planning, monitoring & evaluation

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2030 NDP

BI-ANNUAL PROGRESS REPORT ON THE MTSF

APRIL TO SEPTEMBER 2020

PRIORITY 2:
ECONOMIC TRANSFORMATION AND JOB CREATION

LET'S GROW SOUTH AFRICA TOGETHER


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PRIORITIY 2: ECONOMIC TRANSFORMATION AND JOB CREATION

CONTENTS

1. Purpose of the report

This progress report seeks to provide the Cabinet Committee with the DPME's analysis of the implementation of the Medium Term Strategic Framework (MTSF) 2019-2024, including how Covid-19 has affected its implementation covering the period April to September 2020. The major focus on the current iteration of the MTSF is on fast-tracking the implementation of initiatives that seek to support growth and create jobs, particularly for young people. This includes implementation of the Jobs Summit Framework Agreement and the realisation of the 2018 and 2019 Presidential Investment Conference commitments.

2. Strategic Intent of Priority 2: Economic transformation and job creation

The strategic intent of this priority is resolution of the triple developmental challenge in SA involves creating a strong and inclusive economy that grows at a higher rate, creating decent employment and sustainable livelihoods to eradicate poverty and income inequality. Economic growth and accelerating delivery include overcoming challenges with State Owned Enterprises (SOEs), industrialisation, small business development, optimal exploitation of the minerals - energy complex, transformative innovation, the Fourth Industrial Revolution, and ensuring a supportive macroeconomic environment for investment. Consistent with the NDP imperatives, 3 of the 7 priorities adopted by the 6th administration have a component of infrastructure development. Job creation, reduction of poverty and the growing gap between wealth and destitution requires accelerated development underpinned by speedy implementation of national programs for speedy delivery and realisation of the desired end state. This is achieved through transformative innovation, including implementation of Operation Phakisa Lab Outcomes.

The report covers the following thematic areas:

2.1 Economy and jobs:

The 2014-2019 MTSF outlined the plans and outcome-based monitoring framework for implementing the National Development Plan (NDP) during the country's 5th democratic administration. The current 2019-2024 MTSF outlines the seven apex priorities to be pursued in the sixth administration. Over the past five years to 2019 the economy has not grown at the levels required to make a meaningful impact on employment creation. Hence the major focus on the current iteration of the MTSF is on fast-tracking the implementation of initiatives that seek to support growth and create jobs, particularly for young people. This include implementation of the Jobs Summit Framework Agreement and the realisation of the 2018 and 2019 Presidential Investment Conference commitments.

2.2 Industrialisation and manufacturing:

Industrialisation enables economic growth and development. This is due to the multiplier effects of the manufacturing sector in terms of job creation, skills development and the development of new technologies. South Africa's manufacturing sector has underperformed over the past two decades, and have worsened in recent years. Its share of GDP has declined from 21% in 1994 to 12% by 2020. The decline in manufacturing is due to rising operational costs, insufficient skills, low business confidence, uncertain global conditions and policy uncertainty. Hence focus on re-industrialisation of the economy through increased localisation and growing exports are the hallmarks of the country's re-imagined industrial strategy.

2.3 Small, Medium and Macro Enterprises (SMMEs) development:

The South African economy has high levels of concentration in many sectors, which create barriers to economic expansion, inclusion and participation. In 2018, the Competition Commission stated that the average market share of dominant firms in priority sectors is 61.6%. Most of the country's markets have high barriers to entry and have traditionally been protected by natural trade barriers. This is a problem for smaller firms in particular, which struggle to find new demand in a stagnant economy and face barriers imposed by incumbents. The skills constraint exacerbates matters, particularly hurting manufacturers, small companies and emerging entrepreneurs. Thus reforms in this space are critically urgent.

2.4 Economic Infrastructure Development:

Investment in both economic and social infrastructure continues to fall short of what is needed to meet the country's economic and social requirements. In 2018, the National Treasury conducted a study on key inhibitors to growth, which demonstrated that lack of investment, poor management and operational inefficiencies in key network infrastructure sectors limit South Africa's growth potential. The NDP identifies infrastructure development as a critical catalyst to economic development. Consequently, government has placed infrastructure at the centre of its economic recovery plan owing to the foregoing and its job creation potential.

2.5 Operation Phakisa:

Realising the persistent challenges relating to failure to implement, which has been echoed by the investment community, government identified the need to initiate interventions that would help accelerate the implementation of NDP priorities to speed up the realisation of the desired outcomes. Further, job creation, reduction of poverty and the growing gap between wealth and destitution entails accelerated development underpinned by speedy implementation of national programs for speedy delivery and realisation of the desired end state. This is achieved through transformative innovations, including implementation of Operation Phakisa Lab Outcomes- a delivery transmission mechanism, which aims to accelerate the delivery of key national developmental priorities contained in the NDP 2030. Together with key stakeholders, government has collaboratively convened seven Operation Phakisa Labs, five of which are in the economic cluster. The DPME, through the Intervention Support Unit, is a custodian of the methodology which entails facilitating the planning for Labs, monitoring and reporting on the implementation progress of the Lab outcomes to the Cabinet and the President. The five economic cluster Labs include Oceans Economy, Biodiversity Economy, Chemicals and Waste Economy, Mining Lab as well as Rural Economy. Collectively, these Labs have a target of R 71.3 billion in investment by 2024 (made up of Biodiversity R7.1 billion, Oceans Economy R55.584 billion and Chemicals and Waste at R8.6 billion), contribute R170.7 billion to GDP and create 1.6 million jobs by 2024.

3. Priority 2 Impacts

3.1 The desired impacts of Priority 2 interventions, outputs and outcomes are to achieve:

(a) economic growth of 2-3% per annum;

(b) unemployment reduction to 20-24% with at least 2 million new jobs especially for youth; and investment levels to reach 23% of GDP by 2024 with the public sector contributing 8% of GDP and the private sector 15% of GDP

c) Cross-cutting focus areas include t(ransformed, representative and inclusive economy which prioritises women, youth and persons with disabilities. This can only be attained through coordinated efforts in implementing initiatives that are focused on economy and jobs, infrastructure development, industrialisation and manufacturing, and supporting SMMEs.

4. Overview of main achievements

4.1 Although economic growth stalled during the period under review, owing to both domestic and international challenges, government was hard at work in implementing various initiatives towards the realisation of the NDP 2030. As evident in the macroeconomic indicators, progress has been slow. Despite the apparent difficult economic environment, government has made some gains in advancing the sustained agenda. The **re-imagined industrial strategy** is being implemented and the Master Plans for various priority sectors have been completed. The Retail-Clothing, Textiles, Footwear and Leather (R-CTFL) Value Chain Master Plan and the Poultry Master Plan were launched at the President's Investment Conference held in November 2019. About R7 billion worth of investments were committed to the R-CTFL industry, whilst the South African Poultry Association (SAPA) committed to invest around R1.7 billion in poultry's productive capacity. The R6 billion Automotive Industry Transformation fund which was officially announced in November 2019 will serve as a boost for the Black Industrialist Programme.

4.2 Progress has been made in the refurbishment of **industrial parks** with four (4) applications that are being processed for approval. Project plans for the industrial parks revitalization to be revised following delays on the projects as a result of the nation-wide lockdown. Transnet port services for the export and import of vehicles are now fully automated and the time for border compliance for exporting has been reduced by 48 hours. The introduction of CIPC Bizportal has achieved a reduction of 3 procedures (from 7 procedures). The Bizportal will allow company registration within 24 hours. SARS has reduced the time to obtain a VAT refund from 15 weeks to 5 weeks (reduction of 10 weeks). This will contribute to the realisation of **ease of doing business imperatives**.

4.3 The Employment Equity Amendment Bill, 2019 was approved by Cabinet in the first quarter of 2020 for tabling in Parliament. The proposed amendments will empower the Minister of Employment and Labour to introduce enabling provisions for the setting of sector-specific employment equity numerical targets.

4.4 To boost **tourism** and attract investment in South Africa, major reforms are being been undertaken including the building of a world-class immigration regime through the development of the eVisa system which was launched in November 2019 and piloted in Kenya and India. The Township and Rural Entrepreneurship Programme (TREP) was approved by Cabinet in March 2020 to anchor the programmes geared towards providing support to opportunities for self-employment and job creation at economic entry level whilst improving the circulation of money in township and rural areas.

4.5 In relation to the **rural economy, agrarian transformation and land reform focus** is on rapid land reform and agrarian revolution aimed at ensuring food security. To this end, 84 279 hectares of land has been acquired and allocated. About 23 521 smallholder producers were supported through various initiatives. In addition, 50 farms were supported through land development support programme. To date, 1.5 million ha acquired over 5 years (900 000 ha for 2020/2021) for redistribution, restitution and tenure reform, 100% of approved land reform projects provided with post settlement support. Agrarian transformation at present,100 000 Ha under conservation agriculture (Smart Climate Methods). 300 000 smallholder farmers supported (financial and non-financial). With regards to the integrated rural development, 71 FPSU (Farmer Production Support Units) functional, 27 livestock, 5 agri-hubs, 25 agri-processing and 60 auction facilities establishment are planned.

4.6 Environment Management and Sustainable development, there is progress in terms of interventions that have been put in place. South Africa's National Climate Change Adaptation Strategy (NCCAS) which supports the country's ability to meeting its obligations in terms of the Paris Agreement on Climate Change has been approved. The implementation of the strategy will reduce the vulnerability of society, the economy and the environment to the effects of climate change. The development of transition plans for (high carbon emitting sectors) to a low carbon economy and climate resilient society is in progress, 5 Sector Jobs Resilience Plans (SJRPs) submitted to the Presidential Climate Change Coordinating Commission (PCCCC) Work Programme Consultations within the spheres of government affected by the 5 SJRPs. In addressing the issue of acid mine drainage, the sector has developed methodology and management approach towards the development of strategy for Acid Mine Drainage Mitigation of polluted water from old mining areas.

4.7 Infrastructure development is expected to be the flywheel of the economy. As such investment in network industries is a precondition for sustainable growth. In the telecommunications sector, this entails spectrum release, broadband rollout, and reducing the cost of communications and the integration of SMMEs and co-operatives into modern telecommunication systems and the digital economy to raise accessibility and affordability. Accordingly, the Department of Telecommunications and Digital Technologies has compiled a study report on 5G spectrum in response to Minister's policy directive and the concept document on the market access for local IP & innovation by SMMEs, which will inform the revision of the ICT SMME Development Strategy. ICASA issued an Information Memorandum for public consultation on the licensing process for International Mobile Telecommunications ("IMT") Spectrum in anticipation of high demand spectrum release earmarked for December 2020.

4.8 Also, addressing the country's energy security, including challenges of electricity shortages, in a way that advances the notion of a just transition, the IRP2019 implementation and strengthening the governance system of Eskom are critical for investment attraction and economic growth. In this regard, functional separation of the Eskom divisions has been achieved with the appointment of Divisional Boards on the 1 April 2020 to improve accountability, transparency and performance, which contributes to the execution of the Eskom Roadmap in pursuit of establishment of independent generation and transmission companies under Eskom Holdings.

4.9 The signing of the **Infrastructure Fund** MoA is a significant milestone in bringing together the key stakeholders to create a financing facility for blended infrastructure projects. Through the Infrastructure Development Fund, Government will provide support for co-financing of projects and programmes that blend public and private resources. Currently, provision has been made for R100 billion over 10 years, with R10 billion funding in the current MTEF baseline. Government has identified 50 infrastructure projects with a total investment value of more than R340 billion and a potential to create about 770 000 jobs in immediate term for expediting.

4.10 The **National Nuclear Regulator Amendment Bill** and the **Radioactive Waste Management Fund Bill** have been published for public comment. The National Radioactive Waste Disposal Institute (NRWDI) has been established to implement the centralised interim facility for sustainable management of radioactive waste.

4.11 In terms of impact indicators and regulations, the Department of Transport (DoT) has achieved on the development and submission of the Single Transport Economic Regulator (STER) Bill submitted to Parliament. The updated Economic Regulation of Transport (ERT) Bill was approved by Cabinet in November 2019. A Gazette Notice of intention to introduce the Bill to Parliament was issued on the 06th December 2019. Progress on STER, Economic Regulation of Transport (ERT) Bill has been presented to parliament for approval of the Bill for public consultations.

4.12 With regards to **Operation Phakisa**, despite the dire economic conditions in South Africa, both prior and resulting from coronavirus pandemic, the majority of the delivery Labs in the Economic Cluster have been implementing Lab outcomes, albeit with varying degrees of success. Collectively, the four delivery Labs have attracted R12.1 billion in investment and created about 15 308 jobs to date against the MTSF 2019–2024 targets. With exception of the Mining Lab, all the Labs in the Economic Cluster have reported to have concluded the development of response plans to the pandemic and are already executing these plans. The way government responded to the pandemic, characterised by clear institutional arrangements supported by governance structures, speedy decision making, well-coordinated delivery and expeditious consequence management under bold decisive leadership is characteristic of the Operation Phakisa Methodology. The foregoing reflects how successful the country can be if the methodology can be correctly applied.

5. Overview of Main Challenges

5.1 Even before the Covid-19 economic fallout, the South African economy was already in a recession. The outbreak of the Covid-19 and subsequent measures taken to curb the spread of the virus has disrupted economic activity, and that has resulted in significant loss of revenues in sectors with a potential to achieve large scale impact on growth. The persistent shortage and rising cost of electricity has rendered the economy uncompetitive. South Africa's economy has been faced with critical weaknesses including the continuing deterioration in fiscal position and structurally very weak growth; high debt burden; and persistent weak business confidence. The impact of Covid-19 on priority sectors such as tourism, manufacturing and mining will further derail the country's economic trajectory off-course.

5.2 The levels of investments in South Africa remains relatively low, and this is a huge constraint on growth. South Africa's sovereign credit rating is now in sub-investment grade, and has the potential to raise the cost of capital quite high, thus constraining public investment. The high levels of concentration in major economic sectors remains a significant constraint. Barriers to entry in critical sectors such as telecommunication and finance are still high. Low domestic demand, due to declining incomes and high unemployment continue to constrain growth. Thus the domestic economy cannot fully take advantage of record low interest rates. Lack of access to finance has been identified as one of the major challenges faced by SMMEs due to inadequate collateral to secure loans. Red tape and regulatory burden are also some of the major factors severely inhibiting the growth and sustainability of the SMMEs.

5.3 In relation to just transition to a low carbon economy, 5 transition plans have been developed with implementation yet to take place. As part of the process towards implementation of the plans, inputs received from stakeholders are being used by Trade & Industry Policy Strategies (TIPs) to conclude the technical reports on Sector Jobs Resilience Plans (SJRPs).

5.4 The limited investment, collaborative and coordinated infrastructure development inhibits focused economic development and investments in energy; water and sanitation; roads and bridges; human settlements, health and education; digital infrastructure and public transport.

5.5 Even before Covid-19, most South Africans lacked access to the internet and digital devices that would enable them to work, study and shop remotely owing to high data prices, poor implementation of e-learning programme and high prices of smartphones; which have resulted in inadvertent socio-economic exclusion of the poor majority of South Africans from accessing services during pandemic. Covid-19 has accentuated the digital divide between the rich and poor, as well as the rural/urban populations as the less affluent continued to be struggle as they had to congregate in certain public spaces to access some of these services using free Wi-Fi thus exposing themselves to potential infection.

5.6 Significant delays continue to be experienced in the delivery of the Power Build Programme, with commercialisation of the last unit of Medupi (Unit1) projected for completion by the end of 2020/21 financial year and 50% (3 units) of Kusile power station to be in operation by 31 March 2021. All of this, at a huge economic cost to the country as energy availability continues to be a challenge, which highlights the need for urgent implementation of Generation Recovery Plan in order to improve plant performance.

5.7 The pandemic exacerbated the already dire situation of many SOE's, most of whom already survived on fiscal support before the onset of the pandemic and the ensuing lockdown, as most struggled to generate revenue as the economic slowdown intensified. In order to survive, these SOE's had to approach the NT for bigger bailouts, which would pose significant challenges for the already resource constrained fiscus. The risk of missing the target December 2020 deadline for the corporatisation of TNPA remains high.

5.8 The long overdue Gas Master plan, which was supposed to have been developed in 2015, is to be developed this year, according to the DMRE. Further, there is lack of progress by the DoT on the development of a strategy for the implementation of the user pay principle. The department is still awaiting Cabinet's determination on GFIP option analysis conducted.

5.9 Continued vandalism of existing economic and social infrastructure (through stolen cable, rail tracks, network batteries, drainage steel components and others) needs to be addressed urgently as this is escalating costs of delivery and consumption. This requires closer collaboration with the JCPS cluster and some serious intervention from same to safeguard continued existence and delivery of this infrastructure.

5.10 Significant delays in the implementation of Operation Phakisa Labs outcomes is costing the country dearly in terms of investment attraction, economic growth and job creation. The reinvigorated implementation of outcomes of these Labs can create 1.6 million jobs. However, the DMRE (979 888) and the DALRRD (295 000), continue to fail to implement their Lab outcomes, which are significant contributors to the total number of jobs envisaged.

5.11 The advent of COVID-19 in the last quarter forced many departments to stop some if not all of their pre-planned activities and refocus their attention on the national drive to contain the spread to save lives and protect livelihoods as per the regulations related to the Disaster Management Act. The reallocation of funds and the ensuing budget cuts to fund some of the unplanned socio-economic interventions resulting from the pandemic exacerbated the situation further. This could have a deleterious impact on the outlying quarters and years.

6. Discussion

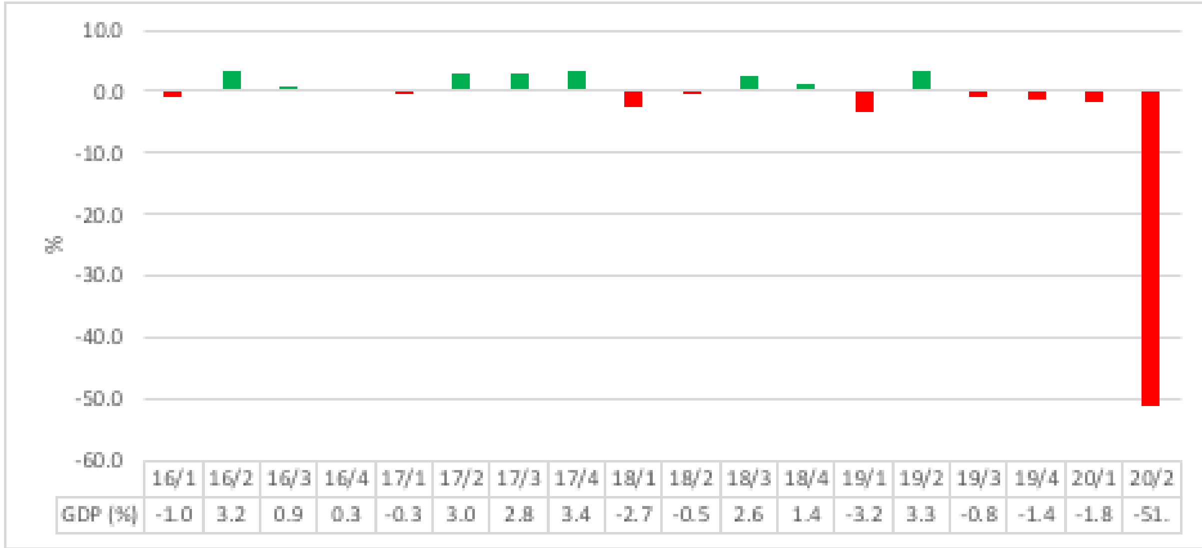
6.1 Progress in Key High Level Indicators

The NDP remains government's blueprint to unite all South Africans to address the triple challenge of unemployment, inequality and poverty. Admittedly, this is a long term project. However, there is a need to implement various initiatives in the medium term to ensure faster and inclusive economic growth, resulting in tangible progress in the lives of ordinary citizens. Achieving economic development will require sustained economic growth through massive investment in productive sectors and effective use of regulatory and fiscal instruments to ensure fair and equitable outcomes. Undeniably, the envisaged outcomes have proved elusive in recent years. The economy grew only 1% on average over the past five years to 2019. The breakout of Covid-19 in our shores, which grind to a halt an already ailing economy, required urgent but credible and effective policy responses to mitigate what would otherwise be a death knell of the country's economy.

6.1.1 Economic growth

The domestic economy entered into a technical recession in the fourth quarter of 2019, after contracting by 1.4% from the previous quarter (Figure 1). This is the second recession in two years, following consistent contractions in major productive sectors of the economy. Persistently weak economic growth and the deteriorating fiscal position finally saw the last of three major rating agencies, Moody's, downgrade South Africa's credit rating to sub-investment grade in March 2020.

Figure 1: Economic growth, 2016Q1-2020Q2



Source: Statistics South Africa

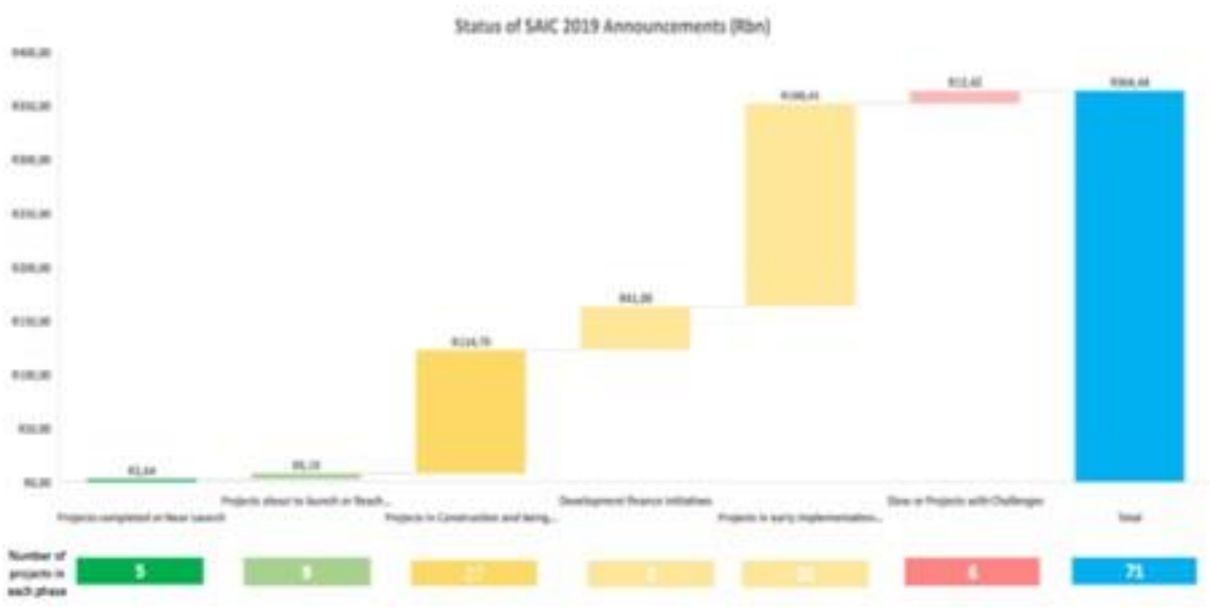
The adverse effects of Covid-19 pandemic and the lockdown measures implemented to contain the spread of the virus have taken a severe toll on an already fragile economy. The 51% Covid-19 induced contraction in the second quarter of 2020 meant that South Africa has now had 4 consecutive quarters of negative growth. The reported 51% represent quarter-on-quarter, seasonally adjusted and annualised growth. While quarter-on-quarter GDP that is not annualized show that economy was 16.4% smaller than the first quarter.

As expected, the manufacturing, trade and transport industries were the hardest hit as the country was in lockdown and global supply chains disrupted. During the second quarter all sectors of the economy recorded negative growth except for agriculture, which grew 15.1% from the previous quarter. The agricultural sector was largely operational during the lockdown.

Quite concerning is that the population is currently growing at a faster rate than GDP, at 1.4% per annum according to the World Bank. Unsurprisingly, GDP per capita has plummeted in recent years, reaching just over $6 000 in 2019, from approximately $8 000 in 2011. Global output is expected to weaken by almost 5% in 2020, before rebounding by 5.4% in 2021. The National Treasury estimates that the domestic economy will decline markedly in 2020, at 7.2%. This is not significantly different from the International Monetary Fund (IMF) and World Bank's estimates of -8% and -7.1%, respectively. Projections show that the domestic economy will rebound north of 2% in 2021, however this will come off a low base. Low growth environment has implications for government revenue. As highlighted in the 2020 Supplementary Budget, gross national debt is now expected to reach 81.8% of GDP in 2020, from 65.6% estimated in the February budget. The consolidated deficit is projected to increase to 15.7% of GDP, and tax revenue to underperform by over R304 billion in the current fiscal year. As a result, the gap between revenue and expenditure is expected to widen, leading to a sharp increase in the gross borrowing requirement.

On the expenditure side, household final consumption expenditure decreased by 49.8% in Q2 2020, owing to the lockdown restrictions, which particularly impacted sales of semi-durable and durable goods. Government's final consumption expenditure also decreased, albeit slightly at 0.9%. Increased government expenditureinthesecondquartertofendoffthe impact of Covid-19 was not sufficient to offset the decreases in employment and spending on goods and services, including PPE. Similarly, real gross fixed capital formation contracted at an accelerated pace in the second quarter of 2020, at almost 60%. The level of fixed capital investment reflects continued weak business confidence, the recessionary environment and constrained public sector budgets. Business confidence plunged to its lowest record in history in the second quarter of 2020, at merely 5 points according to the RMB/BER, as firms confronted challenges ranging from erratic power supply, the Covid-19 pandemic, and cash-strapped consumers. Figure 2 below depicts the status of the 2019 Investment Conference commitments.

Figure 2: Status of 2019 Investment Conference Commitments



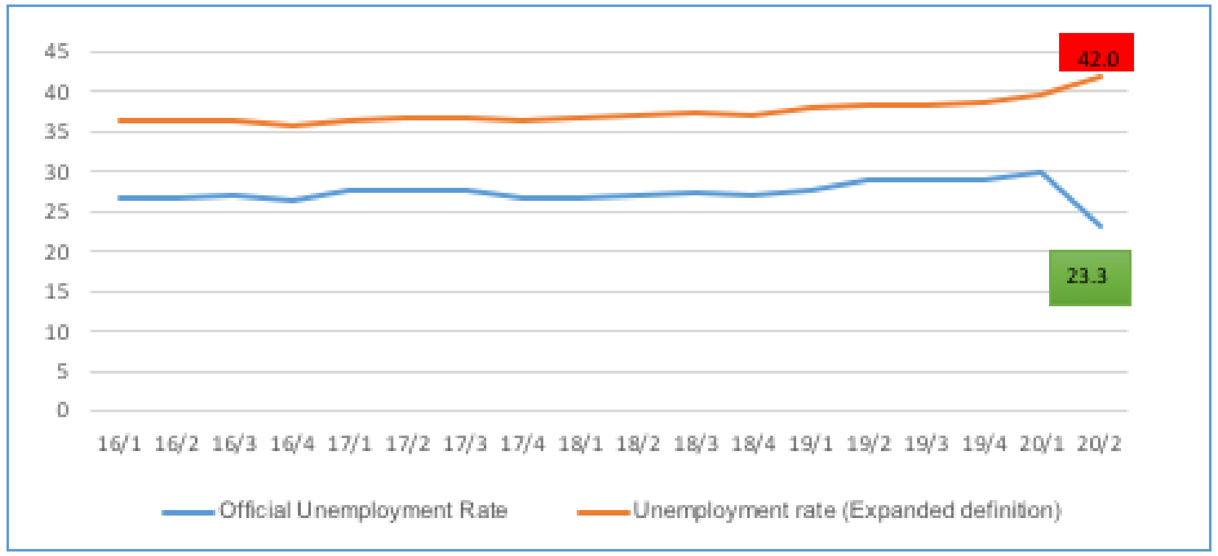
Source: Invest SA

Government remains committed on its $100 billion investment drive aimed at boosting the rate of investment by both domestic and foreign investors in order to revive the economy and create jobs. The 2018 Investment Conference's commitments amounting to almost R300 billion has yielded some results, with R16 billion worth of investment already completed. However, deteriorating economic conditions is slowing down the pace of investment, with only R2.6 billion worth of investment from the 2019 Investment Conference realised. However, it should be noted that some investments were planned to commence after 2020.

6.1.2Unemployment

South Africa's unemployment rate declined to 23.3% in the second quarter of 2020 from the 30.1% record high level reached in the preceding quarter (Figure 3). However, the sharp decline in the Q2 2020 unemployment rate does not reflect an improvement in the labour market as the number of employed persons declined sharply by 2.2 million during the same period, which is the largest quarter-on-quarter decline in employment on record. The number of employed persons during the quarter was just over 14 million, which is 10 million below the 2030 NDP target. The decline is attributed to the significant increase (33.4%) in the "not economically active" category due to the lockdown. The official definition of the unemployment rate - which is the proportion of the labour force that is not employed – only takes into account people who are looking for work and are available for work. However, the number of people actively looking for work declined by 5.2 million in Q2 2020, largely as a result of the lockdown.

Figure 3: Unemployment rate, 2016Q1-2020Q2



Source: Statistics South Africa

In terms of the expanded definition, which also takes into account discouraged work-seekers and those who have other reasons for not searching for work but available to work – the unemployment rate increased to 42.0% in Q2 2020 from 39.7% in Q1 2020. The expanded definition gives a more realistic picture of the current labour market. Of those employed during Q2 2020, 81.3% indicated that they continued to receive pay/salary from their jobs/businesses during lockdown while 17.6% did not, however, one in five of those who continued to receive pay/salary had a pay cut. Some correlation between the level of education and reduction in pay/salary has been cited with almost nine in every ten employed graduates (89.7%) reported to have continued to receive a full salary compared to 75.2% of those with less than matric as their highest level of education. Government is not getting return on investment in higher education when graduates don't contribute to the economy, instead depend on social grants.

All sectors and all industries shed jobs in Q2. Formal sector employment decreased by 1.2 million (10.8%) while employment in the informal sector declined by 640 000 (21.9%) jobs. The informal sector was reportedly the hardest hit during lockdown which is a cause for concern as growth in this sector is deemed crucial for overall economic growth, job creation and poverty alleviation. The industries which shed the highest number of jobs in Q2 compared to Q1 were Community and social services (515 000), Trade (373 000), Private households (311 000), Finance (283 000), Construction (278 000) and Manufacturing (250 000). About 374 000 youth aged 15-24 years lost their jobs in Q2 while the unemployment rate remains the highest among this cohort at 52.3%. Among the 25-34 years youth cohort, 647 000 lost their jobs in

Q2. On average, the rate of unemployment for females is higher than that for males. Labour force participation continue to increase, while the absorption rate remains relatively flat. Quite critically, there is asignificant increase in graduate unemployment for those aged 15–24 years. Equally concerning is that approximately 3.5 million (33.9%) out of 10,3 million young people aged 15-24 years were not in employment, education or training (NEET) during Q2 of 2020.

According to the National Income Dynamics Study (NIDS) – Coronavirus Rapid Mobile Survey (CRAM), Wave 2, the 3-million jobs lost between February and April have not returned by June. Further, the Survey shows that only 54% of furloughed workers in April got returned to work in June, while almost 40% fell into non-employment, and the remaining 6% still being furloughed in June. Hence it is important that support schemes such the Temporary Employment Relief Scheme must be effective and efficient. Of great concern, the rural areas and peri-urban areas were the hardest hit by unemployment. The rate of unemployment in June was considerably higher in rural areas, at 52%, compared to cities/towns and metros and 43% and 35%, respectively.

6.1.3Trade

World trade volumes already reflected the disruptive effects of the Covid-19 pandemic in the first half of 2020. Exports and imports of goods and services in South Africa in the first quarter decreased by 2.3% and 16.7%, respectively. Net exports contributed 4.6 percentage points to total growth during this period. Conditions worsened in the second quarter, with exports down 72.9%, on the back of decreased trade in vehicles and other transport equipment, precious metals and stones, base metals, machinery and equipment. Figure 4 shows South Africa's trade position over the past five years.

Figure 4: South Africa's exports and imports, 2016Q1-2020Q2

Source: SARS

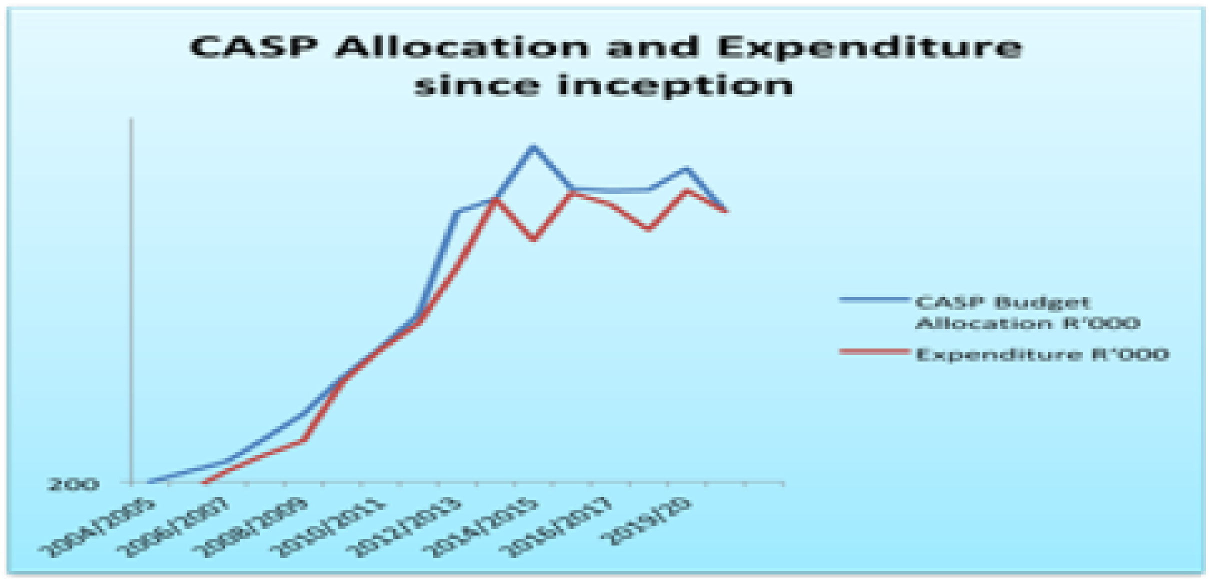
Cumulative exports for the first 6 months of year totaled almost R600 billion, only 2% lower than the first half export sales of 2019. Asia remains the largest export destination, accounting for 32% of the value of exports, with 25% of exports destined for Africa. The continent, through the implementation of the AfCFTA, provides opportunities for regional integration, which augurs well for economic performance of Sub-Saharan African economies, which in turn should unlock further regional trade opportunities for South African businesses. A more diversified external market provides a cushion against shocks in in the traditional markets. Trade balance for the same period showed a surplus of R63.07 billion, which was a rebound from a R4.74 billion deficit recorded for the comparable period in 2019. Year-on-year exports increased by 9.5% whilst imports contracted by 32.8% over the same period.

6.1.4 Land reform and agrarian transformation

For the MTSF 2019-2024, agrarian transformation, land reform and rural development has committed to develop 75 complete and functional Farmer Production Support Unit (FPSU), 27 livestock and handling facilities, and 5 fully functional agri-hubs and 25 agro-processing facilities. However, some targets were adjusted downward due to the adjusted budgets and reallocation of funds for the Covid-19 response. The target for 2020/21 for FSPU supporting agri-parks was decreased to 15 for the fi year, which brings the annual target to 18 for the next 3 fi years.

Budgets for food security, land redistribution and restitution programmes have been significantly cut consistent with the Covid-19 induced budget adjustments, which could have a detrimental effect on the implementation of critical agricultural projects. The initial February budget allocation of R16.8 billion was reduced to R14.4 billion. The greatest portion of the cuts of R1.89 billion was in the programmes which were to deliver on food security (R939 million), land redistribution (R544 million) and restitution (R403 million). Figure 5 indicates the reduction in allocations for the Ilima-Letsema and Comprehensive Agriculture Support Programme (CASP) programmes. This means that in the current financial year, provinces will receive lesser allocations for producer support, production, and infrastructure. The Ilima and CASP programmes are critical for the upscaling of up-and-coming farmers, since it provides production assistance for the next season for small scale farmers. In 2019/20 over 89 430 producers were assisted by the grant of R538 091 000 and 95.3% was spent.

Figure 5: CASP Allocation and Expenditure 2004/05-2019/20



Source: DALRRD CASP Report, 2020

While the budget cuts will impact the service delivery in the agricultural sector, this also presents an opportunity to re-establish the priorities and core functions that the department needs to deliver to ensure that the sector remains competitive and contributes significantly to national and household food security in a far more efficient manner.

During this reporting period, the cluster had not yet achieved or reported on this commitment, however, the Agriculture Master Plan is at an advanced stage of development. The Master Plans approach will need alignment with recovery plans. This will require the highest level of coordination to avoid the incoherent and inconsistent application of economic recovery initiatives. However, if DALRRD could take the implementation of Operation Phakisa Lab outcomes more seriously, a lot more could have been achieved during the reporting period.

Other initiatives that had targets which were decreased were land claims settled, 454 to 244, claims finalised, reduced from 479 to 295, land redistributed reduced from 50 000ha to 23 000ha, and no food security related projects. The land development support to PLAS farms for agriculture infrastructure and production inputs target was decreased from 200 to 146. An additional 12 rural village based Custom feedlots will be added to the existing 19 feedlots and additional land reform commitments by the IMC on land Reform amount to 700 000 hectares, mainly land owned by the state, which will be transferred to needy members of the community to increase their net worth.

6.1.5 Environment

While there is no visible environmental impact as yet, the sector has proposed interventions for implementation to ensure economic recovery post Covid-19. The foregoing entails the creation of an estimated 20 317 jobs as per the Waste Economy **Section 18 Industry plans.** The Extended Producer Responsibility (EPR) schemes will be used to help divert waste from landfill sites. This initiative will create over 20 000 jobs and targets to divert over 25% of waste in 2 years. Section 29 Industry plans will create an estimated 1 100 jobs. Development of market access tool for distribution, local beneficiation and export potential of ash and gypsum is in progress while a local response team for Job creation stimulation and mobilization of funding for small enterprises in the vicinity of the industrial hubs has been established. Negotiations of off-take agreements with Government and private sector projects forms part of the social compact sector projects. Industry engagement in developing a model for the utilization of organic waste to fuel options is being facilitated. The foregoing is part of the implementation progress of Operation Phakisa Waste Economy. Regarding the initiative on waste picker integration and revitalization of buy-back centre and operationalization of landfill sites, a national database of waste pickers and reclaimers will be developed.

6.1.6 Infrastructure

Covid-19 had disrupted some of the functions as well as performance against quarter 1 targets as per the Annual Performance Plans (APPs) of most departments, especially due to budget adjustment and redeployment of senior staff away from their core to deal with Covid-19. This has resulted in a backlog of certain quarter 1 targets, which is likely to affect the outer quarters and years of the MTSF. Given the fact that the APPs were developed before the onset of Covid-19, departments had to reconsider the mode of delivery for planned targets and revise the APPs accordingly.

Although DCDT developed a draft Data and Cloud Policy to ensure reduction of data prices and eradication of skewed price settings by dominant players, delays were experienced in securing timeous stakeholder input. A departmental task team has been established to expedite the project.

The DCDT has compiled a report on 5G Spectrum in response to Minister' s policy directive and the concept document on the market access for local IP & innovation by SMMEs, which will inform the revision of the ICT SMME Development Strategy. ICASA issued an Information Memorandum for public consultation on the licensing process for International Mobile Telecommunications ("IMT") Spectrum in anticipation of high demand spectrum release earmarked for December 2020. The department has had engagements with SITA and DPSA to align the implementation of e-Govt roadmap in which e-Services portal is one of the deliverables. In this regard, the DCDT has drafted the e-Services portal concept document as well as governance structure for the implementation, which details the mechanism of monitoring and reporting of uploading of e-Services on National e-Services Portal.

Government plans to expedite the implementation of at least 50 infrastructure projects with a total investment value of more than R340 billion and a job creation potential of approximately 770 000 jobs through immediate term infrastructure projects. The Department of Public Works reports the creation of 200 604 work opportunities in the current reporting cycle, quarter 1, through public employment programmes, which is made up of 74% women, 37% youth and 0.3% persons with disabilities.

Some progress has been made towards securing energy supply as per the MTSF and SONA commitment, as interventions towards improving energy availability factor to ensure constant supply of electricity including through the implementation of the Integrated Resource Plan (2019) continue. While an additional 1 000 MW is required to augment Eskom capacity by 2024, no progress has been reported on this target.

Another MTSF intervention is the diversification of energy sources from a baseline of 5.9% to 11% by 2024. Accordingly, the Gas Amendment Bill, which prioritises infrastructure investment by, amongst others, constructing infrastructure to import liquefied natural gas and increasing exploration to find domestic feedstock to diversify the energy mix and reduce carbon emissions will be tabled in Parliament. However, no specific timeframe has been set. Additionally, the Shale Gas research project in the Karoo, undertaken by the Council for Geoscience (CGS) and PASA, is expected to move towards ultra-deep drilling of a vertical boreholes during the third quarter of the 2020/21 f/y and targeting completion at the end of the 2021/22 financial year. All of the foregoing in pursuit for energy security and diversification objective.

Also, the DMRE is on track to complete the feasibility study on a new oil refinery by March 2021 as planned. Further, as part of the New Nuclear Build Programme, the DMRE has drafted a framework to aid in procuring 2 500 MW of nuclear energy by 2024. The National Nuclear Regulator Amendment Bill and the Radioactive Waste Management Fund Bill have been published for public comment while the National Radioactive Waste Disposal Institute (NRWDI) has been established to implement the centralised interim facility for sustainable management of radioactive waste.

Regarding the establishment of the Single Transport Economic Regulator (STER), the Department of Transport introduced the Economic Regulation of Transport (ERT) Bill to parliament for approval of the Bill for public consultations. Some progress has been made in the execution of Eskom Roadmap to ensure establishment of independent generation and transmission companies under Eskom Holdings, while functional separation of the divisions has been achieved with the Divisional Boards being appointed on the 1 April 2020 to improve accountability, transparency and performance.

6.2 Assessment of progress on major interventions

6.2.1 More decent jobs created and sustained

According to the 2019-2024 MTSF, government aims to facilitate the creation of between 2 and 3 million jobs by 2024 through creating an enabling environment for investment, as well as through the implementation of the Jobs Summit commitments, Operation Phakisa and Public Employment Programmes. To date a total of 61 149 jobs have been created through the Jobs Summit specific commitments, whilst 21 846 jobs were saved through successful mediation. The general decrease in economic activity and now the impact of Covid-19 show that the annual target of 275 000 could not be met and is unlikely to be met in the short to medium term and offsetting the 2.2 million sharp fall in employment during Q2 will require significant policy response.

The negative effect of Covid-19 has further impacted on government's commitment to ensure the creation 1 million youth jobs by 2024 in line with the Presidential Youth Employment Intervention strategy. However, as part of the response to impact of Covid-19 on employment, the PMO in the Presidency is coordinating the roll-out of the public investment employment stimulus. The stimulus package is expected to create 875 000 jobs in the 2020/21. In terms of the EPWP, the DPWI reports that

- The EPWP Programme has reported 1 419 001 cumulative work opportunities against the target of 1 473 742 for the period 1 April 2019 – 30 September 2020.
- During this period, the programme had a deficit of 54 741 work opportunities (W/O) which has been carried over to the next quarter.
- The Q2 2020/21 performance against the target is below the 50% mark. The expected underperformance is attributed to the national lockdown restrictions where participants could not report for duty.
- The Community Work Programme has not reported any work opportunities, however, is expected to start reporting in Q3 2020/21.
- Overall cumulative performance for the period 1 April 2019 – 30 September 2020 is at 96% against the target to date

00 604 work opportunities were created in quarter 1 of the current financial year, broken down into 74% women, 37% youth and 0.3% persons with disabilities. Four Operation Phakisa delivery Labs attracted investment to the value R12.1 billon, creating 15 308 jobs in the process.

The process of developing a National Employment Policy (NEP), which will serve as a vision and a practical plan for achieving South Africa's employment goals is underway. The first phase of policy process has been commissioned and comprise a number of sub-themes that will include post Covid-19 employment, the social economy, 4IR, and labour migration. The Employment Equity Amendment Bill, 2019 was approved by Cabinet on 12 February 2020 for tabling in Parliament. The proposed amendments will empower the Minister of Employment and Labour to introduce enabling provisions for the setting of sector-specific employment equity numerical targets.

In order to attract skilled immigrants, the Department of Home Affairs (DHA) is in the process of building a world-class immigration regime through the development of the e-visa system and simplification of visa. During the first quarter, 86.5% of critical skills applications were adjudicated within 4 weeks, against the MTSF target of 95% by 2022.

Investing for accelerated inclusive growth

The absence of faster and sustained **inclusive economic growth** is one of the biggest challenges that South Africa is faced with. Faster and inclusive growth is key to improving and sustaining higher living standards and successfully reducing inequality and unemployment. The NDP sought to achieve an average growth of 5.4% per annum by 2030 whilst the 2019-2024 MTSF targets 2–3% growth by 2024. For inclusive growth to be realised, structural transformation for economic diversification and increased competition is paramount. In order to achieve this, the government ought to build confidence in the South African economy, promote investment and job creation, reduce anti-competitive practices, eliminate regulatory blockages, and increasing the ownership and participation by historically disadvantaged individuals.

To this end, there has been notable progress in improving the **ease of doing business** on the five targeted indicators in line with the World Bank's Ease of Doing Business report. Transnet port services for the export and import of vehicles are now fully automated and the time for border compliance for exporting has been reduced by 48 hours. The introduction of CIPC Bizportal has achieved a reduction of 3 procedures (from 7 procedures). The Bizportal allow company registration within 24 hours. SARS has reduced the time to obtain a VAT refund from 15 weeks to 5 weeks (reduction of 10 weeks). SARS has also reduced time to complete a Corporate Income Tax Audit from 32 weeks to 17 weeks (reduction of 15 weeks). Currently South Africa is ranked 84th out of 190 countries in the World Bank's Ease of Doing Business ranking, and the progress reported is expected to contribute to the improvement of the country's ranking in the medium to long term. Although this is a moving target.

In terms of priority skills plan, the Department of Higher Education and Training, in first quarter of the current financial year presented the revised skills lists to social partners at Nedlac. The lists include the Occupations in High Demand (OIHD), the Critical Skills List (CSL) and the List of Priority Occupations (LPO). The revised CSL has seen some delays but currently being finalised..

In order to ensure macroeconomic policy alignment and coherence, government planned to review South Africa's macroeconomic policy and develop a framework for just transition to low carbon economy by 2022. In this regard, a macroeconomic framework review project plan is currently under development by the National Treasury. In terms of the development and implementation of the framework for a just in transition to a low carbon economy, preparations are underway to publish an environmental fiscal reform review paper. It will explore the potential for new environment taxes and reforms to existing instruments, including restructuring of the general fuel levy to include some local air pollution emission components. In line with the Jobs Summit Framework Agreement, the Cabinet approved the establishment of the Presidential Climate Change Coordinating Commission (PCCCC) to ensure a coordinated response across all stakeholders. Government, led by the Department of Environment, Forestry and Fisheries (DEFF) has developed 4 transition plans, however implementation is yet to take place.

Food security, land redistribution and restitution programmes have been cut at the knees as Covid-19 induced budget cuts threatens to jeopardise the agricultural sector's fundamental duties. The initial February budget allocation of R16.8 billion was reduced to R14.4 billion, in June last month. The greatest portion of the cuts of R1.89 billion was in the programmes which were to deliver on food security, land redistribution and restitution. The food security programme had cuts of R939 million, land redistribution and tenure reform R544 million and land restitution R403 million. Other targets which were decreased were land claims settled, 454 to 244, claims finalised, from 479 to 295, land redistributed form 50 000ha to 23 000ha, and no food security related projects. The land development support to PLAS farms for agriculture infrastructure and production inputs target was decreased from 200 to 146. An additional 12 rural village based custom feedlots will be added to the already available 19 feedlots.

The MTSF 2019-2024 has committed DEFF to expand **ecological infrastructure** restoration and rehabilitation by province and districts by targeting 80% of degraded ecological infrastructure for restoration by 2024. Improved capacity to deliver basic services, quality infrastructure and integrated public transport to increase household access to basic services. To date, 204 296 ha of ecological infrastructure has been restored.

The department in the MTSF has targeted 50% of **waste** to be diverted from the landfill sites through recycling. The 6th administration has identified the waste sector together with green procurement and green infrastructure as a catalytic sector that can contribute to economic growth and investment in order to boost greater product demand, support rural development, township economy, localisation, research and development and the development of small enterprises. To date 9.29% of waste generated during April to June was diverted. This is very positive as the medium term target is likely to be met.

Amongst others, DEFF will implement investor-friendly model for tariffs, fees, rentals, leases and concessioning to promote **marine manufacturing** and competitiveness and promote national ships registry and facilitate cargo handling (potential R19bn and 14 000 jobs by 2033). The department targeted 42% reduction in total GHG emissions by 2024 and cumulative impact of the nation-wide implemented mitigation measures reflect that emissions are within the peak, plateau and decline (PPD) range (500 Mt as per the 2000-2017 National GHG Emissions Profile).

Meanwhile DEL conducted 539 Employment Equity Act inspections to ensure compliance to EE Act and promote equity and transformation. Further, ensuring inclusive growth will also require plugging in resource leakages that permeate in the economic system through the illicit economy activities. The Illicit Economy Unit at SARS has been reconstituted, with focus on illicit activities such as tobacco smuggling, illegal imports, counterfeit goods etc. Strategy on illicit tobacco trade in particular is currently under development. Between April 2019 and January 2020, R2.6 billion in taxes was recovered. Illicit economy activities appear to have surged in South Africa during the Covid-19 pandemic mainly attributed to the ban on the sale of cigarettes and alcohol. A recent study by the Research Unit on the Economics of Excisable Products (REEP) at the University of Cape Town has found that the ban on the tobacco products is feeding the illicit market, with over 90% of continuing smokers being able to purchase cigarettes during the ban. During the month of April alone, SARS effected seizures to the value of R2.6 million mainly on cigarettes, alcohol and counterfeit clothing and footwear.

An interdepartmental working group that comprises of the SARB, FIC, SARS, NPA, SAPS, and SIU has also been established to share information, skills and resources to investigate illicit financial flow cases and prioritise such cases for prosecution. National Treasury and the Organisation for Economic Co-operation and Development (OECD) has commissioned a study to assess illicit financial flows and it is expected that a report will be delivered in 2022.

6.2.3 Industrialisation, localisation and exports

To achieve a more inclusive growth path, government has since refocused its strategic direction from the implementation of IPAP sector interventions towards the implementation of the re-imagined industrial strategy to support the development of the globally competitive sectors with the potential to create growth and employment. Notable progress has been made on the process of developing the industry Master Plans to give effect to the strategy. A Master Plan is a comprehensive plan of action developed by Government, Business and Labour which seeks to achieve a common policy objective, namely to preserve and create jobs; deepen capabilities in the sector; expand exports; promote transformation and support SMMEs. and/or prepare for the impact of a policy change. The Master Plan is typically time-bound and incorporates various actions across the main stakeholders, sequenced to achieve maximum socio-economic impact.

Below is the progress with regards to the development of some of the Master Plans:

(a) The Retail-Clothing, Textiles, Footwear and Leather (R-CTFL) Value Chain Master Plan and the Poultry Master Plan Master Plan were launched at the President's Investment Conference held in November 2019. About R7 billion worth of investments were committed to the R-CTFL industry, whilst the South African Poultry Association (SAPA) committed to invest around R1.7 billion in poultry productive capacity.

(b) The draft Sugar Master plan has been finalised and the sign off event will be organised following the lifting of the Covid-19 lockdown. Amendments to the Sugar Industry Agreement and South African Sugar Association Constitution have also been gazetted, and the industry has been designated in terms of the Competition Act for an exemption thereby allowing industry stakeholders to work together to implement a Master Plan for the industry.

(c) The draft Framework for the Furniture Master Plan has also been developed. The Master Plan is aimed at addressing challenges facing the industry, which include amongst others, overpriced raw materials, lack of access to market and capital investments, competition resulting from cheaper imports and skills shortages. As a result, the industry's workforce has declined from 50 000 jobs in 2009 to about 26 000 in 2018. Furniture products are already designated for local production as one of the 27 designated product types, with plastic pipes and fittings, bulk material handling, ester oil and instrument transformers being the latest products to be designated.

(d) Draft framework for the Steel Master Plan was submitted at the end of April. Extensive stakeholder engagement with industry has been completed. Further engagements with departments (DMRE and DPE) on electricity, transport, mineral pricing policy levers is required. The Plastic Master Plan draft framework document was developed and circulated to all social partners for comment. The Chemicals Master Plan development process commenced in February 2020, with the review of the 2017 Chemical Sector Strategy. Consultations commenced in March 2020 and are still underway. The Mining Master Plan will be drafted and submitted to Cabinet in Q3 of the current financial year.

(e) Government has identified SMME development as one of the key vehicles for economic transformation and development. With the current environment of low economic growth and high unemployment rate, support for SMMEs is fundamental for government to stimulate growth and reduce unemployment and is of paramount importance to realise the NDP vision 2030. The National Development Plan (NDP) estimates that 90 % of all new jobs will be created by small businesses by 2030, and thus place the responsibility of job creation, poverty alleviation and economic growth on this sector. In line with government's plan to develop Master Plans for key priority sectors by 2021, a draft National Integrated Small Enterprise Development (NISED) and a draft Creative Industries Master Plan have been developed. The NISED masterplan serves as a strategy to assist in ensuring that governance systems (in support of smaller enterprises) are better functioning, in alignment with national government's objectives to improve efficiencies. One of the main objective of the Creative Industries Masterplan is to facilitate the transformation of the creative economy to promote industrial development, investment, competitiveness and employment creation. The masterplan also sought to increase the local creative content share of the SA creative market from an average of 40% to 80% within three years, and improving the efficiency of royalty collections as well as distribution to right holders.

(f) The draft Tourism Masterplan was finalised in March 2020, however, due to the devastating impact of Covid-19 on the tourism sector, the Masterplan has been replaced by the Tourism Recovery Plan (TRP) which has been drafted and was distributed for consultations during August 2020 before being presented to Cabinet for consideration. The TRP comprise of three strategic themes that are considered central to South Africa's recovery, namely protecting and rejuvenating supply, re-igniting demand and strengthening enabling capability, to be implemented over 3 phases.

Special Economic Zones (SEZs) also have a major role to play in driving South Africa's industrial strategy. Following some delays as a result of Covid-19, work has begun on the Tshwane Automotive Special Economic Zone (TASEZ), with groundworks and the installation of bulk infrastructure currently underway. Launched in November 2019, the TASEZ already has 12 committed investors, with an anticipated investment of R4.3 billion. The TASEZ is one of the four (4) SEZs that are prioritised to maintain investment pipeline momentum, the rest are Maluti-A-Phufong; Bojanala and Vaal Triangle SEZ. The Project Management Unit (PMU) is being established to assist provinces to plan, develop and manage the SEZs and Industrial Parks (IPs) effectively and efficiently.

Work is underway on the refurbishment of industrial parks, with four (4) applications that are being processed for approval. These IPs are located in Seshego (Limpopo), Thohoyandou (Limpopo), Siyabuswa and Kabokweni (both Mpumalanga). All the IPs are being considered for Phase 1 of the revitalization, except for Seshego which has applied for Phase 2. Phase 1 entails upgrading of security infrastructure and critical electricity requirements, while Phase 2 relates to regulatory requirements such as landfill sites waste and water treatments plants, as well as renewable energy initiatives. Businesses located within the Seshego and Thohoyandou IPs currently employ 2 566 people, with further 200 construction jobs to be created during the revitalization of the aforementioned four industrial parks. The Industrial Park Revitalisation Programme aims to attract investment by improving infrastructure in existing industrial parks, many of which are located in low-income areas. The programme has been expanded from 10 to 27 Industrial Parks of which Phase 1 has been completed in 12 Industrial Parks. To date a total of R760 million has been approved for funding of Phase 1 and 2, with about 1 429 job opportunities that have been created through construction services since the inception of the programme. The industrial parks host both heavy and light industrial businesses in various sectors and currently employ 65 000 people.

The breakout of Covid-19 culminated in the passing of the Supplementary Budget on 24 June 2020, which entailed major reprioritisation of funds from the pre-planned programmes of government in terms of the MTSF. Research, Development and Support at Department of Science and Innovation lost about R1 billion, affecting projects such the Square Kilometer Array. Owing to the restriction measures to curb the spread of the virus, tourism, which had come to a standstill, saw about a R1 billion being reprioritized from international and local marketing activities to the Covid-19 fiscal relief package. Tourism is one of the priority sectors that were expected to create employment and support GDP growth.

Department of Small Business Development saw minor downward revision to its baseline, with more money directed to support small enterprises affected by Covid-19 and protecting jobs. Of the R1.77 billion that was reprioritized at the DTIC, about R1.57 billion was from Industrial Competitiveness and Growth and Industrial Financing programmes, which were meant incentive domestic production. This will have an impact on the competitiveness of some operations in the country, especially those that are export oriented. Ultimately, the Economic Development function had a decline of 0.3% in terms of its share of consolidated expenditure function.

In terms of compliance of government spend on designated products and services, there has been an increase on the levels of compliance by organs of state. A public sector tender monitoring tool was established to monitor tenders issued by all organs of state and advertised on various online platforms. During Q1 2020/2021 compliance level is reported to be 80% at the time of bidding, against the target of 100%. Meanwhile the public comment period for the Public Procurement Bill, 2020 closed on 30 June 2020, after being extended by 1 month.

Agriculture is identified as one of the priority sectors that will spur South Africa in a growth trajectory, increase exports and most importantly create jobs while ensuring food security. Land as economic infrastructure for agricultural production has the MTSF 2019-2024 target of 150 000 ha rehabilitated. For the period under review, 13 116 hectares of degraded land was rehabilitated for production in all nine provinces. Further, 19 043 ha of land in traditional areas has been cultivated, against the MTSF a target of 50 000 ha. This is in line with the agrarian transformation strategy as agreed between the President and the National House of Traditional Leaders. This will ensure that underutilized land in communal areas is optimally utilized. To assist farmers, deal with climate change by 2024, 100 000 ha should be migrated to Climate Smart Agriculture or Conservation Agriculture, for the period under review 25 000 ha was migrated. This will ensure that water is conserved, less chemical is used to control weeds as mulching will be present to suppress weeds and crop pests breeding will be disrupted due to crop rotations.

Regarding agricultural economic infrastructure (irrigation technology, farm mechanization, and resource conservation management), 71 facilities were supported including provision of 20 land reform projects with secure water rights for the purposes of irrigation of agricultural products. The total amount of water use allocated to the projects is 1 171 699 m^3/a. Water use is approved in terms of Schedule 1 of the National Water Act, 36 of 1998.

Twenty-five (25) agro-processing facilities for manufacturing of various agricultural produce were targeted to be established by 2024. To date, no new agro-processing facilities were established, while 124 existing agro processing initiatives were provided with technical support, including involvement in enterprise and supplier development programme and infrastructure. From January to March 2020, the DTIC funded the agro processing initiatives through the Agro-processing Incentive Scheme to the tune of R58.4 million.

Five (5) agri-hubs were targeted to be implemented by 2024, so far 4 agri-hubs are partially operational in EC, NW, WC and MP. These agri-hubs will facilitate smallholder producers' graduation from basic food

production for consumption towards commercial activities. The DALRRD has a target of reducing 25% in waste generated during manufacturing and industrial process but no activities were reported under the period under review.

The MTSF 2019-2024 has targeted to rapidly and intensively rehabilitate and restore 8 000 000ha of land. South Africa is rich in Biodiversity which underpins the economy and currently employs 418 000 people. Biodiversity provides important inputs into the food chain through protein, pharmaceutical and cosmetic value chain. Opportunities for localization of the value chain through agro-processing and export of finished biodiversity based products. Amongst others, the Marine Transport and Manufacturing focus area of the Operation Phakisa: Oceans Economy led by DEFF, will implement investor-friendly model for tariffs, fees, rentals, leases and concessioning to promote marine manufacturing and competitiveness and promote national ships registry and facilitate cargo handling (potential R19 bn investment and 14 000 jobs by 2033).

The department targeted 42% reduction in total GHG emissions by 2024 and cumulative impact of the nation-wide implemented mitigation measures reflect that emissions are within the PPD range (500 Mt as per the 2000-2017 National GHG Emissions Profile).

MTSF has committed to support smallholders' farmers for food production and commercial activities by building 71 Farmer Production Support Units (FPSU). So far no new FPSU had been established due to the lockdown regulations. Further a commitment to support 300 000 smallholder farmers with skills, infrastructure, financial and non-financial support to increase productivity, 50 000 Ha of land will be under cultivation in traditional areas. The department has supported smallholder farmers by allocating18 687 hectares of land to smallholder producers. About 9 853 hectares of these hectares of land were allocated to 3 young women. The land claims settled benefited 1 401 households and 9 694 people of which 571 were from female headed households and 2 were people with disabilities. All were supported with post settlement support.

Land as economic infrastructure for agricultural production has the MTSF 2019- 2024 of 150 000 ha. For the period under review, 13116,14 hectares of degraded land were rehabilitated for production in all nine provinces. Land in traditional areas that is planned to be cultivated by 2024 is 50 000 in terms of agrarian transformation strategy as agreed between the President and the National House of Traditional Leaders, so far 19 043 ha has been cultivated. This will ensure that underutilized land in communal areas is optimally utilized. To assist farmers, deal with climate change by 2024, 100 000 ha should be migrated to Climate Smart Agriculture or Conservation Agriculture, for the period under review 25 000 ha migrated to Climate Smart Agriculture, this will ensure that water is conserved, less chemical is used to control weeds as mulching will be present to suppress weeds and crop pests breeding will be disrupted due to crop rotations.

Agricultural economic infrastructure (**irrigation technology, on farm mechanization, and resource conservation management**) facilities 71 were supported including provision of 20 land reform projects with secure water rights for the purposes of irrigation of agricultural products. The total amount of water use allocated to the projects is 1 171 699 m^3/a (One million, one hundred and seventy-one thousand, six hundred and ninety-nine cubic metre per annum). This amount is made out the allocation from 4 properties broken down to 200 000 m^3/a; 540 000 m^3/a; 430 000 m^3/a; and 1 699 m^3/a. Further, 16 properties for grazing of livestock which is not considered in quantities. Water use is approved in terms of Schedule 1 of the National Water Act, 36 of 1998.

Fisheries, in South Africa between 90% and 95% of the small-scale fishers' catch is for local consumption. With support from the fisheries unit of the department, in collaboration with key strategic players, the fishing sector contributed more than R3 billion to the country's GDP last year. This translates to more than 15 000 jobs.

The fisheries sector is an important element of the Operation Phakisa Oceans Economy strategy and the battle against poverty and inequality. As part of achieving this,15-year fishing rights were issued to 20 co-operatives representing more than 1 500 small-scale fishers at KwaZakhele in Port Elizabeth, in the Eastern Cape, during the reporting period.

The small-scale fishing sector will directly benefit more than 30 000 people from the coastal communities in the Northern Cape, the Western Cape, the Eastern Cape and KwaZulu-Natal. The fishing industry comes from a painful history of neglect. Even after South Africa ushered in a new democratic dispensation in 1994, the wheels of transformation have been grinding slowly for the industry. Compounding the situation is the climate crisis, a global phenomenon that has led to an unprecedented dwindling of marine stock.

Small-scale fishers, through their cooperatives, are allocated solid fishing rights and access a number of support programmes in partnership with provincial governments and the private sector. The department has been visiting the coastal fishing communities to issue certificates to registered cooperatives and allocate renewable fishing rights of 15 years. The department initiated a programme to train researchers, recruit students at tertiary institutions and encourage them to take up careers in the industry.

6.2.4 Improve competitiveness through ICT adoption

South Africa ranks 48 out of 63 countries in the IMD World Digital Competitiveness Ranking for 2019. Although the DCDT has developed a draft Data and Cloud Policy to ensure reduction of data and eradication of skewed price settings by dominant players, delays were experienced in securing timeous stakeholder input. A departmental task team has been established to expedite the project. The DCDT has compiled a report on 5G Spectrum in response to Minister' s policy directive and the concept document on the market access for local IP and innovation by SMMEs, which will inform the revision of the ICT SMME Development Strategy. ICASA issued an Information Memorandum for public consultation on the licensing process for International Mobile Telecommunications ("IMT") Spectrum in anticipation of high demand spectrum release earmarked for December 2020, which has now been shifted to the first quarter of 2021. Current population coverage is 99.9 % on 3G and 80% on 4G and 854 government facilities were connected and monitored, while the SA Connect Feasibility Study to facilitate broadband connectivity to remaining government facilities is currently underway. The department has had engagements with SITA and DPSA to align the implementation of e-Govt roadmap in which e-Services portal is one of the deliverables. In this regard, the DCDT has drafted the e-Services portal concept document as well as governance structure for the implementation, which details the mechanism of monitoring and reporting of uploading of e-Services on National e-Services Portal.

The implementation of the re-invigorated industrial strategy requires that the whole of government approach, and that all levers of industrial policy be deployed. This include increased investment in Research and Development (R&D). It is common cause that R&D drives productivity growth through technological innovation, and ultimately enhance economic growth. The target on Gross Expenditure on R&D (GERD) for 2019-2024 MTSF is 1.1%. GERD as a percentage of the country's gross domestic product (GDP), an indicator of R&D intensity, remained relatively unchanged, moving from 0.82% of GDP in 2016/17 to 0.83% in 2017/18, according to the latest National Research and Experimental Development Survey. Uneven progress at firm, industry and country level is partly explained in terms of differences in technological capabilities. There is evidence that more developed countries generally have higher national R&D intensity.

6.2.5 Competitive and accessible markets

The South African economy has high levels of concentration, which creates barriers to economic expansion, inclusion and participation. This is a huge challenge particularly for small businesses, the reduction of market concentration and monopolies is key for the expansion of small business sector. There has been some notable progress with regards to government's commitment to support and facilitate the increase in the number of competitive SMMEs and Cooperatives in South Africa:

(a) The Township and Rural Entrepreneurship Programme was approved by Cabinet in March 2020 to anchor the programmes geared towards providing support to opportunities for self-employment and job creation at economic entry level whilst improving the circulation of money in township and rural areas. Some of the informal sector programmes launched during this period include the Clothing & Textiles Support Programme; Bakeries & Confectioneries Support Programme; Spaza Shop Support Programme; and Automotive Aftermarket Support Programme. About 1 497 SMMEs were approved for funding under the SMME Debt Relief Fund. Of these, 33% are women owned, and 21% owned by young people.

(b) A National SMME Database has been developed to ensure that all active enterprises in the country are registered in order to access government support and services. By end of the reporting period, approximately 195 000 SMMEs across all sectors of the economy had registered and most of them have applied for different support programmes offered by government.

(c) A One-Stop Model (also called Co-location) has been adopted and approved in order to integrate and provide seamless services to SMMEs and Cooperatives. This will bring services intended for business development and support by various entities under one roof, which is aimed to lead to an ideal One Stop Shop. A number of Co-location points have been established in various municipalities under Seda offices.

(d) With regards to the development and adoption of the localisation policy paper on SMMEs, DSBD has decided to develop a Localisation Programme to expedite support initiatives for SMMEs. The programme is expected to drive the integration of SMMEs and Co-operatives into the various value chains. A draft discussion paper has been developed through a desk-top research conducted by the Department and critical stakeholders already identified for the development of the programme and the policy for localisation. The stakeholders include National Treasury, IDC, Manufacturing Circle, CSIR, DTIC and the World Trade Organisation.

(e) SMME development through incubation centres and digital hubs is among the scores of interventions identified to support small businesses. To this end, 6 digital hubs in townships and rural areas were established and are currently concluding their respective procurement processes with construction/ refurbishment work having commenced. These are Botshabelo Digital Hub; Limpopo Digital Hub; Mpumalanga Digital Hub; KwaMashu Digital Hub; Alexandra Digital Hub and Mafikeng Digital Hub. This is part of the DDM model for economic development. The Mpumalanga Digital Hub will be launched in the 3rd quarter but have started with its first cohort call and community engagements. The KwaMashu Digital Hub is operational although refurbishment of the hub is still in progress. The remaining 4 hubs are in different phases of site gearing. It is expected that 5 out of the 6 hubs will be operational in the 4th quarter of the 2020/21 financial year. Currently none of the 6 new hubs have reported performance numbers.

Following the release of the Data Services Inquiry by the Competition Commission, the Commission reached agreements with major players in the telecommunications sector such as MTN, Cell C, Telkom and Vodacom regarding data price reductions, the structure of data pricing, and zero-rating for educational materials and essential government services and websites. Data cost reduction of up to 30% secured. Further, the Draft Guidelines for

Competition in the South African Automotive Aftermarket Industry were published for comments in the first quarter of the year. The is meant to transform the automotive aftermarket and encourage competition through greater participation of small businesses, including historically disadvantaged groups. This include entry into the dealership market, promoting inclusive and fair allocation of repair work by insurers and in-warranty service and maintenance work, and access to OEM-training and technical information by independent service providers.

6.2.6 Economic Infrastructure Development

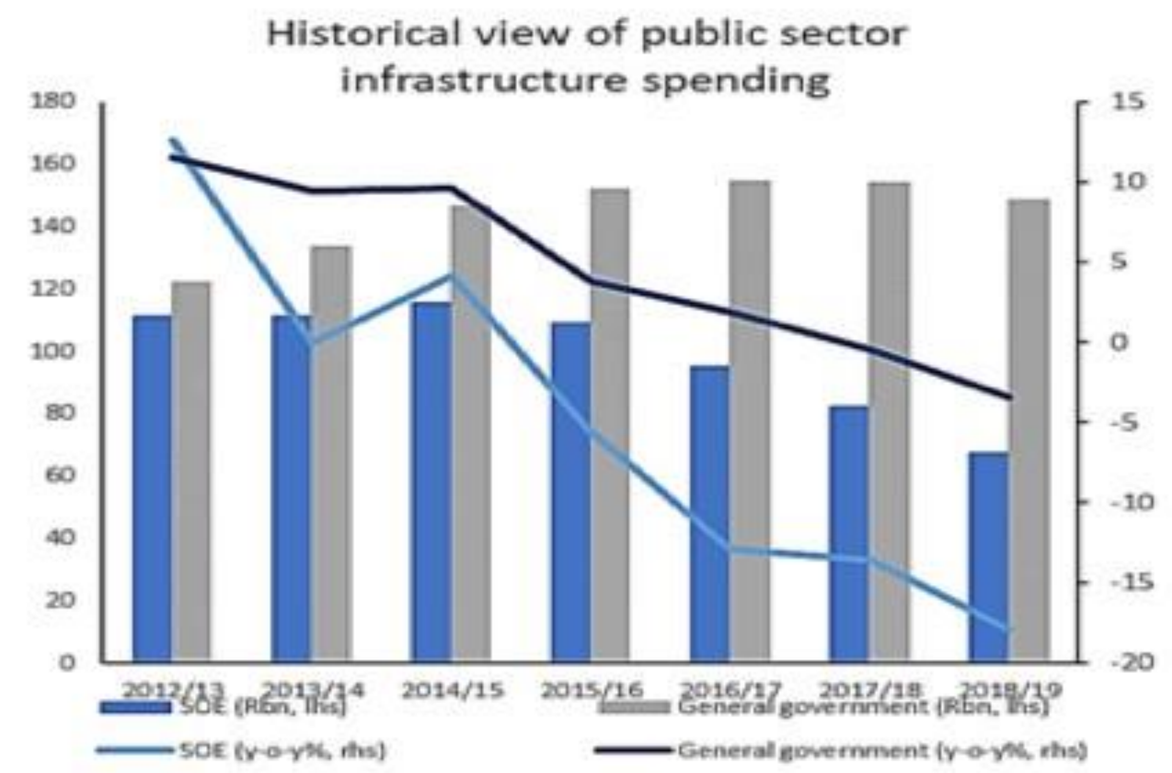
6.2.6.1 Improve the Quality and Quantum of Investment to Support Growth and Job Creation

According to the National Treasury 2020 Budget Review, the public sector spent R3.2 trillion on infrastructure between 1998/99 and 2018/19 (Figure 6). Investment by general government (GG) was down 0.8% and State Owned Enterprises (SOEs) down by 4.9% on average between 2014 and 2019. SOEs have reduced their spending over the past few years as most struggled to access capital markets to finance infrastructure programmes. Public-sector infrastructure spending over the medium-term expenditure framework (MTEF) period is estimated at R815 billion with the SOEs

Public-sector infrastructure investment plans for transport and logistics total R308.3 billion over the medium term. This accounts for 37.8% of total infrastructure expenditure during this period.

Recently, the Infrastructure Development Fund Memorandum of Agreement was signed by relevant parties including Infrastructure South Africa (ISA) in the Department of Public Works and Infrastructure (DPWI); the National Treasury and the Development Bank of Southern African (DBSA). The signing of the Infrastructure Fund MoA signifies a significant milestone in bringing together the key stakeholders to create a financing facility for blended infrastructure projects. Through the Infrastructure Development Fund, Government will provide support for co-financing of projects and programmes that blend public and private resources. Currently provision has been made for R100 billion over 10 years, with R10 billion funding in the current MTEF baseline. DPWI also indicated in their quarter 1 reporting that the Minister has gazetted "Strategic Integrated Infrastructure projects" –SIPs projects.

Figure 6: Historical view of public sector infrastructure spending



Source: DPWI- South Africa's infrastructure investment plan June 2020

However, there is a need for further improvement of institutional coordination while capacity to prepare and implement projects needs further strengthening amongst the signatories. The foregoing includes clear definition of roles and responsibilities of various institutions in the project cycle from preparation to post implementation. This also entails improving the efficiency and quality of spending, cost and availability of infrastructure services provided to users. This requires focusing on the efficiency of critical role-players that deliver these services and leveraging the private sector when possible.

6.2.6.2 Supply of energy secured

Progress has been reported on the outcome of securing energy supply per the MTSF and SONA commitment, which includes measures to implement the approved Integrated Resource Plan (2019) and other interventions towards improving energy availability factor to ensure constant supply of electricity to 80% in 2024.

While an additional 1 000 MW is required to augment Eskom capacity by 2024, no progress on this target has been reported by the DMRE. Further, despite indication from the DMRE that plans are afoot to table the Gas Amendment Bill, which prioritises infrastructure investment by, amongst others, constructing infrastructure to import liquefied natural gas and increasing exploration to find domestic feedstock to diversify the energy mix and reduce carbon emissions, in pursuit of diversification of energy sources from a baseline of 5.9% to 11% in 2024, no specific time frame has been set.

The DMRE, which plans to develop the (long overdue plan-2015 was the deadline) Gas Master Plan 2020 in this financial year, is also trying to strengthen regional cooperation to develop a regional gas market and participating in the Regional Gas Master Plan development spearheaded by SADC. In terms of the Integrated Energy Plan, the DMRE has established a technical working group to guide strategy and plan for liquid fuels and the development of the LNG import-export facilities across various ports of the country, including Richards Bay, Saldanha Bay and Port of Ngqura. Additionally, the Shale Gas research project in the Karoo, undertaken by the Council for Geoscience (CGS) and PASA, is expected to move towards ultra-deep drilling of a vertical boreholes during the third quarter of the 2020/21 f/y and targeting completion at the end of the 2021/22 financial year, all to ensure realisation of energy security and diversification objective.

A total of 84.7% of households were connected to the main electricity supply during the previous MTSF period. Regarding grid connections to households as per the National Electrification Plan (NEP), 38 000 households were connected to the electricity grid in Q1 and Q2 of the f/y, and a further 7 000 households non-grid connections will be undertaken in Q3 and Q4 of 2020/21. Considering the target is to increase electricity access to 1.075 million more households over the MTSF period, this progress is quite slow and could significantly undershoot the 215 000 households to have been connected each year.

Maintenance of electricity networks will be undertaken by NERSA, in accordance with Cabinet approved recommendations, by the end of 2020. A Section 34 determination for 2 000 MW and a RFP for 2 000 MW was released in August 2020. Further, available information reveals that NERSA has concurred with the Section 34 determinations for coal, gas, renewable, energy and storage, which decision was made known during the course of September 2020. One of the 2020 SoNA commitments required the National Energy Regulator to continue to register small scale distributed generation for own use of under 1 megawatt (MW), for which no licence is required. Accordingly, the DMRE has gazetted the amended schedule 2 of the Energy Regulation Act exempting certain categories of power plants under 1MW from a requirement to hold a licence. The IRP2019 provides for distributed generation for own use above 1 MW, removing the requirement for Ministerial approval for deviation from the IRP.

Regarding the separation and unbundling of Eskom to eliminate cross-subsidisation and improve efficiencies, the DMRE reports that it continues to provide the necessary support to the DPE. There is good progress in the execution of Eskom Roadmap to ensure Eskom achieves functional separation of the divisions with the Divisional Boards being appointed on the 1st April 2020 to improve accountability, transparency and performance.

Within those entities, the creation of the transmission entity is critical to support third party access to the grid, which will foster the development of a competitive market and encourage the use of diverse sources of energy. The division is expected to be completed by August 2022, followed by full legal unbundling. The criticality of development of a project monitoring plan to ensure that these important milestones are met cannot be over-emphasised.

Progress relating to Energy Availability Factor (EAF) as at 31 May 2020, was at 68% and Eskom is currently implementing Generation Recovery Plan to improve plant performance. However, some delays have been experienced in the delivery of the Power Build Programme, with projections of commercialising the last unit of Medupi (Unit1) by the end of 2020/21 financial year while 50% of Kusile power station (3 units) will be in commercial operation by 31 March 2021. Two units have been synchronized to the national grid and currently in the process of being commercialised by the end of March 2021. Units 4 to 6 limited construction activities were disrupted by the national lockdown and this might have a negative impact on construction schedule of these units.

The afore-stated contribute to energy supply challenges leading to power outages that have a profound negative impact on investment attraction and economic growth. In its submission to the Standing Committee on Appropriations (SCOA), Eskom asserts that power outages in July and August 2020 resulted from higher levels of unplanned losses throughout the generation fleet.

Strengthening competition in power generation aimed at development of a more competitive and decentralized generation market with new public and private generators and independent power producers (IPPs) that sell directly to larger customers as well as private sector-driven small-scale generation, mostly from renewables could greatly assist the country to achieve a significantly higher energy availability factor towards the required 80%, improve the power supply situation and significantly reduce power outages and their impact on the economy. The afore-stated would support implementation of the Government's Integrated Resource Plan (IRP) 2019-2030.

Also, the DMRE is on track to complete the feasibility study on a new oil refinery by March 2021 as planned. Further, as part of the Nuclear New Build Programme, the DMRE has drafted a framework to aid in procuring 2 500 MW of nuclear energy by 2024. The National Nuclear Regulator Amendment Bill and the Radioactive Waste Management Fund Bill have been published for public comment while a National Radioactive Waste Disposal Institute (NRWDI) has been established to implement the centralised interim facility for sustainable management of radioactive waste.

The DMRE continues to monitor progress of the Koeberg Nuclear Power Plant life extension. In terms of the MTSF a New Multi-Purpose reactor must be procured by 2024. In May 2020, the Project Initiation Report for Multipurpose Reactor Project was approved by NECSA Board in pursuit of the 2024 target for the procurement of the Multi-purpose reactor. Also, the Upstream Petroleum Resources Development Bill that was published for public comment on 24 December 2019 has been tabled in Parliament this financial year. In the July 2020 Budget Vote, the DMRE emphasised the criticality of public private partnerships in the implementation of the energy infrastructure projects.

6.2.6.3 Increased access to affordable and reliable transport systems

Regarding the establishment of the Single Transport Economic Regulator (STER), the Department of Transport introduced the Economic Regulation of Transport (ERT) Bill to parliament for approval of the Bill for public consultations. The Transport Minister highlighted in the Budget Vote Speech of 2020/21 that once the Bill is approved, a process to prepare the Ports Regulator for integration into the Transport Economic Regulator will then begin. The Bill proposes the establishment of the Transport Economic Regulator and the Transport Economic Council. The Bill will be applicable to the aviation, marine, rail and road transport sectors.

South Africa's potential to fully utilize its geographical position to become an important regional transport and logistic hub is hampered by various factors including sector inefficiencies that increase the cost of transport along the logistics value chain and hinder the country's competitiveness. Consequently, the importance of a Single Transport Economic Regulator in improving the country's competitiveness in terms of pricing and improved service quality in the freight rail and port system cannot be overemphasized.

A target on the upgrading, refurbishing and maintenance of +- 20 000km of road network by SANRAL has increased to 22 253 km during the 1st quarter. On the target of 10% set to transfer road freight to rail by 2024, guidelines for rail access regime have now been drafted. Regarding the implementation of Private Sector Participation framework this year, a discussion document for Rail Private Sector Participation has been developed during the first quarter.

The DoT has not made progress on the development of a strategy for the implementation of the user pay principle and is still awaiting Cabinet's determination on GFIP option analysis conducted.

The findings of an impact assessment study to establish the potential implications of TNPA corporatisation, which was commissioned by the DPE and completed in March 2020 revealed that corporatisation will have consequences for TNPA, Transnet and its operating divisions. These were shared with Transnet, National Treasury, Department of Transport (DoT) and Department of Monitoring and Evaluation (DPME) for inputs, which are currently being consolidated. However, the risk of missing the target December 2020 deadline for the corporatisation of TNPA remains high.

The delay in the corporatisation of the TNPA will mean that transparency issues, potential introduction of private partners in terminal and freight rail operation as well as addressing the sub-optimal operational efficiencies as identified in the World Bank's diagnostics report on ports will remain. These inefficiencies tend to increase the costs along the logistics value chain and hinder the country's competitiveness.

6.3 Major challenges and blockages affecting implementation of the interventions identified in the MTSF, including the impact of Covid-19 on the planned interventions by the sector.

6.3.1 It is important to underscore that Covid-19 found an economy that was already extremely fragile. Growth constraints such as inefficiencies particularly in the network industries is well documented, and efforts to address these challenges were already underway before the breakout of Covid-19. Covid-19 necessitated reprioritsation of funds from planned interventions to respond effectively to the pandemic.

6.3.2 The tourism sector, one of the hardest hit sectors, did not achieve its targets of increasing international tourist arrivals, and increasing tourism's contribution to jobs and GDP. Impact of the pandemic on the industrial sector as a whole affected the implementation of the re-imagined industrial strategy in earnest. The small business sector did not escape unscathed, and the need for financial support from government is greater than the available resources.

6.3.3 The impact of Covid-19 exposed the fact that many South Africans lack access to the internet and digital devices that would enable them to work remotely due to high data prices, poor implementation of e-learning programme and high prices of smartphones; which have resulted in inadvertent socio-economic exclusion of the poor majority of South Africans from accessing services during the pandemic. The foregoing is more profound in the education sector where mainly private schools and some previously advantaged higher education institutions continued with teaching and learning virtually while mostly public schooling and poorer higher education institutions continue to struggle owing to resource constraints and inability of students to access same due to affordability challenges.

6.3.4 Covid-19 has accentuated the digital divide between the rich and poor, as well as the rural/urban populations as the less affluent continued to be struggle as they had to congregate in certain public spaces to access some of these services using free Wi-Fi thus exposing themselves to potential infection.

6.3.5 The findings of an impact assessment study to establish the potential implications of TNPA corporatization, which was commissioned by the DPE and completed in March 2020 revealed that corporatization will have consequences on TNPA, Transnet and its operating divisions. However, while the stakeholders continue to consolidate their inputs, the risk of missing the targeted December 2020 deadline for the corporatization of TNPA remains high.

6.3.6 The installation of the Beit-bridge Border Fence at a cost of R40.4m as a result of the irregular application of the emergency procurement process has brought to the fore issues of corruption and poor planning in the DPWI. The project was characterised by high costs, amounting to about R1.1 million per kilometer and shoddy work that did not serve intended purposes as contraband smugglers breached it within a day after its construction.

6.3.7 In the mining sector, the pandemic affected the broader outcome of growth in investment and job creation as exploration, production and sales plummeted. Additionally, impacts on the number of monitoring and enforcement compliance inspections conducted as well as growth and revenues are likely to be felt throughout the minerals-energy complex. Lastly, the budget cuts implemented by National Treasury will impact on various projects, particularly, electrification projects.

6.3.8 The pandemic impacted negatively on the transport sector inflicting significant losses across the board (public and private alike) as all transport operations (aviation, rail, road transport) ground to a halt resulting in significant delays in planned capital infrastructure projects and related expenditure. Road Infrastructure projects were also impacted by the Covid-19 pandemic. This affected most SOEs as revenue generation dried up. The foregoing had a profound impact on implementation and delivery timelines of all projects and denied the unemployed the employment opportunities that could have resulted from the implementation of these infrastructure projects.

6.4 Cross-cutting issues that have a contribution to major challenges and blockages affecting the sector's implementation of the interventions identified in the MTSF.

6.4.1 Lack of economic regulators across the economic infrastructure sectors, particularly transport, and poor capacity, continue to inhibit competition, economic sustainability and growth. While Infrastructure South Africa and other initiatives are being put in place in order to strengthen coordination, a culture of non-implementation continues to constrict the ability of the country to realise the desired end state.

6.4.2 Although the Presidential Infrastructure Coordinating Council (PICC) was established to improve coordination, this has not led to significantly improved coordination and faster implementation of infrastructure projects across South Africa, due to poor alignment between various departments, provincial governments, local municipalities and state entities.

6.4.3 Government has also failed to optimise the use of private public partnerships to attract private sector investment into key infrastructure projects through well-structured initiatives.

6.4.4 Failure to implement the Operation Phakisa Lab outcomes by various sector departments, particularly, the DMRE and DALRRD as required by the MTSF, has cost the country dearly in terms of investment attraction, economic growth, job creation and transformation.

6.4.5 The above is due to lack of accountability and consequence management and the continued failure of the Operation Phakisa Ministerial Management Committee to meet to resolve identified bottlenecks.

6.4.6 Since some departments have not reported according to the monitoring framework, omitting important sections of the framework, it remains therefore unclear if the department is facing any challenges in their implementation (DPWI, DMRE etc) and how best to resolve same.

6.4.7 The delays in the completion of Eskom Build Projects has impacted negatively in the economy of the country.

6.5 Actions needed to address major constraints and challenges to achieve the MTSF targets.

6.5.1 The Covid-19 response measures have proven that it is possible for the departments to work across cluster boundaries, but coordinated to derive the highest precision in the implementation of the Covid-19 response measures. Covid-19 also naturally forced government departments to prioritise their plans in pursuit of common objectives in the face of the exposed higher levels of inequalities and shortcomings in addressing them.

6.5.2 All government agencies should report through their shareholder departments and their activities should be directly related to the MTSF to contribute to the realisation of national objectives. The standardisation of indicators across government must be prioritised.

6.5.3 While the DCDT would like to have the target -South Africa will be the cheapest in Africa by 2024 and South Africa will be in the top 10 in Africa for the price of 1G data pricing by 2024- to be revised, arguing that this is a moving target as competitors do same, that does not invalidate the need to make these services accessible to the poor majority. Continued socio-economic exclusion of the masses is unjustifiable and should not be sustained when the rest of the world is moving towards virtual reality in most aspects including communication, learning, e-commerce and working.

6.5.4 Expedite the finalisation of ICASA Board appointments and ensure the release of high demand spectrum by the target date. This will promote transformation and competition resulting in lower prices while enriching the lives of South Africans.

6.5.5 Direct all lead departments to implement the Operation Phakisa Lab outcomes as required by the MTSF to ensure the realisation of the related investment, jobs and GDP growth targets.

6.5.6 Operation Phakisa MINMANCOs should be resuscitated and meet regularly to monitor implementation progress and resolve bottlenecks as required by the methodology. Failure to implement Operation Phakisa Lab outcomes must be dealt with harshly and expeditiously to help realise their job and investment targets.

6.5.7 Departments need to put some time and effort in their reporting in order to properly clarify on all the issues as per the reporting guidelines. DPWI needs also to report on the progress of the Beit Bridge project because that priority project has put the spotlight not only on the department but the whole country in terms of corruption and looting.

6.5.8 The DPE should develop a monitoring plan with stringent timelines to monitor the establishment of Eskom's independent generation and transmission company as well as the implementation of the build projects to eliminate the possibility of any further delays.

6.5.9 The DPE, which has proposed a strategy to mitigate the risk of not delivering on the MTSF target of corporatizing TNPA by December 2020, should submit a monitoring plan with stringent timelines to DPME and all stakeholders to ensure the target is achieved this financial year. Corporatisation of the TNPA will improve efficiencies and competitiveness of SA ports as well as increase investments.

6.5.10 The current economic environment in general and fiscal position in particular will likely be worsened by the impact of Covid-19. Therefore, a more concerted effort by both the public and private sector is needed to stabilise the economy and create a conducive environment for growth and job opportunities. The 'whole of government' approach in dealing with these issues must be embedded in all initiatives.

6.5.11 The immediate intervention by government is to reprioritize resources towards measures that are urgently required to stabilise and support the sectors of the economy that have the potential to rebound quickly but the resilience to innovate and to breakout beyond our borders. However, this does not necessary mean that government should fully abandon its own current priorities. The interventions in the current MTSF emanate from the 25-year Review, which was a robust process. There is greater alignment between the MTSF and the various economy recovery plans proposed by non-state actors.

6.5.12 Beyond creating a conducive policy environment for small businesses to thrive by creating blended favourable financing arrangements, and facilitate access to markets, the use of public procurement to effect change in this sector will only work if government lead by example and pay suppliers on time.

6.5.13 The process of enacting the Public Procurement Bill must be expedited in order to unlock the transformative opportunities it brings in terms of efficiencies, localisation and inclusivity, but also useful in terms of curbing corruption.

6.5.14 Process of development of national priority masterplans as part of the re-imagined industrial strategy must be expedited where progress is slow, whether or not as a result of Covid-19. These must also be accompanied by an M&E framework. Relevant departments through relevant clusters must appraise Cabinet on the implementation process. Because of the volume of Master Plans being developed, a great deal of coordination and a sense of urgency is required.

6.5.15 High level government delegations must randomly visit strategic economic regions to get first hand assessment of the performance. This appeared to work during Covid-19.

6.5.16 Ensure that funds resources for public employment initiatives are secured beyond 2020/21 financial year as the economy will likely take some time to create employment on a sustainable basis. This will have positive spinoffs in terms of alleviating hunger, but also bolstering domestic demand and fostering skills development.

6.6 Implication of this to the review of the MTSF and optimizing how government operates

6.6.1 The deteriorating fiscal environment means that the country will have to do much more with much less. This has had a direct impact on the ability of government to implement all the initiatives and realise the outcomes and impacts as initially envisaged in the 2019-2024 MTSF. In the medium term focus must be on those projects that will yield the highest returns in terms of employment, growth and investment.

6.6.2 The tourism industry has been completely decimated, and its ability to create jobs in the short term severely compromised. The R200 million Tourism Relief Fund has supported over an estimated 23 000 jobs in the sector. With 65% of the international tourism arrivals down 65%, the Tourism Recovery Plan (TRP) will have to be implemented as soon as possible to claw back some the share of its contribution to the economy. The TRP comprise of three strategic themes that are considered central to South Africa's recovery, namely protecting and rejuvenating supply, re-igniting demand and strengthening enabling capability, to be implemented over 3 phases. The MTSF tourism related targets may need to be reviewed in light of the current environment.

6.6.3 The SMME sector bore the brunt of the Covid-19 pandemic as the government implemented the nation-wide lockdown to curb the spread of the virus. The economic mediation measures that have been put in place must be strengthened to ensure inclusivity. The number of small businesses supported may need to be reviewed. On industrialisation and manufacturing, Covid-19 presented opportunities for upscaling localisation, and growing exports particularly in the continent. The health economy presents positive spinoffs in terms of manufacture of ventilators, PPE and medicine. As the country and the economy adapt to the new normal, this must include the greater participation of women, youth and people with physical disabilities.

6.6.4 The risk of not meeting the MTSF target of TNPA corporatisation by December 2020, confirmed by the DPE, is likely to further delay various issues including improvements in productivity and infrastructure spending, investment attraction into ports system as well as dealing with possible conflicts of interests, transparency, accountability and regulation harshly and expeditiously. A confluence of the foregoing and the Covid-19 related delays in capital infrastructure projects could significantly impact or postpone further the realisation of this target.

6.6.5 While persistent delays in the completion of Eskom Build Projects continue to constrain the potential of the country's economy, the achievement of this outcome remains unlikely unless project implementation is closely monitored and any failures dealt with expeditiously.

6.6.6 Regarding outcome on Investing in accelerated inclusive growth- 6 % investment attracted in the South African mining cluster by 2020; increase in the number of direct jobs created as per investment, from zero in 2016 to 5 % in 2020- this target may not be achieved unless the failure by DMRE and DALRRD to implement the Operation Phakisa Mining and Rural Economy Labs outcomes attract the requisite consequences to ensure accountability.

6.6.7 Due to Covid-19, the DCDT encountered challenges in broadband connections. The pace with regard to the implementation of the Broadcasting Digital Migration (BDM) is still very slow taking into consideration that the country is behind schedule since the 2015 international deadline. It is highly unlikely that the new deadline of 2021 will be met since the programme is still experiencing challenges unless decisive action is taken to resolve the bottlenecks.

7. Recommendations

7.1 DSBD to lead the the process of determining and designating on an incremental basis 1 000 locally manufactured products that must be procured locally to support small businesses.

7.2 Departments and entities responsible for implementing the Covid-19 relief measures must ensure that the recommendations of the Auditor General are fully implemented.

7.3 Energy insecurity and rising cost of electricity is a major constraint to growth in South Africa, and reform in this sector must be of the highest priority. Further, SOE reform must be expedited in order to build confidence in the economy in terms of capability of the state, which will increase investment and support growth.

7.4 Auctioning of high demand spectrum must be prioritised, and no further delays should be permitted.

7.5 DHET and DHA work together to urgently finalise the Critical Skills List and gazette the regulations in terms of the Immigration Act.

7.6 All departments must report on the MTSF transversal targets relating to the empowerment of women, youth and people with physical disabilities.

7.7 Operation Phakisa Ministerial Management Committee should be resuscitated and meet regularly to resolve identified challenges, ensure implementation of Operation Phakisa Lab Outcomes by relevant departments and deal expeditiously with any failure to implement same.

7.8 Efficient coordination of programmes for high impact delivery of MTSF and NDP objectives must be prioritized. A major shift of focus from activities and outputs to more interventions, outcomes and impact must be made a core of different government departments' MTSF reporting.

BI-ANNUAL PROGRESS REPORT ON THE MTSF

APRIL TO SEPTEMBER 2020

PRIORITIY 2:
ECONOMIC
TRANSFORMATION AND
JOB CREATION