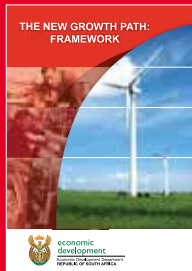


## Publications in the Series

1. The New Growth Path: Framework
2. Accord 1: National Skills Accord
3. Accord 2: Basic Education and Partnerships with Schools
4. Accord 3: Local Procurement Accord
5. Accord 4: Green Economy Accord

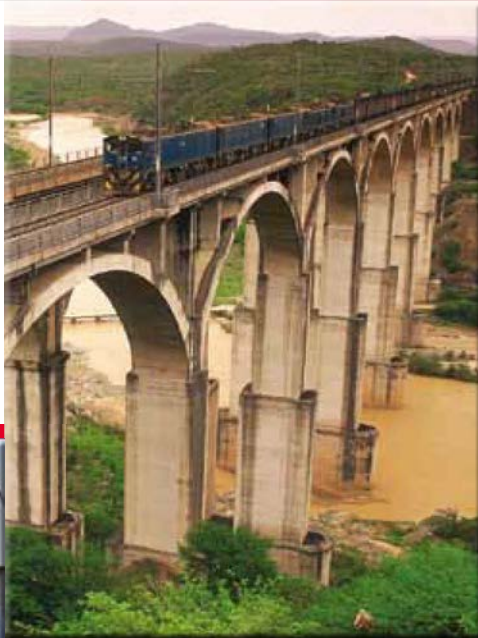
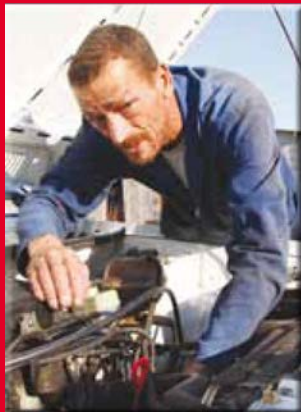


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# THE NEW GROWTH PATH: FRAMEWORK



**economic  
development**

Economic Development Department  
REPUBLIC OF SOUTH AFRICA

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## The New Growth Path (NGP)

**Government recently adopted the New Growth Path (NGP) as the framework for economic policy and the driver of the country's jobs strategy.**

This booklet is one in a series of publications on the New Growth Path.

This booklet has been produced as a public information resource. It is intended to help shop stewards, business representatives and government officials to communicate the contents of the NGP to a wider audience.

The New Growth Path involved substantial work in government. A summary of the work has been released as the New Growth Path: Framework. The text of this document is reproduced in this booklet, which is the second edition of the publication.

The purpose of the series is to stimulate a constructive discussion about the country's economic priorities in order to identify actions that the private sector, organised labour and government can undertake jointly and in their respective areas and to build support for strong partnerships in the society to address the jobs and economic challenges.

Ebrahim Patel  
*Minister of Economic Development*  
 November 2011

## FOREWORD



a target of five million new jobs to be created by 2020. It sets out the key jobs drivers and the priority sectors that we will focus on over the next few years. It is based on strong and sustained, inclusive economic growth and the rebuilding of the productive sectors of the economy. Infrastructure development in particular is a foundation for more jobs and addressing rural under-development.



**This vision calls for joint commitments by all South Africans – investors and workers, government and civil society.**

The New Growth Path is our vision to place jobs and decent work at the centre of economic policy. It sets

This vision calls for joint commitments by all South Africans – investors and workers, government and civil society – to realise the common goals. We have set clear targets for national, provincial and local governments to make employment a central focus of their activities. We are now reorienting the work of state-owned enterprises and development finance institutions to be aligned with the jobs drivers in the New Growth Path. We are engaged in social dialogue with organised labour, business and community organisations to forge a common vision and work together to achieve the jobs goals.

I call on all South Africans to join us in this journey to a better life for all, founded on ensuring that the economy, in the private and public sectors, is able to create jobs for millions of unemployed persons and offer hope to young people, the rural poor and women.

Jacob Zuma,  
*President, Republic of South Africa.*

## MESSAGE



‘ **Government has identified a number of concrete measures,** ranging from skills development to active industrial policies as well as targeted competition and trade, in order to achieve a higher improved economic growth rate and create employment opportunities. These are set out in the New Growth Path, which combines our programmes across a wide front into a coherent package for development, decent work and inclusive growth. They bring together the priorities in manufacturing;

mining and beneficiation; agriculture, rural development and agro-processing; infrastructure development; and tourism; the creative industries and certain high-level business services. These areas we have identified here constitute the basic economic focus for the period ahead and will shape our work in government. ’

Kgalema Motlanthe,  
*Deputy President, Republic of South Africa.*



## The New Growth Path: Framework Introduction

**In his inaugural State of the Nation Address in June 2009, President Jacob Zuma stated:**

‘ **It is my pleasure and honour to highlight the key elements of our programme of action. 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.** ’

There is growing consensus that creating decent work, reducing inequality and defeating poverty can only happen through a new growth path founded on a restructuring of the South African economy to improve its performance in terms of labour absorption as well as the composition and rate of growth. To achieve that step change in growth and transformation of economic conditions requires hard choices and a shared determination as South Africans to see it through. The Government is committed to forging such a consensus and leading the way by:

1. Identifying areas where employment creation is possible on a large scale as a result of substantial changes in conditions in South Africa and globally.
2. Developing a policy package to facilitate employment creation in these areas, above all through:
  - a A comprehensive drive to enhance both social equity and competitiveness;
  - b Systemic changes to mobilise domestic investment around activities that can create sustainable employment; and
  - c Strong social dialogue to focus all stakeholders on encouraging growth in employment-creating activities.

The New Growth Path must provide bold, imaginative and effective strategies to create the millions of new jobs South Africa needs. It must also lay out a dynamic vision for how we can collectively achieve a more developed, democratic, cohesive and equitable economy and society over the medium term, in the context of sustained growth. The strategy sets out critical markers for employment creation and growth and identifies where viable changes in the structure and character of production can generate a more inclusive and greener economy over the medium to long run. To that end, it combines macroeconomic and microeconomic interventions.



The shift to a new growth path will require the creative and collective efforts of all sections of South African society. It will require leadership and strong governance. It takes account of the new opportunities that are available to us, the strengths we have and the constraints we face. We will have to develop a collective national will and embark on joint action to change the character of the South African economy and ensure that the benefits are shared more equitably by all our people, particularly the poor.

Achieving the New Growth Path requires that we address key tradeoffs. Amongst other decisions, government must prioritise its own efforts and resources more rigorously to support employment creation and equity; business must take on the challenge of investing in new areas; and business and labour together must work with government to address inefficiencies and constraints across the economy and partner to create new decent work opportunities.

Some key tradeoffs include:

- Between present consumption and future growth, since that requires higher investment and saving in the present;
- Between the needs of different industries for infrastructure, skills and other interventions;
- Between policies that promise high benefits but also entail substantial risks, and policies that are less transformative and dynamic but are also less likely to have unintended consequences;
- Between a competitive currency that supports growth in production, employment and exports and a stronger rand that makes imports of capital and consumer goods cheaper; and
- Between the present costs and future benefits of a green economy.

The Economic Cluster commenced work on the New Growth Path in the second half of 2009. It tasked the Economic Development Department (EDD) with preparing a framework, which the department presented to the Ministers in November 2009. The EDD tabled a further summary at the January 2010 Cabinet Lekgotla. Following this, it has expanded on the framework through consultations with the main economic ministries and provincial departments of economic development as well as other stakeholders. The document knits together the Industrial Policy Acton Plan (IPAP) 2 as well as policies and programmes in rural development, agriculture, science and technology, education and skills development, labour, mining and beneficiation, tourism, social development and other areas.

This document summarises the work so far. More detailed work is being prepared in each area discussed in this summary.



## The Context

**This section first reviews the extent of joblessness and inequality, which makes employment creation our top priority. It then outlines changes in global and national conditions that generate new challenges but also immense opportunities for overcoming the legacy of inequality and exclusion that still shapes our economy.**

## 1 THE CORE CHALLENGE: MASS JOBLESSNESS, POVERTY AND INEQUALITY

For most of the '00s, South Africa enjoyed relatively strong economic growth. As a result, despite the volatility of the 1990s, overall economic expansion between 1994 and 2008 approached 4%, more or less the same as other upper-middle income countries. In contrast, from the late 1970s to the early 1990s, South Africa's economic growth lagged its peers, running at just over 1% a year.

Despite improved growth, the economy remained one of the most inequitable in the world. In the mid-'00s, some 40% of the national income went to the richest 10% of households. Deep inequalities were associated with extraordinarily high levels of joblessness. In the late '00s, less than half of all working-age South Africans had income-earning employment, compared to an international norm of almost two thirds.

Inequalities and joblessness were also associated with the legacy of apartheid geography. In the mid-'00s, around a third of the population lived in the former Bantustans. Fewer than one in three adults there was employed. Over half of all households in the former Bantustans depended mostly on remittances or grants, compared to under a quarter in the rest of the country.

The position was worst for young people, largely because too few jobs were created to absorb the large numbers of new entrants to the labour market. In the first quarter of 2010, the unemployment rate for young people aged 16 to 30 was 40%, compared to 16% for those aged 30 to 65.

Amongst the employed, many workers had poorly paid, insecure and dead-end jobs. In the third quarter of 2008, half of all employed people earned less than R2500 a month and over a third earned under R1000 a month, according to Statistics South Africa. The

informal sector, agriculture and domestic work contributed a third of all employment, but two thirds of working people earning under R1000 a month. Moreover, one in five employed African women was a domestic worker. The share of wages in the national income dropped from 50% in 1994 to just over 45% in 2009, while the share of profits climbed from 40% to 45%.

In short, the economy has not created sufficient employment opportunities for many of our people over the past three decades. Creating more and better jobs must lie at the heart of any strategy to fight poverty, reduce inequalities and address rural underdevelopment.

The ILO defines the decent work agenda in terms of four strategic objectives:

- Employment and income opportunities;
- Fundamental principles and rights at work and international labour standards (essentially organisational rights and freedom from coercion and discrimination);
- Social protection (which includes decent working conditions) and social security; and
- Social dialogue and tripartism.

## 2 THE CHANGING GLOBAL AND NATIONAL CONTEXT

At the global level, the New Growth Path responds to the severe economic downturn from late 2008 as well as accelerating technological change. Nationally, it results from the insufficient job growth of the '00s and the need to accelerate employment creation, income growth and a decline in poverty.

The global economic crisis means that South Africa must re-think historical patterns of trade and investment. In the past two years, slow growth in our traditional partners in the global North has been offset by the rapid recovery of growth in China, India and Brazil. Africa's importance has also grown in recent years, as a source of resources and a potential market with one billion consumers as well as one of the fastest-growing regions in the world. Shared development across our region is a pre-condition for sustainable prosperity in South Africa.

Global economic turmoil has also opened up new policy space for developing economies to go beyond conventional policy prescriptions. Our strategic objective must be to forge a consensus on the new opportunities within South Africa, across the continent and globally, and how these can be seized to achieve socially desirable and sustainable outcomes. The government has a critically important role to play in accelerating social and economic development including through effective regulation of markets.



The world economy faces far-reaching changes as a result of efforts to reduce global warming. While efforts to control emissions will impose heavy costs – especially on relatively carbon-intensive economies like South Africa – they also lay the basis for major new industries. More broadly, accelerating technological change promises to transform the world economy in the coming years, with new job opportunities in areas such as biotechnology and nanotechnology.

*The New Growth Path also responds to domestic developments.*

The transition to democracy emerged when the economy was already undergoing considerable structural change. Reintegration with the world economy as well as changes in mining and agriculture saw extensive job shedding. In the late 1970s, around two thirds of all working-age South Africans were employed – just on the international norm. By the early 1990s, in contrast, fewer than half had employment. Despite substantial improvements in





employment creation from 1994, in 2010 South Africa still ranked amongst the ten countries with the lowest level of employment in the world.

The upswing from the early '00s to 2008 built on South Africa's traditional strengths, as booming international commodity prices combined with high global liquidity to foster significant short-term inflows of capital. One consequence was that this enabled the country to spend more than it earned; another was that it increased the nominal value of the rand. It also resulted in what has been described as consumption-led growth that was not underpinned by a strong production base, with rapid growth in retail, the financial sector and telecommunications and comparatively slow expansion in manufacturing, agriculture and mining.

While the '00s saw relatively rapid employment creation, many jobs were poorly paid and insecure. Most new jobs emerged in retail, security and other low-level business services, and housing construction. Finance and telecommunications did not create much employment, despite their rapid growth, and mining and agriculture

shed workers. Security guards alone accounted for one in 14 new jobs created between 2002 and 2008, with 150 000 new security guards employed in this period.

The strong rand permitted reductions in the interest rate, contributing to rapid credit creation, as well as cheaper imports, but it also contributed to lower profitability and competitiveness in manufacturing, agriculture and other tradable-goods sectors. It generated a consumption boom that was largely restricted to South Africans in the upper income group. Deep inequalities in incomes and wealth meant that working people saw only limited improvements, as the richest 10% of households captured around 40% of the national income and around three quarters of new credit creation. According to the Organisation for Economic Co-operation and Development (OECD), wages for lower paid workers fell in the '00s.

The global economic downturn ended this pattern of growth abruptly with a 3% fall in the GDP from the third quarter of 2008 to mid-2009. Job losses were still more severe, as employment dropped by a million jobs from the end of 2008 to the middle of 2010. As a result, the employment ratio fell back from a high of 45% in 2008 to 41% in 2010 – virtually the same level as in 2002, before the economic boom started.

In addition to high unemployment, the growth phase in the '00s pointed to fundamental bottlenecks and imbalances in the economy, especially:

- Dependence on the minerals value chain, including smelting and refining, which used huge amounts of electricity, leading to high emissions intensity;
- Weaknesses in the state's use of commodity-based revenue for economic diversification and skills development;

- A persistent balance-of-trade deficit funded with short-term capital inflows (essentially foreign investment in equities and in 2009/10 increasingly in interest-bearing assets), attracted largely by interest rates that were high by international standards. In effect, the country borrowed abroad to sustain government spending, investment and household consumption which remained heavily biased toward the well off. Both investment and domestic savings remained below the levels required for sustained growth;
- Bottlenecks and backlogs in logistics, energy infrastructure and skills, which raised costs across the economy. A particular concern arose from energy shortages that resulted in part from weak investment in new generation capacity as well as high demand spurred by low prices for much of the '00s; and
- Continued economic concentration in key sectors, permitting rent-seeking at the expense of consumers and industrial development.

The New Growth Path responds to emerging opportunities and risks while building on policies advanced since the achievement of democracy 16 years ago. The Reconstruction and Development Programme advocated greater equity as the basis for long-term development and growth. In the mid-'00s, AsgiSA renewed government's commitment to addressing joblessness and poverty and identified infrastructure needs, skills shortages and unnecessary regulatory burdens as core constraints on growth. In addition, in the face of the global crisis in 2008/9, government, organised business, labour and community groups forged a response to minimise the impact on the economy and on working people. That constructive and collaborative approach to meeting the challenges facing South Africa informs our strategies going forward.



# The New Growth Path

‘ The New Growth Path starts by identifying where employment creation is possible, both within economic sectors as conventionally defined and in cross-cutting activities. It then analyses the policies and institutional developments required to take advantage of these opportunities. ’

In essence, the aim is to target our limited capital and capacity at activities that maximise the creation of decent work opportunities. To that end, we must use both macro and micro economic policies to create a favourable overall environment and to support more labour-absorbing activities. The main indicators of success will be jobs (the number and quality of jobs created), growth (the rate, labour intensity and composition of economic growth), equity (lower income inequality and poverty) and environmental outcomes.

To achieve profound changes in the structure of savings, investment and production, the government must steadily and consistently pursue key policies and programmes over at least a decade. Moreover, the state must coordinate its efforts around core priorities rather than dispersing them across numerous efforts, however worthwhile, that do not contribute to a sustained expansion in economic opportunities for our people. These are the core characteristics of a developmental state.

The requisite policy stability and coherence will be supported by effective social dialogue that helps establish a broad consensus on long-run policy goals and a vision for the country, and facilitates the necessary tradeoffs and sacrifices by ensuring a visibly fair distribution of the benefits from growth. Engagement with stakeholder representatives on policy, planning and implementation at national, sectoral and local levels is central to achieving coherent and effective strategies that are realised without endless debates and delays. That, in turn, means government must both strengthen its own capacity for engagement and leadership, and re-design delivery systems to include stakeholders meaningfully.

Long-term structural change also requires phasing to establish the preconditions for success over time. In the case of employment, for instance, the steps that the state can take vary over time:



1. In the very short run, the state can accelerate employment creation primarily through direct employment schemes, targeted subsidies and/or a more expansionary macroeconomic package.
2. Over the short to medium term, it can support labour-absorbing activities, especially in the agricultural value chain, light manufacturing and services, to generate large-scale employment. Government can provide effective inducements to private investment in targeted sectors, principally by prioritising labour-absorbing activities for the provision of appropriate and cost-effective infrastructure, regulatory interventions that effectively address market and state failures, measures to improve skills systems, and in some cases subsidies to production and innovation.
3. In the longer run, as full employment is achieved, the state must increasingly support knowledge- and capital-intensive sectors in order to remain competitive.



This inherent phasing means that in the medium term the state must focus on facilitating growth in sectors able to create employment on a large scale. But it should not neglect more advanced industries that are crucial for sustained long-run growth. Government must encourage stronger investment by the private and public sectors to grow employment-creating activities rapidly while maintaining and incrementally improving South Africa's core strengths in sectors such as capital equipment for construction and mining, metallurgy, heavy chemicals, pharmaceuticals, software, green technologies and biotechnology. These industries build on our strong resource base and our advanced skills and capacity in some economic sectors.

South Africa needs to re-industrialise off the back of the opportunities identified in the New Growth Path. But this is more than simply identifying sectors and product niches. It also requires markets. In this context, South African businesses need to do more to find opportunities in the fast-growing economies of China, India and Brazil. This requires more active pursuit of exports to, and investment from, these emerging centres of economic power.

This strategy comes with challenges, for example in the composition of the trade relationship. While trade with China has grown significantly, South Africa still largely exports raw materials and imports value-added manufactured products. The Comprehensive Strategic Partnership signed in August 2010 between the two countries commits to “improve, through a concerted effort, the current structure of trade between the two countries, in particular by working towards a more balanced trade profile and encouraging trade in manufactured value-added products...China, in this spirit, will encourage its enterprises to increase investment in South Africa's manufacturing industry to promote the creation of value adding activities in close proximity to the source of raw materials.” South Africa must develop practical proposals to take advantage of this joint commitment.

The growth path emphasises supply-side needs. A critical requirement, however, is simultaneously to improve demand. In all successful economies, the domestic and regional market has been a critical factor in long-term growth. This points to the importance of production aimed at meeting basic needs within the national economy. In South Africa, however, the domestic market is relatively narrow due to the relatively small population, low employment levels and deep inequalities.

The New Growth Path therefore proposes strategies:

- To **deepen** the domestic and regional market by growing employment, increasing incomes and undertaking other measures to improve equity and income distribution; and
- To **widen** the market for South African goods and services through a stronger focus on exports to the region and other rapidly growing economies.



The next section reviews opportunities for employment creation – the “jobs drivers.” The following section outlines core cross-cutting policy proposals, followed by a brief review of resourcing opportunities. After a brief discussion of institutional and spatial requirements, the final section sets out actions to finalise work on the growth path and begin implementation.

## 1 JOBS DRIVERS

If we can grow employment by five million jobs by 2020 (around three million more than the anticipated growth if we extrapolated from 2002 to 2009), over half of all working-age South Africans would have paid employment and narrow unemployment would drop by 10 percentage points from 25% currently to around 15%.

Achieving this goal will be the key target that informs the annual employment and growth targets that will be set. We can reach this target if we focus consistently on areas that have the potential for creating employment on a large scale – what we term “jobs drivers” - and securing strong and sustainable growth in the next decade. Most of the projected new jobs will come from the private sector.

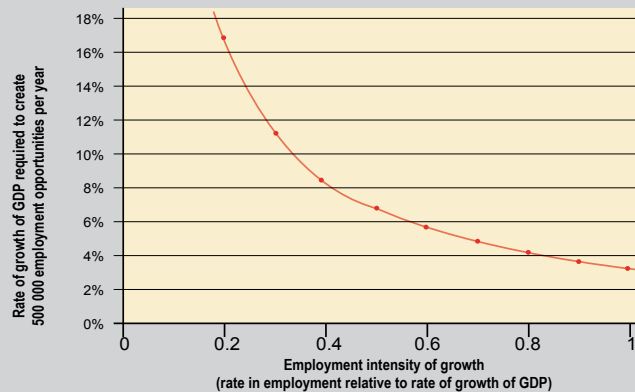
Two key variables will affect the target of five million new jobs: the rate of economic growth and the employment intensity of that growth – that is, the rate of growth in employment relative to the rate of growth in GDP. In effect, we need both to maximise growth and to ensure that it generates more employment, mostly in the private sector, in order to reach our target. The employment intensity of growth must be kept between 0,5 and 0,8, while the rate of growth in GDP should rise to between 4% and 7% a year. The following box explains this relationship. Supporting the jobs drivers through appropriate measures is important to encourage more employment-intensive growth.

The measures in the New Growth Path, taken together, constitute a key means to address the income inequalities in our society. They place decent work (more and better jobs) at the centre of the fight against inequality but also include measures such as skills enhancement, small enterprise development, wage and productivity gain-sharing policies, addressing the excessive pay gap between top and bottom, progressive taxation and support for the social wage, meaning public services targeted primarily at low-income households.

The connection between economic and social measures needs to be further strengthened. In addition to their important social goals, basic and secondary education play a critical role in long-run equality, access to employment and competitiveness. So does investment in health, including effective measures to address HIV/AIDS. Government has prioritised health and education investment and delivery. While the detailed measures are not spelt out in the New Growth Path, these services are critical success factors for this employment-rich strategy.

### Employment intensity and growth

The rate of growth required to achieve the target of five million jobs over the next ten years depends on the employment intensity of growth – that is, the relationship between the growth in employment and the growth in the GDP. The actual employment intensity of growth in South Africa is the subject of debate both because of difficulties with the data, especially before 2001, and because of annual fluctuations. As a result, the period chosen largely determines what is seen as South Africa's employment intensity of growth. In the event, the employment intensity of growth was 0.8 from 1996 (Census data) to the second quarter of 2010 (QLFS data); 0.5 from 2001 (LFS data) to the second quarter of 2010 (QLFS data); and 0.67 from 2002 (LFS data) to the second quarter of 2009 (QLFS data).

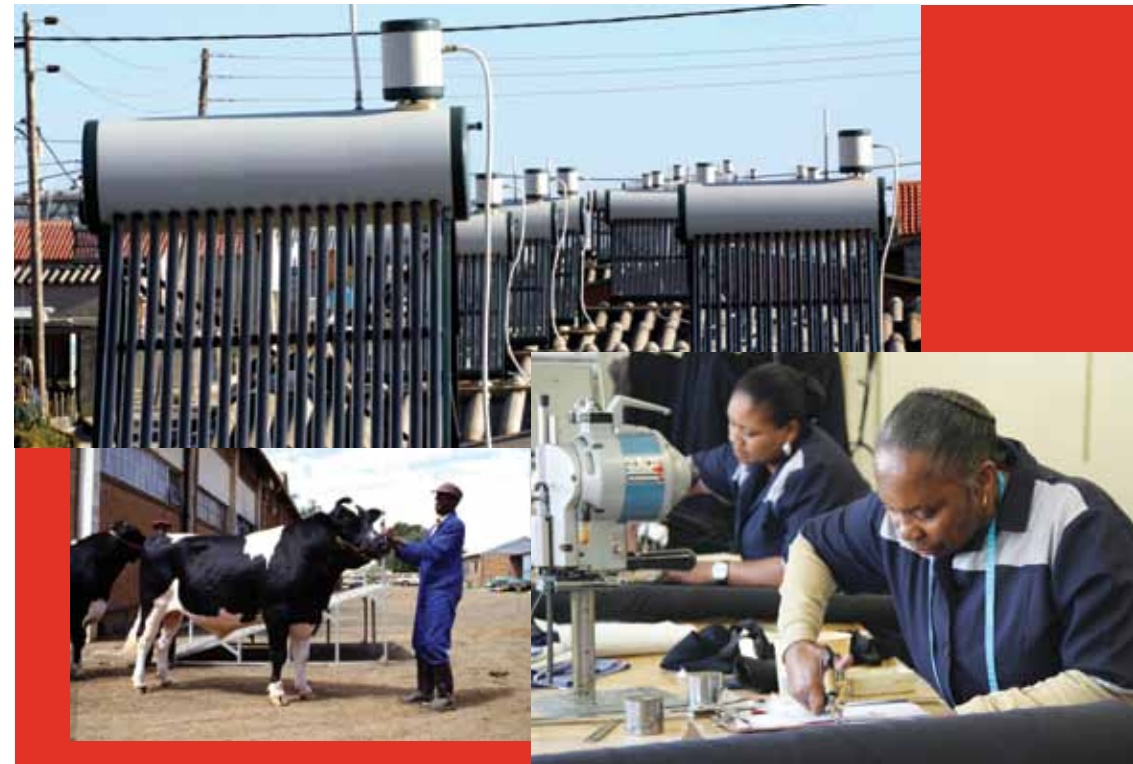


The jobs drivers we have identified are:

1. Substantial public investment in infrastructure both to create employment directly, in construction, operation and maintenance as well as the production of inputs, and indirectly by improving efficiency across the economy.
2. Targeting more labour-absorbing activities across the main economic sectors – the agricultural and mining value chains, manufacturing and services.
3. Taking advantage of new opportunities in the knowledge and green economies.
4. Leveraging social capital in the social economy and the public services.
5. Fostering rural development and regional integration.

In each of these areas, we will have to make a special effort to generate opportunities for young people, who face the highest unemployment rate.

The categories of the jobs drivers are not set in concrete – new opportunities may emerge that are not foreseen, assumptions on which existing opportunities are based may change - nor are they fully independent of each other. For instance, the green economy requires profound changes in energy infrastructure, while rural development depends in large part on infrastructure, agriculture and tourism. The aim is not to focus on categorisation, but rather to use the mapping process to think innovatively about new opportunities for employment creation. A critical element of the New Growth Path is to ensure that the drivers leverage and reinforce each other based on their inter-linkages.



As a first step, we will prioritise efforts to support employment creation in the following key sectors:

- infrastructure;
- the agricultural value chain;
- the mining value chain;
- the green economy;
- manufacturing sectors, which are included in IPAP2; and
- tourism and certain high-level services.

These opportunities will take advantage of the potential of new approaches in the other jobs drivers, notably regional integration in Africa and the knowledge and social economies.

In many areas of the jobs drivers, departments have already initiated strategies to support employment creation; in others, they are currently reviewing their policies and programmes. The New Growth Path builds on existing work, although limited space means this is not always spelt out in detail.

For each of the jobs drivers, we have set a target for employment creation. These targets are achievable if we can ensure a supportive environment as well as implementing specific support measures.



### **Jobs Driver 1: Infrastructure**

Public investment can create 250 000 jobs a year in energy, transport, water and communications infrastructure and in housing, through to 2015. The jobs are in four activities: construction of new infrastructure; operation of the new facilities; expanded maintenance; and the manufacture of components for the infrastructure programme. In addition to these four activities, the impact of the massive infrastructure programme on job creation across the economy (the “multiplier effect”) will be substantial.

In the construction process, most of the employment will arise in housing and public works, while the manufacture of inputs provides both employment opportunities and scope to enhance industrial capacity. The provision of infrastructure also serves to enhance efficiency across the economy, laying the basis for stepped-up growth and employment creation in every industry and at the same time it can also significantly advance social equity goals and address inequalities in the society. It is critical for increasing opportunities in the former Bantustans, which still suffer the greatest backlogs in household services, transport and communications. In this context, addressing the energy and logistics challenges will prove essential for both overall competitiveness and for overcoming the spatial patterns of apartheid.



The second Integrated Resource Plan for electricity (IRP2) foresees a near-doubling of electricity capacity by 2030, with 33% of new generation coming from renewable sources and 25% from nuclear power. It is also a key part of the plan to improve economic efficiency and to reduce emissions.

Greater emphasis will also be placed on the expansion of rail transport, with more railway tracks and rolling stock, given the cost and logistics advantages for both commuters and freight transport. In a water-constrained country, the investment in water infrastructure is an essential step in the strategy to expand agriculture and agro-processing. Communications provides the backbone for a modern economy, and expanding the infrastructure will go together with measures to reduce costs.

The crucial steps to achieve our targets for infrastructure are to maintain high levels of public investment with a sustainable step change in investment by general government and public sector corporations, backed by investment in skills development and measures to prevent non-competitive pricing by contractors; to strengthen local procurement of inputs in order to maximise the multiplier effect, including through the development of new industries to provide for renewable energy; to use labour-based production methods where appropriate; and to target infrastructure provision to support broad-based growth and rising competitiveness linked to a coherent and sustainable strategy on rural development.



### **Jobs Driver 2: Main economic sectors**

The New Growth Path targets opportunities for 300 000 households in agricultural smallholder schemes plus 145 000 jobs in agroprocessing by 2020, while there is potential to upgrade conditions for 660 000 farm-workers. Initial projections by the Industrial Development Corporation (IDC) suggest that mining can add 140 000 additional jobs by 2020, and 200 000 by 2030, not counting the downstream and sidestream effects. Much of manufacturing is included under other jobs drivers, but IPAP2 targets 350 000 jobs by 2020 in the industries not covered elsewhere. High level services can create over 250 000 jobs directly just in tourism and business services, with many more possible in the cultural industries.

The New Growth Path sets out a range of practical measures at sectoral level to achieve these employment targets, with the following core strategies:

- Restructuring land reform to support smallholder schemes with comprehensive support around infrastructure, marketing, finance, extension services, etc.; upgrading employment in commercial agriculture especially through improved worker voice; measures to support growth in commercial farming and to help address price fluctuations in maize and wheat while supporting national food security; acceleration of land claims processes and better support to new farmers following land-claims settlements; programmes



to ensure competitive pricing of inputs, especially fertiliser; and support for fishing and aquaculture;

- Accelerating exploitation of mineral reserves by ensuring an effective review of the minerals rights regime, lowering the cost of critical inputs including logistics and skills in order to stimulate private investment in the mining sector, and setting up a state-owned mining company that would co-exist with a strong private mining sector and that promotes beneficiation, as well as greater utilisation of the mineral resource base of the country for developmental purposes, including potentially through a sovereign wealth fund;
- Refocusing the beneficiation strategy to support fabrication (stage 4) (rather than only smelting and refining, which are both capital and energy intensive), including stronger measures to address uncompetitive pricing of intermediate inputs, such as where appropriate, export taxes on selected mineral products linked to clear industrial strategies;
- Phasing support for manufacturing to encourage activities that can generate employment on a large scale and meet basic needs at lower cost in the short to medium term, while sustaining development of more knowledge-intensive industries for long-run growth. A number of the required actions have been set out in IPAP2;
- In tourism, strengthening measures to expand the tourism infrastructure and services, promote targeted marketing campaigns, manage costs, quality assurance and logistics, improve training and identify employment and entrepreneurial opportunities for the youth; in business services such as finance and communications, enhancing support measures to encourage diversification; and developing a comprehensive programme to support cultural industries. In addition, the conditions of vulnerable workers in the services will be addressed.



### **Jobs Driver 3: Seizing the potential of new economies**

Technological innovation opens the opportunity for substantial employment creation. The New Growth Path targets 300 000 additional direct jobs by 2020 to green the economy, with 80 000 in manufacturing and the rest in construction, operations and maintenance of new environmentally friendly infrastructure. The potential for job creation rises to well over 400 000 by 2030. Additional jobs will be created by expanding the existing public employment schemes to protect the environment, as well as in production of biofuels. The IRP2 targets for renewable energy open up major new opportunities for investment and employment in manufacturing new energy technologies as well as in construction.

In addition, the New Growth Path targets 100 000 new jobs by 2020 in the knowledge-intensive sectors of ICT, higher education, healthcare, mining-related technologies, pharmaceuticals and biotechnology.

The lessons from international experience point to the importance of emulation, adaptation and diffusion of existing technologies in ways that will support large-scale employment creation and improved livelihoods.

The main strategies to achieve these targets are:

- Comprehensive support for energy efficiency and renewable energy as required by the IRP2, including appropriate pricing policies, combined with programmes to encourage the local production of inputs, starting with solar water heaters;
- Public employment and recycling schemes geared to greening the economy;
- Stronger programmes, institutions and systems to diffuse new technologies to SMEs and households;
- Greater support for R&D and tertiary education linked to growth potential and developing South Africa as the higher education hub for the continent; and
- Continuing to reduce the cost of and improve access to broadband.



#### **Jobs Driver 4: Investing in social capital and public services**

The social economy includes myriad not-for-profit institutions that provide goods and services, including co-operatives, non-governmental organisations (NGOs) and stokvels. If the sector grew in South Africa closer to international norms, we can anticipate 260 000 new employment opportunities. The public service can also generate 100 000 jobs in health, education and policing by 2020 even if it grows by only 1% a year, as well as substantial opportunities through public employment schemes. Significant steps are being taken to address the challenge of HIV/AIDS and these will impact on the size and shape of the public health infrastructure as well as improve the welfare and productivity of the workforce.

Achieving these targets requires comprehensive government support for social-economy initiatives, including assistance with marketing, bookkeeping, technological and financial services and training, based in part on a stronger co-operative support agency and possibly a training academy; the development of linkages within the social economy to encourage learning and mutual support; work with union and community investment companies to develop a Charter with commitments to job creation; and increasing state procurement from and service delivery through organisations in the social economy.

In addition, government will set targets for growth in the public service to meet national needs. It will also establish rural, literacy, green and HIV-education youth brigades that engage up to a million young people over the next few years, combined with measures to expose young people to work experience through internships in the private and public sectors. It will also extend the Community Works Programme to more wards. Expansion of public employment will require proper budgeting and a strategy to ensure both affordability and cost effectiveness. Government is committed to developing a multi-pronged strategy to support youth employment in particular.



### ***Jobs Driver 5: Spatial development***

While urbanisation will continue, a significant share of the population will remain in rural areas, engaged in the rural economy. Government will step up its efforts to provide public infrastructure and housing in rural areas, both to lower the costs of economic activity and to foster sustainable communities. Rural development programmes can achieve a measurable improvement in livelihoods for 500 000 households, as well as stimulating employment in other sectors.

Enhancing rural employment requires finalisation of a spatial perspective that sets out the opportunities available and the choices that we must make in order to lay the basis for aligning government spending, infrastructure and housing investment and economic development initiatives. In addition, government must do more to support small-scale agriculture, including through community food gardens and marketing and service co-operatives as well as accessible banking facilities.





Regional development is an imperative for both solidarity and sustainable growth. In terms of employment in South Africa, increased exports to SADC alone can generate almost 60 000 additional direct jobs by 2015 and around 150 000 by 2020, with additional employment growth arising from South Africa's position as a financial, logistics and services hub and from collaboration around regional infrastructure and investment. These opportunities in turn can strengthen economic development in neighbouring countries.

South Africa cannot succeed with regional development without strong partnerships with other countries on the continent. Our proposals centre on a strategy for improving logistics, with clear priorities and timeframes, including a "smart ports" network that integrates a common systems, people and technology platform across a number of countries to improve port efficiencies and costs (to be explored initially on a pilot basis with five key ports on the continent) and an integrated road and rail system across the continent; measures to expand regional investment and trade and develop integrated supply-chains and industrial corridors particularly in mining and agro-processing; and reducing regulatory obstacles to trade and travel.

## 2 A DEVELOPMENT POLICY PACKAGE FOR GROWTH, DECENT WORK AND EQUITY

The work done for the New Growth Path indicates that our goal of growing employment by five million new jobs over the coming decade is achievable. It cannot, however, be achieved with only a single policy instrument. It needs a package of interventions that addresses a range of challenges in the economy and that balances competing policy concerns while mitigating unintended consequences. We need to build on the strengths and successes of our policy interventions in the past, recognise their weaknesses and gaps and address these, and, crucially, seize the moment to forge a common vision to take the society forward. A zero-sum conflict over existing resources and jobs will not provide South Africa with a unifying vision. We need to grow both the size of the economy and the number of decent work opportunities it provides.

We outline below the details of a developmental package consisting of macroeconomic strategies, microeconomic measures and stakeholder commitments that can lead our society to a new growth trajectory and achieve a higher, sustainable expansion in decent work opportunities and in output based on our common efforts.

The macroeconomic section of the package entails a careful balancing of more active monetary policy interventions to achieve growth and jobs targets, *inter alia* through a more competitive exchange rate and a lower cost of capital, with a more restrained fiscal stance and repriorisation of public spending to ensure sustainability over time.

The microeconomic section in the package involves targeted measures to control inflationary pressures and support competitiveness and increased equity, which in turn makes the macroeconomic strategy sustainable and viable. It includes reforms in policies on skills, competition, industry, small business, the labour market, rural development, African integration and trade policy.

The stakeholder commitments require a national consensus on wages, prices and savings in order to ensure a significant increase in the number of jobs in the economy while addressing the concerns of vulnerable workers and reducing income inequality. The commitments involve shared solidarity, sacrifice and partnership to shift society to the New Growth Path and achieve the goal of five million new jobs.

We set out the details of the proposals separately below, but a crucial issue is their inter-relationship and the key tradeoffs they manage. An example of the need for coordinated responses is best illustrated with the case of the exchange rate. Measures designed to bring about a more competitive exchange rate may be undermined if all of the competitiveness gains are eroded by rising domestic prices and wages. That would limit the ability of producers to create more jobs by using the more competitively-priced currency to increase exports of South African goods into global markets or to reclaim a larger share of the domestic market. By extension, then, measures to address the currency must be paired with consistent efforts to avoid a price and wage spike as a result of the currency depreciation in order for the intervention to have the desired effect.

Another example of the inter-relationship between different policy imperatives is the role of an African development fund as outlined below. Such a fund can promote investment in the region. At the same time, it can function as a sovereign wealth fund that invests accumulated foreign reserves in productive projects with a higher yield than investment in developed-country bonds.

There is policy consensus on the need for a more competitive and stable exchange rate. Yet a more competitive exchange rate does not come “free”: it involves both explicit and hidden costs. Some of the costs – for instance, building up foreign reserves – entail diverting resources from other social needs. It is clearly necessary to strongly align macroeconomic measures, microeconomic interventions and social partner commitments in order to achieve the shared goals set out in the New Growth Path.

## 2.1 *The macroeconomic package*

In terms of the macroeconomic stance, for the foreseeable future government will be guided by a looser monetary policy and a more restrictive fiscal policy backed by microeconomic measures to contain inflationary pressures and enhance competitiveness. The package entails the following:

1. The monetary policy stance will continue to target low and stable inflation but will do more to support a more competitive exchange rate and reduced investment costs through lower real interest rates. This will be accompanied by measures proposed below to contain inflationary pressures and build competitiveness.
2. Additional and larger purchases of foreign currency flowing into South Africa, as a result of foreign direct investment and portfolio inflows, in order to counter appreciation of the rand as required. An African development fund will be established to invest in

African infrastructure, as outlined below. A further set of tools to address the competitiveness of the exchange rate is being explored, including measures to address the negative effects of short-term capital inflows. These tools will take into account global agreements to deal with imbalances.

3. Greater restraint in fiscal policy to slow inflation despite easier monetary policy. A counter-cyclical fiscal stance through the business cycle will manage demand in support of a more competitive currency while achieving critical public spending goals. The MTEF foresees real growth in expenditure of just over 2% a year for the next few years.
4. Mobilisation of resources to finance growth path priorities, particularly jobs, skills and infrastructure. The new fiscal policy



will require vigorous prioritisation and improved value for money, with reductions in less important areas while protecting priority public services. Spending proposals need to be subjected to a clear and rigorous prioritisation process, corruption and waste eliminated, and remuneration growth moderated to avoid squeezing crucial developmental programmes.

## 2.2 The microeconomic package

The microeconomic package involves ten programmes to control inflationary pressures and inefficiencies combined with more proactive strategies to support an inclusive economy, social equity and regional development. Microeconomic measures to control inflationary pressures include: (a) competition policy as discussed below, targeting monopoly pricing on wage goods and basic industrial inputs; (b) a review of administered prices to ensure that they do not increase above inflation without compelling reasons; and (c) targeted, efficient and sustainable interventions to contain other volatile and/or rapidly rising costs, such as private healthcare and spikes in basic food items. Proposals to introduce National Health Insurance, for instance, should reduce the share of the GDP spent on health, which is now extraordinarily high for a middle-income economy, while improving access for the majority.

Measures to support long-term competitiveness also include a range of measures discussed below, including skills development, vigorous implementation of IPAP2, small business support and labour-market interventions. They also require reduced red tape and bureaucratic delays as well as competitive pricing of broadband and ports and more efficient rail links to the coast.

Mechanisms to reduce the cost of capital for the jobs drivers would involve mobilising savings around developmental investments, an initiative that would also contribute to a higher investment rate. In addition, government will assess how financing certain kinds of BEE

requirements affects the cost of capital. The state will also seek to maximise local procurement in the state-owned enterprise (SOE) build programme so as to minimise the impact of currency depreciation on costs while enhancing domestic demand.

### **One: Active industrial policy**

Industrial policy refers to public measures aimed at the development of certain kinds of activities in an economy. In South Africa, an active industrial policy is crucial because:

- The historic dependence on resource extraction means that a range of government functions – infrastructure, education and training, industrial financing and regulatory frameworks – are not geared to supporting new employment-creating sectors;
- Areas with employment potential often lack private-sector champions or supportive market structures, meaning that they require government encouragement; and
- New economic developments around knowledge-intensive sectors and green technologies need new kinds of education and training, greater R&D support as well as the establishment of learning organisations in enterprises and state agencies.



Active industrial policies under apartheid relied largely on subsidies and tariffs for existing industries in the context of low-wage policies like migrant labour and suppression of trade unions. Responding to new global and domestic conditions in a democracy demands sharper focus on:

- New sources of competitiveness that lie in innovation and productivity, with an adequate base in skills, infrastructure and efficient state action; and
- Measures to enhance domestic and regional demand as well as extending export promotion strategically to the rapidly growing economies of the global South. These measures need a competitive rand to succeed.

IPAP2 aims to ramp up South Africa's active industrial policy by improving alignment across the state. Crucially, it is necessary that the state reforms institutional structures and uses financial engineering to significantly increase the capacity and impact of the development finance institutions (DFIs), especially the IDC, for industrial financing. In turn, the DFIs, and again especially the IDC, must ensure their activities maximise support for employment-creating, equitable and green growth.

### **Two: Rural development policy**

The poorest regions of the country, with the highest unemployment rates and most vulnerable workers, are the former Bantustan and commercial farming areas. Areas considered rural today developed historically as impoverished labour reserves for the urban economy, and not as viable economic zones. Still, the agricultural value chain offers major opportunities in these areas for employment creation through smallholder schemes and the processing and sale of agricultural products. Improvements in livelihoods for rural dwellers are possible by upgrading farmworkers' conditions and organisation and helping rural households increase production. Other jobs



drivers, notably the public sector and social economy, tourism and infrastructure, can also contribute.

An effective rural development strategy geared to improving livelihoods and employment on a large scale must:

- Be rooted in a realistic understanding of the economic potential of different regions of the country, including the quality of land, water and proximity to markets; and
- Take into account long-term changes in settlement patterns with the end of apartheid residential laws.

Specific measures in these areas are proposed for rural development as a jobs driver. Core considerations will be:

- Reprioritising budgets for housing and social services to address rural backlogs, which requires managing trade-offs and addressing gross inequalities in municipal revenues;
- Support for market and financial institutions, especially co-ops, that enable small producers to enter formal value chains and take advantage of economies of scale; and
- The identification of viable opportunities, including smallholder schemes, that can improve livelihoods on a large scale, especially by building on regional synergies and clusters.

### **Three: Competition policy**

The South African economy has been characterised by high levels of economic concentration and collusion on price and market-sharing. Anti-competitive conduct seeks profits from narrow and backward-looking strategies based on inherited positions of market power. It ultimately implies lower output, investment and employment. Specific measure will include the following:

1. Competition investigations should continue to focus on areas of strategic importance, including the food sector, construction and infrastructure, other key input costs, the green economy and the IPAP sectors.
2. Law-enforcement agencies will cooperate more actively with the competition authorities to address pervasive breaches of the competition laws.
3. The competition authorities will review their procedures to reduce the opportunity for vexatious litigation and speed up competition probes.
4. More consideration should be given to mandating public interest conditions on proposed mergers, particularly in respect of employment and prices.
5. Competition authorities should involve trade unions more, as provided for in the Competition Act. Unions should develop





their capacity to share information and insights on employment issues in mergers and acquisitions.

6. Government will consider draft amendments to the Competition Act to enhance the Tribunal's power to order divestiture where inherited market power permits repeated abuse and to provide mechanisms to address pricing in markets characterised by economic concentration.
7. The competition authorities and DFIs should cooperatively identify instances where support for new market entrants is needed to secure more competitive outcomes, in order to combine competition and investment measures.
8. Government will develop guidelines for granting exemptions in terms of the Competition Act for cooperation between producers where it will demonstrably benefit job creation and expansion into export markets.

#### **Four: Stepping up education and skills development**

Improvements in education and skill levels are a fundamental prerequisite for achieving many of the goals in this growth path. General education must equip all South Africans to participate in our democracy and economy, and higher education must do more to meet the needs of broad-based development. The growth path also requires a radical review of the training system to address shortfalls in artisanal and technical skills. The draft Human Resource Development Strategy for South Africa addresses these goals. The proposals here focus on meeting shortfalls in the important economic skills.

**Engineers:** Target at least 30 000 additional engineers by 2014, changing subsidy formulae for universities as appropriate. Strengthen measures to ensure greater and more equitable access to science and maths education at secondary level and expand bridging programmes to tertiary courses.



**Artisans:** Target at least 50 000 additional artisans by 2015, with annual targets for state-owned enterprises. SETAs must agree to numerical targets for completed apprenticeships, with systems to track progress, particularly in construction, mining, manufacturing and new industries such as in the green economy. Apprenticeship-systems must be reviewed to support broader access.

**Workplace skills:** Improve skills in every job and target 1,2 million workers for certified on-the-job skills improvement programmes annually from 2013. Every SETA should aim to facilitate and co-finance training for 10% of the workforce annually. Improve SETA performance by strengthening governance, accountability and administrative systems. SETAs must prioritise identifying and funding the main sector skill needs based on the New Growth Path.

**Further education and training (FET)** colleges have a central role in providing important middle-level skills for young people. An immediate goal is to expand enrolment at FET colleges, targeting a million students in FET colleges by 2014. To be effective, however, their graduation rates must also rise significantly. This target will require appropriate resourcing of the FET system.

**Information and communications technology (ICT) skills:** The departments of education should ensure that computer skills are taught in all secondary schools and form part of the standard adult basic education and training (ABET) curriculum by 2015. All public servants should also receive ICT training. Achieving this aim urgently requires a plan to train educators, access relevant teaching skills elsewhere and establish computer centres for learners and communities.

**Policy framework:** Finalise the National Skills Development Strategy taking into account the needs emerging from the growth path. In addition, the overall supply of highly skilled labour should be increased by continued efforts to streamline the immigration system in ways conducive to the inflow of skills, linked to a skills-transfer programme and an on-going commitment to upgrade domestic education on a broad basis.

**Five: Enterprise development: promoting small business and entrepreneurship; eliminating unnecessary red-tape**

South Africa has a relatively weak small and micro enterprise sector. Before 1994, the state suppressed and marginalised black entrepreneurs. That history entrenched market and financial institutions, infrastructure and regulatory frameworks that were inappropriate for smaller producers, who also often lack production, financial and management skills. They also face the difficulty of competing with well-established firms in concentrated markets and accessing affordable finance and often suffer disproportionately from crime.

The New Growth Path will strengthen and consolidate initiatives to support small and micro enterprise, with a comprehensive strategy laid out by early 2011. Core components will include:

1. A one-stop shop and single funding agency for small and micro business established through consolidation of Khula, SAMAF

and IDC funding, amongst others, to both improve access and reduce the overhead costs of government in order to make more resources available to end-users.

2. To fully implement government's long-standing commitment to pay small business suppliers within 30 days, with clear consequences for non-compliance by public entities. In addition to existing measures, government will consider a policy of "name and shame" and fiscal penalties for departments that do not pay small suppliers on time.
3. To integrate small and micro enterprise support systematically into all sector strategies. This is critical to ensure a space for smaller enterprise in the value chains of major industries and to support the development of clusters and sectoral regulations and market institutions that meet the needs of smaller producers.
4. To initiate a red-tape elimination campaign to simplify regulated procedures and forms and remove any bias against smaller producers, for instance in zoning requirements, with results reported to Cabinet on a quarterly basis.
5. To strengthen access to micro-finance for small enterprises in order to bring more citizens into economic activities and thus widen the enterprise pool in the country as one key step to promote the growth of new enterprises.
6. To address smaller businesses' concerns about access to and the cost of space in shopping malls.



### **Six: Broad-based Black Economic Empowerment (BBBEE)**

Government has adopted the position that black economic empowerment (BEE) should seek to empower all historically disadvantaged people rather than only a small group of black investors. To this end, it adopted the Broad-Based BEE Act, which calls for expanded opportunities for workers and smaller enterprise as well as more representative ownership and management.

Current BEE provisions have, however, in many instances failed to ensure a broad-based approach, instead imposing significant costs on the economy without supporting employment creation or growth. The present BEE model remains excessively focused on transactions that involve existing assets and benefit a relatively small number of individuals. The New Growth Path requires a much stronger focus on the broad-based elements of the BEE regulations – ownership by communities and workers, increased skills development and career pathing for all working people, and support for small enterprise and co-ops – as well as a new emphasis on procurement from local producers in order to support employment creation.

The following shortcomings have emerged in the implementation of BEE. First, ownership and senior management issues receive disproportionate emphasis. The unintended consequences of this trend include “fronting”, speculation and tender abuse. Second, the regulations do not adequately incentivise employment creation, support for small enterprises and local procurement. The preferential procurement regulations aggravate this situation by privileging ownership over local production. Finally, the broad-based BEE regulations penalise public entities as suppliers. The democratic state owns public entities on behalf of our people yet the regulations do not count them as “black empowered”.

A major re-think is needed of the BEE framework and policy to achieve South Africa’s developmental and growth goals. The dti



and EDD will work with the relevant government departments and the BBBEE Advisory Council to ensure:

- A substantial revision of the BBBEE Codes to do more to incentivise employment creation; investment in new productive capacity by black entrepreneurs, including small businesses and co-ops (using among others stronger local procurement); skills development and employment equity; collective and other forms of broad-based ownership; and sector strategies to create jobs;
- Consistent implementation of broad-based (instead of narrow) BEE in all sectors, with a systematic assessment of the effects on the cost of capital and investment; and
- Continuous monitoring and evaluation of the impact of broad-based BEE on overall equity, employment creation, support for new entrepreneurs, growth and innovation.

### **Seven: Labour policies**

The labour-market policies left by apartheid, which shaped racially based inequality and exploitation, could not provide the basis for a

more equitable, inclusive and competitive economy. Government now regulates the labour market in order to protect vulnerable workers, support employment equity, ensure health and safety on the job and assist workers in finding employment and training opportunities.

The New Growth Path can build on this foundation to find ways to raise multi-factor productivity on the basis of fair rewards to workers plus greater employment creation. Sustained growth in productivity is a source of competitiveness and an additional means of improving the conditions of work. It requires strong partnership at the shop-floor, and, in the South African context, a commitment to expand the market for goods and services in order to increase, rather than reduce, employment.

A more rapidly growing economy will experience considerable changes in employment numbers over time. These developments need to be matched by public efforts to address insecurity experienced by individuals and their families. The unemployment insurance system will need temporary adjustments to its rules from time to time to extend or reduce the duration of benefits, on an actuarially-sound basis. Compliance with health and safety regulations to improve working conditions and support productivity growth may also need strengthening.

In particular, government will pursue:

1. A national Productivity Accord supplemented by sector and workplace productivity agreements.
2. Legislative amendments to reduce workers' vulnerability by addressing problems experienced in contract work, sub-contracting, outsourcing and labour broking and by including decent work considerations in the procurement process, consistent with the electoral mandate.
3. Ways to limit abuse of the CCMA by senior managers and

professionals who have access to other dispute-settlement systems but tie up the process with procedural points, and generally to further improve cost-effective services to workers and employers.

4. Expanding the role of the Unemployment Insurance Fund (UIF) in funding DFI efforts to create employment and extending employment services to assist unemployed people to find jobs.
5. Improvements to the functioning of labour centres in order to improve information about employment and training opportunities.
6. Measures to support the organisation of the unorganised, in particular farmworkers.

### ***Eight: Technology policy***

Technology policy requires some basic research, but even more it must secure myriad, often small and incremental innovations on the shopfloor, especially in employment-creating activities. Support for this kind of emulation and adaptation was crucial for industrialisation in East Asia.

Our technology policy has four main thrusts.

*Achieving targets for increased R&D:* In line with current targets, raising public and private spending on R&D from 0,93% in 2007/8 to 1,5% in 2014 and 2% in 2018; increasing the number of patents from 91 in 2008 to 200 in 2014; increasing the number of professionals and technicians from the current seven per 10 000 people to 11. This will require costed and phased proposals from the relevant departments (DST, DHET, EDD and NT).

*Rapidly extending access to and use of ICT* based on a continual and rapid reduction in broad-band costs, resulting largely from rapidly expanding undersea cables, and accelerated improvement in access to ICT training as well as social development and public policy applications.



*Adaptation and diffusion of technologies in targeted sectors to support employment creation and growth.* Existing measures and institutions strengthened and scaled up to support (a) rural development, (b) small and micro enterprises and cooperatives and (c) expanded broadband access across the economy.

*Maintenance of our technological edge* in knowledge-intensive sectors. This process will be linked to IPAP2 as well as the targeted support strategies developed by DST.

### **Nine: Developmental trade policies**

Trade policy seeks to promote exports while addressing unfair competition against domestic producers and assisting new activities to achieve competitiveness. South Africa's trade policy should become more focussed, identifying opportunities for exports in external markets and using trade agreements and facilitation to achieve these. It must remain pragmatic and evidence-based in

pursuing core socio-economic goals, particularly decent work and inclusive and balanced growth, without acceding unnecessarily to narrow interests or failing to respond to real economic needs. Trade policy will support balanced economic growth and build on the advantages won by a more competitive currency through:

1. Monthly monitoring of trade with major economies to identify opportunities and to address unbalanced outcomes.
2. Strategic interventions to maximise the benefits from trade relations with dynamic markets like China, India and Brazil and giving effect to the commitments in the SA-China Comprehensive Strategic Partnership for more balanced trade, greater exports of value-added manufacturing from South Africa and increased beneficiation at source.
3. Programmes to establish a developmental trade model in Africa as discussed in the section on regional development below.
4. Active support for new trade opportunities, for example specialised industrial products and ethical and organic goods.
5. Targeted export promotion and other support for employment opportunities identified in the New Growth Path, particularly in agriculture, light industry and services. Export marketing should also provide strategic assistance to knowledge-intensive industries identified in IPAP2.
6. Reciprocal commitments on applicants for tariff changes and rebates should be explored addressing areas of investment and employment creation.
7. At the World Trade Organisation, South Africa will maintain efforts to advocate protection of policy space for development strategies, and resist rigid formula-driven reductions in industrial and agricultural tariffs that would undermine employment and growth.

An effective trade policy requires effective enforcement by Customs, which in turn depends on improved resourcing and regulations, and active measures to combat illegal imports and smuggling.

### **Ten: Policies for African development**

Support for regional growth is both an act of solidarity and a way to enhance economic opportunities. It demands above all that we address the shortcomings left by decades of colonialism and apartheid in logistics infrastructure, market institutions, regulatory frameworks and productive capacity on the African continent. South Africa should be the driving force behind the development of regional energy, transport and telecommunications infrastructure.

Government will work jointly with African partners to identify mutually beneficial opportunities for trade and development, mindful of regional differences in resources and development. On this basis, South Africa will undertake initiatives to strengthen SADC and connect it with the East African Community and Comesa. We will identify key regulatory blockages to increased regional trade and investment by June 2011.

Government will work with South African development finance institutions (DFIs) and state-owned enterprises (SOEs) to address backlogs in regional logistics, water and electricity infrastructure. Government will launch an appropriately structured Africa Development Fund to assist in financing this kind of infrastructure, and at the same time play the role of a sovereign wealth fund in helping to achieve a more competitive rand. Priorities include:

1. By 2012, developing and implementing proposals to improve the road/rail/ports system serving southern and central Africa.
2. Strengthening regional integration on energy, including the Southern African Power Pool, linked to urgent improvements

in electricity interconnectors, and exploring other opportunities for enhancing clean energy across central and southern Africa, including gas.

3. Developing proposals to improve telecommunications and internet connectivity across the region and from the region to Europe, Asia and the Americas.

The economic ministries will develop proposals for funding South African suppliers of capital equipment and construction materials for regional infrastructure projects.

Government will work to identify viable new productive activities in the region, especially (a) in the agricultural value chain, including horticulture for South African-owned retail chains; (b) electricity (hydro and other green energy generation); (c) beneficiation of minerals; and (d) integrated manufacturing supply chains. Proposals in this area should support development corridors across southern and central Africa.

The relevant departments and universities will support regional education and healthcare improvements with appropriate use of South African capacity.

### **2.3 A package of social partner commitments**

Not all of the steps required to secure the necessary employment and growth outcomes can be done by government. Social partners have a key role to play and a major contribution to make. Ensuring the benefits and sacrifices for the New Growth Path are equally shared requires extensive social dialogue. Commitments from stakeholders will shape the final package. To that end, government has made the following initial proposals:

1. Efforts to retain the benefits of the competitive exchange rate and support the proposed macro stance through a broad

development pact on wages, prices and executive bonuses, based on agreements:

- a on wages, to moderate wage settlements for workers earning between R3000 and R20 000 a month, possibly to inflation plus a modest real increase, with inflation-level increases for those earning over R20 000 a month.
  - b on bonuses, prices and employment,
    - to cap pay and bonuses for senior managers and executives earning over R550 000 a year;
    - to moderate price increases, especially on inputs and wage goods; and
    - to ensure that wage moderation and measures to support competitiveness lead to a measurable increase in employment creation.
  - c as government, (i) to maintain the real value of social grants and improve the “social wage” in poor communities, including housing, healthcare and education, (ii) to reduce wage inequalities through efforts to improve pay, conditions and organisation for vulnerable workers (including those earning below the threshold set out above), and (iii) to ensure any increases in industrial financing creates large-scale employment.
2. To improve levels of private savings in the economy and to respond to an initiative of organised labour, government will build on existing progress in discussions with both social partners to conclude a comprehensive social security system. Personal savings will be improved through proposed changes in the structure and regulation of retirement funds, including affordable compulsory membership for all employees. In addition, rules to limit withdrawals from contractual savings during a member’s working life, linked to increased investment in DFIs to finance employment-creating projects, will be pursued.

### 3 RESOURCE DRIVERS

As a middle income country, South Africa has substantial resources and sophisticated financial markets. The New Growth Path must build on our strengths to redirect savings and investment toward productive and infrastructure projects in support of employment and sustained growth. That, in turn, depends on efforts to discourage unnecessary consumption and to encourage savings, and direct resources toward developmental aims. Fiscal policy must play a role through a counter-cyclical stance combined with substantial support for public investment.

Government’s Medium Term Expenditure Framework (MTEF) and annual budget will be guided by the need to support the New Growth Path through appropriate spending on infrastructure, skills, rural development and economic programmes. Local and provincial governments will undertake similar work. Considerable resources that are already allocated to public entities and departments are not always effectively utilised nor focussed on clear targets. The state often does not receive value for money in service delivery





and procurement. Changing this in itself will release considerable resources for the growth path.

Various public institutions, including the universities and science councils, DFIs and state-owned enterprises, have substantial resources that should be aligned with growth path priorities.

EDD will work with Labour, Social Development and the Treasury to enhance personal and community savings through appropriate combinations of incentives, including retirement fund reforms. Treasury, working with the dti and EDD, will explore ways to disincentivise high personal debt, especially for luxury items and high-end property. Treasury and EDD will also consider how to incentivise company savings (defined as the resources invested, not paid as dividends) mostly by enhancing investment opportunities.

The DFIs will review their activities to expand support for developmental investments. Government will explore ways to improve financing for these activities, including collaborating with organised business and labour on a development bond, consistent with the commitments at the Growth and Development Summit, which can mobilise resources from retirement funds; and

utilising Government Employee Pension Fund (GEPF) and Public Investment Corporation resources. We can build on the experience of the current R2 billion Development Bond for job creation issued by the IDC and subscribed by the UIF.

We will also explore the possibility of establishing a state-owned bank that is able to provide services in rural areas and support the development of community and co-operative banking. Such a bank could build on the institutional structures provided by the PostBank. It would play a central role in encouraging more appropriate forms of financial institution to serve micro-enterprise as well as historically marginalised households and communities in the rural areas as well as the cities.

Finally, we can look to longer-term, more secure international financing. Possible sources include foreign direct investment, including support from retirement funds for developmental initiatives, as well as international donor funding for investments to green the economy.

## 4 INSTITUTIONAL DRIVERS

The New Growth Path recognises the role of an effective, developmental state in achieving broad-based employment growth. This perspective raises at least three critical institutional issues: the role of the state, the market and key market players, and social mobilisation and dialogue.

### 4.1 *The developmental state*

The growth path, while state-led, has to articulate well with market institutions. The challenge for the developmental state is to minimise costs for business except as required to support transformation toward a more equitable, decent work-generating and green economy.



A developmental state is not simply hostage to market forces and vested interests. Through careful alliances, clear purpose and by leveraging its resource and regulatory capacity, it can align market outcomes with development needs. Achieving this aim, however, requires that it identifies economic challenges clearly and develops innovative solutions and then generates broad public support for these efforts. A key challenge in this light is to improve the state's efficiency, effectiveness and responsiveness in the face of new opportunities and risks. The new outcomes-based performance monitoring and evaluation system provides a major new platform to achieve these aims.

The growth path must step up the integration of national, provincial and local policies and collaboration around implementation of developmental policies and programmes. To this end, work is needed to align growth and development strategies adopted by different spheres of government and to establish knowledge-sharing and collaboration across the state.

The New Growth Path will require some re-orientation from all state agencies, not just the national departments. Critical actors include the DFIs and SOEs; the GEPF and the PIC as crucial investors of savings; the Reserve Bank; the International Trade Administration Commission (ITAC) and Customs and Excise; the competition authorities; other regulatory, standard-setting and accreditation bodies including Cipro, Nersa and Icasa; and the science councils, universities and Mintek.

#### **4.2 Institutional drivers outside the state**

The main institutional drivers outside the state are business, organised labour and other civil society actors.

In a mixed economy, private business is a core driver of jobs and economic growth. South Africa has benefited from the depth

and capacity of its private sector, enabling innovative and strong responses to new challenges. Still, business has its weaknesses and has often been reactive and inwardly focussed. Too many business leaders have missed opportunities offered by the profound changes since 1994 or failed to collaborate adequately with other stakeholders. For its part, when business leadership has taken the initiative, government has not always responded adequately.

Key to the implementation of the New Growth Path is the development of more constructive and collaborative relations between the state and business, where:

- Government commits to minimise unnecessary economic costs, such as unnecessary regulatory requirements and delays, inadequate infrastructure, weak education and training; and
- Business responds by supporting critical and innovative initiatives for a more inclusive and equitable economy, especially projects that can generate employment on a much larger scale, through investment, technical support and mentoring, and appropriate pricing policies.

South Africa has also benefited from the strength of the progressive labour movement both before and since the democratic transition. The unions give voice to the working class, not just their members, and have an intimate knowledge of issues on the shop-floor and in their industries. They provide a critical resource in making and implementing strategies to achieve a more inclusive growth path.

A critical challenge lies in maintaining union commitment to policies that support employment creation and equity even when it requires some sacrifice from union members. In order to achieve this, the New Growth Path must ensure that economic and social policies demonstrably reward any sacrifice by members with real gains for the working class as a whole.

Broad-based organisations and NGOs beyond organised labour also have important roles to play in the growth path. In particular, they are critical to rural development, the green economy, education and training and the co-operatives movement. This requires that we improve the state's engagement style and address their capacity needs.

#### 4.3 *Social dialogue and mobilisation*

South Africa has highly-developed social dialogue institutions and the social partners have a long history of dealing with complex and important issues – from the political transition to specific laws and regulations to broad agreements on growth and development.

Social dialogue is a complex process where each party must bring something to the final agreement. As the Nobel prize-winning economist Amartya Sen notes:

**“A democratic search for agreement or a consensus can be extremely messy and many technocrats are sufficiently disgusted by its messiness to pine for some wonderful formula that would simply give us ready-made weights that are ‘just right.’”**

In South Africa, no technocratic solution – if it existed - could be imposed from above. We must develop this New Growth Path in conditions of active, noisy democracy. The deep inequalities that rend our society complicate efforts to reach consensus.

This growth path requires that the state (a) facilitate national and workplace productivity accords, (b) support community organisation, including through the Community Works Programmes and other delivery mechanisms that build community and collective action, and (c) strengthen existing institutions for social dialogue, including Nedlac, sectoral and local forums. This work must critically enhance information flows, ensure government is more responsive to economic needs and reduce the transaction costs for our partners.

## 5 **IMPLICATIONS FOR PROVINCES AND LOCALITIES: THE SPATIAL DIMENSIONS OF THE GROWTH PATH**

Apartheid left South Africa with an extraordinary spatial divergence between the economic centres of the country, linked to the metro areas, and the densely settled rural areas of the former Bantustans, which have very limited economic resources and investments. Within metros, too, there are vast disparities and spatial challenges, with townships located far from most employment opportunities. A core task for the New Growth Path is to break with this legacy through a coherent approach to spatial development backed by strong investment in infrastructure and the identification of viable and sustainable opportunities for historically disadvantaged regions. Rural development will necessarily depend largely on links to the main urban areas. For instance, smallholder schemes in the Eastern Cape can produce for factories in Port Elizabeth or East London; tourism in Mpumalanga relies primarily on visitors from Gauteng.

Given the extraordinary differences in natural, economic and social conditions across our country, provinces and localities must adapt the broad drivers in the growth path to their circumstances. A spatial economic strategy will indicate how the jobs drivers affect different provinces, municipalities and rural areas, linking in to the rural development strategy and industrial policies.

An important step will be to enhance communication between the spheres of government on their development strategies and to improve their alignment. As a start, EDD has begun work with other spheres of government to identify opportunities for them in the New Growth Path, taking their specific conditions into account. In this context, we need to recognise the importance of local governments in the metros in maintaining the centres of economic growth, as well as the need to strengthen the ability of municipalities generally to ensure efficient provision of services and licensing, aligned with the New Growth Path.

In addition, government will develop a realistic spatial perspective on long-term settlement patterns and opportunities for employment creation and economic development.

## Priorities, sequencing, implementation and next steps

Successful countries do not hinge action on the resolution of every possible concern or debate. Instead, they learn by doing, with a continual feedback loop that enables rapid responses to emerging problems. In words ascribed to Deng Xiaoping, development in China was, “just like crossing a river by groping for the stones beneath the surface.” We need to start implementation of key initiatives now, with strong monitoring and evaluation systems that can identify concerns and speedily remedy them as they arise.

The implementation process must ensure the rigorous prioritisation of programmes and policies needed for inclusive, green growth. There are risks that the state must manage, among them the still fragile global recovery; competition and collaboration with the new fast-growing economies; and competing interests domestically. The management of these and other risks, as well as the enormous opportunities identified in the document, requires tight coordination and regular review.

To start the implementation process, the following steps are being taken:

1. Finalisation of the developmental policy package proposed as the basis for engagement with key stakeholders; the main forum for reporting progress and monitoring implementation will be an Inter Ministerial Committee (IMC) constituted by the President and Cabinet.

2. Initiation of engagement on a social pact with key stakeholders, with implementation of the policy package following finalisation.
3. In order to ensure clear decision-making and oversight, Cabinet Memoranda will be submitted:
  - a To each Cabinet meeting on progress in implementing the policy package, which will also identify new developments, risks and opportunities as they arise.
  - b Detailing implementation plans for each of the growth path areas, including the following areas:
    - Strengthening competition policy;
    - Procurement reform to support local procurement;
    - Reform of broad-based BEE to support employment creation and broad-based equity and ensure alignment across all economic sectors;
    - Stepping up skills development, including through reform of the SETA system and the National Skills Development Strategy;
    - African regional development;
    - Tourism;
    - Creation of employment through agriculture, agro-processing and rural development;
    - Strategy for the green economy;
    - Reducing cost drivers across the economy;
    - Long-run perspective on mining development, including directions for infrastructure and skills;
    - Youth employment; and
    - Spatial development within South Africa.

4. The outcomes-based methodology will be the basis for evaluating and monitoring the success of growth path interventions. The President has the prerogative to modify the current delivery and performance agreements with Ministers so as to integrate targets from the growth path proposals.
5. For a learning process, it is crucial that in the process of implementation:
  - a Delivery forums be clearly identified to oversee progress and assist to improve programmes. The Economics Cluster, MinMECs and provincial forums, relevant SOEs and DFIs will undertake this, not new forums.
  - b Regular (at least quarterly) reports be made to Cabinet on key developments in the economy and on achievement of our core economic aims. These reports should propose ways to build on successes and anticipate problems in time to head them off. They must include early-warning systems to indicate unforeseen economic difficulties, shortfalls in the anticipated employment creation and undesirable trends in overall equality.
  - c A similar monitoring system be established at Nedlac so that key stakeholders understand government programmes, help strengthen them, and assist in improving economic management.
6. Economic development planning cannot exist apart from broader social and political progress. The NPC has a critical role in aligning the economic growth path with other social programmes and trends, such as demographics, migration, education and health planning and long-term infrastructure needs, among others.
7. Priority setting is only meaningful if it allows us to identify what will **not** be done or financed. MinComBud and the Economics Cluster will work closely through the budget process to ensure

that by the MTEF begins to reflect the key programmes and policies for the New Growth Path.

Given the complexity of the task, there are two core phases to implementation.

### ***Phase one: Laying the platform for the New Growth Path***

2010/11: Cabinet finalises priorities and sequencing with departments and ensures key steps are reflected in the budget.

Immediate implementation of short-term measures promising significant rewards (“quick wins”), notably around the developmental policy package, as well as initiation of processes to lay the basis for sustained change in the economy.

Establishment of monitoring mechanisms and implementation forums.

Engagement with social partners on the vision and framework and work on the pact around the developmental policy package as well as productivity pacts.

2012/13: In-depth review of progress and adjustment of policies as required.

### ***Phase two: Consolidation of the New Growth Path***

2014: Changes in the structure of production and ownership should begin to emerge in national statistics, and the state should be perceptibly more agile and responsive to economic needs.

2015-2020: Continued implementation of programmes in ways that take into account past successes and changing conditions, with systematic monitoring and evaluation against clear targets.

# APPENDIX

## JOB DRIVERS

### *Jobs Driver 1: Infrastructure for employment and development*

<i>Potential employment target</i>	250 000 jobs a year in infrastructure (energy, transport, water, communications) and housing through 2015
<i>Where the jobs are</i>	Housing and public works construction, operation and maintenance; manufacture of inputs; improved competitiveness across the economy
<i>Main changes</i>	Stronger local procurement to maximise the economic multiplier; direct infrastructure consistently to support efficient, diversified and inclusive growth
<i>Core actions</i>	Maintain spending plans; increase local procurement through capacity development and regulatory change; develop models to encourage labour-intensive construction where viable



## Jobs Driver 2: Improving job creation in economic sectors

	Agricultural value chain	Mining value chain	Manufacturing	Tourism & High-level services
<b>Potential employment target</b>	300 000 households in smallholder schemes by 2020; agro-processing anticipates creation of 145 000 jobs by 2020; upgrade employment on commercial farms (currently total of around 660 000)	140 000 additional direct jobs in mining only, by 2020, and 200 000 direct jobs by 2030 (initial projections by the IDC)	350 000 by 2020 projected in IPAP2 (not including sectors put under other drivers)	275 000 direct
<b>Where the jobs are</b>	Smallholder schemes in industrial products and forestry; export of wine and fruit; extension services	Enhanced platinum group and coal exports; final manufacturing using base metal products	As identified in IPAP2	Tourism 225 000 by 2015 and business services 50 000 by 2020; also cultural industries especially film, music and theatre
<b>Main changes</b>	Restructure land reform to support smallholder schemes with comprehensive support around infrastructure, marketing, extension, etc.; upgrade employment in commercial agriculture especially through improved worker voice; measures to support growth in commercial farming while addressing price fluctuations in maize and wheat	Accelerate exploitation of reserves through measures to encourage; refocus beneficiation strategy on Stage 4 rather than smelting/refining	Focus on sectors that can generate employment on a large scale and meet basic needs at lower cost in short to medium term, while sustaining development of more knowledge-intensive industries for long-run growth	In tourism, strengthen measures to manage costs, quality assurance and logistics, and target opportunities for the youth; in business services, based on IPAP, enhance support measures to encourage diversification; ensure comprehensive support for cultural industries
<b>Core actions</b>	Review land reform to ensure maximise creation of livelihoods through smallholder schemes based on stepped up integration with economic and social programmes; identify options for stabilising food prices, especially maize; support farm worker organisation; strengthen AgriBEE support for rural coops; fast track land claims on commercial farms; address import pricing on farming inputs and improve logistics infrastructure; reduce delays in water licensing and EIAs for forestry; pursue existing plans for aquaculture, fisheries and agroprocessing; review processing and retail to improve markets for small producers	Review regulatory framework, including measures around licensing and potential for state-owned company, to ensure they support employment creation, beneficiation, investment and broad equity  Develop a ten-year strategic plan for electricity, logistics and skills for mining Identify the main potential of and blockages to stage 4 beneficiation (fabrication of metals into final goods) and develop measures to address them, including export taxes on metals where appropriate	Active industrial policy as described in policy section; productivity pacts at national, sectoral and enterprise level; improved output of relevant skills, especially engineers, designers and artisans	New Tourism Sector Strategy to benchmark pricing, extend quality assurance and address logistics; industrial policy to identify ways to diversify business services; EDD, dti and DAC to develop comprehensive proposal to support employment growth in cultural industries, including crafts, film, music and drama

**Jobs Driver 3: Seizing the potential of new economies**

	<b>The green economy</b>	<b>Growing the knowledge economy</b>
Potential employment target	300 000 additional direct jobs by 2020, of which 80 000 in manufacturing and the rest in construction, operations and maintenance, rising to well over 400 000 by 2030	100 000 by 2020, based on estimated current employment and taking out overlaps with niche tourism, IPAP2 and public services
Where the jobs are	Natural resource management and construction in the short to medium term; renewable energy construction and manufacture of inputs in the medium to long run	ICT, higher education, healthcare, "green" technologies, mining-related technologies, pharmaceuticals, biotechnology
Main changes	Comprehensive support for energy efficiency and use of renewable energy; strategies to encourage domestic production of inputs, starting with solar-water heaters	Stronger institutions to diffuse new technologies to SMEs and households; greater support for R&D and tertiary education linked to growth potential; continue to reduce cost and improve access to broadband
Core actions	IRP to identify options for renewable energy generation, with appropriate regulatory changes to follow; development of green industrial support package with IDC as champion and special measures for SMEs and co-ops; codes for commercial buildings to reduce energy use and waste; social pact to support greening the economy; targeted skills development; public works to drive environmental programmes, including recycling and community cleaning; technology and fiscal policies to support diffusion of green technologies for households and enterprises	Development of strategies to support employment creation, growth and exports in knowledge-based services and production, including strategic public investment where appropriate; technology and skills policy as discussed in policy section; support for Square Kilometre Array

**Jobs Driver 4: Investing in social capital**

	<b>The social economy</b>	<b>The public sector</b>
Potential employment target	260 000	100 000 in the public service by 2020; targets for Expanded Public Works Programme (EPWP) and within that for Community Works Programmes (CWP); new youth scheme proposes up to one million young people in a special brigades
Where the jobs are	Co-operatives (producer, worker, consumer, service and savings co-operatives), social investment vehicles (union, community, religious), community and social initiatives	Health, education and policing in the public service; social services; youth employment and community works programmes
Main changes	Comprehensive government support for social-economy initiatives based in changes in market institutions and service delivery systems, combined with targeted support for skills development, infrastructure provision and incentives	Strategy to grow public-service employment to meet public needs, including lower-skilled auxiliary support; new youth employment scheme to complement existing EPWP and CWP; substantial expansion in CWP
Core actions	Development of a strategy to support social-economy organisations amongst others in obtaining marketing, bookkeeping, technological and financial services and training, and in developing linkages within the social economy to encourage learning and mutual support; work with union and community investment companies to develop a Charter with commitments to job creation; encourage state procurement from and service delivery through organisations in the social economy	DPSA to work with line departments and Treasury to set targets for growth in the public service, particularly in health, education and crime prevention, including for auxiliary workers; programme by mid 2011 for uptake of one million young people spread over a four-year period in rural, literacy, green and HIV-education brigades; explore possibility of expanding CWP to poorest 40% of wards

**Jobs Driver 5: Spatial development**

	<b>Rural development</b>	<b>African regional development</b>
Potential employment target	Measurable improvement in livelihoods for 500 000 households, as well as substantial new employment from increased construction and public employment plus growth in manufacturing and services	Almost 60 000 additional direct jobs by 2015 and around 150 000 by 2020 just from exports of goods to SADC; additional opportunities from service exports and collaboration around regional infrastructure and investment
Where the jobs are	Small-scale agriculture/livelihoods, construction, tourism and public services	Export of manufactured goods and infrastructure inputs and services, finance, business and transport hub, integrated supply-chains
Main changes	Agreement on spatial perspective defining regional development options as basis for more targeted support for rural development; alignment of budget, infrastructure and economic development with spatial perspective; increased support for small-scale agriculture including community food gardens and support for marketing and service co-ops; expanded CWP in rural areas	Development of strategy for improving logistics in southern Africa, with clear priorities and actions; targeted support for increasing regional investment and trade, including connecting infrastructure, reducing regulatory obstacles; establishment of a regional HRD strategy
Core actions	Development of spatial perspective by end of 2010 as the basis for establishing integrated long-term provincial infrastructure plans; measures to upgrade existing smallholders through provision of infrastructure, marketing support, extension, financial services etc.; programme to step up support for community gardens, including urban and peri-urban sites; set separate targets to address backlogs in education, health and municipal infrastructure in former Bantustans and for farmworkers; support for rural marketing, consumer, service and financial co-operatives	Detailed in policy section on African regional development

**Leaders from business, labour, community and government signing a Local Procurement Accord as part of social dialogue on the New Growth Path, 31 October 2011**



**Signing of the National Skills Accord, 13 July 2011**





**The New Growth Path has been mainstreamed into government policy at departmental level...**



**Ebrahim Patel**  
Minister of Economic Development, Budget Vote Speech 2011, Parliament

The New Growth Path sets out a vision of five million new jobs by 2020. It identifies twin goals: increasing the

economy's labour-absorbing capacity and decreasing its carbon-emission intensity. These goals are central to our development as a country.

The key to empowering women, black South Africans, workers, the rural population and young people is to provide them with real economic opportunities - in decent jobs, access to resources and entrepreneurial opportunities, in meaningful self-employment, and through the social economy



**Pravin Gordhan**  
Minister of Finance, Budget Speech 2011, Parliament

The Budget ensures that priority programmes required for implementing the New Growth Path are funded... The New Growth Path outlines our approach to

accelerate growth and employment, focusing on several key drivers: continuing and broadening public investment in infrastructure; targeting more labour-absorbing activities in the agricultural and mining value chains, manufacturing, construction and services; promoting innovation through "green economy" initiatives; and supporting rural development and regional integration



**Dr Rob Davies**  
Minister of Trade and Industry, Budget Vote Speech 2011, Parliament

Our department's main contribution to our collective national effort to place our economy

on a New Growth Path capable of creating five million new jobs by year 2020 is through the implementation of our Industrial Policy Action Plan, which is both our flagship programme and the programme which shapes and informs all of the activities of the dti



**Gugile Nkwinti**  
Minister of Rural Development and Land Reform, Policy Statement, November 2011

The New Growth Path makes rural development and land reform key jobs

drivers as well as critical stepping stones to a more equitable and unified society. Above all, it underscores the importance of agrarian reform for overcoming the rural impoverishment imposed under apartheid. It laid a platform for our current efforts to accelerate improvements in infrastructure and economic development in rural areas



**Edna Molewa**  
Minister of Water and Environmental Affairs, Policy Statement, June 2011

The New Growth Path adopted by government offers the opportunity to

build new green economic sectors, create decent jobs, grow our economy and develop international economic competitiveness. Working together, we must ensure that our response to climate change seizes the new growth opportunities presented by the global effort to address climate change



**Malusi Gigaba**  
Minister of Public Enterprises, Budget Vote Speech 2011, Parliament

Addressing unemployment, poverty and inequality must

be placed at the heart of the policy agenda, and all institutions – political and economic – must be harnessed and galvanised towards that common challenge. In this context, the emphasis on infrastructure means state-owned enterprises must play a central role. It is precisely these challenges that the New Growth Path raises as critical, needing urgently to be addressed



**Maite Nkoana-Mashabane**  
Minister of International Relations and Cooperation, Policy Statement, April 2010

As the New Growth Path emphasises, Africa is a new frontier for economic opportunities. South Africa must consolidate its position as a financial, logistics and services hub and further strengthen collaboration on regional infrastructure and investment



**Dipuo Peters**  
Minister of Energy, Budget Vote Speech, 2011, Parliament

The Energy Budget will focus on those key deliverables and outputs that are

aligned to the broader policy objectives of government as a whole, and is also responsive to key instruments such as the New Growth Path



**Tina Joemat-Pettersson**  
Minister of Agriculture, Forestry and Fisheries, Budget Vote Speech 2011, Parliament

In all our efforts, we are guided by the New

Growth Path (NGP) Framework, which has identified the agricultural sector as one of the sectors in which there is significant potential to create jobs. The New Growth Path targets opportunities for 300 000 households in agricultural smallholder schemes, plus a further 145 000 jobs in agro-processing by 2020



**Angie Motshekga**  
Minister of Basic Education, Signing of Basic Education Accord, July 2011

Improvements in education and skills

development are a prerequisite for achieving many of the goals of the New Growth Path and we are delighted to be a signatory to this Accord



**Blade Nzimande**  
Minister of Higher Education and Training, Budget Vote Speech 2011, Parliament

Our department's goals are firmly located within the overall objectives

of prioritising job creation, and within the framework of the New Growth Path, the Industrial Policy Action Plan II and the Human Resources Development Strategy. Access to decent education and training is essential for the completion of the liberation struggle, whose foundation must be economic liberation



**Naledi Pandor**  
Minister of Science and Technology, Green Economy Summit, June 2010

The DST is playing a significant role in shaping a New Growth Path

for the economy. It is a path that includes a greater emphasis than before on knowledge and sustainability as drivers of long-term economic development. It is a new growth path that supports the creation of decent work whilst reducing income inequality in South Africa



**Susan Shabangu**  
Minister of Mineral Resources, Budget Vote Speech 2011, Parliament

We have identified action steps that are required to optimise

this sector's extractive capacity, attraction of investment and job creation potential and these have been captured in the New Growth Path. This will ensure that the mining sector realistically unleashes its growth, employment as well as transformation potential to enable it to be the sunrise industry that it continues to be



**Richard Baloyi**  
Minister of Co-operative Governance and Traditional Affairs, Policy Statement, November 2011

The New Growth Path provides an important framework for local government development efforts. It ensures that we work together around our common priorities across the three spheres of government



**Sibusiso Ndebele**  
Minister of Transport, Budget Vote Speech 2011, Parliament

Transport is a catalyst for economic growth and the engine for job-creation in South Africa, in realising the

aims of the New Growth Path



**Marthinus van Schalkwyk**  
Minister of Tourism, Policy Speech, March 2011

For us, investing in domestic tourism remains our critical priority. Domestic tourism is our backbone and the government has now started

to realise the role of this sector and it now forms part of the New Growth Path



**Paul Mashatile,**  
Minister of Arts and Culture, Policy Statement, April 2011

We are inspired that Cabinet has identified our sector, the creative and cultural industries, as one of the drivers of economic growth

and job creation, in the implementation of the New Growth Path



**Thembelani Thulas Nxesi,** Minister of Public Works, Policy Statement, November 2011

The New Growth Path sees robust public investment and public employment schemes as key pillars of

employment-creating growth. The Department of Public Works is committed to realising these critical objectives



**Collins Chabane**  
Minister in the Presidency: Performance Monitoring and Evaluation, Launch of NGP, October 2010

The New Growth Path is a broad framework that sets out a vision and identifies

key areas where jobs can be created. The growth path places employment at the centre of economic policy for government. Critical to the New Growth Path plan would be the partnering between key social players, business and government, to address structural challenges in the economy



**Mildred Oliphant**  
Minister of Labour, Policy Speech, June 2011

Today we have a New Growth Path that aims to build on the foundation of labour policies that have been introduced

since 1995...The New Growth Path framework document talks of sustained productivity growth as a source of competitiveness and a means of improving conditions of work



**Roy Padayachie**  
Minister of Public Service and Administration (former Minister of Communications), Policy Speech, March 2011

Our New Growth Path for the country has also

put ICTs, in particular, the services sector of the economy, at the heart of transforming the economy, whilst ensuring sustainability of traditional sectors and to ensure efficiencies. The ICT sector has been broadly identified as an area of job creation. Furthermore, the New Growth Path has identified knowledge-based economies as the appropriate sector to create 100 000 jobs by 2020



**Lulu Xingwana,** Minister for Women, Children and People with Disabilities, Budget Vote Speech 2011, Parliament

We are engaging with the New Growth

Path to highlight the heavy impact of unemployment on women and people with disabilities. We are developing a barometer to measure the number of women who will benefit from the five million jobs that we seek to create in the next 10 years. We will also ensure that women participate in the Green Economy projects in the country



**Bathabile Dlamini**  
Minister of Social Development, Policy Statement, November 2011

We support a coordinated approach between social

security and job creation and in this regard, the New Growth Path provides the policy framework on jobs. As part of the Decent Work Agenda, social protection and job creation are connected elements of a strategy to support the fight against poverty



**Tokyo Sexwale**  
Minister of Human Settlements, Budget Vote Speech, 2011, Parliament

Increasing the accessibility and affordability of home

ownership, can help stimulate the construction sector which will provide the much needed jobs. This resonates with our economic policy – the New Growth Path