Post COVID-19

A New Inclusive Economic Future for South Africa

Delivering an Accelerated Economic Recovery Strategy

10 July 2020

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A New Inclusive Economic Future: The COVID-19 crisis and the partnership created to respond, provides an opportunity to rethink SA's future

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COVID-19 has had a devastating impact on SA's already weak economy → **We need a compelling and stable environment to attract investment and drive growth & employment** → **Requires a social and economic compact between all partners with the focus on shared prosperity**

The outlook is extremely challenging

- Estimated funding shortfall of R3.4 trillion over the next 3 years
  - Budget deficit and SOE shortfall of R2.4 trillion
  - Private sector funding requirement adding c.R1 trillion

Restoring business and consumer confidence is key to:

- Accelerate GDP growth
- Protect and add jobs

The private sector can help to:

- Access local and foreign investment
- Implement national projects
- Create new businesses and jobs
- Grow tax base to strengthen the fiscus

Key success factors that will inform SA's future:

- A shared vision with agreed targets
- Strong leadership
- A focus on inclusive growth and jobs
- Increase impetus to sustainable B-BBEE and Gender Equality
- Regulatory certainty and consistency
- Public / private sector collaboration

Working together to build the economy and tackle poverty, inequality and unemployment

SA in 2020

• GDP outlook	$330bn
• Debt:GDP	82%
• S&P Rating	BB-
• Gini co-efficient	63
• Unemployment	29%
• Business confidence	5/100
• Global Competitiveness	60/141
• Ease of doing business	84/190

Building a bridge to recovery beyond COVID-19

We need an unambiguous and compelling new narrative focused on inclusive economic growth and investment to persuade capital providers to invest in South Africa

SA in 2030

• GDP outlook	$550bn
• Debt:GDP	60%
• S&P Rating	BBB+
• Gini co-efficient	43
• Unemployment	15%
• Business confidence	70/100
• Global Competitiveness	25/141
• Ease of doing business	20/190

Confidential

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We need to work together to tackle constraints and challenges and deliver an inclusive and accelerated economic recovery strategy

Pre and Post COVID-19 opportunities

- A new social and economic compact focused on inclusive growth
- Infrastructure investment
- Rapid acceleration of SMMEs
- Unlocking sector opportunities
- Digital economy acceleration
- A new global paradigm

Together we must address

Old constraints and challenges that must be tackled

Contribute to

Poverty, inequality, unemployment and a lack of inclusive growth

What is required to drive fundamental change

1. Unlock SMMEs by **improving SA's Ease of Doing Business ranking**
2. Accelerate economic transformation by **sustainable B-BBEE and Gender Equality**
3. Attract capital to deliver inclusive growth by **improving SA's Global Competitiveness ranking**
4. **Greater policy certainty** to enable SA to compete for funding
5. **Agree on key national projects and policy interventions** (see overleaf)
6. **Effective and timely implementation** via appropriately capacitated resources

South Africa will have to compete for capital against all other emerging markets

Fiscal discipline essential to reduce cost of capital

We need an unambiguous and compelling new narrative focused on inclusive growth and investment to persuade capital providers to invest in South Africa

Improving SA's global competitive position is key

Key Priorities: We need national initiatives and policy interventions that will create certainty and enable more inclusive growth

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Job enablers & activators	Projects & Initiatives
Energy Security and Green Energy Transition	1 Secure and affordable electricity supply
	2 Fast track green economy
Transport & Logistics	3 Implement Transnet's road to rail strategy
	4 Ports expansion
	5 Road infrastructure
ICT Connectivity	6 Full spectrum utilisation
	7 E-learning & digital health platforms
	8 E-commerce acceleration
Unlocking Agriculture	9 Water infrastructure
	10 Maximise commercial agricultural output
Enhanced Localisation	11 Import replacement focus
Access to Finance	12 Increased financial inclusion and lower cost of capital

Policy enablers

	Policy focus areas	Policy certainty	Inclusive growth
1	Tackle crime & corruption	-	✓
2	Improve ease of doing business	-	✓
3	Mobilise large scale infrastructure projects	✓	✓
4	SOE reform	✓	✓
5	Clarity on land reform	✓	✓
6	Education and skills development	-	✓
7	Review trade policies	✓	✓
8	Labour law reform	✓	✓
9	Simplify mining investment regulation	✓	✓
10	Align national energy strategy across all key plans	✓	✓
11	Telecomms: maximise connectivity	✓	✓
12	Financial inclusion and fiscal support	-	✓

Business is ready to help address the economic challenges in South Africa working in partnership with Government, labour and communities

The State should guide strategic initiatives and provide an enabling environment with policy certainty and consistency

Business should focus on sourcing skills and capital and investing in projects and initiatives to create growth and jobs

Immediate actions: that will improve consumer and business confidence and require no policy changes

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Emergency Budget	1	**A "Zero-based" reconstruction budget** – clear messaging of a commitment to fiscal discipline aimed at reducing funding cost
SMMEs	2	**Ensure Government and big business pay SMMEs on time** – this is critical for cash flow of all SMMEs
	3	**Support additional lending** – amendments to the SMME Loan Guarantee Scheme and potentially increase size of programme
	4	**Mobilise immediately business mentorship / support programmes modelled on TAMDEV**
Energy & Water	5	**Fast-track construction of additional capacity** – finalise selection of Round 5 bidders, address obstacles to self-generation including wheeling, and commence IRP bi-annual review
Mining	6	**An industry / Government workshop to align on next steps** – agree an industry compact to enable increased investment
Construction	7	**Use SIDSSA platform to finalise project pipeline** – need to get key infrastructure projects to a point of bankability
Manufacturing	8	**Promote and use the Proudly South Africa platform** – to encourage and boost demand for locally produced goods, incorporate Public Private Partnership leveraging of PPE success
Transport	9	**Introduce lower port fees on exports** – to reduce the cost of exporting SA products and stimulate increased exports
Agriculture	10	**Backstop emergency farm financing** by providing government **support to the Land Bank** and grants, equity or technical support to framers
Financial Services	11	**Private/Public partnership iro network industry infrastructure** – coordinate roll out and funding infrastructure investment
Telecommunications	12	**Resource ICASA to enable the completion of the spectrum auction,** add licencing of Wireless Open Access Network (WOAN) **and re-energise digital migration to free up spectrum**
Tourism & Leisure	13	**Stimulate domestic and regional tourism** – need dedicated marketing and promotion campaigns and opening of flights
	14	**Gain market share on international restart via protocols and new source market approach** – accelerate deployment of eVisas
Education	15	**Fast-track digital migration of degrees and school syllabuses** – early approval of migrated content

We need decisive leadership, together with appropriate capacity and expertise, to implement these immediate actions

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Key Topics for Discussion

Section 1

An opportunity to reimagine the South African economy and reset the trajectory

1. **An opportunity to reimagine the South African economy and reset the trajectory**
2. Actionable initiatives to drive investment, job creation and inclusive growth
3. Funding, cost of capital and fiscal considerations
4. Working together to ensure an accelerated economic recovery and a shared national vision
5. Sector and policy analysis underpinning actionable initiatives

The circumstances facing South Africa have changed dramatically even though the issues are similar

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1. **COVID-19 has had a devastating impact on** the South African economy adversely affecting **both lives and livelihoods**

2. **Q2 GDP has declined by 30%** and **over 1 million jobs have been lost**, which demands **a coordinated and bold response**

3. **An opportunity** exists to reset the course for South Africa **but this requires decisive leadership and urgent delivery**

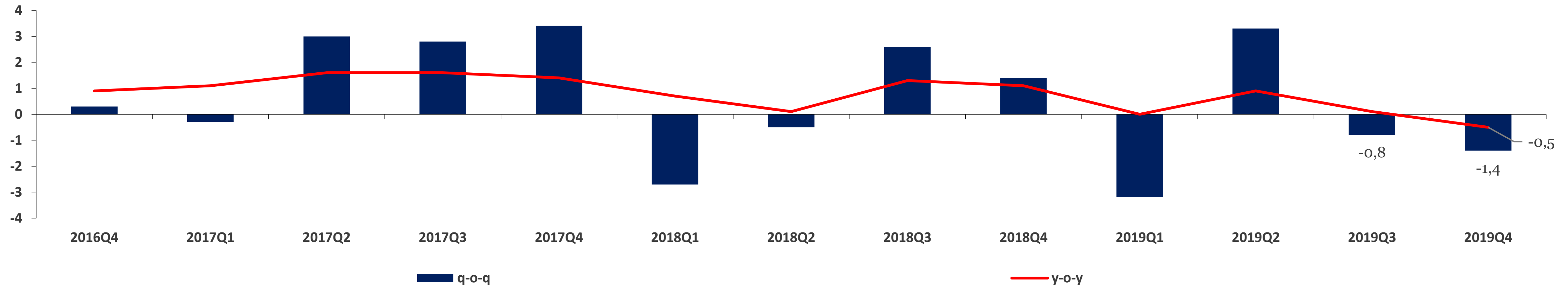
4. To build **a better South Africa** requires a shared national vision **with a focus on inclusive growth and job creation**

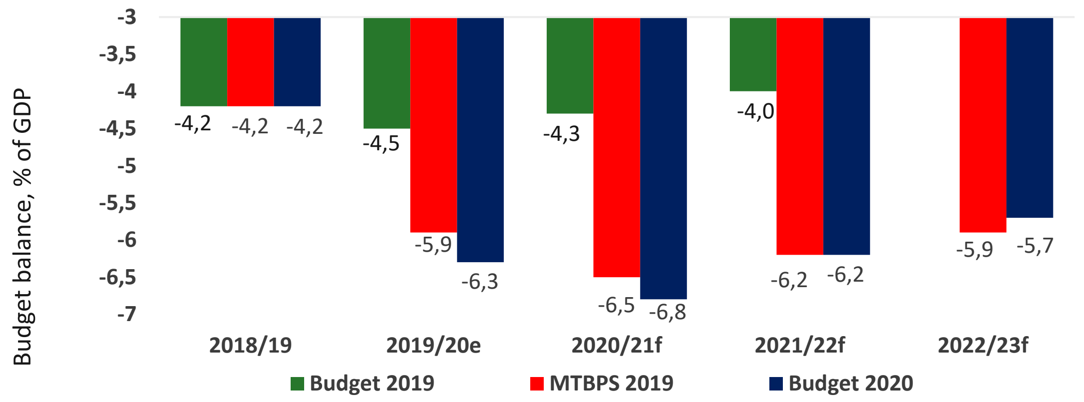
5. SA's economic strategy **urgently requires a new social and economic compact among all role players** to deliver **decisive leadership, inclusive growth and prosperity**

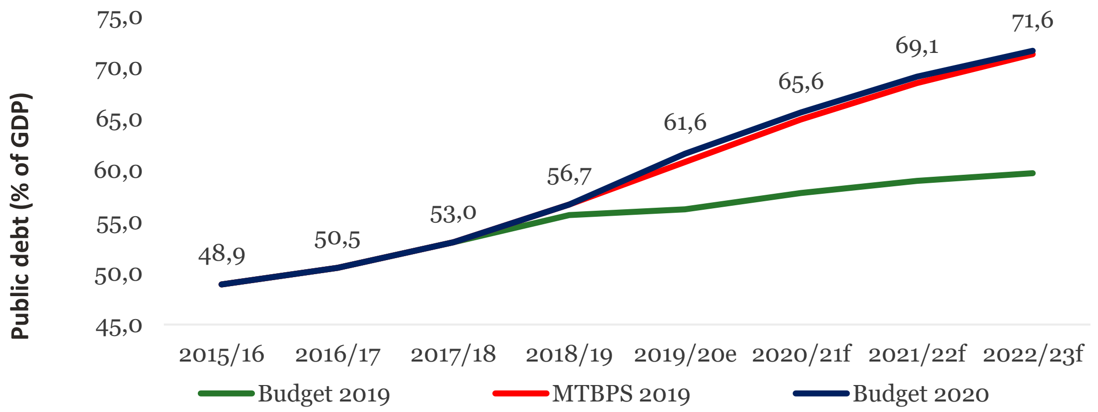
The COVID-19 crisis presents an opportunity to rethink the future of South Africa and work together on an accelerated economic recovery focusing on inclusive growth and prosperity for all citizens

South Africa’s economy was already weak at the start of 2020

South Africa started the year in a technical recession after a 0.8% q-o-q decline in Q319 and a 1.4% q-o-q decline in Q42019, an expected fiscal deficit of 6.8% and public debt ratio of 65.6%







Source: SARB, National Treasury

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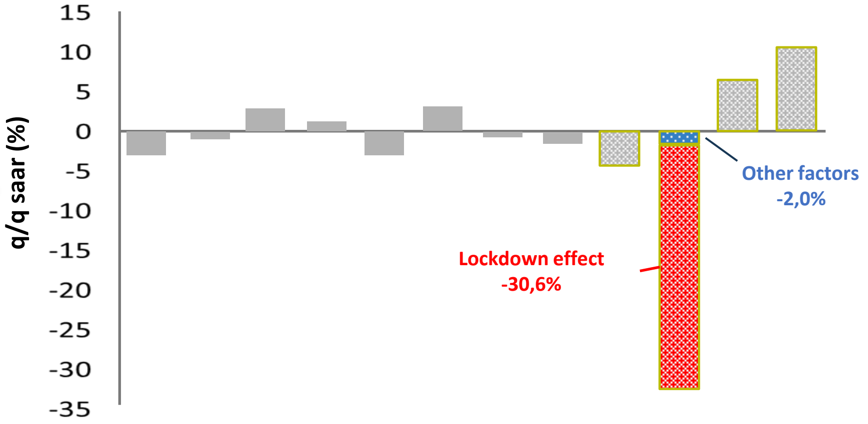
The economic impact of COVID-19 exacerbates the challenges with B4SA's own economic analysis being consistent with the SARB

Q2 GDP growth expected to decline 30.6%

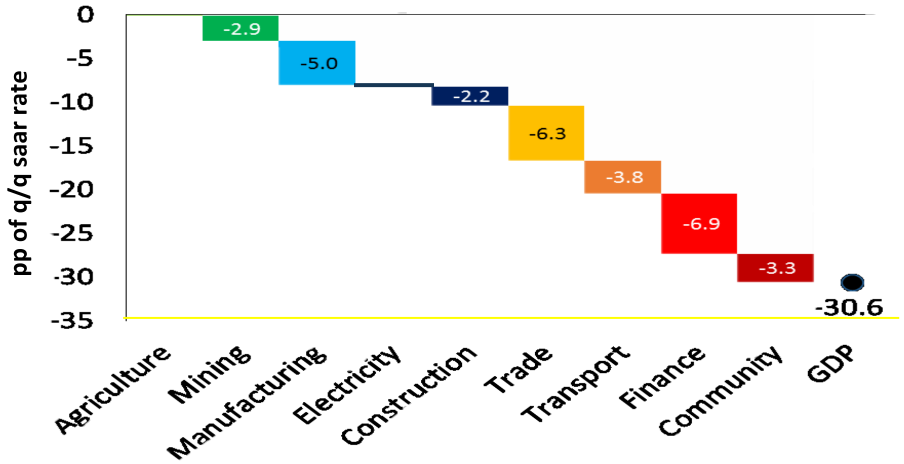
GDP Growth



Sources: Stats SA and SARB

Declines expected across nearly all sectors

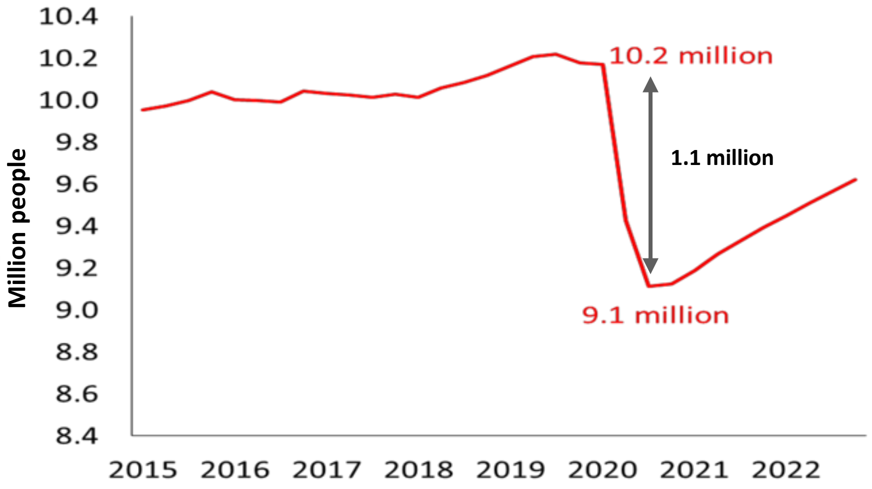
Direct impact of lockdown on Q2 GDP Growth



Source: SARB

Over 1.1 million job losses in the last month

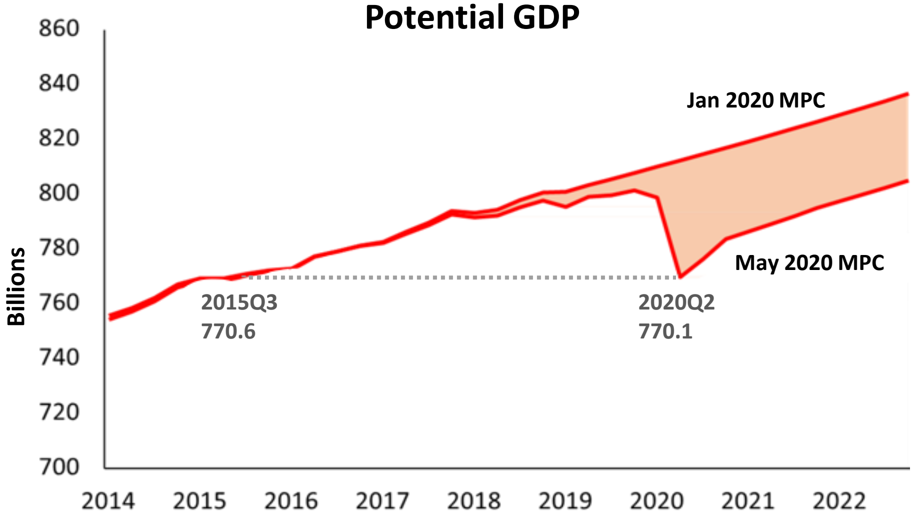
Total Employment



Source: SARB

GDP not expected to return to original trajectory

Potential GDP



Source: SARB

In just a few months, COVID-19 has unravelled much of the progress made over the last 25 years and exacerbated the weakness of the last 10 years

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SA emerges | Stagnation | COVID | Direction

	unit	1994		2008		Dec 2019		2020	
GDP	US$bn	140	**x2.1**	287	**x1.3**	368	**-10%**	330	↓
Debt : GDP	%	49.2%	**-21.4%**	27.8%	**+34.4%**	62.2%	**+23.4%**	82.0%	↑
S&P Rating		BB+	**3 notches**	BBB+	**4 notches**	BB	**1 notch**	BB-	↓
JSE total market capitalisation	US$bn	260	**x3.2**	828	**x1.5**	1,231	**-25%**	924	↓
Banking assets	US$bn	97	**x3.9**	383	**x1.1**	421	**-20%**	335	↓
Foreign Direct Investment	US$bn	0.4	**x30**	12	**x0.6**	7.1	↓	n/a	↓
Tax revenue	Rbn	114	**x5.5**	625	**x2.2**	1,356	**-16%**	1,140	↓
ZAR : USD		3.55	**+133%**	8.26	**+69%**	14.00	**+24%**	17.30	↑
Unemployment	%	20%	**+3%**	23%	**+6%**	29%	**+6%**	35%	↑
Gini coefficient	%	59	**+4**	63	**-**	63	↑	*n/a*	↑

From 1994 to 2008 South Africa thrived

- GDP doubled in US$ terms to $287bn
- Debt:GDP almost halved to 27.8%
- SA secured an Investment grade rating in 1999
- Foreign Direct Investment grew 30 fold to $12bn
- Tax revenues grew by 550%
- However growth was not inclusive as unemployment remained a problem and the Gini coefficient grew

Over the last 10 years South Africa has stumbled

- Debt:GDP has more than doubled record levels
- SA's Rating is now lower than in 1994
- Foreign Direct Investment has declined
- Unemployment and inequality continue to rise
- South Africa entered a recession prior to COVID-19

COVID-19 unravels much of progress since 1994

- GDP is expected to decline by more than 10%
- Debt:GDP expected to exceed 100% by 2023
- All key metrics have declined in the last 3 months

South Africa needs to embrace a more accelerated growth path

- Requires strategic choices and courageous leadership

Sources: National Treasury, BER, StatsSA, JSE, SARB, SARS, HIS Markit, Fitch Solutions, CapIQ, IMF

Note: Figures in square brackets, based on expected impact applied to previous level or guidance previously given

The pandemic has highlighted the need to re-ignite the economy and offer better opportunities to a larger share of our people

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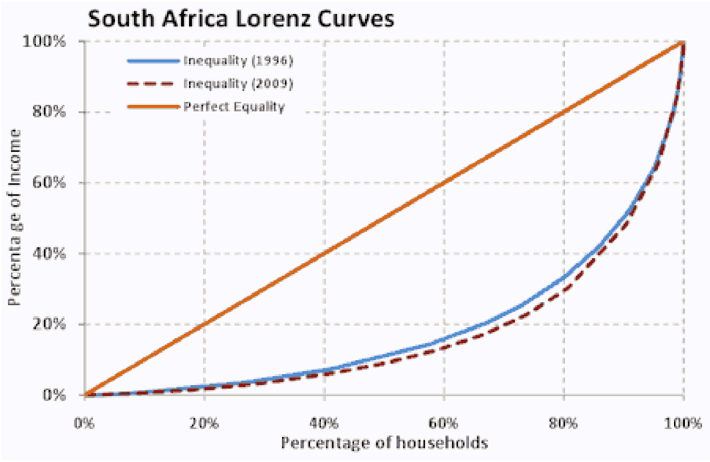
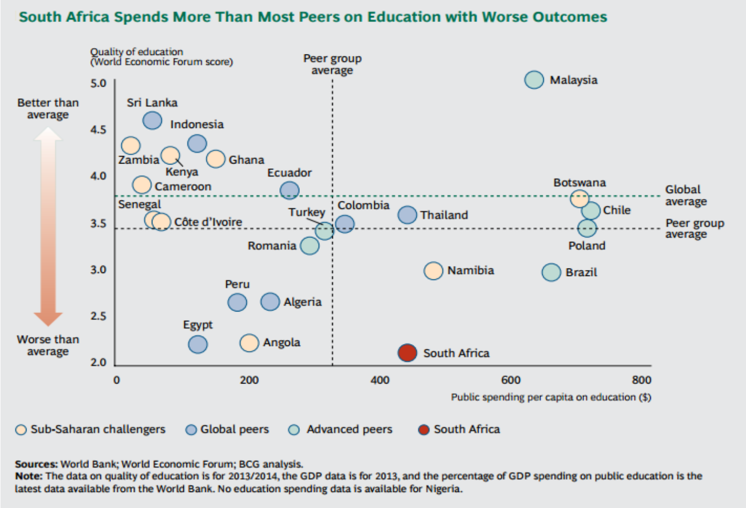
1 SA has the highest Gini coefficient with most of our talent trapped in poverty



Key observations

- **South Africa is consistently ranked as one of the most unequal countries** in the world
  - has its roots in the history of colonisation and apartheid
  - in addition to being extremely high, inequality appears to be remarkably persistent
- **Despite B-BBEE legislation, until there is domestic economic growth the challenges of inequality stemming from an unjust past will continue**
- **Sustainable economic growth is the key to addressing inequality and enhancing prosperity**

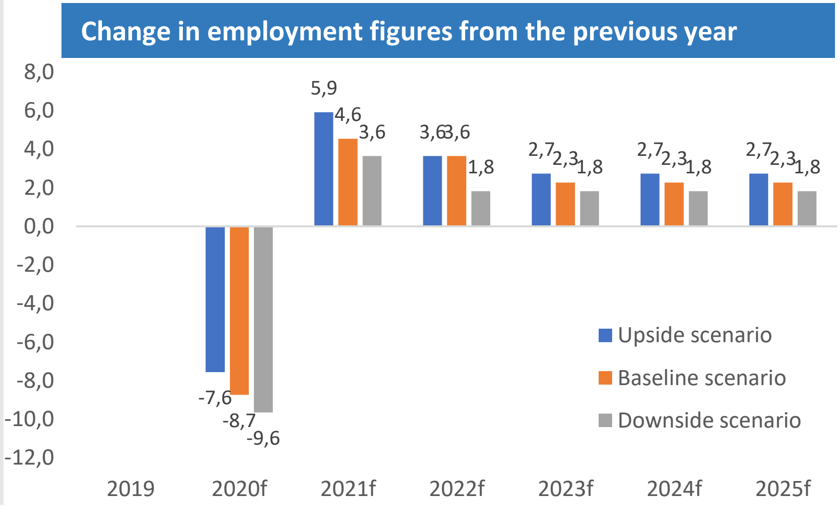
2 The education system is simply not delivering



Key observations

- Per capita, South Africa **spends more** on education than most advanced economies **yet its primary education system was rated 126th out of 138** countries (WEF 2016-2017)
- After **five years** of schooling, about **50% of South African pupils cannot do basic calculations**
- **50% of children do not reach matric**
- South Africa has **1 engineer for every 3 200 people** (China – 1:130; Europe – 1:250; Australia 1:450)
- **70 000 positions available** in IT; only **17 000 learners have qualified** over the last 10 years

3 The unemployment rate is expected to increase to c.35%



Key observations

- The **2020 unemployment rate will be driven by the number of out-of-job South Africans who consider themselves unemployed vs discouraged**
- Modelling suggested that a **1% increase/decrease in real GDP growth leads to a 0.91 % increase/decrease in employment**
  - Even in the upside scenario, GDP is only expected to reach pre-COVID 2019 levels after 2 years
- **Current labour laws often deter businesses from employing workers, particularly given the uncertain economic outlook**

We must address key issues which undermine our relative competitiveness and impede our growth potential

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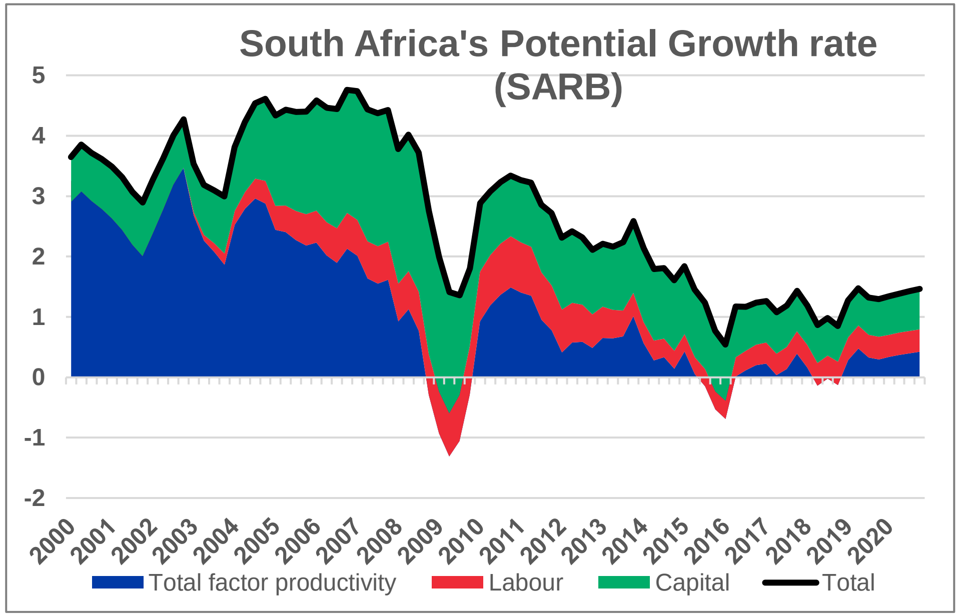
1 South Africa's growth potential has been on a downward trend … driven primarily by a drop in total factor productivity growth[1]

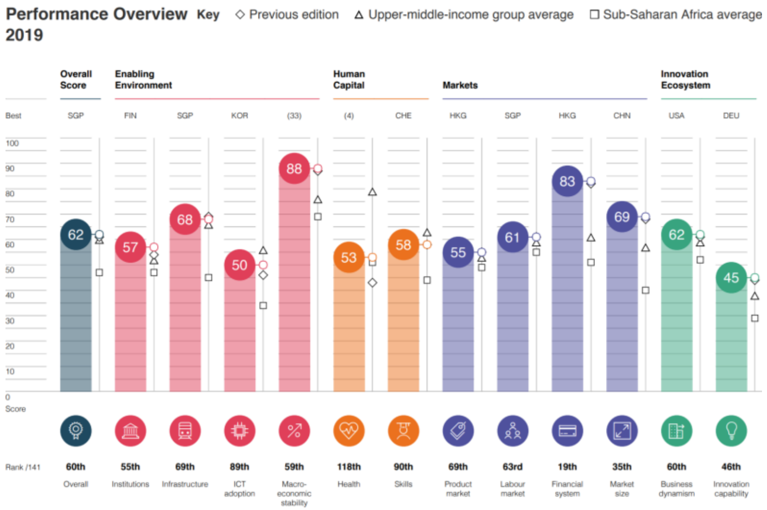


A country's potential growth is a combination of productivity growth and the accumulation of both productive investment and human capital

1 TFP refers to how efficiently and intensely inputs are used in the production process

2 Factors relating to competitiveness and ease of doing business that undermine our growth potential

Global Competitiveness Report (WEF)



SA is not sufficiently competitive to attract foreign investment (ranks 60 out of 141)

Key concerns include:

- **Security** (135th)
- **Labour market flexibility** (111th)
- Hiring foreign labour (123rd)
- Poor **Transparency** (62nd)
- **Government adaptability to change (100th)**
- **Low business dynamism** (60th) is inhibited by:
  - Insolvency regulation
  - Administrative burdens to start a business
  - Ease of doing business

Ease of Doing Business (World Bank)

	2008 Total: 177	2020 Total: 190	Change in ranking
Starting a Business	53	139	(86)
Dealing with Construction Permits	45	98	(53)
Getting Electricity	n/a	114	n/a
Registering Property	76	108	(32)
Getting Credit	26	80	(54)
Protecting Minority Investors	9	13	(4)
Paying Taxes	61	54	7
Trading across Borders	134	145	(11)
Enforcing Contracts	85	102	(17)
Resolving Insolvency	68	68	-
Employing Workers	91	n/a	n/a
Total score	**35**	**84**	**(49)**

SA dropped from 35th in 2008 to 84th in 2019 (out of 190)

Key areas of concern include:

- Electricity supply
- Difficulty starting a new business
- Dealing with construction permits
- Registering property
- Credit availability
- Cross border trade red tape
- Enforcing contracts

Broad-Based Black Economic Empowerment ("B-BBEE") is key to inclusive growth, but legislation has not delivered on its transformational intent

Guiding principles for B-BBEE and Inclusive Growth

- B4SA is fully committed to accelerated and sustainable B-BBEE
- However, the pace and depth of B-BBEE to date has been insufficient leading to a narrow base of beneficiaries
- Full and equitable participation by a broad base of black people in all aspects of the South African economy, with an emphasis on those that are most disadvantaged (women, youth, disabled, rural, poor) is critical
- Business' ability to transform rapidly is enhanced by Government creating the enabling conditions for inclusive growth
- Corruption and maladministration will undermine B-BBEE and inclusive growth unless decisively addressed

A social and economic compact between all partners

- A collaborative, partnership approach between business, Government, organised labour and other social partners is needed
- Should be proactive and take into account the diversity and cyclicality of business sectors, formats, and relative sizes
- A substance over form approach, focusing on interventions to build social cohesion and ensuring a transformative culture within business
- Recalibrating and accurately measuring economic transformation is necessary to determine the current status and progress

Key recommendations to accelerate B-BBEE and transformation whilst also achieving accelerated economic growth and inclusivity

1 Enable a transformation culture in business

- Work with business to build strategic partnerships to deliver transformation
- Develop a research base that demonstrates the economic value of diversity

2 Policy consistency & simplification

- Simplify B-BBEE Codes and ensure alignment with sector Charters
- Identify key barriers to transformation and work with business to address

3 Selective SMME amendments and/or simplification

- Review and simplify the application of certain regulations to SMMEs

4 Zero-tolerance policy on corruption and maladministration

- Address procurement corruption in SOEs and ensure accountability for public funds allocated to supporting black and small business development

5 Skills development and employment promotion

- Skills - leverage ISFAP and implement a widespread mentorship programme
- Employment – leverage the YES initiative and other contributors to jobs

6 A mechanism to clearly measure Economic Transformation

- Business to work with social partners to ensure a transparent measurement system and assess progress on an annual basis
- Introduce into the socio-economic regulatory impact assessment process, specific considerations for the impact on economic development and SMMEs

To build a better South Africa requires a shared national vision with a focus on inclusive growth and job creation and a culture of delivery

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Key Opportunities presented by the crisis

A new social and economic compact focused on inclusive growth
- ✓ Business, Government, Labour and Communities have worked together to tackle the COVID-19 crisis
  Must build on recent positive cooperation to now tackle SA's economic issues

Infrastructure investment
- ✓ There is a strong pipeline of projects across network industries that must be prioritised and funded
  Implementation must be accelerated

Rapid acceleration of SMMEs
- ✓ An opportunity to simplify regulations, review supply chains and tackle market concentration
  Focus must be on improving SA's:
  - **Global Competitiveness ranking**
  - **Ease of Doing Business ranking**

Unlocking sector opportunities
- ✓ Highly motivated and capable sector leaders have come together to formulate strategies
  Business is ready to partner Government

Digital economy acceleration
- ✓ Can leverage SA's strong ICT infrastructure to embrace digital work, health and learning
  Digital migration and spectrum allocation is key

A new global paradigm
- ✓ SA is not alone, the whole world is embracing changes
  Nations that adapt quickly will find new opportunities, but SA must compete for capital

Together we must address

Key Constraints and Challenges to inclusive growth

Inequality & transformation
- Ongoing changes to legislation inhibits investment
- **Regulations should enable incremental new investment**

State capability & capacity
- State capacity has not been as effective as it should
- **Public/private partnership will enhance capability**

Corruption & crime
- Has inhibited local and foreign direct investment
- **Must urgently implement a zero tolerance policy**

Inefficient and redundant SOEs
- Must urgently address the role of SOEs as sector enablers
- **Inability to supply sufficient and uninterrupted electricity is a major impediment to growth and confidence**

Funding constraints
- COVID-19 has diminished global availability of funding
- **Unsustainable government finances lead to a high cost of capital meaning long term projects can't be funded**

Policy certainty
- Economic Transformation is a national imperative
- **Simplify B-BBEE Codes and ensure alignment with sector Charters to attract investors**

Innovation & entrepreneurship
- Enablers to create Entrepreneurs and support innovation
- **SMMEs drive the greatest number of new jobs and taxes**

Education outcomes
- A fundamental rethink of education is essential
- **Should encourage business to invest more in upskilling**

Health & wellness
- Covid-19 has highlighted public healthcare issues
- **Partner the private sector and embrace digital tools**

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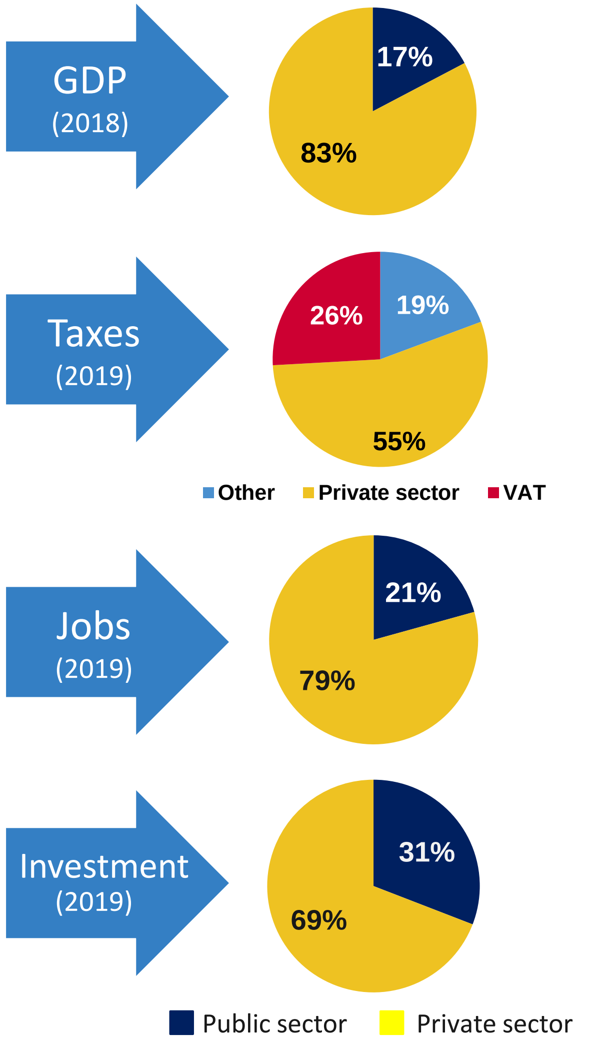
Business is the primary contributor to the economy and is well positioned to do more to assist with the key challenges

Private sector contribution to SA



How Business can assist with Constraints & Challenges

Inequality & transformation	• Increased commitment to economic and social transformation • Consider a new narrative based on shared prosperity
State capability & capacity	• Business is ready to partner on delivery of key infrastructure projects • Business can assist with skills and expertise as demonstrated by B4SA
Corruption & crime	• Sector initiatives to tackle crime in SMMEs, mining and construction • Coordinate with the financial services sector to address corruption
Inefficient and redundant SOEs	• Need to close and/or rationalise certain SOEs to enhance performance • Private sector participation will increase competition and efficiency
Funding constraints	• Able to source private capital for economically viable projects • Have the skills and expertise to source international capital
Policy certainty	• Help Government set policy to improve SA's Global Competitiveness ranking • Simplify B-BBEE Codes and ensure alignment with sector Charters
Innovation & entrepreneurship	• Focus on improving SA's Ease of Doing Business ranking • Alignment across existing Innovation & Entrepreneurship ecosystems
Education outcomes	• Partner Government to transform education with a focus on workforce upskilling
Health & wellness	• Partner with the public sector to embrace wellness technology tools and preventative care models

Africa presents opportunities for greater regional cooperation as well as increased localisation via the accelerated roll out of AfCFTA

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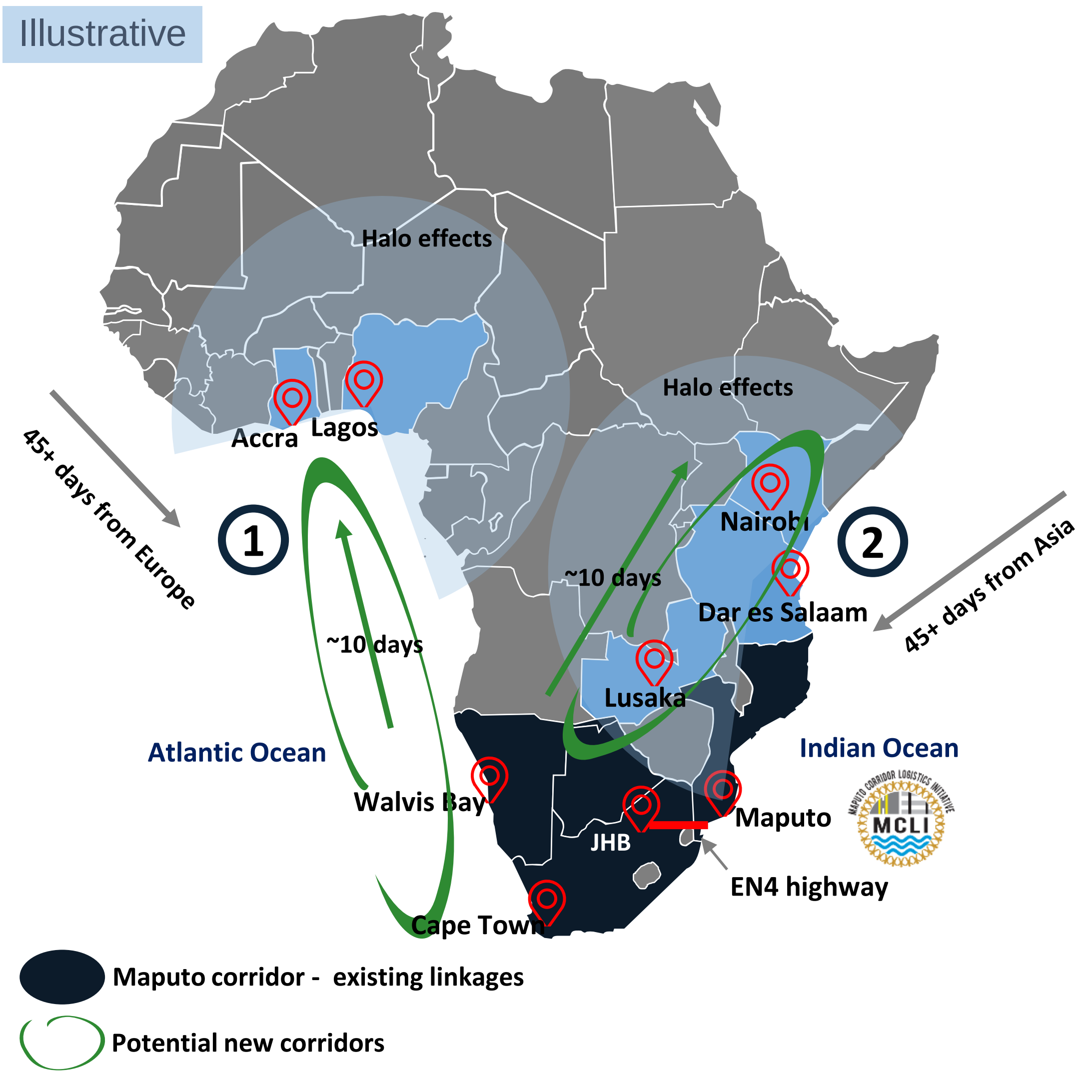

Full impact of COVID-19 in Africa only expected in H2 2020

- South Africa will have an important role to play in the region providing healthcare support, supplying PPE and offering skills and expertise
- To accelerate the economic recovery in the region, South Africa should establish a focused program to:
  - accelerate exports of high priority manufactured products to targeted countries
  - ensure an expedited penetration of the African Continental Free Trade Area ("AfCFTA")

Opportunities to develop new AfCFTA corridors

1 Sea Corridors: Cape Town - Walvis Bay – Lagos - Accra
- Aims to unlock trade with West Africa's biggest economies
- Reduce cargo time-at-sea by 30+ days compared to European Imports

2 Road/Rail Corridors: Johannesburg – Lusaka – Dar es Salaam – Nairobi
- Aims to unlock trade with East Africa's biggest economies
- Road freight 30+ days shorter than time-at-sea from Asian Imports

The Maputo Corridor Initiative

- The Maputo corridor connects South Africa's industrial and commercial heartland with its nearest deep water port in Maputo via the N4 highway
- There are opportunities that should be accelerated including:
  - increasing the export of agricultural products and mining output from Limpopo and Mpumalanga
  - building a LNG import terminal and leveraging the ROMPCO pipeline

B4SA has completed an extensive risk analysis which highlights the need to work together in several key areas

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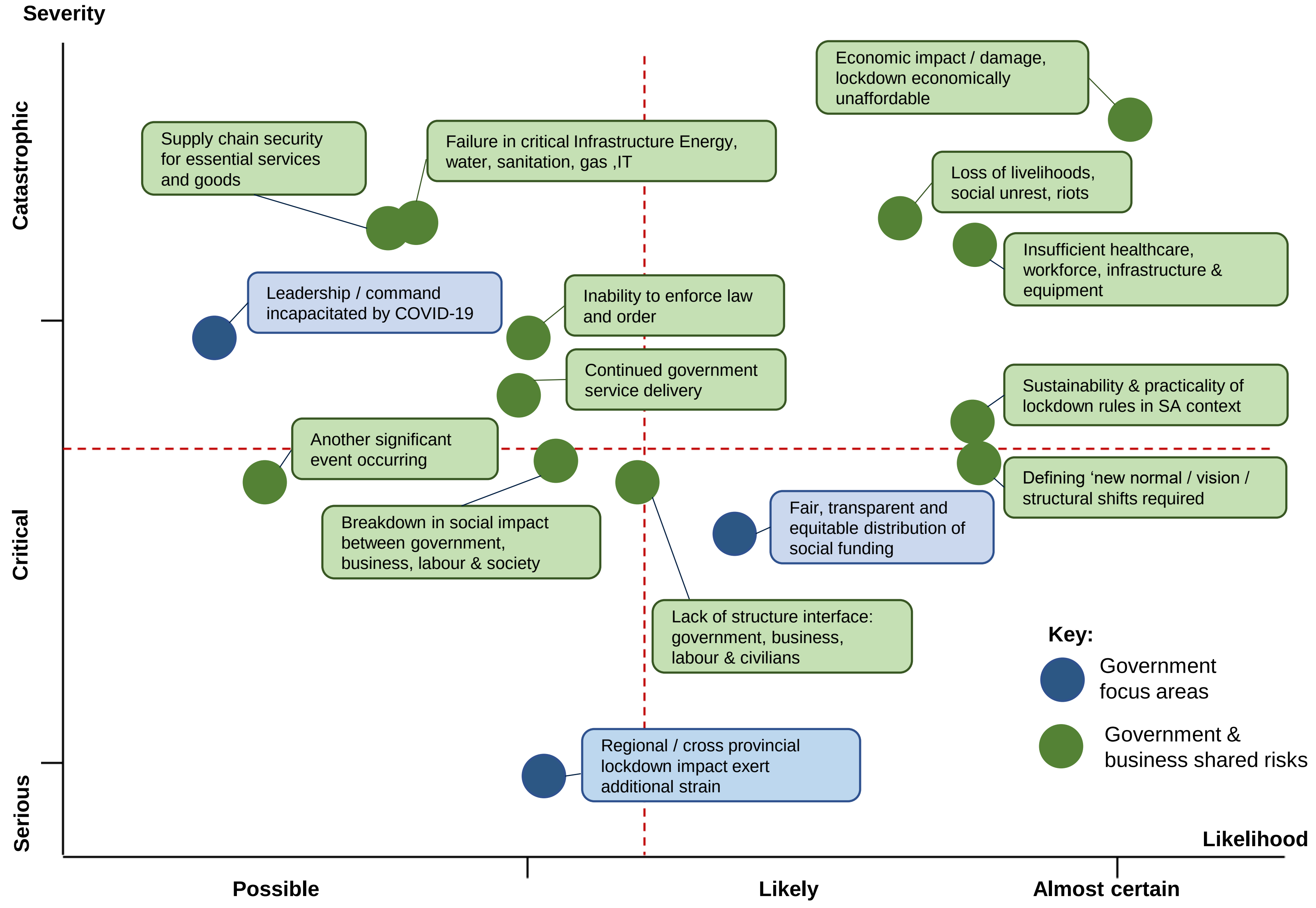

Key Considerations

- The economic crisis is likely to eclipse the health crisis in the coming year
- A number of key risks exist, with the greatest being the potential for social unrest due to the loss of livelihoods
- The risks identified by B4SA can be mitigated by working together to develop a coordinated economic response
- B4SA has identified specific opportunities by sector to help ensure South Africa can come together to focus on an accelerated economic recovery
- B4SA has demonstrated the potential of mobilising the private sector to collaborate with the State, including supporting with capacity and funding constraints

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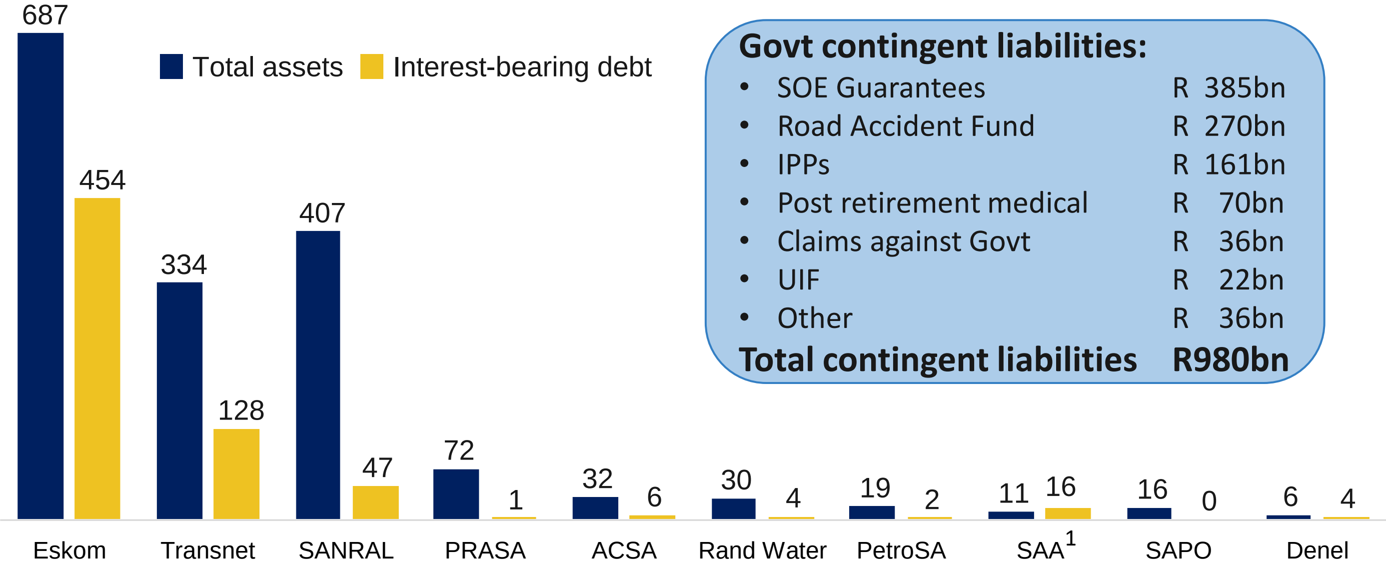
The role of SOEs: The success of SA is interlinked to the success of SOEs which are over-leveraged and have consistently under-delivered

SOE assets vs Net Debt per last financials (R'bn)



	Eskom	Transnet	SANRAL	PRASA	ACSA	Rand Water	PetroSA	SAA[1]	SAPO	Denel
% of total SOE Debt	67	19	7	<1	1	1	<1	3	0	1
Total assets	687	334	407	72	32	30	19	11	16	6
Interest-bearing debt	454	128	47	1	6	4	2	16	0	4
Net Debt to NAV	3.0	0.9	0.2	0.1	0.3	0.2	3.8	n/a[4]	0	n.m
Net Debt to EBITDA	14.4	3.8	6.1	0.3	2.0	1.1	6.2	n/a[4]	0	1.8
Sustainability of debt	✗	✗	✗	✓	✓	✓	✗	✗	✓	✓

Red: Net Debt: EBITDA > 3.5x

Green: Net Debt: EBITDA < 3.5x

Govt contingent liabilities:

SOE Guarantees	R 385bn
Road Accident Fund	R 270bn
IPPs	R 161bn
Post retirement medical	R 70bn
Claims against Govt	R 36bn
UIF	R 22bn
Other	R 36bn
Total contingent liabilities	**R980bn**

1. SAA value of assets based on business rescue draft as at Nov 2019, and debt value based on latest public announcements
2. 2018 Budget Speech
3. JPMorgan Global Emerging Market Bond Index (USD) used as a proxy
4. Latest 2017 reported EBITDA of –R2.8bn and NAV of –R17.8bn

1. **In the 2020 Budget it was announced that total debt of the seven largest SOE borrowers was R760bn**
   - in addition, Government has R980bn in contingent liabilities of which R385bn are SOE guarantees
2. **South African SOEs generate an average return on equity (ROE) of below 0.2%[2], which is:**
   - significantly below the average ROE of c.5%[3] generated by emerging market peers
   - well below SA Govt cost of funding of c.7.6%
   - if returns don't improve they will therefore perpetually require bailouts
3. **Debt levels at Eskom, Transnet and SANRAL are unsustainable and inhibit new investment**
   - as a result critical infrastructure projects have not been implemented
4. **We note the creation of an SOE Council and think they and the DPE need to urgently implement:**
   - a review of the mandate and purpose of each SOE
   - rationalisation and closure where relevant
   - management and governance improvement
   - cost savings and eliminate waste and corruption
   - balance sheet restructuring - working with National Treasury to optimise aggregate cost
   - revenue enhancement via selective increases and targeted expansions
   - public private partnerships to fund expansion
   - allowing greater private sector competition
5. **SOEs and the SOE Council need appropriate private sector technical support to fulfil their mandate**

Key iterative steps: All stakeholders need to partner across key areas and focus on ensuring delivery and accountability

1 Identify critical sectors and enablers for recovery
- Key areas of immediate focus
- Need to assess Economic Value and Economic Risk

2 Develop and implement strategies to scale
- Need to stimulate innovation
- Rethink where SA has a competitive advantage post COVID-19
- Address social requirements including housing, water and public transportation

3 Revisit policy and regulatory inhibitors
- Alignment within Government is critical
- Speed of implementation is key

4 Refine and extend trade / exports
- Target sectors with greatest export potential
- Weak ZAR likely to provide new opportunities

5 Extend fiscal support and incentives to accelerate growth
- Need a catalyst to drive new investment
- Focus on inclusive growth and job creation

6 Align with government on new role of state organs and SOEs
- Need urgent and effective interventions by sector with support and alignment from SOEs
- Private sector can assist with access to funding
- Must reprioritise state spending

7 Align with labour on conducive regulation
- Greater labour flexibility is key to new investment
- Need inclusive growth with balanced regulation
- Potential opportunity for a paradigm shift with all players

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Given the limits on State and SOE capacity and funding, a social and economic compact with business, labour and society is key to SA's success

State: guide strategic initiatives and provide an enabling environment with policy certainty and consistency

Business: focus on sourcing capital and investing in projects and initiatives to create inclusive economic growth and jobs

Labour: focus on ideas to create new jobs and ensure greater labour flexibility and fair working conditions rather than just protecting existing jobs

All social partners must focus on ensuring shared prosperity to address poverty, inequality and unemployment

SA's future economic strategy urgently requires a new social and economic compact, among all role players, to deliver inclusive growth and transformation

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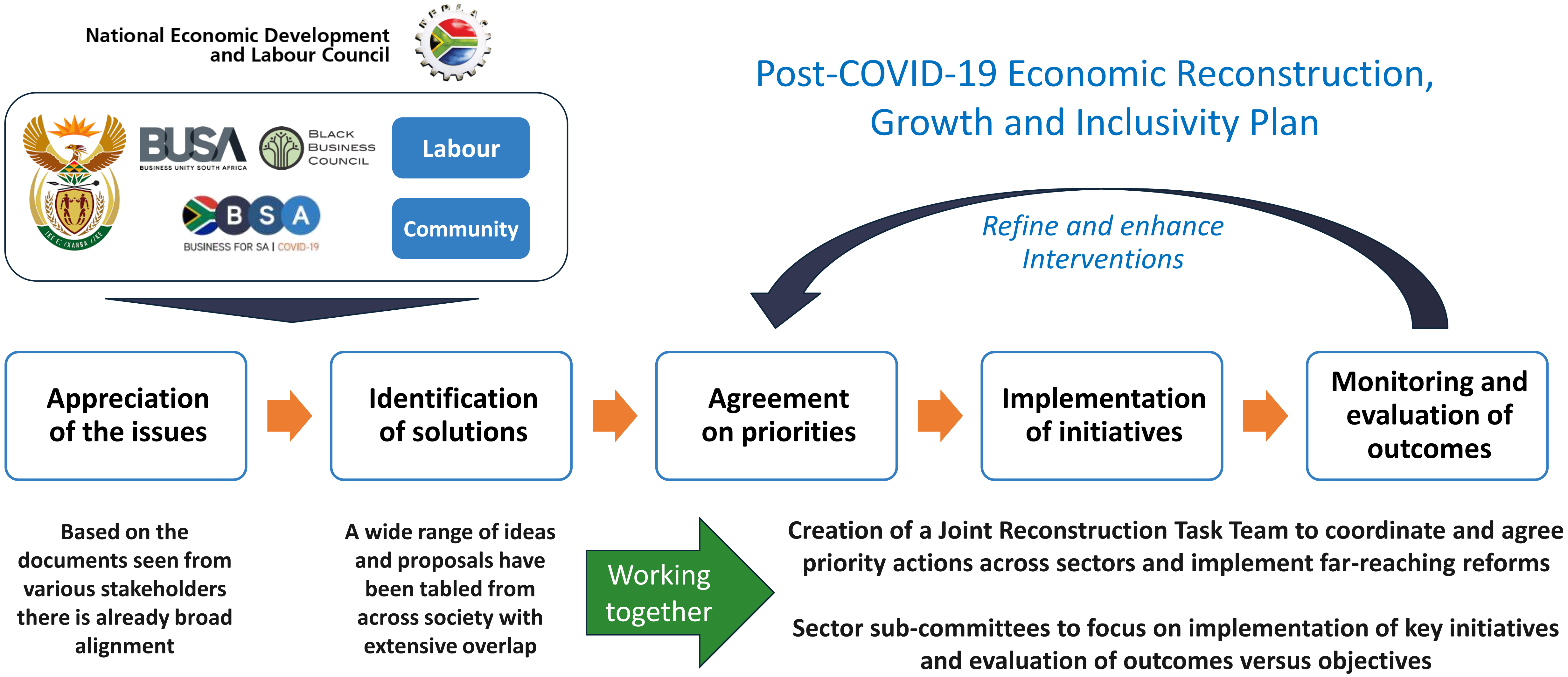

Key Topics for Discussion

Section 2

Actionable initiatives to drive investment, job creation and inclusive growth

1. An opportunity to reimagine the South African economy and reset the trajectory
2. **Actionable initiatives to drive investment, job creation and inclusive growth**
3. Funding, cost of capital and fiscal considerations
4. Working together to ensure an accelerated economic recovery and a shared national vision
5. Sector and policy analysis underpinning actionable initiatives

Overview of the work done by B4SA

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1. **B4SA** assembled a **team of industry experts** to **analyse challenges** and **consider potential opportunities**

2. Focus has been on **sectors and projects** with strong multipliers that can scale quickly **to create jobs and GDP growth**

3. We have identified **key challenges** that inhibit investment and **priority actions** to accelerate **inclusive growth and job creation**

4. **Regulatory obstacles and policy interventions** have been identified that **require Government action to unlock**

5. **Funding key projects is critical** given limited capital availability and **reduced foreign investment support**

"We must do whatever it takes to limit the damage to our society and people and get our economy back onto a path of recovery"

President Ramaphosa

We have considered every industry sector and focused on sectors with strong multipliers that can scale quickly to create jobs and growth

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Complete sector ranking pre-COVID

	Sectors	Attractiveness score	Ranking
1	Tourism	0.57	1
2	Citrus Fruit	0.50	2
3	Building & Construction	0.46	3
4	Trade	0.39	4
5	Forestry	0.39	5
6	Meat, Fish, Fruit, Vegetables, Oils and Fat Products	0.39	6
7	Dairy products	0.37	7
8	Grain Mill, Bakery and Animal Feed Products	0.37	8
9	Vegetable	0.37	9
10	Real Estate	0.36	10
11	Fishing	0.36	11
12	Accommodation	0.36	12
13	Communication	0.35	13
14	Wood and Wood Products	0.34	14
15	Water	0.34	15
16	Livestock	0.34	16
17	Transport	0.33	17
18	Non-Metallic Mineral Products	0.33	18
19	Paper and Paper Products	0.33	19
20	Deciduous Fruit	0.33	20
21	Game	0.32	21
22	Poultry	0.32	22
23	Natural gas	0.32	23
24	Subtropical Fruit	0.32	24
25	Other Agriculture	0.32	25
26	Other food products	0.32	26
27	Dairy	0.32	27
28	Furniture	0.32	28
29	Other Fabricated Metal Products	0.32	29
30	Machinery & Equipment	0.31	30
31	Electricity	0.31	31
32	Textiles, Clothing, Leather Products and Footwear	0.31	32
33	Electrical Machinery & Apparatus	0.31	33
34	Finance & Insurance	0.30	34
35	Structural Metal Products	0.30	35
36	Publishing and Printing	0.30	36
37	Business Services	0.29	37
38	Other Manufacturing & Recycling	0.29	38
39	Beverages and tobacco products	0.29	39
40	Chemicals & Chemical Products (incl Plastic Products)	0.29	40
41	Pharmaceuticals	0.29	41
42	Cereal and Crop	0.29	42
43	Community, Social and Personal Services	0.28	43
44	Basic Metal Products	0.28	44
45	Rubber Products	0.28	45
46	Coal and lignite	0.26	46
47	Other Mining	0.25	47
48	Manufacturing of Transport Equipment	0.25	48
49	Communication, Medical and other Electronic Equipment	0.23	49
50	Gold	0.22	50
51	Ferrochrome	0.20	51
52	Platinum	0.12	52

Red font: Denotes subsectors that fall outside the focus areas (aside from SMMEs)

Combining the effects of these factors is what constitutes a high impact industry sector

Current impact	**GDP contribution**
	GDP output multiplier
	Employment multiplier
	Trade size
Growth potential	**Market growth rate**
	Export growth rate
	GDP input multiplier
	Employment multiplier
	Structural advantage

Section 5 provides the 49 subsectors included in high impact areas

High impact industry focus areas

1. SMMEs (multi-sector) & Township / Rural

Resources

2. Energy & Water
3. Mining

Industrial

4. Construction
5. Manufacturing
6. Transport

Services & Support

7. Agriculture
8. Financial Services
9. Telecommunications
10. Tourism & Leisure

SMMEs and Retail are multisector functions that enable delivery of products & services to all sectors and consumers

Wholesale & Retail (multi-sector)

Sectors and subsectors are analysed in more detail in section 5

There is a high degree of convergence between the issues identified by Government and the priority actions proposed by the B4SA sector analysis

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Methodology & Approach

Jobs Summit™

Critical enablers → *Critical success factors* → Activators of employment

NATIONAL DEVELOPMENT PLAN 2030

There is a high degree of alignment between:

- The National Development Plan
- Supplementary Budget Review 2020
- National Treasury economic reform paper
- Presidential Economic Advisory Council
- Industrial Policy Action Plan
- Integrated Resource Plan
- SARB industry analysis
- Objectives of the Investment Envoys
- Various South African scenario plans (including Indlulamithi)

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B4SA Specific interventions and actions per industry

Key sector objectives → Identify key challenges → Consider key priority actions → Roadmap & Plans

High level of convergence

Identified priorities across all economic sectors

- Policy consistency
- Regulatory reform
- Crime & corruption
- Infrastructure investment
- SOE optimisation
- Energy industrialisation strategy
- Economic transformation and B-BBEE
- Skills shortages
- Modernisation investment

Key sector interdependencies overlap with the Jobs Summit and timing for implementation fits with the revised Budget and the Jobs Summit outcomes

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Activators of employment

1. Immediate Job Retention (Economy-wide)	2. Digital Economy	3. Enhanced Localisation	4. Unlocking Agriculture	5. Revitalising the Built Environment
SMMEs / Retail	Telecomms	Manufacturing	Agriculture, Wholesale & Retail	Construction
All Sectors	SMMEs / Retail	All Sectors		Tourism & Leisure

OPEN

Critical enablers

1. Energy Security and Green Energy Transition	2. Transport Logistics	3. ICT Connectivity (incl. Spectrum and Broadband)	4. Access to Finance	5. Skills Development
Energy & Mining	Transport & Mining	Telecomms	Financial Services	All Sectors
SMMEs	SMMEs	SMMEs	SMMEs / Retail	SMMEs

Top 12 projects and initiatives across all network industries to drive investment, job preservation and creation, economic capacity and inclusive growth

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Job enablers & activators	#	Projects & Initiatives	Specific Projects / Opportunities	Sector Drivers	GDP impact[(1)]	Jobs[(1)]
Energy Security and Green Energy Transition	1	Secure and affordable electricity supply	• Address Eskom operating and capital structure / update IRP • Embrace Gas economy: Revise IRP gas to power targets, enable extension of Pande-Temane, invest in LNG imports	Energy, Construction, Mining, Manufacturing, Water	*up to* **R177bn** *capex* *up to* ***$83bn*** *of green funding*	**88,000** *created* **248,000** *protected* ***500,000*** *Indirect*
	2	Fast-track Green economy	• Accelerate renewables deployment via REIPP5 and REIPP6 • Launch Green stimulus and national green funding strategy	Energy, Construction, SMMEs		
Transport & Logistics	3	Implement Transnet's road to rail strategy	• Address debottlenecking issues to grow rail volumes • Expand Saldanha railway capacity • Private concession Lephalale-Maputo line	Transport, Mining, Construction, Manufacturing	Transport **R66bn** p.a. - Construction up to **R100bn** p.a.	Transport **19,000** p.a. Mining **70,000** by 2024 Construction up to **100,000** p.a.
	4	Ports expansion	• Improve competitiveness relative to global peers • Expand capacity for agriculture & mining	Transport, Mining, Construction		
	5	Road infrastructure	• Complete BRT implementation • Clarify role of minibus taxis within public transport	Transport, Construction, SMMEs		
ICT Connectivity	6	Full Spectrum utilisation	• Digital migration, permanent allocation, network sharing • "Use it or lease it", Rapid Deployment Plan, WOAN licences	Telecommunications, Tourism, SMMEs	Telecomms **R15 - 20bn** p.a. Tourism **R17-34bn** p.a	Telecomms **>55-65,000** p.a. Tourism **70-120,000** p.a
	7	E-learning & digital health platforms	• Ensure more affordable connectivity • Increase access and financial inclusion	Telecommunications, Education, Healthcare, SMMEs		
	8	E-commerce acceleration	• More powerful and less costly systems • Migration of Govt & SMMEs to Digital	Telecommunications, Financial Services, SMMEs, Tourism		
Unlocking Agriculture	9	Water infrastructure	• Complete delayed projects /coordinate with sectors	Agriculture, Construction, Mining	Agriculture **R10 - 15bn** p.a.	Agriculture **60-80,000** p.a.
	10	Maximise commercial agricultural output	• Cannabis industrialisation: has wide industrial product use • Improve access to finance and enabling infrastructure	Agriculture, SMMEs		
Enhanced Localisation	11	Import replacement focus	• Target high value sectors and new wild-card products • Develop regional trading corridors	Manufacturing, Transport, SMMEs	Manufacturing **R21-35bn** p.a.	Manufacturing **28-70,000** p.a.
Access to Finance	12	Increased financial inclusion and lower cost of capital	• Enable acceleration of digital financial services ecosystem, establish new challenger banks • Funds targeting SMMEs, agriculture and Green economy	Financial Services, Telecommunications, SMMEs	**~R50-90bn** p.a. from steady state	**220-470,000** from steady state

Access to more affordable funding - impacts all sectors and key initiatives

(1) Based on statistics sourced from the key "enabled" sector (refer to the "Job enablers and activators" column)

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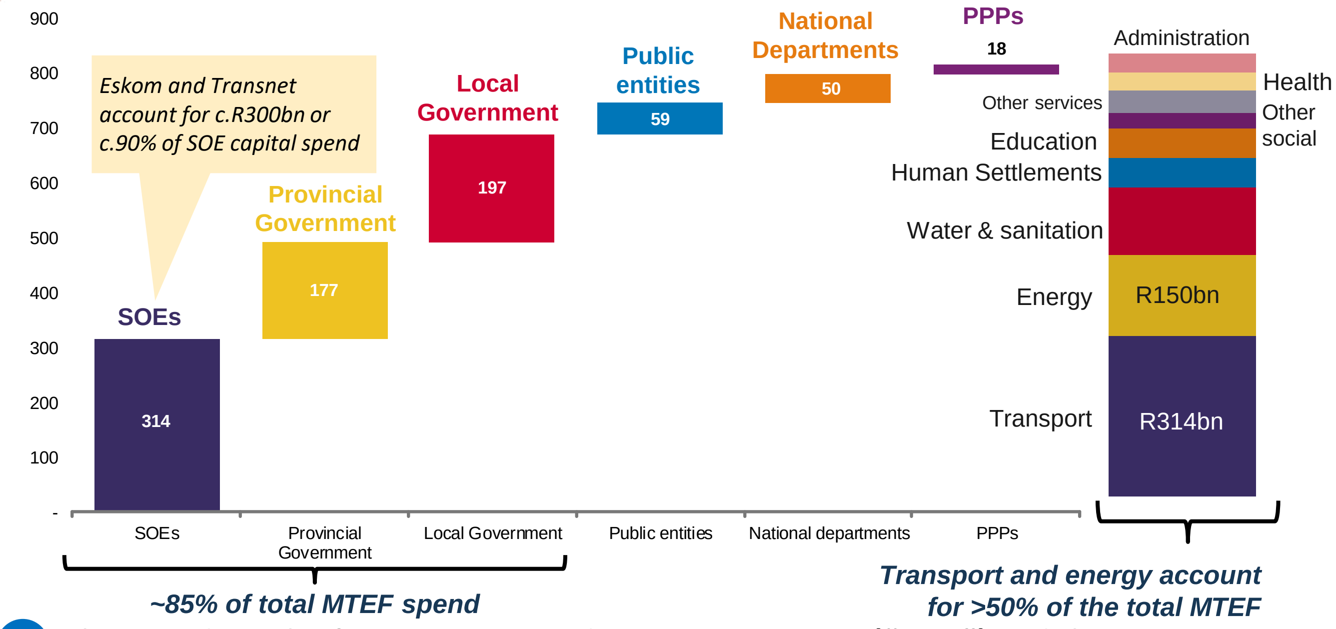
There is a high level of overlap between Government and the private sector's infrastructure priorities, however it requires focus and a viable funding plan

Strategic Integrated Projects (SIPs)

#	Project	
1	Unlocking the Northern Mineral Belt with Waterberg as the catalyst	✓
2	Durban - Free State Gauteng Logistics and Industrial Corridor	✓
3	South Eastern node & corridor development	✓
4	Unlocking economic opportunities in North West Province	
5	Saldanha-Northern Cape Development Corridor	✓
6	Integrated Municipal Infrastructure Project	
7	Integrated Urban Space and Public Transport Programme	✓
8	Green Energy in support of the South African economy	✓
9	Electricity Generation to support socio-economic development	✓
10	Electricity Transmission and Distribution for all	✓
11	Agri-Logistics and Rural Infrastructure	✓
12	Revitalisation of public hospitals and other health facilities	
13	National school build programme	
14	Higher Education Infrastructure	✓
15	Expanding access to communication technology	✓
16	SKA & MeerKat	
17	Regional Integration for African cooperation and development	✓
18	Water and Sanitation Infrastructure Master Plan	✓

MTEF infrastructure spend (2021 to 2022): R815bn



1. The Presidential Infrastructure Coordinating Committee ("PICC") and the Investment and Infrastructure Office ("IIO") have developed 18 priority SIPs
2. These focus on, *inter alia:*
   - Electricity transmission, distribution & generation
   - Integrated public transport
   - Water and sanitation infrastructure
   - Urban infrastructure and living standards
   - Agriculture and Agri-logistics projects
   - Educational infrastructure
   - Regional integration for African cooperation

The Sustainable Infrastructure Development Symposium of South Africa ("SIDSSA") on 23 June

Investing in infrastructure for shared prosperity: now, next and beyond

3. There is substantial overlap between SIPs and the work of SIDSSA on the one hand, and the priorities identified by B4SA on the other, with considerable scope to cooperate on implementation and funding

The Top 12 policy interventions to help create greater certainty and enable more inclusive growth

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	Policy focus area	Key issues	Key benefits *(aside from jobs, GDP and tax benefits)*	Policy certainty	Inclusive growth
1	**Tackle crime & corruption**	• Corrupt procurement practices particularly within SOEs • Need to support SMMEs impacted by crime	• Improved economic competitiveness, builds confidence	-	✓
2	**Improve ease of doing business**	• Support business start-ups and entrepreneurship • Reduce red tape and constraining regulations	• Generate more job opportunities per unit of invested capital • Support increased local procurement • Improved efficiency increases the capacity of the economy	-	✓
3	**Mobilise large scale infrastructure projects**	• Reprioritisation of Government's infrastructure portfolio • Appropriate PPP frameworks, expand export capacity	• Long-term, predictable pipeline of bankable projects • Absorbs low-skill base employees	✓	✓
4	**SOE reform and rationalisation**	• Clarity regarding State subsidies, Eskom unbundling, PPP framework and retention of systemically important SOEs	• Reduce the burden on the State resources • Improve competitiveness fundamentals, incl. competitive energy supply	✓	✓
5	**Clarity on land reform**	• Property right certainty s25 and expropriation act resolution • Uncertainty has a negative multiplier effect on investment	• Greater certainty attracts investment and lowers the cost of doing business	✓	✓
6	**Education and skills development**	• Limits the development and application of technologies • Barrier to entrepreneurial activity and technical expertise	• Improved labour force capabilities • Bolster much needed entrepreneurial and technical skills	-	✓
7	**Review trade policies**	• Incentivise strategic value chains by realigning trade policies, prioritising manufacturing	• Domestic manufacturing / beneficiation to support local procurement	✓	✓
8	**Labour law reform**	• Expanded public works programme, selective amendments for SMMEs, restrictions on bargaining council extensions	• Improved employer / employee relations based on fairness • A more efficient labour system focused on decent work	✓	✓
9	**Simplify mining investment regulation**	• Comprehensive review and rewrite of the MPRDA including consolidation of Charter into the MPRDA • Increasingly expensive supply of electricity	• Grow portfolio of projects with increased exploration • Implement projects in the pipeline and from exploration	✓	✓
10	**Align national energy strategy across all sectors**	• **Electricity:** Unblock/optimise key regulatory processes to transition to lower carbon generation mix • **Gas**: Secure supply for the short, medium & long term • **Liquid Fuels**: Align on strategic industry plan of action	• Affordable and reliable energy • Transition to a lower carbon energy mix • Potential to catalyse large scale investment	✓	✓
11	**Telecomms: maximise connectivity**	• Digital migration, complete spectrum auction and finalise Rapid Deployment Policy	• Maximise population access to connectivity	✓	✓
12	**Financial inclusion and fiscal support**	• Infrastructure funding and financial inclusion • Barriers to competition to be reduced to enable new entrants, whilst maintaining soundness of financial system	• Infrastructure investment will drive growth and jobs • Deeper and more meaningful financial inclusion	-	✓

The creation of a Task Force by sector will enable the acceleration of key interventions

Industry Summary: An opportunity to generate up to 1.5 million jobs, increase GDP by over R1 trillion and increase tax revenues by R100bn per annum (1/2)

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	Impact of Covid-19	Challenges		Interventions		Benefits if interventions successful		
		Key structural constraints facing the sector	Extent of challenges	Based on the constraints prioritised interventions required	Ease of implementation	Jobs	GDP	Tax Rev.
1 SMMEs, Township and Rural Economy	Loss of 330-440k jobs in SMMEs Up to 700k job losses informal sector	• Costly and difficult regulatory framework • Skills • Access to credit • Crime and corruption	Half	• Industry wide fin. services approach • Reduce red tape and accelerate growth • Pay SMMEs on time & support local buying • Help SMMEs pivot	Full	Over 1 million protected	Catalyst for driving GDP growth	N/A
2 Energy & Water	10-40% drop in demand until 2021 Loss of 164-248k jobs across Elect., Gas and Liquid	• Policy uncertainty & effectiveness • Supply challenges & price increases • High carbon energy mix & need for just transition	Full	• **Water:** completion of delayed projects • **Electricity:** Optimise key regulatory processes to transition to lower carbon generation mix • **Gas:** Secure supply for the short, medium & long term • **Liquid Fuels**: Align on strategic industry plan of action	Quarter	~164-248k protected ~88k created Up to 500k from Green stimulus initiatives	~R177bn (in capex deployed)	N/A
3 Mining	20-30% drop in 2020 output 30,000[1] jobs at risk	• Regulatory uncertainty • Unreliable energy supply	Full	• Comprehensive regulatory reform package • Permit self/3rd part generation & fix Eskom supply	Quarter	~70k[2]	~R30bn[3]	~R10bn[4]
4 Construction	50-60% jobs vulnerable, ~20% at risk	• Sector in decline before Covid19 • No clear pipeline of work to re-invigorate the sector	Half	• Re-prioritisation of Govt infrastructure portfolio • Bring in private sector funding • Change contracting and procurement to be more collaborative	Full	100k p.a.	R100bn p.a.	R15-20bn p.a.
5 Manufacturing	20 – 40% drop in output 140k – 240k jobs at risk	• Energy, Infrastructure • Business Environment • Skills and collaboration	Three-quarter	• Improvement in fundamental competitiveness; • Quick capture of untapped export markets; • Improved co-ordination and prioritisation of strategic value chains	Half	28K - 70k p.a.	R21- 35bn p.a.	R6-10bn p.a.

Notes: 1. Direct mining employment. 2. Includes direct and indirect employment uplift by 2024. 3. High-level estimate based on industry revenue uplift by 2024. Excludes economic multipliers. 4. High-level 2024 estimate excluding multipliers

Less significant – Significant

Challenging – Manageable

Industry Summary: An opportunity to generate up to 1.5 million jobs, increase GDP by over R1 trillion and increase tax revenues by R100bn per annum (2/2)

BSA
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	Impact of Covid-19	Challenges		Interventions		Benefits if interventions successful		
		Key structural constraints facing the sector	Extent of challenges	Based on the constraints prioritised interventions required	Ease of implement-ation	Jobs	GDP	Tax Rev.
6 Transport	42k – 72k formal transport sector jobs are at risk in 2020	• Infrastructure • Private sector participation • Tariff & policies		• Reduce costs, improve infrastructure • Private sector participation • Rail concession & policy		Up to ~19k[1] p.a.	Up to ~R66bn[2] p.a.	Up to ~R28 bn[2] p.a.
7 Agriculture	Relatively protected from job loss. However, highlighted the infrastructural constraints across the sector (including logistics and water)	• Availability of financing • Lack of infrastructure • Access to new markets • Slow transformation		• Invest in infrastructure, boost global trade • Improve access to financing • Enhance reform programmes • Ensure commercial growth		60-80k p.a.	R10-15bn p.a.	R3-4bn p.a.
8 Financial Services	~10-20% decline in GWP in insurance 15-35% drop in revenue (after risk cost) in banking. But both remain resilient	• Lack of bankable infrastructure pipeline • Inadequate financial inclusion • Increasing regulatory burden • Limited new entrants into the sector		• Extending relief beyond short term • Increase efficiency & reduce cost • Acceleration of digital financial services ecosystem and inclusion through 4IR • Enable long term growth		~220-470k p.a. from steady state[3] + preserve ~800k	~R50-90bn p.a. from steady state[3] + R50bn short-term	Return to pre-crisis level of ~R50bn over next 5-years+
9 Telecomm-unications	Weak demand given consumer and business income pressure. Demand is expected to be subdued in the medium term	• Lack of RDP and spectrum allocation • Limitations in capabilities at DCDT/ICASA		• Finalisation of RDP • Allocate spectrum, complete digital migration • Enhance capabilities and governance at ICASA/DCDT		55-65k p.a.	R15-20bn p.a.	4-6bn p.a.
10 Tourism & Leisure	4-8bn USD GDP 280-490k jobs	• Lack of demand • Lack of resilience in industry		• Help stakeholders survive the crisis • Prepare to restart industry, • Increased focused on domestic tourism		170-240k[4]	R37-54bn[4]	R850m – 2.5bn[4]

Notes: 1. Jobs refers to formal sector jobs. Figures may be significantly higher if informal jobs are accounted for. 2. GDP and Tax Revenue effects from interventions are cumulative over the period 2021 – 2030; 3. Steady state expected to be reached in 2025, thereafter the figures are annualised. 4. Potential 2020 uplift from sector reopening

Less significant - Significant

Challenging - Manageable

Key takeaways from the detailed sector analysis: Infrastructure investment and policy initiatives are critical, but require partnership to ensure implementation

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1 **Mobilise Infrastructure investment**

- **Infrastructure investment is a key enabler for all network industries if they are to deliver accelerated growth**
  - **Energy:** reliable supply is a key challenge and substantial opportunities exist from deregulating generating capability
  - **Water:** implement delayed projects, ensure prioritisation of new projects and embrace private sector investment
  - **Road & Rail:** debottlenecking and expansion can unlock SMME opportunities and new revenues in mining and manufacturing
  - **Public transport:** strategies to improve public transport and reduce congestion of minibus taxis are critical post COVID-19
  - **Ports:** expansion in capacity for agriculture and mining is key, combined with steps to improve global competitiveness
  - **Telecomms:** An urgent process to accelerate analog to digital migration and ensure full spectrum utilisation is critical
- **A clear pipeline of bankable PPP opportunities is critical to creating jobs and accelerating growth**

2 **Policy initiatives to enable growth**

- **Business and consumer confidence is at its lowest levels since 1994, to ensure inclusive growth we must:**
  - **Social infrastructure projects:** public sector to engage private sector on health, water and sanitation and housing projects
  - **Implement key initiatives:** Green energy transition, ICT connectivity, Digital education, MPRDA, eVisas
  - **Simplify key policies:** ease of doing business, land reform/property rights, labour law reform, regional trade expansion
  - **Tackle crime & corruption:** must urgently implement a zero tolerance policy with meaningful consequences
  - **Fiscal discipline:** SA must demonstrate it can reduce the public sector wage bill, address corruption and ensure more efficient use of resources through improving state capacity
- **Policy certainty is critical to attract new investment and SA has to compete with other emerging markets**

3 **Partnership with a focus on job creation and funding**

- **To ensure inclusive growth and transformation in a constrained funding environment, will require:**
  - **Public Private Partnership:** Government does not have the funding or the skills to implement all the required changes
  - **Focus on implementation:** Serious and meaningful change is urgently required with visible evidence of key actions
  - **Job creation & skills development:** build on existing initiatives such as YES and encourage partnerships with SMMEs
  - **SOE optimisation:** increased partnership to address funding and skills shortages and irregular and wasteful expenditure
  - **Tax incentives**: targeted at job creation and investment growth, with an emphasis on long term tax generation
- **Working together to tackle key challenges is the only way that SA can overcome the current challenges**

Key takeaways: We need to integrate and synthesise existing initiatives to ensure implementation of national projects and greater capacitation of the public sector

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Selective Government / Business Initiatives		Key Takeaways
Government Infrastructure Initiatives	• Presidential Infrastructure Coordinating Committee ("PICC") • Investment and Infrastructure Office ("IIO") • Public Private Growth Initiative ("PPGI") • Sustainable Infrastructure Development Symposium of South Africa ("SIDSSA") • Strategic Integrated Projects ("SIPS")	• B4SA fully supports the IIO which provides a single entry point to coordinate private and public sector involvement in infrastructure • A clear pipeline of bankable PPP opportunities is critical to creating jobs and accelerating growth across network industries • Government does not have the funding capacity or the skills and capability to implement all the envisaged projects • Prioritising projects and ensuring partnership between the public and private sector is key to successful implementation
Capacitating the State	• National Business Initiative ("NBI") • Technical Assistance, Mentorship and Development ("TAMDEV")	• TAMDEV has been funded by ASISA and BLSA working with the NBI and can play a key role in state capacitation and skills development • The project has made good early progress but needs to be scaled to increase the benefits
Education & Skills Development	• Ikusasa Student Financial Aid Plan ("ISFAP") • Youth Employment Service ("YES") • Sector Education and Training Authorities ("SETAs") • Technical and Vocational Education and Training ("TVET") colleges	• ISFAP has been highly successful funding disadvantage students in high demand skills and should be expanded • YES has made good progress facilitating SA's youth to gain work experience - need to find opportunities for greater full time jobs • Need to boost and redesign TVETs/SETAs to address poor governance, low relevance of industry skills and lack of innovation

Business is keen to assist with an accelerated roll out and implementation programme
We need to build on the most successful initiatives and consolidate them

Key Topics for Discussion

Section 3

Funding, cost of capital and fiscal considerations

1. An opportunity to reimagine the South African economy and reset the trajectory
2. Immediate actionable initiatives to drive investment, job creation and inclusive growth
3. **Funding, cost of capital and fiscal considerations**
4. Working together to ensure an accelerated economic recovery and a shared national vision
5. Sector and policy analysis underpinning actionable initiatives

Global liquidity and funding will be increasingly constrained, placing pressure on SA's fiscus

1. SA entered the crisis in a **recessionary environment**. COVID-19 will amplify the **lower GDP outlook** and, as a result, a **materially higher budget deficit and debt:GDP**
2. **Aggregate funding requirement** is estimated to be **R3.4tn over three years,** of which **R2.4tn is public sector** (including SOEs)
3. **Traditional SA based funding sources** will be insufficient, as a result a substantive portion **will need to be sourced internationally, constrained by SA's sub-investment grade**
4. **SA will be competing for capital against all other emerging markets** and public and private sector coordination will be a critical enabler
5. **Fiscal discipline, regulatory certainty, market stability** and well structured **viable infrastructure projects** are imperatives **to attract capital and funding at a reasonable cost**

COVID-19 will increase global demand for funding for which emerging markets will compete

Unsustainable government finances set a high cost of capital which could render projects unviable

Public and private sector cooperation is critical to making South Africa globally competitive

Macro economy: Consolidated funding requirement in the public and private sectors

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- Significant funding requirement in the **public sector** as budget deficits widen and SOE revenues shrink
- Government facilitated lending to **SMMEs** by virtue of the R200bn guarantee, with a high probability of an incremental requirement to sustain SMMEs
- No provision has been made for a rescue of **large business**, many of which have incremental access to liquidity in the near term. In the longer term, **working capital funding** requirements will depend on the shape of the economic recovery
- The private sector can contribute meaningfully to **inclusive economic growth and transformation** through funding of **SMMEs** and **infrastructure development**, thus reducing the public sector funding requirement

Categories	Overview	Funding requirement
Public Sector	Status quo ante	• Total **public sector debt amounts to c.R4tn**, comprising of R3.2tr national government and R0.8tr local government / SOE debt • In addition, **contingent liabilities amounted to c.R0.6tn**, excluding contingencies related to SOE funding
	Anticipated 3y requirement pre Covid-19	• The Feb'20 budget anticipated a **3 year public sector funding requirement of R1.3tn**[1], comprising of R1.1tn by national government and R0.2tn by local government / SOEs • The budget incorporated an anticipated capitalisation of certain SOEs, to enable the redemption of existing debt and an additional R0.2tn to fund operational requirements
	Revised outlook	• The revised budget is likely to show an increased budget deficit due to lower tax revenues and increased expenditure, some of which relates to R500bn rescue package • We anticipate a total **3 year public sector funding requirement of c.R2.4tn**[1]. The requirement can reduce if private business can contribute to infrastructure development
Private Sector	Status quo ante	• **Total loans by SA financial institutions** to the non-financial private sector (incl. households) **amounts to R3.9tn**, including R3.3tn[2] bank funding and R0.6tn by the savings industry • Corporates held significant **liquidity buffers of c.R1tn**
	Anticipated 3y requirement pre Covid-19	• Credit growth in FY'19 was **muted at 4.2%** in a subdued economy • There was an expectation of continued muted credit growth as the economy entered a recession
	Revised outlook	• Prior financial crises indicate that demand for credit increases due to liquidity constraints • Early indications of an **increased demand for credit for working capital purposes,** constrained by lenders' risk appetite. **Infrastructure investment** would increase demand. Lending to **SMMEs** supported by R200bn guarantee**. Total 3 year requirement is estimated at R1tn**

[1] Excluding refinance of national government debt that is due for redemption
[2] Comprising 72% of total loans and advances of (R4.6tn)

Macro economy: Given the medium term economic outlook, fiscal discipline and structural reforms are national imperatives

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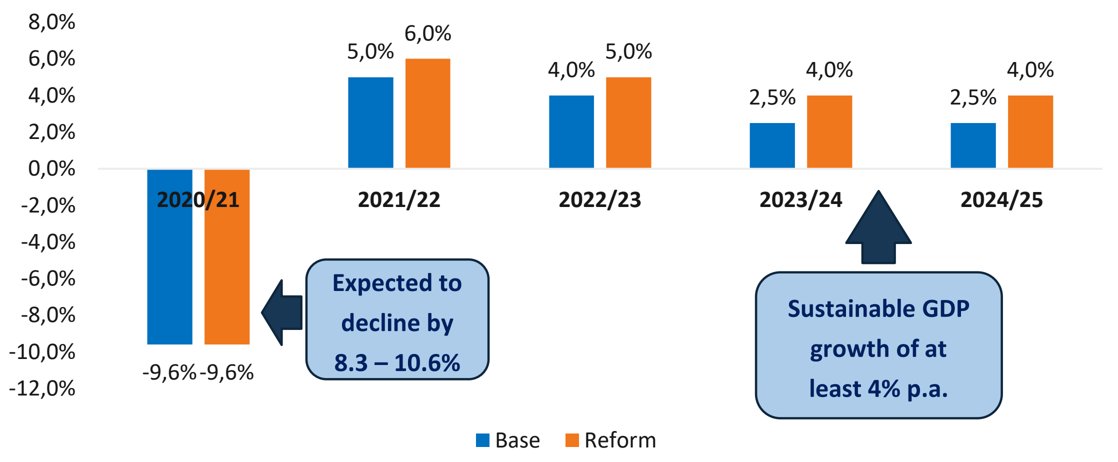
GDP growth outlook



Estimated Budget Deficit and Debt:GDP Scenarios

	Scenario	2020/21	2021/22	2022/23	2023/24	2024/25
Budget deficit pre Covid (R'bn)[1]	Annual	454	432	423	444	473
	Cumulative	454	886	1,309	1,753	2,226
Additional Budget shortfall (R'bn)	Reform	289	412	437	314	41
	Baseline	289	662	1,072	1,528	2,027
Cumulative funding requirement (R'bn)[2]	Reform	743	1,298	1,747	2,067	2,266
	Baseline	743	1,548	2,382	3,281	4,253
Budget Deficit as % of GDP	Reform	13.3%	10.8%	8.3%	5.9%	3.5%
	Baseline	13.3%	14.2%	13.6%	14.0%	14.2%
Total Debt as % of GDP	Reform	82.0%	88.2%	92.2%	94.6%	94.4%
	Baseline	82.0%	90.3%	97.9%	106.7%	115.1%

Required reforms: assumptions

Virtuous circle pursuant to **fiscal discipline** of **reduced debt** and **increased investment** resulting in **lower cost of funding, increased growth** and **higher tax revenues**

- ✓ **Zero-based** budgeting by National Treasury.
- ✓ Most **expenditure items growing slower than inflation**, except for investment in infrastructure to stimulate economic growth.
- ✓ Consistent **reduction in the real wage bill** for Government over the entire period.
- ✓ **Reduction** in the funding requirements of **local government and SOEs**.
- ✓ Achieving long term real **sustainable economic growth of at least 4% per annum**.
- ✓ No increases in tax rates, **but improvement in tax collections** through higher growth and improved administration.

- The **baseline** projections assume **GDP to contract by 9.6% in 2020**, with a recovery off a lower base in 2021 and 2022 and muted growth thereafter.
- The baseline projects the economy to **recover to pre Covid-19 levels within 3 years**, with an upside scenario of 2 years and a downside scenario of 5 years, depending on the spread of the virus
- A combination of lower GDP growth and lower tax collection post COVID-19, will result in unsustainable fiscal strain. **In the absence of structural reforms**:
  - **Budget deficit will remain above 13% of GDP** (Deficit of 6.6% in 1994 and surplus of 1% in 2008)
  - **Debt will continue to increase**, exceeding 100% in 2023 (49% in 1994 an 28% in 2008). Total government debt (including SOEs) could exceed R8tn by 2025
- **Private and public sector cooperation** and **public sector structural reforms** will reduce the strain on the fiscus, and increase GDP growth, thus **stabilising public finances and reducing funding cost over time**. The budget deficit could normalise at 3.5% in 2025

[1] Medium term outlook per Feb'20 budget
[2] Excluding refinancing of debt that are due for redemption (R220tn and R385tn over 3 and 5 years respectively)

Fiscal Policy considerations: Levers for stimulating recovery while rebuilding fiscal sustainability

Economic Recovery initiatives

1 **Fiscal and monetary policy coordination**
- Ensure financing channels remain open and liquid
- Maintain long-term market confidence in fiscal discipline
- Ensure adequate funding of relief and recovery measures

2 **Investment in improved living standards**
- Rebuild momentum of municipal infrastructure and housing investment
- Co-financing through FLISP and DFI funding: mobilise private finance for mixed use residential investment
- Accelerate settlement upgrading and neighbourhood development programmes

3 **SEZ developments: light manufacturing and job intensive industries**
- Broaden ETI to targeted industries and SEZ developments
- Strengthen partnerships between cities, local industry stakeholders, colleges/universities and workseeker support programmes

4 **Network industry investment**
- Electricity, renewables and gas: accelerate IPP programmes
- Support telecoms modernisation & digital economy

Fiscal Sustainability initiatives

✓ **Statutory reform of unsustainable liabilities**
- Compulsory third party insurance to replace Road Accident Fund
- Law reform of medico-legal compensation

✓ **Continue investment in SARS capacity and tax modernisation**

✓ **Consolidate public service employment and remuneration within affordable medium term limits**

✓ **Continue institutional reform of government – towards fewer departments and agencies**

✓ **SOC fiscal obligations**
- Network industry restructuring: towards regulated competition
- Liquidate non-core, unprofitable and phase out funding guarantees
- Managed procurement of independent producers

✓ **Higher education and training reform**
- Strengthen TVET college funding through business partnerships

✓ **Social security and health insurance**
- Build on UIF reform to phase in statutory social security funding
- Strengthen public-private collaboration in health delivery and finance

✓ **Strengthen government and municipal revenue management**
- Reconsider “dual municipality” architecture

Stock of invested domestic assets is c.R12tn[1] ($700bn) in total, adjusting for overlap within and between savings and bank assets

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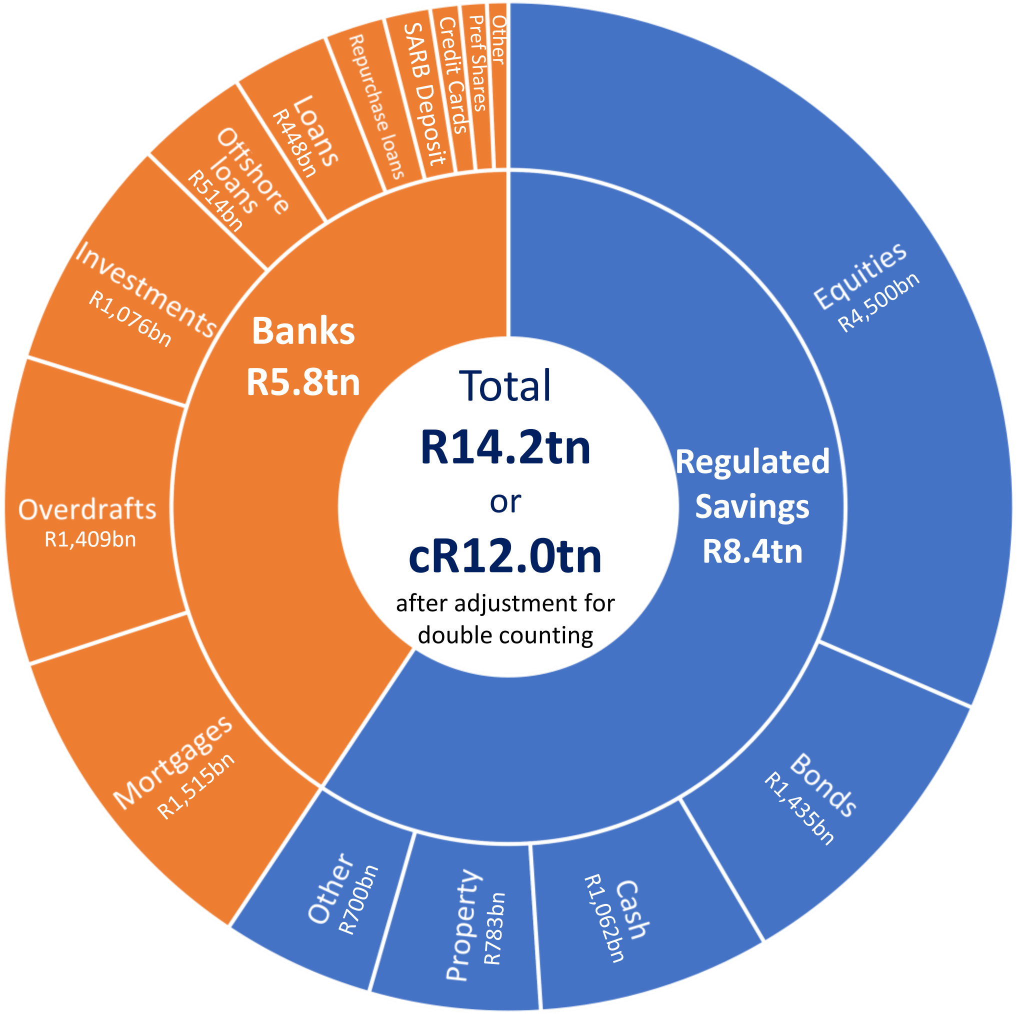

Regulated savings R8.4tn

- Primary source of local funding to the public sector (bonds) and private sector (equity and loans), whilst providing significant liquidity to the banking industry
- Portfolios are **fully invested** and need to meet **prudential requirements**. Incremental **funding capacity** subject to:
  - **Net inflows**: Inflows of R170bn in 2019 (c.2% of FUM). High probability of net outflows in the foreseeable future due to COVID-19 related job losses
  - **Rebalancing of portfolios:** recognising beneficiary rights, fiduciary duties and the need to maintain stability of the financial system. Current debt/equity split at c.50% is in line with OECD average
- **Infrastructure funding:**
  - Significant indirect investment via sovereign and SOE bonds (c.R1tn invested, excl. GEPF)
  - **Direct investment is attractive for long term portfolios** of Life Companies and Defined Benefit Retirement funds. Unlisted direct investment currently constitutes c.1.5% of portfolios (OECD average of 1.3%, 4.3% in funds that have mandates to invest directly)[2]
  - **Incremental capacity** available if investment instruments are **tradeable**

Banks R5.8tn (excl. derivatives)

- Primary source of loans to the private sector and a significant financier of public sector debt
- **Loan capacity**
  - Liquidity conditions are improving due to precautionary savings but credit capacity constrained due to impairments. Capacity facilitated by relaxation of liquidity and capital requirements as well as the SMME guarantee
  - Additional credit extension supported by well capitalised balance sheets but depends on profitability
  - Early indication of funding capacity of **R350bn – R450bn p.a.**, majority of which could be available to the private sector as holdings in public sector securities exceed regulatory requirements
  - Potential for increased lending through prudent redeployment of investment in government bonds
- **Infrastructure funding**: Historically advanced the majority of risk funding to develop IPPs and other PPPs. Once de-risked, sold to regulated pools of savings

Source:
[1] Industry discussions; Regulatory filings; Team analysis
[2] Annual Survey of Large Pension Funds and Public Pension Reserve Funds 2019

International portfolio flows from GEM investors are very substantial, but there has been a recent outflow that will need to reversed

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1 Global Emerging Market (GEM) investors as a financier of the public sector

- In 2017, these investors funded the majority of the public sector deficit.
- Since the beginning of the year, GEM investors have sold R64bn government bonds. Whilst holdings have reduced, foreign investors sill hold c.31% of government bonds (c.R800bn) alongside c.R300bn of non-marketable instruments

2 Global Emerging Market (GEM) investors as a financier of the private sector

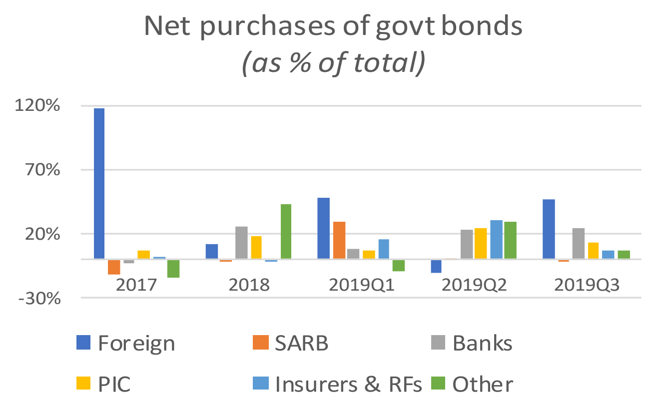
- The JSE has an aggregate market capitalisation of 16tn, including a number of large multi-nationals that have secondary listings on the JSE. The local registers of JSE listed companies have an aggregate market capitalisation of c.R6.5tn.
- There has been significant net foreign selling of equities - R114bn in 2019 and R46bn since the beginning of the year. Foreign investors currently hold 39% of the shares on local registers (R2.6tn)

3 Ramifications of net selling by foreign investors

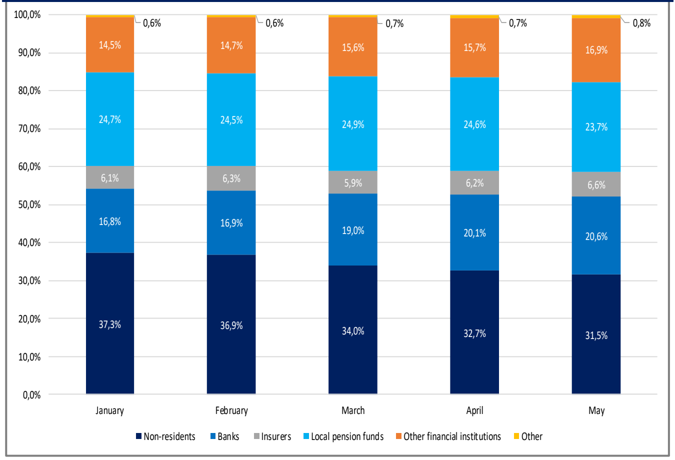
- The increased holding by domestic financial institutions reduces the industry's capacity to provide incremental recovery funding.
- Increased demands on SARB to fund public sector deficits

It is of critical importance to re-attract international investment, as it will:
- **reduce the reliance of the SA financial sector to fund the public sector budget deficit**
- **free up the capacity to fund the recovery**
- **address the escalating balance of payment deficit**

Non-resident investors funded the majority of public sector deficit in 2017



Non-resident holdings of SA government bonds declined from 37.3% in Jan 2020 to 31.5% in May 2020



There are large non-traditional pools of international capital with minimal exposure to SA, but access requires policy stability

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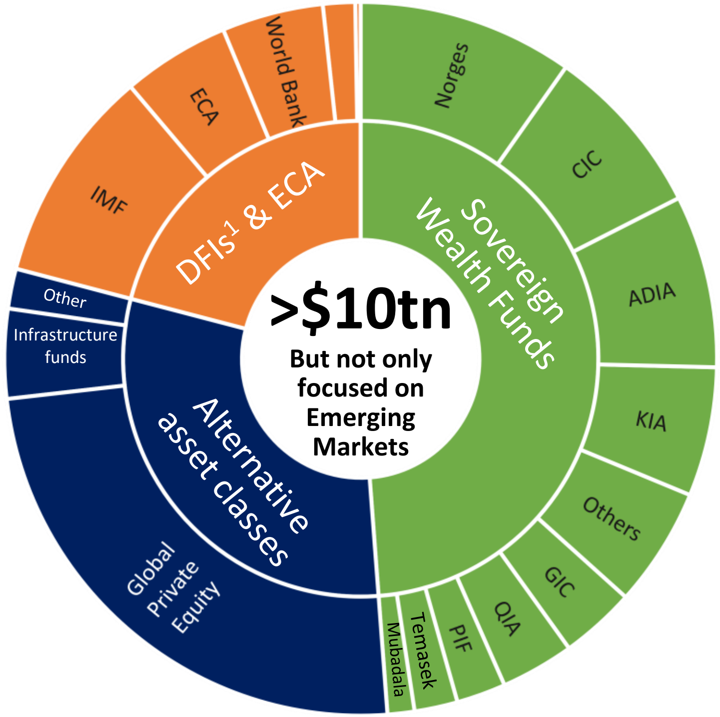
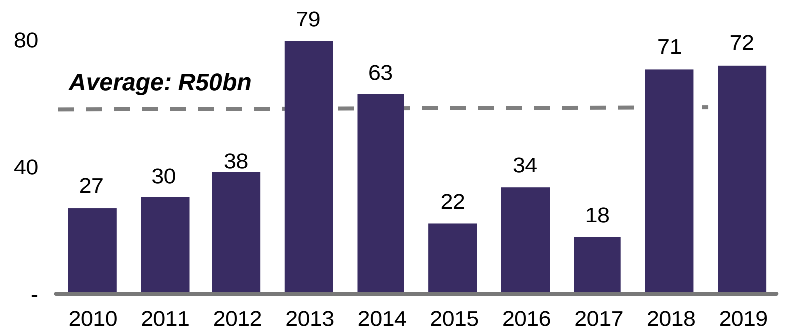


Foreign direct investment into South Africa (R'bn)



[1] Excluding undrawn contingent commitments by member countries

International non-traditional funding pools could supplement traditional sources

DFI & ECA

- International DFIs have significant capacity to contribute to the economic recovery. The R500bn **rescue package includes R100bn funding from DFIs.** Subject to fiscal discipline, **additional capacity should be available to the public sector**
- DFI and ECA funding can also be mobilised for **investment in economic and social infrastructure**

Sovereign Wealth Funds

- Several net exporting sovereigns have invested surplus government funds in global income generating assets, with the aim of diversifying economies
- Bias towards balanced portfolios. **Ability to invest in infrastructure and private equity**
- The impact of COVID-19 on domestic funding needs must still be determined

Alternative asset classes

Global AUM have increased by 15% p.a. over the last 15 years, now representing 26% of global asset allocation:

- **Private Equity**: Global uninvested funds of \$2.5tn as at December 2019. In SA, R171bn FUM in Dec'18 (private and public), including R30.1bn undrawn
- **Private credit**: Focus on high yield loans. c.14% of total credit, growing at 14% p.a.
- **Infrastructure funds**: Inflow of \$85bn in 2018. Total assets of \$415bn
- **Mining Funds**: FUM of more than \$30bn but less than 1% invested in South Africa

Foreign direct investment

- FDI will increase capital availability to the extent that funding is sourced offshore
- There is an expectation that **foreign direct investment and M&A will slow down** in the wake of Covid-19, as corporates seek to consolidate existing positions
- In SA, FDI expansion coincided with periods of perceived **political stability**

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Increased private sector participation in infrastructure development will reduce strain on fiscus, requiring close cooperation with local and international investors

Funding requirement

- **In the absence of structural reforms, we estimate an aggregate funding requirement of c.R3.4tr over three years:**
  - R2.4tr by the public sector, including local government and SOEs
  - An estimated requirement of c.R1tr by the private sector

The public sector funding requirement could reduce significantly if **private capital is invested in privately owned infrastructure**

Funding sources

- **Traditional SA** based funding sources will be **insufficient** to meet the requirements and **significant funds will need to be sourced internationally**
- In the wake of credit downgrades, there has been significant **divestment of local bonds and equities** by foreign investors, thus **reducing funding availability** in the local financial services industry to fund the recovery

SA will be **competing for capital** against all other emerging markets

Funding enablers

- **Fiscal discipline:** Reduce public sector debt burden, funding costs and currency volatility
- **Optimise private sector investment in network infrastructure where SOEs currently have monopolies:** The private sector can play a significant role in funding and operating of network infrastructure, including electricity, rail and ports
- **Infrastructure investment:** Attract private investment in network infrastructure development by providing investors with an appropriate risk adjusted return
- **Regulatory certainty:** Investment in fixed capital is directly correlated with regulatory certainty
- **Private and public sector coordination:** Maximise the private sector's participation in infrastructure development by leveraging existing project pipeline and DFI funding commitments (IDC & DBSA in particular)
- **A consolidation of state owned DFIs** could reduce pressure on the fiscus if consolidated capital could alleviate Land Bank requirements
- **Stability of financial markets:** Prudent deployment of local funds to avoid contagion on the listed equity and bond markets and the value of investments
- **Investment product design:** Whilst direct investment in infrastructure projects is appropriate for certain long term portfolios, additional liquidity can be mobilised for investment in marketable securities
- **Financial services regulation**: Continually review capital and liquidity requirement relaxation, broaden scope of allowance for guarantees to banks by retirement savings beyond housing and allow for pension backed loans by retirement funds. ASISA is currently engaging with NT, SARS and the FSCA in this regard
- **Commitment to environmental and social transformation:** ESG investment is a key ingredient in asset allocation globally. ESG commitments could attract funding and / or funding support from institutions and DFIs

Paradigm shift required to address obstacles to investment over the last decade that resulted in slow growth, cost leakage and increasing debt

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Key Topics for Discussion

Section 4

Working together to ensure an accelerated economic recovery and a shared national vision

1. An opportunity to reimagine the South African economy and reset the trajectory
2. Actionable initiatives to drive investment, job creation and inclusive growth
3. Funding, cost of capital and fiscal considerations
4. **Working together to ensure an accelerated economic recovery and a shared national vision**
5. Sector and policy analysis underpinning actionable initiatives

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We must work together to ensure an accelerated economic recovery and a shared national vision

1. **SA has wasted time and resources over the last decade,** and given the impact of COVID-19 **we must now work together and make compromises and sacrifices**

2. Leaders in all areas must **focus on securing an accelerated economic recovery in the national interest,** not just their own specific interest groups

3. We urgently need **a social and economic compact, a cohesive plan and bold leadership** to implement rapid economic and inclusive growth and **create a more equitable society**

4. **Properly capacitated task teams** (sector and policy) combining **public and private sector experts** reporting to the Presidency

5. **Short-term compromises** will be required in order **to achieve longer term strategic goals and objectives**

Business is ready to help address the economic challenges in South Africa working in partnership with Government, labour and communities

Key steps to develop a plan, tackle SA's challenges and introduce measures to prioritise policy initiatives

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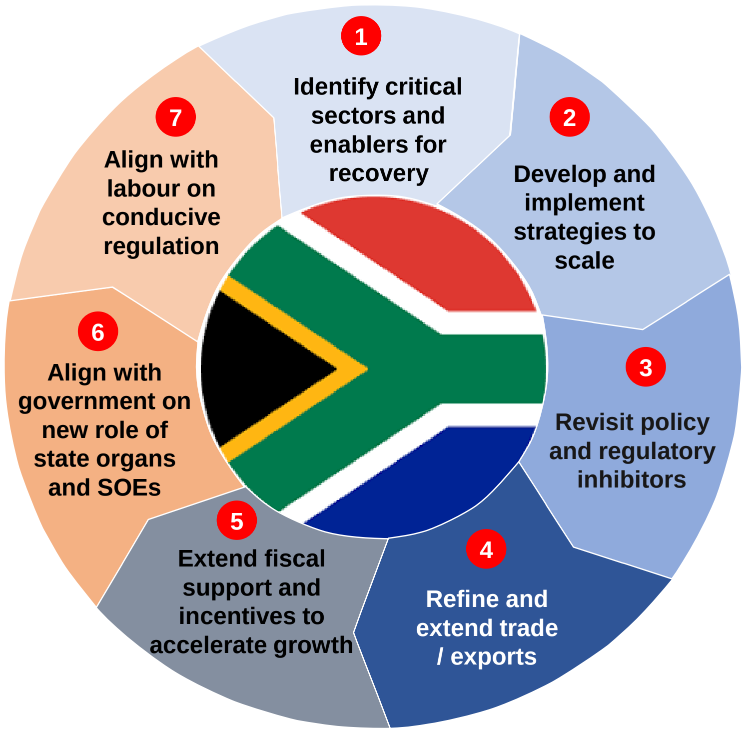
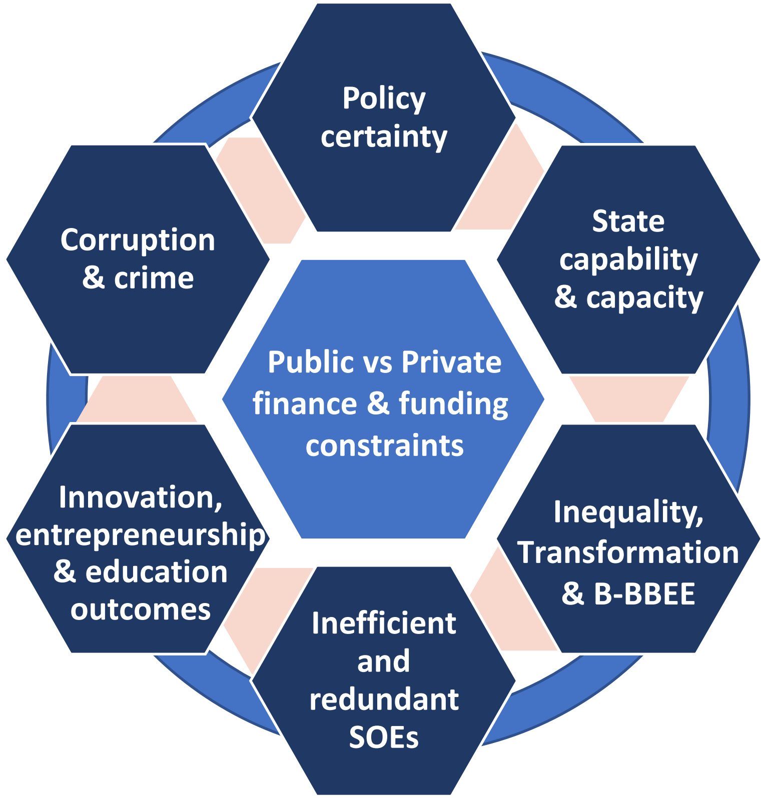
A Iterative steps to reimagine and reform the economic recovery



We must work together to agree a plan and key objectives

B Key challenges that must be addressed to attract investment



We must acknowledge and tackle the key issues

C Key measures to assess prioritisation of policy initiatives

Investment impact
Supports private and public sector investment

Jobs impact
Number of jobs created in the short and long term

Fiscal impact
Impact on government expenditure and revenue

Second round effects
Impact on the functioning of the rest of the economy

B-BBEE / Inclusivity impact
Economic impact biased toward SMMEs and rural/poor as opposed to urban elites and established businesses

We must create a conducive enabling environment

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Key factors that underpin successful intervention implementation

Political will	▪ A firm intention and commitment on the part of government entities is imperative to carry through the execution of priority interventions
Strong, dynamic leadership	▪ We need leaders with vision and foresight, that understand there will need to be trade-offs and recognise that South Africa is competing on a global stage
Act quickly and decisively	▪ Being quick and decisive on key interventions to allow stakeholders to take fast actions to materialise the desired change
Prioritize rigorously	▪ Must prioritise which interventions are important because concurrent programs may spread resources too thin and result in uncoordinated interventions
Ensure dedicated & skilled project management	▪ Successful implementation requires having enough people with the skills and motivation required to manage a fast-moving and often ambiguous challenges
Maintain accountability	▪ Key sectors should develop their own strategic accountabilities and work together to set clear and actionable targets that they take ownership of
Monitor and evaluate	▪ Social partners must be regularly updated on the progress of interventions through rigorous monitoring and evaluation methods
Change management	▪ A comprehensive change management plan is required to ensure that all stakeholder are kept informed regularly and sustainable impact is delivered

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Proposed Next Steps: Alignment on approach following the revised Budget and in conjunction with the Jobs Summit via the creation a sector Task Teams

National Economic Development and Labour Council

Post COVID Budget

Updated Jobs Summit

Reconstruction Conference

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Focus Areas

Sector Priorities

Policy Initiatives

Funding Options

Fiscal Stabilisation

Rapid Alignment between social partners

Post-COVID-19 Economic Reconstruction, Growth and Inclusivity Plan

Refine and enhance Interventions

Agreement on priorities → Implementation of initiatives → Monitoring and evaluation of outcomes

Creation of a Joint Reconstruction Task Team to coordinate and agree priority actions across sectors and implement far-reaching reforms

Sector sub-committees to focus on implementation of key initiatives and evaluation of outcomes versus objectives

This presentation provides a summary of the deep dive analysis performed by multiple teams across sectors

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1. **B4SA** assembled a **team of industry experts** to **analyse challenges** and **consider potential opportunities by sector**

2. There are **over 50 subsectors** that were aggregated into **10 primary sectors**, with **a detailed presentation supporting each**

3. **Separate teams analysed policy, innovation, education and labour considerations** with detailed presentations on each

4. Section 5 of this document provides **a summary of the key conclusions, with sector and policy recommendations**

5. **B4SA can make available the detailed materials** as well as provide **access to the sector teams for further discussion**

There are 10 separate detailed presentations for each sector analysed

The conclusions have been summarised into four pages per sector in Section 5

In addition there is an Appendix to this document providing supporting material to the four page summaries

Sectors and subsectors in more detail: Focusing on sectors with strong multipliers to create jobs and GDP growth

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High impact industry focus areas… ….comprise ~50 subsectors

1 SMMEs (multi-sector) & Township / Rural

Resources

2 Energy & Water
- Electricity
- Water

3 Mining
- Gold
- Coal and lignite
- Platinum
- Ferrochrome
- Natural gas
- Other mining

Industrial

4 Construction
- Building and construction

5 Manufacturing
- Meat, Fish, Fruit, Vegetables, Oils and Fat Products
- Dairy products
- Grain Mill, Bakery and Animal Feed Products
- Other food products
- Beverages and tobacco products
- Textiles, Clothing, Leather Products and Footwear
- Wood and Wood Products
- Furniture
- Paper and Paper Products
- Publishing and Printing
- Pharmaceuticals
- Chemicals & Chemical Products (incl Plastic Products)
- Rubber Products
- Non-Metallic Mineral Products
- Basic Metal Products
- Structural Metal Products
- Other Fabricated Metal Products
- Machinery & Equipment
- Electrical Machinery & Apparatus
- Communication, Medical and other Electronic Equipment
- Manufacturing of Transport Equipment
- Other Manufacturing & Recycling

6 Transport
- Rail, Roads, Ports
- Aviation

Services & Support

7 Agriculture, Wholesale & Retail
- Citrus Fruit
- Deciduous Fruit
- Subtropical Fruit
- Vegetable
- Livestock
- Game
- Dairy
- Forestry
- Fishing
- Cereal and Crop
- Poultry
- Other Agriculture
- Trade

8 Financial Services
- Finance & Insurance

9 Telecommunications
- Communication

10 Tourism & Leisure
- Accommodation
- Tourism

Covers all the sectors, including the subsectors below which are not included in the focus areas:
- Business services
- Community, Social and Personal Services
- Real estate

SMMEs and Retail are multisector functions that enable delivery of products & services to all sectors and consumers

Wholesale & Retail (multi-sector)

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Overview of the sector analysis: Each team has produced a detailed analysis of the key challenges and priority actions to develop a roadmap

- Each sector team has produced a detailed report that has been reviewed by experienced sector leaders
- This presentation summarizes the key findings of each report based on a 4 page template as outlined below
- Additional appendices (per sector) are summarized in a separate document that focuses on the detailed sector findings

Overview of the sector:
- Key sector considerations
- Market analysis
- Sector resilience
- Impact on jobs
- Challenges
- Mitigations
- Opportunities

Prioritised Actions:
- What should be prioritised and why
- Implementing the correct actions & yields
- What is the job potential
- What is the potential GDP uplift
- What are the fiscal benefits

1

Overview of the sector:
- Key sector objectives
- Sector and market analysis
- Impact of COVID-19

2

Key challenges:
- Key constraints
- Structural challenges
- Exacerbated by the pandemic

3

Priority Actions:
- Sector initiatives that should be prioritised
- Benefits of proposed actions

4

Roadmap:
- Implementation plan
- Paving the way forward

Challenges:
- What are the structural challenges facing this industry
- How will it be impacted by COVID-19

Plan of Action:
- Short term plan
- Medium term plan
- Long term plan

Key Topics for Discussion

Section 5

Policy and sector analysis underpinning the actionable initiatives

1. An opportunity to reimagine the South African economy and reset the trajectory
2. Immediate actionable initiatives to drive investment, job creation and inclusive growth
3. Funding, cost of capital and fiscal considerations
4. Working together to ensure an accelerated economic recovery and a shared national vision
5. **Policy and sector analysis underpinning the actionable initiatives**

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A stable and constructive policy environment is critical for driving inclusive growth

1

Innovation & Entrepreneurship

Diversifying the economy with a **focus on innovation** and **entrepreneurship**

2

Education

A fundamental and fast transformation of education is needed in order to build the nation with a **focus on workforce upskilling**

3

Policy revision and certainty

Policy obstacles need urgent resolution and should be combined with a **vigorous anti-corruption agenda**

4

Economic transformation

Implementing sustainable interventions that seek to **broaden and deepen economic benefit and participation**

There is an opportunity for national innovation and renewal, but we must work together to address the fundamental issues head-on if we are to achieve inclusive growth

Focus on diversifying the economy with particular attention on Innovation and Entrepreneurship

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To improve the Innovation ecosystem, SA should focus on three areas (based on Total Entrepreneurship Activity)

1. **Increase Startup skills**
   Focus on education, increase ease of starting a business, employment training, shift from informal to formal, introduce wage subsidies

2. **Introduce non-traditional financial mechanisms**
   Examples include Fintech platforms, standardized non-traditional credit scoring, support for non-bank lending, crowd funding*)

3. **Technology as an enabler**
   Embrace digital technology, increase employment and insourcing via demand driven digital skill training, increase digital inclusion, build digital platforms
   All these increase SA's future potential to leverage 4IR and will further enhance competitiveness.

* Could be met by creating a funding a platform to create alignment and demand across the innovation ecosystem

By focusing on these three areas
SA could **increase GDP by $80bn**

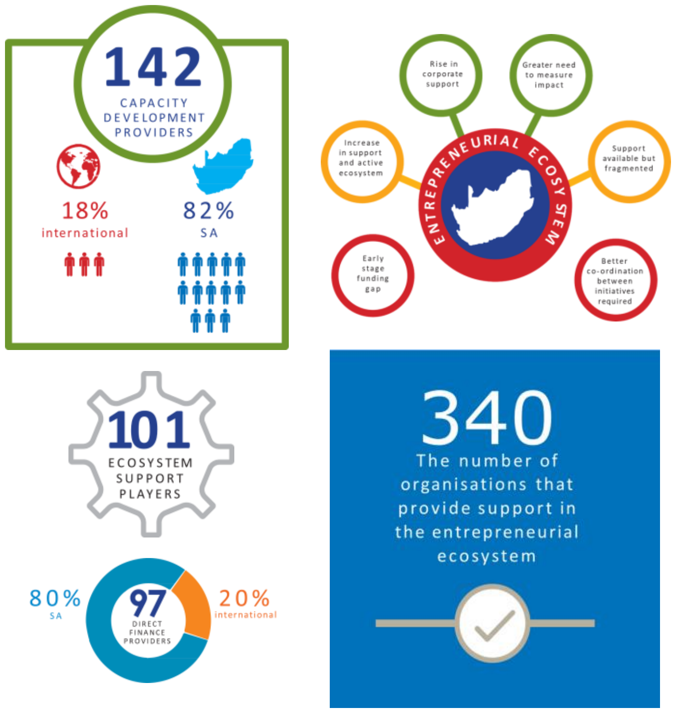
Greater alignment required across the Innovation and Entrepreneurship ecosystems

1. **Create greater alignment**
   Across all players in the ecosystem by using a centralised open source database

2. **Focus on creating demand**
   By pivoting demand from a push model to one that is driven by Government and/or private companies

3. **Reduce duplication**
   Multiple players offer similar services and many are below the required professional level

4. **Introduce incentives across the ecosystem** e.g. higher tax reductions for corporates who invest/procure services, tax breaks for innovation investments and no tax for players at early stages of innovation



A fundamental and fast transformation of education with a focus on workforce upskilling

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1 Provide lifelong learning pathways/reinvent the skills learning cycle	• Allow for constant recredentialising thereby enabling proactive adaptability to crises, major events and climate change • Review of the skills development levy to restore its original purpose viz. to encourage work-based learning • Provide degree apprenticeships, alternative ladders of qualifications vs university degrees, create trade-to-management pathways through part-time study and longer paths or experience-based pathways to management to ensure strong skills base
2 Business involvement in the development of skills programmes	• Will assist to develop curriculum which responds to business' needs and build relevant skills • Broadening the scope of ISFAP, which has a student throughput of 94% by providing students with a clear career path in skills occupations that are in high demand
3 Reassess funding models for universities	• Differentiate universities and their funding models - allow fast track courses, elite programmes, as well as developing universities • Make universities accountable for the quality of their outputs e.g. relevance and employment of graduates, with appropriate bridging programmes where necessary • Provide support to institutions that are poorly equipped, but with prescribed performance criteria
4 Redesign TVETs/SETAs	• Boost and redesign TVETs/SETAs to address poor governance, low relevance of industry skills and lack of innovation
5 Create a competitive market for private skills providers	• Bypass national institutions that are delaying progress by allowing international qualifications that can be delivered by public private consortia or private institutions • Provide public funding to private skills providers to increase the supply and drive better quality and accountability
6 Borrow from successful models in other countries	• Follow examples in Japan, Korea, Vietnam and Singapore who successfully adapted existing models • They implemented policies, planning and processes which ensured that education systems were tightly and relentlessly aligned to economic growth, with appropriate support from business
7 Support material and immediate growth in digital education	• Need to supply high levels of connectivity and cheap data • For those trapped in the digital divide, provide multiple physical learning locations with connectivity
8 Improve supply and quality of instructors	• Emphasis on instructors with workplace experience or support for existing staff with such experience

The disruption of education during the pandemic provides a catalyst to reimagine education, and correct existing inequalities to provide quality education to all

This will allow a generation of learners to reach their potential and, therefore, contribute to South Africa's economic and social prospects

Improvements in our skills systems is reliant on better outcomes in our schooling system

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Policy obstacles need urgent resolution and should be combined with a vigorous anti-corruption agenda

Inclusive growth will be driven by investment, jobs, improving economic capacity and a bias towards the rural and poor to ensure Broader Black Economic Empowerment

Key policy theme clusters

Investment	Fiscal stabilisation
	Large infrastructure PPPs
	IPP/SSRG/Utility scale
	Spectrum auctions
	Mining /O&G policy certainty
	SOE reform
Business environment	Employment incentives – ETI, EPWP
	Cutting red tape – registrations/tax compliance/visas
	Property rights and policy certainty
	Lower costs of data/comms
	Energy stability
	Labour law reform – particularly for SMMEs

Proposals broadly align with NT's economic reform paper, SONA commitments, the IPAP and the IRP. Consideration to be given to:

1. **How social partners should drive recovery agenda given the number of policy initiatives currently underway e.g. PEAC, sectoral initiatives, Investment Envoys, NPC**
2. **Creating capacity to rapidly turn policy objectives into white papers**

**Economic Transformation, Inclusive Growth, Competitiveness: A Contribution Towards a Growth Agenda for the South African Economy*

Proposed policy interventions should have a positive impact on attracting investment and creating job

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Policies can be assessed in terms of:

Investment impact
Supports private and public sector investment

Jobs impact
Number of jobs created in the short and long term

Fiscal impact
Impact on government expenditure and revenue

Second round effects
Impact on the functioning of the rest of the economy

B-BBEE / Inclusivity impact
Economic impact biased toward SMMEs and rural/poor

Rating scale to measure impact

Positive high	Positive medium	Positive low	Negative low	Negative medium

#	Policy interventions (numbers correlate to Top 12 initiatives)	Investment impact	Jobs impact	Fiscal impact	Second round effects	Inclusivity impact
1	**Tackle crime & corruption**	Positive high	Positive high	Positive medium	Positive high	Positive high
2	**Improve ease of doing business** Reduce red tape	Positive low	Positive medium	Positive medium	Positive high	Positive low
3	**Large scale infrastructure projects**	Positive high	Positive high	Positive medium	Positive high	Positive medium
	Infra: expanded public works programme	Positive low	Positive high	Positive medium	Positive low	Positive high
4	**SOE reform**	Positive medium	Negative low	Positive high	Positive medium	Positive low
5	**Clarity on land reform** – s25 and expropriation act resolution	Positive high	Positive low	Positive low	Positive medium	Positive high
6	**Skills:** Youth employment tax incentives	Positive low	Positive medium	Positive medium	Positive low	Positive medium
7	**Labour law reform**[1] - amendments for SMMEs - restrict bargaining council extensions	Positive low	Positive high	Positive medium	Positive medium	Positive medium
8	**Review trade policies**	Positive high	Positive medium	Positive high	Positive high	Positive medium
9	**Simplify mining regulation** - Charter/MPRDA conclusion	Positive high	Positive high	Positive high	Positive medium	Positive high
10	**Energy:** Round 5 IPP programme	Positive high	Positive medium	Positive low	Positive medium	Positive high
	Energy: Free red tape for other energy generation (small, medium large scale)	Positive medium	Positive high	Negative low	Positive medium	Positive low
10	**Energy:** industrialisation strategy (increase local content requirements)	Positive high	Positive medium	Positive medium	Positive high	Positive medium
10	**Energy:** Eskom restructuring & unbundling	Positive medium	Negative low	Positive medium	Positive medium	Positive medium
	Energy: Oil & gas bill revisions	Positive high	Positive low	Positive high	Positive medium	Positive low
11	**Telecomms: Maximise connectivity** - auction of existing spectrum - digital migration to release spectrum	Positive high	Positive medium	Positive high	Positive high	Positive medium
12	**Financial inclusion:** Regional financial services hub	Positive medium	Positive medium	Positive high	Positive medium	Positive low

1. Business is committed to advancing the agenda for decent work and ensuring workers are treated fairly and with dignity. We also recognise that some labour laws may have had unintended consequences on employment and economic growth and believe they can be amended without undermining dignity in employment and the agenda for decent work

Implementing sustainable interventions that seek to broaden and deepen economic benefit and promote B-BBEE

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There is a **need for full and equitable participation by a broad base of black people in the South African economy**, with an emphasis on those that are most disadvantaged (black women, youth, people with disabilities and people from poor households, township economies or rural areas)

Pace and depth insufficient to support a growing economy, employment and social development	**Interventions need to be more transformative, developmental and systemic in nature and designed to be inclusive** of diverse businesses from all sectors, regardless of size and/or format	**Corruption, maladministration and State capture will undermine** economic transformation unless decisively addressed	**Recalibrating and comprehensively measuring economic transformation is necessary to determine the current status and progress**

Economic Transformation can be **achieved through sustainable interventions to accelerate the quality of education and skills development for black people, employment creation (particularly among the black youth) and large scale black enterprise development**, including:

1. **Inculcating a transformative culture** within businesses and building social cohesion
2. **Large scale enterprise development**, focused on expanding opportunities and removing regulatory and other exclusionary practices that are barriers for emerging black enterprises
3. **Quality and demand-led education and skills development** which requires enhanced support for basic education and a significant review of the current institutional skills structure so that skills development is informed by current and future business needs
4. **Clear blockages to employment**, with systemic interventions to promote sustainable youth job creation
5. **Review of the efficacy of existing regulation and policies** in achieving sustainable economic transformation and B-BBEE

The Wholesale & Retail sector is a key employer and enables the delivery of a range of products and services across all other sectors

Retail

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The SA Retail Market Contributions

- The largest employer in the economy creating 2.9 million jobs
  - c.82% (2.4m) are direct jobs in retailing with a further 0.5m jobs from indirect and wholesale roles
  - Represents 22% of formal employment (the largest private sector employer)
- Total revenue of R900bn per year (14% of GDP)
  - 60% formal and 40% informal sector
- Sector includes most of the largest food and clothing retailers in Africa

Key role the sector plays

- Key driver of overall economic productivity (efficiency of supply chains; replenishment; economies of scale etc)
- Capital investment in new stores and infrastructure as well as strong logistics infrastructure
- Physical stores as a driver of other local investment and increasing investment in digitisation
- A major and growing employer of people
- Primary route for acquiring skills and achieving social mobility
- Major supporter of SMMEs as new and growing suppliers and as service providers to the entire sector
- Contributor to health and wellness through improved physical access to modern and safe stores selling fresh nutritional products, pharmaceuticals, etc.

Key Challenges

- Clothing, general merchandising and services sector was hard hit by the lockdown provisions, impacting SMMEs
- Reform of competition policy is key: An over-zealous and anti-market approach from the Competition Commission is emerging which is an increasing impediment to growth and new investment

Overview of the SMME sector and implications of COVID-19

Key Sector Objectives

- **The SMME sector includes many different types of businesses**, from the micro informal economy which are largely subsistence based, to the larger formal small and medium sized businesses
- **The larger SMMEs employ more people** than the smaller, micro enterprises
- Hence our **recommendations for improving SMME sustainability and stimulating entrepreneurship** differ according to SMME segments – there is no 'one size fits all' solution

Categories	Criteria	Analysis	Rationale
Sector and market analysis	Resilience	◑	• Many of the informal sector micro-enterprises continue to stay afloat – many have been able to adapt very quickly and are largely outside of the regulatory net • A large percentage of formal sector SMMEs are in the trade and accommodation sector, which will take a while to recover, those in the communications sector are best placed for future growth • Formal SMMEs are struggling – no savings buffer and consumer spending has dried up (StatsSA survey – over 55% of SMMEs don't have cash flow to survive post July 2020)
	Job creation potential	◑	• Digital skills is an important area for job and SMME creation – in 2019 LinkedIn had 209,000 job openings on their platform, most of which would require some digital skill (there is a mismatch between job seekers skills and demand)
Impact of Covid-19	Job losses	◑	• In the next 3-12 months, between 380k and 440k formal sector SMME jobs will be lost or are at risk, and a further 600k to 700k informal sector SMME jobs are at risk • ~70% of job losses were due to business closures and lack of customers (StatsSA) • Financial assistance is insufficient: 30 - 50% of SMMEs applied for government relief; 68% who applied were unsuccessful (due to conditions of the scheme), DSBD's SEFA funding window is now closed, and 71% of SMMEs require further funding post lockdown • As at 27 June, R10.6bn has been lent to 7,496 business under the Loan Guarantee Scheme • Rise in liquidations (up 10.7% in 2019 over 2018 and up 53% in the first quarter of 2020)
	Supply and Demand	◕	• The extended lockdown has had and will continue to have a negative impact on SMMEs, particularly given the contraction in consumer and business spend • Not all government departments (national, regional, local), SOEs and businesses are paying SMMEs on time
	Infrastructure	◕	• SMMEs require access to cheap and reliable electricity and connectivity, as well as reasonably priced credit facilities • The regulatory environment is burdensome and costly for SMMEs – we need to identify policies to accelerate SMME growth (identify opportunities)

Key challenges: The SMME industry faces 4 main structural constraints

Costly and difficult regulatory framework

- The regulatory environment is burdensome and costly for SMMEs – we need to identify policies to accelerate SMME growth (identify opportunities), and review and simplify certain regulatory implementation challenges (elements of the Labour, B-BBEE, tax and IP laws) that are onerous to SMMEs
- World Bank Ease of Doing Business - difficulty in starting a business went from 53 (almost top quartile) to 139 (bottom quartile) between 2008 and 2020
- WEF Global Competitiveness index which places SA at 89th in terms of burden of government regulation

Skills

- A lack of digital skills is a critical barrier to SMME creation and expansion – and results in many jobs and successful tech SMMEs being off-shored
- Many SMMEs lack marketing, sales and financial management skills
- In the medium term, an entrepreneurial mindset needs to be fostered in schools

Access to Credit & Markets

- Access to appropriately priced public and private sector credit with fewer onerous qualifications is a key challenge across the SMME segments
- Augmenting the non-bank lender offerings in South Africa is critical for liquidity injection into the SMME sector
- It's difficult for SMMEs to provide products and services to large corporates – particularly given often onerous payment terms and a lack of appropriate supplier credit and credit guarantee insurance

Crime and corruption

- Crime has been listed as a matter of concern for SMME owners
- Procurement corruption (in terms of awarding of contracts and payment of invoices) is also an ongoing matter

Priority Actions: Addressing constraints and opportunities

Industry wide financial services approach

- Support additional lending to SMMEs via banks and non-bank lenders (simplify application process, use appropriate measures to assess credit-worthiness)
- Develop access to funding, digital platforms for ecommerce and credit facilities through an industry wide financial services approach

Reduce red tape and accelerate growth

- Identify and amend or simplify the top regulatory implementation challenges to SMME growth (elements of the Labour, B-BBEE, tax and IP laws) to ensure SMME cost and ease of doing business is lowered
- South Africa should focus on materially improving its position in the World Bank Ease of Doing Business Index
- Revisit the Regulatory Impact Assessment (RIA) Act to ensure all new legislation takes account of small business constraints

Pay SMMEs on time and support local buying

- SMMEs working capital constraints are exacerbated by late payments (by government departments, SOEs and business)
- Tariffs for inferior imports and incentivise local buying

Help SMMEs Pivot

- Assist world-class small and medium sized businesses capitalise on areas of possible competitive advantage
- Business model adaptation – and export acceleration
- Develop and onshore digital skills and jobs - software, AI, digital skills via centres of excellence

Roadmap: Immediate interventions required to foster SMME industry recovery

Act Now | **Plan Now**

Immediate
Up to 6 Months

- **Support additional lending to SMMEs** - simplify application process, use appropriate measures to assess credit-worthiness and augment non-bank lending (micro loans to informal entrepreneurs, purchase order finance to formal SMMEs, etc)
- **Engage with non-bank lenders and banks to understand levers to increase liquidity injections**
- **Pay SMMEs on time – critical for cash flow**

Medium Term
6 - 24 Months

- **Reduce red tape**
- Identify and amend or simplify the top regulatory implementation challenges to SMME growth (elements of the Labour, B-BBEE, tax and IP laws) to ensure SMME cost and ease of doing business is lowered
- Revisit the Regulatory Impact Assessment (RIA) Act to ensure all new legislation takes account of small business constraints

Longer Term
2 - 5 Years

- Assist world-class small and medium sized businesses to capitalise on areas of possible competitive advantage
- Aim to materially improve South Africa's position in the World Bank Ease of Doing Business index and the WEF Global Competitiveness Index
- Business model adaptation – and export acceleration
- Develop and onshore digital skills and jobs - software, AI, digital skills via centres of excellence

Remove red tape for SMMEs

Overview of the Energy & Water sectors and implications of COVID-19

Key Sector Objectives

- **Economically viable and reliable energy** to the end consumer (industrial, commercial and private consumers)
- **Potential to act as a catalyst for growth** (in the broader economy and trigger large scale investment)
- **Transition to a lower carbon energy mix**
- **An appropriately capitalised and more efficient Eskom** that is no longer a burden on the tax payer
- **Opportunities to improve water utilisation and long term water security**

Categories	Criteria	Analysis	Rationale
Sector and market analysis	Resilience		• Eskom reduction in cash generation for April alone of ~R2,5bn due to COVID-19, full impact still to be assessed • Liquid fuels value chain severely impacted due to complete shut down during April and continued supressed demand for product (specifically jet fuel)
	Security		• Investments in energy sector highly uncertain due to lack of policy certainty and delay in key regulatory and commercial processes • Lack of historical investment in water infrastructure has impacted rural communities • Stymied demand growth will further contribute to uncertainty
	Job creation potential		• Up to ~72k jobs in the electricity sector with capex spend of ~R157bn • At least ~1k jobs in the gas sector with capex spend of ~R4-11bn • Up to 15k jobs in liquid fuels sector with capex spend of ~R9bn
Impact of Covid-19	Job loss		• >82k jobs at risk in broader economy due role of electricity as an enabler • Up to ~66k jobs at risk if current supply decline (from Pande-Temane) not mitigated • Up to ~ 80k jobs at risk in the Liquid Fuels Sector (refinery operations only considered)
	Supply and Demand		• Electricity supply-demand balance at risk, demand has picked up to >80% of pre-COVID levels during Level 4, large risk of load-shedding prior to lockdown if additional supply not secured • Jet fuel likely to experience a long term significant reduction in demand
	Infrastructure		• Downtime during COVID-19 used as an opportunity to perform maintenance in both liquid fuels and electricity sector • Liquid fuels supply under significant strain as demand for diesel ramps up but this is a short term anomaly that the industry is capacitated to deal with

Key challenges: The Energy sector faces 6 main structural constraints

Policy Uncertainty & Effectiveness

- Gaps on key policy considerations e.g. IEP not updated since 2016, lack of Gas Master Plan
- Misalignment of relevant key policies
- Key policy decisions stalled e.g. Clean Fuels II, self generation
- Lack of clarity on key policy matters e.g. how SA will transition to a lower carbon economy
- Water supply and sanitation policies need to be revisited

Regulatory Process Inefficiency

- Complex, multi-stakeholder processes that result in long lead times e.g. finalisation of IRP
- One-size-fits-all, suboptimal processes stall implementation e.g. generating licence process same for Medupi-scale plant, REIPPPP project and self generation project

Supply Challenges

- Limited regional cooperation to unlock gas supply potential
- Continued deterioration of Eskom plant availability and Load-Shedding (when demand was at Pre-COVID-19 levels)
- Looming Pande-Temane gas supply decline from 2024 onwards
- Potential global supply-side competitiveness issues in long-term

Unpredictable Price Increases

- > 8% tariff increases over the last 5 years for commercial and industrial users (2014-2018)
- Additional R27 billion to be absorbed following court decision in March 2020
- Further uncertainty on energy commodity pricing also linked to COVID-19

High Carbon Energy Mix

- >80% Coal-based electricity generation mix - becoming increasingly uncompetitive and difficult to fund
- Strong push from investors and shareholders to move to lower carbon feedstock
- SA committed to climate mitigation in line with Paris agreement

Need for a Just Transition

Need for a social and economic compact that mitigates the risk of job losses as South Africa migrates to a lower carbon energy mix

Key challenges: Water Services sector challenges and response

Challenges

- COVID-19 increasing challenges to water sector facing multiple stresses
- Increasing water demand but decreasing functionality of existing infrastructure
- Backlog in provision of critical new water infrastructure (e.g. Lesotho Highlands Phase 2)
- Inadequate technical capacity across government to provide sustainable services
- Financial constraints to meet capex and opex needs
- Increasing threat to water security
- Declining water quality
- R33 billion pa capital investment needed for 10 years to achieve water security
- Corruption in sector

Focus Support Areas

- Private sector investment (capex and opex):
  - Blended finance models
  - PPPs tailored to the needs of the water sector
  - Direct support in water provision
- Skills development:
  - Expand and fast track Technical Assistance, Mentorship and Development (TAMDEV) initiative support to water service authorities
  - Integrate operations and maintenance support into initiatives

Constraints

- Limited stakeholder acceptance of private sector participation in sector
- Inefficient water licensing regime and unimplementable licence conditions
- Regulatory constraints to water re-use/recycling and efficiency
- No ring fencing of municipal funding/grants to guarantee loan payments and for PPPs
- Onerous and lengthy PPP process

Need for a Stronger Partnership

Need for a social and economic compact to Improve water infrastructure, water quality and capacity to deliver water services

Priority Actions: Cross-cutting interventions enable economic recovery in energy sector and broader economy

Launch Green Stimulus and national green funding strategy

- *Up to **$83B** more in international funding accessible*
- *On average **18bps cheaper** for Green Bonds versus Vanilla Bonds*
- *Up to **500k direct jobs** unlocked in green investments*
- *Mitigate transition risk **of >R1.8T** to ensure long term economic prosperity*

Align national energy strategy across all key policies and plans

Ensure alignment across energy plans incl. IEP, IRP, Gas Masterplan, UPRDB to enable coherent target picture that drives economically viable, reliable energy supply

These cross-cutting interventions are critical to unlock stated jobs impact and CAPEX deployment in the energy sector

Note: IPP = Independent Power Producer; IRP = Integrated Resource Plan; IEP = Integrated Energy Plan; UPRDB = Upstream Petroleum Resource Development Bill

Priority Actions: Up to 64-82k jobs can be protected and up to 72k new jobs created within next 3-5 years

Key enabler

Address Eskom operating and capital structure

Accelerate unbundling to enable expansion of IPP programme and allow for improved operational performance

Key enabler

Update IRP via revised update process and in line with IEP

Creates single-source of truth of SA energy landscape reflecting latest tech. trends

Enable short-term negotiated pricing and reform overall tariff landscape

Provide immediate relief to eligible businesses, build competitive industry tariff landscape

Fast-track renewables deployment via REIPPPP Round 5

Accelerates de-ployment of RE as per IRP and build of local supply chains

Provide policy certainty and regulatory clarity on self-generation

Enables private sector and municipalities to ensure reliable and affordable energy supply

Align G2P targets to updated demand projections

Creates certainty on expected gas demand from power sector to drive investments in gas

Heavily documented outside this analysis – Focus of B4SA assessment is on priority interventions outside Eskom

Full potential 2021-2025

Up to 64-82k jobs protected

Up to72k jobs created

Up to R157bn in Capex deployed

Note: RE = Renewables; REIPPPP = Renewable Energy Independent Power Procurement Programme; RFP = Request for Proposal; DFI = Development Finance Institutions; IRP = Integrated Resource Plan; IEP = Integrated Energy Plan; G2P = Gas-to-Power

Roadmap: All cross-cutting and priority interventions require action in the short-term to ensure success

Act Now: Immediate: *Up to 6 Months*	Plan Now: Medium Term: *6-24 months*	Plan Now: Longer Term: *2-5 years*
• Develop transparent IRP planning processes • Kick-off IRP update process – role of nuclear and gas	• Update IRP according to revised process and in line with IEP and other energy plans as well as NDCs • Ensure adherence to plans across government	
• Finalise ST negotiated pricing agreement policy • Fast-track processing of existing applications	• Develop transparent and standard NPA application process • Reform industry tariff landscape	
• Finalise RFP, fast-track selection of Round 5 preferred bidders • Prepare next REIPPPP Rounds incl. fast track Round 6 and future rounds	• Develop alternative, efficient procurement process	• Continue roll-out of renewables as per IRP and growth of local industry
• Streamline review process and accelerate processing time • Create policy clarity via blanket consent • Adjust regulatory framework, incl. review private sector recommendations on regulatory and administrative process • Improve efficiency of related administrative processes and build capacity of responsible authorities		
• Start procurement of "No-regret" G2P capacity • Initiate process to revise IRP and G2P targets	• Draft RFP and begin bidding process for G2P procurement	
• Launch Green Stimulus strategy • Create green financing strategy to unlock funding • Remove barriers and develop project pipeline	• Execute green stimulus and green funding strategy incl. continued development of project pipeline	
• **Pre-requisite: Ensure policy clarity and regulatory certainty on key enablers e.g; through unbundled and independent transmission entity and economically viable compensation model for Eskom**		
• **Pre-requisite: Capacitate/align NERSA & DMRE**		
Immediate relief to businesses through improved affordability of supply	***Mitigated supply risk, adjusted regulatory frameworks, & holistic energy planning***	***Competitive tariff landscape, conducive and comprehensive regulatory landscape***

Note: ST = Short-term; NPA = negotiated pricing agreement; G2P = Gas to power

Priority Actions: The considered priority actions build the basis for gas supply security in the short- and long-term

Key enabler

Establish a multi-stakeholder forum and working group to drive alignment and collaboration on key issues and policy decisions

Provide a collaborative approach between government and multiple industry stakeholders to drive an optimal policy landscape and ensure effective implementation thereof

Secure viable short-term supply by maximising potential of Pande-Temane fields via win-win model with Mozambique

Reach bilateral agreement with Mozambican government that enables investments to extend Pande-Temane supply. Make decision on additional LNG supply from Matola

Enable and accelerate LNG terminal investments as 'bridge solution' to support growing local demand and create optionality

Establish policy clarity on LNG hub location (Richards Bay, Saldanha, Coega), SOE roles and price regulation. Align decision-making between NERSA, TNPA, ports regulator and other government bodies

Enable upstream exploration in South Africa and assess Mozambique supply options to secure long-term supply

Assess local and regional supply options and develop a long-term supply strategy and plan of action

Full potential 2021 - 2025 (excl. last intervention[1])

Only considered: Jobs created from FSRU deployment. Overall job creation impact estimated to be much higher

Min. 1k jobs created

Up to 66k jobs protected

$250-700mn (~R4-11bn) Capex deployed

1. Enable upstream exploration in South Africa and assess Mozambique supply to secure long-term supply

Note: RE = Renewables; REIPPPP = Renewable Energy Independent Power Procurement Programme; RFP = Request for Proposal; DFI = Development Finance Institutions; IRP = Integrated Resource Plan; IEP = Integrated Energy Plan

Roadmap: Immediate action required to provide to ensure security of short- and long-term gas supply

Act Now | **Plan Now**

Immediate *Up to 6 Months*	Medium Term *6 - 24 Months*	Longer Term *2 - 5 Years*
• Set-up multi-stakeholder forum and working group • Develop point of view to inform update of IEP on gas	• Multi-stakeholder forum to drive alignment and decision making on policy matters when needed at a minimum, ensure alignment between Gas Bill, PPGI Gas Sector Master Plan and DTIC Gas Master Plan to develop 'single source of truth and an aligned national response	
• Kick-off engagement with Mozambican government to lay foundation for bilateral "win-win" agreement	• Establish bilateral agreement with Mozambican government for remaining Pande-Temane reserves (with consideration to Matola) • Agree on pricing structure for new supply	• *Sign-off bilateral agreement* • *Drive strategy implementation*
• Decide on optimal location of LNG hub and instruct IPP office to start procurement of min. 1 GW G2P capacity • Clarify role of SOEs and how LNG price will be regulated • Set-up task team to drive alignment on action plan amongst all key stakeholders (e.g. TNPA, NERSA, PR[1] etc.)	• Drive strategy finalization and deployment incl. coordination of investment and LNG infrastructure development	• *Drive strategy implementation*
• Expedite finalization of UPRDB[2] under consultation of multi-stakeholder forum (including IOC[3] s) to ensure alignment and policy clarity	• Develop long-term supply strategy and concrete plan of action based on finalised IEP • Engage in bi-lateral negotiations with Mozambican government on long-term supply options • Investigate farm-out strategies	• *Execute plan of action*

Secure short-term gas supply

Secure mid-term gas supply

Build regulatory, commercial and physical infrastructure for long-term gas supply

1. Ports Regulator 2. Upstream Petroleum Resources Development Act 3. International Oil Companies

Priority Actions: Addressing constraints and opportunities could set up the industry for long-term

Short-term industry support

Determine value chain segments needing direct, targeted support

DMRE and industry stakeholders to work closely together

Strategic stocks policy and plan

Reassess requirements, locations and options for additional storage

Finalise strategic stocks policy & implementation plan, coordinate implementation with NERSA

Biofuels industry way forward

Validate feasibility studies on 1st, 2nd and 3rd generation biofuels

Take decision on whether biofuels should be introduced as liquid fuels energy alternative

Clean Fuels II upgrades way forward

Understand socio-economic linkages and mechanisms for supporting upgrades

Take decision on whether and how (mechanisms & timeframe) refinery upgrades should be supported

Support mechanisms to grow LPG market

Coordinate development of business case, incl. support mechanisms

Take decision on how Government should support LPG market growth

Potential for local manufacturing base

Conduct feasibility study for different product groups (incl. other industries)

Take a decision whether / for which products a local manufacturing base should be supported to be built

Potential Uplift by 2025

15k jobs created[1]

Up to 80-100k Jobs protected

R9bn Capex required[1]

1. Not including jobs potentially created and capex potentially spent upon successful completion of feasibility studies and decision to push respective topic forward where required

Roadmap: Interventions short term to support industry survival, mid/long term to support strategic decision making

Act Now	Plan Now	
Immediate *Up to 6 Months*	**Medium Term** *6 - 24 Months*	**Longer Term** *2 - 5 Years*
• Allow industry to work with Government to coordinate security of supply country-wide where possible in compliance with competition act • Facilitate collaboration between industry and Government for early information sharing, to determine immediate support required and identify additional need for support in the coming months • Engage with industry on proposed changes to regulatory frameworks	• Kick off (validation of) feasibility studies on potential for developing biofuels industry, supporting refinery Clean Fuels II upgrades, supporting LPG market growth and localisation of manufacturing base • Make decisions based on outcome of feasibility studies on the way forward • Where decisions already taken, develop strategic implementation plans and implement regulatory changes to attract industry investment	• Implement proposed next steps based on outcome of decisions from feasibility studies • Realise implementation plans to grow industry and improve security of supply
Collaboration between government and industry; targeted support for industry	**Feasibility studies and decision on way forward; set up regulatory frameworks incentivising industry investments**	**Implement plans and unlock value of increased investment**

BUSINESS FOR SA | COVID-19

Overview of the mining sector and implications of COVID-19

Key Sector Objectives

- **Ramp up production to pre-COVID level**
- **Ensure safety** of ongoing operations
- **Improve investment** environment
- **Unlock** potential **investments**

Categories	Criteria	Analysis	Rationale
Sector and market analysis	Resilience		• The industry will likely end 2020 with 20-30% reduced output • Smaller firms and certain assets are under pressure • Most of the industry expects to be fully operational by end 2020
	Security		• Investments are considered to be highly insecure due to regulatory uncertainty • Even if current uncertainties are addressed the possibility of future changes remain • Fundamental reforms, including policy stability commitments, are required
	Job creation potential		• The industry is in structural decline due to lack of expansion capex • In the short term, reforms can help stave off job losses • Job growth is only a long term prospect once expansion capex resumes at scale
Impact of Covid-19	Job loss		• ~30 000 jobs are at risk due to vulnerable operations losing production
	Supply and Demand		• Demand dynamics remain viable for most South African operations • Production is mostly capped due to supply caps in infrastructure and energy • Medium term trends differ by commodity, but remain moderately optimistic
	Infrastructure		• Supply infrastructure has remained largely intact • Service providers and supply chains are however highly affected by operations at risk

Key challenges: The mining industry faces 6 main structural constraints

Electricity Supply

- Increasingly expensive supply
- Supply disruption, causing ~3% output losses in 2019

Infrastructure Bottlenecks

- Mn and Iron Ore production capped
- Exploration Coal production in Limpopo and Mpumalanga capped by rail constraints

Regulatory Uncertainty

- Uncertainties around the Charter
- Regulation by Charter is subjective and easily changeable

Cost Competitiveness

- High labour and electricity inputs
- Lack of modernisation

Geological Complexity

- Depleting ore bodies
- Deeper mines, with lower grades

License to Operate

- Tension with communities
- Poor labour relations

Priority Actions: Addressing constraints and opportunities could add ~70 000 jobs by 2024

Regulatory Reform	Industry Modernisation	Reliable Energy Supply	Infrastructure Development	Community Investment	Exploration Strategy	Gov-Industry Task Force	Investment Promotion
Overhaul regulations for competitiveness	Industry to invest in modernisation drive	Permit self/3rd party generation & fix Eskom supply	Invest in rail & port capacity expansions	Allow pooling of investments across companies	Improve Geomapping in key areas of SA	Establish task force for executional certainty	Promote SA as investment destination
Write regulatory requirements into law	Government and Labour should support shift	Maximise Eskom Generation performance	Explore PPPs to facilitate development	Jointly develop community plans & track progress	Improve mapping and exploration strategy	Expedite highest-impact project execution	Develop core narrative on mining in SA

Potential Uplift by 2024

70 000 Jobs by 2024

Roadmap: Immediate interventions required to foster industry recovery

Act Now	Plan Now	
Immediate *Up to 6 Months*	**Medium Term** *6 - 24 Months*	**Longer Term** *2 - 5 Years*
• Industry-Government workshop to align on next steps	• Implement regulatory reform, including legislative changes	• Grow portfolio of potential projects with increased exploration
• Initiate regulatory reform process for more investment	• Develop infrastructure PPPs to expand export capacity	• Sustainably grow the industry overall with sustained higher levels of capex
• Agree on industry compact to outline roles for each stakeholder	• Fast-track high-potential projects, unlocking bottlenecks	• Deliver real impact for communities through collaboration at local level
Aligned industry and Government strategy	**Systematically implement plans in constant alignment**	**Unlock value of increased investment; ~ 70 000 jobs by 2024**

Overview of the Construction sector and implications of COVID-19

Key Sector Objectives	Categories	Criteria	Analysis	Rationale
Restart the construction sector in SA on a more sustainable, productive and job-accretive basis	Sector and market analysis	Resilience		• Industry hard-hit by shutdown • Chronic cash flow / liquidity issues plague the industry, hampering ability to withstand current shock
		Security		• Ongoing intimidation at construction sites by local crime syndicates that threaten contractors in return for kickbacks
		Job creation potential		• Industry has lost ~300-400k jobs in the last five years • Potential to create > 100k jobs per annum in low and semi-skilled categories
	Impact of Covid-19	Job losses		• Historical trend has been about 100k jobs lost per year over the last five years • We estimate a further 20% of jobs could be lost due to Covid19 • Up to 60% of jobs vulnerable as a result of Covid19 (lost or reduced pay)
		Supply and Demand		• Supply side has atrophied due to a lack of a robust demand pipeline • With Covid19, demand has all but dried up during lockdown • Sluggish post-Covid economy will severely hamper recovery
		Infrastructure		• Structural capacity lost as a result of Covid-19 shutdowns and bankruptcy • Site working conditions impacted by Covid-19 and will structurally reduce productivity in the sector

Key challenges: the construction industry faces 5 main structural constraints

Lack of 'baseload'

- Industry does not function on a project-by-project basis
- Industry needs a clear pipeline of activity to invest in capabilities and technology
- Slow down in government infrastructure spending, despite high level expectations of ~R1T in investment has left the industry in dire straits

Lose-lose contracts

- Application of current procurement processes inadequately cater for skill and quality of work
- Current contracts and contracting processes typical in the industry result attempts to transfer risk in an unsustainable way
- Results in low or negative margins for contractors and late / overbudget projects for owners

Dire skills shortage

- Massive loss of skills in the industry over the last 5 years (>300k jobs lost in the last five years, significant retirement of experienced supervisors)
- Primary owner (government) has capacity gaps to innovate private sector participation models and innovative ways of designing and contracting work

Funding for infrastructure

- Government's ability to fund the 'baseload' of infrastructure projects is limited
- Limited demand for private sector builds given sluggish growth
- Substantial private sector funding available, but structural gaps in procurement processes limit participation

Innovation & productivity

- Construction has some of the worst productivity in the economy
- Productivity has largely remained flat (or declined) over the last 30 years
- Limited uptake of technology to improve productivity because it requires cross-project investment which current project economics seldom allow

Priority Actions: Addressing constraints and opportunities could add 100k jobs, 100bn GDP p.a.

Pipeline

Re-prioritise government infrastructure build pipeline from national through to municipal level to unlock projects for private sector funding and investment

Procurement

Iimplement modern collaborative contracting methodologies for infrastructure builds

Skills

Set up national construction skills academy to rebuild front-line supervision and artisan capabilities

Innovation

Mandate common data platforms and base technologies such as 5D BIM to unlock construction productivity

Streamline

Streamline processes and approvals (e.g. environmental, water) and systems e.g. procurement

Estimated full Potential Annual Uplift 2021 - 2030

100k Jobs p.a.

R100b[1] GDP p.a.

15-20b Tax Rev p.a.

1: ~80% of this comes from unlocking more productive infrastructure

Roadmap: 4 interventions are required in the short term, 6 medium term and 5 long term

Act Now | **Plan Now**

Immediate
Up to 6 Months

- Pay contractors that are owed monies to support their liquidity
- Develop incentives for immediate construction works e.g. refurbishment of infrastructure that is not fully utilized as a result of Covid e.g. airports
- Rapidly review the infrastructure portfolio to identify the most promising projects for private sector – national, provincial and municipal
- Leverage existing project preparation pipelines to get infrastructure projects to a point of bankability

Immediate relief for construction sector and initial basis for longer term planning

Medium Term
6 - 24 Months

- Announce restructured and re-sequenced infrastructure build programme (unlocking up to R1tn in investment)
- Align private sector on the key opportunities and secure private sector funding for most promising projects
- Streamline approval and permitting processes
- Start the revamp of the procurement and contracting processes
- Establish new minimum standards for innovation on infrastructure, e.g. common data platforms and 5D BIM
- Get the first wave of infrastructure design going

Clarity on pipeline to enable rebuild of construction industry

Longer Term
2 - 5 Years

- Set up construction industry academies - ~100k capacity p.a. required
- Continue to refine and streamline build programme – accelerate most profitable projects to ensure private sector participation
- Streamline and standardize building codes and standards
- Revamp higher education courses on engineering and construction to include modern construction methodologies
- Support export of prefabricated units (support for manufacturing) and engineering services

Sustainable construction industry

Overview of the manufacturing sector and implications of COVID-19

Key Sector Objectives

- Improve **fundamental competitiveness** of manufacturing sector, focussing on priority value chains
- Capitalize on the manufacturing industry's **strong multiplier effects**
- Build **resilience** and ensure **business continuity** for key subsectors
- Leverage geo-political position in order to strengthen **growth in Africa**
- Look to develop **"wildcards"[1]** that **improve competitiveness and minimize disruptions** caused by dependencies on the global supply chain in light of COVID19

Categories	Criteria	Impact	Rationale
Impact of Covid-19	Job loss		• 140k – 240k jobs (12% – 20% of existing jobs) are forecasted to be at risk without intervention due to the economic effects of COVID19 and lockdown
	GDP		• Total manufacturing value added to GDP is expected to drop between 20% - 40% due to supply disruptions and depressed demand (globally and locally)
	Business Continuity		• Manufacturing sectors reliant on imported inputs/feedstocks and downstream activities risk continuity issues due to global supply disruptions
Sector and market impact	Competitiveness		• Need to strengthen South Africa's competitiveness in the global manufacturing supply chains • Should leverage manufacturing competitiveness across linkages with other sectors specifically mining, construction and agriculture
	Supply & Demand		• The manufacturing sector is critical to South Africa developing resilience and security of supply for key products including healthcare equipment, pharmaceuticals and personal protective equipment
	Job creation potential		• Manufacturing subsectors have varying labour intensities and easily disrupted through automation

[1] Wildcards are important opportunities for South African manufacturers to quickly identify and produce to improve competitiveness and minimize disruptions caused by dependencies on the global supply chain in light of COVID19

Legend: Low impact – High impact

Key considerations facing the pharmaceutical sector

Key sector considerations

- **SA has one of the world's most disproportionate disease burdens**, both infectious diseases and non-communicable diseases (NCDs) such as Diabetes, Hypertension etc.
- **Security of supply (SOS) is key** – COVID-19 has exposed South Africa's SOS vulnerabilities
- **The pharmaceutical sector has a rising trade imbalance**
  - Pharma and medical devices are the 5th largest contributor to SA's current account deficit

Key sector objectives

- **Ensure medicines are sustainably available and accessible to entire population** – strengthen local supplier and SMME chains
- Significant reduction in the sector trade deficit through **localisation of production and local procurement instruments**
- **Leverage local volumes for export orientation**
- **Regulatory environment that enhances certainty and predictability** to retain and attract investors

Specific areas of reform / intervention

- **Implementation of local procurement** (Designation) and localisation procurement policies
- **Government tenders should be based on long term offtakes,** rather than short term tenders that provide no certainty for local players and accelerate de-industrialisation
- **SAHPRA should prioritise registration of locally produced products and expedite licensing of local production facilities** as a way of retaining / attracting sector investment
- Access structures to be implemented to **ensure broad access to new generation medicines** such as Biologics

Key challenges: the manufacturing industry faces 5 main structural constraints

Energy

- The manufacturing sector is directly impacted by **increasing energy costs and cost of interrupted supply**
- South Africa has not fully utilised the benefit of **natural gas** at scale, specifically piped gas for heat-intensive manufacturing processes

Infrastructure

- Poor **port efficiency and high costs** significantly reduce competitiveness
- Unreliable, unsafe rail networks lead to **over-reliance on more costly road-networks**
- Inadequate transport infrastructure resulting in **opportunity cost in Africa**
- **Ineffective municipal service delivery** (specifically water and electricity)

Business environment

- An increasingly **volatile currency** results in unreliable business planning and poor financial returns
- Ineffective **implementation of government policy** decrease local and global investment in South African manufacturing
- **Complexity of regulations and hurdles** decrease business confidence and growth

Skills & technology

- South Africa is ranked 67 by the WEF future of production report for current and **future labour-force capabilities**
- The manufacturing sector lacks **enabling technology skills** base to quickly implement and benefit from advanced manufacturing
- Insufficient practical skills development through **vocational / apprenticeship training programs**

Co-ordination

- There is a lack of prioritization of strategic **manufacturing value chains**
- **Trade and government policies** are not aligned to maximising value in strategic value chains
- The **private sector does not aggregate local demand** through Group Procurement Organisations

Priority Actions: Addressing key constraints and opportunities could add 28K -70k jobs, 21 - 35bn GDP p.a.

Selected Game Changers:

1

Fundamental Competitiveness

Prioritise fundamentals, including competitive energy supply, incentivizing strategic value chains and transport infrastructure, to enable global competitiveness across all sub-sectors

2

Transport Corridors

Accelerate completion of existing network infrastructure and accelerate 'corridor initiatives' to improve South African competitiveness in Sub-Saharan Africa

3

National Procurement Organisation

To ensure the sustainable supply of key inputs to high impact subsectors at competitive prices through expert sourcing and create a demand pull on wildcards through co-ordinated aggregation

4

Africa Trade Program

Establish a focused program to accelerate exports of high priority subsectors to targeted African countries and ensure through program includes enablers of AfCFTA to expedite its rollout

5

Repurposing Wildcards

Accelerate repurposing to wild card products[2], which have a current import value of R271bn, supported by champions within industries, to ensure supply of critical products and promote localization of products in priority value chains (e.g. manufacturing and mining)

Full Potential Annual Uplift 2021 - 2025

28K -70k Jobs p.a.

21 - 35bn GDP p.a.

6 – 10bn Tax Rev[1] p.a.

[2] Wildcards are important opportunistic products for South African manufacturers to quickly identify and produce to improve competitiveness and minimize disruptions caused by dependencies on the global supply chain in light of COVID19

1. Based on tax-to-GDP ratio of 28

Roadmap: 2 interventions are required in the short term, 4 medium term and 3 long term

Act Now

Immediate
Up to 6 Months

- Accelerate repurposing and promotion of wild cards through
  - Aligning on wildcards across public and private sectors to ensure sufficient support
  - Sharing best-practice and appointing champions within industries to ensure supply of critical products and inputs
  - Marketing interventions (e.g., through Proudly South Africa) to boost demand locally

Build resilience

Plan Now

Medium Term
6 - 24 Months

- Establish a Group Procurement Organisation to ensure the sustainable supply of key inputs to high impact subsectors at competitive prices and create a demand pull on wildcards
- Enhance catalytic interventions (e.g. NTIP1) to enable manufacturers to upgrade production facilities in line with future of production whilst simultaneously expanding into Africa with old equipment (“Tool –recycling”)
- Review trade policies in line with strategic value chains and develop financing frameworks to incentivise developed economies with low and negative interest rates to co-finance important South Africa capital project in the rest of Africa
- Establish a focused program to accelerate exports of high priority subsectors to targeted African countries and ensure expedited rollout of AfCFTA

Capture untapped value

Longer Term
2 - 5 Years

- Accelerate completion of existing network infrastructure and accelerate ‘corridor initiatives’ to improve South African competitiveness in Sub-Saharan Africa
- Prioritise competitiveness fundamentals, including competitive energy supply, incentivizing strategic value chains and transport infrastructure, to enable global competitiveness across all sub-sectors
- Promote partnerships to develop turnkey solutions for large scale projects in Chemicals and Metals industries

Position for sustained success

Overview of the Transport sector and implications of COVID-19

Key Sector Objectives

- **Catalyse the growth of other economic sectors** by increasing the global competitiveness of South African industries
- **Increase access to the South African market** and to African markets
- Provide a reliable, efficient, and cost effective service to other industries which **keeps the cost of moving goods to a minimum**

Categories	Criteria	Analysis	Rationale
Sector and market analysis	Resilience		• The transport sector continues to operate in all scenarios to accommodate the base load of economic activity across all industry • However, the sector is highly dependent on the derived demand from other industries for its growth
	Security		• Across all modes of transport, logistics operators and passengers face the threat of: theft, bribery and corruption, mishandled cargo, vandalism, mode specific risk • Existing security and safety challenges directionally cost the South African economy at least R177 billion each year through a combination of direct and indirect effects
	Job creation potential		• Transport remains a crucial sector as it is well positioned to absorb the prevalent low-skill base in South Africa • There are significant opportunities to upskill and harness 4IR within all sub-sectors of Transport
Impact of Covid-19	Job loss		• 42 000 – 72 000 formal transport sector jobs are at risk in 2020, primarily in the Road, Support and Auxiliary sectors • Jobs at risk are significantly higher when considering the informal sector • Air transportation under huge threat with multiple airlines in business rescue
	Supply and Demand		• Transport plays a dual role by serving the demand of other sectors, and catalysing increased competitiveness through efficiency and cost improvements • The sector is highly dependent on the derived demand from other industries for its growth
	Infrastructure		• Dramatic reductions in liquidity as a result of the financial impact of Covid-19 will delay the implementation of existing and new infrastructure projects, particularly large scale transport infrastructure

Key challenges: the Transport industry faces 5 main structural constraints

Ageing & outdated infrastructure

- Limited rural road network and outdated road infrastructure limit the movement of goods
- Dilapidated rail infrastructure and a disused rural network limit the options for industry to move products around the country and to ports. This causes an overreliance on the overburdened road network
- Over reliance on road transport infrastructure results in additional transport costs and accelerated deterioration of infrastructure

Lack of Private Sector participation

- Existing PPP and private sector participation ("PSP") frameworks for the Transport sector contain unnecessary complexity and are not tailored to specific sub-sectors reducing their effectiveness and the appeal for private players to engage with government projects
- Lack of technical expertise in PPP and PSP management limits the effectiveness of private-public projects which could boost the efficiency of transportation services

Uncompetitive tariff & pricing systems

- The landlord port authority should be independent of Transnet
- Port prices and tariffs are opaque and do not differentiate based on port operations
- The fuel and road accident fund levies increase operational costs and limit growth opportunities
- Lack of harmonisation between standards and pricing across SADC

Absence of critical policies

- Absence of multiple key policies constrains competition, limits private sector participation, and allows inefficiencies to develop
- Absent policies and regulation include:
  - Single transport economic regulator
  - PSP frameworks
  - Separate Transnet accounting divisions
  - National rail policy
  - Corporatization of ports
  - Performance based standards
  - Updated public transport subsidies

Significant skills shortage

- Workforce requires significant upskilling and limits the development and application of technologies
- 50% of the labour force had less than a secondary education in 2019, more than 12% had less than a primary education
- Transport remains a crucial sector as it is well positioned to absorb the prevalent low-skill base in South Africa

Priority Actions: Addressing constraints and opportunities could add ~190 000 jobs[1], ~R665bn in GDP[2] ,and ~R279bn in Tax Revenue[2]

Drive a step-change in reliability and service

Improve operational efficiencies across all modes.

Reduce the cost of moving goods around the country and to ports.

Increase private sector participation

Address PSP and PPP framework limits in each sub-sector.

Create management and financial partnerships.

Implement rail concessions

Improve transport support to key industries and transport corridors, such as secondary branch lines, that support manufacturing, agriculture, and mining.

Finalize and implement critical policy

Drive towards regulation – e.g. standalone regulators for ports and rail – that will foster enhanced competition and transparency in the market.

Accelerate infrastructure development

Develop new infrastructure and upgrade outdated infrastructure to alleviate network congestion, reduce cost, and improve national competitiveness.

Full Potential Annual Uplift 2021 - 2030

~19 000 Jobs[1] p.a.

R66.5 bn GDP p.a.

R27.9 bn Tax Rev p.a.

1. Jobs refers to formal sector jobs. Figures may be significantly higher if informal jobs are accounted for . 2. Effects from interventions are cumulative over the period 2021 – 2030

Roadmap: 3 interventions are required in the short term, 6 medium term and 3 long term

Act Now

Immediate
Up to 6 Months

- Ensure a step-change in core rail network reliability through:
  - Improved operational efficiencies
  - Effective maintenance programs
- Reduce the cost of road transport services by balancing regulation towards performance driven standards and cost enhancing regulation for transporters.
- Drive operational efficiencies to reduce the cost of moving goods through ports e.g. performance driven compensation frameworks, introduction of transparent and reduced cargo fees.
- Accelerate investments in Smart Logistics to further drive efficiency and productivity in the sector

Create up to R224 billion in GDP[1] and 65 800 jobs[2]

Plan Now

Medium Term
6 - 24 Months

- Increase private sector participation for infrastructure development and operation by optimising the PSP process and creating management and financial partnerships
- Accelerate the establishment of an independent rail regulator to drive pricing and competitiveness
- Continue to drive towards a standalone National Ports Authority that will foster enhanced competition and transparency in the market
- Accelerate the development of inland port processing facilities to reduce congestion at sea ports and speed up inland border crossings
- Implement rail concession agreements to improve transport support to key industries and transport corridors such as secondary branch lines that support manufacturing, agricultural and mining
- Expedite the finalisation and approval of the public transport subsidy policy

Create up to R246 billion in GDP[1] and 70 300 jobs[2]

Longer Term
2 - 5 Years

- Create public private partnerships and optimise the participation process to accelerate infrastructure development through creation of management and financial partnerships
- Provide open access to the rail system to allow a more innovative and cost efficient multi-modal transport solution
- Optimise the integration of transport modes to ensure right of access and affordability

Create up to R195 billion in GDP[1] and 53 800 jobs[2]

1. GDP and Job effects from interventions are cumulative over the period 2021 – 2030 2. Jobs refers to formal sector jobs. Figures may be significantly higher if informal jobs are accounted for.

Overview of the agriculture sector and implications of COVID-19

Key Sector Objectives

Contribute to GDP

- The agriculture value chain can be an important contributor to GDP growth for developing markets

Boost employment

- Employment opportunities are created across the value chain, particularly in rural parts of the country

Ensure food security and nutritional outcomes

- Agricultural value chain is key to ensuring domestic and regional food security
- Sector responsible for ensuring nutritional outcomes in SA

Categories	Criteria	Analysis	Rationale
Sector and market analysis	Resilience	◕	• Fairly resilient sector in the face of economic shocks: market-economy nature of the sector make resource allocation flexible based on factors of demand and supply; Export demand generally benefits from declining ZAR
	Security	◕	• Economic performance is fairly secure, however primary agriculture sector can be impacted by natural shocks (e.g. droughts and disease, which may impact output significantly), emphasising the need for investment in water infrastructure
	Job creation potential	●	• High potential for job creation opportunity, particularly within emerging / rural sector farming, and through the growth of certain labour intensive crops (e.g. citrus, vegetables)
Impact of Covid-19	Job loss	◔	• Sector relatively protected from job loss; initial trade restrictions (e.g. alcohol) as well as reduced demand of higher-value produce may result in negative economic consequences and thus may lead to job loss
	Supply and Demand	◕	• Supply: Most sub-sector value-chains for both informal and formal markets remain intact; some concern around how COVID may impact operations of agro-processors. Demand: consumers likely to trade down for cheaper goods as impact of recession influences disposable income
	Infrastructure	◔	• No significant impact on existing infrastructure, however situation has brought to light various infrastructural constraints across the sector (including logistics and water)

Key challenges: the agricultural industry faces 5 main structural constraints

Access to Finance

- **Cyclical and capital intensive nature of agriculture means farmers have a critical need to access financing**
- **Financial sustainability of the Land Bank,** and its **ability to serve conflicting mandates** (profit/commercial and development) **under question**
- **Limited state funded agricultural insurance/relief** available to protect farmers from the impact of recurring droughts

Land Reform

- **Redistribution:** Limited transfer of ownership, state support post transfer, beneficiary selection strategy
- **Restitution:** Limited institutional capacity and budget to process large backlog of claims
- **Tenure rights:** Lack of clarity and formalization of existing land rights in traditional areas
- **Expropriation without compensation:** A key inhibitor to future investment given uncertainties created

Water Infrastructure

- **Delayed water infrastructure** projects, **limited strategic prioritization** of new projects and **limited private sector investment**
- **Weak or inefficient administrative processes** (e.g. provisioning of water rights) and **significant delays in execution of projects**
- **Impending impact of climate change** on water availability and water supply gap will likely reduce available land for cultivation in key regions

Transport Infrastructure

- **Lack of investment in port infrastructure** at key ports in the country – constraining exports of high-value produce
- **Existence of operational inefficiency** at major agricultural export ports in SA
- **Limited investment / lack of operational effectiveness of rail networks** has driven up costs and caused shift to road transportation

Access to New Markets

- **Limited institutional capacity** to drive agricultural trade agendas, develop new agreements, enforce existing trade terms
- **Lack of effective coordination and cooperation** between the DAFF, DTI and Dirco, to formulate aligned and coherent trade strategies and drive through to conclusion
- **Need to target new export opportunities in Sub-Saharan Africa**

Priority Actions: Addressing constraints and opportunities could add 60-80k jobs, R10-15B GDP p.a., R3-4B in tax

Maximise commercial agricultural output

Support and expand commercial primary agricultural sector to ensure regional food security and increase export earnings

Improve access to financing

Ensure sustainability of existing institutions and enhanced access to affordable financing through blended finance premised on an open and competitive system

Investment in enabling infrastructure

Prioritise maintenance and investment into logistics and water infrastructure projects, with an openness to PPPs for funding + management

Commitment to transformation

Support agricultural transformation through solving land right issues, optimizing land reform, and emerging farmer interventions

Global trade optimisation

Continue to establish international trade agreements to drive market-led growth, and support regional growth

Full Potential Annual Uplift 2021 - 2030

+60-80k Jobs p.a.

R10-15B GDP p.a.

+R3-4B Tax Rev p.a.

+ 0-2% Nutrition p.a.

Reduction in prevalence of stunting

Roadmap: 5 interventions are required in the short term, 5 medium term and 3 long term

Act Now

Immediate
Up to 6 Months

- **Backstop emergency farm financing** through commercial banks, and **ensure sustainability of the Land Bank**
- **Reduce existing COVID-19 restrictions** on farm service providers
- **Assist processors with testing and PPE supplies** in COVID-19 outbreaks
- **Maintain open ports** for exports
- **Free up restrictions** in informal distribution channel

Ensure short term food security and prevent permanent loss of capacity

Plan Now

Medium Term
6 - 24 Months

- **Enhance capacity** and **address process inefficiencies** to increase finalisation rate of **restitution / labour tenant claims**
- **Address key challenges in land redistribution programmes** (beneficiary selection, post-distribution support, ownership rights)
- Agree on **future structure and funding model of the Land Bank** to address conflict in mandate
- **Re-energise and resource "buy local" campaigns**, especially for higher quality calories (e.g. vegetables and fruits)
- **Review/revise incentives** to **further enable private sector involvement** in development / infrastructure interventions

Establish grounds for agri-business confidence and long-term investment

Longer Term
2 - 5 Years

- **Conclude key infrastructure** maintenance/ capacity projects for ports, water supply infrastructure and rail systems
- Continued **formalization of existing land tenure rights in traditional areas**
- Finalise new **international trade agreements in new markets (e.g. East Asia)** to drive **export-led growth**

Deliver on growth interventions and removal of key constraints

Overview of the Financial Services sector and implications of COVID-19

Key Sector Objectives

- Enable long-term growth by **facilitating flow of capital to sustainable fiscal deficits and high impact, real economy opportunities**
- Drive **increased competition and innovation in the sector** to achieve **deeper,** more meaningful **financial inclusion by leveraging electronic payments, and reducing costs** through **digitisation and shared services**
- Help to **safeguard SMMEs** (and protect jobs) and **provide relief to households in the short-medium term**

Categories	Criteria	Analysis	Rationale
Pre-COVID sector and market analysis	Resilience		• Well positioned to absorb market shocks given substantial capital buffers (both CET 1 and SCR levels ~2 x minimum thresholds)
	Security		• Financial performance is highly correlated with the broader economy • Given high operational leverage (reflecting high fixed cost base), declines in revenue have a disproportional impact on profitability
	Job creation potential		• Large employer today of 480k people (~5% of all formal jobs) in 2019 • "Derived" sector reflective of the broader economy – therefore limited ability to create in-sector jobs independently of overall economic performance
Impact of COVID-19	Job loss		• The industry is committed to minimise job losses in the short term. However there are risks of job losses downstream (e.g. independent brokers and the impact of ongoing digital migration by customers) • Over the medium-term, declines in profitability (see below) and ongoing client shifts to digital will necessitate cost optimisation which, where possible, will be done through reskilling, transfer to higher demand digital functions, etc.
	Supply and Demand		• Sharp declines in revenues and profitability expected in 2020, and depending on pace of economic recovery, potentially spilling over into 2021. In either scenario, recovery to pre-COVID levels is only expected beyond 2021 • Revenue after risk cost for the banking sector could fall by as much as ~35%, over the next two years, with a more optimistic scenario of ~15% decline in 2020 and a rebound in 2021 • Gross written premiums in the insurance sector is expected to fall by ~10-20%
	Infrastructure		• Accelerate digital financial services ecosystem, including digital ID and digital payments (to help ensure no citizens are left behind in the 4IR)

Key challenges: the Financial Services industry faces 4 main structural constraints

Enabling long-term economic growth

Lack of bankable infrastructure pipeline

- **Inconsistent pipeline of bankable projects** in recent years – constrains investment despite private capital being available and often eager to invest
- **Insufficient coordination** between private and public sectors to identify and fund a broad range of **network infrastructure development**
- Lack of pipeline has also made it **difficult** for institutions **to invest in specialist skills required to execute projects**

Unlocking sector vitality

Lack of meaningful financial inclusion among SMMEs

- **Late payment of SMMEs by** both government and big business
- **Limited access to credit** for SMMEs, particularly smaller and informal businesses (often reflecting poor data availability and high business failure rates) – constrains growth of businesses and employment
- **Low penetration of electronic payments** (80% of transactions by volume still cash-based), which contributes to credit access challenges (less data available on SMME finances)

Barriers to Competition

- Regulatory environment designed to **ensure soundness of financial system and Basel compliance.** Differentiated regulation may be appropriate for transaction only players such as e-money licensees
- **Limited flexibility for FinTech innovation** (starting to be addressed through newly created FinTech innovation Hub)

Increasing regulatory burden

- **Continuous increase in regulatory burden** for incumbents (sector is facing new wave of regulation e.g. Basel IV, Conduct of Financial Institutions Bill, etc.)
  - Reduces space to lend (particularly into longer-term projects)
  - Adds to operating costs and absorbs scare skills
- Regulation of statutory liquid assets, sector rating and therefore cost of capital is aligned to that of the sovereign – **meaning all sovereign downgrades directly impact broader cost of capital**

Priority Actions: Addressing constraints and opportunities could add ~220k to 470k jobs, ~R50bn to 90bn GDP p.a.

Enable faster long term growth

- Create a **long-term, predictable pipeline of infrastructure projects** with appropriate risk/reward profiles.
- Develop **regulated retail investment vehicles** that can give retail investors access to longer-term, real economy opportunities (e.g. infrastructure)
- **Phase out large government insurance schemes** (e.g. RAF, Compensation Fund) that face financial and administrative challenges, unlocking fiscal capacity (there are large, growing contingent liabilities on government's balance sheet arising from these entities)

Increase competition and financial inclusion

- Mandate the **accelerated roll out of a digital financial services ecosystem**, including digital ID and digital payments that can encourage greater adoption of electronic payments (and therefore enable access to credit for SMMEs)
- **Reduce regulatory barriers to entry and innovation, whilst preserving financial soundness**
  - Introduce tiered capital requirements, e-money licenses, and open banking legislation;
  - Expand recently introduced FinTech Innovation Hub
  - Encourage greater adoption of industry utilities
- Begin **design and planning of a universal Digital ID**

Extend relief to households and businesses over the medium term

- **Continued engagement between BASA, NT and SARB**, aimed at providing relief to households and SMMEs to support economic growth and job retention, including **amendments to the SMME Loan Guarantee Scheme and potentially increase size of the programme**
- **Continually review regulatory easement** (LCR, SCR, capital buffers), **include additional adjustments** (notably to NSFR) and **re-consider or delay new regulation** (e.g. Basel IV, Conduct of Financial Institutions Bill, etc) to enable continued lending and debt restructuring

Full Potential Annual Uplift 2021 - 2030

~220-470k Jobs, from steady state

A further ~800k jobs can be preserved over the next 2 years through measures to safeguard SMMEs

GDP ~50-90bn p.a. from steady state

In addition, ~R50bn p.a. could be added to GDP over the next 2-years through consumption stimulus

Steady state expected to be achieved by 2025 Excludes impact of long-term capital unlock for investments elsewhere in the economy

Roadmap: Numerous interventions are required over time by government, regulators and the sector

Act Now | Plan Now

	Immediate *Up to 6 Months*	Medium Term *6 - 24 Months*	Longer Term *2 - 5 Years*
Actions led by government / regulator	• Enable creation of regulated, closed-end, retail investment vehicles • Amend SMME Loan Guarantee Scheme terms (to allow lenders flexibility to deviate from standard credit policies and to include alternative lenders) • Continually review regulatory easement (LCR, capital buffers, SCR, NSFR); re-consider or delay new regulation	• Create long-term, predictable pipeline of bankable infrastructure projects; allow private funders to be involved in project governance • Mandate implementation of real-time rapid payments platform (RPP) • Introduce tiered capital requirements, e-money licenses, and open banking legislation; Expand on recently introduced FinTech Innovation Hub • Relax restrictive provisions of the CSI pillar of BEE Codes, to allow for a viable bridge between corporate spend on SMMEs and commercial funding	• Return of sovereign to investment grade rating to reduce cost of capital and boost investment, growth and jobs • Legislate the use of universal digital IDs and drive implementation (supported by financial institutions) • Phase out public insurance schemes e.g. the RAF • Phase out use of cash in government to citizen and citizen to government transactions • Consider interoperability of e-wallets
Actions led by sector	• Facilitate accelerated (and additional) working capital loans to SMMEs (incl. through alternative lenders) • Provide cash-flow support to SMME suppliers and loans to Independent Financial Advisors • Assess opportunity to provide longer term cash-flow relief to customers	• Mobilise additional investment into real asset and private infrastructure opportunities by the regulated savings industry through the design of marketable securities • Invest in and implement RPP; develop accompanying alternative digital payments applications • Build the capabilities and capacity in the regulated savings industry to provide project funding	• Support roll out of Digital IDs and link to bank accounts / e-wallets • Develop and leverage industry wide utilities (e.g. common KYC utilities in the banking sector) • Design and distribute affordable insurance alternatives to current public insurance schemes e.g. 3rd party injury liability insurance products

Overview of the Telecommunications sector and implications of COVID-19

Key Sector Objectives

- **Maximise population access to connectivity**
- **Enable economic growth and development through connectivity**
  - Enables new growth industries within and outside of traditional telco (e.g. IoT, Cloud)
  - Facilitates growing digital commerce and
- **Realise social development goals**
  - Greater financial inclusion
  - Expanded access to education platforms through e-learning
  - Improved access to healthcare through telehealth

Categories	Criteria	Analysis	Rationale
Sector and market analysis	Resilience		• Sector forms the basis of remote interactions and provides increasingly critical connectivity infrastructure required by other sectors and industries to function • Telcos have been able to continue operating largely uninterrupted by lockdown
	Security		• The sector is reasonably stable with limited volatility in returns due to the mature nature of the market, however there are several factors which have caused shocks e.g. Competition Commission etc.
	Job creation potential		• Telco sector has a limited ability to create direct jobs but has significant potential to create jobs indirectly through enabling the growth and expansion of other industries
Impact of Covid-19	Job loss		• Job losses in the sector likely to be limited as increased demand for connectivity will assist in protecting the sector's economic output and workforce. • However, some Telcos in weaker financial positions pre-pandemic will not be equally protected from job losses
	Supply and Demand		• Demand for data has increased significantly during the crisis (not all able to be monetised however), while that for voice services has declined through OTT substitution • As consumer and business incomes come under significant pressure, demand is expected to be subdued in the medium term
	Infrastructure		• Increased connectivity demand has placed strain on existing network infrastructure • Temp. Spectrum has been released assisting to alleviate pressure in mobile networks • Weakened Rand has an adverse impact on cost of additional infrastructure investment

Key challenges: the telecommunications industry faces five main structural constraints

Infrastructure and spectrum deployment

- Lack of **Rapid Deployment Policy** (RDP) creates **complexity and high costs** for operators to roll out network
- Under-allocation of spectrum **increases capex cost** and increases possible **network congestion**
- Lack of HDS* and RDP a driver **of high data prices** due to higher capex

Policy uncertainty

- Frequent changes in DCDT leadership has **stalled policy implementation** and created uncertainty in the industry
- **Lack of trust between industry, regulator and ministry** hampers effective working relationship
- **Major policy changes** prevented ICASA from auctioning HDS e.g. Policy on creation and licencing of WOAN

Institutional capacity

- **ICASA** could enhance its **technical and private sector telco experience**
- This could improve **effectiveness of decision making and build trust** through industry representation
- **DCDT should focus on strengthening managerial and technical skills required** to execute policy implementation

Regulatory and governance

- **ICASA Council** made up of 8 full time councilors **without clearly defined roles in the Act**
- DCDT appointment of ICASA councilors **creates a potential conflict of interest**
- **ICASA relies on parliamentary allocations,** independence could be enhanced through **greater financial autonomy**

Theft and vandalism

- Battery theft and vandalism remain a major challenge and **increases costs for operators and users**
- Frequent incidences of theft also cause **disruption in services for consumers**
- MTN has stated that in 2019 it spent more **than R100M dealing with acts of theft and vandalism**

Note: *HDS: High Demand Spectrum, DCDT: Department of Communications and Digital Technologies

Priority Actions: Addressing constraints and opportunities could add 65K jobs, R20B GDP, and R6B in tax annually

Rapid Deployment Policy

Enactment of RDP is needed to facilitate faster and cheaper roll out of network; critical to enabling 5G and continued investment in infrastructure

Spectrum Allocation

Spectrum allocation (incl. finalising digital migration and licencing of WOAN) is essential to unlocking network coverage/quality advancement

Regulatory and Departmental Capacity

Bolstering the skills and industry experience of ICASA and DCDT can improve institutional capacity to fulfil mandates

Policy Stability and Governance

Reduced turnover of leadership in DCDT and enhanced independence of ICASA important to drive policy stability, implementation continuity and build trust

Direct and indirect contribution

Full Potential Annual Uplift 2021 - 2030

+55-65k Jobs p.a.

R15-20B GDP p.a.

+R4-6B Tax Rev p.a.

Roadmap: Infrastructure and spectrum interventions are required in short term, with governance and regulatory changes longer term

Act Now — Plan Now

Immediate
Up to 6 Months

- **Resource ICASA with the financial and human capital** to complete spectrum auction by Dec '20
- **Re-energise digital migration** process – analogue to digital still not completed
- **Finalise Rapid Deployment Policy** to hasten rollout of networks
- Incentivise telcos to continue **assistance to business and consumers** in short term
- Facilitate **collaboration between state and operators to combat theft** and vandalism of network infrastructure

Ensure short term continuity of connectivity and minimize congestion

Medium Term
6 - 24 Months

- **Implement Rapid Deployment Policy**
- **Complete digital migration** of TV
- Create **certainty in the market around spectrum policy** and **issue High Demand spectrum** (Digital Dividend and 5G)
- **Prioritise 5G use cases** and sites and expedite rollout of high value services
- **Review financial services regulation** with view to promote access through mobile network operators
- **Bolster technical skills and experience** at ICASA and DCDT to enhance effectiveness

Reform regulatory environment to ensure longer term health of sector

Longer Term
2 - 5 Years

- **Explore network/spectrum sharing plans** with MNOs to deliver better last 1% coverage/quality
- **Enact governance changes to ICASA Act** to enhance independence
- Allow ICASA retention of licensing, other fees received to **promote self-funding**
- **Full spectrum availability** only possible once analogue to digital and digital to digital completed

Enable full potential growth through rapid implementation

Overview of the tourism sector and implications of COVID-19

Key Sector Objectives

- **Ensure an appropriate enabling environment** for tourism to flourish
- **Promote quality tourism products and services** across the country, with a diverse offering (Safari, cities, culture, adventure, beach & scenery) at all market levels
- **Promote the practice of responsible tourism for the benefit of South Africa** and for the enjoyment of all its residents and foreign visitors
- Provide effective **domestic and international marketing of South Africa** as a tourist destination
- **Support capability building and digitisation** in the sector
- **Create decent employment**, in particular in rural areas

Categories	Criteria	Analysis	Rationale
Sector and market analysis	Resilience		• 83% of industry companies report no chance of surviving lockdown conditions for 6 months • 2/3 of employees put on unpaid leave or partial unpaid leave
	Security		• N/A
	Job creation potential		• Industry is facing severe job losses; focus for the foreseeable future will be to maintain/restore the jobs at risk during the current crisis rather than generate new ones
Impact of Covid-19	Job loss		• Expected loss of 500 - 600k tourism related jobs (direct)
	Supply and Demand		• COVID-19 related travel restrictions have started hitting the sector since March with occupancy rates dropping to ~30-35% • Expected drop of R171,4bn to R195,5bn in tourism spend in the economy • High exposure of SMMEs to the sector
	Infrastructure		• Further exposure if airlines put discontinue key routes beyond the short term

Key challenges: the tourism industry faces 3 main structural constraints

Unprecedented drop in industry demand globally and in South Africa

- 95% of countries have travel restrictions in place affecting demand for tourism
- 70-80% near term erosion in travel revenue globally
- Hotel occupancy rate dropped to ~35% in Mar
- Expect R171,4bn to R195,5bn drop in industry spend
- 500 - 600k tourism related jobs expected to be lost

Extensive lock down period and lack of resiliency in industry

- Extensive lock down in South Africa combined with international border closure and lack of visibility on reopening
- Sector heavily dominated by SMEs and seasonal workers with limited financial resilience
- On average businesses currently achieving 5% of normal revenues
- 83% of companies state they have no chance of surviving current lockdown conditions for 6 months

Structural and short term changes in traveller needs

- High premium on flexibility and hygiene as new table stakes with >75% of travelers anxious about taking flights
- Shift towards domestic and regional tourism in period of uncertainty, benefitting more countries like China or Germany over South Africa
- Shorter booking lead times demanding a fully digital offering – not yet at par with SMEs in South Africa

Priority Actions: Addressing constraints and opportunities

- Tourism public-private coordination structures
- Supply continuity over next 6 months with liquidity relief measures
- Stimulation of domestic trips (substitution of outbound) and regional trips (tourism bubble)
- Staged reopening with protocols possibly adapted to asset classes and location
- PPP fund to support collaborative offerings in the sector
- Gaining fast market share on international restart via protocols and new source market approach

Potential 2020 uplift from domestic trips

- **70 -120k Jobs**
- **ZAR17-24bn GDP**
- **ZAR 850m-2.5bn Tax Rev[1] p.a.**

Potential 2020 uplift from gradual international re-opening

- **100 – 120k Jobs**
- **ZAR20 - 30bn forex spend**

1. From the 14% tourism VAT ; and assuming 0% optional bed tax

Roadmap: 4 interventions are required in the short term, 4 medium term and 1 long term

Act Now — **Plan Now**

Immediate
1 -2 Months

- **Set up centralised coordinated structures** to jointly coordinate the sector with both public and private actors
- **Issue sustainable liquidity relief** proportional to needs of sector (6 months+) to both employees and companies
  - **Grants, fiscal relief, debt relief** (e.g., Japan debt relief program) or **equity-like structures** to recapitalise
  - **Repurpose existing mechanisms** from government to support the sector (e.g. Export Marketing and Investment Assistance scheme)
- **Focus on domestic and regional tourism**
  - **Reopen sector pragmatically**
  - **Stimulate domestic demand** with dedicated marketing and promotion campaigns (e.g. repurpose marketing budgets, open domestic flights)
  - **Create "bubbles"** with countries with similar epidemiologic profile (e.g, SADC neighbours following the Australia – New Zealand model)
- **Incentivize protocol certifications** to build consumer confidence, consider the WTTC stamp
- **Gain international long haul market share** earlier by ensuring readiness
  - Adopt international **protocols and standards** for airports and airlines
  - Target **source markets depending on evolving sanitary situation** and opening/closing of borders
  - Maintain international visibility with **targeted marketing campaigns**

Medium Term
3 - 6 Months

- Leverage **"down time"** of sector to build better for the future
  - Support **renovation of hotels and BnBs** with dedicated measures and funds (e.g., interest free rates on renovations, slower write offs
  - Encourage **transition of workers from informal to formal economy** across all types of support provided (e.g. use downtime for employee reskilling and upskilling for tourism digitisation)
- Encourage **stronger sector offering coordination and promotion:**
  - Set up a **PPP fund to support coordination of joint sector "experiences" and packages** in the SME sector (e.g., Visit Britain PPP fund)
  - **Support sector digitisation**, in particular for SMEs, for example, via a tourism exchange platform
- Leverage "unique situation" to tackle **structural challenges** of the sector that lacked political momentum historically
  - **Review policies** that are long term impediments to the sector (e.g., Open Sky)
  - **eVisa system and Visa waivers**
  - **Unblock challenges – eg NPTR**
- **Set up new capabilities in government** to collect real time data and reiterate perspective on tourism strategy every 3 months
  - review sector governance model to improve collaboration between public and private players and deliver accordingly

Longer Term
1 - 3 Years

- **Review source market strategy** in light of long term shifts in outbound markets
- Adapt **product offering** to long term requirements of travellers
- Review sector governance model and **collaboration with private sector**

Appendices

Proposed policy interventions (1/4)

Positive high	Positive medium	Positive low	Negative low	Negative medium

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Interventions	Investment impact	Jobs impact	Fiscal impact	Second round effects	Inclusivity impact
Large scale infrastructure programme	Highly positive – if done in right PPP framework	Highly positive – short- to medium-term labour intensive construction	Medium positive – some infrastructure budgets can be substituted by PPPs, though some state funding for guarantees, etc	Highly positive – if done right infrastructure can improve economic efficiencies and capacity	Medium positive – infrastructure can be biased to serve areas with minimal economic activity – connecting areas to economic centres
Round #1Auction of existing spectrum	Medium positive – network providers will expand network capacity for 5G	Medium positive – investment requires jobs, including low skilled construction phases	Highly positive – proceeds of up to R15bn for government	Highly positive – lower cost and increased availability of broadband improves economic efficiency	Medium positive – helps bridge digital divide. Allows for wider broadband access
Digital migration (scheduled for 2021) and auctioning of released spectrum	Highly positive – large scale additional spectrum will trigger large investment by telcos	Medium positive – construction and telco employment growth	Highly positive – further auction proceeds	Highly positive – lower cost and increased availability of broadband improves economic efficiency	Medium positive – helps bridge digital divide. Allows for wider broadband access
Round 5 of IPP programme	Highly positive – IPPs invest large amounts into new energy plants	Medium positive – jobs created especially during construction. Bid requirements tilt this positively	Low positive – least cost energy available and likely also reduce average cost	Medium positive – will contribute to energy security	Highly positive – IPPs tend to be in rural areas with minimal economic activities. Socioeconomic programmes and employment impact
SOE reform	Medium positive – as part of an overall government fiscal improvement, good for confidence	Low negative – jobs will be lost in SOEs but more than gained in pvt sector. Transition will be painful	High positive – ending the state's subsidies of SOEs would save billions	Medium positive – more efficient SOEs may procure less but also provide better services in high economic multiplier sectors	Low positive – higher efficiency will improve services in rural areas

Proposed policy interventions (2/4)

Positive high	Positive medium	Positive low	Negative low	Negative medium

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Key interventions	Investment impact	Jobs impact	Fiscal impact	Second round effects	Inclusivity impact
Free red tape for other energy generation (small, medium and large scale)	Medium positive – particularly SSEG and utility scale EG will trigger investment	Highly positive - Labour intensive installation particularly for small scale <1MW and households	Low negative – potentially moving off grid will reduce Eskom revenue	Medium positive – higher energy security for the economy	Low positive – plants will tend to be at mines and other energy intensive users that are remote, so investment biased to rural areas
Energy industrialisation strategy (sparked by local content requirements)	Highly positive. Manufacturing in wind towers and solar components and household units could stimulate significant industrialisation	Medium positive. Manufacturing will include skilled and low skilled roles	Medium positive. Taxable new revenue, import substitution	Highly positive – potential to form an anchor industry with large multipliers into the economy	Medium positive – production will tend to be close to consumption which will be near IPP plants so rural bias
Eskom restructuring & unbundling	Medium positive. Effect on business confidence in energy security will support investment decisions	Low negative. Restructuring will reduce jobs at Eskom, but increase jobs in IPPs and wider economy. Net positive but transition will be difficult	Medium positive. Will reduce Eskom liability	Medium positive. Set the framework for reduction in energy costs and therefore increase in industrialisation	Medium positive. Greater competition in distribution though risks rural areas are seen as too disbursed
Ease of doing business/Red tape	Low positive – supports business start ups and efficiencies but relatively little in actual investment decisions	Medium positive – particularly if red tape around employment is reduced	Medium positive – red tape consumes government resources	Highly positive – improving efficiency increases capacity of whole economy with multipliers	Low positive – rural/poor communities will derive benefit from easier engagement with state, but not relative to urban high income

Proposed policy interventions (3/4)

Positive high	Positive medium	Positive low	Negative low	Negative medium

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Key interventions	Investment impact	Jobs impact	Fiscal impact	Second round effects	Inclusivity impact
Property rights certainty – s25 resolution and expropriation act resolution	Highly positive – if property rights can be absolutely clear and backed by legislation and institutions	Low positive – investment expansion will drive employment uptake	Low positive – revenue on property taxes grows	Medium positive – greater contract certainty lowers cost of doing business	Highly positive – clear rights for rural tenants would be positive as would meaningful land reform in rural areas
Regional financial services hub	Medium positive – a clear strategy with reliable regulation will trigger investment and expansion by financial services businesses	Medium positive – employment intensity can be promoted particularly in support services like administration and BPO	Highly positive – will attract offshore activities into the tax net	Medium positive – improves regional connections and capacity for trade	Low positive – mostly neutral though growth will bias toward urban areas
Mining Charter/MPRDA conclusion	Highly positive – reliable regulatory framework, particularly if returns on investment are not disrupted, will trigger significant prospecting and investment	Highly positive – mining is relatively employment positive, particularly if employment is built into Charter requirements	Highly positive – mineral royalties and other taxes collected on increased output	Medium positive – supply chains into mining have long-term benefit	Highly positive – most development of mines will be in rural areas
Oil & gas bill revisions	Highly positive – reliable regulatory framework, without distortionary free carry, will trigger large scale investment	Low positive – skills intensive particularly at exploration and development stage.	High positive – royalties and tax collection	Medium positive - Potential to spark gas-based low- cost energy and industrial uses	Low positive – mostly neutral but some spillovers from gas industrialisation

Proposed policy interventions (4/4)

Positive high	Positive medium	Positive low	Negative low	Negative medium

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Key interventions	Investment impact	Jobs impact	Fiscal impact	Second round effects	Inclusivity impact
Labour law reform – amendments for small business, restrictions on bargaining council extensions	Low positive – some business expansion will be supported	Highly positive – freeing up ease of employing will increase employment particularly among small businesses	Medium positive – increased employment and PAYE	Medium positive – multipliers as small business and employment grows	Medium positive – greater employment flexibility will grow employment in rural areas
Employment tax incentives for youth	Low positive – mostly neutral but some investment on the margin	Medium positive – does have small impact on critical youth sector. With adjustments, could be larger	Medium negative – subsidy has direct fiscal cost and does displace some PAYE revenue	Low positive - largely neutral with positive sentiment driver from increased youth employment	Medium positive – youth are disproportionately poor and rural
A new expanded public works programme	Low positive – mostly neutral but perception of dealing with unemployment will be sentiment positive	High positive – can easily employ large numbers of low-skilled workers. However, productivity of this employment must be watched	Medium negative – cost to fiscus, though can be offset if channeled into projects with positive multipliers	Low positive – largely neutral with positive sentiment driver from increased youth employment	High positive – if programmes are biased to rural and poor areas via employment impact but also public good of works outcomes.

Thank You

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