



MINISTER  
ECONOMIC DEVELOPMENT  
REPUBLIC OF SOUTH AFRICA

# **ECONOMIC DEVELOPMENT**

## **MEDIUM TERM STRATEGIC PLAN 2010/11 – 2012/13**

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## FOREWORD BY MINISTER

We are delighted to present this first Strategic Plan of the Economic Development Department. It sets out the work areas that the Department will focus on in the next three years, and the actions that will be taken in 2010.

Nine months ago President Zuma appointed Deputy Minister Gwen Mahlangu-Nkabinde and me to the portfolio of Economic Development. We were asked to set up a Ministry and thereafter create a Department, the first completely new department of state that has been established in the last ten years.

Over the nine months, much has been achieved. The legal and financial basis of the new department has been established. A basic policy capacity has been created.

The machinery to respond rapidly to the recession of 2009 was put in place and this resulted in a number of agreements and actions to address the employment and development consequences of the recession.

A Strategic Plan was developed during the first few months and has been expanded as the work areas of the new department were developed.

At the heart of the Strategic Plan are a set of actions directed at one over-riding outcome: to increase the number of decent work opportunities in the economy. This requires a pro-employment growth path that absorbs larger numbers of people into the economy. But sustainability requires that we achieve this goal while setting the economy on a low-carbon path. This means we must seize the opportunities of the green economy. In the process of creating jobs and addressing climate-change concerns, we can use knowledge and innovation as a means to further our goals.

This Strategic Plan responds to those needs and sets out some of the challenges we face, the areas of policy, coordination and action that will be addressed and the operational outputs that we seek to achieve in each of the three years of the medium-term planning cycle.

We will refine these in the light of experience and complement them with clear, measurable outcomes that government will set for itself in the months ahead.

I thank my colleague Deputy Minister Mahlangu-Nkabinde for her work in the portfolio and the staff who have contributed to establishing a department and producing policy outputs.

I welcome the newly-appointed Director General, Professor Richard Levin who took office on 1 February 2010. I look forward to working with him and the Deputy Minister as we build a responsive department of government, staffed with quality managers and economic policy specialists and able to make a solid contribution to achieving the economic goals of decent work, balanced economic development and increased equity in the society.

Ebrahim Patel, Minister of Economic Development

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## **WORD OF WELCOME FROM THE DEPUTY MINISTER**

The past fifteen years of democratic rule in South Africa have been characterised by policy making and legislative reform aimed at meeting constitutional imperatives. One of the central programmes of reconstruction is the development of human resources. It is human resources and not capital, income or material resources constitute the ultimate basis for the wealth of nations. Human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political organisations and carry forward national development.

The people of South Africa are the country's most important asset. If all South Africans are to meaningfully participate in economic, political, industrial capacitation and social development as well as their own advancement, they must not only have general capabilities; given the demands of a more complex and changing economy, characterised by increasing use of information, more complex technologies and a general rise in the skill requirements of jobs, people must also have rising levels of applied competence.

Inequality is becoming the new face of our economy. When 10% of the population enjoys 61% share of the total national income, when our economy imports too many goods and services, when our citizens are less productive, when most shops in townships and villages stand empty, when some of our citizens eat from landfill sites, when government spends billions of rands to reduce the inequality gap while the gap continues to widen, it is clear that we need a new way of thinking going forward. It is indeed time to do things differently.

South Africa needs to be a developmental state. Many South Africans have been excluded from the economic activities of our country. The creation of jobs is the most fundamental aspect that will reduce poverty and improve inequality levels. We therefore need to develop a growth path that is labour-absorbing in order to create the much needed jobs.

We have learnt from the economic events of preceding months that the global economy is full of uncertainties. Our economy therefore needs to be cushioned from these uncertainties. Central to this is economic development that will increase the economy's competitiveness against our trading partners, reduce poverty and improve inequality.

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

We are delighted to present our first strategic plan which we believe brings new strategies and approaches that create the best platform to balance the economic growth and economic development of our beloved nation. It follows that it is time to align all our national activities in a way that will balance economic, environmental and social matters.

I dedicate my time and energy to a better, more inclusive economic dispensation in our beloved country South Africa.

Ms Gwen Mahlangu-Nkabinde, Deputy Minister of Economic Development

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## DIRECTOR-GENERAL'S OVERVIEW

The Ministry of Economic Development was established in May 2009 when President Zuma announced a restructured national executive following his inauguration. No infrastructure was in place, no staff, no department and no resources. The Ministry established its headquarters on the campus of the Department of Trade and Industry (the dti) and has received invaluable corporate services support from the dti. The Ministry participated in the National Macro-Organisation of the State (NMOS) process, a project led by the Department of Public Service and Administration (the dpsa) and the National Treasury. Accordingly, the Economic Development Department (EDD) was established, a budget for the short and medium term secured and an organisational structure finalised.

I was appointed Director-General in February 2010 and joined a small but able team which is tasked with establishing the corporate services of the department, including corporate governance processes, and the staffing of the department, beginning with the most senior managers and their immediate support staff. Accommodation for the department is another key issue to be addressed in this process. At the same time EDD must establish line function capacity in order to take forward the programmes of the department.

The department engaged with the National Treasury in developing its chapter for the *Estimates of National Expenditure (ENE)*. EDD based its submission for the *ENE* on a draft of this strategic plan, which sets out the vision for the department and the content of the work of its programmes. This encompasses economic policy development, economic development planning and coordination, and economic development and dialogue. The *ENE* also reflects that three development finance institutions and three economic regulatory bodies will report to the Minister of Economic Development with effect from 1 April 2010. The department will provide strategic and policy guidance to these entities as well as corporate governance oversight.

We rationalised our programme structure to make allowances for the fact that the department is in the process of establishing itself and at least initially will not be fully staffed. We have determined a smaller number of programmes and sub-programmes. Readers will notice that there are workstreams within some sub-programmes that in due course may become sub-programmes in their own right. The organisational structure of the department provides for an establishment of 252 staff, which will have to be recruited in a gradual process over at least three years. Staffing will expand as the functions identified become needed to deliver on the department's mandate.

I would like to place on record our sincere appreciation for the assistance that has been given by the dti to date in accommodating EDD and lending corporate management expertise and support. In 2010/11 the department will focus on establishing itself with continued support from the dti with a view to establishing fully fledged corporate services by 1 April 2011. EDD will implement the recruitment plan and begin to make its contribution to the economic development debates of the country. A flagship initiative is the paper on the desired Growth Path for the country, which will be refined and consulted upon in the first half of 2010.

Professor Richard Levin, Director-General: Economic Development Department

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## INTRODUCTION

The Economic Development Department (EDD) was formally established on 7 July 2009, following President Zuma's announcement of a new structure for national government. The President stated on 10 May 2009 that "Cabinet... has been reorganised to achieve better alignment between the structure, our electoral mandate... and the developmental challenges that need to receive immediate attention from government".

In line with this, the President announced that "[a] new department of Economic Development has been established to focus on economic policy making".

In his State of the Nation address on 3 June 2009, the President stated: "The creation of decent work will be at the centre of our economic policies and will influence our investment attraction and job-creation initiatives. In line with our undertakings, we have to forge ahead to promote a more inclusive economy."

During the Presidency Vote on 24 June 2009, the President stated: "The Economic Development portfolio will have a strong domestic focus and will address, amongst others, matters of macro and micro-economic development planning."

The new Department is, therefore, part of a new configuration of government that centres on the four inter-connected areas of policy-development, planning, effective implementation and continuous monitoring and evaluation.

The Department will be responsible to develop economic policy with a broad, cross-cutting focus so that macro and micro-economic policy reinforce each other and are both aligned to the electoral mandate. The Department will also be responsible for economic development planning and will work collegially with other departments to ensure coordination around a programme that places decent work at the centre of government's economic policies in order to secure better employment outcomes.

## ECONOMIC DEVELOPMENT AND THE DECENT WORK AGENDA

Economic development refers to more than the quantum of growth; it embraces the impact of economic activities on the quality of life of South Africans. In this context, decent work is at the heart of government policies. Broad-based, balanced economic development is critical to the achievement of decent work outcomes.

The decent work agenda in turn embraces a number of mutually reinforcing elements:

- Promoting **employment-creation** including through measures that improve the labour-absorption capacity of the economy, draw large numbers of unemployed persons into work opportunities, encourage investment that maximises employment, foster dynamic

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economic growth, expand the skills base of the workforce and promote sustainable enterprise development;

- Expanding **social protection** with a comprehensive social security system (that embraces medical, old-age, unemployment and other contingencies) and that provides a basic floor of support for the poor and vulnerable in the society and wage measures that provide a decent income to those who work;
- Respecting **worker rights** and constitutionally-entrenched labour standards and ensuring that the employment relationship is strengthened, job security is promoted and workers have access to representative union organisations to pursue their interests through effective collective bargaining with employers and employer organisations; and
- Utilising **social dialogue** as a means to address the challenges facing the society, build a common national vision and enhance partnerships at the workplace, within the economy and in the society.

The decent work agenda is central to economic development and it seeks to draw the unemployed into jobs, transform the precarious survivalist activities in the informal, second economy into sustainable and viable activities in the economic mainstream and progressively expand the quality of employment.

Employment is critical to South Africa's development and growth.

The fundamental departure point of government's approach is that employment should not be the residual outcome of other policies but the overarching goal of economic policies. There is also a dynamic relationship between growth, employment and development. Rising employment and living standards have positive economic outcomes and are a vital source for sustainable economic growth.

To achieve government's decent work outcomes, the labour-absorption rate, the composition of economic activities and the sustainability of the growth path are as important as the quantum of growth. In other words, the country requires an employment-led growth-path. In this regard, government is concerned with both the number or quantity and the quality of jobs, both of which are embraced by the concept of decent work.

## **ECONOMIC DEVELOPMENT AND A LOW-CARBON ECONOMY**

The scientific evidence of climate change induced by the patterns of economic development over the past 150 years, is compelling. The recession has created space for countries to consider the growth paths that preceded it, and intensified calls for lasting solutions to be found in the recovery. There is a global call for recovery to set economies on a more socially, environmentally as well as economically sustainable growth path in line with the Global Green New Deal. Issues of social and environmental sustainability must be integrated into any effective effort to attain sustainable economic growth and development.



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South Africa is currently on a carbon-intensive growth path, faced with constraints in the supplies of traditional carbon fuels and evidence of the costs of environmental degradation. Though the scale of the challenge posed by climate change in the context of recession and persistent poverty and unemployment is daunting, it also presents an opportunity. There is an opportunity to generate private investment, build up industrial capacity, create jobs while acting to mitigate for environmental degradation.

This model recognizes the interdependence of economic activities, growth and natural ecosystems and affirms the shift away from development policy that perceives a trade-off rather than synergy between economic development and environmental management.

Development of a low carbon economy is critical to addressing the concurrent challenges of sustainably meeting the rising electricity demand associated with economic growth, mitigating ecological damage and externalities, and finding new drivers to economic growth that will create sustainable growth of economic activities and employment opportunities.

The pursuit of a low carbon economy will have financial and economic costs but will also create economic value in the form of green jobs created in the new industries and economic activities such as energy efficiency, water, waste and land management. These can create economic benefits in the form of decent and green jobs in the adjustment to and development of a low carbon growth path.

## **BUILDING ON OUR STRENGTHS**

There have been many positive achievements since 1994.

The foundation of a new society has been built by enshrining the basic human and democratic rights of all in the country's constitution. The institutions of our new democracy have been established.

Worker rights have been advanced through the development of progressive labour legislation and introduction of social security benefits. Access to housing and basic services such as electricity and water has been significantly expanded.

Great progress has been made in promoting gender equality, especially in government. Women are also better positioned to access basic services and social, economic and political opportunities. Affirmative action laws have been introduced.

The country has enjoyed 15 years of peace and stability and the country's international responsibilities and recognition have grown. South Africa plays a significant role in peace, reconstruction, development and integration, especially in southern Africa and on the African continent.

During the past 15 years the economy has grown every year until the recent global economic crisis. Investment has increased as a share of gross domestic product. The siege economy that developed during the sanctions period has been replaced by one that is more integrated in the

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global economy. South Africa's financial governance has been widely praised. Some progress has been made in securing wider access to ownership and entry to many professions has now been deracialised.

In building on these strengths, the following critical issues will be addressed:

### **Challenges of poverty, income and wealth inequality and unemployment as well as rural under-development**

Economic growth has been welcomed but is not sufficient to fully address economic and social challenges. The employment performance of the economy has not adequately met the needs of the society. The number of jobs created has lagged behind the demand for jobs. A number of the newly-created jobs have been precarious and of poor quality and many of those jobs are under pressure or have disappeared as a result of the recession.

Poverty is pervasive, particularly in rural areas but also among the urban poor. The rural and urban working poor and the unemployed expect a change for the better.

Income inequalities remain large and have a negative impact on both social cohesion and economic development.

Unemployment is among the highest in the world, with a high proportion of working poor. The recession is exacerbating an already intolerable condition. By the fourth quarter of 2009, the Labour Force Survey recorded a loss of 870 000 jobs from a year earlier and noted that 518 000 more people had joined the ranks of discouraged work-seekers.

The country's 'human development index', a UNDP measure of human welfare based principally on health, education and living standards, places South Africa 129<sup>th</sup> out of 182 countries in the **2009 Human Development Report**.

These challenges provide a formidable backdrop to the policy and implementation work of government and featured strongly in the political campaigns and political Manifestoes of different parties during the general election period in 2009.

### **The Government's Electoral Mandate**

The government's electoral mandate identifies five priorities, all of which have linkages to the challenges of economic development. They are:

- The transformation of the economy to create decent work and sustainable livelihoods.
- The implementation of a comprehensive rural development strategy, agrarian reform, and measures to ensure food security.
- The provision of universal, affordable education, which empowers our people and promotes development.

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- The creation of a national health care system, which promotes a healthy nation which is able to effectively participate in developing our society.
  - A comprehensive strategy to fight crime and corruption, to secure safe and cohesive communities, and make our public sector a powerful vehicle for delivery and clean governance.

Economic development plays an important role in achieving the five priorities and is central to the attainment of decent work. The dynamic relationship between education and economic performance draws attention to one linkage. Quality health-care is vital to sustained economic development and brings a significant economic return. Rural development must of necessity embrace an economic dimension, although it goes beyond only this dimension. The combating of crime requires both more effective policing but also an economy that absorbs young people in large numbers. In short, economic development has a two-way link with each of the five priorities: it strengthens the attainment of those goals and at the same time, the success that government achieves in each of the priority areas will enhance the attainment of economic development goals.

The transformation of the economy will include a number of programmes, which taken together, constitutes the employment-generating decent work growth path.

The political mandate from the electorate includes the following:

- **To make the creation of decent work opportunities and sustainable livelihoods, the primary focus of government economic policies.** Government will make maximum use of all the means at the disposal to achieve this including the programmes of development finance institutions and regulatory bodies, through government procurement and public incentive rules, in industrial, trade, competition, labour market and other policies.
- **To ensure that macro-economic policy is informed by the priorities in the electoral mandate and actively promote creation of decent employment, economic growth, broad-based industrialisation, reduced income inequality and other developmental imperatives.** Economic policy will include measures to decisively address obstacles that limit the pace of employment creation and poverty eradication, and government will intervene in favour of more sustainable and inclusive growth for all South Africans.
- **To ensure that state-led industrial policy leads to the transformation of the economy.** Adequate resources will be provided to strengthen the state-led industrial policy programme, which directs public and private investment to support decent work outcomes, including employment creation and broad economic transformation. The programme will target labour-intensive production sectors and encourage activities that have high employment effects. It will include systematic support for co-operatives by way of a dedicated support institution and small business development; supporting investment in productive sectors; and working together with countries in southern Africa to invest in the regional economy.

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- **To implement special sector programmes embracing industrial, trade and other measures backed by adequate resources.** This will include the strengthening of the manufacturing, mining and other vulnerable sectors, and tide them through the period of the global economic crisis, saving and growing jobs in the clothing and textile sector, strengthening the automobile and components sector, expanding the food industry and other sectors.
  - **To ensure that a comprehensive package of measures is introduced to promote beneficiation programmes,** to ensure that the natural wealth of the country is shared, and developed locally, and to accelerate the creation of decent work opportunities in manufacturing and services.
  - **To engage the private financial sector in order to facilitate its transformation and diversification** including the development of the co-operative financial institutions as well as ensuring that the sector contributes to investment and developmental priorities of the country.
  - **To develop programmes to promote the important role of mining and agriculture in employment, meeting basic needs and community development,** and commit to continued transformation of these sectors to achieve national goals. Furthermore, government will ensure meaningful benefits for communities who gave up their land for mining activities.
  - **To support tourism and other services** in order to expand work opportunities.
  - **To develop and invest in a programme to create large numbers of 'green jobs',** namely employment in industries and facilities that are designed to mitigate the effects of climate change.
  - **To ensure that the mandates of development finance institutions are clear and truly developmental** and that their programmes contribute to decent work outcomes, achievement of the country's developmental needs and sustainable livelihoods.
  - **To lead a massive public investment programme for growth and employment creation.** In the period ahead, government will accelerate and expand its investment in public infrastructure. This will include expanding and improving the rail networks, public transport, and port operations, dams, housing construction, information and communications technology and energy generation capacity as well as education and health infrastructure, and in the process create additional decent work opportunities whilst meeting the basic needs of the society.
  - **To step up a massive programme on expanded public works linked to infrastructure and meeting social needs** with home-based care, crèches, school cleaning and renovation, community gardens, removal of alien vegetation, tree planting and school feeding.

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- **To address quality of employment issues**, government will introduce laws to regulate contract work, subcontracting and out-sourcing, address the problem of labour broking and prohibit certain abusive practices. Provisions will be introduced to facilitate unionisation of workers and conclusion of sectoral collective agreements to cover vulnerable workers in these different legal relationships and ensure the right to permanent employment for affected workers. Procurement policies and public incentives will include requirements to promote decent work.
  - **To create an environment for more labour-intensive production methods as well as** procurement policies that support local jobs and building public-private partnerships.
  - **To vigorously implement broad-based economic empowerment and affirmative action policies** and adjust them to ensure that they benefit more broad sections of the South African people, especially workers, youth, women and people with disabilities. Policies will, in addition, actively promote skills development and equity at the workplace.
  - **To launch a much larger national youth service programme** focusing on access to funding and employment creation, which will be linked to skills development opportunities and build decent work opportunities for young people.

### **Global Economic Crisis and the impact on South Africa**

The challenge is to implement this mandate in the context of a global and domestic economic crisis which resulted in a global and local economic recession.

The global economic crisis was triggered inter alia by gross imbalances and inequities in the global economic system, the impact of the “financialisation” of economies, ineffectual regulation in several of the major economies and poor business practices, including excessive and inappropriate executive pay schemes.

While the crisis first appeared in the financial sector, it rapidly became a deep real economy and jobs crisis.

The aftermath of the crisis will affect economies across the globe, including South Africa’s, for a number of years, certainly for a significant period of the medium-term strategic framework.

The country will need to rapidly recover from –

- a major downturn in the economy;
- a loss of industrial capacity in a number of sub-sectors;
- A decline in mining output, particular of platinum group metals and diamonds;
- Increased insolvencies and liquidations;

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- A sharp drop in consumer spending;
  - Reduced credit extension; and
  - A significant jobs challenge.

These trends aggravate an underlying set of structural problems in the economy.

### **Framework for South Africa's Response to the Economic Crisis**

On 19 February 2009, government and social partners in NEDLAC agreed on a *Framework for SA's Response to the International Crisis*. The framework outlines bold, immediate and urgent interventions to ensure that the South African economy and society are buffered against the full impact of the international economic crisis. These include:

- maintaining high levels of public investment in infrastructure to support private and public job preservation and creation;
- deploying macroeconomic policies in combination and aggressively, where required, to address the economic crisis;
- utilising industrial and trade policies to rebuild local industrial capacity and avoid the erosion of the country's manufacturing base;
- utilising a combination of measures on public employment, private sector initiatives, including training, to avoid massive job losses; and
- scaling up social interventions to address the jobs challenge and ensure social protection.

This framework has led to a number of direct actions over the period, particularly since August 2009.

### **The Economic Development of Africa and the Interface with the Global Economy**

South Africa's broad strategic focus includes the goal of developing other African economies, not only as an act of solidarity, but as fundamental to meeting the country's own national economic goals. This requires that policy should be directed to more economic opportunity, reciprocal investment and trade within Africa. The trajectory of global economic development over the last few decades has been towards larger regional economies. The economies of scale and increased consumer markets, the synergies between regional industrial producers, the secure sources of raw materials, the skills pool, all the benefits that flow from a strong regional economy, are considerable.

The African continent is an opportunity awaiting innovative approaches to development. As a UN Report noted, Africa is endowed with human and natural resources, environmental diversity and cultural richness. The continent is youthful with close to one billion people, of whom 60 per cent are under 25 years old. This is a huge resource – today and tomorrow's labour force that

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need to be assisted into productive and decent work. The ending of a number of civil wars and the consolidation of democratic rule has been accompanied by robust economic growth, averaging 5,9% between 2001 and 2008, though over recent years largely driven by commodity price increases.

Africa's contribution to the global economy is disproportionate, however, to Africa's benefit from the global economy.

One of the most significant dangers is that of a de-industrialisation in which the continent continues to lose many of its key manufacturing sectors and enterprises, and sinks deeper into being simply a provider of raw materials to the rest of the world. That danger, of entrenching the old colonial pattern of simply exporting unprocessed agricultural and mining output and importing manufactured goods, is real. In the current global economic architecture, the structure of trade is stacked against Africa. The global economic crisis may not have created, but it does seriously exacerbate, these deindustrialisation pressures.

The development agenda for South Africa contains the seeds of a new growth path for the African continent. For example, the domestic programme of infrastructure development needs to be linked to a continental infrastructure plan. National industrial policy should also be mirrored by a broader Africa-wide industrialisation strategy. There are enormous opportunities in developing an integrated production and supply-chain across the region.

With these opportunities go responsibilities including to ensure that South African business practices elsewhere on the continent are developmental and respect fair labour and environmental standards.

## **A BOLD ECONOMIC VISION**

The political mandate and the framework agreement together constitute a bold economic vision. It aims to put our economy on a new growth path and to inspire and mobilise society. This vision is being translated into a concrete programme that combines short term, defensive measures with longer term structural interventions to transform our economy. These will link immediate measures aimed to protect the economy and society in the face of the economic crisis and transformative measures to deal with structural economic problems.

The Medium-Term Strategic Framework of government constitutes a programmatic framework for the realisation of these.

This employment-led growth path requires carefully-considered policy initiatives as well as better implementation of economic programmes. It requires a strong, effective, responsive and democratic developmental state that works closely with both business and organised labour, drawing the resources and talents of South Africa's people into a national consensus.

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## A NEW APPROACH

This vision necessitates a new approach of integration instead of “silo” based departmental programmes. Government seeks to avoid ad-hoc policy development in many different sites within the state. Policy coherence is the new focus, including in respect of macro and micro economic policies and economic and social policies.

The creation of an Economic Development Department with policy and planning functions provides further means to strengthen government efforts to implement its economic programme. The Department has new functions not taken on within the state previously as well as responsibility for certain existing functions carried out by other departments. This is achieved in the context of an evolving model of co-operative and effective governance, which ensures both horizontal co-operation and integration of policy across national institutions of government and state, as well as vertical co-operation between different spheres of government, at national provincial and local levels.

## EDD’S AIM

The aim of the Economic Development Department is to promote economic development through participatory, coherent and coordinated economic policy and planning for the benefit of all South Africans.

It will therefore:

- co-ordinate the economic development contributions of government departments, state entities and civil society;
- contribute to efforts that ensure coherence between the economic policies and plans of the state and state entities on the one hand, and the government’s political and economic objectives and mandate on the other; and
- promote government’s ability to achieve its goals of advancing economic development with decent work opportunities.

## POLICY MAKING AND PLANNING

Following the pronouncement of responsibilities of the Economic Development Department by the President, the mandate of Economic Development includes economic policy development as well as economic planning functions.

For the purposes of this document, a *policy* is a set of principles or objectives intended to influence and guide the decisions and actions that reflect agreed practice about how the state uses its powers. A *plan*, on the other hand, is an operational guide to the implementation of policy. It sets out the projected outcomes (the output, for example, the target number of jobs) and the resource requirements (the inputs, for example, the level of investment required, the skills needs and the infrastructural development to underpin it). Moreover, it specifies the relationship and



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sequencing between these two aspects, which includes the time-frames applicable to both these aspects. Planning refers to the process and a plan to the outcome.

These definitions are pragmatic and accord with a commonsense approach to the distinction between “policy-making” and “planning”. They will, therefore, guide the EDD’s approach to the fulfilment of its mandate.

## **SERVICE DELIVERY MODEL AND PROGRAMME STRUCTURE**

EDD will achieve its aim and mandate by promoting economic policy development, coordination, planning, coherence and alignment:

- on national economic policy development challenges and programmes;
- through spatial economic development programmes;
- through the mandates and work of state entities responsible for economic regulation and financing of economic development;
- in interactions with business and organised labour to develop social consensus on economic development challenges, policies and responses; and
- in policy work that maximises the economic development impact in the domestic economy in its interface with the global economy.

The EDD will render three types of programmes.

The first, Administration, will provide support services to all programmes within EDD.

The second is a service delivery programme, which involves the direct delivery of services to the public.

The third type of programme is an enabling programme, which facilitates and enables other programmes to provide for direct service delivery or performance. They may also provide facilitation services to non-governmental service delivery agents. Examples of enabling programmes include programmes providing sector-wide strategy and policy guidance, supporting regulatory functions, providing sector-specific resources and programmes responsible for managing financial transfers to other bodies operating within the sector. In some cases enabling programmes may facilitate service delivery at provincial or local level.

EDD will add value to government’s capacity to deliver largely through enabling programmes. For example, in the area of small business development the Department will conceptualise and strengthen the policy framework, ensure that key objectives such as the fostering of decent work and sustainable enterprise development are embedded in policies and assist institutions such as development finance institutions to define and align their role, strategies and functions to these

policies. Implementation or service delivery will then occur through the line functions of departments with service delivery programmes, like the dti, and state entities, like Khula.

The department's service delivery programmes are principally in the provision of social dialogue and related services at national, sectoral and at the workplace level.

As a result of EDD's cross-cutting mandate, its work will be enhanced by strong partnerships with other departments and public service institutions. These include partnerships with at least the following national government departments and state entities: the Presidency (including the National Planning Commission and Monitoring and Evaluation), the dti, National Treasury, Labour, Rural Development and Land Reform, Co-operative Governance and Traditional Affairs, Higher Education, Basic Education, Public Enterprises, Public Works, Women, Children and People with Disabilities, Communications, Human Settlements, Public Service and Administration, Social Development, Water and Environmental Affairs, Science & Technology, Agriculture, Forestry and Fisheries, Mineral Resources, Tourism, Energy, Health, Transport, Home Affairs and International Relations and Cooperation. Partnerships will also be vital with key development finance and investment institutions and economic regulatory bodies.

An indicative list of these partnerships is set out in the table below.

EDD has, therefore, adopted the following programmes and sub-programmes in order to achieve its aim.

*Table 1: Summary of Programmes and Sub-programmes*

| ITEM | PROGRAMME                          | SUB-PROGRAMME   | KEY PARTNERSHIPS  |
|------|------------------------------------|---|---|
| 1    | <b>Administration</b>              | <ul style="list-style-type: none"> <li>Ministry</li> <li>Director-General's Office</li> <li>General Management Services</li> </ul>  | <ul style="list-style-type: none"> <li>The dti</li> <li>National Treasury</li> <li>Public Works</li> </ul>  |
| 2    | <b>Economic Development Policy</b> | <ul style="list-style-type: none"> <li>Growth Path and Creation of Decent Work</li> <li>Economic Policy</li> <li>Broad-Based Black Economic Empowerment</li> <li>Second Economy</li> <li>Economic Development Institute and Research</li> </ul> | <ul style="list-style-type: none"> <li>The Presidency (including the National Planning Commission and Monitoring and Evaluation)</li> <li>The dti</li> <li>National Treasury</li> <li>Labour</li> <li>Rural Development and Land Reform</li> <li>Co-operative Governance and Traditional Affairs</li> <li>Higher Education</li> <li>Basic Education</li> <li>Public Enterprises</li> <li>Public Works</li> <li>Women, Children and People with Disabilities</li> <li>Communications</li> <li>Human Settlements</li> <li>Public Service and Administration</li> <li>Social Development</li> <li>Water and Environmental Affairs</li> <li>Science &amp; Technology</li> </ul> |

| ITEM | PROGRAMME                                  | SUB-PROGRAMME  | KEY PARTNERSHIPS  |
|------|--|--|---|
|      |  |  | <ul style="list-style-type: none"> <li>• Agriculture, Forestry and Fisheries</li> <li>• Mineral Resources</li> <li>• Tourism</li> <li>• Energy</li> <li>• Health</li> <li>• Transport</li> </ul>  |
| 3    | <b>Economic Planning and Co-ordination</b> | <ul style="list-style-type: none"> <li>• Spatial, Sector and National Economic Planning</li> <li>• Investment for Economic Development</li> <li>• Competitiveness and Trade for Decent Work</li> <li>• Economic Development, State Budgeting and Financial and Procurement Processes</li> <li>• Green Economy</li> </ul> | <ul style="list-style-type: none"> <li>• The Presidency (including the National Planning Commission and Monitoring and Evaluation)</li> <li>• The dti</li> <li>• National Treasury</li> <li>• Rural Development and Land Reform</li> <li>• Co-operative Governance and Traditional Affairs</li> <li>• Higher Education</li> <li>• Basic Education</li> <li>• Transport</li> <li>• Energy</li> <li>• Home Affairs</li> <li>• Labour</li> <li>• Public Enterprises</li> <li>• Public Works</li> <li>• International Relations and Cooperation</li> <li>• Development finance and investment institutions</li> <li>• Economic regulatory bodies</li> </ul> |
| 4    | <b>Economic Development and Dialogue</b>   | <ul style="list-style-type: none"> <li>• National Social Dialogue and Strategic Frameworks</li> <li>• Sector and Workplace Social Dialogue</li> <li>• Capacity Building for Economic Development</li> <li>• Productivity, Entrepreneurship and Innovation</li> </ul>   | <ul style="list-style-type: none"> <li>• The Presidency (including the National Planning Commission and Monitoring and Evaluation)</li> <li>• The dti</li> <li>• National Treasury</li> <li>• Labour</li> <li>• Rural Development and Land Reform</li> <li>• Science &amp; Technology</li> <li>• Co-operative Governance &amp; Traditional Affairs</li> </ul>   |

Each of these programmes and sub-programmes will be discussed in turn. The key outputs and activities associated with each programme and sub-programme are summarised in the table at Annexure A.

### **Programme 1 – Administration**

The purpose of this programme is to co-ordinate and render an effective, efficient, strategic support and administrative service to the Minister, Deputy Minister, Director-General, the EDD and its agencies.

The programme consists of the following sub-programmes:

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1. Ministry
  2. Office of the Director-General
  3. General Management Services

#### ***Sub-programme 1: Ministry***

The purpose of this sub-programme is to provide effective, efficient, strategic support and administrative service to the Minister and the Deputy Minister. This includes the following functions:

- the management of all matters pertaining to the Ministry's executive obligations;
- the management and co-ordination of all contributions to and from cabinet and the presidency;
- support for the Ministry's engagement with the EDD, other government ministries and departments, Parliament, provincial departments of economic development and provincial and municipal executives and legislatures;
- support for the Ministry's engagement with international economic agencies and foreign economic representatives; and
- support for the Ministry's engagement with stakeholders, including social partners, communities, the media and the public in general.

#### ***Sub-programme 2: Office of the Director General***

The purpose of this sub-programme is to provide effective, efficient, strategic support and administrative service to the Director-General and the EDD. This includes the following functions:

- provide strategic advice and support on legislation, policies, policy alignment and co-ordination;
- render a Parliamentary service;
- support the Department's participation in the cluster system;
- liaise with the Ministry and departmental branches on operational and administrative matters;
- ensure effective document flow between the office of the Director-General, Ministry and departmental branches; and
- provide sound internal audit and risk management services.

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### ***Sub-programme 3: General Management Services***

The purpose of this sub-programme is to provide effective, efficient, strategic support and administrative service to the EDD. This includes the following functions:

- corporate governance services, including planning and reporting;
- the provision of competent legal services;
- the management of human resources;
- the provision of effective information technology services;
- the provision of financial management and related services, including supply chain management;
- the provision of a communication strategy and related support services, including campaigns, events and protocol matters; and
- the provision of other corporate services.

### **Programme 2 – Economic Policy Development**

The purpose of this programme is to develop economic policies that (a) transform the structural economic problems in pursuit of decent work and green economy outcomes; and (b) address the negative growth and employment impact of the global economic crisis.

The overall functions of this programme are to:

- develop South Africa's path for economic growth and the creation of decent work;
- undertake work to ensure macro and micro economic policies that are coherent and aligned to the broader economic objectives;
- co-ordinate the economic development programmes of government;
- draw the links between different policy and programme areas and economic development objectives;
- engage with civil society and manage their contributions to policies for economic development; and
- conduct economic policy research that informs the formulation of appropriate economic policies.

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The programme consists of the following sub-programmes:

1. Growth Path and Creation of Decent Work
2. Economic Policy
3. Broad-Based Black Economic Empowerment
4. Second Economy
5. Economic Development Institute and Research

Each sub-programme is elaborated below.

### ***Sub-programme 1: Growth Path and Creation of Decent Work***

The MTSE recognises the centrality of a growth path that addresses the economy's structural constraints, expands the industrial base and creates decent work opportunities on a larger scale. In addition it is necessary to build a low-carbon economy and infuse knowledge and innovation throughout the economy.

The purpose of this sub-programme is to develop the necessary policies to realise such a growth path.

It is envisaged that the department will produce papers and policy proposals that elaborates the path for South Africa's economic growth and development and the creation of decent work, building on the medium-term strategic framework.

This sub-programme will, amongst others, establish an economic development index on strengthening coherence and alignment between the different domains of economic policies of the state in order to maximize economic development and employment.

This sub-programme will generate fact sheets, policy briefings, policy proposals and working papers. Platforms for economic policy debates ("policy platforms") will be created. Conferences, workshops and consultations with domestic stakeholders and international persons and bodies will be held.

### ***Sub-programme 2: Economic Policy***

There are three workstreams within this Subprogramme:

1. Macro-economic policy
2. Micro-economic policy
3. Economic Modelling

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### *Macro-economic policy*

In pursuit of its developmental agenda, government uses a set of policy tools such as taxation, public expenditure, subsidies, credit access and interest rate changes. Macro-economic policy seeks to co-ordinate the use of these policy tools so that they deliver sustainable human development outcomes. As part of the broad levers of policy, macro-economic policy impacts on employment, investment and economic growth, among others. To achieve an environment that is conducive for sustainable employment-generating growth, macro-economic policy plays a key role. Policy work on the macro-economy should clarify the trade-offs that government faces at any given point in time, and provides guidelines for government to make choices in the face of these trade-offs.

The purpose of this workstream is to identify macro-economic policy options available to the country, evaluate different options against development and decent work goals and make recommendations to cabinet on policy issues. In so doing, it will identify pertinent macroeconomic policy issues with due regard to the policy goals of government, the lessons from international experiences, the priorities for African development and the challenges posed by the global economic crisis.

### *Micro-economic policy*

Micro-economic policy deals with policies targeted at the development of economic sectors, firms and households. It aims to ensure the promotion of investment in the real economy, efficiency of economic institutions and productivity, thereby raising income levels and living standards.

The purpose of this workstream is to identify the available micro-economic policy options, evaluate different options against development and decent work goals and make recommendations to cabinet on policy and implementation issues. In so doing, it will identify pertinent micro-economic policy issues with due regard to the policy goals of government, the lessons from international experiences, the priorities for African development and the challenges posed by the global economic crisis. In order to perform its functions effectively, it will develop an economic intelligence database on real economy entities, economic entities that the state has a shareholding in and provides incentives to or which have received state support. In fulfilling its functions, the workstream will research and develop policies that help produce equity and the generation of full employment.

### *Economic Modelling*

The economy is a complex dynamic system. A formal and quantified framework is an irreplaceable adjunct to the processes of policy thought. Many economic policy measures can only be understood and discussed properly with the help of a model which sets out the key relationships between economic variables. When analysing the consequences of a policy proposal at the macroeconomic level, where “everything relates to everything else”, a model is indispensable. Models help establish synergy between various policies by capturing empirically important effects and indirect links in the economy and quantify the impact of policy proposals

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on aggregate variables (e.g., growth, employment, inflation, etc), sector performance, poverty and inequality.

The purpose of this workstream is:

- To outline and analyse future paths of the economy under a different mix of policies in a consistent manner.
- To quantitatively analyse the likely impact of policy options and shocks on the main growth and development index.
- To analyse the impact of uncertainty on the economy by showing how the system will respond to different development in external factors such as oil prices or world trade.

### ***Sub-programme 3: Broad-based Black Economic Empowerment***

Broad-Based Black Economic Empowerment (B-BBEE) aims to ensure that the economy is structured and transformed to enable the meaningful participation of the majority of its citizens and to further create capacity within the broader economic landscape at all levels through skills development, employment equity, socio economic development, preferential procurement, enterprise development, especially small and medium enterprises, promoting the entry of black entrepreneurs into the mainstream of economic activity, and the advancement of co-operatives. B-BBEE needs to be implemented in an effective and sustainable manner in order to unleash and harness the full potential of black people and to foster the objectives of a pro-employment developmental growth path.

The purpose of this sub-programme is to develop and re-shape policies to give greater effect to these objectives. In doing so, EDD will work in close co-operation with the dti, who will drive the implementation of these policies, and other departments involved in B-BBEE processes.

### ***Sub-programme 4: Second Economy***

The second economy refers to the range of activities that are often marginal, outside the regulatory net and survivalist in character. Large numbers of South Africans are employed in the second economy, which overlaps with what is referred to as the informal economy. The structural features of the economy create a symbiotic relationship between the first and second economies, yet without the transfer of incomes and sustainable dynamism that is required.

The purpose of this sub-programme is to develop policies that will transform second economy activities into dynamic, competitive activities that are part of the economic mainstream and included in the country's tax and other arrangements. The goal is to ensure decent incomes for entrepreneurs and workers. It will involve a mapping exercise that shows the links between the first and second economies and that develops policy proposals to transform the second economy. Close cooperation with other government departments will be necessary.



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### ***Sub-programme 5: Economic Development Institute and Research***

Any economic development policy making and planning process needs a systematic and high quality research programme with dedicated capacity. It should include statistical and data analysis and be able to synthesize independent expert advice and research.

The purpose of this sub-programme is to establish an **Economic Development Institute** that is able to draw together leading economic researchers and economic development practitioners. A separate institute, reporting to the Department, will make it easier to draw in researchers and practitioners from various institutions through fixed-term contracts, the commissioning of research projects and the convening of research teams. The institute will have three key functions: to provide analysis of data collected by the state and other institutions, to produce research and policy papers and lastly, to popularise and make accessible issues of economic policy as a means of empowering the citizenry on a crucial area of policy. It will also develop a resource centre on economic development.

The Institute will have publications and programmes aimed at state officials, shop stewards, private sector managers and the public on economic development issues. It will commission research, host seminars and workshops and create a database of global and local economic development initiatives and institutions.

It will take some time to establish the Institute, and therefore, in the interim these functions will be performed by the department primarily through contract programmes. In time, however, they will be migrated from the department to the Institute. The Economic Modelling Unit will similarly be consolidated within the Institute once it is fully established.

### **Programme 3 – Economic Development: Planning and Coordination**

As stated earlier, planning involves an operational guide to the implementation of policy. It sets out the projected outcomes and resource requirements as well as the relationship and sequencing between these two aspects, which includes the time-frames applicable.

The planning process will involve the use of numerous tools and institutions such as state owned enterprises and expanded public works programmes (EPWPs). Although, for example, the latter is the responsibility of the Department of Public Works, EDD's role will be to assist the line department to identify ways to maximise economic development outcomes, on the employment impact of different public works programmes. The EDD will draw on local and international experience as well as information in other departments.

The purpose of this programme is to develop economic planning proposals for consideration by Cabinet and for submission to the National Planning Commission to be incorporated in the wider national plan. It will contribute to coordination and coherence between macro and micro economic policies. This will be achieved through the development of these plans for the consideration of the Economic Sectors and Employment Cluster of Cabinet.

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The programme will also provide oversight and strategic direction to certain development finance and related institutions and economic regulatory bodies. It will contribute to the work of other departments that are participating in African and regional institutions, international economic agencies and multilateral institutions. It will build economic opportunities including the job creation potential of green economic activities.

This programme, therefore, consists of the following sub-programmes:

1. Spatial, Sector and National Economic Planning
2. Investment for Economic Development
3. Competitiveness and Trade for Decent Work
4. Economic Development, State Budgeting and Financing and Procurement Processes
5. Green Economy

Each sub-programme is elaborated on below.

### ***Sub-programme 1: Spatial, Sector and National Economic Planning***

This sub-programme includes the following workstreams:

1. National Economic Planning
2. Spatial Economic Development Action Plans
3. Coherence of Provincial and Local Economic Development Plans and Agencies
4. Economic Development at Sectoral Level

### ***National Economic Planning***

Economic planning is a critical part of any overall national plan. Economic planning has a number of different dimensions, such as investment patterns, industrial development, employment creation and skills development. It addresses both outcomes as well as resource requirements. Economic planning utilises a number of tools available to government and takes account of market realities. It provides an overarching vision within which both private sector and public institutions operate.

Government is committed to developing strong planning capacity in the different functional areas of its administration. EDD will play that role in respect of economic planning. These different dimensions of the planning function need to be brought together within a coherent framework. The National Planning Commission is being set up inter alia to achieve this goal.

The purpose of this workstream is to develop economic plans for South Africa which help to realise government's broader goals, ensures that there is coherence between the economic

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development policies of the state and the policies of state entities and that the micro- and macro-economic plans are consistent.

The workstream will work closely with the National Planning Commission (NPC). It will submit economic planning proposals to the NPC for incorporation within the wider national plan. In reality, there will be a strong iteration, with insights that flow from other areas of planning shaping the economic plans. For example, projected population, migration and spatial development plans in a specific province will impact greatly on the economic plans in the area.

In doing so, EDD will, after consulting with the relevant departments and entities and evaluating the economic development impact of the programmes of state, draft economic planning proposals that promote the coherence and alignment of the state's and state entities' economic plans and that foster South Africa's growth path and need for substantial job creation.

### ***Spatial Economic Development Action Plans***

Spatial economic development is a vital part of government's national economic policy focus. Good policy choices and well-executed planning can ensure balanced economic development across South Africa's nine provinces and can help to address marginalisation and poverty, particularly in rural areas. In addition to this, spatial dimensions to industrial development are critical to certain industries, either because of inherent comparative advantages in a particular locality or the requirement of critical mass in supplier industries to create a competitive cluster.

The purpose of this workstream is to promote the development of spatial economic development action plans, particularly for key and distressed areas. The department aims to foster these actions plans through an inter-sectoral process with government departments, including Rural Development and Land Reform, Co-operative Governance, Trade and Industry, provincial governments, SALGA and key metropolitan councils, the publication of a framework agreement and by providing support to regions that are developing these plans.

### ***Coherence of Provincial and Local Economic Development Plans and Agencies***

Provinces play an important role in promotion of economic opportunities within their jurisdiction and due to their closeness to their industries and people, they have responsibilities and opportunities that national government need to support. Larger local authorities particularly the metropolitan councils have both resources and existing institutional capacities for the promotion of local economic development.

The purpose of this workstream is to build the coherence of provincial and local economic development plans. Through MinMEC and other fora, the department will, in partnership with provinces:

- identify corridor opportunities across provinces;
- identify economic clusters across sectors and regions;
- identify competitive advantages in each province and the linkages between them;

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- build strategic relationships with SALGA and the metropolitan councils;
  - build coherence and links between national and provincial development agencies; and
  - identify social partnership opportunities to promote economic development.

### *Economic Development at Sectoral Level*

Industrial policy targets both sectors and firms. The opportunities that exist in both the national and global economies require strong competitive industries as well as firms that are flexible and capable of utilising those opportunities. Government policy is to promote a number of key sectors, chosen inter alia for their labour-absorbing capacity, technological contribution to the economy, or earning of foreign exchange. Sector policies are also important in promoting labour-absorbing beneficiation of raw materials. Finally, sector policies are directed at addressing both weak economic performance and large scale job losses (distressed sectors) as well as regeneration of economic activity in particular regions and areas.

The purpose of this workstream is to promote economic development in major sectors of the economy. This will include the promotion of rural economic development and the development of industrial policy frameworks for sectors, in order to support the Industrial Policy Action Plan. This will involve a broader inter-sectoral government process that includes close cooperation with the Department of Rural Development and Land Reform and coordination with the dti on industrial policy frameworks.

### *Sub-programme 2: Investment for Economic Development*

There are two workstreams within this sub-programme:

1. Development Finance Institutions
2. Investment and Development

#### *Development Finance Institutions*

Development Finance Institutions can potentially play a critical role in marshalling large volumes of development finance to achieve economic development goals. Key state DFIs and investment bodies between them control assets and investments worth hundreds of billions of rand. These resources need to be deliberately harnessed as part of an overall development strategy, rather than operating in an uncoordinated way, or simply as commercial operations. A strategic development framework for these institutions will ensure a far greater impact in achieving the goals of our developmental state.

Through its co-ordinating role with other institutions, EDD will help to leverage the resources and expertise of these organizations to economic development outcomes. Secondly, government needs to have a department which co-ordinates certain major DFIs whose mandates substantially

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intersect, which sometimes results, for example, in separate decisions to finance the same organisations by different DFIs, without the knowledge of the other.

The purpose of this workstream is to provide oversight and strategic direction to the Industrial Development Corporation (IDC), the Khula Enterprise Finance Limited (Khula) and the South African Micro-Finance Apex Fund (SAMAF).

The relevant functions have been transferred to EDD which will become the reporting authority for the IDC, Khula and SAMAF.

Because these institutions provide services relevant to the work of the dti, EDD will work in close collaboration with the dti in co-ordinating its responsibility for these institutions, and providing oversight and strategic direction.

EDD will also review the appropriateness of these institutions' governing structures and operations and align and build coherence between the institutions' policies and strategic plans with those of the state.

**(a) The Industrial Development Corporation (IDC)**

The IDC, as a publicly-owned development finance institution, is a key lever available to government in promoting sustainable economic development. The IDC, as a major financier of industrial development, has a critical role to play in implementing a broad-based industrialisation strategy. Based on its extensive investments and involvement in various sectors, the IDC has detailed knowledge of the real economy, capacity to assist in promoting appropriate sector development strategies, and considerable research and technical ability, which are invaluable in promoting our economic development agenda. The IDC can give critical impetus to government's efforts to realign and restructure the real economy, if these capacities are harnessed in concert with other DFIs and state entities, which are actors in the productive sector of our economy.

Given EDD's specific mandate, both in economic planning and economic policy development, the capacity and expertise of the IDC will constitute a key resource base for the Department. On the other hand, EDD will ensure that investment decisions of the IDC reflect more clearly the new economic mandate. These realigned economic activities will constitute an important part of economic development planning.

The IDC will also be an important institution in promoting regional and African economic development, its mandate and activities having been extended to the rest of the African continent.

The EDD will play an oversight role over the IDC, to ensure that its activities and programmes are aligned to these developmental objectives, as outlined in Government's mandate.

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(b) **The Khula Enterprise Finance Limited (“Khula”)**

The marginalisation of small and medium business from the mainstream economy is a function of, amongst others, apartheid economic structures, excessive economic concentration, and the unavailability of affordable finance from the private financial sector. Government’s goal of broad-based and inclusive economic development, therefore, has as a key element the provision of affordable finance to small and medium business and co-operatives. Economic interventions to promote competitiveness, by combating monopolistic conduct, and to ensure availability of finance from the private financial sector, are two legs of government’s strategy. The third leg is to provide affordable public sector finance for SMME and co-operative development.

Khula Enterprise Finance, through providing such finance, is a key institution to promote economic development in this sector of the economy. However, serious obstacles have been experienced in achieving the targets previously set by government. Building on recent work done to reposition the institution, EDD will harness Khula’s capacity and expertise, to ensure a major scaling up of developmental interventions in this area, given its importance in promoting development in marginalised and rural communities.

EDD’s oversight role will seek to build on those elements of Khula’s programmes which have delivered positive results, and to ensure that its activities and programmes are aligned to the state’s development objectives.

(c) **The South African Micro-finance Apex Fund (SAMAF)**

SAMAF is a wholesale funding institution formally established in April 2006. Its mandate is to facilitate the provision of affordable access to finance by micro small and survivalist businesses for purpose of growing their income and asset base.

It also has to act as a catalyst in the development of a vibrant micro-finance industry in South Africa. The primary purpose is the reduction of poverty and unemployment, the primary goal is to extend financial services to reach deeper and broader into the rural areas, informal settlement and peri-urban settlement of South Africa. The second goal is to build a network of self-sufficient and sustainable micro-finance institutions.

EDD will exercise oversight over SAMAF’s strategy and operations, in order to ensure that it builds a stronger financial services sector for the poor, enhances the skills in the sector, builds self-sufficient institutions to ensure effective financial intermediation, creates a sustainable and vibrant micro financial industry in South Africa and ensures its activities and programmes are aligned to the state’s strategic objectives.

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### *Investment and Development*

This workstream will ensure that government is able, through its institutions and entities, policies, legal instruments, budgets and other mechanisms at its disposal, to channel and direct public investment and, where feasible and appropriate, private investment, into economic development to support decent work outcomes. These outcomes include employment creation and broad economic transformation. Investment will in particular be encouraged into activities which have high employment effects.

This programme of promoting investment for development needs systematic and careful co-ordination. Building on government's mandate, an overall programme and framework to promote appropriate public and private sector investment will be developed together with relevant departments, state entities, and private sector organisations.

This will include:

- a focus on investment for development by the public sector that includes the national government, provincial governments, municipalities and State-owned enterprises
- the promotion of investment by the local and global private sector into strategic areas and areas of job creation
- a focus on investment for development by private sector retirement funds and the Public Investment Corporation.

EDD will undertake work in the following areas:

- (a) **Public sector investments**, taken together represent a significant portion of national investments. Government seeks to promote greater co-ordination of such investments within a coherent framework. EDD will seek to formulate such a framework, in close consultation with the DPE, line function departments dealing with SOEs, as well as the relevant state entities.
- (b) **Private sector investment for economic development:** the promotion of investment by both local and foreign-based companies, into productive investments, green-field investments and in activities that will employ large numbers of South Africans is vital for economic development. The department will work with agencies and functions in government to secure these objectives.
- (c) **Retirement Funds:** private sector retirement funds control a vast asset base and investments in all sectors of the economy. There is scope to improve the level of development funding that is attracted from this asset and investment base. During the 2003 Growth Summit, it was agreed to target investment of 5% of investible funds into developmental areas and activities. Various options are available to ensure that such investment is promoted, while

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improving security of members' funds particularly in a period where the value of investments has fallen. Options available include the creation of a government development bond; and other mechanisms that result in a portion of investments being directed to development. EDD will identify appropriate mechanisms for responsibly leveraging such investments, and ensuring greater security for members of retirement funds.

- (d) **The Public Investment Corporation (PIC):** The PIC is effectively the investment arm of public sector retirement funds and certain public institutions such as the Unemployment Insurance Fund, and manages assets on their behalf. The PIC is wholly owned by the South African government, and was established as a corporation on 1 April 2005 in accordance with the Public Investment Corporation Act, 2004. The PIC is the biggest single institutional investor in South Africa, and in 2009, despite the depreciation of assets after the market crash, manages around R700 billion in assets.

EDD will work with National Treasury to help achieve the developmental goals through the investment policy of the PIC.

### *Sub-programme 3: Competitiveness and Trade for Decent Work*

This sub-programme has two workstreams:

1. Economic Regulatory Bodies
2. Continental and International Interface

#### *Economic Regulatory Bodies*

In addition to the generation of ideas and the leveraging of development finance institutions, the state is also able to make strategic use of economic regulatory bodies to influence the trajectory of economic development. Together, these instruments provide EDD with the influence to deliver on its mandate. In particular, economic regulatory bodies have the potential to play a central role in ensuring appropriate, effective and efficient government oversight of and intervention in private sector economic activity.

Key bodies that perform this function in South Africa include the Competition Commission, the Competition Tribunal and the International Trade Administration Commission of South Africa (ITAC). Whereas the first two bodies were both established in terms of the Competition Act 89 of 1998, ITAC was established in terms of the International Trade Administration Act 71 of 2002.

The purpose of this workstream is thus to provide oversight of and policy and strategic direction to these three competition and trade institutions. In addition to taking responsibility for the ongoing review and development of the bodies' policy frameworks and mandates, EDD will also become their reporting authority.



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In respect of a number of operational matters relating to competition and trade, the dti will continue to play a key role. In complementing the dti's work, EDD will also identify trends in competition and trade institutions and policies internationally so that it is able to promote alignment and coherence between these bodies' policies and strategic plans and those of the state.

The economic regulatory bodies are:

(a) **Competition Commission**

The Competition Commission was established in terms of the Competition Act (1998). It is responsible for promoting competitive market conditions through investigating and prosecuting anti-competitive activities, reviewing and approving mergers and acquisitions and exemption applications, doing research, and disseminating information to businesses, consumers and other stakeholders.

(b) **Competition Tribunal**

The Competition Tribunal was established in terms of the Competition Act (1998) and adjudicates disputes referred to it by the Competition Commission or by parties.

(c) **International Trade Administration Commission of South Africa (ITAC)**

The aim of ITAC is to foster economic growth and development, raise income levels, and promote investment and employment in South Africa and the Southern African Customs Union area by establishing an administration system for international trade. ITAC's core functions are: custom tariff investigations, trade remedies, and import and export control.

### ***Continental and International Interface***

In order to foster a developmental growth path, appropriate domestic and global conditions have to be nurtured and developed. Domestic conditions require strong economic institutions, the capacity to provide information as quickly as possible, the sequencing of business licensing and employment processes, healthy intergovernmental relations to promote the effectiveness and efficiency of the state, and a consistent approach to global dialogue on economic development issues. Furthermore, South Africa's development trajectory plays an important role in the African continent, and is shaped by South Africa's relations with global economic blocs. South Africa's development strategy must, therefore:

- strengthen south-south relations to generate sufficient support for South Africa's developmental agenda;
- promote Africa's economic integration and industrial development as a means of promoting equitable and reciprocal development on the African continent; and

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- ensure that a consistent policy is applied especially in relation to the attraction of foreign investment.

Moreover, as we engage with the powerful economies of China, Brazil, India, Japan, the EU and the United States, South Africa needs to leverage more jobs from these economic relationships and ensure that trade and investment is structured to maximise the local jobs dividend. These do not automatically flow from the normal market transactions that make up our trade relations, but require careful thought, goal-setting and effective execution. Currently, no single department is responsible for the total economic relations with key economic blocs. For example, the dti is responsible for manufacturing exports, the mining department for mineral exports and the agriculture department for agricultural exports. One department must deal with the aggregate economic development concerns in order to avoid an unbalanced or skewed relationship.

The purpose of this workstream is threefold:

- to promote African and regional economic development and policies, including in respect of the African Union (AU) and other regional groupings;
- to contribute to the work of other lead departments responsible for international economic agencies and multilateral institutions;
- to pursue, together with other departments and state entities, economic opportunities and outcomes in relation to major economic groupings such as China, India, Brazil, the European Union (EU) and the United States of America (USA).

#### ***Sub-programme 4: Economic Development, State Budgeting and Financing and Procurement Processes***

There are two workstreams in this sub-programme:

1. Economic Development, State Budgeting and Financing Processes
2. Procurement and Development

#### ***Economic Development, State Budgeting and Financing Processes***

The allocation of resources to a range of activities across government requires choices in the context of pressures on the fiscus. The basis of resource allocation is addressed through a number of existing frameworks. In the internal processes in government, priorities are identified in a number of ways: contemporary challenges, cabinet guidelines, technical strength of proposals, consistency with the electoral mandates and with government's strategic framework and programme of action, as well as compliance with sound fiscal management policies. A principal consideration is adherence to the Public Finance Management Act requirements, as well as approval by parliament of the proposed Budget Vote.

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The new programme of government places strong emphasis on developmental objectives and the attainment of decent work. The process of resource allocation will be enhanced through the twin functions of planning and monitoring/evaluation. An additional dimension is to make explicit the economic developmental impact of different funding requests so that the allocation processes can maximise developmental results of government's choices.

The purpose of this workstream is to undertake research and analysis on government's developmental programmes and processes, budgeting and procurement to identify opportunities for improving local procurement and production. The workstream will build capacity, through quantitative and qualitative analytical capacity, to provide information on the impact of funding and budget requests and would feed these through the budget processes.

### ***Procurement and Development***

Similarly the promotion of employment can be facilitated through programmes that foster local procurement. To do this successfully requires that two aspects be addressed: first, the promotion of demand for locally-produced goods and services and second, the supply of quality goods and services characterised by product innovation, competitive prices, customisation to consumer needs and excellence of after-sales service.

In order to fully realise the benefits of public procurement for local industries, a supportive policy environment and a coordinating capacity that focuses on ensuring adherence to the policy, are required. Government procurement can support not only local industry but can promote innovation and the development of competitive enterprises through the volumes, reliability of orders and prompt payment that the state can muster. To achieve this requires a dedicated champion within government.

In addition to public sector procurement, government can promote local procurement by private enterprises through developing conditionalities attached to state support to sectors as well as to state incentives to enterprises. The Proudly SA (PSA) campaign was set up with public sector support as a means of positively publicising the importance of local procurement.

The purpose of this workstream is to monitor local procurement within the state (at all levels), identify opportunities to improve local procurement and link companies and investors with government support obtainable from other departments (for example the dti, DST and DOA) in order to improve their supply-capacity. The work performed will include the development of guidelines to ensure that local procurement is linked to measures to improve the performance of enterprises and to promote equity objectives, including broad-based black economic empowerment. Analytical and coordination work to enhance government's contribution to Proudly SA is located in this workstream, which includes promoting the campaign within government.

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### ***Sub-programme 5: Green Economy***

More than 150 years of industrialisation in different parts of the world, based mainly on fossil-fuel driven energy, has impacted on the climate and environment in very profound ways. In response to the phenomenon of climate change, the nations of the world have come together to discuss the curtailment of carbon emissions.

In response a number of industries have emerged that create jobs with lower or no carbon emissions in energy, agriculture, manufacturing and service sectors, especially tourism. South Africa's share of this growing area includes: solar, wind and nuclear energy generation; solar-heating geysers (manufacture and installation); biofuels sector and co-generation; repairing environmental degradation; eco-tourism; smart manufacturing; waste management; regulation of energy efficiency of commercial buildings; and installation of more energy-efficient equipment.

The purpose of this sub-programme will be to identify, develop and support projects, incentives and other measures that realise this goal and to engage with government and non-governmental stakeholders to maximise the job creation potential of green economic activities.

### **Programme 4 – Economic Development and Dialogue**

The purpose of this programme is to promote social dialogue in order to foster economic development. Economic Development will:

- lead government in its dialogue with the social partners on matters pertaining to economic development and attempt to build consensus with, and acquire the active support of Labour, Business and the Community on government's economic development policies, plans, goals and growth path for economic development;
- represent government in the discussions about the implementation of the Framework Agreement on South Africa's Response to the Economic Crisis;
- develop the capacity of the social partners to engage in social dialogue, including at sectoral and workplace level; and
- enhance productivity, entrepreneurship and innovation

The programme consists of the following sub-programmes:

1. National Social Dialogue and Strategic Frameworks
2. Sector and Workplace Social Dialogue
3. Capacity Building for Economic Development

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#### 4. Productivity, Entrepreneurship and Innovation

##### *Sub-programme 1: National Social Dialogue and Strategic Frameworks*

There are two workstreams within this sub-programme:

1. National Social Dialogue
2. Implementation of Strategic Frameworks

##### *National Social Dialogue*

The MTSF recognises that the new approach to growth and decent employment places an enormous responsibility on all the social partners to contribute to, firstly, the recovery as a result of the economic crisis and, secondly, the step-change in the level and composition of economic growth. This is because the core activities and the MTSF as a whole will benefit all sectors of society, but at the same time, there will be instances where sacrifice may be required from all the social partners, especially in the initial phase which demands more “defensive” interventions. The success, therefore, of the developmental state and its pro-employment growth path will depend on the extent to which consensus can be created and the social partners are mobilised behind government’s vision. The growth path must be based upon fostering partnerships with the social partners, and where conflict arises, to institute mechanisms to effectively address these conflicts.

The purpose of this workstream is:

- to coordinate government’s policy input and contributions to social dialogue on economic development matters and consult with the relevant departments; and
- to negotiate national economic development and decent work pacts, which will involve consultation and negotiation with the social partners.

##### *Implementation of Strategic Frameworks*

The *Framework for South Africa’s Response to the International Economic Crisis*, which was adopted by the social partners at NEDLAC on 19 February 2009, recognises that the economic conditions South Africa faces as a result of the international economic crisis require an effective collective response. With this in mind, the Framework Agreement commits the social partners collectively to implementing a wide range of measures, including investment in public infrastructure, a macro-economic policy response, and industrial and trade, employment and social measures.

Central to the Framework Agreement, which is based on the premise of social solidarity, is the recognition that the country’s response must be governed by the following broad principles:

- The risk of unfairly placing the burden of the economic downturn on the poor and the vulnerable must be avoided by taking active steps to guard against the potential of economic shocks to destabilise the welfare of the vulnerable and to increase inequality and poverty;

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- All activities aimed at strengthening the capacity of the economy to grow and create decent jobs must be protected and supported as far as is reasonably possible;
  - The planned high levels of investment in public sector infrastructure must be maintained, while the private sector must be encouraged to maintain and improve wherever possible its levels of fixed direct investment and corporate social investment programmes; and
  - Interventions must be timely, tailored and targeted as is appropriate.

A leadership team, which is comprised of high-level delegations from each of the four social partners at NEDLAC, is tasked by the Framework Agreement with overseeing the development of action plans to ensure its timely implementation, monitoring and evaluation. To support and feed into the work of the leadership team, the Framework Agreement also establishes task teams in each of the following four substantive areas: investment and financing, social interventions, employment and distressed sectors.

The purpose of this workstream is to oversee, monitor and ensure the development and implementation of action plans and thereby the successful implementation of the Framework Agreement as a whole. This will involve coordinating the work of the various task teams set up in terms of the agreement in collaboration with NEDLAC, providing leadership and strategic direction to the relevant state departments involved, and popularising the agreement and its implementation.

This workstream will also coordinate the implementation of other framework agreements that are envisaged such as the economic development and decent work pacts.

### *Sub-programme 2: Sector and Workplace Social Dialogue*

Social dialogue at national level must be replicated in the key sectors of the economy. This in turn must be complemented by social dialogue at workplace level. Engagement of this nature provides opportunities for a common vision and clear commitments to emerge at sector and workplace level. Social dialogue at these levels will build momentum towards a national consensus. In addition, it is at sector and workplace level that the implementation of social agreements takes place.

The purpose of this sub-programme is to develop partnership agreements in key sectors and workplaces through the process of social dialogue. It will identify and establish forums and provide secretarial, logistical and research support to the social partners involved in these processes. In addition research and sector trends analysis will be carried out. Inter-sectoral work will be carried out in close coordination with key government departments. Fact sheets, policy briefings and policy proposals, working papers and cabinet memorandums will be prepared.

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### *Sub-programme 3: Capacity Building for Economic Development*

This sub-programme has two workstreams:

1. Capacity Building of Social Partners
2. Harnessing Economic Development Expertise

#### *Capacity Building of Social Partners*

It is the objective of government in the medium term is to strengthen its engagement with society and with social partners. This can be achieved by, amongst other things, improving the function and capability of institutions, strengthening the participation of organised sectors of society within them, and by enhancing the capacity of representative bodies by, among others, improving their research and representative support capacity on economic development and industrial policy. Without this capacity, it is more likely that the environment for engagement will be reactive and that productive partnerships will not emerge.

The purpose of this workstream is to promote the research output and knowledge by the social partners of the economic development of sectors, and issues relating to equity and productivity through the establishment and administration of a Social Partner Fund or equivalent mechanism.

#### *Harnessing Economic Development Expertise*

The formulation of policies for a developmental state not only requires ongoing work within the state, but also the capacity to rapidly learn from international experience. A number of eminent local and international economists and policy analysts work in areas that the state could draw on, but who are not and are unlikely to become employees of the state. There is research capacity available in a number of places within and outside the state, such as research institutions, policy units, government departments and entities such as the Industrial Development Corporation (IDC) and the South African Reserve Bank as well as universities. It would be of considerable help to government if it could draw on such expertise on an ongoing basis.

The purpose of this workstream is:

- Establish an **Economic Development Advisory Panel** that provides the Minister with advice on economic matters affecting South Africa's development and the creation of decent work as well as key economic challenges and international, regional and national trends. The panel will draw on both local and international expertise.
- Create and coordinate **knowledge networks** on economic development matters among researchers and policy analysts so that government can draw on new insights and government is able to foster policy coherence on economic development matters within the state and state entities and in research work in different institutions. The networks will consist of economic development economists within the state, state entities, Reserve Bank, state research institutions like the CSIR and HSRC, universities and the social partners.

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The activities will consist of regular meetings, seminars, electronic exchanges and publication of work. The knowledge networks will also lay the basis for a number of other sub-programmes of EDD.

- Convene and host an annual conference bringing together economic development practitioners, policy makers and researchers.

The annual **Economic Development Conference** will be a key forum to promote research, policy coherence, creative analysis and solutions and to debate key issues. It will assess the state of current research and policy-development and identify key areas of focus for the period ahead.

Ministers and senior government officials responsible for policy-development will interact with researchers and academics.

A conference publication will be produced of the key submissions and papers and Cabinet will be able to draw on the research and work that is generated by the Conference.

#### ***Sub-programme 4: Productivity, Entrepreneurship and Innovation***

Strengthening competitiveness and the promotion of small and medium sized enterprises and co-operatives is a cornerstone for the growth of the economy and the creation of decent work opportunities. In addition, the MTSF recognises that science and technical innovation and development are important sources for industrial competitiveness and sustaining growth.

The purpose of this sub-programme is to develop a policy framework for the increasing productivity, enhancing innovation and entrepreneurship. In this regard it will be necessary to work with the dti, Higher Education, Department of Labour, Science & Technology, the Setas and Further Education and Training institutions (FETs). Meetings and consultations will be held with Productivity SA and social partners. It will also promote workplace productivity agreements and foster entrepreneurial endeavours in the economy, especially black entrepreneurs who often are confined within marginalised sectors of the economy and need to be brought into the economic mainstream in larger numbers.



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## **OUTCOMES APPROACH**

The electoral mandate for 2009-2014 requires that government focus on five priorities: education, health, rural development, employment creation and combating crime and corruption. The Medium Term Strategic Framework, published in July 2009, identified ten operational priorities. The Presidency developed an outcomes based approach and identified 12 outcomes for government for 2014. The outcomes were discussed at the January 2010 Cabinet Lekgotla. One of the outcomes is “Decent Employment through Inclusive Economic Growth”, led by the Economic Cluster of departments of which the Economic Development Department is part.

For each outcome there are 4-6 measurable outputs, which are currently being refined by the Economic Cluster. Once these have been finalised it will be possible to determine some key activities that will support the outputs and help realise the desired outcome.

## **OUTPUTS AND ACTIVITIES**

The key outputs and activities per programme and sub-programme are outlined in the table at Annexure A.

## **PROGRAMME STRUCTURE**

The high-level programme structure is depicted in Annexure B.

## **A PHASED APPROACH**

This Strategic Plan sets out the medium-term framework for EDD. It will require a phased, step-by-step implementation plan that builds an initial capacity in each programme area and over the MTEF period (2010-2013) expands the capacity, using the Plan as the roadmap. Therefore, the full programmatic structure will not be achieved immediately and the outputs and activities will be phased in over the full period. The department has set targets for the medium term in relation to key indicators, as outlined below:

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## 2010-11

The strategic goals for this period of operation are to establish a basic capacity within each of the four programmes outlined above, with basic policy work and planning being undertaken in each of the areas that correspond to the sub-programmes and workstreams. Initially, there will be a limited number of sub-programmes created and these will be progressively expanded. Recruitment of Deputy Director-Generals and key Chief Directors and their support staff will represent the first and second phases of the implementation of the Recruitment Plan.

The department has determined the following targets for 2010/11:

| Indicator  | Programme | 2010/11 |
|--|-----------|---------|
| Number of policy and analytical papers on economic policy challenges   | EPD       | 10      |
| Number of policy platforms on economic policy challenges   | EPD       | 10      |
| Number of engagements with provincial and/or local government  | EPC       | 10      |
| Number of strategic engagements with development finance institutions and/or economic regulatory bodies                    | EPC       | 6       |
| Value of special financing facilitated for small businesses, targeted growth sectors and companies in distress             | EPC       | R2bn    |
| Number of sector plans produced or reviewed  | EPC       | 5       |
| Number of spatial plans produced or reviewed   | EPC       | 10      |
| Number of interventions in relation to promoting economic development through leveraging state expenditure and procurement | EPC       | 10      |
| Social dialogue and capacity building engagements  | ED&D      | 10      |
| Number of economic development agreements (sectoral, workplace and national) facilitated with social partners              | ED&D      | 10      |

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## 2011-12

The strategic goals for this period of operation are to have an expanded operational staff capacity in each of the sub-programmes. The level of policy work and planning would have been significantly enhanced and would cover the full range of areas within the mandate of the Department, though with stronger focus on areas that have been prioritised.

The department has determined the following targets for 2011/12:

| Indicator  | Programme | 2011/12 |
|--|-----------|---------|
| Number of policy and analytical papers on economic policy challenges   | EPD       | 20      |
| Number of policy platforms on economic policy challenges   | EPD       | 15      |
| Number of engagements with provincial and/or local government  | EPC       | 20      |
| Number of strategic engagements with development finance institutions and/or economic regulatory bodies                    | EPC       | 12      |
| Value of special financing facilitated for small businesses, targeted growth sectors and companies in distress             | EPC       | R3bn    |
| Number of sector plans produced or reviewed  | EPC       | 8       |
| Number of spatial plans produced or reviewed   | EPC       | 15      |
| Number of interventions in relation to promoting economic development through leveraging state expenditure and procurement | EPC       | 20      |
| Social dialogue and capacity building engagements  | ED&D      | 20      |
| Number of economic development agreements (sectoral, workplace and national) facilitated with social partners              | ED&D      | 20      |

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### 2012-13

The strategic goals for this year of operation are to have the full staff capacity in each of the sub-programmes and to provide the full range of policy and planning services set out in the Strategic Plan.

The department has determined the following targets for 2012/13:

| Indicator  | Programme | 2012/13 |
|--|-----------|---------|
| Number of policy and analytical papers on economic policy challenges   | EPD       | 30      |
| Number of policy platforms on economic policy challenges   | EPD       | 20      |
| Number of engagements with provincial and/or local government  | EPC       | 30      |
| Number of strategic engagements with development finance institutions and/or economic regulatory bodies                    | EPC       | 12      |
| Value of special financing facilitated for small businesses, targeted growth sectors and companies in distress             | EPC       | R5bn    |
| Number of sector plans produced or reviewed  | EPC       | 10      |
| Number of spatial plans produced or reviewed   | EPC       | 20      |
| Number of interventions in relation to promoting economic development through leveraging state expenditure and procurement | EPC       | 25      |
| Social dialogue and capacity building engagements  | ED&D      | 30      |
| Number of economic development agreements (sectoral, workplace and national) facilitated with social partners              | ED&D      | 30      |

## PROGRAMME OUTPUTS AND ACTIVITIES

## ANNEXURE A

| PROG | SUB-PROGRAMME                         | KEY OUTPUTS   | ACTIVITIES  |
|------|---------------------------------------|---|---|
| 1    | <b>Ministry</b>                       | Effective, efficient, strategic support and administrative service to the Minister and the Deputy Minister. | <ul style="list-style-type: none"> <li>the management of all matters pertaining to the Ministry's executive obligations;</li> <li>the management and co-ordination of all contributions to and from cabinet and the presidency;</li> <li>support for the Ministry's engagement with the EDD, other government ministries and departments, Parliament, provincial departments of economic development and provincial and municipal executives and legislatures;</li> <li>support for the Ministry's engagement with international economic agencies and foreign economic representatives and</li> <li>support for the Ministry's engagement with stakeholders, including the social partners, communities, the media and the public in general.</li> </ul> |
| 1    | <b>Office of the Director-General</b> | Effective, efficient, strategic support and administrative service to the Director-General and the EDD.     | <ul style="list-style-type: none"> <li>provide strategic advice and advice on legislation, policies, policy alignment and co-ordination;</li> <li>render a Parliamentary service;</li> <li>support the Department's participation in the cluster system;</li> <li>liaise with the Ministry and departmental branches on operational and administrative matters;</li> <li>ensure effective document flow between the office of the Director-General, Ministry and</li> </ul>   |

| PROG | SUB-PROGRAMME                                  | KEY OUTPUTS   | ACTIVITIES  |
|------|--|---|---|
|      |  |   | departmental branches; and <ul style="list-style-type: none"> <li>the provision of sound internal audit and risk management services.</li> </ul>  |
| 1    | <b>General Management Services</b>             | Effective, efficient, strategic support and administrative service to the EDD   | <ul style="list-style-type: none"> <li>corporate governance services, including planning and reporting;</li> <li>the provision of competent legal services;</li> <li>the management of human resources;</li> <li>the provision of effective information technology services;</li> <li>the provision of effective communication and event management services;</li> <li>the provision of financial management and related services, including supply chain management;</li> <li>the provision of a communication strategy and related support services, including campaigns, events and protocol matters; and</li> <li>the provision of other corporate services.</li> </ul> |
| 2    | <b>Growth Path and Creation of Decent Work</b> | Papers and policy outputs on the Growth Path<br>Policy platforms on the Growth Path<br>Economic Development Index<br>Papers and policy work on Economic Development and Decent Work | <ul style="list-style-type: none"> <li>Drafting papers on the Growth Path</li> <li>Identification of issues to be addressed in papers</li> <li>Conferences, workshops and consultations with domestic stakeholders and international persons or bodies</li> <li>Drafting fact sheets, policy briefings and policy proposals and working papers</li> <li>Convening cluster discussions on the Growth Path</li> </ul>   |

| PROG | SUB-PROGRAMME   | KEY OUTPUTS  | ACTIVITIES  |
|------|-----------------|--|---|
|      |                 |  | <ul style="list-style-type: none"> <li>On-going policy work</li> </ul>  |
| 2    | Economic Policy | <p><b>Workstream 1: Macro Economic Policy</b></p> <p>Identification of pertinent policy issues for South Africa with due regard to the lessons from international experiences, the priorities for African development and the challenges posed by the global economic crisis</p> <p>Summaries of key debates and issues</p> <p>Recommendations to cabinet on policies and their alignment as well as coherence to the growth path</p>  | <ul style="list-style-type: none"> <li>Identifying policy issues</li> <li>Analysis of data collected by other departments and state entities</li> <li>Consultation with experts and stakeholders</li> <li>Drafting fact sheets, policy briefings and policy proposals, working papers and cabinet memorandums</li> </ul>  |
|      |                 | <p><b>Workstream 2: Micro Economic Policy</b></p> <p>Identification of pertinent policy issues for South Africa with due regard to the lessons from international experiences, the priorities for African development and the challenges posed by the global economic crisis</p> <p>Summaries of key debates and issues</p> <p>Recommendations to cabinet on policies and their alignment as well as coherence to the growth path.</p> | <ul style="list-style-type: none"> <li>Identifying policy issues to be determined</li> <li>Analysis of data collected by other departments and state entities</li> <li>Consultation with experts and stakeholders</li> <li>Drafting fact sheets, policy briefings and policy proposals, working papers and cabinet memorandums</li> <li>Economic intelligence database on real economy entities, economic entities that the state has a shareholding in, provides incentives to or which have received state support</li> </ul> |
|      |                 | <p><b>Workstream 3: Economic Modelling</b></p> <p>Analysis of future paths of the economy under different mix of</p>   | <ul style="list-style-type: none"> <li>Research and production of models</li> <li>Drafting of working papers and policy briefings.</li> </ul>   |

| PROG | SUB-PROGRAMME                                      | KEY OUTPUTS  | ACTIVITIES  |
|------|--|--|---|
|      |  | <p>policies in a consistent manner.</p> <p>Quantitative analysis of the likely impact of policy options and shocks on the main growth and development index.</p> <p>Analysis of the impact of uncertainty on the economy by showing how the system will respond to different developments in external factors such as oil prices or global growth.</p> |   |
| 2    | <b>Broad-Based Black Economic Empowerment</b>      | <p>Papers on amendments to policies and scorecards</p> <p>Papers on the impact of BEE policies and scorecard</p> <p>Producing an index of empowerment</p>  | <ul style="list-style-type: none"> <li>• Review of policies</li> <li>• Drafting of policies and amendments to existing policies</li> <li>• Close consultation with the dti and other departments</li> </ul>   |
| 2    | <b>The Second Economy</b>                          | <p>Policies to transform the second economy</p> <p>Policies to overcome marginal and survivalist activities</p> <p>Mapping of linkages between the first and second economy</p>  | <ul style="list-style-type: none"> <li>• Research and commissioning research</li> <li>• Inter-sectoral process, including close coordination with the Department of Rural Development</li> <li>• Analysis of trends</li> <li>• Publications</li> <li>• Drafting fact sheets, policy briefings and policy proposals, working papers and cabinet memorandums</li> </ul> |
| 2    | <b>Economic Development Institute and Research</b> | <p>Research and policy papers</p> <p>Statistical and other analysis of data gathered by other departments and entities</p>   | <ul style="list-style-type: none"> <li>• Development of concept document</li> <li>• Legal establishment</li> <li>• Appointment of director and staff</li> </ul>   |



| PROG | SUB-PROGRAMME   | KEY OUTPUTS   | ACTIVITIES  |
|------|---|---|---|
|      |   | Popular and accessible publications and programmes on economic development issues   | <ul style="list-style-type: none"> <li>• Launch</li> <li>• Drafting fact sheets, policy briefings and policy proposals and working papers</li> <li>• Resource centre on economic development</li> <li>• Hosting of seminars and workshops</li> <li>• Commissioning research</li> <li>• Create database of global and local Economic development initiatives and institutions</li> <li>• Booklets and programmes aimed at state officials, shop stewards, managers and the public</li> </ul> |
| 3    | <b>Spatial, Sector and National Economic Planning</b> | <b>Workstream 1: National Economic Planning</b><br>Economic planning proposals for South Africa<br>Ensuring coherence of macro and micro economic plans<br>Ensuring coherence of state entities' policies and plans with the economic development policies and plans of the state | <ul style="list-style-type: none"> <li>• Drafting economic plans</li> <li>• Evaluating the economic development impact of the programmes of state entities</li> <li>• Convening conferences, meetings and workshops with state entities and relevant national departments</li> <li>• Consulting the relevant state entities and national departments</li> <li>• Promoting the alignment of the policies of state entities with those of the state entities.</li> </ul>                      |
|      |   | <b>Workstream 2: Spatial Economic Development Action Plans</b><br>Framework Plan for Spatial Economic Development<br>Assistance to provinces and local government with the development of   | <ul style="list-style-type: none"> <li>• Include following in inter-sectoral process: Rural Development and Land Reform. Co-operative Governance and Traditional Affairs, SALGA, Provincial governments, key municipalities, Treasury, the dti</li> <li>• Develop criteria for distressed areas and identify</li> </ul>   |

| PROG | SUB-PROGRAMME | KEY OUTPUTS  | ACTIVITIES   |
|------|---------------|--|--|
|      |               | <p>regional and local economic plans</p> <p>Identifying criteria and listing key areas and distressed areas</p> <p>Spatial economic initiatives</p>  | <p>distressed regions and other key areas requiring spatial developmental plans</p> <ul style="list-style-type: none"> <li>consult national and provincial departments and local governments</li> <li>convening consultative forums</li> <li>draft a framework plan</li> <li>assist with the drafting of specific regional or spatial plans</li> </ul>   |
|      |               | <p><b>Workstream 3: Coherence of Provincial and Local Economic Development Plans and Agencies</b></p> <p>Convening MINMEC</p> <p>Identifying corridor opportunities across provinces</p> <p>Identifying economic clusters across sectors and regions</p> <p>Identifying competitive advantages in each province and the linkages between them</p> <p>Building strategic relationships with SALGA and the metro's</p> | <ul style="list-style-type: none"> <li>Convene quarterly meetings of MINMEC</li> <li>Develop programme for MINMEC</li> <li>Conference on regional and local economic development</li> <li>Interactions between provincial development agencies to strengthen their roles</li> <li>Build coherence and links between national and provincial development agencies</li> <li>Identify social partnership opportunities to promote economic development opportunities</li> </ul> |
|      |               | <p><b>Workstream 4: Sector Economic Development</b></p> <p>Policy frameworks for major sectors of the economy</p> <p>Promoting rural economic development</p>  | <ul style="list-style-type: none"> <li>Research and commissioning research</li> <li>Inter-sectoral process, including close coordination with the Department of Rural Development and Land Reform</li> <li>Analysis of trends in a sector</li> <li>Publications</li> </ul>   |

| PROG | SUB-PROGRAMME                                    | KEY OUTPUTS  | ACTIVITIES  |
|------|--|--|---|
|      |  |  | <ul style="list-style-type: none"> <li>Drafting fact sheets, policy briefings and policy proposals, working papers and cabinet memorandums</li> <li>Co-ordinate with the dti on industrial policy framework</li> </ul>  |
| 3    | <b>Investment for Economic Development</b>       | <b>Workstream 1: Development Finance Institutions</b><br>Oversight and strategic direction to IDC, Khula and SAMAF   | <ul style="list-style-type: none"> <li>Meetings, workshops and consultations with the development finance and investment institutions</li> <li>Consultation with National Treasury and the dti</li> <li>Aligning and building coherence between the institutions' policies and strategic plans with those of the State</li> <li>Reviewing appropriate governing structures and operations</li> <li>Research papers on the role and evaluation of development finance and investment institutions</li> </ul> |
|      |  | <b>Workstream 2: Investment and Development</b><br>Analysis of the investment of SOEs, retirement funds and PIC for development and policy initiatives to align those<br>Implementation of 2003 Growth and Development Summit agreements with regard to investment into development activities | <ul style="list-style-type: none"> <li>Analysis report to be conducted</li> <li>Investigation of appropriate instruments</li> <li>Inter-sector process to foster alignment of SOEs' and PICs' investment decisions with that of the state</li> </ul>  |
| 3    | <b>Competitiveness and Trade for Decent Work</b> | <b>Workstream 1: Economic Regulatory Bodies</b><br>Oversight of the Competition Commission, Tribunal and ITAC,   | <ul style="list-style-type: none"> <li>Meetings, workshops and consultations with the regulatory bodies</li> <li>Consultation and co-ordination with the dti on</li> </ul>  |

| PROG | SUB-PROGRAMME  | KEY OUTPUTS  | ACTIVITIES   |
|------|--|--|--|
|      |  | <p>including their governance, supervision and appointment of senior staff</p> <p>Policy development for these economic regulatory bodies</p>  | <p>industrial and trade policies</p> <ul style="list-style-type: none"> <li>Identifying trends in trade and competition and anti-trust commissions and policy internationally</li> <li>Aligning and building coherence between their policies and strategic plans with those of the state</li> </ul>   |
| 3    |  | <p><b>Workstream 2: Continental and International Interface</b></p> <p>Promotion of African and regional economic development and policies, including in respect of the African Union (AU) and other regional groupings</p> <p>Contribution to the work of other lead departments responsible for international economic agencies and multilateral institutions</p> <p>Identifying opportunities to build economic opportunities with major economic groupings</p> | <ul style="list-style-type: none"> <li>Drafting of papers and cabinet memoranda, including papers and memoranda on African and Southern African economic development strategies</li> <li>Analysis of full economic relations with major economic groupings</li> <li>Identify policy objectives that will promote economic development in South Africa</li> <li>Meetings with relevant government departments</li> <li>Building a database of relevant economic activity</li> <li>Engagement with the AU, meetings of regional institutions and conferences</li> <li>Participate with other lead departments in building economic opportunities and outcomes in relation to major economic groupings such as China, India, Brazil, the European Union (EU) and the United States of America (USA).</li> </ul> |
| 3    | <b>Economic Development, State Budgeting and Financial and Procurement Processes</b> | <p><b>Workstream 1: Economic Development, State Budgeting and Financing Processes</b></p> <p>Contribution to, evaluation of and support to the budgetary and public finance processes in regard to the developmental priorities of the</p>   | <ul style="list-style-type: none"> <li>Quantitative and qualitative analysis of the impact of funding and budget requests in the light of government's developmental priorities</li> </ul>   |

| PROG | SUB-PROGRAMME | KEY OUTPUTS   | ACTIVITIES   |
|------|---------------|---|--|
|      |               | government.   |  |
|      |               | <p><b>Workstream 2: Procurement and Development</b></p> <p>Contribution to the work of Proudly South Africa (PSA) in order to ensure that a wider consumer campaign is developed to promote local purchases.</p> <p>Monitoring local procurement within the state (at all levels)</p> <p>Identification of opportunities to improve local procurement</p> <p>Linking businesses and investors with government support obtainable from other departments (for example dti, DST and DOA) in order to improve their supply-capacity.</p> | <ul style="list-style-type: none"> <li>• Development of guidelines to ensure that local procurement is linked to measures to improve the performance of enterprises and to promote equity objectives, including broad-based black economic empowerment.</li> <li>• Contribution to Proudly South African, including performance indicators for PSA, budgetary support for PSA and promoting the campaign within government.</li> </ul> |

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| 4 | <b>National Social Dialogue and Strategic Frameworks</b> | <p><b>Workstream 1: Social Partnering and National Social Dialogue</b></p> <p>Negotiation of economic development and decent work pacts</p> <p>Coordinating government's policy input and contributions to social dialogue on economic development matters</p> | <ul style="list-style-type: none"> <li>• Meetings and consultations with NEDLAC</li> <li>• Development of concept paper</li> <li>• Consultation and negotiation with social partners</li> <li>• Setting up inter-sectoral process and consultations with, amongst others, DoL, Treasury, the dti, Public Works and Social Development</li> </ul> |
|   |  | <p><b>Workstream 2: Implementation of Strategic Frameworks</b></p>   | <ul style="list-style-type: none"> <li>• Appointment of coordinator</li> </ul>   |

|   |   |  |  |
|---|---|--|--|
|   |   | Successful implementation of the Framework Agreements together with the social partners  | <ul style="list-style-type: none"> <li>• Popularise the agreement</li> <li>• Co-ordinate implementation of Framework Agreement on SA's Response to the Global Economic Crisis</li> <li>• Co-ordinate other framework agreements</li> </ul>   |
| 4 | <b>Sectoral and Workplace Social Dialogue</b>     | <p>Identification and establish of forums</p> <p>Development of partnerships agreements in keys sectors and workplaces.</p>  | <ul style="list-style-type: none"> <li>• Identifying appropriate forums</li> <li>• Convening forums</li> <li>• Providing support in social dialogue e.g. secretarial, logistical and research</li> </ul>   |
| 4 | <b>Capacity Building for Economic Development</b> | <p><b>Workstream 1: Capacity Building of Social Partners</b></p> <p>Establishment and administration of a Social Partner Fund or equivalent to promote research and knowledge, particularly at sector level of economic development, growth, equity, productivity</p>  | <ul style="list-style-type: none"> <li>• Development of Concept Document</li> <li>• Establishing fund</li> <li>• Administer fund</li> </ul>  |
|   |   | <p><b>Workstream 2: Harnessing Economic Development Expertise</b></p> <p><u>Advisory Panel:</u></p> <ul style="list-style-type: none"> <li>• Establishment</li> <li>• Regular meetings of advisory panel and its committees</li> <li>• Policy advice to government</li> <li>• Identification of key economic challenges drawing on international, regional and national trends</li> </ul> <p><u>Knowledge Networks</u></p> | <p><u>Advisory panel</u></p> <ul style="list-style-type: none"> <li>• Drafting of concept document</li> <li>• Convening international and local panel and committees of panel</li> <li>• Identification of issues to be addressed</li> <li>• Meetings and workshops of the panel and its committees</li> <li>• Reports of the panel meetings</li> </ul> <p><u>Knowledge networks</u></p> |

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|   |   | <ul style="list-style-type: none"> <li>• Creating and coordinating knowledge networks</li> <li>• Policy advice to government</li> <li>• Identification of key economic issues</li> <li>• Ensuring policy coherence in research work in different institutions</li> <li>• Building coherence on economic development matters within the state and state entities</li> <li>• Technical papers</li> </ul> <p><u>Annual Conference:</u><br/>Conference bringing together economic development practitioners, policy makers and researchers to foster research and policy coherence and debate key issues</p> | <ul style="list-style-type: none"> <li>• Development of a concept document</li> <li>• Coordinate networks of economic development economists within the state, state entities, Reserve Bank, state research institutions like the CSIR and HSRC, universities and social partners</li> <li>• Convening workshops, conferences and meetings of these networks</li> <li>• Web-based discussion forum</li> </ul> <p><u>Annual Conference</u></p> <ul style="list-style-type: none"> <li>• Development of Concept Paper</li> <li>• Establishing programme</li> <li>• Commissioning papers</li> <li>• Marketing conference</li> <li>• Hosting conference</li> <li>• Conference publication</li> </ul> |
| 4 | <b>Productivity, Entrepreneurships and Innovation</b> | Policy frameworks for increasing productivity, enhancing innovation and entrepreneurship   | <ul style="list-style-type: none"> <li>• Development of policy frameworks</li> <li>• Meetings and consultations with Productivity South Africa</li> <li>• Research</li> <li>• Meetings and consultations with social partners</li> </ul>   |

## PROGRAMME STRUCTURE

## ANNEXURE B

| BRANCH / PROGRAM | Administration              | Economic Policy Development                 | Economic Planning and Coordination  | Economic Development Dialogue                     |
|------------------|-----------------------------|---|---|---|
| SUB-PROGRAMMES   | Ministry                    | Growth Path and Creation of Decent Work     | Spatial, Sector and National Economic Planning                                | National Social Dialogue and Strategic Frameworks |
|                  | DG's Office                 | Economic Policy                             | Investment for Economic Development   | Workplace and Sector Dialogue                     |
|                  | General Management Services | Broad-Based Black Economic Empowerment      | Competitiveness and Trade for Decent Work                                     | Capacity Building for Economic Development        |
|                  |                             | Second Economy                              | Economic Development, State Budgeting and Financial and Procurement Processes | Productivity, Entrepreneurship, Innovation        |
|                  |                             | Economic Development Institute and Research | Green Economy   |   |