Electricity Governance Initiative of South Africa
Briefing Note: Portfolio Committee on Economic Development
17 October 2011

Parliament's Economic Development Committee has approved the Department of Economic Development's proposal to implement a New Growth Path (NGP) in response to South Africa's triple crisis of unemployment, poverty, and inequality. With the creation 5 million jobs proposed by 2020 this will be a critically important process for the economic and social development of South Africa. This target is aimed at reducing unemployment by 10% by 2020, down from the current rate of 25%.

The New Growth Path identifies five key jobs drivers:

1. Infrastructure
   Creation of 250,000 jobs per year through 2015 in energy, transport, water, communications and housing. These jobs are in housing and public works construction, operation and maintenance, and inputs manufacture.

2. Main economic sectors
   <u>Agriculture</u>: smallholder schemes in industrial products and forestry, wine and fruit export
   <u>Mining</u>: platinum group and coal exports, final manufacturing using base metal products
   <u>Manufacturing</u>: As identified in IPAP2
   <u>Tourism and high-level services</u>: tourism and business services, cultural industries

3. New economies
   <u>The green economy</u>: natural resource management and construction in the short to medium term, and renewable energy construction and inputs manufacturing the medium to long term
   <u>The knowledge economy</u>: ICT, higher education, healthcare, green technologies, mining technologies, pharmaceuticals, biotechnology

4. Social Capital
   <u>Social economy:</u> co-ops, social investment vehicles, community and social initiative
   <u>Public sector:</u> health, education, policing, social services, youth employment, community works programmes

5. Spatial Development
   <u>Rural development</u>: small-scale agriculture, construction, tourism, public services
   <u>African regional development</u>: export of manufactured goods and infrastructure inputs/services, finance, business and transport hub, integrated supply-chains

<u>The Need for a *New* Growth Path</u>
Minister Ebrahim Patel emphasised that some of the old growth path was based on rising imports, particularly consumer goods, and that the import of capital goods could be an

indicator of economic health. However, an over-reliance on importing consumer goods meant that South Africa was consuming what others were producing elsewhere in the world. Wealth creation thus took place elsewhere, while wealth consumption was taking place locally. The old path relied perhaps too strongly on the export of unprocessed goods such as raw minerals and raw agricultural products and missed an opportunity to draw more South Africans into employment.

The Committee agreed with the Minister that the deliberate outcomes of all policies and processes must have employment-creation as their purpose. The NGP was focused on job creation by rebuilding the productive economy: agriculture and agro-processing; natural resource extraction and beneficiation; the *green* economy with a broader vision beyond energy generation to include manufacturing components, provision of services and clean manufacturing (see IPAP2); tourism, creative industries and business services; the social economy, such as cooperatives; and research and development in new technologies, such as biotech.

Of particular relevance to green economy development are systems of institutional coordination and progress indicators in NGP implementation. Minister Patel emphasised the R9 billion job fund, the green economy fund to finance the potential of the green economy, the merger of small business agencies, and the agro-processing fund.

Actions Taken on the Green Economy and Finance

- IDC has allocated R22.4 billion for green economy projects for the next five years. The IDC's green economy allocations represent 20% of its sectoral funding budget through 2015/2016. Targeted green industry strategies include: energy efficiency, non-fuel based renewable energy, fuel based green energy, emissions and pollution mitigation, bio-ethanol, and electric vehicles.
- Eskom, the IDC, and their respective partners managed the subsidised rollout of 140,000 solar water geysers (target of 1 million), but job targets and impacts related to this initiative were not cited.
- The new national electricity plan (IRP2) provides for more than one-third of new energy generation through renewable energy projects (mainly solar, wind and biomass).
- The Renewable Energy Procurement Programme will provide support to private sector players.
- New regulations under the Preferential Procurement Act, which will come into effect at the end of the year, will increase government's commitment to buying local in order to stimulate employment and production and target billions of rands of state and SOE spending to local manufacturers.
- The environmental employment schemes – Working for Water, Working for Land – provide over 30,000 full-time equivalents and expect to rise to almost 60,000 in 2012.
- R 3.3 billion a year in subsidies for renewable energy, worth a total of R66 billion over the next 20 years.
- DTI agency Khula Enterprise Finance Limited (Khula) has announced financing efforts for small and medium enterprises. In 2011-2015, Khula will focus on NGP priority sectors: agro-processing, minerals and beneficiation, knowledge economy, the green economy, tourism and creative sectors. The consolidation of Khula, SAMAF and IDC is designed to improve SME access to funds and reduce government overhead costs.

Building Labour Capacity: Actions Taken on the Skills Accord

- The Skills Accord was finalised, committing business and the state to enrol at least 30 000 artisan trainees over the next 12 months in training programmes.
- Business agreed to make at least 17,000 internship places available for young persons who need work experience as part of obtaining their formal qualifications.
- Business will advocate that member-companies increase their spending on training to at least 4% to 6% of payroll and train beyond the needs of their own operations.
- Organised labour committed to accept that such additional persons be regarded as trainees and not as employees, and thus there would not be an expectation
- FET Colleges will be prioritised with partnerships between business and individual colleges
- The restructuring of the Sector Education and Training Authorities (SETAs) have been advanced
- The stronger focus on improving basic education and achieving more equal access to tertiary education have laid the basis for decisive steps toward addressing skill bottlenecks in the short run while giving all South Africans, no matter how poor their families, access to the education needed to function in the modern economy.

Challenges to Overcome

- Financial and Fiscal Commission briefing: South Africa was four years away from the Millennium Development Goals deadline of 2015
- Economic growth was expected to reach 3.4% in 2011 compared to other developing countries which had growth rates of 6.5%
- Growth was mainly attributable to the manufacturing and mining sectors which were mainly exporters of goods, for which the exchange rate would therefore be of increased importance
- Currently the fiscal deficit stood at -4.8% of GDP and was expected to continue to decrease

Members asked whether organised labour was satisfied with the New Growth Path and if not, what their concerns were. The Minister reported that NEDLAC had been involved in discussions on NGP, and sectors were being consulted. MPs also queried how the R9 billion would be allocated and whether it would benefit job creation and small farmers in the rural areas. Would the funding allow the private sector and entrepreneurs to be more competitive and enable them to compete with foreign countries? Members expressed concern that there seemed to be less focus on women's empowerment and questioned how 5 million new jobs could be achieved by 2020.

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