

# Reflections on AsgiSA in its First Year



Report by the Presidency

# Outline

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- ❑ Origins and Progress of AsgiSA
- ❑ Achievements measured against objectives
- ❑ Key Tasks for 2007
- ❑ Clarifying the role of AsgiSA
- ❑ Beyond 2007: the future role of AsgiSA

# Origins and Progress of AsgiSA

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- ❑ AsgiSA began in 2005 when President Mbeki decided to ambitious public goals for growth and sharing of growth
- ❑ Based on goals set out at the 2003 Presidential Growth and Development Summit
- ❑ The context was the need to build on hesitant improvements in the economy
- ❑ Report by Minister of Finance to July Lekgotla
- ❑ Initial report by DP task team in October
- ❑ Agreement at January 2006 lekgotla and official launch in February 2006

# Origins and Progress of AsgiSA

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- Key organs of AsgiSA:
  - Inter-ministerial task team
  - Inter-departmental task team
  - Presidency AsgiSA High Level Task team
  - Jipsa Task Team, Technical Team, NBI and Presidency staff
  - Reporting to Investment and Employment Cabinet Committee

# Outcomes against objectives

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## □ Key elements:

- Macroeconomic
- Logistics system capacity/Infrastructure
- Skills/education
- Sector Strategies and cross-cutting competitiveness interventions
- Small business environment and Second Economy
- Government Capacity

# Macroeconomic Objectives

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- ❑ Reducing currency volatility via progressive improvements in macroeconomic policy management
- ❑ Ensuring inflation targeting continues to support growth
- ❑ Selecting projects and programmes to ensure spending efficiency and to eliminate government dissaving
- ❑ Continuing improvements in budgeting to enhance the environment for economic growth
- ❑ Removing obstacles to investment.

# Macroeconomic Outcomes

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- Sound fiscal basis for shared growth
- Monetary policy supportive of growth and complimentary to fiscal policy
- Capital expenditure performance improving
- Regulatory Impact Assessment system approved and prepared for piloting
- Longer term planning systems currently under discussion

# Infrastructure Objectives

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- ❑ To encourage higher investment in infrastructure to create conducive conditions for faster shared growth
- ❑ Gross investment to GDP ratio up from 15% in 2002 to 25% in 2014
- ❑ To develop systems to monitor infrastructure implementation to ensure better performance and greater efficiency
- ❑ To encourage provinces to develop catalytic infrastructure investments aimed at accelerated shared growth



# Infrastructure Outcomes

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- ❑ Investment/GDP up from 14% to 18-19%
- ❑ Currently growing at 11-12% p.a.
- ❑ Government infrastructure expenditure up to R415.8bn over 2007-2010 MTEF period (not including recent rise in Eskom 5-year capex estimate from R97bn to R150bn)
- ❑ New Eskom power station approved & up-scaled gas & nuclear plants planned & tenders for IPPs issued
- ❑ Transnet 5-year capex plans revised up from R32.7bn to R74 billion since October 2006 (major investments in iron ore and coal lines, huge orders for locomotives, new pipeline etc)
- ❑ National Public Transport plan finalised & approved

# Infrastructure Outcomes

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- **Gautrain** construction has commenced
- **King Shaka Airport and Dube Trade Port**— airport aimed for completion by 2010
- **De Hoop Dam** opening up the region for platinum mining, tourism and agriculture
- **Vaal River Augmentation Project** water supplies to Sasol and Eskom project under way
- Additional funds to commuter rail, roads and public transport systems
- All 2010 stadium contracts are now commissioned and building

# Infrastructure Outcomes

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## □ Provincial Projects

- Mzimvubu Development project is in the planning phase
- The ORT precinct development has now shifted from Gauteng to ACSA for third runway
- Moloto Corridor in early feasibility phase
- Cape Flats transport project was delayed but underway again
- King Shaka and De Hoop Dam projects discussed earlier

## □ Social programmes

- Rapid progress towards elimination of bucket system in formal settlements
- Hospital revitalisation programme moving strongly
- FET recapitalisation has resulted in 160 classrooms and workhops being rebuilt or refurbished in 80 FET Colleges
- National Housing Fund will revitalise housing funding market

# Objectives in skills and education

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- ❑ To reduce the gap between the skills needs of the economy and the supply of relevant skills
- ❑ To improve the quality of education in order to strengthen the skills pipeline
- ❑ To improve the ability of the skills system to respond to AsgiSA plans
- ❑ To increase coordination in the skills and education systems

# Skills/education Outcomes

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- ❑ Jipsa established as stakeholder driven, government led coordinator of skills initiatives
- ❑ QIDS-Up and Dinaledi schools quality programmes are gathering pace
- ❑ FET recapitalisation and new legislative environment already reaping rewards
- ❑ Phase 2 of National Skills Development Strategy
- ❑ New immigration regime has been established
- ❑ High priority scarce skills have been identified and targets set

# Skills/education Outcomes

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- ❑ Artisan training beginning to gather momentum
- ❑ Unemployed graduate placement (>4 000) and career development placement programmes slowly developing
- ❑ International programmes with foreign country partners have already placed over 700 women for training and work-place experience
- ❑ Additional funds for bursaries and loans for key skills at tertiary level
- ❑ ABET programme developed and funded

# Sector Development Objectives

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- National Industrial Policy Framework
- Sector strategies:
  - Priority sectors: BPO, Tourism and Biofuels
  - Development of further sectors
- Crosscutting interventions:
  - Competition and import parity pricing
  - Trade reform and capacity for negotiations
  - More support for private R&D investment
  - Better use of BBBEE for industry transformation

# Sector Development Outcomes

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## □ Sectors

- **BPO:** programme launched in March 2007 includes marketing, incentives, skills programme, benchmarking for more competitive telecoms offerings—strong interest from major investors
- **Tourism:** marketing budget up; SAPS in tourism safety programme; airlift agreement leads to 700 000 additional inward seats; major funding for Tourism Enterprise Programme supports SME BEE expansion; skills audit; industry charter; languages programme—large increase tourist arrivals in 2006
- **Biofuels:** draft strategy endorsed by Cabinet, currently completing stakeholder consultations, final report to Cabinet in April/May 2007



# Sector Development Outcomes

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- ❑ NIPF approved and annual programme being finalised
- ❑ Sectors in an advanced development phase include forestry and chemicals
- ❑ Crosscutting
  - Import parity pricing strategy approved and some import tariffs cut
  - Competition Commission pursuing cartels with much greater vigour (dairy, maize, banks etc)
  - Tax incentive for private R&D introduced

# State Capacity Objectives

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- ❑ Support stronger municipal management, especially for capital expenditure and maintenance programmes
- ❑ Improve the quality of economic services through enhancing capacity in national provincial and local government
- ❑ Review contribution of South Africa's development finance institutions to growth and development
- ❑ Reduce unnecessary delays in investment projects through a high level buck-stopping centre
- ❑ Improve capacity of planning and land use management systems to reduce unnecessary delays in land development, & implement more efficient EIA system
- ❑ Better long term planning for state investments

# State Capacity Outcomes

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- ❑ RIA system approved & preparations for pilot implementation
- ❑ Project Siyenza Manje launched at DBSA supporting municipalities in capex & maintenance
- ❑ Project Consolidate extended to 87 municipalities and being transformed into a general programme for all municipalities
- ❑ Project Vulindlela has assessed several national government departments and agencies and recommended reforms and enhancements
- ❑ Advanced plans to bring maths teachers from India
- ❑ Development Finance Institution review is proceeding

# Second Economy Objectives

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- ❑ EPWP to provide jobs in public investment, conservation & service programmes
- ❑ Help micro-enterprises raise incomes and generate opportunities for the poor
- ❑ Skills development and labour market information programmes to enable access to the poor
- ❑ Unlock unproductive assets of the poor such as land and livestock
- ❑ Comprehensive and effective support for SMMEs
- ❑ Implement broad-based empowerment
- ❑ Mobilise and resource cooperatives and financial services for poor communities

# Second Economy Outcomes

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- ❑ Expanded public works programme ahead of targets
- ❑ New allocations for rural access road EPWP projects
- ❑ Some growth in public microfinance programmes: SAMF/Apex, Mafisa & UYF
- ❑ BBBEE Codes published
- ❑ Cooperative Banks bill to Parliament
- ❑ Expansion of public funding to the Tourism Enterprise Programme (TEP) for Tourism SMEs
- ❑ Large increases in employment since 2004 reducing rate of unemployment (>500 000 net new jobs per year)

# Priorities for 2007: Infrastructure

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- ❑ More integration in infrastructure planning
- ❑ Complete comprehensive infrastructure monitoring and evaluation system
- ❑ Implementing REDS
- ❑ Implement national maintenance strategy
- ❑ Eradicate bucket system in formal settlements
- ❑ Develop infrastructure supply industries and ensure lower costs
- ❑ 2010 stadia, public transport and ICT
- ❑ Regulatory reform for infrastructure investments
- ❑ PPP programmes
- ❑ Implement EPWP rural access road programme

# Priorities for 2007: Skills

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- ❑ Access to schools should be improved including transport and safety issues
- ❑ Quality programmes for schools should continue and be extended
- ❑ Funds for FET colleges and other tertiary programmes must be implemented and reviewed
- ❑ Home Affairs must give greater effect to policies to encourage inward immigration of key skill categories
- ❑ Programmes for priority scarce skills must be implemented and monitored
- ❑ New generation Integrated Human Resource Strategy must be developed and introduced

# Priorities for 2007: Sector Development

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- ❑ Implementation of National Industrial Policy Framework through Economic Cluster
- ❑ Implementation and monitoring of Tourism and BPO strategies
- ❑ Finalisation of Biofuels, Chemicals and Forestry strategies
- ❑ Further development of potential next generation strategies (metals and engineering, agric, etc)
- ❑ More investigations into cartels and anticompetitive behaviour
- ❑ More work on trade policy
- ❑ Further development of innovation support



# Priorities for 2007: State Capacity

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- ❑ Implement Project Vulindlela capacity recommendations for public transport, microfinance, minerals & energy licensing
- ❑ And for DTI, DOA, DME and provincial economic departments
- ❑ Extend Project Consolidate
- ❑ Extend alignment of IDPs and PGDSs with the NSDP
- ❑ Build on local growth and development summits
- ❑ Complete DFI review
- ❑ Introduce Land Use Management Bill
- ❑ One stop investment centre
- ❑ Progress towards longer term planning of public investment

# Priorities for 2007: Second Economy

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- ❑ Progress towards comprehensive SMME support programme
- ❑ Finalise and implement set-asides for SMEs
- ❑ Link sector strategies to 2<sup>nd</sup> Economy
- ❑ Develop land and agriculture support programmes targeted at rural poor with land
- ❑ Implement upgraded Tourism Enterprise Programme
- ❑ Jobs for Growth Programme
- ❑ Stronger microfinance support and passing of Cooperative Banks Bill
- ❑ Further expansion of EPWP with rural access roads and basic social services
- ❑ National Youth Service intake up to 30 000

# Reflections on Sharing—the Second Economy

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- ❑ Most second economy programmes have relatively little weight, impact or credibility, though some programmes have traction
- ❑ Many programmes work small-scale but massification is more difficult
- ❑ Still do not have a complete answer to the question of how to address the able-bodied unemployed
- ❑ We are not addressing the existence of persistent large pockets of poverty, especially in the urban periphery and former bantustans comprehensively
- ❑ Need more thinking on a comprehensive approach to the challenge of the 2<sup>nd</sup> Economy and its links to a Comprehensive Anti-Poverty Strategy, aimed at building the self sufficiency of families and communities

# The added value of AsgiSA

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- ❑ Not always understood: it is an initiative to foster coordination and implementation of prioritised programmes
- ❑ Inside and outside of Government it is sometimes wrongly thought that there is an AsgiSA budget or a parallel planning process
- ❑ Rather, it is a modality for prioritising and pursuing implementation
- ❑ And for building partnerships in and out of government
- ❑ Overall, the modality of AsgiSA has been reaping rewards especially in areas of government policy and implementation that require high levels of cooperation and coordination
- ❑ Has engaged the attention of the public
- ❑ Provides a valuable common agenda for discussions between government, business, & other stakeholders

# AsgiSA, the POA and the Budget

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- ❑ AsgiSA is a process of emphasising “critical path” issues for shared growth, issues which unsolved will immediately or shortly stop shared growth in its tracks
- ❑ All AsgiSA activities that require national government action should be in the POA and if they need funds should be budgeted
- ❑ AsgiSA supports implementation—it is not an alternative path to funds

# Impact of AsgiSA

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- ❑ Realistic targets and recent successes have caused investors to rethink: South Africa has been re-rated
- ❑ Eskom and Transnet, for example, have adjusted their models
- ❑ Private sector infrastructure suppliers are making significant long-term investments
- ❑ Manufacturers are investing in new capacity because they believe growth will continue
- ❑ Economy is shifting from consumption driven to investment driven
- ❑ The growth path has been job-creating so far

# Challenges to AsgiSA

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- ❑ It is another layer of coordination (in relation to budget processes, the clusters, POA etc)—it is important to constantly ensure that it adds value rather than becoming an irritation
- ❑ Many coordination challenges have proved considerably more difficult than expected, even between national departments—territorialism is rife
- ❑ Need to find new ways to improve coordination and alignment
- ❑ Communication of AsgiSA has been sporadic and it is not always well understood
- ❑ AsgiSA is vulnerable to commercial opportunism, exploiting the AsgiSA brand

# Beyond 2007: The future role of AsgiSA and Jipsa

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- ❑ AsgiSA is expected to continue at least for the duration of this government though its role may evolve
- ❑ Jipsa's future will be reviewed from time to time in light of the development of new forms of coordination in skills and education (Jipsa report 26<sup>th</sup> March)
- ❑ Both remain valuable organisational and communications tools
- ❑ The out-of-the-box challenge is dealing with the 2<sup>nd</sup> Economy more effectively, inside or outside of AsgiSA