authorised repair facilities, and substantially increasing the contribution of Black-owned automotive component manufacturers within the automotive supply chain; and
vi. Deepen value addition within SA automotive value-chains.

The objectives will be achieved through the six fundamental pillars:

- Local market optimisation;
- Regional market development;
- Localisation;
- Infrastructure development;
- Industry transformation; and
- Technology and associated skills development.

Interventions

- Finalisation and implementation of the Masterplan; and,
- Establishment of the SAAM support institution is to be established that will play the key role of coordinating, monitoring, and evaluating the progress of the industry to 2035.

1.4.10 Furniture Value-chain

Programme description

South Africa's furniture sector is highly labour-intensive but has experienced an extended period of rising import penetration. Many of the firms operating in the sector are classified as SMMEs and social partners noted that these enterprises require customised support. Social partners agreed to a set of interventions which would assist both SMMEs and larger companies.

Interventions:

Social partners agreed that:

- Government will establish a Furniture Manufacturing Hub, incorporating a business incubator and shared manufacturing facilities (including facilitation of access to information, markets and finance) and provision of a comprehensive package of business development support services to increase the competitiveness of small furniture manufacturers;

- Business will initiate discussions with selected corporates to assess whether local procurement of furniture could be increased above current levels,
- The dti's furniture design competition would be supported to develop and showcase South Africa's design skills;
- Business would wherever appropriate list locally-produced furniture on Proudly SA's online retail site; and,
- Government would assist Business to improve the sector's online presence at a sectoral level.

1.4.11 Gas-based Industrialisation

Liquefied Petroleum Gas (LPG)

<u>Programme description</u>

Social partners noted that growing the Liquefied Petroleum Gas (LPG) sector over the next 5 years would lead to job creation and diversify South Africa's energy mix.

<u>Interventions</u>

Social partners agree that the following be implemented:

- Government will initiate a crackdown on illegal gas refilling;
- Government will expeditiously develop the mechanisms to move from a regulated LPG price to a more market driven pricing; and,
- Social Partners will explore the implementation of the Competition Commission recommendations.

Liquefied Natural Gas (LNG)

<u>Programme Description</u>

Social Partners noted the mega LNG projects taking place in the North of Mozambique. Partners further noted that the Export Credit Insurance Corporation (ECIC) has committed to underwrite close to 1- 1.2 billion USD in one of these projects. As a consequence, there is a 500 – 600 million USD South African Content stipulation on this commitment.

<u>Interventions</u>

Social partners agree that the following be implemented:

- Government will enforce the conditions of the ECIC guarantee for Mozambique Gas to secure USD$600m worth of SA local content in relevant work packages; and,
- The dti will develop a process to distribute information about the available work packages so that SA business can compete for these work packages.

1.4.12 Infrastructure to support economic and social development

Improving Municipal Infrastructure

<u>Programme Description</u>

This programme seeks to address the shortcomings in local government infrastructure and its impact on the cost of doing business and undermining firms' competitiveness.

At present a number of firms across multiple municipalities are dealing with recurrent electricity outages and the threat of electricity cut-offs as the municipality has not paid over to Eskom the payments made by firms for their electricity use.

Interventions:

- Department of Cooperative Governance and Traditional Affairs (COGTA) - commits to establishing a joint Task Team reporting to the Minister of Co-operative Governance and Traditional Affairs which will investigate the challenges being experienced and propose measures to resolve the issues, in consultation with Business, as a matter of urgency.

- Association of Savings and Investment SA (ASISA) commits to providing Technical Assistance Mentorship and Development (TAMDEV). to ensure that the technical skills that are needed for infrastructure project implementation are in place. This will be implemented through the:
    - Creation of a network of retired and semi-retired technical, managerial and financial specialists to provide solution-oriented capacity.
    - Development of a database of individuals and skills profiles.
    - Development of standard contracting conditions and terms.
    - Sign MOAs with COGTA, NT, and Premiers' Offices for deployment of capacity where required.

Catalytic Human Settlements

Programme Description

The Department of Human settlements is currently embarking on a scheme to develop a number of catalytic housing projects. These projects are specifically aimed at addressing the housing backlog and to speed up the rate at which housing opportunities are delivered.

With catalytic projects, the Department of Human Settlements (DHS) seeks to drastically reduce the number of projects by shifting their focus to large-scale developments. This will permit municipalities to address apartheid spatial planning and integrate development nodes within their municipal boundaries. Such projects will promote sustainable human settlements as opposed to the provision of housing.

Catalytic housing projects differ from mega housing projects, as the focus is on creating sustainable human settlements, which has a variety of usages and are not only restricted to housing. Catalytic projects will consist of mixed usage spaces (commercial, residential and retail), which allow resident to work, participate in recreational activities and live in a single area. There are currently 48 catalytic projects in development, which will aim to provide 635 000 housing opportunities across the country by 2019.

The construction sector is labour-intensive, currently accounts for about 2% of GDP, and is receptive to both local content requirements and the participation of SMMEs, women-owned enterprises and worker co-operatives. Consequently, social partners have agreed to a number of interventions to leverage growth of the construction sector so as to meet social and economic imperatives.

Interventions

- Government will contribute approximately R4bn to an Infrastructure Fund which will be used to stimulate economic growth and ensure improved household access to adequate housing in integrated human settlements;
- The Infrastructure Fund will be leveraged to: Reduce the time required for housing project implementation; Reduce the risks for private-sector investment and thereby ‘crowd in’ private-sector commitments;
- Government will seek investment partnerships with the private-sector to drive spatial transformation an improve socio-economic sustainability of these communities; and,
- Government will investigate ways to strengthen local procurement and facilitate the emergence of SMMEs, women-owned enterprises and worker enterprises (including co-operatives) within these projects.

Critical Success Factors

- Government must release 7,400 hectares of well-located State-owned land and properties to encourage investment and partnership opportunities,
- Ability to develop tailored institutional measures through public-private SPVs to ‘crowd in’ private-sector investments where appropriate and feasible; and,
- That it is possible to reduce ‘red tape’ through the establishment of Transaction Support Centres. These Centres will also facilitate household and community access to investment and funding.

1.4.13 Business Process Services

Programme Description

This programme focuses on enabling the growth of the Business Process Services (BPS) through a focus on both the demand side and the supply side interventions. It focuses on initiatives that will assist in accelerating and scaling up the current BPS initiatives that Government and industry are busy implementing.

Interventions

Demand side interventions

- Investment promotion: capacitate and increase joint industry body (BPESA) and Government initiatives to engage prospective investors; engage jointly in launches of the revised BPS incentives/ Value proposition/ Regulatory changes; and engage South African Business leadership in direct marketing activities.

- VISAs: Introduce a fast track VISA option (2 to 3 weeks process from application to issuing) and an extended period VISA option (a six months visa with multiple entries to first time applicants with one-year visas on subsequent applications) to ensure operational continuity for large international investors.
- Build Government and Business collaboration around doubling the export industry in the next five years (noting that BPESA already engages in a proven model with the dti and Harambee).

Supply side interventions

- Unlock and channel existing – and additional - skills funding to grow the skills base. These discussions have begun and involve reallocation of existing skills funding, and existing public and private resources.
- Expand the existing BPO critical skills list to include Contact Centre / Shared Services Operations Managers, Data analysts, Customer Analysts, Business Development Managers and others as required);
- Open up more flexible entry criteria and demand focussed entry level skills programmes: short courses, other work readiness and learning programmes (not linked to qualifications) and learning programmes, such as learnerships that culminate in national qualifications. Both types of programmes should be recognized for purposes of BBBEE skills spend recognition.
- Unlock and channel suitable sources of existing Government funds within the Department of Labour (DOL) into a virtual "BPS future skills platform" and content, aligned to jobs currently in high demand and new jobs critical to South Africa's competitive performance in the Sector.
- Enhance the effectiveness of (and increase the number of) SETA funded learnerships in the BPS Sector.

Supporting projects

- Existing initiatives already underway such as the dti incentive scheme for the BPS Sector, the Monyetla Work Readiness Programme and industry led skilling initiatives and initiatives to drive work readiness programmes and inclusive hiring like the Harambee Youth Employment Accelerator and others.

Factors critical for success

- That Business and Government finalize the source of funds, quantum of funds and funding model linked to outcomes.
- Continued strong collaboration between Business, Government and Social Partners;
- Investor confidence and continued competitiveness of South African value proposition.
- Business commitment to employment.
- Broadband roll out.

1.5 Water and Sanitation

As a water scarce country South Africa's water sector is particularly vulnerable to potential negative effects of climate change. This vulnerability demands specific attention being paid to ensuring a resilient water sector. The programme entails upstream localisation opportunities (such as for the repair, maintenance and replacement of pipes and components) and downstream beneficiation opportunities (such as with wastewater treatment by-products) must be fully seized. This also includes expanding the opportunities for the 'catchment economy' where new sustainable jobs could be created. A number of interventions have been identified that will support the strengthening of water security. These interventions are not exhaustive but illustrative, and indicate the kinds of interventions that could be explored and built upon:

1.5.1 War on Leaks programme

Programme Description

As part of the War on Leaks that was initiated in 2015, young people received training to become plumbers. However there have been challenges (linked to stipends and certification) and these young people have not yet been effectively absorbed into the workforce.

Interventions

- Business and Department of Water and Sanitation (DWS) are exploring an approach to addressing the challenge of placements for youth who have already completed the training through the War on Leaks programme.
- Social Partners also commit to working on a comprehensive program to support the development of the artisan skills required for the water and sanitation sector through the centres of specialisation program (an existing partnership between Department of Higher Education and Training (DHET) and the private sector).

1.5.2 Water stewardship

Programme Description

Water Stewardship refers to both water efficiency and improved collective management of the commons, ensuring the supply of enough water at good quality through improved catchment management. It is an internationally recognised framework that supports the use of water in ways that are socially equitable, environmentally sustainable and economically beneficial.

Interventions

- Social partners are committed to working in a stakeholder-inclusive process in ways that create common visions, partnerships, greater water security, and jobs and incomes;
- Undertake site and catchment-based actions and mechanisms to reduce demand and enhance supply. This includes a range of interventions such as:
    - Reduce use through enhanced efficiency;
    - Repair, replacement and maintenance of water infrastructure;
    - Expansion and recapitalisation of treatment facilities of domestic and industrial effluent and sewerage so that it is fit for consumption; and,
    - Better catchment management through enhanced ecosystem and natural resource management; and the establishment of household and business catchment infrastructure.
- As part of this process, Social partners also agree to continue to explore opportunities to deepen water-related natural resource management programmes, such as Working for Water, and possible additional private sector-led approaches on private sector land;
- Social partners agreed to use such programmes to develop career paths for workers in the green economy through training as environmental and climate specialists and professionals;
- Social partners also noted the job creation and enterprise development opportunities, which exist through the beneficiation of biomass as a result of natural resource management, with opportunities presented in biofuels, furniture and fittings, amongst other things. Such opportunities, and others, will be considered after the Jobs Summit through more detailed engagements between Social Partners;
- Social Partners also agree on the importance of increasing irrigation efficiency and improving agricultural water stewardship with the resultant increases in productivity and reduction in costs;
- Job creation opportunities also lie with management of water losses and non-revenue water. In this regard, the Social Partners agree that capacity will be built to effectively identify and manage water losses and non-revenue water in partnership with municipalities and other organisations with experience and capacity in this endeavour;
- This would include working with the SETAs and other agencies that could invest in the capacity building elements of this; and,
- The intention in the medium term is to expand such initiatives and approaches to other areas in the country where the potential exists for partnerships to be established.

<u>Supporting Projects</u>
Various Water Stewardship initiatives are on-going:

- For example, in the Breede catchment, the Wolsley Water User Association and WWF recently won Landcare's recognition for their work with farmers, the local municipality and communities in coordinating action on pollution and reducing losses in the catchment to alien vegetation.
- The Wise Wayz Water Care project in the Mbokodweni catchment (eThekwini Metro) demonstrates how business (in this case AECI) and the

local community (over 150 people in the local project) can work together to improve a catchment.
- The uMhlathuze Water Stewardship Partnership in KwaZulu-Natal forms the basis for the identification and implementation of projects that will support long-term water security for the area. The Partnership comprises governmental agencies and specific industrial, agricultural and commercial enterprises and NGOs. The initiative will focus on the employment of semi-skilled and unskilled workers, as well as explore possibilities for the creation of micro enterprises and entrepreneurial opportunities. Better maintained rivers, wetlands and dams create the possibility for eco-tourism. The inclusion of the concept of Water Champions in the community, who would be responsible for reporting water leaks to the municipality as implemented by the Mpophomeni Enviro Champs (a community initiative in KZN), is being explored.

Implement Community-Based and Owned Approaches to Fast-Track Rural Water Access:

Programme Description

There is good experience across Sub-Saharan Africa of rural water schemes that are based on a financially self-sustaining model that is affordable, acceptable and accessible. This is important because in areas where there is no reticulation, community members often pay exorbitant amounts for water delivery from private sources.

Interventions

- Social Partners agree that there is a need to use appropriate technologies to make best use of local resources, including local water resources.
- Municipalities will be supported to develop programmes that are well designed and funded. These projects could include rain water harvesting as a simple way to increase the security of supply for both urban and rural communities and also a way to reduce the demand for municipal water in areas where it is reticulated. This will build water resilience, reduce water risk and ensure that the country is better prepared to manage climate impacts.
- Key people to be employed include the maintainers of community standpipes, village boreholes and point-of-use water purification devices (who are paid employees) and micro transporters of water to homes (usually on bicycles).
- The proposed project will be linked to the expansion of local manufacturing capacity for rainwater tanks, gutters and pumps and solar fittings. Financing models will be created for lower income households to install these for low or no cost.

1.6 Waste Economy

Programme Description

Social partners agree that the beneficial use of waste must be vigorously pursued. Currently, the focus of waste management in South Africa is disposal to landfill. It is estimated that only about 13% of the waste is recycled. At the Operation Phakisa for Chemicals and Waste Economy, Department of Environmental Affairs (DEA) presented that waste generation is estimated to be 111 million tonnes per annum in 2016 and that the sector provides 36,000 formal jobs and between 60,000 to 90,000 informal jobs. Contribution of the sector to the economy is estimated to be R24.3 billion. By increasing the volume of waste diverted from landfill to 25% and by increasing levels of beneficiation additional job opportunities could be created.

Interventions

Business has committed to a range of projects for the beneficial use of waste and will explore further opportunities in this regard.

1.6.1 Beneficial use of Household/commercial waste

Programme Description

Initiatives to maximise diversion of waste from landfill sites have been developed, which are implemented and funded by the industry role-players. Diversion can be achieved through re-use, recycle and recovery of various waste streams including organic, construction and demolition (C&D), e-waste and packaging waste (plastic, paper, metals, and glass).

Interventions

- Recently, Government has issued a Section 28 Notice in terms of the Waste Act, which calls on the paper and packaging industry, electrical and electronic industry and lighting industry to prepare and submit industry waste management plans to the Minister for approval. One of the requirements of the Notice is that any plan submitted must be based on a government management model, which, as currently contemplated will result in the imposition of a tax on the goods in these sectors.
- The Paper and Packaging sectors have developed a plan to move the recycled tonnage from 2.2 million tonnes to 2.7 million tonnes over 5 years (57% to 66% of total paper and packaging), which is better than the 65% that Europe is targeting by 2025. The plan includes an intention to raise and spend R2.5 billion over 5 years and commits to (at today's values) collect and generate R25 billion worth of new recycled materials within this timeframe.
- Industry has committed to taking on board the Waste Pickers Integration Working Group's findings and recommendations, which are expected to be completed in early 2019.

Supporting projects

Strengthening the circular economy in waste management within the City of Ekurhuleni. This involves beneficiation of all waste streams, paper plastic, PET, glass, cans and construction and demolition rubble. The project can be replicated in other municipalities.

Factors critical for success

- Agreement with Government on industry waste management plan funding model.
- Municipal bylaws and IWMP that promote recycling.
- Agreement on model to incorporate informal sector into municipal waste management services.
- Training and support for SMMEs.
- Market for recycled products.
- Industry funded model must be implemented.

1.6.2 Bulk Industrial Waste

Programme description

Beneficial use of Ferrochrome Slag: Approximately, 4.5 million tonnes of slag are generated per annum that can be used for construction activities, such as road construction, brick making and concrete production. Ferrochrome slag is well utilised internationally as a preferred alternative to aggregate. Where slag is not beneficiated, it is disposed of at a landfill site.

Currently, a limited number of beneficiation projects have been implemented due to the stringent legislative requirements for re-use of slag which is defined as a waste. The level of beneficiation is estimated to be about at least 40% of the produced volumes.

Interventions

- Social Partners will actively explore more beneficial options when the legal hurdles are removed. On average, 1 job can be created for each 1, 000 tonnes of slag that is beneficiated. Over a five-year timeframe, based on the current market demand and opportunities for slag aggregate, it is estimated that five small-scale and one larger-scale projects for brickmaking can be established, as well as five ready mix concrete production facilities.
- As the market of the downstream user grows, additional projects can be implemented.

Critical factors for success

- The development of market opportunities
- Funding availability.

1.6.3 Beneficial use of Coal Ash

Programme Description

Coal combustion residues (ash) generated by Sasol has long been demonstrated as a suitable alternative material for road construction and to manufacture ash cement bricks and panels including housing. Based on the experience of Sasol Sasolburg Operations, where a coarse ash dump was worked away over a period of 20 years, there is a potential to create in the region of 10,000 jobs.

Interventions

- Social partners will explore possibilities with respect to ash being used as a building material and its potential for downstream manufacturing and use is enabled by SMMEs as well as by larger established companies.

1.7 Just Transition

Programme description

South Africa has made a national commitment in terms of the Paris Agreement of the United Nations Framework Convention on Climate Change in respect of its response to Climate Change. Developing and implementing national policies and strategies, which will result in a reduction in greenhouse gas emissions and the establishment of an environment and economy that are resilient to the effects of climate change, and which provide the best possible future for South Africa's residents, will require significant co-ordination and partnerships amongst stakeholders.

We are already seeing the effects of climate change on the coal industry and agriculture, as well as more intense weather events such as droughts and floods. Unless we develop a strategic and coordinated response, the costs of adaptation to this disruption will be high. Current jobs will be lost and future jobs will be imperilled. The burdens will be borne above all by poor and working people, who have fewer resources to cushion themselves from the effects of climate change.

Social partners agree that in order for South Africa to play its part in the global just transition, it must reduce GHG emissions and ensure that we develop and cultivate a domestic economy and environment as resilient as possible in the long term to potential adverse effects of climate change, which is already upon us.

The Social Partners are clear that we need to ensure this is a *just* transition, which ensures that working people, the jobless and poor do not end up bearing a disproportionate burden. The Jobs Summit resolves that the Just Transition is a priority, and that it requires a well-coordinated response across the State and between the Social Partners.

Interventions

- Social Partners agree that a statutory body should be established under the Presidency in the form of a Presidential Climate Change Coordinating Commission (PCCCC) to coordinate and oversee the Just Transition, including how to maximise the opportunities for jobs, including the quantity and quality of jobs. This body could be accommodated in the recently released Climate Change Bill.

- This body should be established after the Jobs Summit and should be adequately resourced and should include representation from relevant departments across the State, the Social Partners, as well as experts from civil society and relevant research institutions.
- One of the first tasks of the PCCCC should be to understand the impact of climate change on jobs, both positive and negative, and climate change responses by sector and location. This will require the urgent finalization of the National Employment Vulnerability Assessment (NEVA), and thereafter Sector Job Resilient Plans (SJRPs).
- Opportunities for new upstream and downstream green jobs and green industries should be seized and climate resilience interventions should be expanded.

1.8 Providing policy certainty and improving regulatory efficiency

1.8.1 Immigration regulatory regime

Although it is understood that Government has developed a package of reforms in respect of the immigration regulatory regime, this has not been shared with social partners and as a result no agreement could be concluded. This remains a matter of significant concern to investors and it was agreed that an urgent engagement with Government should be convened by the Presidency.

1.8.2 Streamlining of Water Use Licence Applications

To assist emerging farming enterprises in the agricultural sector to access water use licences more efficiently, the Department of Water and Sanitation agreed to extend the 300 day turn-around time currently applied in the mining sector as part of the one environmental system to all other applications. The parties will also explore means in which to reduce duplication where an activity, outside of the mining sector, simultaneously requires an environmental authorisation and a water use licence and the processes prescribed are substantially similar. The parties also agreed to explore ways to reduce the costs of obtaining a water use licence, including the possibility of a guideline document that outlines the minimum requirement for information to be submitted in each sector to minimise the reliance on expensive consultants.

Government and Business have agreed on collaboration on the review of the water use licensing procedural regulations which has just commenced, and which is expected to be completed in the first quarter of the 2019/20 financial year.

Challenges with licensing conditions, particularly for the forestry sector are being addressed and a revised approach should be completed by the end of the year.

It has also been agreed that challenges with the financial provisions for mining rehabilitation will be resolved in an engagement between Department of Mineral Resources (DMR), DEA and DWS. It has been agreed that the timing provisions of the “one environmental system” as applied to the mining sector will be extended to all sectors.

Social partners agreed that the maximum turnaround time for issuing of water use licenses would be 300 days.

1.8.3 Decarbonising the economy

Social partners acknowledged the international commitments made by South Africa to reduce the carbon intensity of the economy and agreed on the importance of the introduction of mitigation measures that would ensure that reduction of greenhouse gas emissions. At the same time, it was agreed that a co-ordinated and aligned approach to these measures was essential to ensure policy certainty in this regard. It was agreed that engagements between affected parties and relevant government departments would be convened within 2 weeks of the summit so that a policy statement could be made prior to the investment summit.

1.8.4 Pharmaceutical regulatory regime

Social partners noted that the South African Health Products Regulatory Authority had failed to get off the ground since its establishment with the result that processing of applications for registration of medicines were being significantly delayed impeding servicing of both the domestic and export markets.

It was agreed that engagements between affected parties and the regulatory authority would be convened **within 2 weeks of the summit so that a policy statement could be made prior to the investment summit.** Social partners also agreed to the following set of specific interventions/projects: Increased efficiency in the operation of the SA Health Products Regulatory Authority significantly improving the turn-around times of approvals for health product applications

2 SMME Interventions

Small businesses form part of the backbone of a thriving society. Although estimates of the contribution made by SMMEs to the economy vary, the Department of Trade and Industry (the dti) estimate the number SMMEs in South Africa at 2,8 million and their contribution to employment at 60%. According to estimates from the Department of Trade and Industry, SMMEs contribute 52% to 57% to GDP and 60% of employment. Further, the National Development Plan (NDP) projects that, by 2030, no less than 90 per cent of new jobs will be created in small and expanding firms. However, starting and running a successful business remains a challenge for many young people, and those who manage to start, risk failure. According to statistics, more than 50% of all start-up and small businesses in South Africa fail within 24 months primarily due to inexperience of the business owner and limited access to funding.

According to the Banking Association of SA research, SMME financial literary gaps remain significant. Research, published in the Journal for Social Sciences, 151-158, confirms this and states that, "the majority of small firms do not keep complete accounting records because of lack of accounting knowledge. As a result, there is inefficient us e of accounting information in financial performance measurement. Access to finance by small businesses depends largely on their quality of accounting information." Research shows that while funds are readily available to lend to SMMEs, funders reject a high percentage of SMME applications because the SMME is unable to produce the financial documentation required by the funder to approve the finance.

2.1 Leverage procurement for small firms and co—operatives

2.1.1 Identify existing interventions across government and the private sector and create a coherent platform to enhance access and coordination of SMME support.

Expansion of Hub Model

<u>Programme description</u>

Multiple Hubs and Incubators exist which are funded by the government and the private sector however there is the opportunity to deepen and improve the engagement with SMMEs with improved access to Hubs and Incubators.

<u>Areas of intervention</u>

- Training and Development on compliance to procure from government and private sector (Good Procurement Practice) – Expansion of the pilot run in Gauteng Province
    - Planning
    - Costing and Pricing
    - Market linkages
    - Financial Management and compliance
- Create linkages between public and private sector Hubs

- Short term target- strengthen existing ones based on gap analysis to identify areas of support (investment, capacity building etc)
- Medium to long term- grow to approximately 250 (research to guide supply and demand factors)
- Access to national database- SMMEs to partner with business, rating of incubators etc
- Improve accessibility and coordination of all incubators
- Existing hubs must be identified and listed across government departments
- Central database of all incubators to be created (short-medium term)

Factors critical to enable success

Policy on incubators being developed by Department of Small Business Development (DSBD)

2.1.2 Upscaling the implementation and monitoring of the 30% set aside Government spend for SMMEs and Cooperatives and encouraging other social partners adopt similar programmes.

Programme Description

While some progress has been made in leveraging Government procurement for SMME growth, much more still needs to be done to achieve the maximum impact of this policy.

Interventions

- Government (National Treasury, DSBD, and Department of Planning, Monitoring and Evaluation (DPME)) will continue to advocate, educate, assist and monitor the implementation of the 30% set aside by all Spheres of Government and its Agencies. This work will focus on:
  - Increasing awareness campaigns targeted at procurement officials to ensure the implementation of this policy.
  - Strengthening the reporting and collating of appropriate information to enable the improved and effective tracking of the 30% set aside
  - Exploring the linking of CSD to BAS to ensure that the 30% set aside is better monitored.
- Government will undertake the following:
  - Focused training and workshops will be run for SMMEs on government procurement;
  - Documentation or guidance notes will be published focused on SMMEs (both print and online);
  - Simplified administrative procedures for SMMEs to participate in procurement procedures;
  - Specific legislative provisions or policies (e.g. set-asides) to encourage participation from SMMEs in procurement.
  - Supplier development programs in targeted procurement categories and commodities;

  - Establishment of a prequalification system for SMMEs in line with the provisions of the PPPFA Regulations 2017 for identified categories and commodities;
  - Establish SMME specific framework contracts/panels with simplified administrative procedures.
- While the government programme is independent of Social partners the drive to develop SMME may be enhanced if similar initiatives are undertaken by other part of society

2.1.3 30 Days payment

Programme Description

Social partners acknowledge Government's commitment to the importance of payment within 30 days from receipt of an invoice with particular reference to small and micro businesses and cooperatives enterprises; unless determined otherwise in a contract or other agreement. This measure is implemented to ease the working capital/liquidity challenges facing such businesses.

Social partners note that individual companies have already committed to prompt payment of SMMEs either through their own internal supply chain policies and procedures or by signing the Prompt Payment Code developed by the Small Business Chamber. Through these interventions some of these companies pay within shorter periods.

Interventions

- Business Leadership South Africa (BLSA) are actively encouraging their members to make a commitment to pay the invoices of small and micro enterprises within a maximum of 30 days of receipt,
- BLSA members have already made commitments in this regard and BLSA will continue to encourage their members to make this commitment.

2.1.4 Township Supplier Assessments, Linkages and Development Initiative

Programme Description

The Gauteng Provincial Government project has piloted the Township Economic Revitalisation Programme: this has become a key focus area in which Provincial Government is partnering with private sector players to support the growth and development of Township-based businesses.

This project can be scaled up for delivery in more provinces, creating employment for young people in the areas in which they live and providing local small business with access to capacity building. Private and Public Sector organisations have an imperative to develop and grow Black SMMEs suppliers with the ultimate goal of including them into their supply chain in a sustainable manner.

The objective of this project is to

- Leverage Preferential Procurement for providing township-based businesses with access to market opportunities.
- Support the development of township-based SMME suppliers as a fundamental stimulant for growing township economies.
- Establish links between the private sector and township-based businesses in order to stimulate further market access opportunities that can stimulate the inclusive growth of township economies.
- Capacity building of supplier chain management practitioners of corporate and government departments.

Interventions

- Social Partners encourage other Provinces and Local Government to replicate the programme.
- The Enterprise and Supplier Development and Capacity Building Guideline developed by South African Supplier Development Council (SASDC) to support preferential procurement and supplier development best practice methodology will be applied (compliant with the B-BBEE Codes of Good Practice). This includes:

    - Implementing an Enterprise and Supplier Development Implementation Framework (ESDIF)
    - Identifying, Selecting and Certifying Beneficiary Suppliers matched to specific growth opportunities
    - Implementing an integrated supplier development programme management environment

The number of suppliers targeted in the larger provinces, namely KZN and WC, would be 2500 per province, cost R23,850 per supplier and a budget of R59,6m per province. For the 6 smaller provinces the number of suppliers targeted for development would be 1000 per province, the cost per supplier would remain the same, however the cost per province would amount to R23,8m.

Factors critical to enable success

- Collaboration amongst key stakeholders to maximize impact
- Eliminate duplication of resources to ensure maximum benefit of effort and cost
- Share best practice
- Integrate national and international best practice methodology
- Go beyond compliance-based fund allocation for supplier development
- Foster competition and competitive procurement practices
- Maximise visible and measurable impact, to ensure a positive ripple effect on the growth of the South African economy

2.1.5 Support for rural production clusters and township and informal settlement enterprise support

Programme description

There are two components to this programme:

- Providing agricultural support systems that support clusters around a limited range of products. This group specialisation will enable smallholders to take advantage of their specific agricultural opportunities, which vary by region, and achieve economies of scale in procurement, marketing, skills development, packing and transport, and extension services. This could be established in a wide variety of forms, including marketing co-operatives, non-profit support organisations or out-contracting with large-scale processors, retailers or producers. These agencies can help identify appropriate areas of specialisation as the basis for cluster development. The particular schemes will vary in what kinds of resources and services they provide, depending on the existing conditions and needs of farmers in the area. They will as far as possible seek to assist farmers to utilise existing programmes, including around land and infrastructure, extension services, access to retailers and processors, and financing.
- With respect to the township and informal settlement enterprise support: it is recognised that expanding township enterprise requires significant initial funding to ensure access to infrastructure, market services and technical support. Ideally this should be provided in coordination with shifts in town planning to provide appropriate serviced sites that are well situated for customers. That in turn requires collaboration with local municipalities and communities.

These programmes aim to empower a range of diverse and decentralised initiatives, with substantial support from government and other NEDLAC constituencies. NEDLAC will review progress and over time identify best practice for promoting rural clusters.

Interventions

- Government will provide R1,5 billion for a new Smallholder Support Fund and 1.5 billion for the Township Enterprise Fund between end 2018 and March 2020, with additional allocations thereafter on at least the same scale.
- For the Smallholder Support Fund civic and other organisations could apply to the Fund for financing to support agricultural clusters in rural communities, linked where necessary to land redistribution programmes. Proposals would have to show how they would support development of small-holder or collective agricultural production in a specified region through a comprehensive support programme. Already established commercial producers could not be the main beneficiaries, although they could participate if appropriate.
- For the Township Enterprise Fund: civic organisations, municipalities, businesses, social entrepreneurs and other organisations could apply to the Fund for financing to set up schemes to support township enterprise.

Proposals would have to explain how they would support development of enterprise in a particular township. Already established formal enterprises should not normally be the main beneficiaries, although they could participate if appropriate.

- Applicants would have to identify the institutional form for the support agency, including its access to expertise and its budget, and how accountability and responsiveness to beneficiaries will be assured. They would have to indicate how they have assessed support from the relevant communities and include an explanation of how participants would access the relevant resources and services.
- Funds would be allocated based as far as possible on brief proposals with clear criteria and timeframes, with the aim of enhancing predictability for applicants. Proposals should be assessed against the priority aim of promoting higher incomes from and employment in smallholder agriculture, without adding additional demands that make it even harder to achieve or against the priority aim of promoting more integrated township economies as well as higher incomes from and employment in township enterprise, without adding additional demands that make it even harder to achieve.
- Decisions would be made by a technical committee appointed by Government Technical Advisory Centre (GTAC). The initial KPIs would be:
    - a Allocate all of the funds in the first tranche by March 2020
    - b A minimum of ten projects (with at least 15 farmers each) to be initiated in the first year.
- Any innovative projects entail substantial risks, and a substantial percentage of beneficiaries will unavoidably fail. Experience suggests that efforts to avoid risk through excessively detailed application procedures and reporting requirements or by phasing funds in from a very low base will mean the programme never achieves a step change in support for small producers. Audits and reports on the fund will therefore provide space for a higher than usual degree of risk and failure.
- GTAC will manage the funds and will establish risk management procedures that do not effectively block all projects.
- The Presidency will support GTAC in fast-tracking solutions if projects face blockages around (a) access to land where necessary and (b) access to infrastructure and licences where required.
- For the small holder fund projects: Business is providing this kind of support through other commitments detailed in this agreement and will consider this as a potential beneficiary.

2.1.6 Proposal to upscale and re-capitalise e the Khula Credit Guarantee Scheme (KCG) for greater impact.

Programme Description

Government (DSBD), is seeking to enhance a revamped existing programme to support SMMEs and Co-operatives and will pursue engagements with the private sector to explore the potential for collaboration in this regard. The initiative seeks to address the lack of collateral amongst SMEs and co-operatives, which prevents them from having access to funding and stunts the growth of new entrants.

Interventions

Government will explore the following interventions:

- Guarantees available to either individual firms or to firms through a Portfolio Guarantee scheme made available by banks or non-bank financial intermediaries
- Guarantees to suppliers to give access to trade credit to SMMEs and co-operatives
- The guarantee would enable SMME to access loan finance from a financial institution for the acquisition, establishment or expansion of a business; and covers fixed and or moveable assets as well as working capital requirements; or trade credit
- The guarantee would cover SMME loans of up to R5 million (this may go up to R15 million depending on the industry)
- The guarantee facility would be for up to 5 years dependent on the agreement with the financial institution and the term of the loan. Commencement fee of 0.5 to 1% for portfolio guarantee
- The guarantee would cover between 50% to 90% of the loan depending on the agreement with the financial institution

Factors critical to success

- Adequate scale and resources are made available for the fund.
- Improve technology to improve the systems used by the fund.
- Collaboration between financial institutions and Small Enterprise Finance Agency (SEFA).
- Banks and non-bank financial intermediaries internally support the use of the fund.

2.2 Large scale youth entrepreneurship programmes.

2.2.1 Bizniz in a Box

Programme Description

The key principle of the Bizniz in a Box Youth Empowerment Project is social entrepreneurship. Young people in peri-urban and rural communities who own retail micro businesses (formal or informal) e.g. spaza shops, takeaway car washes and internet cafes or those who aspire to become shop owners are invited to apply to the programme. The programme provides basic business skills to the youth participating in the programme by providing theoretical training and on-the-job practical immersion followed by a mentorship support process, during their first six months in business.

The Bizniz in Box Youth Empowerment Programme is a public-private partnership. Its goal is to equip young people with entrepreneurial skills and provide them with actual business opportunities in the form of ready-to-operate turnkey spaza shop or internet café for new entrepreneurs, or formalising of existing businesses (spaza shop, take away café, internet café, car wash)

The implementing partners for Bizniz in a Box Youth Development Programme include Enterpriseroom and Zevoli Consulting. Furthermore, Coca Cola Beverages South Africa (CCBSA) and the SEFA are both funding the programme. SEFA, which provides the core funding, provides loan funding of the investment (structure, equipment and stock) to the value of R60 000 - R80 000 per shop.

The programme has already been rolled out in a few municipalities who have provided positive support, including The Nelson Mandela Bay Municipality (Port Elizabeth), Royal Bafokeng Nation and Royal Bafokeng Economic Development (Rustenburg), Mthatha Municipality (Mthatha) who are responsible for granting zoning permissions, providing services to the sites, creating awareness of the Bizniz in a Box YEP within the communities and through community police forums, ensure safety of the youth and structures.

<u>Interventions</u>

- Implement the programme to formalise existing micro-enterprises and/or by set up unemployed youth in turnkey operations.
- Provide targeted training and practical skills focused on running a successful business.
- Provide mentorship during the first six month of operation
- Present the project to additional commercial partners (some already on board such as **Frigoglass** who has thus far sponsored additional coolers (fridges) for the shops).

<u>Factors critical to enable success</u>

- Municipal support to assist with zoning permissions,
- The provision of services to the sites,
- Awareness of the Bizniz in a Box YEP within the communities and through community police forums: this helps to ensure the safety of the youth and structures communication.
- Access to funding: CCBSA currently co-funds the programme, which covers the cost of training and some equipment. SEFA provides loan funding to youth to cover setup costs.

2.2.2 Finfind youth employment and SMME funding (SMME funding readiness programme)

Programme Description

The Finfind SMME Funding Readiness Programme is a public, private pilot initiative involving Business, Government and Community that provides training and employment for unemployed youth to deliver vital financial recordkeeping services and finance readiness assistance to SMMEs, including cooperatives, who need access to finance.

Thus far a pilot has been implemented, which could easily be scaled up: it can be adapted for any geographic area, whether rural, peri-urban, township or city based and can incorporate SMMEs from across all industry sectors.

Roleplayers

- Finfind – Project management and reporting; Provider of database of SMMEs seeking finance; Provider of system to link SMMEs with matching lenders
- National Financial Literacy Association – Intern training
- SMEasy – Intern training and SMME accounting system provider
- SAYC, Disabled People SA (DPSA) and National Financial Literacy Association – Provide the feeder pool of interns
- South African Institute of Professional Accountants (SAIPA) – Accredited small business accountants to provide guidance for the interns and to generate the financial statements for the SMMEs
- SEFA – SMME funder; Provider of SMMEs that require funding but are not finance ready
- Nedbank – SMME funder

Interventions:

- Community organisations such as the South African Youth Council, the Disabled People of South Africa and the National Financial Literacy Association will support intern selection to ensure *a community-inclusive process.*
- *Provide relevant training that produces skills relevant to the SMME market.*
- Government and other key stakeholders will assess the programme and based on learning will ensure a large scale roll out across all 9 provinces in South Africa.

Factors critical for success

- Selection of interns who have digital literacy skills.
- Commitments from SEFA and Nedbank to fund finance ready SMMEs.
- Training, mentorship, monitoring and evaluation of interns to ensure they are supported to produce the required documents to the standard required by funders.
- Training and support for the 300 SMMEs.
- Sufficient funding for the pilot programme.

2.3 Formalisation and support informal sector

2.3.1 BUSA/CCMA Web Tool

Programme Description

In a recent (2015/2016) study conducted by Business Unity South Africa (BUSA), simplification of hiring and employment practices was identified as a key constraint for formalising businesses. CCMA information suggests that approximately 80% of their cases come from SMMEs.

The overall objective of this initiative is for BUSA together with the Commission for Conciliation Mediation and Arbitration (CCMA), to develop a self-service, web-based tool for SMMEs with the purpose of improving employer and worker understanding and compliance, reducing red-tape and the associated costs and contributing to workplace stability and certainty in SMME workplaces. The Web Tool will guide SMMEs on labour relations best practice.

Interventions

Phase One (almost complete):

- Survey SMMEs to determine needs and interests;
- Develop materials;
- Web enabling the material with provision for indexing, on-line registration, communication and updating.
- Creating links to both CCMA and BUSA websites.
- Launching the tool through CCMA, BUSA and other employer and worker forums, and social media platforms.

Phase Two:

- The CCMA embedding the tool into call centres and investigating further enhancements on early detection and building in the pre-conciliation phase.
- Supplementation of material with Productivity SA material.

Factors critical to enable success

- The long-term institutionalisation of the project will be with the CCMA.
- Maintenance and monitoring of the tool will be required on an on-going basis in order to sustain the impact and benefits of the project.
- After implementation, there will be an on-going requirement for the CCMA to maintain infrastructure; update material in accordance with changes in the legislation and case law; and to monitor the take-up of the tool.
- Based on the success of the project, future phases can be explored that will deal with topics such as fundamental labour rights, health and safety, employment equity, unemployment insurance and preparing for CCMA processes and the like.

2.4 Agree existing private sector support initiatives and new initiatives and particularly partnerships with government that could be replicated and scaled up for greater impact

Social partners have committed to support the foundational Early Childhood Development (ECD) education of South Africa's most vulnerable children. This section outlines 3 initiatives focusing on support for ECD.

2.4.1 The KYB Enterprise Incubator

Programme Description

This project intends to provide support to ECD entities (Women-owned enterprises delivering Early Childhood Development). This includes training and supporting ECD practitioners to run their own business and deliver an approved curriculum.

Interventions

- The KYB Enterprise Incubator will work together with government and ECD ecosystem partners to provide the right package to both kickstart viable ECD businesses as well as stabilise existing ECD businesses (such as once off investment to enable ECD enterprises to meet minimum standards required for registration and accessing government subsidies). Enabling access to multiple income streams (parents fees and government subsidies) improves the sustainability and delivery of service of the ECD enterprise.
- The KYB ECD portfolio has signed an MOU with Gauteng Department of Social Development to deliver 2400 enterprises enabling 24000 children access to ECD over the next 2 years.

Supporting projects

- *KYB Change management* catalyses and drives a system-wide process with government to improve and build their capacity and processes to effectively enable and manage ECD planning, provision, compliance, funding and quality assurance.
- *Smartstart* is an early learning social franchise focusing on expanding access to quality, affordable early learning opportunities for three and four-year-old children. KYB Smartstart is a founding franchisor responsible for Gauteng.
- *Gauteng Department of Social Development* responsible for registration and enabling funding for ECD

Factors critical for success

- Existing MOU with Gauteng Department of Social Development.
- Investment of private sector investment of R43m over two years (2018 – 2020) unlocking access to R98m of government subsidies for 24 000 children.

- Consistent and efficient timing and coordination of government registration and funding implementation.
- Capacity to issue the targeted number of health permits: this will demonstrate that the system has been enabled to customise compliance requirements within the spirit of the by-laws.
- Secure government owned space and land for use.
- Adopt standard operating procedures across the value chain of the municipality compliance process.
- Create a single window mechanism (one-stop shop) whereby different government institutions lodge information about ECD centres into a common platform, which can serve the multiple needs of citizens.
- Adopt the proposal by Environmental Health Services to define three categories that cater for the different socio-economic conditions in the municipalities.

2.4.2 Jobs in Early Childhood Development (ECD)

This programme provides a broader strategy for the manner in which ECD could be further strengthened in a way that supports greater levels of employment creation. This would be a longer-term plan as some of the funding still needs to be resolved:

Programme Description:
This agreement aims to fast-track, and scale-up existing initiatives designed to achieve universal access to quality, affordable ECD. Yellowwoods and DG Murray Trust (DGMT) will play a joint role in driving the initiative, on behalf of a broader (existing) coalition of social donors, large scale implementation NPOs and government partners national, provincially and locally.

Interventions
Implementing partners will work to implement this programme with at least three major initiatives that are able to rapidly scale up to and create and support a significant number of jobs:

- SmartStart early learning social franchise;
- Scaling up of public financing for Early Childhood Development centres, to expand the ECD subsidy to an additional ±5000 centres through the existing conditional grant, creating greater security of employment for ECD practitioners at these sites, and the conditions of possibility for additional jobs to be added at a subset of these sites;
- As well as a range of subsidiary activities in the value chain of the ECD ecosystem that will indirectly benefit through the creation and scaling of these jobs.

Factors critical to enable success:
- The models that will be scaled and accelerated already has significant funding committed – drawing on a mix of existing funding models across the system.

However, the total costs to deliver and sustain these jobs (and the ECD service delivery) requires between R4bn - R5bn additional allocation from the Department of Social Development (DSD) for child subsidies and programme costs as well as approximately R1bn from private sector donors.

- Social partner recognised that Government budget cycles were restricted to shorter timeframes than may be possible in the private sector. Social partners therefore agreed that a funding model, which included private and public funding, would be pursued in periods of 2 years.

2.4.3 Build ECD (and create employment)

Programme Description

It was agreed that this should involve two ECD practitioners per school for 5 000 schools per annum. This would both contribute to employment as well as improve access to ECD nationally.

Intervention

- Social partners agreed to pursue definite funding sources after the summit.

Factors critical to success

- Funding for this initiative
- DSD and Department of Basic Education (DBE) take accountability for the programme

3 Education and Skills Interventions

3.1 Increased commitments and interventions to support drop outs and matrics to have the competencies needed for employment and self-employment

3.1.1 Increased Access to TVET and Community Colleges

Description of the programme

This programme seeks to find ways to give expression to the wider implementation of second chance matric as well as community education. DHET is currently implementing a number of interventions about community colleges and that efforts are being undertaken in this regard, which need to be expanded. It also highlights the role that some companies are already playing in this regard and the importance of integrating this into community education efforts.

These activities are envisaged as important in opening up diverse life-long learning opportunities for individuals and communities within a community context, so that they can improve their quality of life, progress into other post-school institutions, improve chances of finding work, and start and sustain businesses.

Interventions

- Social Partners will work collaboratively to create different models of community-based institutions that offer programmes (including both formal and non-formal opportunities). This with the intention of ensuring that these activities are implemented as widely as possible.

Factors critical for success

- Required funding is made available.

3.1.2 Installation, Repair and Maintenance Initiative

In addition to the broader focus on community education, Social Partners have agreed that there is a need to find ways to build partnerships between public post schooling institutions and workplaces. These should ensure that graduates of these programmes are absorbed into the economy. One such programme is the Installation, Repair and Maintenance Initiative. This initiative seeks to address the challenges young people face when attempting to make a successful transition to the labour market. It also seeks to address the challenges with respect to vocational education and skills development.

Programme Description

National Business Initiative (NBI) and Harambee have jointly initiated and piloted a three-year programme to implement a model of TVET pathways into

Installation, Repair and Maintenance (IRM) occupations across a range of sectors in the South African economy.

IRM workers are entry level technical roles across a range of context and may involve installation, repair and maintenance of machinery, equipment and buildings for IT, security, plant operations, automotive, hospitality, retail, renewable energy, telecommunications, logistics and household services. The IRM initiative has two broad objectives:

- Create scalable and sustainable access to recognized, mid-level technical occupations in large companies and SMMEs, and offer a pathway to artisan trades and self-employment
- Disrupt current pathways and create an enabling environment for TVET Colleges to provide the necessary pipeline to meet IRM demand

To achieve this, the initiative will leverage off existing supply-side funding and demand-side incentives in the youth employment ecosystem and intervene in the supply-demand interface to enable more effective and efficient pathways for youth.

The initiative will target young people that have completed their engineering qualification in a college or have a Grade 12 certificate with technical subjects, but have little or no practical skills and are unable to access workplace learning opportunities as well as young people who have not completed Grade 12 are at risk but demonstrate the potential to embark on technical occupations if provide with the right support and opportunities.

<u>Interventions</u>

The Installation, Repair and Maintenance Initiative operates at the supply-demand interface in opening pathways for technical occupations.

On the demand side, the NBI-Harambee partnership seeks to unlock workplace opportunities across multiple sectors, with a particular emphasis on the following:

Construction / Property Maintenance	Multi-skilled repairs and maintenance of public and private buildings, roads and domestic dwellings.
Automotive	Artisan and operator training for the Automotive manufacturing value chain Semi-skilled repair workers in the out of warranty Mechanical and Motor Body Repair value chain
Green Economy	Semi-skilled installation, repair and maintenance workers in Plumbing/Solar Water Heating, Electrical/Photovoltaic and Water Reticulation
Manufacturing	Artisan and operator training for large manufacturing industries. Semi-skilled repair and maintenance workers working under the supervision of a qualified artisan in SMME manufacturing industries

Hospitality and Tourism	Multi-skilled repairs and maintenance of hotels and other forms of accommodation, and tourism sites.

These workplace opportunities should comprise a minimum of 12-months on the job training under the supervision of a qualified and experienced artisan. This on-the job training will primarily take the form of an internship but could also take the form of a learnership or apprenticeship. Support will be provided to large and SMME employers to access demand-side incentives to fund the on-the-job training component, including the Employment Tax Incentive (ETI) and SETA grants as well as YES. Employers will also be able to support capacity in their supply chain as part of their Enterprise and Supplier Development strategy.

NBI and Harambee will work with employers, employer organisations and regulatory body for these sectors to determine the minimum workplace learning requirements, the skills set being developed and how the IRM roles will be defined and recognized in the industry concerned and thereby ensure career progression

On the supply side, the NBI and Harambee will work with a minimum of 6 public TVET colleges and 4 private training centres across 4 provinces to create the enabling conditions for the delivery of technical and work readiness skills needed for entry into the workplace. This will include:

- Developing a demand-focused culture of teaching and learning in TVET Colleges, particularly in technical skills;
- Introducing a structured and integrated IRM curriculum targeting the necessary technical and work readiness skills for workplace entry;
- Transforming selection and matching processes that establish the candidates' attributes, learning potential, affinity and suitability for particular workplace environments;
- Blended learning pedagogical practices and curriculum management capacity, ensuring an integration of theory, practical and workplace readiness;
- Self-reflection, tracking of learner progress, evaluation of performance and constant refinement of the model.

At the end of the 12 months, graduates are assessed for various exit options which include: (i) absorption into jobs; (ii) those that companies may elect to train further towards a trade test; and (iii) those that would prefer to start their own businesses. The beneficiaries of the Initiative will be supported to transition through pathways into the formal as well as the informal economy in mid-level technical occupations as well as Technical Assistants. This will be a level sitting between Operators and qualified Artisans.

<u>Supporting projects</u>

- Confederation of Danish Industries and Nedbank Foundation intervention into TVET Colleges in the green economy

<u>Factors critical for success</u>

- A strong social partnership can be established between: DHET, TVET colleges, companies, industry bodies and organised labour;
- Catalyzed and sustained demand for entry level IRM roles across the economy;
- Companies will sign up for ETI as well as register the IRM candidates as Youth Employment Scheme (YES) candidates;
- Employers are willing to give colleges a chance, and work with NBI and its partners to test out an effective pathway through colleges into the workplace;
- Willing colleges commit to a productive partnership to improve their teaching and learning;
- DHET is willing to fund this partnership model in ways that allow companies and TVET colleges to offer different components of these programmes in a way that recognises the different strengths and capacities of individual institutions.
- A range of opportunities for micro-enterprises to provide services requiring IRM skills within supply chains, and youth can therefore be supported to establish micro-enterprises once they are competent in these skills.

3.1.3 Joint curriculum development for TVET Colleges for manufacturing skills

Programme Description
Social partners have collectively undertaken research and worked on a partnership model to increase the relevance of technical and vocational training to the manufacturing sector.

Interventions
- Companies will be encouraged to form partnerships with colleges that are in their geographic area/s and are able to offer the programmes that they require the applicants to their companies to have.
- TVET colleges will offer the theoretical component of the programme (and practical if they already have the resources) and companies (and private providers as relevant) will offer the practical and workplace components.
- The partnerships will focus on occupations in demand.
- Social Partners will reach agreement on enrolment criteria, selection process and work readiness (building on successful models).
- DHET will enable TVET colleges to effectively participate in this initiative (scheduling of lecturer workplace experience and encouraging practice)

Factors critical for success
DHET needs to ensure that the ***mechanisms for funding*** are put in place so as to enable funding from the fiscus and the levy to both support the implementation of these occupational programmes within the TVET Colleges (as outlined in the National Skills Development Plans) as well as generic trade preparation programmes (which includes an introduction to hand tools as well as work readiness).

3.2 Expanding interventions by public and private sector on skills commitments for youth employment, including capacity building for young people

3.2.1 Partnership through TVET to address health imperatives

Community Health Care Workers

<u>Programme Description</u>

This intervention focuses on the employment of community health workers who will work with local facilities (clinics) and hospitals to ensure better linkages to care (from community to facilities) as well as support nurses to more effectively provide the requisite services.

The intervention has primarily been implemented in the Free State and North West. It was agreed that there is a need to focus on the need to extend current initiatives to all Provinces. Social partners believe that this will assist to address the problems of rolling out primary health care.

Because this initiative is currently largely informal it faces a number of challenges like lack of standardisation of qualifications for Community Health Care Workers and the conditions of service under which these health workers should be employed.

<u>Interventions</u>

Social partners agreed to enhance the strategy in respect of community health workers that made recommendations in respect of;

- Standardised qualifications
- Employment eligibility criteria
- Conditions of service
- Responsibility for recruitment
- Funding models

3.2.2 Partnership through TVET to address the requirements of the *Travel and Tourism Sector*

<u>Programme description</u>

The Travel and Tourism sector is one of those sectors that contribute immensely to employment. The sector is focused on addressing the critical skills gap, which will contribute to creating jobs for South Africans. These critical skills include: tourist and nature guides, attraction guides, outdoors adventure guides, anti-poaching officers, safety officers and park rangers. In some cases, this is because of an aging workforce, in others link to a lack of certificate (amongst young people) and in others because of the absence of the requisite language skills (such as French, Portuguese, Spanish, Russian, Mandarin and German).

Interventions

- Providing mentorship: young people will work alongside the current tour and nature guides for training purposes. This is seen as crucial in passing on the experience to the youth.
- The youth will also be supported to learn foreign languages so that they can work as tourist guides who will assist tourists that speak foreign languages.

Supporting projects

Government has submitted a proposal to ensure the maintenance of National Park Assets as well as some of the attractions in the country. The purpose of this is to ensure longevity and protection of the environmental infrastructure of these parks. This is a three-year project, which will initially focus on five national parks, namely, Kruger National Park, Addo, Golden Gate, Kgalagadi and Marakele. Social Partners believe that the upkeep of these parks may open opportunities for the guides and park rangers that we are referring to in this proposal.

Factors critical to enable success

- That the Department of Higher Education and Training (DHET) recognises the development of language development as a critical skill.
- The Department of Home Affairs resolves the challenges that the sector raised on Visa regulations.
- There are also vehicle-licensing issues which affect tour and bus operators. This issue affects the usage of buses and shuttles that are used by operators in the sector. Licensing is a responsibility of the National Public Transport Regulator.
- That funding is secured from the TOMSA Collaborative Fund as well as Culture, Arts, Tourism and Hospitality SETA (Cathsseta).

3.3 Pathway Management: Solutions to accelerate the transition of Not in employment education or training (NEETs) onto pathways for earning income

Programme Description

Many unemployed young people remain locked out of the economy. : Targeted, just in time, demand intelligent solutions are needed to ensure that economically excluded young people access opportunities and are enabled to follow a structured pathway into sustained economic activity – whether these are jobs in large corporates, jobs in SMMEs, micro franchising opportunities, opportunities in the social economy or opportunities in the public sector.

Inclusive hiring efforts must be deliberate and seek to maximise impact, and in this regard, there are a number of opportunity areas where better, queuing, matching, and pathways could occur. To this end, the following should be designated as priority focus areas:

- Formal, large corporate jobs as well as SMME jobs – mostly retail, hospitality and low-skilled industrial opportunities

- Public employment opportunities (CWP, EPWP)
- Formal sector entrepreneurship (public and private incubators/business development services and public and private enterprise programmes and supply chain contracts
- Local micro-enterprises providing local goods and services and social economy opportunities
- Local and global gig economy opportunities (servicing customers by distance, through digital platforms)

Interventions

- Public and private funding will be directed to funding work readiness interventions that find the shortest, simplest way to "close the gaps" that young people have and to transition young people to these opportunities, and which don't incentivise endless training, but rather, the conversion from training to employment.
- The intervention will explore different pathways for young people including:
    - the formal economy;
    - engaging people in public employment interventions and exploring the relationship between these opportunities and community and social enterprises.
    - developing a range of opportunities to support people who have initiated survivalist activities so as to grow their participation in local economies including other labour market pathways (e.g. entrepreneurship).
- The pathway manager will make it easier for poor young people to access opportunities and have their potential "seen." In this regard they will:
    - Work to share and distribute existing and innovate and test new more inclusive and non-qualification dependent tools with which to assess a young person's potential and readiness, signal their aptitude and match for an opportunity, and enable their self-credentialing.
    - Get employers ready, willing and able to deliberately source and hire from this excluded pool.
    - Make it easier for corporate and especially SME employers to access, assess and on-board young work-seekers.
    - Continuously map and match young people effectively to opportunities that are within affordable transport routes of their homes, so they can "afford" to work.
- Social Partners agreed to put in place mechanism to support young work seekers; such as
    - Addressing the cost of data and other administrative costs
    - The cost of transportation

Supporting Projects

Harambee has existing partnerships including: National and Provincial Departments, Municipalities, Business Associations, over 450 Individual Employers, Youth formations and other community leaders e.g. the SAYC. Other NPOs and CBOs and over 10 Private Sector, Local and International, Donors and Foundations

Factors Critical to Enable Success

- Access to information on all unemployed youth that are not in employment, education and training
- Facilities and other private/ public sector owned infrastructure for the delivery of programmes
- Access to equipment/tools such as tablets, computers, hand tools, protective gear amongst others
- Sustainable funding to support worker-seeker efforts and pathway support.

4 Inclusive Growth Interventions

4.1 Workplace mechanisms to improve workplace collaboration

Social partners agree that sound workplace relationships between workers and management contribute to the productivity and sustainability of companies. Social partners recognize that individual companies have introduced a range of mechanisms to facilitate engagement between workers and management. However, this practice is not sufficiently widespread and practical tools and capabilities to enable this are lacking.

Social partners note the agreements in respect of workplace collaboration and engagement in the Labour Relations Accord and Code of good Practice on collective bargaining and industrial action as part of the agreement reached on labour relations stability for which the ILO has committed capacity resources.

Social partners therefore agreed to explore opportunities for resources and processes to support building more inclusive and cooperative workplace engagements between workers and management to solve workplace problems, including at a minimum: collaborative worker-centered and productivity driven workplace relations and production processes.

Additional Opportunities that could be explored include:
- Providing better resourcing and training for Productivity SA,
- The International Labour Organisation (ILO) has committed to making an array of support services including workshops, training and workplace interventions available for such interventions.
- The Productivity and Training Institute (PTI) of the National Bargaining Council for the Clothing Manufacturing Industry (NBCCMI) offers to make itself available to share its learning and lessons with other bargaining councils, in the event that they wish to replicate such services. The PTI is a worker-centric productivity advisory service operated by the industry regulator and established by Employer and Employee bodies to the bargaining council as a value-added service to the clothing manufacturing sector.

4.1.1 Worker equity and representation on company boards

Social partners acknowledge that transformation objectives and the Employment Equity Act processes already require introduction of mechanisms to achieve equity for previously disadvantaged persons in companies. Social Partners also agree that these mechanisms generally do not specifically address equity for workers in companies, although some companies include this in their mechanisms. Providing workers with equity in companies can serve to deepen transformation and engagement of workers with their companies -.

4.2 Reporting by Business on Executive Pay Ratios in Annual Reports

Programme description

South Africa has one of the highest levels of inequality in the world. This is reflected in the workplace where there are significant disparities between the pay of executives and lowest paid workers.

There is currently no information available as to the extent of the disparity and how it manifests across sectors. There is also no consistent mechanism in place to measure disparities. With a lack of clarity on the ratio, and what should be included as remuneration in the formulation thereof, the disparity is not well understood.

The purpose of this initiative is to understand the nature and extent of the challenge and how it manifests, and thereby develop a consciousness that will lead to action on the part of business. This will be done by first introducing voluntary reporting on pay ratios (in Annual Reports) with the intention to move to mandatory reporting based on defined ratios (also in Annual Reports). The modalities and the feasibility of mandatory reporting must be informed by research and consultations with various stakeholders. By providing a mechanism for companies to report on wage ratios, this will highlight where there are significant disparities and will encourage employers to self-reflect and address the problem. This will also create a meaningful evidence base.

Interventions

- Social Partners agreed that the modalities of achieving this would be developed o the basis of research to be undertaken by business under the oversight of a NEDLAC Task Team to provide oversight
- Engage with Ayabonga Cawe, Xesibe Holdings, regarding their research in order to develop a proposed methodology (including the desired ratio, scope and definitions)
- Engage with
    - the Johannesburg Stock Exchange in order to assess the feasibility of mandatory reporting of pay ratios among their listed companies.
    - the Auditing Profession with regard to reporting of the ratio in Annual Financial Statements
    - Institute of Directors of South Africa (IODSA) on the role of Remuneration Committee (REMCO) in monitoring and addressing pay inequality
- Consult with companies on the proposed reporting format and formulation
- Finalise formulation and reporting standards.
- Awareness campaigns (both for the voluntary period of disclosure and for when the mandatory)
- Research to monitor and evaluate the reported ratios

Factors critical to enable success

- Allowing for a reasonable period of time within which reporting will be voluntary (thereby creating awareness and a self-imposed opportunity for business to introspect, consider, own and address the problem).
- Ensuring that the form of reporting is appropriate and practical.
- Ensuring that the ratios upon which reporting will be done is properly informed by research.

4.3 Gender Pay Gap: Pilot Project to Develop Methodology

Programme description

Gender parity is fundamental to whether and how economies and societies thrive. According to the World Economic Forum, South Africa is ranked 19th out of 144 countries in a global index report on gender inequality. While South Africa has made progress in addressing the representation of female legislators, senior officials and managers, the gender wage gap has increased. In fact, South Africa is ranked at 114th in terms of wage equality for similar work. It is estimated by StatsSA, that women in South Africa earn 23% less than men for similar work.

Addressing the issue of the gender wage gap is a crucial issue to increase inclusion in the economy and drive transformation.

By addressing the gender pay gap, organisations can begin to unpack and understand the complex nature gender equity manifests within the workplace and the implications it has on society. This proposal aims to move organisations towards a more inclusive and equitable working environment for women that takes into account the unfair and often discriminatory practices, processes and systems that disadvantage women.

While companies are required to disclose salary information in the Employment Equity reporting, there is inconsistency in measurement and calculation of the pay disparity in terms of gender. This is further complicated when overlaid with issues of race, location etc.

Interventions

The goal of the pilot project is to assess the viability of the following, through research:

1) A methodology that is standardized and simplified that will provide for the calculation of the gender pay wage gap (to be used by individual companies).
2) Understanding existing pay disparities by conducting pay equity analysis
3) Working towards improving and correcting disparities with timelines and targets set

Factors critical to enable success

- Commitment from private sector companies to participate in the pilot project
- Access to income and wage data

4.4 National Minimum Wage

The recently agreed National Minimum Wage (NMW) shall have the effect of raising the wages of nearly 6 million workers. This represents a substantial intervention on reducing wage inequality. It is also a measure to stimulate aggregate demand in the economy through wage led growth.
Social Partner agreed to:

- Full commitment in rolling out the NMW.
- Effective monitoring and enforcement in the implementation of the NMW.

4.5 Addressing Custom Fraud and Illegal Imports

Social Partners have agreed that existing measures to address customs fraud and illegal imports should be enhanced and that implementation of the new measures, (e.g. measures to ensure all importers are VAT compliant). The new Customs legislation should be expedited to address this problem, both at the ports of entry, but also inside the country (e.g. post clearance audit, manufacturing under rebate, warehousing etc.).

Social Partners agreed on the following interventions:

4.5.1 Trader Management (entity level)

Licensing and Registration

Historically traders were subject to the registration, licensing and accreditation regime based mainly on the information submitted by the applicant to SARS. In the new Customs Registration, Licensing and Accreditation (RLA) system, and in line with the new 2014 Customs Control Act, all role-players in the supply chain are subject to the requirements to either license or register, and which allows for automated third-party verification of data, including companies' past compliance and convictions.

It is noted that the new RLA system is currently being developed by SARS and the 1st phase of implementation is scheduled for the first half of 2019. RLA provides for an end-to-end entity view across tax products so compliance is determined holistically and not only from a customs perspective. Significant work has been done to inform relevant stakeholders about the enhancements and latest requirements. Attached to the implementation of the New Customs Act Programme (NCAP) programme as a whole, there is a very strong change management and communications strategy which includes stakeholder sessions, road-shows, workshops etc. plus regular forums in which SARS co-creates solutions with trade.

Supply Chain Management

SARS is in the process of implementing a sophisticated system for the reporting of goods and conveyances. This system will enable SARS for the first time to have real-time data matching between declaration and logistics data and to account for all goods imported or exported in South Africa.

Profiling and Screening

It was noted that implementation of the new customs legislation introduces a new landscape with end to end supply chain operations. This includes a single centralised client information system with clean validated and vetted data including validations against 3rd party data sources such as banks, utility bills, verification etc.

SARS is investing in upgrading its risk systems to have an end-to-end coverage across declarations, cargo reporting and audit. These risk upgrades are based on the principle of segmentation wherein scarce resources are focussed on the highest risk opportunities.

Elements of the assessment could include characteristics of the trading entity (e.g. past behaviour, penalties imposed, number of vouchers of correction submitted, cargo reporting in supply chain value and volume of goods imported per year, customs declaration (HS code, valuation, and country of origin) and new import transactions.

Processing / Declaration Management (transaction level)

Reference Pricing

The Social Partners agreed that reference pricing is an important risk indicator. Business commits to reviewing the *harmonized system codes* (in the sectors listed below) and will apply for disaggregation of the relevant tariff codes to improve specificity. This will be done in time for the next tranche of consideration of new tariff headings which is February 2019.

The Social Partners agree that up to date reference prices should be maintained and utilised in segmenting the categories of non-compliance in order to prioritise the highest risk for interventions. There are a number of risk indicators in place which *inter alia* includes reference prices, for the identified products. However, their successful implementation is highly dependent on industry participation in Industry Forums: through this process, business has committed to reviewing participation of the private sector in these forums.

VAT indicator on Local Reference Number (LRN) declaration

Only clients who are liable for VAT need to be registered. SARS will consider whether to make the data field a mandatory and fully validated field against the VAT system. The purpose of the VAT indicator with regards to customs declaration is to confirm whether or not the client intends to claim input VAT from SARS. It was agreed that SARS will look at the link between the LRN in the customs declaration and the VAT code, and to include verification of liability for registration for VAT at the time of post clearance. This would assist in all importers being VAT compliant.

Capacity Building

The different capabilities in customs might be skilled in terms of the customs regimes, however they lack skills in product identification etc. and therefore it is necessary for industry to support Government in capacity building.

Business commits to engaging with industry associations involved and represented at industry forums with a view to assist in training inspectors on the details and specifics of their own industry to improve inspections and the knowledge and skills of such inspectors.
Business commits to engage with industry associations and identify those that could commit to allowing SARS officials to attend any training opportunities that they arrange for their members on issues relating to customs fraud. Such training opportunities will be timeously communicated to Government.

Business also commits to exploring partnerships with the Customs Academy in line with similar commitments to support TVET colleges.

Verification of Compliance to Customs Legislation

Documentary Inspections

SARS in its documentary inspection procedures requires the submission of a variety of supporting documentation. These documents are usually submitted electronically; however different units of SARS may require documentation at different times and for different interventions. SARS commits to developing a capability which will allow all required documents to be uploaded once and utilised amongst the different team types.

Physical Inspections

It was agreed that physical and/or non-intrusive inspections, focusing primarily on high-risk traders and / or consignments should take place at the following: on cargo at the time of entry; on transit cargo upon entry and exit; Rebate stores; Excise stores; and, Bonded warehouses.

Random Checks

It was agreed that the use of random checks is an important element of enforcement. It is agreed that the success of random checks should constantly be assessed by SARS.

Audits

Post Clearance Audit

The Social Partners agreed that post clearance audits were an important part of internal control as referred to above. Such audits should be across the board without losing the emphasis on high risk trade entities. Generic successes will be shared with industry and labour at SARS' quarterly industry meetings, industry forum meetings and in the media. SARS has developed an audit case management system which is currently in pilot implementation phase, and in which all audits and their outcomes will be recorded. The Social Partners agreed that the approach to risk management has to be an end-to-end approach across the supply chain.

Data Analytics
Business commits to investigate the feasibility of establishing a trade platform and a well-resourced data team that will be able to analyse and interrogate trade data for suspected fraudulent activities and provide alerts to Government on suspected instances of fraudulent activities, including under-invoicing, movements over chapters and in HS codes coupled with Country of Origin and cargo reporting, starting with the HS codes to which risk rules apply Further work will be done on a timeframe on when this team will start operating. To ensure transparency of this work, the terms of reference and the work of this data team and the details of the platform will be shared with and open to other social partners.

Compliance Management

Preferred Trader Status
The Social Partners agreed that the preferred trader program should be vigorously pursued and that awareness of the benefits of the program will be widely communicated through industry associations in collaboration with SARS.

The Social Partners agreed that the consequences i.e. penalties, suspensions or prosecutions, of non-compliance by a preferred trader should be clearly articulated, and in the event of illicit practice de-accreditation will apply and re-entry into the accreditation programme will only be considered after rehabilitation.

To encourage continued compliance by traders on this programme, it was agreed that the names of those companies that lose their preferred trader status through criminal conviction will be published on the SARS website. SARS will establish a working group with relevant government agencies (e.g. SABS, NRCS, SAPS, the dti, ITAC, DAFF etc.) to socialise the preferred trader and the Authorised Economic Operator (AEO) programme.

The Social Partners also agreed that the signing of Mutual Recognition Agreements between different customs administrations was an important element of overall risk management and that the countries with which such agreements are concluded will be reported on the SARS website. It was agreed that agreements with key trading partners would be prioritised.

Enforcement/Illicit Trade Interventions

Tactical Interventions
It was agreed that improved tactical interventions on sites where suspected illegal imported goods are kept or sold, are an important tool in dealing with customs fraud. It was acknowledged that there is room for improvement in this area. It was agreed that the partnership between SARS and other relevant government entities

must be strengthened, including joint interventions, issuing of search warrants and conclusions of Memoranda of Understanding (MoUs).

The Social Partners agreed that specialist enforcement teams, with a focus on key commodities, e.g. clothing and textiles, tobacco, and fuel, should be reconstituted. Raids will focus on major distribution nexus of imported goods, including warehouses.

Prosecution

It was agreed that the partnership between SARS and other relevant entities must be strengthened to address obstacles to successful prosecution. High-profile investigations would be prioritised with an aim to convict as this will boost confidence in the fight against customs fraud. Enforcement successes leading to conviction will be publicised in the media.

It was noted that MOUs with SAPS, NPA and the Judiciary were already in process. The Social Partners agreed that conclusion of these agreements should be expedited. This is part of strengthening the rule of law, which is a key pillar of the Jobs Summit agreement and will be cross referenced with the agreement on anti-corruption.

Sharing of information

Within the parameters of the legislation, information will be shared that details the impact of the different campaigns and verifies the success of the different risk remedies applied by SARS. Information should be shared at a sectoral level pertaining to interventions, inspections and audits, and may include prosecutions, valuation cases, inspections and successes. SARS will where possible, include quantification. SARS will work in collaboration with industry forums to develop the reporting mechanism.

Prohibitions and Restrictions

Policy and legislation that gives rise to prohibitions or restrictions (import and export) are the jurisdiction of the relevant government departments. For ease of understanding of the obligations in terms of such requirements there is a single list of prohibition and restrictions which are managed by SARS to facilitate focussed attention on the correct prohibited and restricted goods, and that such goods must have a unique HS code allocated to them.

SARS, on a frequent basis makes requests to other government agencies to notify them, in terms of their legislation, where amendments should be made to review the current prohibited and restricted goods list and to ensure that it is complete.

SARS does have a published policy and Standard Operating Procedure in place which governs *inter alia* the amendment of the prohibition and restrictions list.

General Agreements

Consideration of the usefulness of dedicated ports of entry in specific industries will be prioritised in the further work to be undertaken in the NEDLAC Task Team after the Jobs Summit, with a possible pilot project in one industry being introduced to determine its usefulness.

The Social Partners agreed that customs control plays an important role in the economy. Therefore, within the current budgetary constraints, due consideration should be given to the critical vacancies in inspections, investigations and customs related work. Parties may take this up in the discussions on the filling of critical vacancies in the state as part of the Jobs Summit discussions.

4.6 Enhance Socio – Economic Impact Assessments

Programme description

The Socio-Economic Impact Assessment System (SEIAS) was approved by Cabinet in February 2015. The primary objective of the SEIAS is to assess the socio-economic impact of policy initiatives, legislation and regulations in order to assist Government Departments to better formulate these.

The current SEIAS focuses mostly on the costs associated with the introduction of new policy and legislation while taking into account the following factors:

- Social cohesion
- Security (safety, food and financial)
- Economic growth
- Employment creation
- Environmental sustainability

The purpose of this initiative is to enhance and improve the SEIAS to ensure that additional priorities are considered when the assessments are conducted as to ensure that any unintended consequences are avoided/mitigated. Emphasis will be placed on the following key priorities when conducting a SEIAS:

- Impact on employment (including job retention and creation).
- Impact on SMME's
- Impact on skills development
- Impact on investment
- Impact on transformation objectives

Areas of intervention

1. The SEIAS Interdepartmental Steering Committee, together with the Department of Planning, Monitoring and Evaluation to review and amend the following documents to include a focus on the impact on job retention, SMME's, skills development, investment and transformation:

   - The SEIAS Guidelines (May 2015)
   - The SEIAS standardised templates

2. The Department of Planning, Monitoring and Evaluation to provide training to Government officials who are responsible for conducting SEIAS to ensure that they understand and also focus on the additional priorities ear marked above.

Factors critical to enable success

- A commitment from Government to amend the SEIAS documents as quickly as possible.
- Ensure that all officials who conduct SEIAS assessments, are provided with adequate training and information to consider the additional priorities.

4.7 Social Economy and Social Enterprises

Programme Description

The social economy policy promotes the creation of decent jobs in a growing, sustainable and inclusive social economy sector. The policy will provide a framework for supporting social enterprises that create jobs and address social and environmental needs which have arisen from the crises of poverty, poor healthcare services and infrastructure, environmental issues, access to basic services and resources; social market failures and the breakdown of social capital, amongst others. This sector's primary objective is to address social problems through financially sustainable business models where surpluses (if any) are mainly reinvested for that purpose.

Interventions

Social partners agreed to:

- Implement Institutional mechanisms to drive and guide the Social Economy interventions.
- A process to use available evidence to support the social economy. These include:
    a. Analysis of the scope, nature and key areas of growth of the Social Economy in South Africa
    b. Sectoral analysis of a key sector with potential for creation of decent jobs in the Social Economy
- Strategic support for the implementation of practical interventions for the social economy sector, that includes
    a. Partnerships with Development Finance Institutions to refine instruments/incentives programmes
    b. Identify and unblock challenges for investments in social enterprises
    c. Provision of technical assistance for scaling up and replication of practical interventions
    d. Number of social enterprise start-ups unblocked, supported and grown

- Enhancing the role of the Industrial Development Corporation (IDC) social economy support programme to broaden and deepen IDC's impact in an integrated and sustainable way.

Supporting Projects:

1. Social enterprises in farming and rural development
2. Social enterprises in fishing (including west coast communities)
3. Social enterprises in manufacturing
4. Social enterprises in finance (stokvels, credit unions, coop banks, financial coops)
5. Community social activities (child-care, school-feeding groups)
6. Community and public employment activities (CWPs, EPWPs, work of DPW with social entrepreneurs)
7. Healthcare activities (HIV counselling and home-based care, community health workers)
8. Environmental activities (Working for water/fire; environmental NGOs, community-trusts in the green energy projects)
9. Worker and genuine broad-based equity in normal private-sector commercial enterprises
10. Education activities (community pre-schools, union training facilities)

Factors critical to enable success

- Coherence of interventions
- Increased access to funding for social economy

5 Public and Social Interventions

5.1 Public employment

5.1.1 Strengthening of EPWP National Youth Service (NYS) programme

Programme Description:
The proposal from Government is intended to increase the impact of the existing NYS programme in the built environment (for artisan trades) through projects implemented by the National and Provincial Department of Public Works by upscaling and increasing successful placements. Social partners noted that the current funding would not be increased but that the success of placement of youth for job experience and employment once they exited the program could be addressed.

Interventions

- Business agreed to explore mechanisms to increase the number of placements. This requires a greater interaction between Business and Government in specific sectors to ensure that training provided during participation in the EPWP responds to the skills needs in the private sector.
- Social partners agreed to extend the scope of the NYS programme across a number of additional sectors.

Factors critical to enable success:
Linking the demand for specific skills with the supply available through EPWP training.

5.1.2 Youth Environmental Service

Programme Description:
This initiative aims to improve the impact of the Environmental Sector's Youth Environmental Service – the initiative involves unemployed young people in activities and interventions that provide an environmental service that benefits the community whilst they are also provided with opportunities for personal development, accredited training and exit opportunities. This programme is a subset of the broader National Youth Service discussed above.

Interventions

- Business agreed to explore mechanisms to improve placements.
- Business and Government will interact in specific sectors to ensure that training provided during participation in the EPWP responds to the skills needs in the private sector

Factors critical to enable success:
Thus far the key challenge has been in providing exit opportunities for these youth, where the target of 75% has not been achieved due to limited job opportunities in the country as well as the lack of host institutions where

beneficiaries can ply their trade in line with the accredited training that has been undertaken.

5.1.3 Collaboration on advocating for the implementation EPWP Recruitment Guidelines

Programme Description
To support fair, transparent and equitable recruitment processes for EPWP participants.

Interventions

- Government and Community agree to collaborate on the implementation of the EPWP Recruitment Guidelines
- Government and Community also agree to promote the use of these Guidelines to ensure that the selection of EPWP participants is done in terms of clearly defined criteria and a clearly defined process.

Factors critical to enable success:
The public will be encouraged to report such cases to the local structures and if the local structures fail to resolve these issues then this information will be escalated to the Department of Public Works for further investigations.

5.1.4 Strengthening of EPWP Vuk'uphile Contractor Learnership Programme

Programme Description:
The Vuk'uphile Contractor Learnership Programme is an existing EPWP initiative that focuses on the development of contractor companies that can implement projects labour-intensively.

Intervention

- The proposal from Government is to train 500 Vuk'uphile contractors and 500 supervisors over the next five years leading to the development of these contractors to support labour-intensive projects.

Factors critical to enable success:
The Vuk'uphile Programme depends on:

- Public bodies that include provincial departments and municipalities that will identify training projects.
- Construction Education Training Authority (CETA) that will provide quality assurance of training done and provide certificates to learner contractors and supervisors.
- A Financial Service provider that will provide project finance and bridging finance for contractors.
- Business proposed that mentorship must be made an integral part of the project so that contractors transfer skills as part of their contract.

5.1.5 Collaboration on the Working for Water Programme

Programme Description:
The Working for Water Programme focuses on the control of invasive species because they pose one of the greatest threats to economic well-being, human health, the productive use of land and the functioning of natural systems. These control measures include the use of labour-intensive methods to e.g. clear invasive plants along rivers. By using labour-intensive methods, jobs are created while making a very positive impact on the control of these invasives.

Interventions

- Social partners agreed that there is a need for a coherent programme to prevent the introduction of potentially invasive species. This will include;
    - An early-detection programme to eradicate emerging species; the safe use of biological control species (the natural enemies of invasive species);
    - The prioritization of control of those invasive species causing the most damage (e.g. water security, fire, erosion, pollution);
    - The effective use of the biomass generated from the clearing of invasives; and,
    - The responsible utilization of invasive species that have value.
- Business agreed to engage with Government after the Summit to develop a comprehensive approach to linking elements of the Working for Water Program with its commitments in respect of water and sanitation. This could include:
    - Improving collaboration between private sector land owners in respect of clearing invasive species; raising alerts of infestations in forest or plantations under their control
    - Improving collaboration in improving surface water quality by taking responsibility for specific parts of rivers in proximity to their operations.

Factors critical to enable success:
There is a need to scale up the Working for Water programme considerably if South Africa is to address the scourge of invasive species.

5.2 Social Audits as part of M & E of EPWP

Programme Description
Social Audit is a new approach to performance improvement and outcome measurement. The Department of Public Works, EPWP Programme, will pilot this new approach in collaboration with the community constituency in NEDLAC. The audits will be undertaken by youth between the ages of 18 and 24 who have not been admitted to institutions of higher learning and are unemployed.

Just as a financial audit verifies how money is being spent, a Social Audit verifies how programmes and services are being carried out, with the goal of making them better and more reflective of social, environmental, and community objectives. A Social Audit aims to bring about improvements in a programme or a public service by undertaking a systematic evaluation of public records and user feedback. It is intended to help users understand and assess the strengths and weaknesses, successes and failures of a programme or a public service. Social Audit is also a way of increasing community participation, strengthening links with government and/or service providers, promoting transparency and public accountability, and instilling a sense of responsibility among all those involved.

Intervention

- Social Partners agreed on the development of the Social Audit Framework and how to establish linkages with the existing EPWP Monitoring and Evaluation Framework.

Factors critical to enable success:

The implementation of a social audit by the community may require substantial technical support particularly in obtaining and analysing the data.

5.3 Employment Tax Incentive

Social partners agreed that the ETI should be extended for 10 years with a review after 5 years with interim reporting. This should be communicated to the Standing Committee on Finance and its deliberations of the 2018 Taxation Laws Amendment Bill.

It was agreed that in order for the ETI to work effectively, the following will need to be addressed.

- South African Revenue Services administrative matters;
- Skills development;
- Advocacy and awareness campaign;
- Review of the monetary value and eligibility income range, subject to the availability of funds, and
- Explore overlap between government programmes.

It was further agreed that the following will be considered in the next ETI review subject to budget constraints:

- Amendment and eligibility age range for the ETI. It is proposed that the age range be increased to 18-35-year olds in line with other youth employment initiatives (such as YES provided for in the B-BBEE Codes).
- A review of the R6000 cut off should be considered with a view to increasing it to R8000.
- The needs of SMEs, their challenges with red tape and reporting, should be considered should any amendments to the system of reporting be proposed. The approach should be standardisation and simplification and to avoid adding complexity with the objective to increase SME participation in the ETI.

5.4 Training Layoff Scheme

Programme Description
Social partners agreed that implementation of the training layoff scheme (TLS) had mitigated the impact of job losses in some cases but that the efficiency of its application and its effectiveness could be improved.

Interventions
Social partners agreed on a range of approaches to achieve the objective of improving the scheme.

These included the following:

- A single body, namely the CCMA should manage the entire TLS value chain. This has been approved by the Director General of the Department of Labour. The institutional structure has also been agreed to and approved and would be constituted of the representatives of the CCMA, Department of Labour, the SETA's and Productivity South Africa
- The UIF will fully fund the CCMA for the cost processing of TLS applications.
- A single set of qualifying criteria will apply to all applicants. This will be developed by the TLS administrative structure and will be communicated.
- Cap on basic salary to be increased from R 9358.00 to R 12839.00 per month as per the BCEA.
- In line with the monitoring mechanism agreed to by the social partners, the CCMA will provide a quarterly report as part of its oversight responsibility to the Presidential Jobs Presidential Jobs Committee at NEDLAC should play an oversight role over the implementation of the TLS.
- The establishment of a single administrative body at The CCMA will provide a more efficient payment regime that will respond within 20 days.
- The administrative body established at the CCMA will further establish and deploy where necessary a rapid response team in instances where section 189A applications envisages a large number of possible layoffs.
- Where necessary and feasible the UIF will approve and fund training which may not be provided through a SETA

Critical interventions needed for success
It is agreed that there will be further engagements to discuss the following areas with a view to early finalisation:
- Application and administration of SETA funding for training
- Refinement of qualifying criteria,
- Streamlining qualifying criteria

Social partners agreed that the TLS should form an integral element of the job protection strategy as identified by the social partners and therefore an integral element of the Jobs Summit Agreement. It was agreed that the areas of agreement reached in the TLS task team should be implemented without delay and the final agreement on the modalities should be achieved within one month of the signing of the Jobs Agreement.

5.5 Anti-Corruption

Social partners committed to the collaborative finalisation and implementation of the National Anti-Corruption Strategy expected to be published early 2019.

5.5.1 Business Anti-Corruption Activities

Social partners noted that the business constituency will support the implementation of the National Anti-corruption Strategy and its 9-point plan through:

- Committing to a zero-tolerance approach to corruption and fraud.
- Establishing a visible and vocal leadership collective to champion anti-corruption activities in the business community and to advocate for ethical and honest business practices, including thorough establishing accountability at leadership level for this.
- Developing and rolling out meaningful anti-corruption training at all levels within companies that is on ethical business practice.
- Making these training materials available to other social partners should they wish to utilize and customize them.
- Partnering with government to eradicate corruption and fraud in procurement through establishing integrity pacts to guide procurement processes that would bring transparency and bind both parties to a code of conduct with consequences for transgression.
- Implementing the agreements reached to combat illicit trade and customs fraud

Social partners agreed to collaborate with Business in the implementation of this agreement as appropriate.

5.5.2 Enhanced transparency on public servants' financial disclosures and identification of lifestyle audit needs as part of such disclosures

Description:

Social partners have raised concerns that public officials seem able to act without fear of consequence for illegal or unethical choices. In particular, three key problem areas were highlighted:

1) Taking bribes to facilitate access to government contracts, tenders or services.
2) Setting up companies to profit from delivering government contracts, tenders or services.
3) Failing to provide the citizens of South Africa for the services the government has paid for them to receive.

Interventions

- Require all Supply Chain Management officials at all levels to do financial disclosures (currently only senior management and the Executive is required to do financial disclosures)
- Enable voluntary publication of anonymised information from financial disclosures increasing transparency by making information available to more than Parliament.
- Investigate the set-up of a risk management tool, that collates information from various databases in order to highlight or flag inconsistencies as part of the identification of the need for a lifestyle audit.

Social partners supported this intervention and committed to collaborating with Government in its implementation where appropriate.

Factors critical to enable success:

No single intervention will be able to tackle the scourge of corruption alone. This project forms part of a broader set of initiatives that will be rolled out under the National Anti- Corruption Strategy (NACS). The development of risk management tool is still in the early stages and the input from Business on the design of will be crucial. The challenge is to develop a tool that is cost-effective and can be rolled out on scale but in such a way that it doesn't violate the rights of the individuals to e.g. the protection of their personal information.

5.5.3 Government Anti-Corruption Communication Campaign

Programme Description

Research is showing that corruption is increasing in our society, across all sectors. This widening corruption affects the economy and our job creation efforts as a whole and impacts on our ability to deliver services, and robs citizens of a fair chance to compete for economic opportunities.

Interventions

Against this background, social partners have agreed on:

- A social media-led campaign that educates citizens about the ills of corruption, builds awareness of the actions they can take and empowers them with information to act. In order to build confidence in leadership, the public needs to see more evidence of convictions, expulsions and disciplinary action across all sectors, particularly in relation to high profile cases. Where privacy considerations and legal processes do not inhibit this, the campaign will highlight successes in the areas of convictions, expulsions and disciplinary action.
- The campaign is supported by a pledge in which all stakeholders will be challenged to come out and publicly support anti-corruption initiatives on radio, television or social media.
- Social partners will dovetail this campaign with their in-house anti-corruption communications strategies where appropriate.

- Publication of convictions of people prosecuted for corrupt activities.

These interventions will have indirect impact on employment by addressing some of the deterrents to investments and inclusive economic growth.

Factors critical to enable success:
Fighting fraud and corruption is a societal challenge that requires the involvement of everyone and depends on behavioural change. The latter will be promoted if there is more evidence that there are consequences for wrongdoing hence the inclusion of regular reporting on convictions, expulsions and disciplinary action in the campaign.