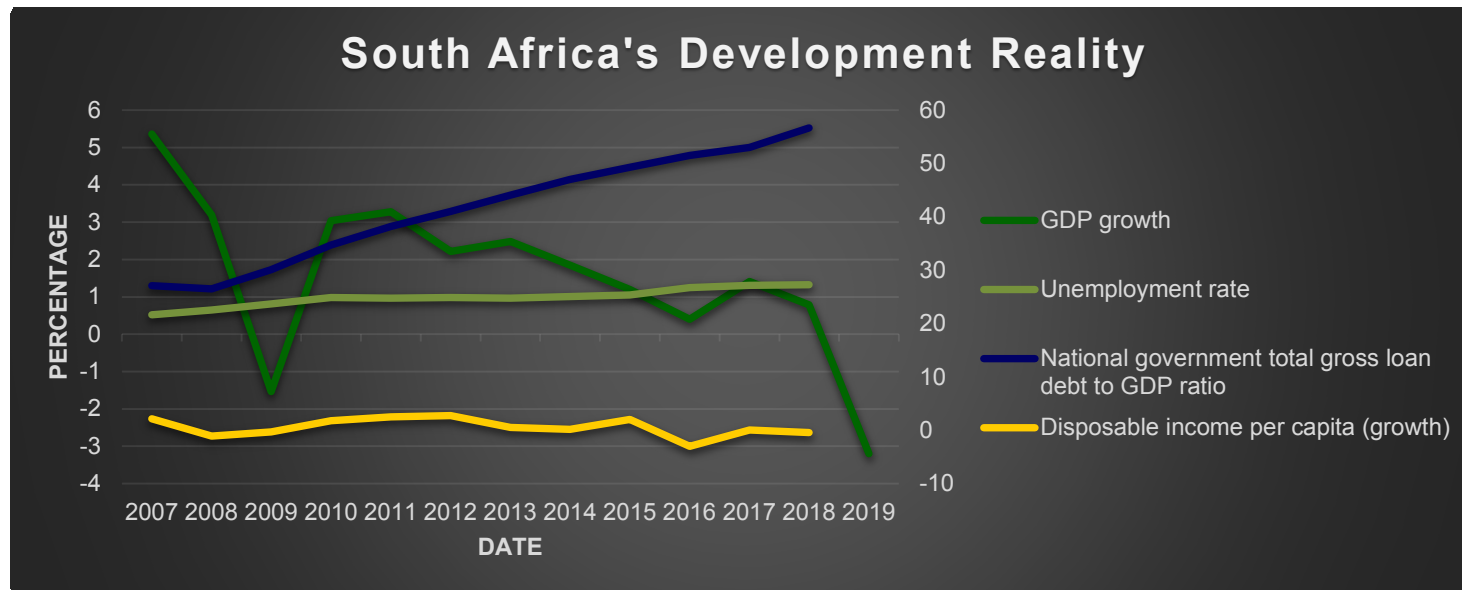


Overcoming development Barriers in South Africa

Charlotte Du Toit

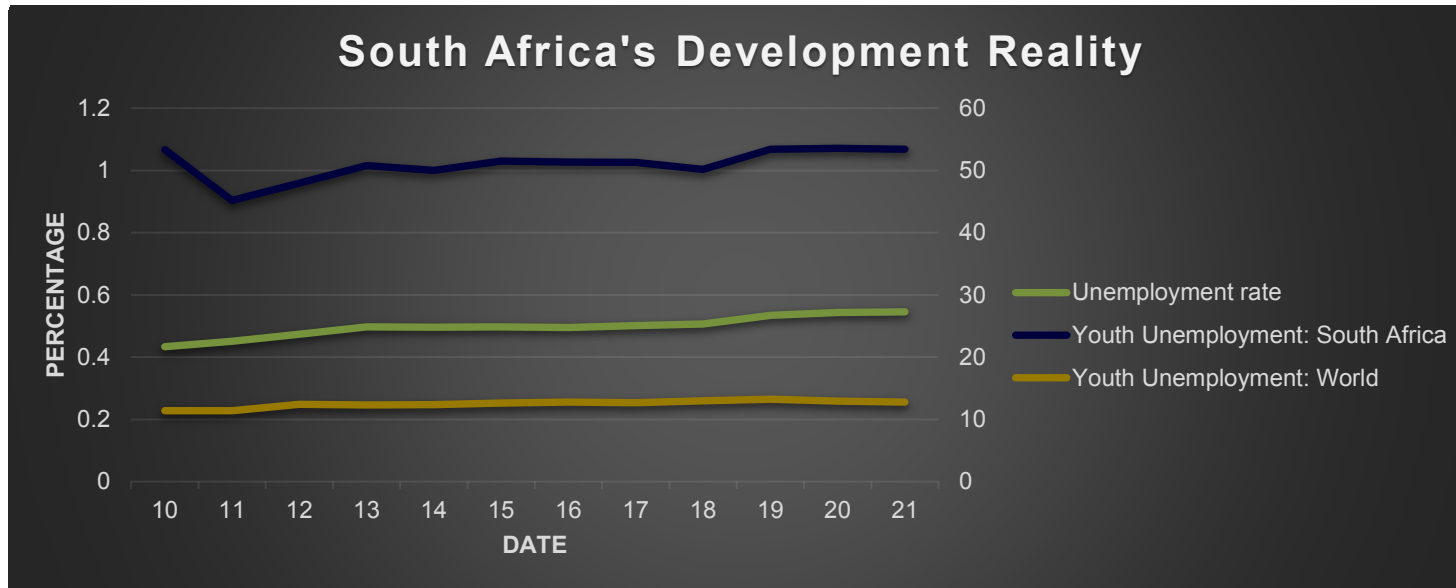
Development reality in South Africa



FACTS

- Weak growth (-3.2% Q1:2019)
 - Supply-side constraints (electricity)
 - Second-wave risks: Global trade tensions
- High and rising unemployment
- Increasing government debt (SOEs)
- Policy uncertainty
 - Independence and mandate of the South African Reserve Bank
 - Mining
 - Expropriation of land without compensation

Development reality in South Africa (2)



FACTS

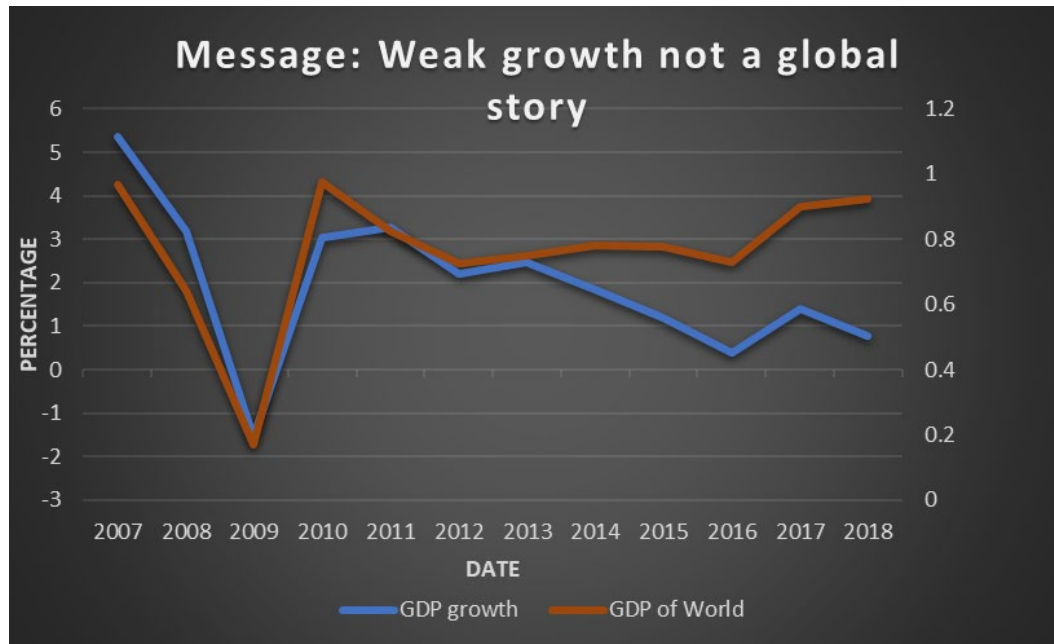
Structural unemployment

- Youth unemployment highest in the world (54%)
- Lack of quality education: only 37% of grade 10 learners complete and pass matric (grade 12)

High poverty: almost half of population in poverty

Most unequal country in the world: Gini (63)

Economic growth not primarily a weak global growth story



FACTS

Growth: Supply-side constraints

- Electricity shortages
 - Electricity price increases > inflation rate (9.4%)
 - Load shedding more severe impact on small business, manufacturing and mining
 - Overstaffed by 66%
 - Estimated cost of load shedding to country: R1bn per stage, per day (R30bn during February and March)
- Manufacturing -8.8% and Mining -10.8% (contributing 60% to GDP) slowdown)

Low business and consumer confidence: weak domestic investment and consumption

Development barriers

IN SUMMARY:

- Infrastructure backlogs
 - Electricity, water, sanitation
 - Housing
- State capture and corruption
- Structural unemployment:
 - Education and training
 - Rigid labour market regulation
- Policy uncertainty
 - Expropriation of land
 - SARB mandate
- Eroding confidence
 - 'Junk' status credit rating
 - Business and consumer confidence

Policy responses

- Reconfiguration and capacitating of state departments
 - Reduction from 39 to 32
 - Consolidation
 - Reintroduce an overarching economic policy coordination unit
 - Compulsory training
 - Increased disciplinary action against offenders
 - Key senior public sector appointments: SARS commissioner and National Prosecutor
- State capture and corruption
 - Commissions of enquiry: feed into legal justice system
- SOEs reconfiguration
 - Eskom: Establish 3 separate entities - Generation, Transmission and Distribution
- Stimulus packages
 - Infrastructure development fund; Public-private investment initiative
 - Municipalities: revamping industrial parks and rural areas
 - Raising FDI and domestic investment: Investment conference
 - Tourism (e-Visa system)
 - Free health services (NHI bill)
 - Youth employment
 - Employment tax incentive
 - Youth employment/placement service: internship-training program
 - Technical skills development: areas of installation, repair, maintenance
 - Agriculture: Support to small emerging farmers



Key risk: IMPLEMENTATION