

Economic Recovery and Reconstruction Plan

A summary of actions by the DTIC Draft.



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Framing the challenge

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1. The new Administration took office in 2019, with a focus on growing the economy
2. President Ramaphosa identified structural constraints to growth and announced the **Re-imagined Industrial Strategy**:
 - Integrating the African market through the AfCFTA
 - Growing domestic production through a localisation strategy
3. But in March 2020, **COVID-19** struck with devastating health and economic impact; **the dtic** acted with urgency to support the health system, protect livelihoods and localise.
4. Following a steep decline during the hard lockdown, the economy began a **rebound** from 2021, while managing new waves of the pandemic, adjusting to a new way of working in the face of COVID-19, and developing the ERRP.
5. As the economy had begun to rebuild momentum, the **July Unrest** in KZN and Gauteng interrupted the growth surge. While the *physical* damage was restricted to firms in these provinces, the negative impact has been felt throughout the economy.
6. After July, focus has shifted to consolidating responses to COVID-19 and the Unrest, while refocusing work around three strategic objectives: Industrialisation, Transformation, and Building a Capable State

Economic Reconstruction and Recovery Plan

- The Economic Reconstruction and Recovery Plan (ERRP) responds to both COVID-19 and the July Unrest, while laying the groundwork for a more sustainable, resilient and inclusive economy
- ERRP was developed in **three phases**:
 - **Phase 1**: Responding to COVID-19 (March - October 2020)
 - **Phase 2**: Negotiation and completion of ERRP document (October 2020)
 - **Phase 3**: Responding to the July unrest, while accelerating implementation (July/August 2021 – current)

Economic Reconstruction and Recovery Plan

- Eight **key elements** of the ERRP
 - Strategic localisation, industrialisation and export promotion
 - A massive rollout of infrastructure
 - A new paradigm for energy
 - Gender equality and economic inclusion of women and youth
 - An employment stimulus to create jobs and support livelihoods
 - Renewed support to grow SA businesses
 - Fast-tracking reform measures for a competitive and inclusive economy
 - Strengthening agriculture and food security

The dtic's contribution to the ERRP

Phase 1: Responding to COVID-19

Phase 1: March-October 2020:

- Economic impact assessment and measures to mitigate shocks;
- Supporting health measures: essential health and PPE stocks;
- Food and hygiene product supply-lines: from farm to shop – rush on shops and the challenge of shortages;
- Solidarity and social protection measures to assist the vulnerable – worked within government to activate the UIF and seed the Solidary Fund;
- Regulatory support to facilitate cooperation and keeping firms in business: finance, healthcare, hotels, shopping centres;
- Protecting consumers: Action against unfair price rises; and
- Global coordination and engagement.

Phase 2: Building the ERRP

Phase 2: ERRP: October 2020 to date – 8 areas of focus

1. Initial funding support to industrial sector, including SMMEs in distress, and loan repayment holidays for IDC and NEF clients;
2. Solidary and Social Funding, including. UIF, R350 Grant and SETA payment holiday'
3. COVID industrial economy, including localising facemasks, surgical gloves, ventilators, vaccines, anaesthetics, and securing access to key pharmaceuticals, test kit reagents;
4. Competition measures, including immediate steps of more flexibility for coordination and tough steps against price gouging, and identifying longer-term issues of concentration;

Phase 2: Building the ERRP

Phase 2: ERRP: October 2020 to date – 8 areas of focus

5. Global coordination to assert African countries' right to access to affordable vaccines, support for AU position to encourage vaccine production in Africa;
6. Risk-based re-opening of the economy;
7. Reignite growth to recover: AfCFTA and export markets, responsiveness to unfair trade practices (including under/mis-declarations); and
8. Job creation: special measures to support job creation through GBS package, and announcement of infrastructure build programme.

Phase 2: Building the ERRP

Phase 2: Implementation

- Localisation: Meetings with sectors, Negotiations at Nedlac, Targets set, 'CEO champions' appointed, and project approach introduced;
- Investment Conferences:
 - 2020 pledges of R110bn. Total investment pledges amount to R770bn or 64% of the R1.2 trillion investment target.
 - 2022 Conference scheduled for 24 March: target is to have pledges and commitments worth at least R190 billion to reach 80% of the target.

Phase 2: Building the ERRP

Phase 2: Implementation

- Sector support:
 - Steel Value-chain: finalised industry plan incl. export tax and extension of PPS, new investments facilitated;
 - Furniture Value-chain: finalised industry plan with substantial upstream investments to alleviate board shortages;
 - CTFL: tariff rebate, significant new investment as retailers pivot to local sourcing to deal with supply-chain disruptions; and
 - GBS: 18,000 jobs created in 2021/22 with 87% for youth and almost 70% for women.

ERRP: July 2021 Unrest

Phase 3: July unrest

- Key actions: Survey of the damage; Secured supply-chains; Launched a Fund
- Support to firms affected by Covid and July unrest
- By 2021, this was scaled up and lessons from 2020 were incorporated
- Amounts: R3,7 billion identified; R3 billion worth of projects approved
- Breakdown by
 - Jobs: 38 000
 - Applications approved: 1934
 - Sites: 2 172

ERRP: July 2021 Unrest

Phase 3: July unrest

- **The dtic** drew on multiple sources to quantify the extent of damage incl. self-reporting survey of businesses; estimates by members of the SA Property Owners Association, and projections of damage by the SA Council of Shopping Centres.
- To address the need to move with speed, a financial package was developed within the first two weeks of the unrest, drawing on discussions within government and between **dtic** agencies.
- To take account of the challenges with the 'normal' approach, **dtic** agencies developed a pipeline beyond traditional IDC/NEF clients, using both conventional application processes and following up on survey results as well as site visits and virtual meetings.

ERRP: Economic Recovery Fund

Phase 3: July unrest

- In August 2021, **the dtic** Group launched the R3.75 billion fund.
- The close collaboration amongst **the dtic** agencies ensured a coordinated approach and partnerships with the UIF, Sasria and Sefa reduced the probability of 'double dipping' from applicants.
- Over a period of less than a year, the fund approved R3 billion for 1,958 applications from affected businesses in 2,172 sites mainly across KZN and Gauteng.
- R2 billion has already been disbursed supporting these businesses not only to build back faster and better but to also retain approximately 38 000 existing jobs. The retention of these jobs enabling these employed citizens to be less dependent on social grants and contribute towards the fiscus through taxes and their buying power.

ERRP: Economic Recovery Fund District Support

KwaZulu-Natal	Number of Sites
eThekweni Metropolitan Municipality	794
Amajuba District Municipality	50
Ilembe District Municipality	122
King Cetshwayo District Municipality	162
Sisonke (Harry Gwala) District Municipality	57
Ugu District Municipality	159
uMgungundlovu District Municipality	117
uMkhanyakude District Municipality	27
uMzinyathi District Municipality	77
Zululand District Municipality	11

Gauteng	Number of Sites
City of Ekurhuleni Metropolitan Municipality	119
City of Johannesburg Metropolitan Municipality	313
City of Tshwane Metropolitan Municipality	118
Sedibeng District Municipality	20
West Rand District Municipality	2

Cape Town	Number of Sites
City of Cape Town	1

Case studies

Case Study – Autos Masterplan

- **East London:**

- APDP supports Mercedes Benz R10bn C-Class investment.
- East London plant is one of only 3 plants globally with Bremen & Beijing to produce C-class.
- Additional R3bn investment announced.
- Technologically advanced plant with focus on skills development in robots and environmental sustainability.

- **eThekweni:**

- Toyota SA's R2.6bn investment in producing Corolla Cross, SA's first locally-produced, commercial-scale hybrid vehicle.
- Substantial increase in localisation with 621 parts produced in SA.
- This equates to R2.8bn annually in local orders sustaining thousands of jobs in tyre, profiles, mouldings, sound-proofing, glass and suspension spring production.

Case Study – Tshwane SEZ

Tshwane East:

- Ford's commitment of R16 billion expansion of SA production facility.
- The establishment of a supplier park in SEZ – 12 investors already attracted investing just over R4.3 billion, expected to create over 2000 direct jobs.
- A further group of Investors with projects estimated at R545m and 585 jobs have also expressed interest to invest in the SEZ.
- The construction project has overall SMME procurement spend target of 45%; to date, 23 SMME packages to the value of R179m (43%) have been awarded.
- In addition to the SMME procurement target, the construction project has a target of 175 SMME work packages to the value of R651m.

Case Study – Local Industrial Parks

Since inception in 2016/17 12 industrial parks have completed phase 1, of which 6 were approved for phase 2. A further 2 industrial parks were approved for phase 1 in 2021/22.

Industrial park	Province	Status
Babelegi IP	Gauteng	Phase 2 approved
Botshabelo IP	Free State	Phase 2 approved
Isithebe IP	KwaZulu-Natal	Phase 2 approved
Mogwase IP	North West	Phase 2 approved
Seshego IP	Limpopo	Phase 2 approved
Vulindlela IP	Eastern Cape	Phase 2 approved
Dimbaza IP	Eastern Cape	Phase 1 completed
Ekandustria IP	Gauteng	Phase 1 completed
Garankuwa IP	Gauteng	Phase 1 completed
Komani/Queendustria IP	Eastern Cape	Phase 1 completed
Nkowankowa IP	Limpopo	Phase 1 completed
Phuthaditjaba IP	Free State	Phase 1 completed
Uppington IP	Northern Cape	Phase 1 approved
Wild Coast IP	Eastern Cape	Phase 1 approved

Uppington
ZF Mgcawu
district
(Northern Cape)

Total
approved:
R49m

INDUSTRIAL PARKS APPROVED IN 2021/22

Uppington Industrial Park was approved in July 2021 for phase 1 to invest in security and road infrastructure, as well as storm water drainage and electrical infrastructure.

The park is the central point of the Northern Cape industrial corridor and aims to attract investors in the following industries:

- Renewable energy (Generation)
- Renewable energy (Component manufacturing)
- Aviation (Maintenance and repair)
- Agro-processing (Grapes and Algae production)
- Technology
- Business incubation
- Automotive (Vehicle testing)

Wild Coast
King Sabata
Dalindyebo
District
(Eastern Cape)

Total
approved:
R49.6m

Wild Coast Industrial park was approved in August 2021 for phase 1 to invest in Roads infrastructure, water supply, waste water and drainage infrastructure, as well as electrical infrastructure. The park will support the creation of jobs in this area (unemployment rate of 43%). It will be clustered in the following sectors:

- Manufacturing
- Commercial
- High intensive Agro-processing
- Accommodation and Hospitality

Impact of the Economic Recovery Fund

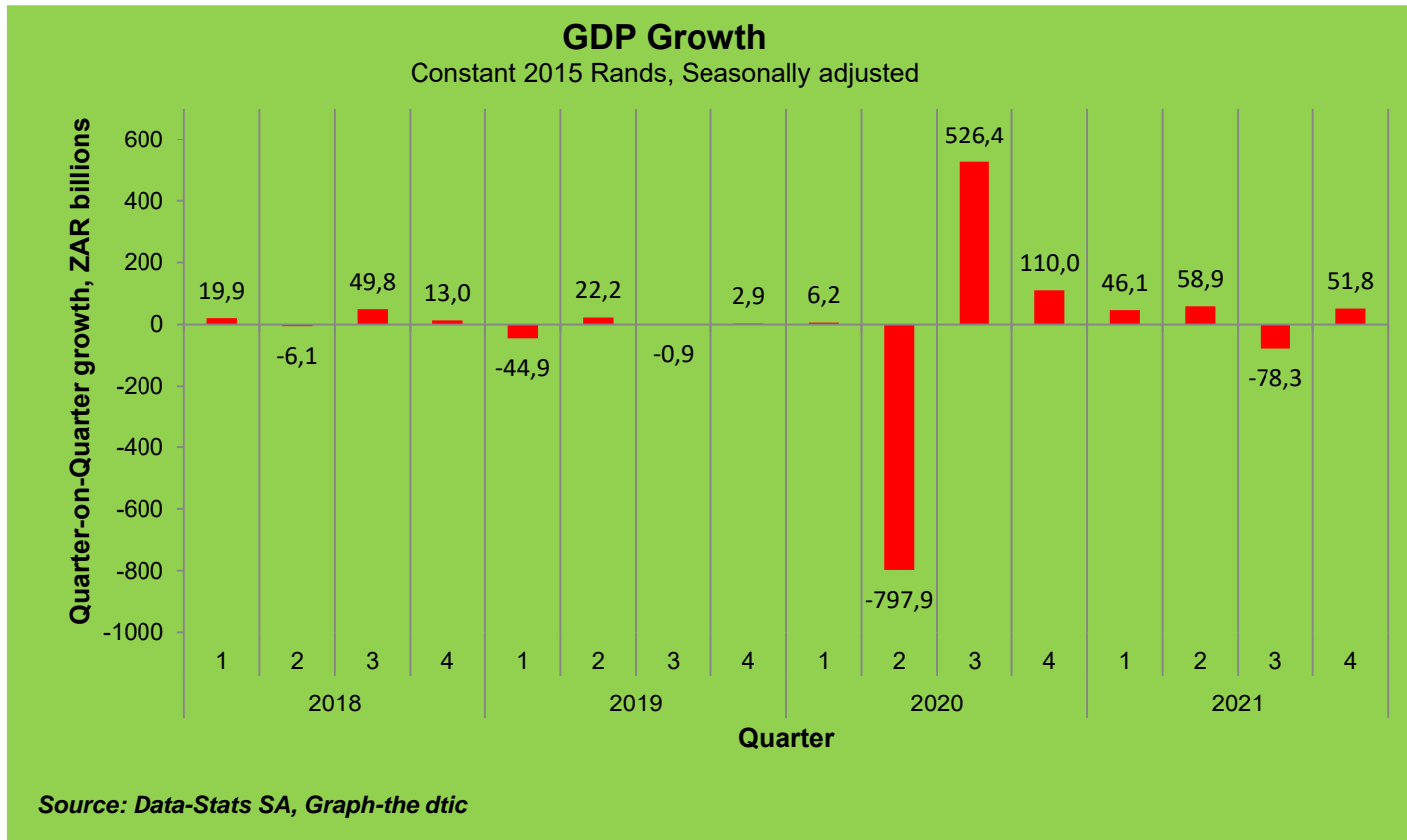
IDC has provided grants to 142 sugar cane growers totalling R17m and saving over 6500 jobs.

87-year-old Mrs Patricia Mbele was watching the news when she heard of the unrest. She was unaware that her cane in Malangeni, Umdoni, had been set alight by the looters. She has ran her farm since the 70's, "the day they burnt my sugar cane field was around the 11th or the 12th...my heart broke and I lost all hope."

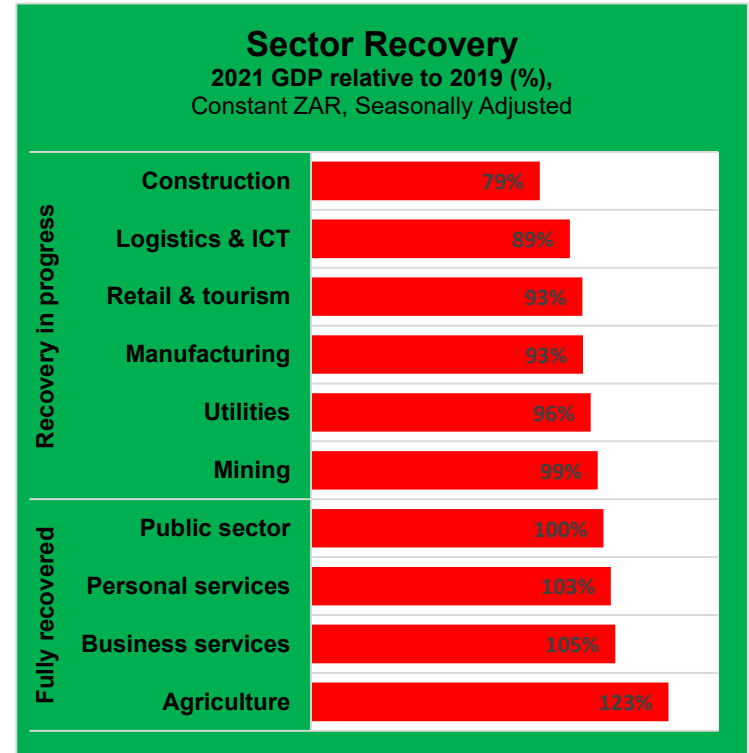
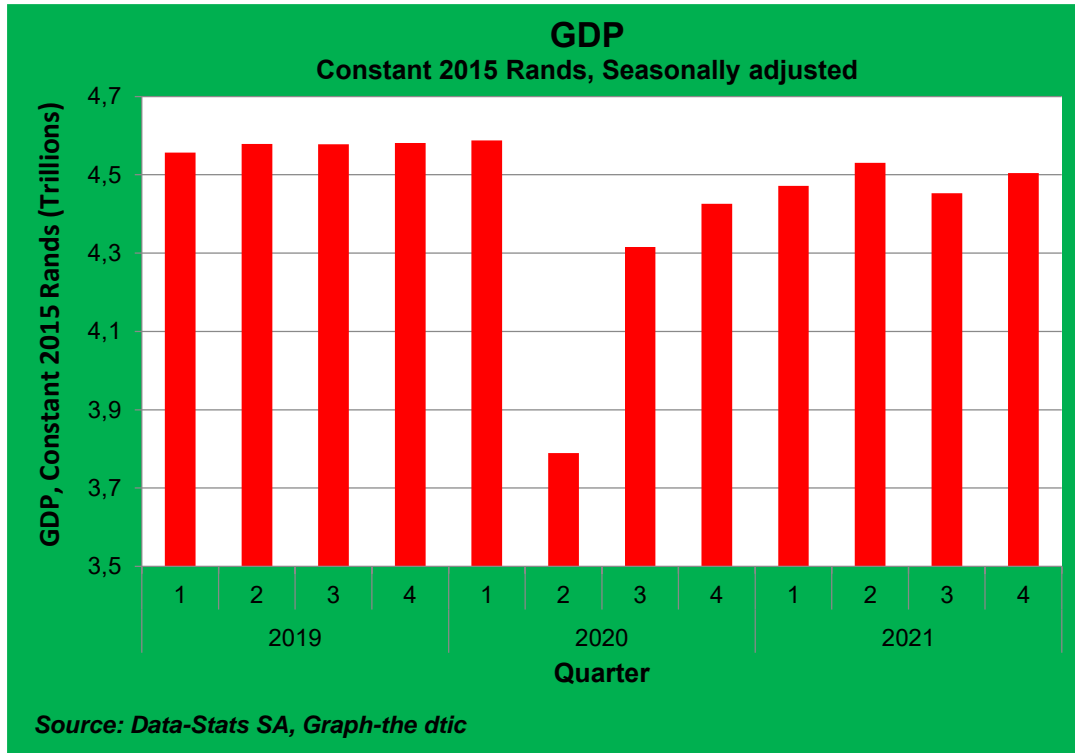


"On the day of the unrest, they burnt my sugar cane fields. I was heartbroken because I lost everything" Mzunywa Ngubo, a small scale farmer from Malangeni, in Oswanini Ward 7.

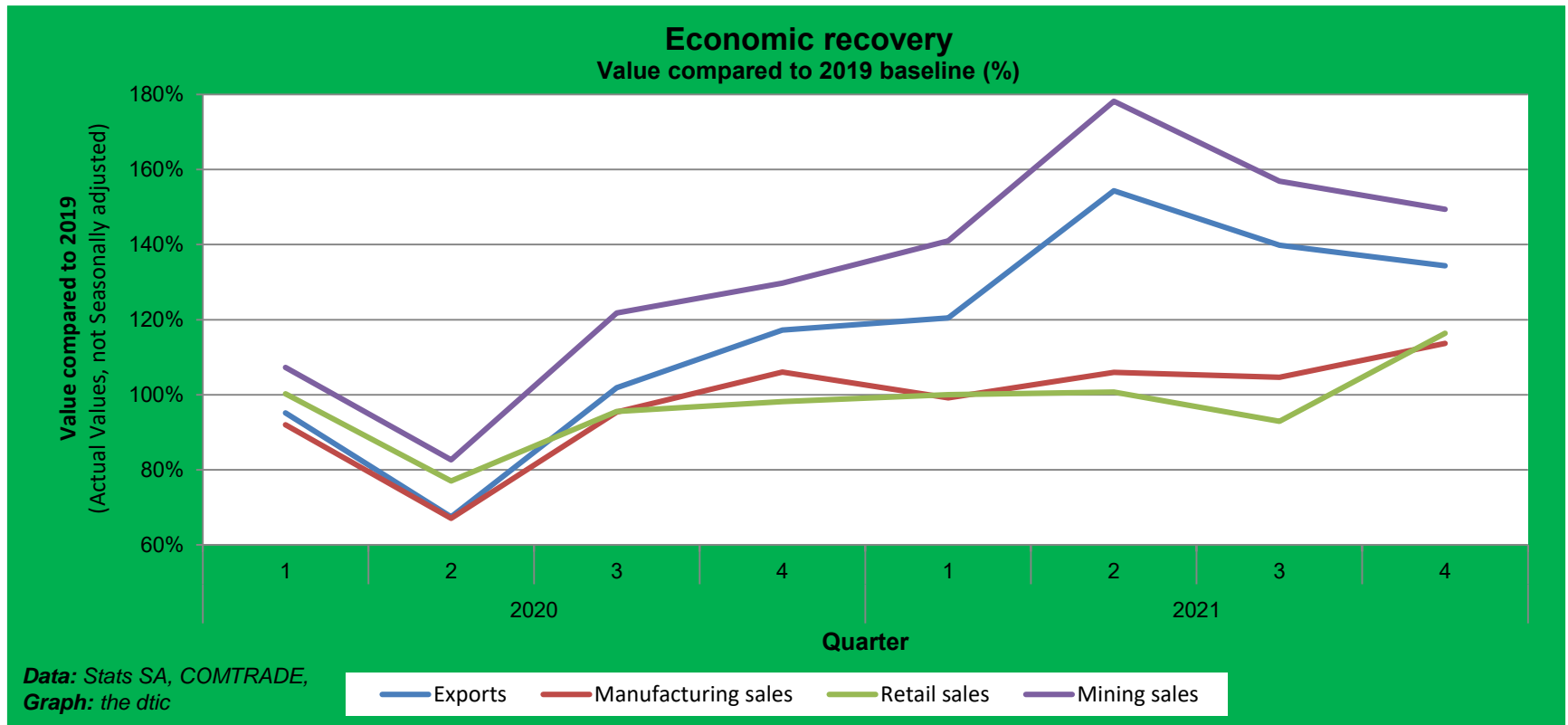
GDP performance following onset of pandemic



Framing the challenge: GDP



Framing the challenge: The Recovery



Scaling up the recovery – the dtic measures

New APP Introduced Last Year

Integrated approach: Seven joint-KPIs introduced covering

1. Integrated support to drive industrialisation,
2. AfCFTA export plan,
3. Investment facilitation and growth,
4. District development model and spatial equity,
5. Transformation,
6. Green economy, and
7. Building a capable state.

Early wins: Joint response to July unrest, integrated reporting on industrialisation, localisation and DDM dashboards.

SONA 2022 – Key Messages

Phase 4: Post SONA 2022

- Comprehensive social compact to grow our economy, create jobs and combat hunger;
- New opportunities for growth & jobs (Hydrogen, GBS, Cannabis and Social Economy);
- Localisation for domestic market AND exports (incl. anaesthetics, vaccine production);
- Public infrastructure;
- Reducing red-tape = smart regulation;
- Revamping the industrial and manufacturing potential (Agriculture sector, Masterplans);
- Investment promotion (mineral exploration and upstream gas, Evs, Renewable Energy); and
- Beginning trade under the ACFTA agreement.

The dtic new approach: Key considerations

Phase 4: Post SONA 2022

- Focus on Re-imagined Industrial Strategy and structural reforms;
- Centre piece of government vision, emphasizing concrete action;
- Multipronged approach to industrial development, focusing on building partnerships with the private sector in order to unleash job-creating investment;
- Driven by Master Plans in priority sectors and by localisation efforts, including leveraging state and private sector procurement.
- **Economic circumstances require a new approach, a sharpened focus on 3 key objectives.**
- **Leveraging the full financial and human resources of the DTIC and its 18 entities, to meet the needs of our citizens.**

The dtic new approach: Three Key Outcomes

- Informed by both the country's imperatives to address high unemployment, poverty and inequality; and the urgent need for a speedy economic recovery as set out in the ERRP and the 2022 SONA.

Outcome 1: Industrialisation

- Build dynamic firms in the South African economy through a combination of efforts in partnership with the private sector;
- Promoting the green economy;
- Focus on growth opportunities in the domestic market;
- Build a wider export market (particularly in Africa) to assist with scale;
- Combine demand-creation with supply-side reforms at sector and firm-level to build industrial competitiveness and create jobs.

Outcome 2: Transformation

- Address structural challenges to growth through active competition policies;
- Focus on policies that promote spatial transformation, enabling more balanced growth between rural and urban and between provinces; and
- Strengthen inclusivity / transformation in the quality of growth, including broadening worker ownership and more inclusive corporate governance models.

Outcome 3: Capable State

- **Build greater capacity to ensure that national objectives are achieved through a new culture of partnership in the economy;**
- Promoting smart regulation (through cutting red-tape, ensuring effective regulation and reviewing internal processes; and
- Working closely with stakeholders and other parts of the state to forge a social compact with business and labour.

The dtic new approach: Strategic projects

SA's spatial economy remains a source of deep inequalities. Rural areas and townships are held back by poor service delivery, narrow consumer spending, and concentrated markets. *Inclusive growth* requires more equitable, targeted development, and wider access to opportunities.

Smart regulation requires the dtic to address red-tape and compliance in internal processes so that we can support firms better and faster. Red-tape entrenched in legislation and regulations will require careful assessment of how public policy objectives can be achieved more cost-effectively and with less bureaucracy.

Conclusions

- Government's economic policy will be scaled up: Structural reform of network industries, expanding and modernizing infrastructure, private-sector investment, localisation, and exports especially through the AfCFTA.
- COVID-19 highlighted SA's vulnerability to global supply chains in strategic areas such as pharmaceuticals, PPEs and vaccines. SA is fortunate to have both the scientific and industrial capability to localise these products.
- Localisation provides the economies of scale to be able to leverage off production for the domestic market and to enter new export markets. Few countries grow export markets without first building a domestic presence.
- The July unrest strengthened our resolve to build resilient, sustainable value-chains that create the potential for *inclusive growth*, which remains our key objective in order to create a better life for all.