

Update to the President

01 August 2023



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

Agenda

- 1. Opening remarks by the President**
- 2. Introductory remarks from Business**
- 3. Focal areas: overview of progress and key requirements**
 - a. NECOM**
 - b. NLCC**
 - c. JICC**
 - d. Communications and narrative**
- 4. Agree next steps on focal areas**
- 5. Employment research update**
- 6. Closure**

Introductory remarks from Business

115+ South African CEOs have pledged their commitment to building the country

Energy & Mining

FMCG & Retail

Healthcare

Manufacturing, Industrial, Motor & Logistics

Financial Services & Insurance

Legal and Professional Services

Technology, Media & Telecommunications

Property, Development and Construction

Other

Additional signatories being confirmed

Pledged organisations represent over R 11 trillion in market capitalisation and more than 1.2 million employees

Business has mobilised to directly support focal areas

Energy

Transport & Logistics

Crime & Corruption

Focal areas:

Overview of progress and key requirements

Progress has been made in each focal area since 6 June 2023 meeting



A collaborative approach to achieve inclusive growth, inspire confidence and create jobs
6 June 2023

Next six weeks

Mobilise resources, establish timeframes and commence work

- Deliverables, targets and work plans defined for each priority
- Private sector teams mobilised and integrated into workstreams
- Coordination structures (including NLCC and JICC) established
- JSOC convened

Next three months

Build momentum

- All priority projects fully resourced and in implementation
- Initial results visible (leading indicators)
- Three-month targets achieved: e.g. increasing load factor of OCGTs to curb load shedding over winter

Next six months

Demonstrate results

- Six-month targets achieved: e.g. improvement in performance of identified power stations and rail corridors
- Impact communicated to the public
- Additional priorities identified for further collaboration

Energy: Significant progress on the Energy Action Plan after one year

PROGRESS SINCE 6 JUNE

1

Business integrated into three NECOM work streams

2

Mobilised joint teams in initial areas

3

Launched One Stop Shop for energy projects

4

Formally tabled the ERA Bill in Parliament

5

Marked one-year anniversary of the Energy Action Plan

Progress on key objectives after one year of the Energy Action Plan

- ✓ **Regulatory changes implemented** to remove licensing threshold and enable private investment in electricity generation
- ✓ **Generation Recovery Plan being implemented**, with unplanned losses reducing
- ✓ **One Stop Shop officially launched** to provide single entry point for renewable energy projects to obtain necessary authorisations
- ✓ **Installed rooftop solar more than doubled** since June 2022, with support from new tax incentives and financing schemes
- ✓ **Ministerial determination issued** for more than 14000 MW of new generation capacity from wind, solar & battery storage

Business support mobilised in three critical areas

- **Optimising diesel supply chain at Ankerlig** to increase load factor
- **Supporting the return of additional units at Kusile** through on-time completion of temporary stack
- **Supporting power station managers to implement turnaround plans** at four identified stations

Interventions aim to recover c.5.4GW of system capacity over next 12 months

Work underway to scope additional support areas and establish regular interface for input on critical policy-related issues

Energy: Promulgating the ERA and establishing an independent transmission company this year are the most vital steps on the critical path to end load shedding and achieve energy security

KEY CRITICAL NEXT STEPS

1

Put in place expedited process for passage of the ERA

- Essential for unbundling of Eskom and energy market reforms – outlines powers and functions of Transmission System Operator and establishes a competitive electricity market
- Will require expedited process to pass Bill in Sixth Parliament, similar to General Laws Amendment Bill and Eskom Debt Relief Bill

2


Complete the establishment of the National Transmission Company

- One of three license applications approved by NERSA – trading and import/export license need to be expedited alongside appointment of independent board to operationalise NTCSA

3

Fully operationalise the One Stop Shop for energy projects

- Over 100 private sector projects currently being tracked and facilitated
- Need to ensure that recently launched One Stop Shop has adequate capacity and systems to actively support project developers and support from relevant departments



Required to unlock
> R200 billion
sector
investment to
expand the grid
and reduce load
shedding

Transport & Logistics: The National Logistics Crisis Committee has been established and work streams constituted

PROGRESS SINCE 6 JUNE

1

Workstreams constituted for Operational Recovery, Security and Procurement

2

Corridor Recovery Teams transitioned to NLCC

3

Team mobilised on N4 road corridor, focus on Lebombo border post




4

Procurement workshop with Transnet, NT, DTIC identified key next steps to overcome constraints

5

Data room established enabling independent diagnostics of operational challenges

Progress operationalising NLCC in partnership with business

- 
4 strategic commodity export supply chains confirmed:
Coal, Iron Ore, Manganese, Chrome/Magnetite
- 
Mandated teams from Transnet, industry and NLCC secretariat jointly addressing performance constraints in regular sessions
- 
Additional Container Corridor Recovery Team constituted with representatives from all major shipping lines, agriculture and automotive
- 
Appointment of international terminal operator to partner in Durban Pier 2 container terminal

Seven work streams identified:

1. Improving operational performance of freight rail network/port system
2. Improving road transport and border transit
3. Structural reform of the freight logistics system
4. Procurement
5. Financing
6. Security
7. Communications

Transport & Logistics: Finalisation of the Freight Logistics Roadmap is pivotal in establishing a shared vision and clear targets

KEY CRITICAL NEXT STEPS

1

Finalise Freight Logistics Roadmap

- Roadmap essential to align all actors behind short and long term reform agenda, support operational recovery and private sector investment in new capacity
- OV undertaking final round of stakeholder consultations before roadmap is finalised
- Draft to be agreed post-consultation by end August 2023 for Cabinet approval by end September 2023

2

Remove procurement constraints

- OCPO to implement agreed actions, inc. departure from instruction notes 2 & 3 in terms of section 79 of the PFMA by 04/08/23
- Longer-term review needed to develop fit-for-purpose procurement regime for Schedule 2 entities which operate on commercial basis – *e.g., inability to procure without budget secured in advance*
- Currently no mechanism to enable private sector step-in support without audit findings

3

Constitute Structural Reform Workstream

- Continue meaningful consultation with business to ensure alignment of expectations and urgent delivery
- Constitute Structural Reform Workstream by early August 2023
- Expedite reform agenda to leverage private sector's investment and participation through input and alignment



Required to
increase export
revenues by
R50 billion by
end of 2024

Crime & Corruption: JICC is being operationalised – key priority is to expedite the establishment of the Investigating Directorate as a permanent entity with investigating powers

PROGRESS SINCE 6 JUNE



KEY CRITICAL NEXT STEPS

1. Empower the Investigating Directorate

- A key commitment in the response to the report of the State Capture Commission and **critical enabler for the NPA to execute on its mandate**
- Key priority is to ensure that **NPA Amendment Bill is approved by Cabinet and tabled by end August 2023** and follows expedited process in Parliament

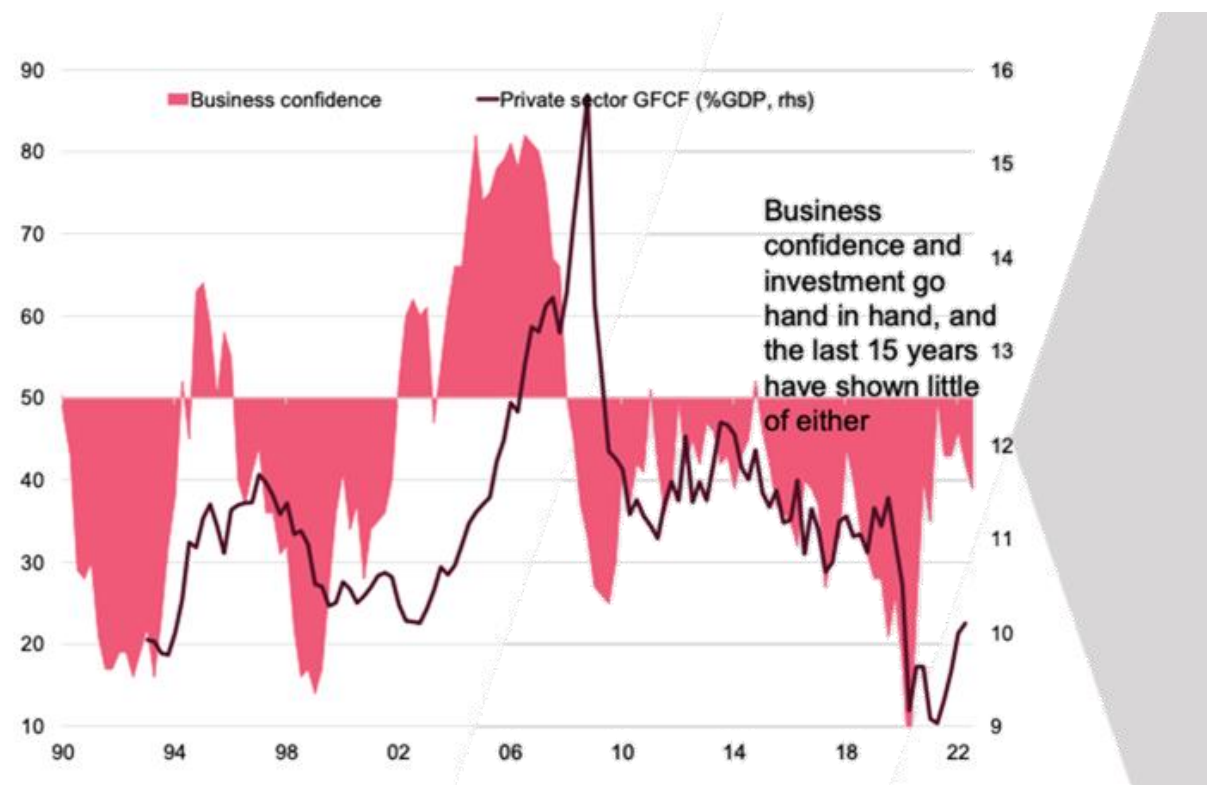
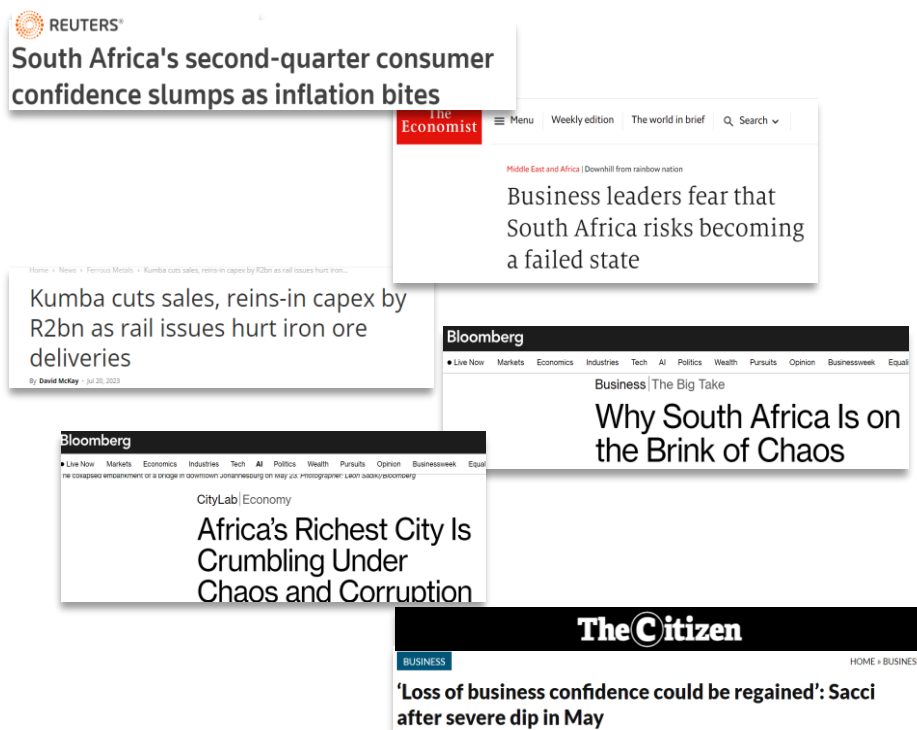
2. Operationalise joint delivery mechanism with senior decision makers

- **Priorities to be finalised** and workstreams established without delaying existing co-operation initiatives (e.g. 10111)
- **Good momentum** on the Justice and NPA workstream
- **Alignment across government structures** required to ensure all decision makers and role players are represented appropriately



Required for **increased public & investor confidence and reduced impact of criminal activity** on Transnet & Eskom (losses of R4bn-R16 billion)

A joint focal area on communications needs to be established to build confidence in SA's growth story



With confidence the lowest it has been since 2015, it is critical to develop a joint domestic and international engagement plan to build investor and public confidence

Agree next steps on focal areas

Regular meeting cadence is required to maintain momentum over the next 5 months

Dates illustrative

Proposed cadence	July	August	September	October	November	December
President meeting with CEOs (virtual/physical as required) <i>Every 6 weeks</i>		◆	◆	◆	◆	◆
Joint Strategic Oversight Committee (JSOC) <i>Every 2 weeks</i>	▲	▲ ▲	▲ ▲	▲ ▲	▲ ▲	▲ ▲
National Energy Crisis Committee (NECOM) <i>Every week</i>		▲ ▲ ▲ ▲	▲ ▲ ▲ ▲	▲ ▲ ▲ ▲	▲ ▲ ▲ ▲	▲ ▲ ▲ ▲
National Logistics Crisis Committee (NLCC) <i>Every week</i>		▲ ▲ ▲ ▲	▲ ▲ ▲ ▲	▲ ▲ ▲ ▲	▲ ▲ ▲ ▲	▲ ▲ ▲ ▲
Joint Initiative to Fight Crime and Corruption (JICC) <i>Every 2 weeks</i>		▲	▲	▲ ▲	▲	▲
[Joint Comms and Narrative] <i>Every 2 weeks</i>		▲ ▲	▲ ▲	▲ ▲	▲ ▲	▲ ▲

Immediate next steps for August 2023

	Critical next step	Detail	Responsible Department	Timeline
Energy	1 Promulgate Electricity Regulation Bill (ERA)	<ul style="list-style-type: none"> Agree expedited process to ensure passage of ERA Bill in Sixth Parliament 	<ul style="list-style-type: none"> DMRE 	August 2023
	2 Complete establishment of the NTCSA	<ul style="list-style-type: none"> Engage with NERSA to agree approval timeframes of remaining two licenses Finalise appointment of board members for NTCSA 	<ul style="list-style-type: none"> DPE/Eskom 	August 2023
	3 Fully operationalise One Stop Shop	<ul style="list-style-type: none"> Fully capacitate to coordinate tracking of >100 private sector projects 	<ul style="list-style-type: none"> DTIC 	August 2023
Transport & Logistics	4 Finalise Freight Logistics Roadmap	<ul style="list-style-type: none"> Conclude stakeholder consultation on the Freight Logistics Roadmap and submit to Cabinet for approval 	<ul style="list-style-type: none"> Operation Vulindlela 	August 2023 (for approval by Cabinet in September 2023)
	5 Address procurement constraints	<ul style="list-style-type: none"> Approve departure in terms of s79 of the PFMA for urgent requirements Review procurement regime for Schedule 2 entities which operate on a commercial basis Establish mechanism to facilitate private sector support 	<ul style="list-style-type: none"> National Treasury 	August 2023
Crime & Corruption	6 Empower the Investigating Directorate	<ul style="list-style-type: none"> Table and approve the NPA Amendment Bill to establish the Investigating Directorate as a permanent entity and grant it investigating powers 	<ul style="list-style-type: none"> Department of Justice 	August 2023
	7 Operationalise joint delivery mechanism	<ul style="list-style-type: none"> Operationalise JICC, including confirming senior decision makers to membership, finalising priorities and establishing workstreams 	<ul style="list-style-type: none"> SAPS/NPA/NATJOINTS 	August 2023
Cross-cutting	8 Establish joint communications focal area	<ul style="list-style-type: none"> Establish focal area to drive effective joint media, communications and engagement strategy 	<ul style="list-style-type: none"> Presidency/GCIS 	August 2023
	9 Establish regular cadence of key meetings	<ul style="list-style-type: none"> Standardise meeting cadence with commitment to attendance Flexibility between physical and virtual meetings 	<ul style="list-style-type: none"> Presidency 	August 2023

Employment research update

1 August 2023



Presentation overview

The South African Context

Top constraints on growth



Energy



Transport & Logistics



Crime & Corruption

Focus for today

Initiatives already underway



PRESIDENTIAL
EMPLOYMENT
STIMULUS



PRESIDENTIAL
YOUTH
EMPLOYMENT
INTERVENTION

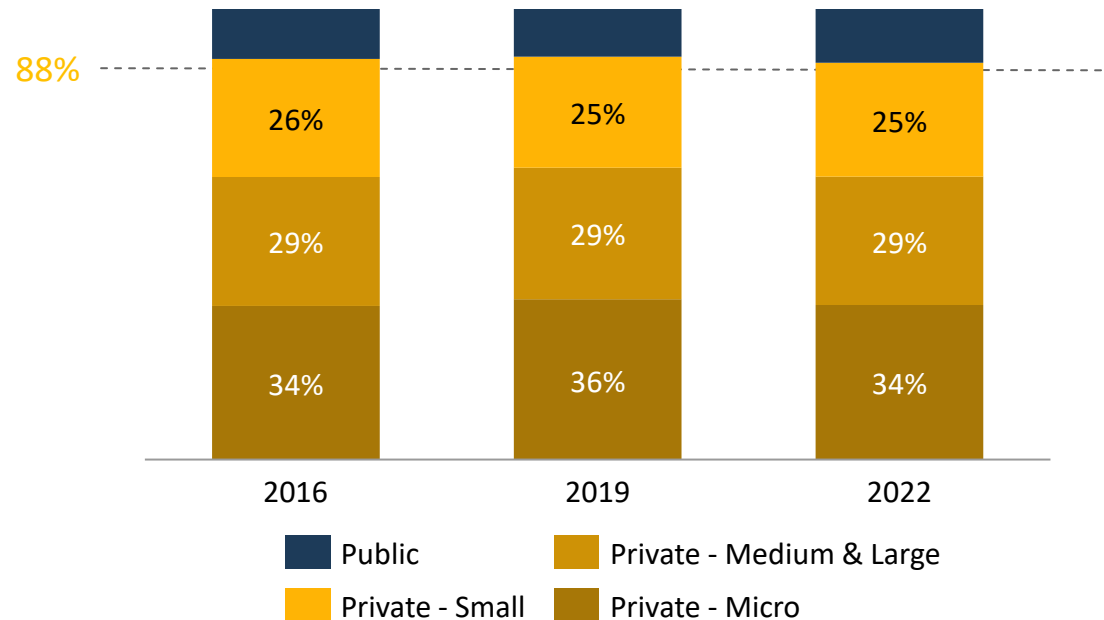
Wider research considerations

- What SMMEs need to be able to grow and create more jobs
- How the informal / township economy can be supported
- Which industries create the most jobs
- Lessons learned from international case studies

Focus for next meeting

The private sector is the primary driver of job creation, contributing 88% of total employment in South Africa

Percentage contribution of Private and Public sector to jobs (2016-2022, %)



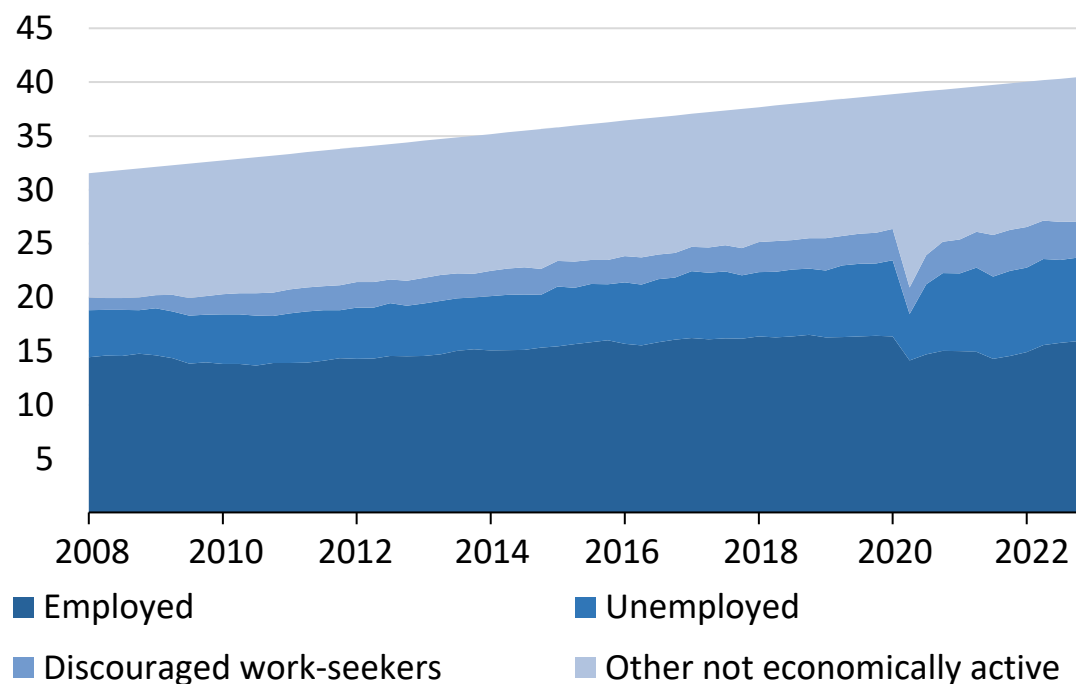
Additional investments by South African Companies in 2022

- **R11 billion spent on Corporate Social Investment (CSI)**
Main beneficiaries:
 - Education
 - Skills development
 - Youth employment
- **R26 billion spent on Enterprise Supplier Development (ESD)**
Main strategies:
 - SMMEs supply chain participation
 - Jobs in local communities
 - Grants and early payment of suppliers

Any meaningful job creation needs to come from the private sector

Labour force growth has been faster than the increase in available jobs, resulting in **11.8 million unemployed adults in 2022**; on current trajectory this will worsen

Total employment status of adult population aged 15-65
(2008-2022, millions of people)



- **The labour force** (aged 15-65) **increased from 31.5 million** in 2008 to **40.5 million** in 2022, growing at a compound annual growth rate of **1.8%**
- In contrast, **total employment increased by a CAGR of 0.7%**. This left a large – and growing - number of people without employment
- **Total unemployment** is between **7.7 million** and **11.8 million** depending on which definition you use
- Prospects are so poor that **3.2 million** people have **given up** on finding a job altogether

We need to accelerate the speed of job creation or risk a further deterioration in this socio-economic challenge

South Africa needs economic growth of 5.0% to make a meaningful impact on unemployment. This requires actions and solutions to key growth constraints

Key growth constraints







Energy



Transport & Logistics



Crime & Corruption

Scenario	Medium-term economic growth (%)	Unemployment rate in 2030 (%)
Best case	5.0	28.0 
Upside	3.0	31.6 
Baseline	1.5	35.8 
Downside	0.75	38.1 

More action required

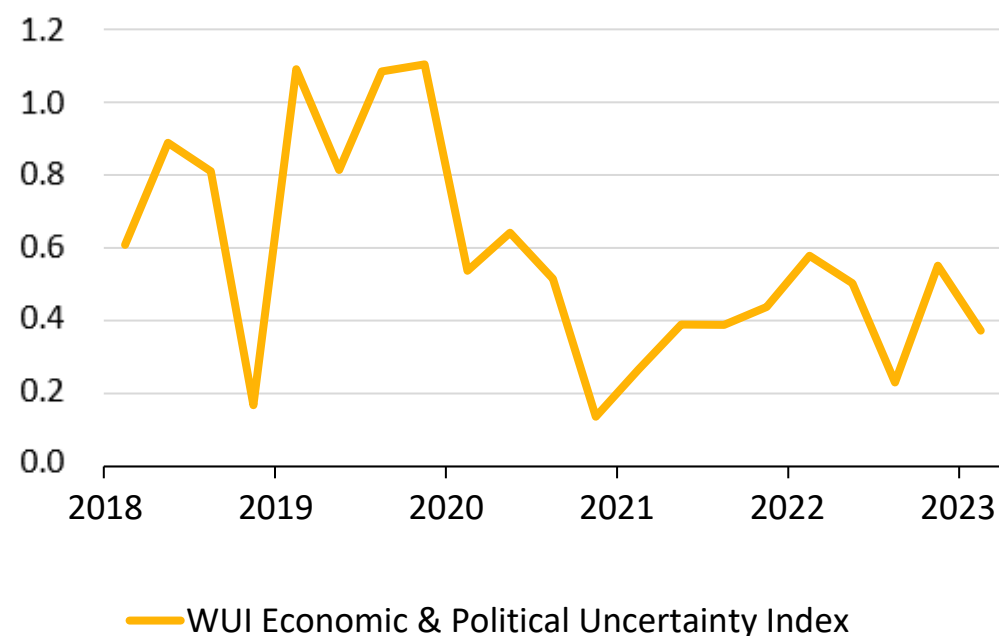
SARB
projections

Current unemployment
rate 32.9%

We will miss out on a potential 2.5 million jobs by 2030 if we do not accelerate economic growth to 5.0%

High levels of economic and political volatility has resulted in low levels of confidence

South Africa's Economic & Political uncertainty
(2018-2023, Uncertainty index)



- Economic & political certainty in South Africa has been **highly volatile** since 2018
- In an **uncertain environment investment decisions are likely to be deferred**
- **Predictability** coupled with an **improvement in the economic and political outlook** is an essential ingredient for investment, growth, and jobs

Communicating to the country there is a plan in place to tackle the 3 major economic constraints will directly boost confidence

Action in these areas will start to turn the tide on unemployment, but is not sufficient

- We need to **address our three key constraints** to avoid exacerbating our unemployment problem
- We can create **2.5 million additional jobs by 2030**, but only if we accelerate economic growth to 5.0%
- **Collaboration is critical** if we are going to create an environment to ensure inclusive growth and significant job creation
- Focusing on the three constraints of energy, transport & logistics, crime & corruption should meaningfully address immediate constraints and needs to be **supplemented by other long-term interventions**

Collaborative action will be required to absorb unskilled labour into the economy at scale
