



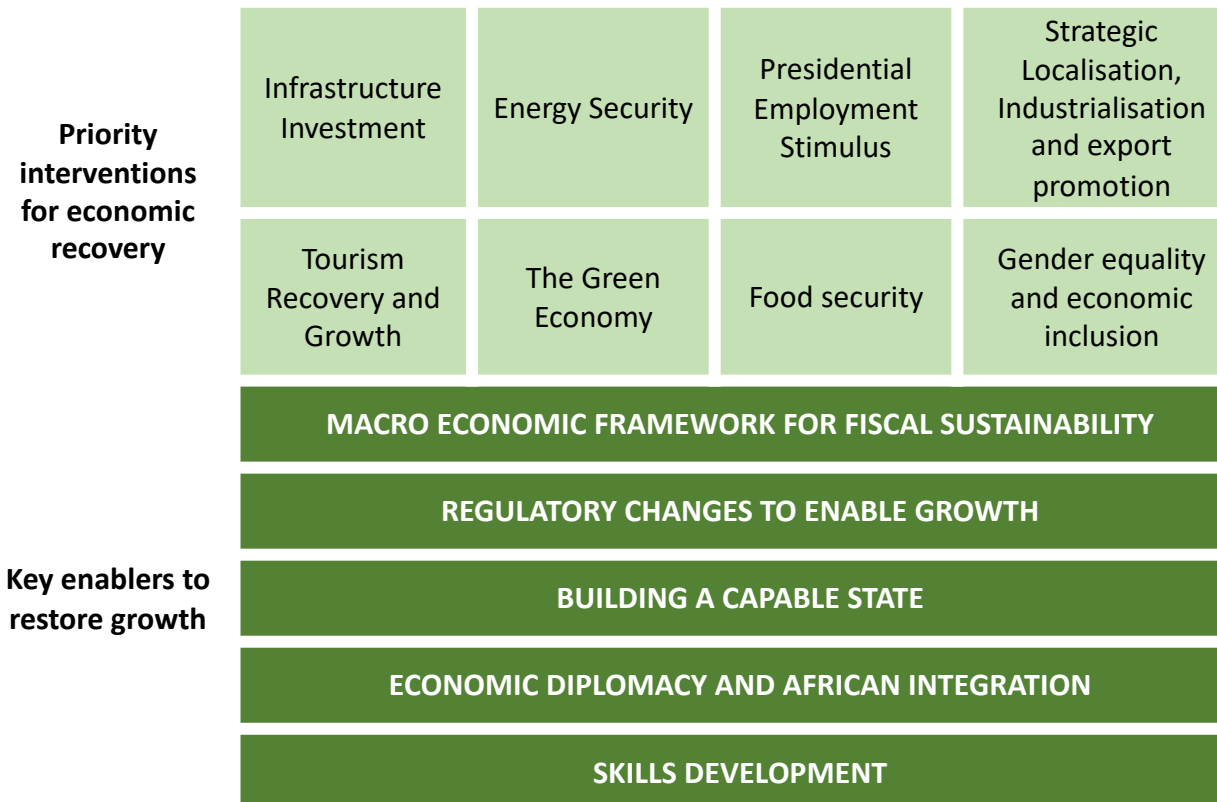
Economic Reconstruction & Recovery Plan Progress Report

PRESENTATION OUTLINE

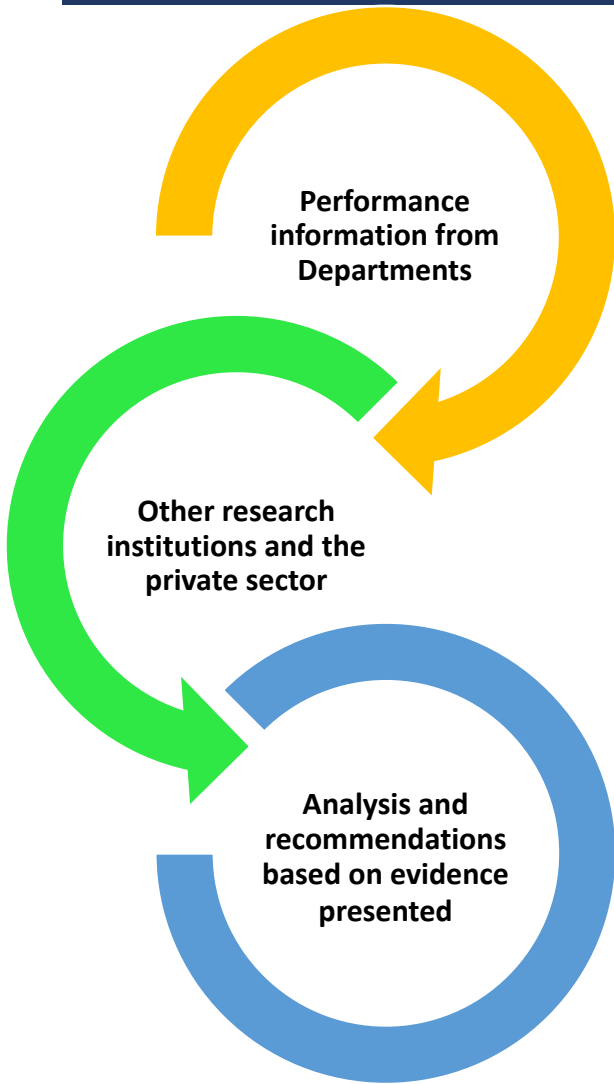
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1. INTRODUCTION AND BACKGROUND

- The South African economy has experienced economic stagnation which has put a strain in the effort to tackle the historical structural economic challenges of inequalities, unemployment and poverty.
- COVID exacerbated the social and economic situation. Therefore, the ERRP was developed, in the short term, to preserve lives through supporting livelihoods, distressed firms and financial systems, health care.
- In the long term the ERRP focuses on economic recovery and reconstruction to be implemented by government and social partners to stimulate equitable and inclusive growth.



2. REPORTING ON INTERVENTIONS



- The ERRP is a collaborative initiative from the Government and Social Partners, but this report does not include social partner's inputs.
- The report focuses on 8 pillars implemented by various government departments.
- In compiling the report, private and public sources of information, including StatsSA, are used.
- The reporting is cumulative from November 2020 up to the end of June 2022.

7. STATE OF THE ECONOMY

- The Russia/Ukraine conflict (and subsequent sanctions) have renewed the surge in global inflation, weighing on global demand.
- Higher inflation is eroding purchasing power, leading to higher interest rates, discouraging and delaying investment and hiring.
- Fuel prices have increased dramatically, primarily on the back of increasing oil prices due to a resurgence in global demand and the Russian conflict with Ukraine
- This has been compounded by a surge in gas prices, resulting from European countries switching from gas to alternative energy sources, such as oil and coal for power generation.
- China's economy has also slowed, owing to the impact of COVID-19 restrictions and the weakening property market.
- Lower global growth means lower external demand threatening the pace of economic growth in South Africa.
- Commodity prices have been very supportive of South Africa's recovery, tax revenue and external account. However this support is proving to be only temporary.
- The decline in prices of commodity is not supportive for SA's economic growth, as well as for tax revenues.
- Growth in first half of 2022 is mixed as a result of strong real GDP outcome in 1Q2022 but due to shocks in 2Q2022 (the KZN flooding, load shedding and rising inflation) real gross domestic product (GDP) decreased by 0,7%.
- Despite a modest improvement thus far in 2022, the official unemployment rate is still very high.
- Unemployment rates remain worse for women (35.5%) compared to men (32.6%), black Africans (37.8%) and for youth aged 15-24 years (61.4%).
- Electricity supply remains constrained and unreliable

4. PROGRESS UPDATE ON THE ERRP INTERVENTIONS

4.1 MACRO-ECONOMIC INTERVENTIONS AND ENABLERS OF GROWTH

Reform Progress

RAG status	
Reform completed	
Some challenges/delays in implementation	
Critical challenges in implementation	

Actions	Status	Actions	Status
Raise licensing threshold for embedded generation		Establish an independent economic regulator for water	
Enable municipalities to procure power from independent power producers		Finalise the revised raw water pricing strategy	
Restructuring of Eskom		Establish a National Water Resource Infrastructure Agency	
Address institutional inefficiencies in municipal electricity distribution		Address institutional inefficiencies in municipal water distribution	
Complete spectrum auction		Corporatise the Transnet National Ports Authority (TNPA)	
Complete migration from analogue to digital signal		Improve efficiency of ports	
Finalise Rapid Deployment Policy and Policy Direction		Establish Transport Economic Regulator through Economic Regulation of Transport Bill	
Streamline process for wayleave approvals		Finalise the White Paper on National Rail Policy	
Improve water-use license application process		Implement third-party access to freight rail network	
Preparation for Nuclear Built Programme		Publish revised Critical Skills List	
Price and Market Regulatory changes to increase usage of LPG		Review policy framework and processes for work visas	
Bioenergy Regulations		Expand visa waivers and explore visa recognition system	
Develop Partnership for LNG Import to unlock investment and value		Implement e-Visa system in fourteen countries, including China, India, Kenya and Nigeria	

4.2 ENERGY SECURITY

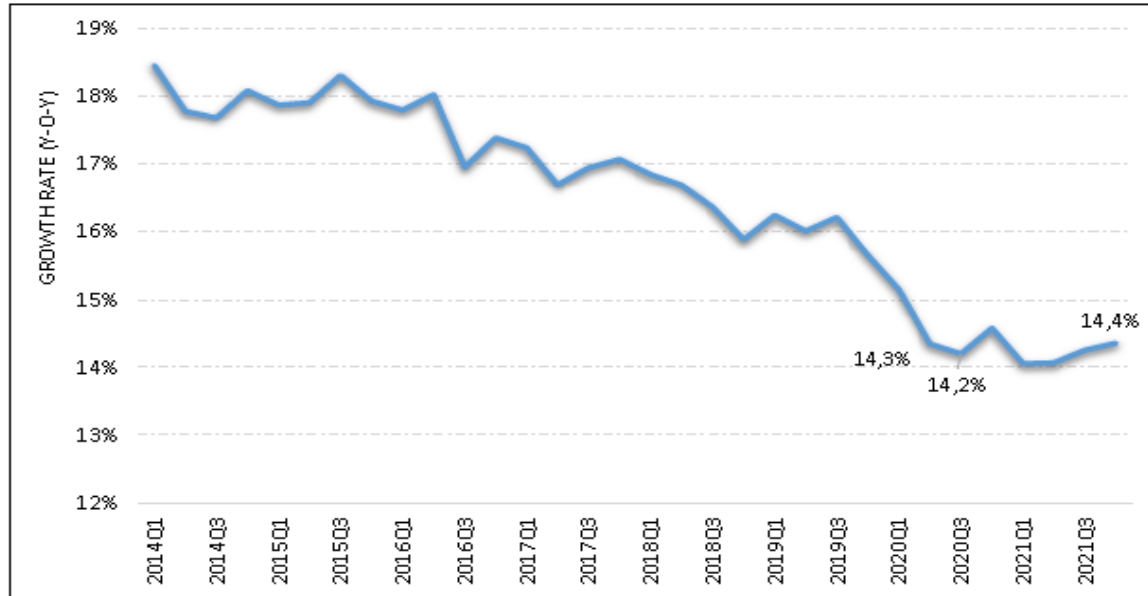
Binding Constraints

- Eskom plant performance has continued to deteriorate which implies increased risk of frequent and higher stages of load shedding.
- Additional capacity procurement delays due to:
 - Permitting/Regulatory approval delays.
 - Procurements process and environmental authorisations
- Legal challenges
- Sabotage, Theft and vandalism of energy infrastructure
- Global supply chain challenges



4.3 INFRASTRUCTURE : STRATEGIC INTEGRATED PROJECTS OVERVIEW

Real Gross Fixed Capital Formation as Percentage of real GDP, Constant 2015 Prices, 2014Q1–2021Q4

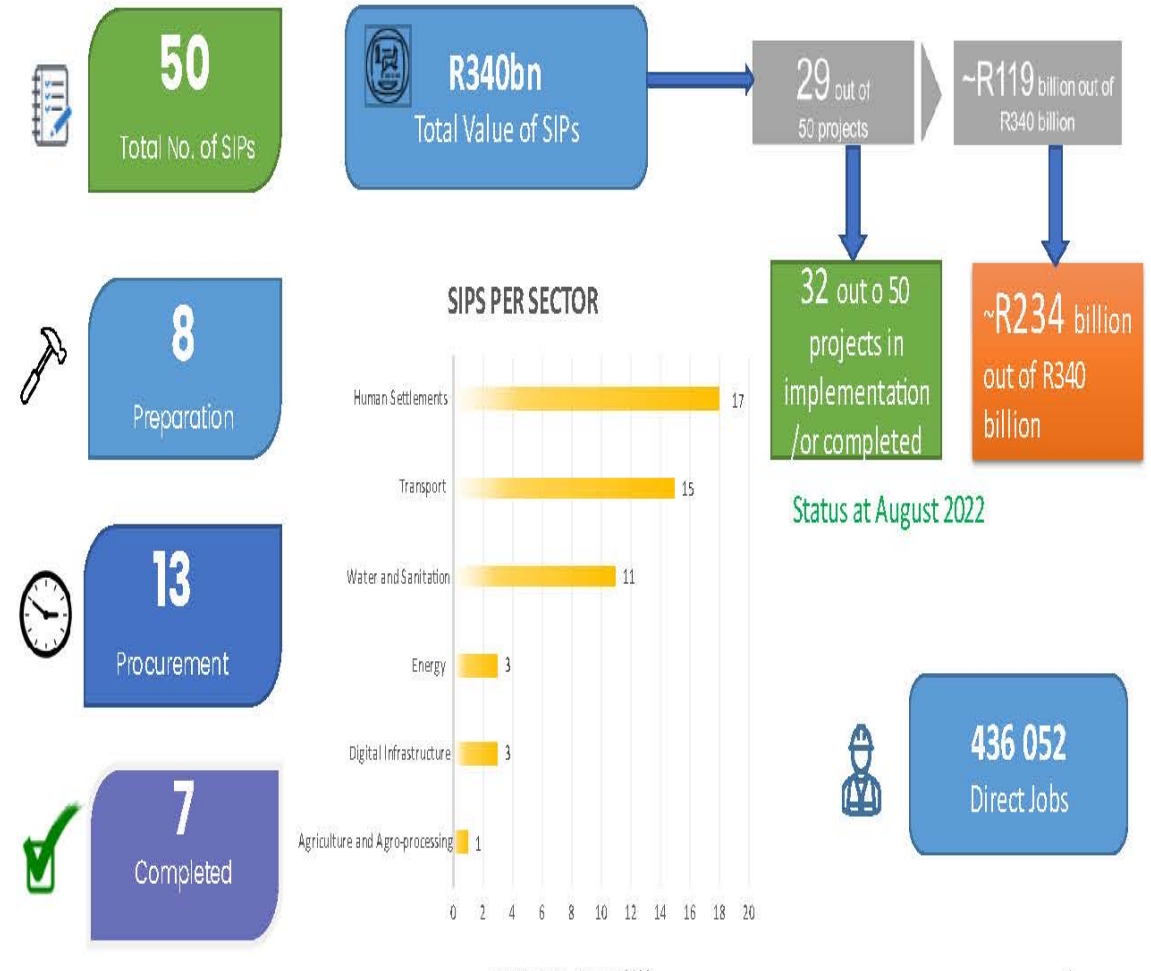


Source: Statistics South Africa

Binding constraints-

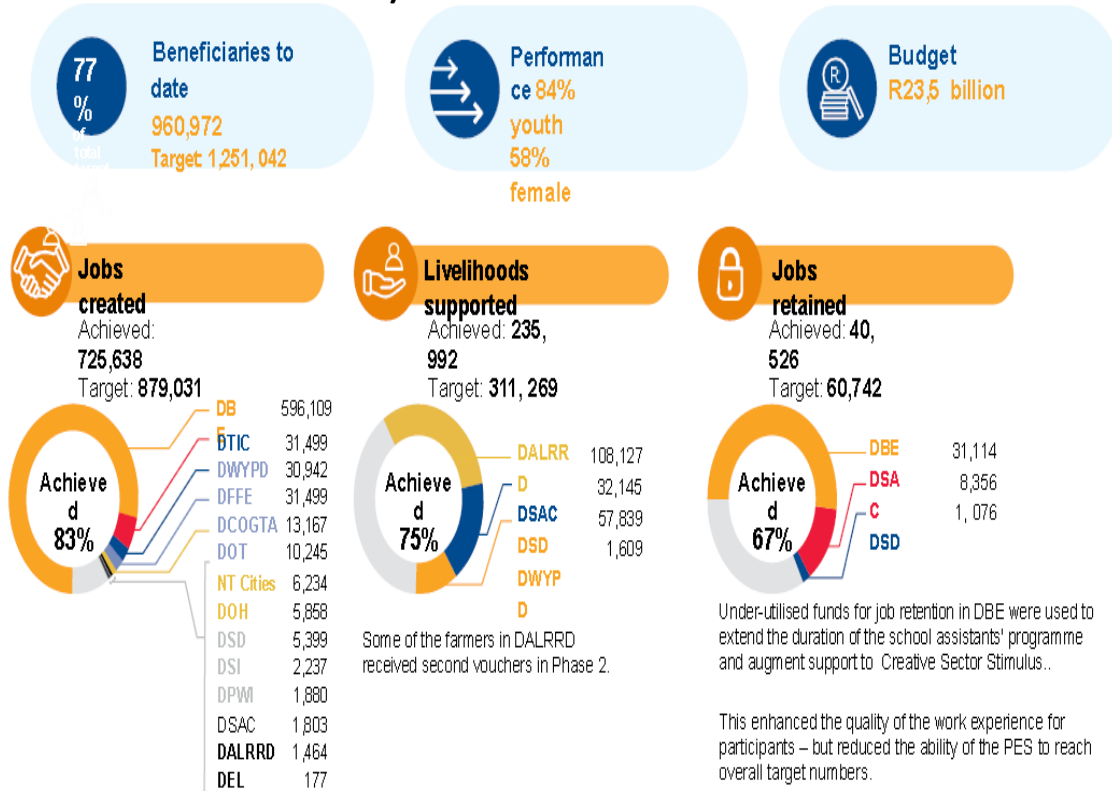
- Nonpayment of services
- Permitting/Regulatory delays
- Lack of projects implementations
- Construction mafia
- Corruption, Theft and vandalism of infrastructure

Status



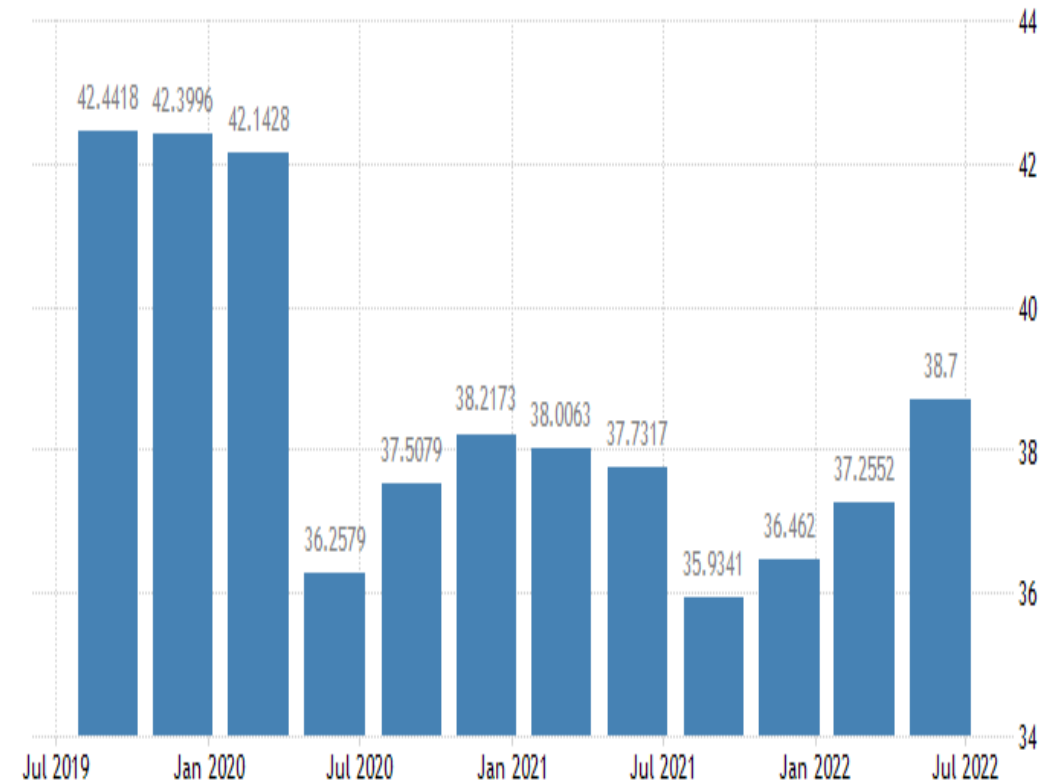
4.4 PUBLIC EMPLOYMENT

Presidential Employment Stimulus Against Targets (November 2020 – June 2022 – Phase 1 + 2)



Binding constraints

- Low investor confidence
- Regulatory limitations
- Global economic and political factors
- Limited progress on infrastructure projects



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South African Employment Rate (Second Quarter of 2022)

4.5 INDUSTRIALISATION AND GROWTH - IMPLEMENTATION OF MASTER PLANS

Interventions

- Renewed support to grow SA businesses through industrialisation, localisation and export promotion, helping SA businesses to thrive and expand.
- Reduce the proportion of imported intermediate and finished-goods; Improve the efficiency of local producers; and
- Develop export competitive sectors that can expand the sales of South African-made products on the continent and beyond.
- These objectives will be achieved through a combination of import replacement, African and regional trade, and active investment promotion.
- As of 2022, R546.1m was disbursed to support 58 SMMEs, which created 3211 jobs. In addition, R423.4m was disbursed to 56 SMMEs.
- To promote localization, the department supported 291 products, now listed in the market & 2,944 businesses registered at the SheTrades ZA Hub.

Binding Constraints

- Impact of masterplans yet to be felt & implementation must be complemented by structural reforms.
- Procurement delays remain a major concern.
- Lack of Policy alignment & complementarity in the energy, fiscal, industrial & environmental policy space.

Status update of the implementation of industry Master Plans

Completed and under implementation	8 Master Plans (Retail-CTFL; Poultry; Sugar; Automotive; Furniture; Steel, Tourism (TSRP); Forestry)
Completed, not yet implemented	Digital Economy, Aerospace and Defence
Still under development	Plastic; Gas; Renewable Energy; Minerals and Beneficiation; Agriculture and Agro-processing; Creative Industries; Oceans Economy; Cannabis+ Hemp; Global Business Services (GBS); Healthcare Products; Water Industry; National Integrated Small Enterprise Development (NISED)
No Progress	None

Investment Commitment and Jobs Created



4.6 GREEN ECONOMY

Interventions

- Green economy scope to include catalytic linkages with other sectors to cover projects in agriculture, manufacturing, green hydrogen liquid fuel cells and electric vehicles

Status

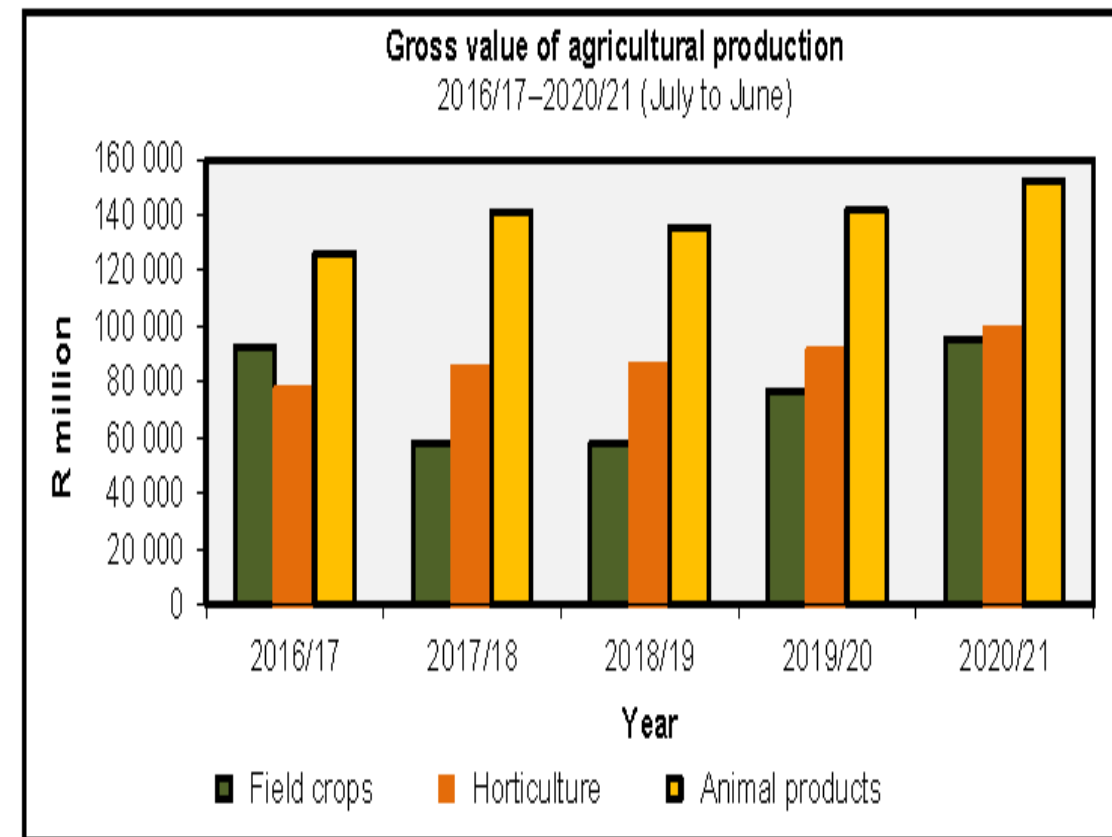
OUTCOME	PROGRESS	SIGNIFICATNT PROGRESS. NO INTERVENTION REQUIRED	SIGNIFICATNT PROGRESS. NO INTERVENTION REQUIRED	SATISFACTORY PROGRESS	SIGNIFICATNT PROGRESS. NO INTERVENTION REQUIRED
		30% WASTE DIVERTED FROM LANDFILL SITES BY THE END OF 2023/24	WASTE PICKER INTEGRATION AND REVITALIZATION OF BUY-BACK CENTERS	SUPPORT FOR SMMEs AND COOPERATIVES IN THE GREEN ECONOMY	NUMBER OF BIODIVERSITY ECONOMY INITIATIVES IMPLEMENTED
		<ul style="list-style-type: none"> The % waste diversion for Extended Producer Responsibility (EPR) schemes will be reported from Q2, post 31 August 2022. In the interim, 1 025 Producer Responsibility Organisations (PROs) and Producers, of which 29 are PROs have been registered that are currently implementing EPR schemes for Paper & Packaging, e-Waste; Lighting Waste. 3% of Ash waste generated has been beneficiated and diverted. 	<ul style="list-style-type: none"> 2 Buyback Centres to be Constructed (1 x GP, 1 x KZN) 2 Buyback Centres to be Renovated (FS) <p>It is anticipated that the projects will commence with construction and renovation in Quarter 3 2022, and be completed the by end of the 2022/23 financial year. A maximum of 20 permanent jobs to be created per each buy back centre. Service Provider will conduct training on existing cooperatives to operate the buyback centres.</p>	<ul style="list-style-type: none"> 13,034 Work Opportunities created in the natural resources management portfolio (including working for water; working for wetlands; working on fire, forestry and working for the coast). It includes environmental protection and biodiversity infrastructure projects. women = 6 256 (48%) Youth = 8 247 (63%) 	<p>19 Traditional Authorities from Limpopo and Eastern Cape, would be engaged on a programme to identify traditional knowledge for indigenous species, mass cultivation and harvesting and collection of indigenous species.</p> <p>A total of 2451 work opportunities would be created over a six months period. ~ 50% women and youth</p>



4.7 AGRICULTURE AND FOOD SECURITY

Status

- Agriculture production volume, productivity and income increased from 2019/20 – 2020/21.
- A total of 37414 out of 300 000 SHF supported by first quarter of 2022/23.
- 5000 extension service and 678 Assistant Agricultural Practitioners (AAPs) were employed about Women: 438 , Youth: 619 and People living with disability: 4
- The number of people employed in agricultural sector increased by 6.6% in the first quarter of 2022, from 792 000 people in the first quarter of 2021 to 844 000 people in the same quarter of 2022. Off the 52 000 jobs created, 31 000 and 21 000 jobs were created for males and females respectively between the two quarters. During the same period in total, the agricultural sector has 249 000 females and 595 000 males compared to 228 000 females and 564 000 males.



Source: Department of Agriculture, Land Reform and Rural Development



4.8 REVIVING THE TOURISM SECTOR

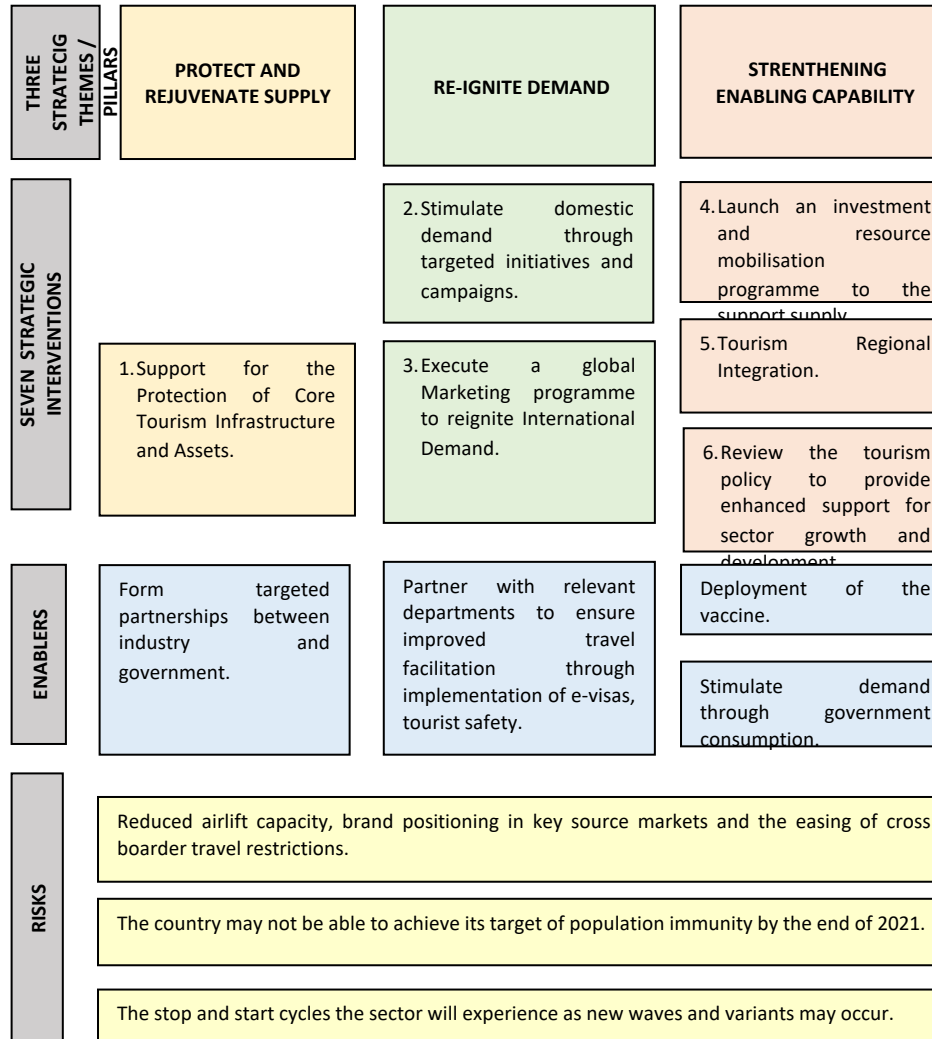
ERRP

- Tourism is one of the 8 areas covered in the ERRP

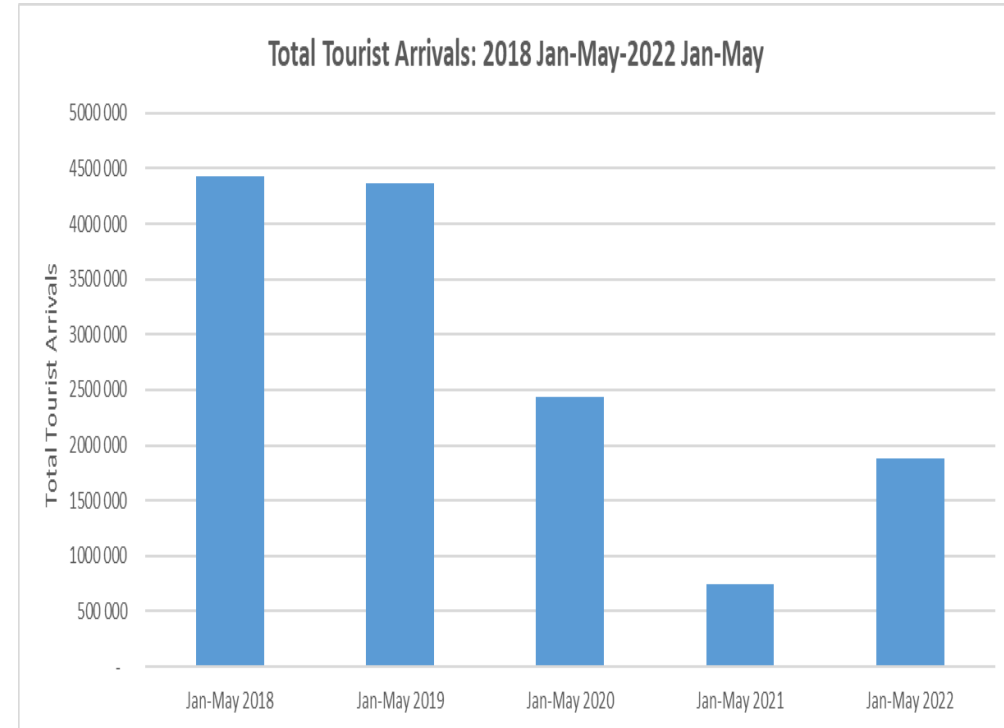
TSRP

- 3 Strategic Themes/Pillars
 - Re-Igniting Demand,
 - Rejuvenating Supply and
 - Strengthening Enabling Capability
- 7 Strategic Interventions

These interventions and enablers will facilitate the preservation of R 189 billion of value, help the sector to recover to its 2019 output and employment levels by 2023, as well as position the sector for long-term sustainable growth, reducing the impact of the COVID -19 pandemic on employment by 125 000 jobs



Total Tourist Arrivals: Jan-May 2018 - Jan-May 2022



	Jan-May 2018	Jan-May 2019	Jan-May 2020	Jan-May 2021	Jan-May 2022
Tourist Arrivals	4 431 165	4 360 643	2 429 177	747 535	1 886 196
Difference		- 62 522	- 931 466	- 1 681 642	1 138 661
% Growth		-1,4%	-44,3%	-69,2%	152,3%



5. OVERALL ERRP PERFORMANCE

The ERRP Achievements

- Phase 1 of the ERRP Programme to serve distressed households, firms and massive healthcare response was achieved.
- Energy security measure to increase generation capacity have been implemented – SSE generation increased to 100MW, 5000 MW pipeline projects from industry with NERSA registered 626 SSEG with a generation.
- IRP Bid Window 5, 25 preferred bidders with generation capacity of 2583 MW announced and projects commercial closure set for 2025. RMIPPPP emergency procurement preferred bidders announced with a generation capacity of 1996MW.
- IRP Bid Window 6 procurement commenced and request for proposal issued to procure 2600MW.
- Transmission company established.
- Koeberg life extension project commenced.
- Localisation and productive economy 9 Master plans completed and under full implementation.
- 2 Masterplans completed and awaiting approval.
- 8 Masterplans are being developed in consultation with various stakeholders

THE ERRP ACHIEVEMENTS

- Approximately 80BN has been invested in 6 of the masterplans.
- Localisation in some products has commenced in automotive industry, retail-CTFL, Poultry and Steel.
- The Presidential Employment Stimulus Programme benefitted 960 972 beneficiaries of which 84% are youth and 58% female.
- 726 638(83% of target) jobs were created, and 235 92 (75% of target) livelihoods supported, and 40526 (67% of target) jobs retained.
- Infrastructure that meets the NDP goals, 50 SIPS were identified, 8 are in preparation, 13 in procurement, 7 completed and 32 under implementation valued at 340BN and out of which 234 BN is being invested and created 436 052 direct jobs (cumulative).
- Agriculture production volume, productivity and income increased from 2019/20 – 2020/21.
- Small holder farmer support programme initiated with 39228 farmers supported.
- 5053 hectares of agricultural land rehabilitated.
- 678 assistant agricultural practitioners employed of which 438 are women, 619 are youth and 4 people living with disabilities.
- Employment in agricultural sector increased by 6% in Q1 of 2022.
- Total tourism international arrivals increased by 162% in first quarter of 2022 compared to first quarter of 2021.

7. FURTHER ENABLING INTERVENTIONS

- Accelerate social infrastructure development and delivery by unlocking catalytic fund projects for bulk infrastructure which stimulate private sector investment by increasing investment in infrastructure projects:
 - Prioritise and provide adequate funding to cover project preparation costs- prefeasibility and feasibility studies
 - Support skills development for to support ERRP project implementation – project management skills
 - protection of infrastructure from vandalism and theft
 - Review regulatory and permitting delays, particularly delays in licensing, EIA, Water and land rights approvals to create an enabling environment
- Industrialisation and Localisation programme to focus
 - Enhance economic diplomacy to increase export market share in Africa and globally
 - Increase green industrialisation by investing in electric vehicle, green hydrogen commercialisation strategy, battery storage technologies, Solar and Wind local content framework
 - Finalise and implement Mineral Beneficiation strategy to support green industrialisation.
 - Focus on transformation through support of SMMEs, small-scale farmers and small-scale miners especially from historically disadvantaged communities
 - Remove micro-enterprises which operate best in the informal sector out of the Small Business regime to remove the red tape
 - Develop a National Strategy for Micro-enterprise which will include the development of microfinance Act.
 - Focus on structural changes of the economy to deconcentrate and stimulate growth and create an inclusive economy
 - Review the number of Master plans under development, to streamline and prioritise impactful plans that meet the strategic objectives of the ERRP.
- National Treasury to provide adequate funding for ERRP projects
- ESIEID and JCPS Clusters to collaborate on security strategies to combat corruption, theft and vandalization of infrastructure
- Provincial, local government and social partners to collaborate on the implementation of ERRP and reporting thereof

7. CONCLUSIONS

- The ERRP is a collaborative initiative between Government and Social Partners
- Government has made good progress in implementing what was agreed however the full impact of the implementation can only materialise if all the social partners play their role
- Although on aggregate, the economy has recovered to pre-pandemic levels pandemic scars linger in many sub-sectors such as Mining, Manufacturing, Construction, Trade, and Transport sectors whose performance are still below pre-pandemic levels.
- The growth outlook is more uncertain now as a result of global and domestic factors.
- Growth in the second half of 2022 is likely to be weighed down by structural constraints and high inflation.
 - Constraints to growth include energy supply shortages, a weak business climate, constraints to logistics, and high levels of unemployment.
- Prolonged Russia-Ukraine conflict could keep inflation elevated for longer, weighing on global demand
- Social partners need to strengthen their partnership and coordinate their efforts so that the implementation of the recovery can have the desired impact

THANK YOU