

Statement by President Cyril Ramaphosa on economic stimulus and recovery plan

21 September 2018



Ministers,
Senior Officials,
Members of the Media,
Fellow South Africans,
Ladies and Gentlemen,

In the State of the Nation Address in February, we announced a range of measures that we would initiate to set the country on a new path of growth, employment and transformation.

Since then, we have taken decisive steps to rebuild investor confidence, end corruption and state capture, restore good governance at state owned enterprises and strengthen critical public institutions.

Yet, as is evident from the contraction of our economy in the first two quarters of the year, our economic difficulties are severe and will take an extraordinary effort – and some time – to overcome.

For several years our economy has not grown at the pace needed to create enough jobs or lift our people out of poverty.

Public finances have been constrained, limiting the ability of government to expand its investment in economic and social development.

In recent months, the structural weaknesses in our economy have been made worse by global factors such as a rising oil price, weakening sentiment towards emerging markets and deteriorating trade relations between the US and other major economies.

This has negatively affected South Africans.

It is in response to these factors, many of which are outside our control, that we are announcing today, following its adoption by Cabinet, an economic stimulus and recovery plan.

The stimulus and recovery plan we are outlining consists of a range of measures, both financial and non-financial, that will be implemented immediately to firstly ignite economic activity, secondly restore investor confidence, thirdly prevent further job losses and create new jobs, and fourthly to address some urgent challenges that affect the conditions faced by vulnerable groups among our people.

The measures we are announcing give priority to those areas of economic activity that will have the greatest impact on youth, women and small businesses.

The stimulus and recovery plan has four broad parts:

Firstly, implementation of growth enhancing economic reforms.

Secondly, reprioritisation of public spending to support job creation.

Thirdly, the establishment of an Infrastructure Fund.

Fourthly, addressing urgent and pressing matters in education and health.

Fifthly, investing in municipal social infrastructure improvement.

It is generally agreed that in order for our economy to grow at a rate that will lead to job creation on a meaningful scale, we need to significantly increase levels of investment.

We are decisively and rapidly accelerating the implementation of key economic reforms that will unlock greater investment in important growth sectors.

These reforms include immediate changes approved by Cabinet to South Africa's visa regime.

Within the next few months, amendments will be made to regulations on the travel of minors, the list of countries requiring visas to enter South Africa will be reviewed, an e-visas pilot will be implemented, and the visa requirements for highly skilled foreigners will be revised.

These measures have the potential to boost tourism and make business travel a lot more conducive.

Tourism continues to be a great job creator and through these measures we are confident that many more tourists will visit South Africa.

It is imperative that South Africa restores investment and exploration levels in the mining sector as mining and mineral beneficiation activities have significant potential to drive long term growth, exports and job growth.

Following extensive consultation that involved industry players, communities, labour and government, Cabinet approved the revised Mining Charter.

This will revitalise the mining industry and provide certainty to investors while charting a sustainable path towards a transformed and inclusive industry.

Parliament will be requested in terms of its Rules not to proceed with the Mineral and Petroleum Resources Development Act Amendment Bill, which has contributed to a lot of uncertainty in the sector.

Separate legislation for the regulation of the oil and gas industry will be drafted through the government's legislative process.

To reduce the cost of doing business, to boost exports and to make South African industry more competitive, government has begun a review of various administered prices, starting with electricity, port and rail tariffs.

Within the next few weeks, government will initiate the process for the allocation of high-demand radio spectrum to enable licensing.

This will unlock significant value in the telecommunications sector, increase competition, promote investment and reduce data costs.

Lower data costs will also provide relief for poor households and increase the overall competitiveness of the South African economy.

Other measures we will implement include expanding procurement from small business and cooperatives, as well as using trade measures – within WTO rules – to protect poultry and other sensitive sectors and a vigorous crackdown on illegal imports.

The central element of the economic stimulus and recovery plan is the reprioritisation of spending towards activities that have the greatest impact on economic growth, domestic demand and job creation, with a particular emphasis on township and rural economies, women and youth.

Our government has limited fiscal space to increase spending or borrowing, it is imperative that we make sure that the resources that we do have are used to the greatest effect.

The reprioritisation of spending we are outlining as part of this stimulus and recovery plan will take place within the current fiscal framework and in line with the normal budgetary process.

Re-prioritised funding will be directed towards investments in agriculture and economic activity in townships and rural areas.

Agriculture has massive potential for job creation in the immediate and long term.

The interventions we have identified will include a package of support measures for black commercial farmers so as to, increase their entry into food value chains through access to infrastructure like abattoirs and feedlots.

Blended finance will be mobilised from the Land Bank, Industrial Development Corporation and commercial banks.

The Land Bank is currently concluding transactions that will create employment opportunities in the agricultural sector over the next 3 to 5 years.

A significant portion of the funding will go towards export-oriented crops that are highly labour intensive.

Government will finalise the signing of 30 years leases to enable farmers to mobilise funding for agricultural development.

As part of the work to develop agriculture and ensure effective land reform, I have appointed an advisory panel on land reform that will guide the Inter-Ministerial Committee (IMC) on Land Reform chaired by Deputy President David Mabuza.

The 10-person panel is to advise government on the implementation of a fair and equitable land reform process that redresses the injustices of the past, increases agricultural output, promotes economic growth and protects food security.

Further details of the mandate and composition of the panel will be made available in a separate statement.

In the second instance, reprioritised funding will also be re-directed towards igniting economic activity in townships and rural areas.

We have prioritised the revitalisation of three regional and 26 township industrial parks as catalysts for broader economic and industrial development in townships and rural areas.

A township and rural entrepreneurship fund is being established to provide finance to either scale up existing projects or provide start-up capital for new projects.

In the third instance, we will also be re-directing resources towards addressing immediate challenges in health and education, which are critical to the health, wellbeing and productivity of our people.

Arising from the priorities identified at the meeting of the President's Coordinating Council earlier this week, additional funds will be directed to addressing the dire state of sanitation facilities in many public schools, ensuring the completion of 1,100 sanitation projects in the current financial year.

To address some of the shortages in our hospitals, funding is being made available immediately to buy beds and linen, while the Minister of Health and the National Health Council will immediately fill 2,200 critical medical posts, including nurses and interns.

In total, the plan will result in reprioritised expenditure and new project level funding of around R50 billion.

The Minister of Finance will provide more detail about the final amounts involved and the specific areas affected during the Medium Term Budget Policy Statement next month.

The stimulus and recovery plan prioritises infrastructure spending as a critical driver of economic activity.

Infrastructure expansion and maintenance has the potential to create jobs on a large scale, attract investment and lay a foundation for sustainable economic expansion.

With a view to unlocking the potential to create more jobs on a large scale we have decided to set up a South Africa Infrastructure Fund, which will fundamentally transform our approach to the rollout, building and implementation of infrastructure projects.

The lessons we learnt in the 2010 World Cup infrastructure rollout will stand us in good stead as we set out this fund.

The South Africa Infrastructure Fund will reduce the current fragmentation of infrastructure spend and ensure more efficient and effective use of resources.

The private sector will be invited to enter into meaningful partnerships with government in this fund.

The contribution from the fiscus towards the Infrastructure Fund over the medium-term expenditure framework period would be in excess of R400 billion, which we will use to leverage additional resources from developmental finance institutions, multilateral development banks, and private lenders and investors.

To ensure these funds are used effectively and that projects are completed on time and on budget, we are establishing a dedicated Infrastructure Execution Team in the Presidency that has extensive project management and engineering expertise to assist with project design and oversee implementation.

The team will identify and quantify 'shovel ready' public sector projects, such as roads and dams, and engage the private sector to manage delivery.

The role of the PICC will be strengthened to ensure improved coordination across the three spheres.

As part of the reprioritisation of spending, additional infrastructure funding will be directed towards provincial and national roads, human settlements, water infrastructure, schools, student accommodation and public transport.

In support of the stimulus efforts, the IDC will be targeting to increase its approvals to R20

billion over 12 months, an increase of 20% on the previous year.

This funding will target the productive sectors of the economy, including manufacturing, mining, industrial infrastructure and sectors in distress.

We also need short term municipal investments to address the challenges that our people face.

We have identified 57 priority pilot municipalities in order to unlock infrastructure spending in the short term.

This spending will cover, among other things, sewerage purification and reticulation, refuse sites, electricity reticulation and water reservoirs.

Cutting across all these measures are series of interventions to ensure that growth is labour intensive and that young people in particular are drawn into the labour market.

Some of these measures include the extension of the Employment Tax Incentive for a further 10 years, with a review after five years, greater support for public employment programmes, additional support for the clothing and textiles sector, and the use of funds from the Unemployment Insurance Fund to support labour activation programmes.

Igniting economic activity requires partnership and collaboration.

It must be a national effort in which all of us work together to restore our economy to growth in the immediate term and prepare the ground for sustainable, inclusive growth into our future.

We have held consultations with leaders from business and labour on this plan.

We are encouraged by the support they have pledged for the measures outlined and many have undertaken to provide resources and expertise to ensure its success.

We continue to draw on the guidance and support of bodies like the National Planning Commission, which will soon release its own guidance on focal areas to stimulate the economy, and Government will continue to coordinate its work with formations like the CEO Initiative.

We are certain that the measures we have outlined here will complement the deliberations at the forthcoming Jobs Summit.

We are certain that these interventions will help to put the economy on a far firmer footing as current investors and potential investors convene in Johannesburg for the Investment Conference at the end of October.

As South Africans, we have confronted challenges far greater than this before.

By working together, we managed to end a seemingly intractable conflict and set our country on the path to a peaceful transition to democracy.

Now, we have it within us to come together once more and forge a new path of growth, jobs and transformation.

We are confident that the four elements of our economic stimulus and recovery package will play a decisive role in reversing the recent contraction of the South African economy.

Together, we are taking bold and concrete measures to ensure a clear and sustained improvement in the lives of all South Africans.

I thank you.