

Reflections on AsgiSA

Report by the Presidency



Origins and Progress of AsgiSA

- ❑ Goals set by the 2003 Presidential Growth and Development Summit, adopted in the manifesto of the governing party
- ❑ The context was the need to build on and share hesitant improvements in the economy
- ❑ IIC in March 2005 encouraged Government to develop an ambitious and very public growth and development strategy
- ❑ Framework report by Minister of Finance to July Lekgotla
- ❑ Strategy report by DP task team in October
- ❑ Finalised at January 2006 lekgotla and official launch in February 2006

Origins and Progress of AsgiSA

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

Outcomes against objectives

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

Macroeconomic Outcomes

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

Infrastructure Outcomes

- ❑ Investment/GDP up from 15% to 21%
- ❑ Currently growing at 11-15% p.a.
- ❑ Government infrastructure expenditure 416bn over 2007-2010 MTEF period (not including recent rise in Eskom 5-year capex estimate from R97bn to R150bn)
- ❑ New gas-turbine plants on stream, new Eskom power station approved & up-scaled gas & nuclear plants planned & tenders for IPPs issued
- ❑ Transnet 5-year capex plans revised up from R32.7bn to R78 billion since October 2006 (major investments in iron ore and coal lines, huge orders for locomotives, rolling stock, new pipeline etc)
- ❑ National Public Transport plan finalised & approved and being implemented—e.g. massive Gauteng road project, rapid bus projects in all major cities

Infrastructure Outcomes

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

Infrastructure Outcomes

□ Provincial Projects

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

□ Social programmes

- Rapid progress on elimination of bucket system in formal settlements
- Hospital revitalisation programme moving strongly
- National Housing Fund will revitalise housing funding market

Skills/education Outcomes

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

Skills/education Outcomes

- ❑ Up-scaling of engineer output at Universities from 1500 p.a. to 2000 p.a. by 2010
- ❑ New Artisan pathways
- ❑ Unemployed graduate placement (>19 000) and career development placement programmes slowly developing
- ❑ International programmes with foreign country partners have already placed over 900 women for training and work-place experience
- ❑ Additional funds for bursaries and loans for key skills at tertiary level
- ❑ ABET programme developed and partially funded (R6.5bn to 2013)

Sector Development Outcomes

□ Sectors

- **BPO:** programme launched in March 2007 includes marketing, incentives, skills programme, benchmarking for more competitive telecoms offerings—strong interest from major investors. Three incentive packages awarded.
- **Tourism:** marketing budget up; SAPS in tourism safety programme; airlift agreement leads to 700 000 additional inward seats; major funding for Tourism Enterprise Programme supports SME BEE expansion; skills audit; industry charter; languages programme—large increases tourist arrivals in 2006 and 2007
- **Biofuels:** draft strategy endorsed by Cabinet, currently completing stakeholder consultations, final report to Cabinet in November 2007 (delayed by concerns over food prices)

Sector Development Outcomes

- ❑ NIPF approved and annual programme (IPAP) launched
- ❑ Sectors in current IPAP are forestry, chemicals, motor industry and capital goods
- ❑ Need more work on primary sector strategies
- ❑ Crosscutting
 - Import parity pricing strategy approved and some import tariffs cut
 - Competition Commission pursuing cartels with much greater vigour (dairy, maize, banks etc)
 - Tax incentive for private R&D introduced

State Capacity Outcomes

- ❑ RIA system approved & preparations for pilot implementation
- ❑ Project Siyenza Manje running at DBSA supporting municipalities in capex & maintenance
- ❑ Project Consolidate extended to 187 municipalities and being transformed into a general programme for all municipalities
- ❑ Project Vulindlela assessed several national government departments and agencies and recommended reforms and enhancements
- ❑ Plans to bring maths teachers from India already activated
- ❑ Development Finance Institution review is proceeding

Second Economy Outcomes

- ❑ Expanded public works programme ahead of targets, but not impacting unemployment enough
- ❑ New allocations for rural access road EPWP projects, need more action in social EPWP
- ❑ Some growth in public microfinance programmes: SAMF/Apex, Mafisa & UYF
- ❑ BBBEE Codes up and running
- ❑ Cooperative Banks bill to Parliament
- ❑ Expansion of public funding to the Tourism Enterprise Programme (TEP) for Tourism SMEs
- ❑ Large increases in employment since 2004 reducing rate of unemployment (>500 000 net new jobs per year)

Some key Priorities for 2007/08

- ❑ More integration in infrastructure planning
- ❑ Implementing ICT and REDS strategies
- ❑ Implement national maintenance strategy
- ❑ Develop infrastructure supply industries
- ❑ Build 2010 stadia, public transport
- ❑ Implement EPWP rural access road programme
- ❑ Quality at schools, FETs and targeted bursaries
- ❑ Better implementation of immigration policy
- ❑ Implementation of Sector Strategies
- ❑ Strengthening public institutions that support economic development
- ❑ Stronger support for major private investments
- ❑ Revamp 2nd Economy strategy (Sector strategies, Coops & SMMEs, EPWP, NYS, SANDF)

Reflections on Sharing—the Second Economy

- ❑ Employment creation is rapid and unemployment falling, but it remains unacceptably high
- ❑ Though there is progress, most second economy programmes have relatively little weight, impact or credibility
- ❑ Many programmes work small-scale but massification is more difficult
- ❑ Still do not have a complete answer to the question of how to address the able-bodied unemployed in the sort to medium term
- ❑ We are not yet effectively addressing the existence of persistent large pockets of poverty comprehensively
- ❑ Need better linkages of economic and social interventions

The added value of AsgiSA

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

AsgiSA, the POA and the Budget

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

Impact of AsgiSA

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

Shift Expectations ...?

Challenges to AsgiSA

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

Beyond 2007: The future role of AsgiSA and Jipsa

- ❑ AsgiSA is expected to continue at least for the duration of this government
- ❑ Jipsa's future will be reviewed from time to time in light of the development of new forms of coordination in skills and education
- ❑ Both remain valuable organisational and communications tools, but need regular revitalisation and still more effective communications

